

# Financial Literacy and Newcomers to Canada



This overview of financial literacy and newcomers to Canada is based on insights from practitioners and TD Financial Literacy Grant Fund recipients serving newcomers. Its purpose is to share knowledge on financial literacy needs of newcomers to Canada and how best to meet them.

Canada is home to approximately 6.8 million immigrants and a diverse population comprising over 200 ethnocultural groups.<sup>1</sup> Newcomers arrive through three main programs that offer them the opportunity to apply to become permanent residents:<sup>2</sup>

- **Economic class:** Approximately 63 per cent of newcomers to Canada are highly educated and skilled people looking for employment and training opportunities.
- **Family class:** Another 26 per cent of new immigrants are family members of immigrants that have arrived and settled in Canada previously.
- **Humanitarian:** About 11 per cent of newcomers are admitted to Canada as refugees or on other humanitarian or compassionate grounds.

**Immigration has played a key part in Canada's population growth and economic prosperity.** While earlier waves of immigration were largely from Europe, today's arrivals are more likely to come from Asia (Philippines, China, India, Republic of Korea), the Middle East (Iran, Pakistan), and the Americas (United States, Mexico). The United Kingdom and France also ranked among the top 10 source countries for permanent residents in the period 2012-2014.<sup>3</sup>

**The majority of newcomers tend to settle in Canada's largest urban centres.** However, the limited availability of affordable housing in these cities can make it hard to save and manage money effectively. As a result, an increasing number of newcomers encounter financial hardship at some point during settlement. Research has shown that 34 to 46 per cent of newcomers experience financial vulnerability (depending on their immigration category), with higher rates among more recent cohorts. Other research has found that, within the first 10 years of settlement and integration in Canada, around 65 per cent of newcomers experience periods of low income.<sup>4</sup>

**In their early years in Canada, newcomers have to make many complex decisions about their financial well-being** while still learning to navigate Canada's financial, legal, and tax systems. Some newcomers can easily navigate these new institutions and systems, but others face cultural, linguistic and other accessibility barriers as they try to access financial information, products, and services.

## WHAT ARE THE FINANCIAL LITERACY NEEDS OF NEWCOMERS TO CANADA?

**Newcomers to Canada are more highly educated and skilled than ever before, but it is taking them longer to achieve employment and income levels comparable to those of Canadian-born individuals with the same education and skills.**

This is due, in part, to barriers that prevent many newcomers from securing employment in their fields of expertise, resulting in their underemployment (where the skill level required for the job is below that of the worker).<sup>5</sup> Lack of foreign credential recognition and the privileging of Canadian work experience by many employers remain obstacles to the financial stability and integration of many newcomers.

**Many newcomers experience a language barrier when seeking employment and/or accessing financial information and services.** Some newcomers may be from countries that do not have comparable financial products and services and, therefore, do not have comparable words in their language to accurately translate Canadian financial terms and concepts. Even newcomers with sufficient language and literacy skills, like their Canadian born counterparts, may find it difficult to understand the technical language used in letters received from Canada Revenue Agency and financial institutions or used in contracts. Plain language and multi-lingual financial information and supports at key stages of the immigration process are important to reducing some of these barriers.


**Past experiences in their home country can also play a role in how some newcomers access financial products and services,** particularly if they were excluded from, or lacked trust in, mainstream financial services. These experiences can cause apprehension about the safety and reliability of financial products and services in Canada.

**Many newcomers have difficulty accessing credit in the first few years after their arrival because their credit history is not recognized in Canada.** This can increase the likelihood of accessing costly fringe financial services to borrow money. Diverse cultural and religious beliefs, such as the Muslim prohibition against receiving or paying interest on money, can also make it challenging for some newcomers to obtain financial products and services that meet their needs.

**Newcomers that rely on more established members of their communities for guidance may be exposed to financial misinformation that can increase the risk of financial fraud or abuse.** Peer pressure through community connections can also impact newcomers who fear being seen as less well off than they may have been in their home country. Equipping community-based educators with accurate and relevant information can help to overcome some of these challenges, as well as building the capacities of more established members of newcomer communities to provide high quality peer support to those newly arrived in Canada.

**Programs and services that connect with newcomers in their first few years of arrival can act as key touch points** to provide relevant and timely financial literacy information and supports that are adapted to newcomers' life context and the challenges they face. These are critical as cultural taboos against talking about money and stigma linked to living on a low income can prevent some newcomers from seeking out accurate financial information.

**Financial literacy supports are a key element within a broader spectrum of services aimed at building the financial well-being of newcomers to Canada.** These supports can help individuals and families learn where to turn for help and equip them to develop and implement plans to achieve key life goals, including homeownership, going to school, starting a business, and planning for retirement. Financial education can also benefit more established newcomers by providing information on how to manage day-to-day financial pressures, such as assuming financial responsibility for sponsored family members or sending remittances to relatives in their home country. For this reason, it is essential to tailor financial education to address the actual needs of newcomers in culturally appropriate ways if programs are to be effective in building financial well-being.



**Many newcomers experience a language barrier when accessing financial information or services**

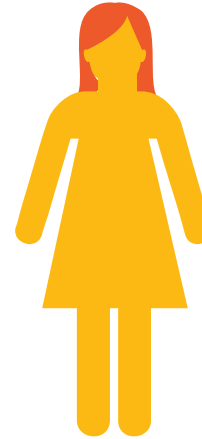
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### Newcomer youth

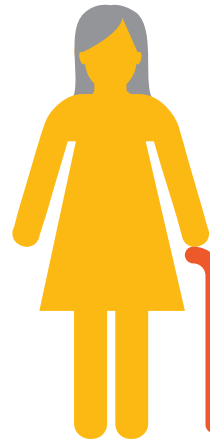
**Newcomer families are extremely diverse in their cultural and linguistic backgrounds, income levels, and family structures.** In some cases, where the parents do not yet have a strong foundation in one of Canada's official languages, newcomer youth may act as intermediaries to help their families access information and services. Their ability to adapt quickly to Canadian languages, customs and norms alters the range of responsibilities they take on within their family. Some may even become income earners if there is a lack of sustainable income for the family. This can affect the way some newcomer youth relate to money – viewing it as necessary to meet short-term needs, rather than accumulating savings or investments for longer-term personal or family goals.

**Financial education integrated with other relevant supports can help homeless youth improve financial decision-making and know where to turn for help if they need it.** Financial decisions based on inaccurate information can lead to long-term consequences, such as years of credit recovery and financial hardship. Integrating financial education into shelter and housing supports, job-seeking programs, and technical and vocational skills training can help to inform homeless or at-risk youth about basic financial principles and the types of programs available to them to build savings and assets.



### Newcomer women

**Ethnicity, social class, and gender intersect in the lives of newcomer women to create distinct effects** such as lower employment rates and overrepresentation in unstable and lower-paid occupations. Some newcomer women may also be excluded from household money management and financial decision-making, which can leave them particularly vulnerable if they become widowed or separated. Financial literacy education tailored for newcomer women can strengthen ties within and between their families and communities and support their integration in Canada.



### Newcomer seniors

**Language, cultural, and other accessibility barriers can make navigating the financial marketplace challenging for newcomer seniors.** They may face age or racial discrimination when accessing financial services independently, based on faulty assumptions and, in some cases, limits to their own ability to manage personal finances in Canada. These circumstances increase their risk of becoming targets for financial fraud and abuse.

**Newcomer seniors may be unaware of the programs and supports available to assist them in retirement,** including how to access pension benefits and other entitlements from their country of origin as well as Canada. Cultural and religious values and norms also mean that not all financial products and services are suitable for newcomers, especially seniors and older-age parents who may expect their adult children to support them financially for the latter part of their lives.



## Refugees

**Newcomers who arrive in Canada on refugee class visas face a unique set of constraints and barriers** given that they arrive in Canada seeking protection from conditions in their home country. Many have left behind a lifetime of assets, wealth and personal networks to start a new life in a safer country. These experiences can cause feelings of distrust in official and mainstream institutions, including the financial services sector. Some refugees will begin their new life in Canada with debt owed to the Canadian government from transportation loans.<sup>6</sup> These loans can be burdensome to refugees starting out in a new country and already facing new and different financial systems and norms.

**Government-assisted refugees are supported by the Government of Canada or Quebec for up to one year.** Before their arrival in Canada, many enter into a loan agreement to cover medical and travel costs they will later have to repay. Many may not fully understand the magnitude of the loan they are assuming (e.g. due to currency exchange rates) until they receive their first statement 30 days after arrival. The average loan is \$3,000 to \$10,000, depending on the size of the family, or about \$2,000 per person. There is an interest-free grace period of 12 months. Many families struggle to repay the transportation loan, and for some, paying interest runs counter to religious beliefs.

**It is important to help government-assisted refugees to plan for what will happen in the months after their first year of settlement.** During the first year, government-assisted refugees receive a monthly stipend and additional supports such as accommodation, clothing, and help to find work. For most, though, the stipend is not enough and learning how to manage a monthly budget can be challenging. Refugees that lack basic language, literacy, numeracy and/or computer skills face additional barriers. Lack of knowledge about employee rights can leave some refugees vulnerable to exploitation or even wage theft by unscrupulous employers.

**In Ontario, the Resettlement Assistance Program (RAP) offers a curriculum to teach refugees about local banking practices and how to open a bank account.** Client Support Services helps to fill gaps between the RAP and settlement workers during the first year of settlement by providing supports such as tax filing assistance and interpretation. Changes in government support systems have also left refugees with less money in their first months of settlement. Previously, in Ontario refugees were granted access to Ontario Works and the Child Tax Benefit (CTB). While families can still access the CTB, they are given a lower rate of income assistance and it can take one to three months to receive their first CTB cheque. This means a family of four will have the same income as a couple and must rely on food banks to eat. Once the CTB comes through, the family will receive a lump sum back dated to their time of arrival, which can lead some families to spending this amount too quickly instead of budgeting for the longer term.

## TOOLS AND RESOURCES

The **Welcome to Canada** guide developed by Citizenship and Immigration Canada (now called Immigration, Refugees and Citizenship Canada) includes information on key settlement topics. The section on Money and Finances was developed in partnership with the Financial Consumer Agency of Canada and provides information on the cost of living in Canada, obtaining credit and loans, accessing banking services, and the tax system.

The Financial Consumer Agency of Canada has developed online tools for newcomers to Canada such as a **Budget Calculator**, the **Credit Card Selector**, and the **Credit Card Calculator**. These tools enable newcomers to set and plan for financial goals, increase their awareness of financial products, and help them assess different repayment options.

The Canadian Foundation for Economic Education has produced the **CFFEE Dayplanner** for newcomers to Canada. This free planner provides information on key financial topics and banking, as well as links to resources for topics like debt management, mortgages, and investments.

The Calgary Immigrant Women's Association produced **Financial Literacy for Immigrant Women** – an 80 page manual including 12 financial literacy modules, a facilitator's guide including information about facilitation and public speaking, as well as registration and evaluation forms for conducting workshops with immigrant women.

Prosper Canada designed two **Money Management Tools for Newcomers**: one tool to help new Canadians assess their knowledge of money management in Canada, and another tool to help settlement workers provide relevant information related to the specific needs and priorities of newcomer clients.

Ottawa Community Loan Fund's **Newcomer Finances Toolkit** was designed to help service providers offer information on key financial topics to newcomer participants in their programs. The curriculum includes worksheets, activities, an online practice bank machine and a direct (debit) payment machine.

## ENDNOTES

<sup>1</sup> Canada. Statistics Canada. *Immigration and Ethnocultural Diversity in Canada*. Ottawa, 2011. <http://www12.statcan.gc.ca/nhs-enm/2011/as-sa/99-010-x/99-010-x2011001-eng.cfm>

<sup>2</sup> Citizenship and Immigration Canada, *2015 Annual Report to Parliament on Immigration*. <http://www.cic.gc.ca/english/resources/publications/annual-report-2015/index.asp>

<sup>3</sup> Government of Canada, *Facts and Figures 2014 - Immigration overview: Permanent Residents*. <http://www.cic.gc.ca/english/resources/statistics/facts2014/permanent/10.asp>

<sup>4</sup> SEDI. "Financial literacy: Resources for Newcomers to Canada." (2008): p. 3. <http://prospercanada.org/getattachment/04c59121-da4a-42a6-bf59-764dba2e1ec5/Financial-Literacy-Resources-for-Newcomers-to-Cana.aspx>

<sup>5</sup> Canada. Parliament. Senate. Standing Committee on Social Affairs, Science and Technology. *In the Margin, Part II: Reducing Barriers to Social Inclusion and Social Cohesion*, 2013, p. 40. <http://www.parl.gc.ca/Content/SEN/Committee/411/soci/rep/rep26jun13-e.pdf>

<sup>6</sup> Immigration, Refugees and Citizenship Canada provides loans to refugees and protected persons to help with the costs of coming to Canada, including transportation, medical examinations, and travel documents. Canada. Service Canada. *Immigration Loans Program*. Ottawa, 2011. <http://www.cic.gc.ca/english/refugees/outside/resettle-assist.asp>

The Prosper Canada Centre for Financial Literacy works with business, government, and non-profit partners to increase access to high quality, unbiased, and free financial information, education and counselling for Canadians living on low-incomes. Since 2008, the Centre has trained more than 2,000 front-line community workers from

800 organizations and First Nations communities nationwide to deliver high quality, community financial education tailored to the needs of low-income and vulnerable Canadians. Today, these individuals are equipped to provide financial education to thousands of Canadians annually in over 150 cities across Canada.

[www.prospercanada.org](http://www.prospercanada.org)

Co-founder and supporter of the  
Prosper Canada Centre for Financial Literacy

