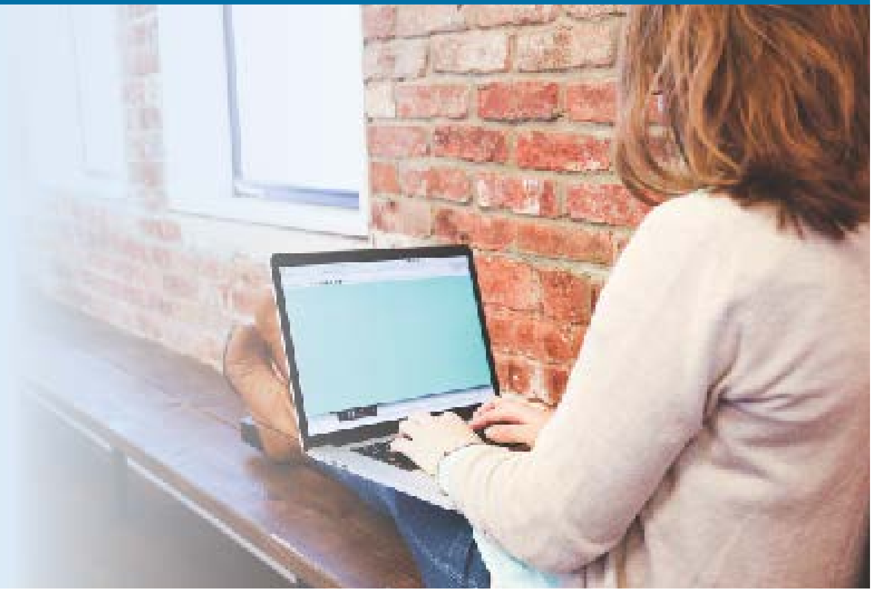
Prosper Canada
CENTRE FOR FINANCIAL LITERACY

Financial Literacy and Youth



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

Canadian youth are becoming financial consumers earlier in their lives than ever before and making decisions that can have lasting consequences if not well managed (e.g. cell phone contracts, credit cards, education loans). By the time they are 19 years old, about half of all teens in Canada have already joined the labour force, often working part-time while in school.[i] If they are in low-income families, these employment earnings can be key to their own wellbeing or that of their families. For the tens of thousands of youth in care or living independently, establishing a connection to the workforce is even more critical. The financial choices and decisions these youth have to make can be tougher than for other youth in Canada.

WHAT ARE THE FINANCIAL LITERACY NEEDS OF YOUTH?

Many youth do not access financial literacy resources because they do not know about them, are insufficiently motivated, or are unclear of the relevance and value of financial literacy to their lives. Before they take on student loans, cell phone plans, credit cards or other financial obligations for the first time, young Canadians can benefit from learning how to set financial goals, avoid problems and know where to go for help when they need it. They also need to be aware of their rights and responsibilities as financial consumers if we want them to be empowered to exercise them.

School-based and after-school financial literacy programs can play an important role in preparing youth to make effective financial choices if these programs are age-appropriate and coupled with opportunities for youth to apply their learning in real life and build self-efficacy. Involving families can help to reinforce learning and generate opportunities to practice new skills.

Engaging youth in financial literacy programming is most effective when the programming is designed to be fun, social, engaging, and relevant to their lives. When programming is delivered in a lecture format, youth may see it as authoritative and be more prone to become disengaged. Interactive, game-based programming can reduce feelings of anxiety and encourage interaction over their money management experiences. Interaction can be further encouraged through the use of technology-based, video, or multi-media financial education formats relevant to their particular age group. Incentives can also go a long way towards motivating youth to build financial knowledge and skills. Financial literacy content coupled with behavioural change techniques, such as positive reinforcement and goal setting, can cultivate self-awareness and intentionality as they learn.

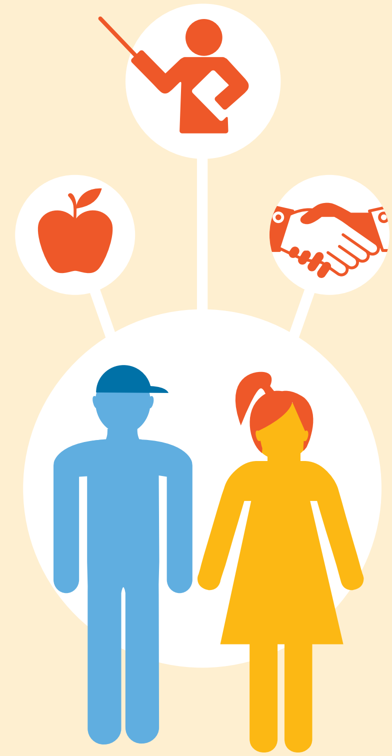
Maintaining the interest of young Canadians in financial education requires providing them with credible sources of information that are relevant to their experiences. Financial education materials should be developed with input from youth about their actual life experiences, financial circumstances, and interests.

Youth with multiple barriers can sometimes be distrustful of organizations, financial institutions, and adult "experts". Financial education that allows them to be heavily involved in directing their own learning is more effective in helping them to feel empowered and engaged. Youth have diverse learning styles (visual, auditory, and tactile) so using a variety of formats (e.g. workshops, online learning, and one-on-one) can help to ensure everyone benefits. When adequately tailored, financial education can meet the varied learning needs and challenges of most youth.

Mobilizing role models, mentors, and guest speakers youth can relate to helps to foster relationships of trust and generate positive attitudes towards financial education. It can also capture young people's interest and steer them to credible, unbiased financial information that is relevant to their circumstances. Ensuring a safe, secure, and non-judgemental learning environment also helps youth to focus on absorbing financial information.

Addressing program accessibility barriers is important when working with youth from low-income backgrounds. It should also be recognized that some youth face multiple issues and barriers, such as low literacy and numeracy levels, language barriers, struggles with addiction, family abuse and/or neglect, mental health conditions, and involvement with the criminal justice system. Financial education can be made more accessible to youth in a number of ways: providing accompanying supports like transit fares, meals, and childcare; offering sessions at different times to accommodate those who are at school or working; and one-on-one support to help youth take actions like opening bank accounts or contacting a credit agency.

Many youth have limited knowledge of even basic financial topics and, as a result, are unaware of how to make the most of their resources. Financial education can support learning on a wide range of topics that positively impact the financial wellbeing of youth, including budgeting, money management, saving, credit, debt, and consumer behaviour. Learning about budgeting can help young people distinguish between wants and needs and provide them with a better understanding of the basic cost of living so they can eventually pay rent, utilities, and transportation costs on time. Establishing financial goals allows youth to learn the difference between "good" debts, which can enable them to achieve personal goals like education/training or buying a car, and "bad" debts incurred through actions such as allowing phone bills to go unpaid. Discussions about credit can motivate learning on how to establish and maintain a positive credit score, since a positive score is beneficial to achieving a number of financial goals like renting or buying a house, buying a car, and obtaining a line of credit.



Expose youth to role models, mentors and guest speakers

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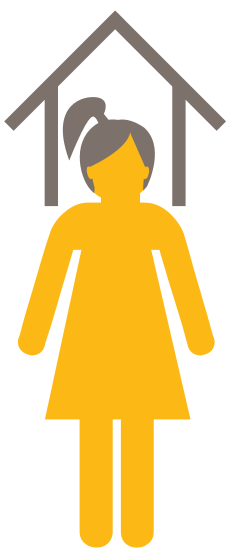
Momentum Community Economic Development Society
Calgary, AB

Youth from low-income backgrounds are typically more averse to taking on debt than youth from middle-and higher-income households, and therefore are less likely to apply for loans for training or post-secondary education.[ii] As well, youth who are the first in their families to consider post-secondary education are less likely to have a financial plan or savings set aside for this purpose. Financial education programs can underscore the benefits of further education, such as higher rates of employment, earnings and health, to help young people become aware of this 'bigger picture'. It can also expose them to the options they have available to pay for post-secondary education or training. Outreach activities for the Canada Education Savings Program and face-to-face support for first-time student loan applicants can be integral to this process.

Homeless Youth

Youth who are homeless or at risk of homelessness are often excluded from mainstream financial institutions because they feel intimidated or unwelcome. Many homeless youth face complex barriers resulting from family abuse or neglect, addictions and mental health conditions. They may also have lower levels of education and literacy than their peers due to the instability in their lives and its impact on their education.

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.



Youth in Care

Youth in government care (e.g., foster care and group homes) also face complex barriers resulting from their lived experiences. They are more likely to have suffered higher levels of stress, violence, addiction, mental illness, and to have poorer health outcomes. They may also be contending with school and employment challenges. Generally, youth in care become independent at a much younger age than other young Canadians and, too often, end up living in unstable housing or transitional housing as adults.

Youth in care can benefit from financial education and supports that can help them to build their basic money management skills, as well as help to plan financially for their transition to independence and options like further education, training, and employment.

TOOLS AND RESOURCES

Boys and Girls Clubs of Canada (BGCC) and the Social Research and Demonstration Corporation, created ***School Cents I* and *II***, online financial literacy modules (available nationally in fall 2015 on BGCC's *Rogers Raising the Grade* website) to help youth from low-income families plan for post-secondary education.

Eva's Initiatives developed ***Eva's Financial Literacy Toolkit*** to increase the financial literacy of homeless and at-risk youth. The toolkit includes outcome-oriented learning modules, an Activity Booklet for participants and facilitator tips.

Achète-toi une vie is a tool kit developed by Option consommateurs to support and inform youth ages nine to 25 about consumer and financial decision-making. The information guide, educational videos and short film clips cover topics such as consumerism, budgeting, credit, debt, and saving.

Promoting Education and Community Health (PEACH) and researchers from the York University Community Finance Project released ***Engaging Marginalized Youth in Financial Literacy Programs***, a report on best practices in financial education for marginalized youth and a survey of available educational resources for promoting youth financial literacy.

Financial Empowerment Resources Network (FERN) developed the ***Youth Financial Empowerment Toolkit*** for youth workers. This includes a curriculum and topics they can customize to fit the specific needs of the youth with whom they work.

ENDNOTES

[i] Canada. Statistics Canada. *Labour Force Survey*. CANSIM Table 282-0002. Ottawa, 2015. http://www5.statcan.gc.ca/cansim/a26?lang=eng&id=2820002

[ii] Ross Finnie, Marc Frenette, Richard E. Mueller and Arthur Sweetman, *Pursuing Higher Education in Canada: Economic, Social and Policy Dimensions*, (Montreal: McGill-Queen's-University Press, 2008).

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

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