Financial Literacy:

Strategies To Meet The Needs

of Low Income Albertans

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Introduction

Financial literacy is increasingly being recognized in industrialized countries as an important tool for consumers of financial services, including individuals living in low income households. This recognition is the result of the growing data derived from financial literacy interventions and from the growing economic crisis which is shedding light on the negative consequences of uninformed financial decision making by consumers. Consequently, governments have become interested in exploring what policies and practices can be employed to grow the financial literacy of their citizenry.

In February 2009 Social and Enterprise Development Innovations (SEDI) was contracted by the Alberta Ministry of Employment and Immigration (AE&I) to undertake research related to two key strategic policy tasks:

- to collect information that will support the Ministry in determining the efficacy of financial literacy as a skill set that could increase the self sufficiency of low- income Albertans; and,

- to provide the Ministry with recommendations on how financial literacy supports and services can meet the needs of low income Albertans, including those receiving Income Support (IS).

The researchers employed a range of methods to secure the data needed for analysis and recommendations. This included a review of background materials supplied by the Ministry and discussions with the appropriate staff to achieve a solid working understanding of Departmental policies and programs and of the target market(s) for potential financial literacy initiatives. A questionnaire was developed and select key informant interviews conducted with six stakeholders who have an established interest in, and experience with, savings and financial literacy initiatives in Alberta.

In addition, the researchers undertook an environmental scan to identify government sponsored financial literacy policy and program initiatives for low-income and social assistance recipients in Canada, the United States, the United Kingdom, New Zealand and Australia, with particular attention to state/regional or provincial initiatives. A questionnaire was developed and interviews conducted with one person from each country who has experience in the development of financial literacy at the national and regional (e.g. state/province) level.

This report presents the findings derived from the detailed analysis of the collected information and from SEDI's more than ten years experience in the design, delivery and evaluation of financial literacy initiatives across Canada. The report recommendations have been submitted to the Alberta government.

Environmental Scan

Background

The increasing complexity of financial products and individuals' growing responsibility for their economic futures are contributing to the need for a financially literate society. Efforts to increase financial literacy are gaining momentum around the world and, in many cases, the current global financial crisis has emphasized the importance of a financially literate society. Especially when times are tough, individuals need knowledge and understanding so that they can navigate the financial services sector more skillfully and make better decisions with the resources at hand. This is particularly important for low-income households, who may have been living from paycheque to paycheque before the recent economic downturn and now are in even greater need of financial literacy.

Financial literacy initiatives aim to increase financial knowledge and change financial behaviour. As Canadians experience financial education, become more confident about financial matters and make more informed financial decisions, they will become more self-sufficient and financially secure. At the same time the Canadian economy will benefit from a well-educated labour force, efficient markets and growth.

Environmental Scan

In recent years there has been a proliferation of interest in financial literacy, both within Canada and overseas.

The Organization for Economic Cooperation and Development (OECD) has recently (2003) established a Financial Education Project to study financial education programmes in OECD member countries and select non-member countries[1]. Through this study, the OECD will: survey member countries; describe existing types of financial education programs; perform a review of relevant studies in economics, social policy, education and related fields; consult with experts in the area of financial education; analyse the effectiveness of existing programs; develop a methodology policymakers can use to compare private and public strategies and programmes for improving financial literacy; and, finally, conduct an in-depth survey of the financial literacy of individuals in a few select countries.

[1] *See http://www.oecd.org/about/0,3347,en_2649_15251491_1_1_1_1_1,00.html.*

Additionally, many countries have started to develop national strategies to improve the financial literacy levels of their citizens. Moreover, Russia made financial literacy a theme of its presidency of the G8 in 2006.

Some factors which have contributed to this high international interest level include:

- ageing populations (which may threaten the viability of public pay-as-you-go pensions);
- increased life expectancy (people's savings have to support them for longer);
- the complexity of financial products;
- a proliferation in the number of financial products;
- changes in pension arrangements (as countries scale back the benefits of state-supported social security programmes risk is transferred from governments to individuals);
- low levels of financial literacy for many citizens;
- the erosion of trust in the financial services industry (with the collapse of finance companies, mortgage foreclosures and the lending crisis);
- increasing consumer debt and bankruptcies; and,
- the availability of credit products to an increasing proportion of the population.

Financial literacy is important in enabling people to navigate this environment and achieve personal financial wellbeing.

SEDI completed a scan to identify government sponsored financial literacy policy and program initiatives in Canada, the United States, the United Kingdom, New Zealand and Australia. Where applicable, particular attention was paid to regional (state/provincial) initiatives .The results were used to assist in the development of the key informant contacts and interview questions. The scan did not specifically seek to gather information on savings tools such as Individual Development Accounts (IDAs) but rather identified key programs and informants knowledgeable about financial literacy.

It should be noted that while savings are a beneficial outcome of financial literacy, government sponsored savings initiatives such as IDAs are separate policy tools used by governments to stimulate savings by the poor. In fact, and as this report illustrates, IDAs are largely a North American policy tool which are usually delivered in tandem with financial literacy support services. In the United Kingdom, New Zealand and Australia government supported savings programs exist but do not typically involve matched contributions for asset specific (e.g. home ownership, post secondary education) purpose accounts. AE&I may wish to conduct further research into the relationship between savings and asset building and financial literacy in the future.

Globally, various terms are used to describe the process of acquiring financial skills. The preferred term in the United States, Canada, New Zealand and Australia is 'financial literacy'. In the United Kingdom the preferred term is 'financial capability'. OECD uses 'financial education.' Each of these terms refers to the same thing, namely – consumers' acquisition of the knowledge, skills and confidence needed to properly manage their personal finances.

These international cases were selected because the US, the UK, New Zealand and Australia are relatively far ahead in the field of financial literacy. They have each developed national strategies for financial literacy, established groups to guide development of their respective strategies, conducted national surveys and are working in partnership with all sectors to increase the financial literacy of their populations. Attention to these international cases may provide suggestions for a framework to increase the financial literacy of Albertans. Before reviewing these cases, let us first review the status of financial literacy initiatives in Canada.

Canada

Within Canada it is becoming widely acknowledged that financial literacy matters.

The first Canadian symposium on the topic was held in 2005. The symposium contributed to the Canadian government's decision, announced in its 2007 budget, to provide $3 million over two years to the Financial Consumer Agency of Canada (FCAC) for the purpose of building financial literacy in Canada. In the following year's budget, the government decided to allocate $2 million to FCAC on an ongoing basis for the same purpose. In May 2008, the Federal Minister of Finance declared financial literacy a priority and called it an essential skill[2]. Other organizations in the public sector, such as the Canadian Securities Administrators, as well as a number of members of the voluntary and financial services sectors, have also invested in developing and implementing financial literacy programs and services throughout Canada. Brief descriptions of key organizations are included below.

The Canadian Foundation for Economic Education (CFEE)[3]

CFEE was established in 1974 as a nationwide, non-profit, non-partisan, charitable organization. It is considered to be one of the leading organizations in Canada in economic and entrepreneurship education and training. The organization is founded on the belief that it is important for Canadians – especially young Canadians – to develop their functional financial literacy.

In collaboration with many provincial Ministries and Departments of Education, CFEE seeks to impart the fundamental concepts of economics, enterprise, entrepreneurship, and personal finance that

[2] *Speech by the Honourable Jim Flaherty, Minister of Finance, at the international conference on financial education, Washington, D.C., May 8th 2008*

[3] *See www.cfee.org*

must be factored into everyday decisions and actions. Their goal is to increase the extent to which Canadians make economic decisions with competence and confidence. CFEE works toward this goal through a wide range of activities. Activities include: print and multimedia resource production (in both official languages) for use in classrooms across the country (e.g., in partnership with Investors Group they recently produced *Money and Youth* for use by teachers and students – 70,000 copies are in circulation); research; curriculum development (e.g. they recently completed development of the new business studies curriculum in Ontario); helping teachers improve their knowledge and teaching techniques; assisting private and public organizations wanting to help educate students and teachers (e.g., they worked with the Canadian Bankers Association to produce and distribute a CD-ROM on entrepreneurship to all high schools in Canada); and assisting government departments in their information/communication efforts (e.g. they worked with the Department of Finance to produce a booklet for the Canadian public on the issues of debt and deficit). CFEE is also contracted by Human Resources and Skills Development Canada (HRSDC) to provide awareness of the Canada Learning Bond in communities across the country through their Building Futures initiative. CFEE maintains a database of more than 5,000 classroom teachers meaning that their resources and programs reach approximately 300,000 Canadian students each year. They receive over 90 per cent of their funding from project activity.

Currently, CFEE is working to create a 'network of networks' that will improve their ability to reach their target audiences (i.e. school-based educators, youth service agencies, Canadian libraries, and school-based 'WorkRooms' – spaces with resources dedicated to helping students make effective school-to-work transitions). CFEE has worked with most provinces and territories.

Social and Enterprise Development Innovations (SEDI)[4]

SEDI is a non-profit organization that develops and uses innovative approaches to help low-income Canadians become self-sufficient. For over 20 years, SEDI has worked with businesses, governments and more than 800 non-profit organizations across Canada in the areas of financial literacy, asset building and entrepreneurship.

In terms of financial literacy specifically, SEDI has been involved in financial literacy research and capacity building across Canada for the past ten years. Financial literacy has also been a key component of SEDI's asset building, youth at risk and self employment work. SEDI has researched and published on the topic of financial literacy both at home and abroad. Through this work, SEDI recognized the need to grow the field of financial literacy in community organizations on a national scale.

Accordingly, in 2007, SEDI assembled its Advisory Committee on Financial Literacy to take a leadership role in helping form a Canadian national strategy on financial literacy. The committee, formed by senior leaders from the financial services sector, regulators, government and nonprofit

[4] *See www.sedi.org*

organizations, also advised SEDI on development of the organization's new Canadian Centre for Financial Literacy.

The Canadian Centre for Financial Literacy (the Centre)

SEDI created the Canadian Centre for Financial Literacy in 2008, bringing together the private, public and voluntary sectors to expand opportunities for low-income Canadians to increase their financial literacy. The mandate of the Centre is to increase the supply of community based financial literacy supports in all regions of the country. The Centre is targeting vulnerable groups of Canadians including: Aboriginal peoples; families with children; newcomers; women; and youth at risk. It is expected the Centre will reach more than 230,000 low-income Canadians with financial literacy supports over the next 5 years.

The Centre has three primary areas of activity:

Capacity Building - Building the organizational capacity of existing community organizations across Canada to deliver effective financial literacy supports to their clients.

Research and Information-Sharing - Acting as a central point for information sharing by collecting, organizing and increasing accessibility to relevant research and information. The focus is on supporting practitioners of financial literacy at community organizations, and leading and collecting related studies and research.

Consulting - Providing consultancy services on financial literacy and related policy.

The Federal Government

The government of Canada has a range of financial literacy activities it supports and is developing.

National Task Force on Financial Literacy - The 2009 Canadian federal budget included a $5 million commitment for the creation of a financial literacy task force, a measure that was recommended to the government by SEDI and a number of its strategic partners. The independent, multi-sectoral task force will make recommendations to the Minister of Finance on a national strategy for financial literacy.

Financial Consumer Agency of Canada (FCAC) - the FCAC was established by the federal government in 2001 to strengthen oversight of consumer issues, and expand education and consumer awareness of financial services and products. The FCAC has been a leader in developing consumer information and web-based tools for financial literacy. In its 2007 budget, the federal government provided $3 million over two years to FCAC for the development of a national financial literacy strategy aimed at youth. In the following year's budget, the government decided to allocate $2 million to FCAC on an ongoing basis to further strengthen financial literacy in Canada.

National Baseline Survey of Financial Literacy - According to a recent report by the OECD Financial Education Project[5], the only countries that have conducted surveys of national financial literacy levels are Australia, Japan, Korea, the United Kingdom and the United States[6]. All surveys concluded that consumers lack information about financial issues and need financial education. Canada is about to join that short list. Statistics Canada is currently (Spring 2009) conducting the Canadian Survey of Financial Capability. Including over 20,000 respondents, this national survey will gather baseline data which should be processed by Fall 2009[7]. Results will be released once they are complete.

According to Steve Arrowsmith of the agency's Special Surveys Division, "the overarching goal of [*the Canadian Survey of Financial Capability*] is to illustrate the relationships between financial knowledge, financial experiences, financial behaviour, and how they relate to the ways in which consumers learn about financial management". The survey has been years in the making. It grew out of the 2005 symposium on financial literacy, which identified the need for robust national data. In spring 2006, Human Resources and Skills Development Canada (HRSDC) submitted a funding proposal to the federal government's Policy Research Data Group. In fall 2006, Statistics Canada submitted a draft planning report to HRSDC and FCAC. This report assessed the feasibility, approaches, limitations and costs of conducting such a survey. As a part of its broader interest in financial literacy as reflected in the recent Federal budgets, the Department of Finance Canada became a partner in the project in Summer 2007.

Once conducted, the Statistics Canada survey will provide information that will allow for the measurement of the success of programs. It will also constitute the basis from which we may undertake further research and begin to chart a nationwide strategy to encourage behaviour change. While the survey is designed to be repeatable, no commitment has been made to repeat it.

Without national baseline data, it is difficult to measure the widespread impact of current programs. A number of organizations have conducted surveys on a smaller scale[8]. The results underline the need for increased efforts to support Canadians so they can improve their financial well-being. It is important to note that existing Canadian studies tend to measure program reach. They are not yet able to demonstrate behaviour change through examinations of program impact.

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[5] *OECD (2005) Improving Financial Literacy: Analysis of Issues and Policies, Paris.*

[6] *This environmental scan reveals that New Zealand has also conducted such a survey.*

[7] *The survey will gather data from Canadians in the 10 provinces only. The territories are being excluded because of factors such as cost, widespread lack of telephone coverage and a high proportion of transient workers in the population.*

[8] *For more details on efforts to measure Canadian's financial literacy please see Moving Forward with Financial Literacy the Synthesis Report on the Reaching Higher Canadian Conference on Financial Literacy (2008). The report is available at Canadian: http://www.sedi.org/DataRegV2-unified/sedi-Other/Moving%20Forward%20with%20Financial%20Literacy.pdf*

The Joint Forum of Financial Market Regulators

The Joint Forum of Financial Market Regulators was founded in 1999 by three organizations: the Canadian Council of Insurance Regulators, the Canadian Securities Administrators and the Canadian Association of Pension Supervisory Authorities. The Forum includes representatives from the Canadian Insurance Services Regulatory Organizations. It brings pension, securities and insurance regulators together to coordinate, harmonize and streamline the regulation of financial products and services in Canada.

Canadian Symposia and Conferences

In 2005, FCAC joined with SEDI and the Policy Research Initiative (PRI), a neutral policy research organization for the federal government, to host the first national symposium on financial literacy. Under the title *Canadians and Their Money*, the event attracted over 200 participants from the public, non-profit and business sectors. The symposium was an important step in developing policies to nurture and strengthen financial literacy throughout the three sectors (public, private, and voluntary)[9].

In 2008, *Reaching Higher: Canadian Conference on Financial Literacy*[10] was held in Montréal to highlight the effectiveness of current Canadian financial literacy efforts and to examine international strategies. The hosts of the conference were FCAC, SEDI, and the Joint Forum of Financial Market Regulators. The event attracted over 260 representatives from the three sectors. *Reaching Higher* was a follow-up to a 2005 symposium on the same topic, also hosted by FCAC and SEDI (see above). The sold-out conference demonstrated the growing importance of the field. All three sectors were evenly represented and there were significant numbers of participants and speakers from abroad. In their evaluations, participants expressed satisfaction with the conference. The hosts believe that the conference met its objectives.

The objectives of *Reaching Higher* were to:

- highlight why financial literacy matters to Canadians;
- highlight key players and lessons learned in the supply of financial literacy products and services;
- highlight international examples of effective financial literacy strategies;
- better understand knowledge gaps in the supply and demand of products and services; and,

[9] *See http://policyresearch.gc.ca/doclib/SR_PEX_fincap_200603_e.pdf*

[10] *Key funders of the conference include: the Canada Deposit Insurance Corporation (CDIC), the Certified General Accountants Association of Canada, Human Resources and Skills Development Canada (HRSDC) and the Investor Education Fund.*

- highlight innovative solutions and what the three sectors are doing to increase the financial literacy of Canadians.

Integration of Financial Literacy into the Education System

Currently, British Columbia is the only Canadian province that requires the teaching of financial life skills in high school.

The British Columbia Securities Commission (BCSC) developed *Financial Life Skills for Planning 10*. Designed for Grade 10 students and teachers, this is a learning resource that stresses the importance of financial life skills. Introduced in 2004, the course is currently a component of a mandatory Grade 10 credit. Since its introduction it has been distributed to over 1,400 teachers in all 60 British Columbia school districts.

A survey of 318 high school graduates measured the course's impact on the financial well-being of students. Respondents included a group of 2005 graduates (who did not take the course) and a group of 2007 graduates (who took the course). The survey shows that a higher percentage of 2007 graduates:

- had a financial plan;
- were saving money for school or long-term needs;
- felt well prepared for their financial future; and
- could recognize a financial scam.

In partnership with BCSC, FCAC has launched *The City*, a web-based national resource that builds on the success of *Planning 10*. *The City* is an interactive, on-line financial life skills resource for teachers and students. The free resource uses a hands-on approach to engage youth, facilitate learning, build practical skills and make financial concepts easy to understand. Youth practice financial activities (i.e. budgeting, saving, credit and debt, insurance, taxes, and investing) and, by the end of the course, they will have prepared a financial plan for after graduation. Because many teachers fear they lack the skills to teach about financial literacy, FCAC and BCSC have invested in professional development to increase their comfort and confidence with the subject.

In 2006, The Canadian Securities Administrators' Investor Education Committee created a program for teachers and students called the *Financial Fitness Challenge*. It provides free classroom activities designed to enrich financial literacy. Notably, 70% of student participants learned about the program through an e mail from a friend. In 2008, a facebook site/group was created around the *Financial Fitness Challenge*. As of September, the group had 118 members, all of whom have visited the *Financial Fitness Challenge* web site.

Reaching Low-income Consumers and Those Who Are Not In School

Some community organizations who work directly with clients have integrated financial literacy training into their other services. Rather than create new initiatives they have built on current successful approaches, incorporating financial literacy modules into other initiatives (e.g. workshops on starting a small business, employment training, etc.). Below are a few examples of community organizations that are working to increase the financial literacy of their clients. Notably, these organizations understand their clients' situations, needs and constraints and generally provide their services on a no fee basis.

The **Carrefour jeunesse emploi de l'Outaouais (CJEO**) is a community-based organization located in Quebec offering services to improve the lives of young adults (aged 16 to 35). They provide career coaching and support to youth returning to school or starting an enterprise.

In 2005, CJEO developed a program called *L'École de l'argent* (*The Money School*) after discovering that a number of young people were forced to set aside projects, ideas and goals because of financial constraints. Designed for young people without employment experience, the program assists participants to enter the financial system and budget. One of the modules, *L'argent en couple* (*Money for Couples*), is intended to help young people in their first major relationships deal with money issues. The program is now taught in schools (in the Gatineau area of Quebec) to 15- and 16-year-olds. These students receive a full high school course credit for participating.

Since 1912, **St. Christopher House** in Toronto has served immigrant families, older adults, people with disabilities and their caregivers, children and youth, and socially isolated adults. In 2003, St. Christopher House developed a program called *Financial Advocacy and Problem Solving* (*FAPS*). This was the outcome of several anti-poverty projects.

FAPS provides free guidance to low-income individuals. *FAPS* responds to the information needs of low-income individuals; provides individualized service, follow-up, accompaniment, and referrals; and advocates on behalf of those using income security programs with commercial financial service providers and governments.

Community response to the program has been positive, as witnessed by the increasing number of word-of-mouth referrals. In 2007, 2,612 people participated in the program, a 57% increase from 2004. Currently, a growing number of service providers within other agencies (e.g. the Canada Revenue Agency) consult with *FAPS* staff.

St. Christopher House has also worked extensively with CFEE and the Virtual Advisor project to develop an on-line resource for community members and front-line workers. The resource is informed by common financial issues that arise through St. Christopher House's direct service relationship with clients. Policy-makers and financial service experts have been recruited to analyze these issues and help develop appropriate public education materials and training workshops for front-line workers (in the community social services sector) as well as for the low-income public.

The YMCA and CIBC have partnered to deliver the *Facts & Finance* program which is a series of seminars that are targeted to newcomers. The initiative is designed to provide advice and information about financial services in Canada, to help newcomers make informed financial decisions. Seminars are available at various YMCA locations in the Greater Toronto Area. An example of one module is *Teaching Your Children About Money***.** This seminar will provide parents with helpful tips to teach their children the value of money, and how to save for their children's education.

Supporting Employment and Economic Development (SEED) Winnipeg is a community economic development organization working to combat poverty and increase the social and economic vitality of low-income communities. In 1999, the organization developed a 10-week program (*Money Management Training*) for people living in Winnipeg's North End. The training is a component of SEED's Asset Building Programs.

Vancouver City Savings Credit Union (Vancity) has, with community partners, developed a number of programs to support financial literacy. *Dollar$ and $ense* is a program made available (through a partnership with Family Services of Greater Vancouver) to high schools and youth organizations. *Money Skills* (also offered through a partnership with Family Services) helps low-income adults build skills to effectively manage their limited resources and plan for the future. Other programs include: *The Home Ownership Readiness course* (offered through the Mennonite Central Committee) which provides information on buying and owning a home and *Financial Literacy 101* which includes sessions on how to read bank statements, choose a credit card, find fee-free automated banking machines for credit union members, and consolidate debt.

Citibank has given away 60,000 copies of a book called *The Citi Commonsense Money Guide for Real People*. This resource, for those with relatively high levels of literacy, uses major life events to reinforce the need to save and invest.

Financial Literacy and Financial Exclusion

While initiatives to increase financial literacy (see above for examples) are important, our ability to raise financial literacy levels depends greatly on the extent to which people have access to the formal financial sector (or the 'financial mainstream')[11].

Canadian financial institutions are addressing this issue by making branches more accessible and expanding automated banking machine networks. Financial institutions are increasing outreach

[11] *See SEDI's report: Financial Inclusion For Homeless Persons and Those at Risk A Step Up on the Ladder of Self-Sufficiency. Expected to be published by SEDI June 2009.*

efforts to northern and rural areas by partnering with Aboriginal peoples to provide on-reserve ABMs and housing loans. Banks are also working to increase access in low-income neighbourhoods. For example, St. Christopher House in Toronto cultivated a partnership with the Royal Bank of Canada to provide enhanced deposit account services to participants in low-income neighbourhoods.

Of course, an important dimension of increasing access is ensuring that Canadians are aware of existing programs (i.e. the Canada Learning Bond).

International Cases

New Zealand

In many respects, New Zealand has been a world leader in financial literacy. On the financial information front, the *Sorted* website (see below) is a template that other countries are following. New Zealand is also one of very few countries to carry out a national survey on levels of financial knowledge amongst the adult population. Yet, much still remains to be done. Up-take of financial education is sporadic, particularly in schools, and evaluation of what works best in terms of delivery is still in its infancy.

To generate wide interest and coordinate activities in financial literacy, New Zealand launched a National Strategy for Financial Literacy in June 2008. The strategy was developed with input from individuals and organizations across three sectors, namely the government, private and voluntary sectors, to set a strategic direction, link providers of financial education and information, increase the quality and quantity of programs, identify gaps in coverage, and avoid duplication.

Representatives from various industry organizations sit on an advisory committee, which monitors implementation of the strategy and reports annually to Parliament.

Working in partnership with the three sectors, the Retirement Commission led the development of the strategy. The Commission, an autonomous crown entity set up in 1993, is well placed to lead the strategy. The Commission helps New Zealanders prepare financially for retirement through education, information and promotion. Notably, they take a lifetime view of this process. They acknowledge that financial attitudes – as well as opportunities to build the basic skills needed to make sound financial decisions – start early in life. Since 2001, the Commission has shifted their focus from financial planning for retirement to financial skills for life and is concentrating on meeting the information needs of three broad target audiences – young people, families/households, and people at work. In schools, the Commission has been working closely with the Ministry of Education and other agencies to develop a framework for personal financial education which will help teach students money skills for life. Through workshops, advice from teachers, input from education experts, and financial support from all New Zealand banks the framework is being developed and a variety of approaches (in areas such as. mathematics, social studies, and technology) are being tested in ten schools. From July 2009 the Ministry of Education will take over responsibility for ongoing development and promotion of the framework.

In the post-secondary education sector the Commission is working with education providers and industry training organizations to include financial education as a core part of many qualifications and pre-employment training programmes. According to the Commission, improving the financial literacy of post-secondary students and the workforce (through industry training as noted below) will increase productivity through:

- enhanced workforce stability and the security gained from better personal financial management;
- greater employee understandings of the financial positions of their business; and
- greater employee confidence and self sufficiency.

In the workplace, the Commission is implementing a program to help employees make informed decisions on their participation in *KiwiSaver*[12], or other savings options, in the context of their wider personal financial situation. The Commission has produced a free seminar for workplaces and community groups based on their new booklet[13] that introduces six key steps to 'getting sorted (developing a financial plan)'. Seminars include a presentation, a facilitators' guide and participant worksheets.

The Commission is best known for its free, independent and impartial website (*sorted.org.nz*) and related materials. These resources contain financial information and tools for New Zealanders of all ages. Launched in 2001, this public education program (branded *Sorted*) is an integral part of the Commission's work that is used by over 20 per cent of New Zealanders[14].

At the centre of the program is the *Sorted* website which contains numerous resources (i.e. interactive calculators, online games for kids, money tips for parents, tools and information for people nearing, or in, their early years of retirement, etc.). A constantly-increasing pool of printed booklets (launched in 2007) complements the website. These booklets are made available in various ways (e.g. they are available from select banks, by phone- or online-order, through a chain of supermarkets, etc.).

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[12] *KiwiSaver is a voluntary savings initiative. New Zealanders are able to access their savings when they become eligible for the New Zealand state pension (currently at age 65) or after five years' membership, whichever is later. Being a KiwiSaver doesn't affect their eligibility for the state pension. The Government encourages people to save with KiwiSaver by providing a $1,000 kick-start, a tax credit of up to $1,042.86, and, for those who qualify, a first home deposit subsidy. The relatively recent introduction of KiwiSaver (2006/7), which has exposed many people to choices around investing and saving for the first time, has brought the issue of financial literacy to the fore in New Zealand.*

[13] *See 'Sorted - Your guide to getting there', www.sorted.org.nz/*

[14] *For a case study of sorted go to http://www.retirement.org.nz/sorted/sorted-case-study.*

In 2005, the Retirement Commission conducted a *Financial Knowledge Survey* (funded by ANZ Bank and the Ministry of Economic Development). The survey measured New Zealanders' financial knowledge of a wide range of topics (i.e. saving, borrowing, managing debt, sophisticated investment products, etc.). It also assessed attitudes and behaviour in areas such as managing personal financial affairs and investing in securities markets. The survey involved face-to-face interviews with 856 adults throughout New Zealand. The results provide the first measure of New Zealanders' level of financial literacy, setting a benchmark to be used in measuring future trends. The survey showed low levels of knowledge relating to mortgages, compound interest and investments. Those with less knowledge were more likely to be younger (18 to 24) or older people (75+); people with lower levels of formal education, income and net wealth; and renters rather than homeowners. Notably, the survey indicates that low income and less education are not *necessarily* predictors of low financial literacy levels. The financial knowledge of adult New Zealanders will be measured every four years. The survey will use the same methodology, questions and number of respondents although they will interview different people (the next national survey is scheduled for 2009). In 2006, at an inaugural Financial Literacy Symposium in Wellington, the government announced its intention to develop a National Strategy to lift New Zealanders' financial literacy. This action was motivated by the results of the financial knowledge survey and international research that suggests financial literacy is linked to wealth. The National Strategy was deemed 'essential' to lifting New Zealanders' standard of living and wealth.

Within 18 months of the announcement a draft National Strategy was developed, a consultation process was undertaken, and New Zealand's first National Strategy for Financial Literacy was launched[15]. This development timeframe highlights the emphasis the Retirement Commission – along with the three sectors – have placed on financial literacy.

The National Strategy outlines a range of tactics including: the recent inclusion of financial education into the school curriculum; eliminating financial jargon; encouraging financial education in the workplace; providing information and tools to help people make informed decisions about their money; etc. The National Strategy is not prescriptive. Rather, it seeks to create consensus; establish an overarching framework under which initiatives in this area can be co-ordinated and identify gaps in coverage.

The Commission recognizes that there are many subgroups of New Zealanders whose characteristics need to be taken into account when targeting financial literacy. In addition to working with these groups the Commission supports and encourages organisations who work with specific groups to prioritise financial literacy for these groups.

Through the development of the Strategy the Commission was also alerted to the role of the media in the promotion of sound financial literacy.

[15] *See www.retirement.org.nz*

The Centre for Financial Literacy (the 'home' of the National Strategy) helps the Retirement Commission achieve its function of providing education and information to help New Zealanders prepare financially for retirement. In line with the National Strategy, the Centre aims to:

- ensure financial education reaches more people;
- extend the delivery of financial education; and,
- share what works and improve evaluation of financial education.

It achieves these objectives through research, evaluation, compilation of educational initiatives, and promotion.

The Retirement Commission hosts the Centre – and the National Strategy – on its website and takes responsibility for linking people and resources across agencies. In its co-ordinating role, the Retirement Commission has developed a database of providers of financial education and information in New Zealand[16].

In June 2009, the Retirement Commission will host *Financial Literacy 09*, a one day summit that will bring together key New Zealanders interested in improving the population's financial literacy. The summit will be a forum for sharing knowledge and experience and ought to lead to an extension of current financial literacy initiatives. International speakers will also share their experiences. The findings from the most recent *Financial Knowledge Survey (2009)*[17] will provide a key base for discussion.

During March and April (2009) more than 800 people are being interviewed in person. The data obtained through this survey will provide the Commission and their partners with a measure of change over the past four years. It will identify gaps in knowledge and inform the development of further targeted education programmes. New questions on how people feel about debt as well as questions about their knowledge of *KiwiSaver* have been included in the 2009 survey.

United Kingdom

The Financial Services Authority (FSA) leads the National Strategy for Financial Capability. The strategy seeks to help people across the UK become more informed and confident with money matters. While the FSA leads and co-ordinates the National Strategy, the strategy has been developed by, and is being implemented in close collaboration with, a wide range of partners. This broad partnership of organisations is represented on the Financial Capability Steering Group. The Steering Group advises the FSA, through its CEO, on the development and implementation of the National Strategy for Financial Capability.

[16] *http://www.retirement.org.nz/centre-financial-literacy*

[17] *http://www.retirement.org.nz/retirement-income-research/recent-research*

The FSA is a non-governmental body and the main statutory regulator for the UK financial services industry. It was established by parliament and is accountable to Treasury ministers though it is operationally independent of the government. The FSA is funded through fees charged to the firms it regulates. Roughly $180 million has been allocated to the FSA (until 2011) for implementation of the National Strategy.

One of the FSA's four objectives is to promote public understanding of the financial system. To meet this objective, and to ensure consumers are treated fairly, in 2003 the FSA brought together the government, the financial services industry, employers, trades unions, and the educational and voluntary sectors to establish a road map for increasing the financial capability of the UK population.

Since 2004, the FSA's efforts to raise levels of consumer confidence and capability have been described in terms of the National Strategy. In 2005, the FSA conducted the world's largest *Financial Capability Survey* (to be repeated every four to five years)[18]. The survey's purpose is to establish a baseline for measuring long-term changes in financial literacy and assess the impact of the National Strategy. The survey also identified the groups that could benefit most from increased financial capability (i.e. individuals between 18 and 40 are less financial capable than their elders yet face greater individual financial responsibilities).

The National Strategy, with the FSA's *Delivering Change* 5-year programme[19], aims to meet need assessed by the survey through a combination of long- and short-term measures. These measures target: school children; young people who are not in education, employment or training (NEET); students in further education colleges and at university; employees in their workplace; and new parents. The FSA also works with the voluntary sector to reach those that may face financial exclusion (i.e. those with mental health issues, with cancer, living in social housing, etc.). More broadly, the FSA delivers impartial information through their *Moneymadeclear* consumer website and publications[20]. Their *What About Money?* site is targeted specifically at young adults[21]. Beyond the FSA's programme, there are many other initiatives and organisations working in this field. The FSA tries to ensure that their work draws on existing good ideas and that their new ideas complement what is already out there. Moreover, in 2005, the FSA launched the *Financial Capability Fund* to support new and innovative financial capability projects run by voluntary and community organizations.

In March 2008, the HM Treasury-commissioned Thorensen Review[22] of generic financial advice identified a significant unmet need for accessible, helpful and impartial information and guidance on

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[18] *http://www.fsa.gov.uk/pubs/consumer-research/crpr37.pdf*

[19] *http://www.fsa.gov.uk/pubs/other/fincap_delivering.pdf*

[20] *See www.moneymadeclear.fsa.gov.uk.*

[21] *See www.whataboutmoney.info.*

[22] *HM Treasury commissioned the Thorensen Review in January 2007 to research and design a national approach to generic financial advice. See the Review's final report (3 March 2008). https://www.hm-treasury.gov.uk/d/thoresen**review**_ interimleaflet.pdf and http://policy.helptheaged.org.uk/_policy/Poverty/FinancialServices/_default.htm*

money. It set out a blueprint for a *Money Guidance* service to be tested through a large-scale pilot project.

The Government accepted this recommendation and subsequently announced a £12m 1-year pilot project in the North of England – jointly led and funded by the FSA and HM Treasury – to test the delivery of *Money Guidance* over the web, by telephone, and through face-to-face meetings. Essential to this project are community partners with experience delivering financial guidance to consumers. In addition to providing telephone-based money guidance, partners will deliver the face-to-face services via a variety of different methods (i.e. by appointment, drop-in sessions and outreach). At times, people may be directed to external resources, for example, to specialist advice on debt or pensions, or to regulated financial advice.

The *Money Guidance* service was officially launched in April 2009. Notably, the service is tailored to specific individuals' needs and circumstances.

The Government further demonstrated its commitment to financial capability by joining with the FSA and creating an Action Plan for Financial Capability (July 2008)[23]. The plan sets out to improve financial capability through programmes targeted at key life stages and vulnerable groups as well as by ensuring people can access impartial information and guidance. The plan reflects that people most need support at key points in their lives and that people need hands-on guidance to tackle money questions and concerns – before they turn into problems.

Recently, to ensure the National Strategy meets the needs of consumers in this challenging economic context, the FSA has reviewed their (intermediate and overall) targets[24]. They have also taken the opportunity to review and amend their priorities. In particular, they are developing initiatives to help adults who are affected by the recession. As a consequence, some programmes have been reprioritised (i.e. they will reach fewer English schools through their *Learning Money Matters* programme; will reach fewer youth intermediaries through their *Young People & Money*; will reach fewer young adults through the *Not in Employment, Education or Training (NEET)* programme; will not do any marketing outside of *Money Guidance*; and will spend less than planned on evaluation). New plans will focus on people most affected by the recession, such as:

- adults in mid-life and older who are nearing retirement or already managing in later life;
- adults affected by family breakdown (their numbers are expected to increase as financial stress escalates); and,
- adults facing lay-offs (or who are already unemployed)

[23] *See http://www.fsa.gov.uk/pubs/other/OFT_FSA_actionplan08.pdf*

[24] *View the new targets: http://www.fsa.gov.uk/pubs/other/fc_targets.pdf.*

These new emphases mean that the FSA will not meet all targets set out in the Joint Action Plan for Financial Capability. They have, however, made good progress on the National Strategy for Financial Capability.

For example, as part of the National Strategy, the FSA is delivering a programme of workplace education seminars. Demand for this programme, *Making The Most Of Your Money – MMYM,* is currently at an all-time high. In part, this reflects the current economic climate, which has resulted in more employers recognising the need to support their employees in these difficult times.
Notably, the FSA delivers the *Making The Most Of Your Money* seminar to employees through volunteer professionals from the financial services industry. The FSA's volunteer program allows firms to boost their corporate social responsibility agenda and reinforce/enhance their reputation in the community. Firms are asked to commit to provide roughly 8 days per year on a volunteer basis. Presenters are always requested on an 'opt-in' basis. An FSA support team ensures that everything is arranged for the presenter and provides ongoing support and training as required (presenters receive a one day training course at the outset). Travel expenses are not reimbursed so presenters are only asked to deliver within one hour of their residence.

In sum, the FSA recognizes that financial capability has never been more important than it is now and remains committed to equipping consumers with the skills and knowledge to engage responsibly with financial matters, in the long term, and through these challenging economic times. In 2009/10 the FSA will spend £22.7m on the National Strategy for Financial Capability[25].

The United States

The US federal government recognizes that improving financial literacy has the potential to improve the lives of millions of Americans.

In 2003, Congress passed the Fair and Accurate Credit Transactions (FACT) Act. The act established the Financial Literacy and Education Commission (Commission) to improve the financial literacy and education of Americans.

The Secretary of the Treasury heads the Commission which includes 19 other federal agencies and bureaus. The Commission coordinates the financial education efforts throughout the federal government, supports the promotion of financial literacy by the private sector (including for-profit and non-profit organizations) while also encouraging the synchronization of efforts between the public and private sectors.

In 2004, to reach the widest number of people possible, the Commission launched a one-stop shop for free financial educational materials from across the spectrum of federal agencies that deal with

[25] *Covering letter: http://www.fsa.gov.uk/pubs/other/fc_plans.pdf from Chris Pond, Director of Financial Capability*

financial issues and markets. Now, Americans can visit *MyMoney.gov* or call *1-888-MyMoney* to access financial education materials in both English and Spanish.

In 2006, the Commission developed The United States' *National Strategy for Financial Literacy*[26]. Note, this document was created during a time of economic growth.

In January 2008, the President's Advisory Council on Financial Literacy was created, also within the Treasury Department. Each member of the Council represents an industry involved with the delivery of financial education to US citizens. The Council works with the public and private sectors to help:

- increase financial education efforts aimed at youth in school and adults in the workplace;
- increase access to financial services;
- establish measures of national financial literacy;
- conduct research on financial knowledge; and
- strengthen public- and private-sector financial education programs.

Council subcommittees deal with topics such as financial literacy for youth, financial literacy in the workplace, financial access for the underserved and financial education research.

Currently, with the Treasury Department, the Financial Industry Regulatory Authority (FINRA) Investor Education Foundation[27], is conducting a study of financial literacy among US adults at both state and national levels. The study is the first of its kind to focus on adult consumers at both state and national levels. Preliminary survey data is expected to be released in early 2009.

Australia

In 2005, the Australian Government established the Financial Literacy Foundation to give all Australians the opportunity to increase their financial knowledge and better manage their money. The Foundation aims to build the capacity of all Australians to better understand and manage financial risk, deal effectively with market complexity and take advantage of increased competition and choice in Australia's finance sector.
In 2007, the Foundation commissioned a survey of 7,500 Australians aged 12 to 75 to build a better understanding of how Australians think about and manage money. The *Financial literacy - Australians*

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[26] *The national strategy as well as information on the Commission are available at http://treas.gov/offices/domestic-finance/financial-institution/fin-education/commission/.*

[27] *FINRA is the largest non-governmental regulator for all securities firms doing business in the United States. The FINRA Investor Education Foundation works to educate and protect investors, including traditionally under-invested groups of Americans such as young adults, women, Native Americans and members of the US military. In developing the survey, FINRA is drawing on the UK Financial Services Authority's financial capability survey and the Irish Financial Services Regulatory Authority survey.*

understanding money report[28] discusses the findings of this survey of Australians' self-assessed ability, understanding, attitudes and behaviour when it comes to using and managing money. Currently, the Foundation is:

- providing a national focus for financial literacy issues;
- raising awareness of financial literacy and its benefits (e.g. through its *Understanding Money* website[29] and handbook);
- working with schools (the Foundation worked with all State and Territory education authorities to have financial literacy included in the curriculum for Years K-10 from 2008; makes education support materials are available through its Education and Training site[30]; and supports the professional development of teachers);
- partnering with employers and the vocational/technical education sector to create opportunities for Australians of all ages to learn more about money through **w**orkplace education (the Foundation provides practical support to educators and trainers);
- working to improve the availability of quality financial literacy education resources (the Foundation has developed *Financial Literacy Resources Australia*, a comprehensive web-based database of financial literacy programs and resources); and
- collaborating with similar overseas organisations to enhance Australia's approach to advancing financial literacy.

Note, the Foundation does not fund or deliver financial literacy programs. Rather, the Foundation works in partnership with the three sectors acting as a matchmaker that brings together those organisations and individuals with complementary needs and skills and a common commitment to

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[28] *The Financial literacy: Australians understanding money (2007) report discusses the findings of the Foundation's survey of Australians' attitudes to money - how confident they are and how they behave when it comes to managing their money. The report can be downloaded at http://www.understandingmoney.gov.au/content/consumer/publications/default.aspx. From this site you may also obtain a subsequent report, Financial literacy - Women understanding money (2008). It talks about women's attitudes and behaviour on a range of money topics from budgeting and saving to getting ready for retirement.*

[29] *See http://www.understandingmoney.gov.au.*

[30] *The Foundation has established the Educators and Trainers Network to assist educators, human resource professionals and resource developers to provide quality financial literacy education and training. Members receive updates on financial literacy initiatives and information on member events. Members can also comment on financial literacy resources, events and their support needs. The network aims to provide: news and information about financial literacy education and training; updates on quality educational materials available to help deliver financial literacy programs; advice on how to develop quality educational materials; examples of how others have gone about running financial literacy programs, and notice of network events. As the network develops, they hope to develop a community of practice which will enable practitioners to swap experiences, and provide the Foundation with input from network members on financial literacy education and training initiatives. The latest Educators and Trainers Financial Literacy Network Newsletter is available at http://www.understandingmoney.gov.au/documents/NetworkNewsletter200801.pdf*

advancing financial literacy. The Foundation receives independent and strategic guidance on financial literacy issues from the Australian Government Financial Literacy Board[31].

The Financial Literacy Board is a non-statutory body comprised by twelve members who are appointed by the Minister for Superannuation and Corporate Law. Members are appointed in their own right, rather than as representatives of particular organisations.

On 1 July 2008, the functions of the Foundation, including the *Understanding Money* website, were transferred to the Australian Securities and Investments Commission (ASIC)[32]. This transfer consolidates the Australian Government's financial literacy response and strengthens ASIC's role in safeguarding Australia's economic reputation and wellbeing.

Also in Australia, ANZ Bank – one of the largest companies in Australia and New Zealand and a major international banking and financial services group – is using its resources and expertise to increase the financial literacy of Australians, particularly those who are most vulnerable.

ANZ has initiated and funded ongoing research into levels of adult financial literacy, financial exclusion, and causes of financial difficulty in Australia. Major research projects include Australia's first ever national survey of *Adult Financial Literacy (2003)* which provided a benchmark for future research. Results of follow-up *Adult Financial Literacy* surveys were published in 2005 and again in 2008[33].

Significantly, the most recent survey (2008) shows a strong correlation between financial literacy and socioeconomic status. The most disadvantaged people also tend to be those with the lowest levels of financial literacy.

ANZ has responded to research findings by committing to a range of actions backed by ongoing research, informed by community consultation, and delivered through partnerships with local community organizations and government. Notably, ANZ use regular independent research to evaluate the effectiveness of their programs.

[31] See http://www.flb.gov.au/for a list of members of the Australian Government Financial Literacy Board.

[32] ASIC is the consumer protection regulator for financial services. In this role, ASIC protects investors, superannuants (retirees), depositors and insurance policy holders; regulates and enforces laws that promote honesty and fairness in financial products and services, in financial markets, and in Australian companies; and has powers to protect consumers against misleading or deceptive and unconscionable conduct affecting all financial products and services, including credit. More information about ASIC can be found at their website (http://www.fido.gov.au/fido/fido.nsf).

[33] ANZ research reports are available at http://www.anz.com/aus/about-anz/corporate-responsibility/Resources/default.asp.

Key programs include:

- *MoneyMinded*[34] – ANZ's adult financial literacy program

  MoneyMinded was established after ANZ's 2003 study of financial literacy levels demonstrated a need for financial education among socio-economically disadvantaged members of the community[35]. It consists of 19 workshops that cover eight broad topics (e.g. planning and budgeting; dealing with debt; home ownership and renting; and investment and superannuation or retirement. The program and facilitator training are delivered by a network of financial counselors and community educators, working for/with a range of community organizations. These community partners work on the ground with disadvantaged people to ensure *MoneyMinded* is delivered in a way that is relevant, accessible, and targeted to those who need it most.

  Since 2004, *MoneyMinded* workshops have been delivered to over 68,222 Australians. Participants have included, for example, young people with disabilities and a Swahili-speaking women's group[36]. In 2007, ANZ expanded *MoneyMinded* to New Zealand where it is being targeted at new parents. ANZ has commissioned RMIT University to evaluate the performance of *MoneyMinded* annually[37].

Summary

It is clear from the findings provided through the environmental scan that there are significant similarities across countries in terms of how they approach policy and program development in the area of financial literacy. Broadly summarized they include:

- establishing a baseline measure of financial literacy in order to assess need and to measure the progress of new initiatives. Ideally to ensure policy and program relevance, baseline, surveys would be repeated every four to five years;
- the limited success to date in addressing the challenges involved in evaluating program impacts. There is no common standard for the evaluation of financial literacy programs;

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34 For more details, see the MoneyMinded website http://www.moneyminded.com.au/.

35 MoneyMinded was developed by the Centre for Learning Innovation at NSW Department of Education and Training, in conjunction with an advisory committee consisting of: the Australian Financial Counselling and Credit Reform Association (AFCCRA); the Financial Counsellors Association of NSW Inc. (FCAN); the Australian Securities and Investments Commission (ASIC); and ANZ representatives.

36 See http://www.moneyminded.com.au/documents/ANZ-MoneyMinded-Storybook-FINAL-published.pdf

37 Results for the period from October 2007 to September 2008 are available. See http://www.anz.com/Documents/AU/Aboutanz/MoneyMinded_Report_April_2008.pdf

- the use of multiple nonprofit organizations by federal governments to address various aspects of financial literacy and to reach specific target audiences in communities, workplaces and schools;
- National strategies are multi sectoral and developed with input from government, private and voluntary sectors and clearly identify the role of national organizations, regional governments and community organizations;
- independent, impartial information is available free of charge;
- low financial literacy and low socio-economic status are correlated, but low income and less education are not necessarily predictors of low financial literacy levels;
- large scale pilots are used to market test financial literacy interventions;
- financial literacy is defined as a basic skill needed over the life course that includes knowledge, competence and confidence;
- financial literacy policy and programs should be inclusive by design and where possible linked to existing financial inclusion initiatives; and,
- financial literacy resources, services, and tools should be available through online and hard copy versions.

International Interviews – Key Findings

Recent Trends[38]

The United States

Since fall 2008, largely as a result of the financial crisis, there have been notable changes in the way Americans are talking about and approaching financial literacy.

Targeting Low-Income Earners

Traditionally there has been a big push towards targeting low-income earners. There was a belief that, with the right skills, they can save, even on a shoestring. It is becoming increasingly difficult to sell that message.

While there are still many programs targeting low-income earners, policy makers, practitioners and academics are trying to determine whether or not financial literacy is the most appropriate means of supporting consumers ***right now***. Low-income earners' financial situations were already bleak to begin with and then the crisis hit. Many of these individuals know they need to save and budget but simply have no money to do so. To protect this target audience, key players are beginning to give more consideration to the types of regulation and public policy that need to be put in place. There is a growing awareness that the right balance needs to be struck between a) focusing on increasing individuals' financial literacy and b) creating more regulation and public policy to both protect consumers in the long run and get people back on their feet and headed in an appropriate direction more immediately. One key informant stressed that more needs to be done to determine the appropriate balance between education, personal responsibility and public/government responsibility.

Generally speaking, while previous programs and policies targeted towards low-income earners still exist, the US has entered crisis mode. With many individuals losing their homes and/or declaring bankruptcy, the need to help people avoid foreclosure and bankruptcy has been recognized. Generally the US is becoming more reactive in the context of an immediate crisis (of credit, unemployment, etc.) The focus has shifted away from a more proactive (help people before they are in crisis) approach to cultivating financial literacy.

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[38] *Discussion in the 'recent trends' section is based on information gathered through key informant interviews. It picks up where the environmental scan (earlier section) leaves off.*

There is concern that, in addition to low-income earners, middle- and even upper-income earners are also struggling. There is a general acknowledgment that something needs to be done to reach a higher proportion of the population. The two most effective mechanisms to extend the reach of financial literacy training are thought to be the public school system and workplace delivery. However, given that the education system in the US is in need of major reform and that schools are struggling to instill basic literacy and numeracy, workplace delivery appears to be the more viable mechanism.

Workplace Delivery

Employers have many reasons to support workplace financial literacy initiatives. As people are losing jobs or transitioning to new employment, employers want to support their staff and be good citizens. Moreover, employee financial stress carries over into the workplace and affects bottom lines. It has been shown that having financially 'well' employees is profitable.

In the early 1990s, before 'financial literacy' became such a buzzword, financial education was valued within the context of human capital development. Then, with the rise of programs explicitly geared towards improving financial literacy, workforce development/training and small business programs seeking to build human capital were somewhat eclipsed. Currently, there seems to be a resurgence of demand for support around employment and human capital development. During a recent talk on the theme of 'how to make the most of your dollars today', one key informant observed that people are starting to think more entrepreneurially. According to this informant, the number one question she received from her audience (of roughly 200 local women) was: 'I don't have a job, I have to stay home, I need to think of new ways to bring in dollars, I'm thinking of starting a business out of my home, how should I proceed?'.

One-on-one Services

There has been a move towards providing more one-on-one services. Even before the crisis, research showed that through group workshops, at best, we can hope to impart knowledge (rather than, e.g., advice). Programs that provide mentoring or coaching and the incentive of personalized support/encouragement seem to provide better results.

As one key informant puts it: 'It is clear that what we've been doing [in the US] is not working. We've been doing a heck of a lot and we're still in this situation. We need to rethink why what we've been doing hasn't been effective.'

It is this line of thinking that has caused stakeholders to step back from a focus on building financial literacy and really consider the extent to which the crisis can be linked to consumer responsibility.

Would the crisis have been avoided if everyone were financially literate? Or, must financial literacy initiatives be accompanied by regulation and policy to make a truly positive impact on the economy?

Targeting Homeowners and those Declaring Bankruptcy

Previously, the US invested a lot of resources into first-time home buyers (ie. low- to middle-income earners who need to sort out their credit ratings before proceeding, connect with a reputable mortgage broker etc.). Currently, more of an emphasis is being placed on homeownership through life. The government is working to build capacity in communities (e.g. by bringing key stakeholders together, working with the Neighbourhood Reinvestment Corporation (NRC)[39], etc). A program to train and certify housing workers (to promote ongoing successful homeownership) is being considered by at least one subgroup of NRC.

In terms of bankruptcy regulations, it is now mandatory for anyone who files to first go through counselling (basically a budget setting exercise to show what the person can pay back). Then, prior to discharging debt, those who declare bankruptcy must participate in some financial literacy training. Training is available through a variety of formats, some of which have the potential to be more effective than others. The government had just begun implementing this policy when the crisis hit and started to snowball in 2007. Now the economic climate is very different and the policy has not proven to be as effective as originally hoped.

The United Kingdom

In the UK, it seems that advocates of financial literacy (or financial capability as it is known in this context) are more confident in their approach than their peers in the US. Rather than seriously re-thinking their approach they appear to be building on what works, testing new and promising programs and making minor cuts in order to reallocate funds to priority areas.

School-Based Delivery

The Financial Services Authority (FSA), a non-governmental entity, is working with governments in order to deliver financial capability through schools. The FSA is looking to change the curriculum – to make financial capability a compulsory component. This curriculum change is expected to become statutory by 2011.

[39] *The Neighbourhood Reinvestment Corporation is a national non-profit organization created by Congress to provide financial support, technical assistance, and training for community-based revitalization efforts.*

Financial Capability – A Skill that is Necessary Throughout the Life-Course

The FSA continues to roll-out its *Delivering Change* strategy, a five-year program to improve the financial capability of UK consumers. The program targets people from childhood onwards (school children, young adults who are Not in Education, Employment or Training, students in universities and Further Education, employees in their workplace and new parents). The FSA has also recently committed to developing new ways to address the needs of people in mid-life and older, planning for or managing in later life and those affected by family breakdown, the numbers of which are expected to increase as financial stress escalates.

In fall 2008 the FSA began the UK-wide distribution of their *Parent's Guide to Money* – a practical and impartial resource for expectant parents designed to answer questions about their changing financial circumstances and to help them prepare for parenthood. This recent initiative has been rolled out nationwide. Because parents responded well to the guide in trials, the FSA has committed to delivering it to over 1.5 million parents throughout the UK. The guide covers core topics such as budgeting, state benefits, cost of children and childcare, maternity and paternity rights, savings and work. It is free and comes with a CD-Rom containing a number of easy-to-use calculators. It was developed in consultation with parents and those who work with them. It is being handed out by midwives to expectant mothers during the middle of their pregnancy. The FSA evaluates all of its financial capability programs annually and in 2009/10 will undertake an evaluation to identify the effectiveness of the guide. The study will look at whether parents who use the guide are more financially confident and capable; whether they have improved knowledge and skills in personal finance; and whether they have therefore taken action in managing their finances.

In accordance with their targeted approach to financial capability, the FSA has just launched a website specifically for young people (*What About Money*[40]). The FSA realized they needed to target young people in a different way than they are able to do through their general consumer site *Moneymadeclear (MMC)*[41].

Workplace Delivery

The FSA's workplace program, *Making The Most of Your Money*, consists of 1 hour seminars accompanied by a booklet participants get to keep. Currently, the FSA has begun to focus their efforts on employers who are laying off large numbers of employees. Moreover, seminars are being tailored to issues related to job loss (e.g. how to deal with a drop in income). The workplace programme is successful, and employers continue to welcome the initiative, especially as the UK is in the middle of a recession. The FSA tailored the programme to suit workplaces which may be laying off employees, to help educate staff at a time when they may be facing financial uncertainty.

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[40] *See http://www.whataboutmoney.info/.*

[41] *See http://www.moneymadeclear.fsa.gov.uk/.*

Consequently, volunteer presenters (mainly from financial services firms), can find themselves working with audiences facing complex financial and employment situations.

Public-Private Partnerships and the Provision of Personalized Guidance

In 2009, in partnership with the government, the FSA entered the delivery stage of its *Money Guidance* pathfinder program, a two-year pilot to test delivery of the UK's first money guidance service in the North-East and North-West regions of England. The government is providing 50% of funding and the FSA is providing the balance (the FSA is funded by an industry levy). The program seeks to help people budget; save and borrow; insure and protect themselves and their families; plan for retirement; understand taxes and benefits; and demystify the technical language that is often used in the financial services industry. Specific financial products will not be recommended to people accessing the money guidance service. Notably, the service:

- supports and guides individuals to help them make better decisions, take action and change their behaviour;
- is impartial vis-à-vis the government and the financial services industry;
- is preventative in that it helps users plan for today *and* the future (those in crisis may contact the service for referrals);
- is universal (at least in the medium-term it is free to users); and,
- will be evaluated during and after the delivery phase.

The service will be delivered through a partnership model with a central body (the FSA) directing the strategy, setting standards, etc. The bulk of the service will be delivered by partner organizations in the community. Specifically, delivery will occur through face-to-face, telephone, and internet channels. The pilot will test this multi-channel approach. It will also test whether or not there is demand for such a service; whether demand can be driven by product/service availability; and whether the FSA is the best, most relevant, organization to administer the service.

The government has signaled (subject to evaluation findings) its intention to roll out the program nationally. Importantly, one key informant noted that, whatever happens with *Money Guidance*, this type of initiative will have to be complimented by financial capability training more broadly. One *Money Guidance* intervention, may not in itself, be enough to improve one's financial capability. The money guidance pathfinder will test whether or not there has been an impact on people's financial capability. Consumers may access this product for different, highly specific reasons. One call or visit to an agency may or may not lead to substantial behavioural changes. Improving specific actions ought not be equated with long term behavioural change whereas, financial capability is precisely about creating long term behavioural change.

Key informants from other countries have heard of this initiative and are eager to learn more. One informant said she was 'intrigued by the UK government's cutting edge *Money Guidance* service' and would personally find it useful to have a resource where she could call someone and discuss her money options.

Ensuring Contemporary Relevance

The FSA has recently reviewed their financial capability strategy to ensure it is relevant given the recession. Following this review they have reduced the scope of financial education occurring in schools. Instead, they are putting more resources into helping adults affected in the here and now. Specifically, they are creating resources (including *Money Guidance*) for people facing divorce/separation; facing redundancy or who have already been laid-off; and those who are 40+ years old, preparing for retirement or in retirement. It is likely these new resources for those facing divorce/separation will be web-based.

The FSA has had to make difficult decisions about which areas to cut. As their budget is finite (22.7 million pounds in 2009/2010) they had to focus on the most necessary areas. For example, they are targeting 'school leavers' (14-16 year olds) who are most vulnerable in the sense that there won't be another opportunity to easily reach them.

New Zealand

Like the FSA, New Zealand's Retirement Commission is currently in the process of building on a relatively successful framework. Growing consumer demand and increasing interest from the financial sector, officials and academics signal success but may also present new challenges.

Increased Demand for Financial Literacy

Since the economic downturn, New Zealanders are more actively seeking financial information (e.g. *Sorted* website traffic has increased[42]). More and more, financial literacy is viewed as a tool that could be applied more broadly and intensely to get *Kiwis* through this crisis and prevent them from getting into future financial strife. In New Zealand, a number of finance companies have collapsed and some people have lost a great deal of money. There is speculation that, if there had been more financial literacy, individuals would not have invested – or lost – so much. Accordingly, agencies and others are starting to think of what ought to be done in terms of policy development around financial

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[42] *See www.sorted.org.nz/. Sorted is a website brought to New Zealanders by the Retirement Commission, a small government-funded (but independent) organisation, dedicated to helping Kiwis manage their personal finances throughout life.*

literacy. The National Strategy for Financial literacy was released in June 2008 and provides a blueprint to lift New Zelanders' financial literacy. It has three key themes:

1. Reaching People.
2. Extending Delivery.
3. Sharing What Works.

The Strategy contains 16 recommendations. Progress is monitored by an advisory committee comprising the Governor of the Reserve Bank, the Chair of the Insurance, Savings and Investment Association, the Chair of the Securities Commission, the Secretary of Education and the Retirement Commissioner.

Those who have been involved in financial literacy initiatives for some time are pleased that the whole issue is being carefully looked at through the National Strategy. With the profile of financial literacy being raised there is an increased possibility that other agencies will become more involved (in planning and funding arrangements).

Ensuring Contemporary Relevance

Like the FSA, the Retirement Commission has undertaken an internal audit of material to ensure its relevance and usefulness in the context of the economic downturn (material was created when the economy was buoyant). In response to this audit, they have made some adjustments, most of which are quite specific (e.g. changes to reflect new rates). They concluded that, generally speaking, 'basic financial literacy materials are relevant in both buoyant and downturn economies'. That said, the Commission has created some resources tailored to handling finances in the context of the downturn. For example, they have created content featuring options for those who are laid off. The Commission convened an advisory group to discuss which issues ought to be addressed.

School-Based Delivery

Recently the Commission has been placing greater emphasis on school-based delivery. They have completed a four year plan to incorporate financial literacy into school curriculums. They will be passing responsibility for this initiative onto the Ministry of Education in summer 2009.

Partnering with Community-Based Agencies

The Commission is also beginning to place a bigger emphasis on community groups. According to a key informant, 'this was a bit of an omission in the past.' The Commission is working to stimulate community-based organizations to adopt and provide suitable resources. Interestingly, they are pursuing this agenda more through the provision of facilitator guides than train the trainer services.

Evaluating Initiatives and Sharing Findings

In June 2009 the Commission will be launching a new website (*financialliteracy.org.nz*). This site is geared more to researchers, practitioners and (inter)national strategists than consumers. Among other things, it will make survey data available.

The Commission conducts regular and ongoing surveys. For example, when people use their website, a pop-up window appears to some of those who visit eight pages or more. It invites them to participate in a short questionnaire and asks: 'Can we contact you again in three months?' If an individual agrees, the Commission contacts him by telephone or email to deliver a survey aimed at determining whether he took any action as a result of the website. Of course this is a self-selecting sample. That said, the survey does have a very good response rate. Examples of action taken by users of *Sorted* include: developing financial goals, developing a household budget, adjusting savings regime, deciding if what they currently do is fine, going to see a financial planner, etc. A high proportion of respondents say they take some form of action as a result of using the site.

A second area of impact assessment pursued by the Commission is their annual sample surveys of the population in which researchers ask people on the street if they have consumed any of the Commission's products/services. A few years ago the Commission found that 19% of the *Kiwis* had done so. Currently, their goal is to reach 30% of the population. They have two years to achieve this key benchmark. This survey is separate from the ANZ-Retirement Commission Financial Knowledge Survey.

In March 2009, ANZ and the Retirement Commission launched their second financial knowledge survey to find out if New Zealand's financial knowledge is improving. The first survey was launched in 2006. According to Retirement Commissioner Diana Crossan, "the information we get from this year's survey will provide us with a measure of change over the past four years. It will again identify gaps in knowledge, and help us to develop further targeted education programmes.[43]" Since the last survey, new questions have been added about how people feel about debt in their lives as well as about their knowledge of *KiwiSaver*. Initial results will be available in late June 2009.

[43] *The Retirement Commission March 2009. 'Testing the country's financial knowledge during tough times.' http://www.retirement.org.nz/.*

Australia

Finding the Right Home for a Financial Literacy Strategy

In 2005, the Australian Government created the Financial Literacy Foundation to give all Australians the opportunity to increase their financial knowledge and better manage their money. A key informant described the Foundation as a great step towards recognizing there is an issue and that government should be involved.

The Foundation is publically funded and focuses primarily on awareness building and promoting financial education within schools. This relatively narrow focus is probably an issue of resources.

In terms of schools, the Foundation has worked to get the curriculum up and running and get teachers trained. Their efforts have been applauded as school-based delivery is generally viewed as a worthwhile and crucial component of increasing the financial literacy of the population.

In terms of awareness building, the Foundation's efforts could have been stronger. Their Public Service Announcements (PSAs) were described as rather unmemorable (unlike those produced by New Zealand's Retirement Commission[44]).

On July 1st, 2008, the functions of the Foundation were transferred from the Treasury to the Australian Securities and Investments Commission (ASIC) – a regulatory body. This transfer consolidates the Australian Government's financial literacy response and strengthens ASIC's role in safeguarding Australia's economic reputation and wellbeing. This move was identified by a key informant as the 'biggest change' in Australia's financial literacy scene that has occurred in the last 12 months[45]. Generally, the public has viewed this change as a positive move. The arrangement appears more objective and to have more credibility. Additionally, there is a good fit because the Foundation's new home already hosts an investment tips and advice service called *FIDO* on behalf of the Australian Securities and Investment Commission.

Increased Demand in the Context of the Crisis

With the economic crisis, there has been an increase in demand for financial literacy in Australia. It is felt that state and federal governments could be doing more to meet this demand (e.g. provide more targeted support to those who have been laid-off or who might be losing their homes). In reaction to the crisis, they are putting any surplus into stimulus whereas, a few years ago, they invested more in

[44] *The Commission's PSAs were mentioned by numerous domestic and international key informants. The campaign was described as exemplary.*
[45] *There has been a change in government (since 2007).*

preventative measures. That said, even before the crisis, demand for financial literacy programs reportedly exceeded their supply.

It is possible that, through the economic crisis, awareness might be raised and attention may be drawn to financial literacy.

Public-Private Partnerships, Evaluation and Expansion

ANZ evaluated their program (*Saver Plus*) right from the beginning. To their credit, research and evaluation were part of the process before they even began. *Saver Plus* was developed jointly by ANZ and a Christian community-based organization (the Brotherhood of St Laurence). It was piloted in 2003, after ANZ's research into adult financial literacy demonstrated a correlation between low levels of saving and lower than average financial literacy. *Saver Plus* is constantly adjusted based on research findings.

Now, a state government has joined ANZ and is providing funding to help upscale this program. State funds cover the costs of program staff and other running expenses in six sites. The Government of Victoria saw *Saver Plus* as a place-based (rather than blanket) policy which allowed them to target specific areas known to be socioeconomically vulnerable and in need of support. The Government of Victoria also supports *My Moola: Opening Financial Pathways* – a financial literacy program being delivered to Indigenous communities in and around Shepparton, Victoria[46]. ANZ is in talks with the federal government to get further public support for *Saver Plus.*

Saver Plus is based on saving for education (research findings show individuals ***do*** want to save for this goal). ANZ matches participant families' savings dollar-for-dollar up to $1,000. They have found it is more efficient to have one source administering the match. In addition to sponsorship, ANZ also actively manages the program (e.g. they consult committees of experts in the fields of education and finance).

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[46] My Moola is delivered by Indigenous facilitators, employed by local organisations. An initial evaluation by Melbourne University has found that My Moola has resonated with the Indigenous participants.
In 2009 ANZ and First Nations Foundation will continue the My Moola program. They have been successful in gaining support from the Victorian Government (Office for Women's Policy) to target Indigenous women specifically (in addition to targeting the community more broadly). First Nations Foundation seeks to extend the program to other Indigenous communities around Australia. The program emerged out of an invitation to ANZ from the First Nations Foundation to work together with a particular Indigenous community. It includes a strong personal development component and draws on the experience of MoneyBusiness (but is tailored to the needs of a specific community). ANZ developed MoneyBusiness to build the money management skills and confidence of Indigenous people and promote a stronger savings culture in remote communities. Notably, ANZ developed MoneyBusiness in partnership with the Australian Government Department of Families, Housing, Community Services and Indigenous Affairs (in 2005). The program was developed after ANZ's research showed that financial exclusion was a significant problem among Indigenous communities.

Families who participate in *Saver Plus* also attend *MoneyMinded* – a comprehensive (10-12 hour) modular financial literacy program. The whole *Saver Plus* program can take anywhere between 10 and 18 months to complete (the average participant completes the program in a year). The program is successfully delivered through a network of community organizations.

Eligibility is limited to adult low-income earners. The screening/acceptance program is streamlined because community partners simply need to verify that interested applicants have a *Centrelink* card (provided by the government agency that administers income support for low-income earners, the unemployed and the elderly). Because *Centrelink* performs rigorous checks, local delivery agents don't have to go through this process. Notably, eligible participants must also have some paid employment to ensure their capacity to save and avoid hardship. There has been significant debate within the community sector as to whether individuals without an income should in fact be eligible. However, ANZ is quite set on their current criteria.

Like *Saver Plus, MoneyMinded* (see above) was developed by ANZ. After *Saver Plus* started, they began integrating *MoneyMinded* for reasons of efficiency. As mentioned above, *MoneyMinded* is a modular program. Outside of *Saver Plus,* modules or combinations of modules can be picked by community organizations and adapted to client needs. This fits with ANZ's goal of maximizing their financial literacy program's franchise potential. Prior to accessing modules, organizations must go through a program (like train the trainer) that is tailored to *MoneyMinded's* content and philosophy. Thus far, ANZ has reached many Australians throughout the country through this flow-down ('pyramid') approach.

Discussion of Central Themes

The following themes emerged out of discussions with international experts in the field of financial literacy.

The Importance of Promotion

Key informants in all countries generally agree that increasing uptake of any financial literacy program depends on promotion. This was a key point made in numerous interviews.

Agencies can build the best website or run the best seminars but, unless they successfully promote these products, offering them won't matter. Notably, the Retirement Commission spends around 75% of its budget on promotion. Promotion entails building awareness and selling consumers on the benefits of participating.

Additionally, promotion can build an agency's brand. In New Zealand, the Securities Commission delivers messages through the Retirement Commission which has successfully established a trusted brand (ie. *Sorted*). A solid brand ultimately improves promotion efforts.

In addition to building their brand and delivering messages for other agencies, the Retirement Commission tries to promote ‘good financial behaviour’ as a social norm so it becomes expected that members of the public are financially literate. Basically, the Commission uses clever and memorable PSAs to highlight the benefits of managing money as well as show the risks of not doing so in a way that does not alienate those without much money. Examples can be found on their website *www.sorted.org.nz.*

The Commission has also found that advertising on outside websites is an effective way of getting people to visit their site (*Sorted)*. They use the biggest 5-10 websites in New Zealand. Visitors to those sites have the opportunity to ‘click through’ to *Sorted.* This marketing strategy is very cost efficient. Additionally, the Commission can monitor traffic (where visitors come from, what they do on the site, how long they stay, etc.). This further assists the Commission to determine the most cost effective use of funds.

With a few notable exceptions, the Commission has found print and radio advertising to be less useful (than internet or television), though these can be effective media when it comes to reaching select target audiences (e.g. the Commission places articles in community papers to reach Maori and Pacific Islander consumers).

Strong marketing is especially important at the outset, before word of mouth begins to pick up.

In Australia, ANZ conducts the bulk of promotion (of *Saver Plus*) through schools. Letters and promotional materials are sent home with children. Possibly this tactic was an accident of history (in its early years the program helped parents save for their children’s education). Regardless, it has been quite effective. ANZ’s community partners work to build relationships with schools. After time, word of mouth begins to spread. Notably, this school-based promotion strategy brought many benefits that go beyond recruitment. Namely, it increases social capital by improving access for *Saver Plus* participants to people, networks and resources across the community. These social networks are especially valuable in rural areas.

Targeting Low-Income Earners

Key informants in all countries generally supported initiatives that target low-income earners. However, they pointed out that this may be a difficult – and sometimes costly – target audience to reach. They also stressed that low-income earners must be treated with respect.

At times, when serving low-income earners, educators and policy makers can be somewhat patronizing and wrongly assume this group does not know (or want to know) certain things. In fact, many low-income earners are superior budgeters who manage their low incomes exceptionally well. That said, key informants agree that low-income earners would nonetheless benefit from improved financial literacy.

Certainly, some low-income earners do need to increase their financial literacy. However, if an agency hopes to transform latent need into active demand (uptake)***,*** they need to avoid being patronizing or making judgments about how people spend their money. The point of financial literacy training is to help individuals learn to make informed decisions.

All key informants were also quick to point out that need/demand among low-income earners is likely paralleled among middle-income earners. Middle-income earners may have little savings and/or unstable housing; family circumstances may mean they have low disposable incomes. They may also need guidance to avoid scams. Like low-income earners, it is improbable that they would be able to afford the support of a personal financial advisor. Thus, both low- and middle-income earners are quite vulnerable.

All key informants recognize that it can be harder to reach more vulnerable consumers. This difficulty is what motivates many agencies to target vulnerable groups through intermediaries (ie. community-based organizations). Indeed, many international agencies mandated to increase financial literacy of the population as a whole (or low-income earners specifically) try to work through trusted conduits with existing relationships with consumers.

Alternative means of reaching consumers may prove challenging when it comes to engaging low-income earners. For example, the FSA generally targets adult residents of the UK through the workplace – this program reaches the most people. As adults who are unemployed are excluded from this programming, the FSA is now piloting financial education seminars through job centres.

It is also difficult to reach low-income earners through internet-based initiatives – arguably the most efficient means of reaching large numbers of people. Indeed, more resources may need to be invested if we hope to reach vulnerable groups.

A final factor to consider when targeting low-income earners is their worldview and how this will mediate their perception of initiatives. For example, low-income earners, especially those receiving income supports, could be hesitant to participate in programs they fear might affect their benefit levels. Some worry about participating in financial literacy programs with a research dimension. They are concerned data collected and shared with the government will result in benefit reduction. In terms of IDA programs, individuals justifiably worry that their savings – and/or the match – will affect their benefit status and income. In Australia, ANZ ensures *Saver Plus* participants do not lose entitlement to any benefits. They have arranged this through a tax exemption process. Additionally, the program pays matched funds directly to vendors (i.e. education providers or computer suppliers).

Modes of Delivery

One-on-one and Group Delivery

One-on-one, more personalized coaching/counselling models are viewed as effective by all key informants. Group education can provide the basics as well as updates related to those basics. However, group delivery may not provide low-income earners with what they need to work through complex individual situations and successfully get from point A to point B. At the end of most financial literacy sessions, when the facilitator invites questions, participants almost always tend to ask about their own unique situations ('here is my situation, how can you help me? This is what I'm going through, what should I do?'). In other words, though information can be conveyed through group sessions, many of those who participate in such sessions hope for some assistance with a particular issue that is affecting their life.

While there may be demand and support for one-on-one delivery, key informants warned that this is also a costly and labour intensive mode of delivery. They suggested that, to be viable, there has to be some national mechanism to deliver/fund this kind of service. Realistically, not many agencies have the resources to offer such resource-heavy services if services are not paid for by user-fees or externally funded.

That said, the one-on-one approach is gaining considerable traction in the United States. Much of what is currently happening in this area can be exemplified by a program operated by Housing and Urban Development (HUD), though similar initiatives are also happening in areas other than housing.

The federal government has provided HUD with millions in grant money to be awarded to not-for-profits offering housing counselling. As this approach is very costly, the government has only committed to funding support around specific – pressing – issues (i.e. reverse mortgage loans and foreclosure).

Reverse mortgage loans are a product primarily consumed by elderly people who want to access the equity of their home without selling it. Through federal funding administered by HUD, agencies are being encouraged to speak one-on-one with elderly individuals considering this product. Elderly individuals are often quite vulnerable and taking out a reverse mortgage loan can have significant consequences.

Similar efforts are being made to provide just-in-time counselling to homeowners facing delinquency or possible foreclosures. As with the reverse mortgage loan initiative, HUD oversees this project, holds partner agencies accountable, and flows funds through national networks to capable local agencies.

In the US, one-on-one delivery is also gaining momentum vis-à-vis bankruptcy. Congress has passed a bill stating that anyone who wants to declare bankruptcy must first have a one-on-one session with a credit counsellor. Then, once they have filed, they have to participate in group financial literacy training before discharging their debt. In this case, the government passed legislation requiring one-on-one service but did not provide any funds. Therefore, agencies charge for the service (reportedly, the government has capped fees at around $50/session).

Notably, programs paid for by consumer use fees may not reach low-income earners although they are mandatory.

Additionally, some key informants indicated concern over the quality of one-on-one products that are being delivered. A great deal of one-on-one work (funded by government and/or user fees) seems to be happening over the phone – the delivery agent may just be reading a script.

Workplace and Job (Re)Training-Based Delivery

Education and Employment Training

All key informants indicated that the field of education and (re)training is going to become 'a hot site' for financial literacy training. They anticipate that, in the years to come, governments will be placing greater emphasis on helping people retool and get job skills in fields where jobs will be in the future. The consensus is that financial literacy fits well within these types of programs as a component that both helps people transition financially and positions them financially to participate in training.

Many key informants noted the window for financial literacy training that is created around lay-offs. If lay-offs occur, there is an opportunity to reach the newly unemployed and assist them to figure out what they can do financially to best navigate this transition. For example, in many cases, retirement plans are associated with jobs. Lay-offs create demand for information about options (e.g. when it comes to rolling over plans from one employer to another). Health care coverage is also frequently tied to jobs.

Another window exists as people return to work. One key informant suggested that it would be useful if, through workplaces, new employees received financial literacy as part of their induction. Employers could facilitate seminars, distribute print products, etc.

In summary, the point consistently being made by informants was that there are lots of opportunities to view (and smoothen) job transitions from a financial standpoint.

Workplace Financial Literacy Training

Although there are many opportunities for workplace education, key informants highlighted a number of barriers related to this mode of delivery. For one, when it comes to workplace delivery, winning the support of employers is absolutely necessary. Initially, many employers may be unwilling to give staff time off to attend training. One key informant suggested that, in response to this situation, the government could consider requiring employers to provide employees with, for example, 10 paid hours/year to be used for financial education. Currently workplace initiatives are purely voluntary.

Another approach to increasing workplace-delivery is illustrated by the following example. One key informant, who works on the frontlines of this issue, has recently established a national financial planning team to provide workplace financial literacy training and certification on a large scale. According to her business model, employers will send Human Resources (HR) staff to be trained and certified in the delivery of specific modules. In turn, these HR staff will provide workplace training to a wide range of employees. A diverse menu of module choices will be available. Employers will purchase site licenses for their selections. Certified trainers will be able to return for re-certification as materials need to be updated. This project is still very new. Financial planners have been hired to conduct a demand analysis. They are currently contacting employers to assess demand, price points, etc.

Despite their support of workplace training, key informants acknowledge this mode of delivery can be problematic when it comes to reaching low-income earners. We have already mentioned that those who are unemployed will be excluded from workplace delivery. Additionally, certain jobs and employment situations (common among low-income earners) may not be conducive to workplace delivery. For example, those working in low wage jobs in the service industry (e.g. cashiers) cannot always leave the sales floor to go to the break room for a session.

For example, the Federal Reserve Bank in the US is generally good at letting staff – with the exception of cafeteria workers and security guards – take time off to attend financial literacy seminars. The Federal Reserve offers these employees the option of participating in sessions offered during 15-20 minute breaks or before/after work. However, few want to come in early, stay late, or give up breaks. It is striking that the Federal Reserve is having these challenges in-house even though they are generally very good at practicing what they preach (ie. the merits of workplace delivery). As an aside, key informants noted the importance of government agencies (involved in financial literacy initiatives) practicing what they preach and modelling behaviour for other agencies.

Given the difficulties of reaching some segments of the market through the workforce, key informants suggested options that might work for excepted groups (i.e. providing a video or offering interactive learning exercises on the web). At least one key informant suggested that employers could allow employees to access a primary financial literacy website (e.g. New Zealand government.org) from work. This action could help address the challenges of reaching low-income earners at work and via the internet. In New Zealand, some employers have put *Sorted* on their 'intranet'. Employers have been quite receptive as this is widely viewed as 'the responsible thing to do'.

The New Zealand Retirement Commission has typically focused on creating partnerships with bigger workplaces as this is more cost effective. Success largely depends on who they get as their primary contact. Often, CEOs tend to be very supportive and see the benefit of financial education for employees. Interestingly, the commission has found that if large numbers of employees are low-income earners, employers are more receptive to integrating financial education into the workplace in some form or another. Workplace partnerships are easiest to mobilize when the Commission has the resources to deliver training at no (or low) cost and the employer sees the benefit of training. The private *KiwiSaver* product has provided the Commission with an opportunity to access more workplaces. There was a demand for more information among employers and the Commission was able to provide it.

Generally, key informants would like to see more financial literacy delivered in workplaces.

New Technology

At least in the US, there seems to be significant technological development occurring around new financial literacy products. Reportedly, investors are keen to develop web-based interactive games and simulations, especially for young adults. Large companies, that can afford it, are making courses available on line. They hire production companies, actors and incorporate video and interactive components.

Also in the US, the Department of Agriculture Cooperative Extension System[47] has tried to deliver group financial literacy training through an online chat program. A lot of consumer credit counselling agencies are also moving in this direction though they require clients to speak one-on-one to a counsellor (usually over the phone) after the web portion is complete.

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[47] *The Cooperative Extension System is a nationwide, non-credit educational network. Each US state and territory has a state office at its land-grant university and a network of local or regional offices. These offices are staffed by one or more experts who provide useful, practical, and research-based information to agricultural producers, small business owners, youth, consumers, and others in rural areas and communities of all sizes. Having the extension network at the national level is invaluable in terms of getting materials out there. The multiplier effect is dramatic. The federal government will tell 50 state contacts who will, in turn, tell representatives of the US' 3000 counties who will, in turn, trickle information to people at the local level. This form of wide-spread dissemination requires very few steps.*

Key informants predict that, in the future, there will be new and creative ways of doing financial literacy training online. Currently this is still a new field. Thus, research needs to be done to establish whether or not this is an effective delivery mechanism. High development costs mean that it may not be more cost effective than traditional methods of training. One key informant recounted the case of an investor who sank millions into development, wanting to sell a product to universities and high schools. Unfortunately for this investor, these institutions did not have the funds to purchase site licenses, etc.

This mode of delivery can also present serious barriers and limitations vis-à-vis certain vulnerable populations. While the internet is one of our most cost effective tools, we must realize that, alone, it probably will not meet the needs of all groups.

Finally, there are concerns about the content of communications– information, education and/or advice - via this medium. In terms of advice provision, this type of technology may be problematic. As one key informant puts it: 'we all know how easy it is to misinterpret the words contained in emails...' With blogs gaining in popularity and people increasingly turning to them as sources of information, the public may need more help sifting through everything that's out there. Thus, although this medium has undeniable potential, key informants agree that as we proceed in this direction we need to be mindful of certain markets, accessibility limitations, and quality control issues.

A promising approach to providing financial literacy training might involve combining various modes of delivery. For example, in the US, more housing programs are going online. However, after consumers work through an online course, they must call a counsellor (who ensures they understand the key concepts). Then, after a relatively short one-on-one conversation (e.g. 90 minutes), the counsellor can certify clients as having received this training. Insofar as labour is one of the costliest elements of training, this blend of delivery modes reduces that expense while still providing the opportunity for one-on-one counselling. This model remains to be thoroughly tested.

Cross-Sector Partnerships

While cross-sector partnerships are central to successful enterprises, they can be very challenging. Public, non-profit and private sector organizations come to the table with different philosophies, aims and objectives.

Key informants dealt with the complexities of community sector/private partnerships by employing a partnership broker. Brokers are helpful in the context of cross-sector partnerships in that they are trained in balancing the needs of both groups and can help to negotiate contracts. Their role is quite intensive and crucial in the beginning but is less needed over time. Regardless, if more changes are initiated, brokers can return to ensure that one body is not overlooked and that both are meeting their objectives in the partnership.

Creating 'Franchisable' Products

Some key informants described the difficulty they encountered in maintaining control and monitoring quality when their program participants quadrupled.

In order to maintain quality and standardization, one organization worked to develop and provide a more easily 'franchisable' model accompanied with a manual directing potential partners in the general application of their program. The manual functions to help partners achieve the right balance of personal intervention that is both effective and efficient so as not to compromise outcomes or staff time.

By outlining the time/participant and staff/participant ratios required for the program's implementation, the organization was able to clearly outline ingredients for success. Additionally, potential partners were better able to assess the costs involved with and outcomes expected from this partnership. Of course, standardization in this case is more possible when delivering to a relatively homogeneous group of participants. For example, a homogenous group would not require adaptations to delivery to account for cultural and language differences.

Role of Government

One key informant usefully described the range of possible government interventions as a continuum.

At one end, there is broad based awareness building when, for example, heads of state or the Chairman of the Federal Reserve Board speak out publicly in favour of financial literacy efforts ('the gravitas effect'). To move the agenda forward it is important to have important people saying this issue is important. Awareness can also be created around specific issues (e.g. beware of this specific scam).

Next on the continuum is the provision of information. The government can ensure that people have access to 3rd party unbiased, ideally research-based, information. Government agencies can post information on their websites and create print versions of the same. They can also create tools that connect consumers to information and equip them to make more learned decisions. For example, in an effort to improve credit card disclosure for consumers, the Financial Consumer Agency of Canada (FCAC) and MasterCard Worldwide (MasterCard) worked together to create a new model credit card application form designed to help Canadian consumers better understand the content of the forms they are signing. This tool is available on the FCAC website.

Of course, the government can also fund others' efforts. Resources are essential. The UK's FSA is trying to engage the government and private sector to provide additional resources. They have found that agencies are often able to provide small pots of resources. For example, the FSA has benefited from many secondments (lasting from 6 months to 1 year) and from using volunteers to run workplace seminars. Key informants stress that financial literacy leaders must invest resources. The areas of promotion and quality assurance are perhaps most critical.

Information can be taken one step further and the government (as a body that regulates financial matters) can require certain disclosures. In the consumer protection arena, regional governments may go beyond federal regulations (e.g. by changing an existing opt-out rule into an opt-in rule, thus ensuring that consumers are automatically protected rather than simply given the option to protect themselves).

Governments can integrate financial literacy into school curricula. In the US, the government is able to set certain 'Standards of Learning'. However, curriculum requirements are set at the state level but implemented locally. While the state may set broad standards of learning it is up to the localities to determine whether, for example, financial literacy is delivered through the family sciences program, math, etc. The most organized state in this regard is Pennsylvania[48].

Governments can also support teacher development and training. A recent US study of young men and women in the military found that the quality of the educational approach can make a significant difference when it comes to financial literacy training. Findings therefore suggest that plans to build the capacity of educators should include something more than the provision of lecture outlines. Rather than a pure lecture format, delivery should involve creative components (e.g. simulations). Moreover, information should be delivered in a way that is meaningful in the context of consumers' lives. Helping educators learn that type of teaching style is very important.

Indeed, key informants generally placed incredible value on pedagogy (how things are taught). Many said it is advisable to draw on the expertise of educational experts, when developing programs. Education experts can also provide insight into how resources are worded and whether they are appropriate to their audience. The financial service industry is regularly critiqued for its use of jargon and failing to make its products understandable. Moreover, low literacy among some groups is a real challenge.

At the far end of the spectrum, governments have the ability to substantively prohibit certain acts through regulation.

The key informant who described this spectrum suggested that governments involved with financial literacy initiatives ought to consider whether they will fill the role of wholesaler or retailer. Will they supply products directly to consumers so that consumers need to know about them (qua provider) and the resources they offer? Or, alternatively, will they work through trusted intermediaries? Of course, some combination of these roles is possible.

[48] *See The Pennsylvania Office of Financial Education at http://www.moneysbestfriend.com/*

Other informants suggested there may be an advantage to having an agency at arms-length from government lead national (or provincial) strategies. There can be benefits associated with being independent of both the financial sector and the government. The strategy's leading organization would, therefore, be pushing neither a government nor an industry agenda. Independence is important and not a prevalent feature of financial services (other than hourly-rate financial advisors inaccessible to many). Thus, for some audiences, providing an accessible and independent service would be quite significant.

Suggestions and Lessons Learned

Needs Assessment and Market Research

Anyone exploring financial literacy policy and program options ought not proceed without first conducting a needs assessment. This is the point one key informant emphasized most. According to her: 'this is the number one thing I would stress, that you can't do anything until you've completed a needs assessment of what consumers need now'.

She went on to elaborate exactly what such an assessment might entail. The lead organization could call together (perhaps two) different focus groups of financial movers and shakers from its target region (ie. Alberta). These group discussions can touch on all the key questions that need to be understood. This method is not very costly and will provide a tremendous level of knowledge. It also builds good relationships between government and those groups that will likely be doing a lot of delivery.

The FSA runs focus groups around specific products. They also conducted a model baseline survey in 2005 to define financial capability and identify its key domains (ie. planning ahead, choosing products, keeping track of money, making ends meet, etc.). These findings, particularly the baseline survey, greatly inform the nature of interventions pursued by the FSA. The FSA's study of financial capability was identified as the 'holy grail' of evaluations by one key informant. FSA's researchers went into peoples homes, sat with them, talked with them and really explored behaviour.

Many financial literacy studies are critiqued for focusing too heavily on what consumers think and neglecting what is actually happening**.** Beliefs are often in conflict with what is happening. It is hard and expensive to measure actual behaviour. ANZ tries to do so by asking some yes/no questions (e.g. 'Do you have insurance on your car? What about health insurance? Do you save?').

The Federal Reserve relies heavily on consumer testing when it comes to developing consumer materials. Consumer testing is central in two respects: 1) it ensures they have meaningful and usable products for consumers; and 2) it allows the consumer's voice to be heard in policy making work. The Federal Reserve gets lots of input from financial industry stakeholders and consumer groups but they rarely hear from individuals. The key informant noted the following example to illustrate the value of consumer testing.

Roughly a year ago the Federal Reserve was trying to write a disclosure to explain how mortgage brokers are compensated for finding mortgages. Consumers can go to a bank or a mortgage broker who would then take their information and look across the range of mortgage lenders to find the 'best' deal available. Though this deal may in fact be the best for consumers, brokers can also pick options that will provide them with greater compensation. The Federal Reserve employed consumer testing as part of their effort to explain the commission process. Although they tried to present the information in a range of forms they had difficulty making the process clear and understandable to consumers. It is likely that if they had not done consumer tests, they would have settled on something which the industry may have accepted. Instead and based on consumer responses, they withdrew their attempts and decided to return to the drawing board.

Leadership and Expertise

Key informants agreed that senior support is important when it comes time to develop a strategy,. If someone senior in government tells others that they need to incorporate this that should help the cause. International strategies tend to have steering groups that lend weight and support. Especially in the early stages, advisory bodies are crucial in terms of their knowledge and ability to provide in-kind support.

Create a Strategy, Evaluate Results

Key informants noted that it is advisable to develop a national (or provincial) strategy up front so all involved parties (e.g. ministries) know what they are setting out to achieve and how that will be measured.

After conducting a needs assessment, one key informant suggested a good next step would be bringing together some national and international experts in the field to literally lay out the strategy or agenda. They indicated that through this approach a great deal can be accomplished quite quickly. If everyone is pulled together to shape the direction of a strategy momentum builds. People get excited and ready to run with the emergent strategic plan. One-on-one consultations mean that researchers get everyone's own perspective/assumptions in isolation. With that type of data, it is hard to piece together something cohesive. The key informant also noted that it can be more effective to get everyone in one room to develop ideas and strategies over a series of days. This enables good discussion and debate between experts. Thinking can change in environments where this type of engagement is occurring. In addition, when experts are brought together, the leading agency should be able to say: 'We've done a needs assessment, here's where the needs are. How can we best address these issues?'

In terms of strategic planning, key informants suggested that the key is to sit down and come up with a mission and vision of what needs to be accomplished and to realize that you cannot do it all or be everything to all people. Some of the key strategic planning objectives referenced by key informants included:

- determining key strengths and weaknesses;
- identifying signature programs you can create for the province;
- determining how to define and measure success; and,
- setting benchmarks so that you can assess what works.

Resources – not just money but key partners, time, staff, etc. – also need to be identified. Time should be dedicated to considering potential challenges and whether they can be overcome or must be faced head on. These are the steps that need to be taken to move forward. These are the type of questions that can be focused on when national and international experts are brought together.

When creating a strategy, one key informant suggested, it may be best to avoid a 'to-do-list' approach. Indeed, there is a consensus that it is really important to set goals, have realistic expectations, do evaluations, respond to evaluations, and monitor progress.

Most key informants suggested it is wise to create better evaluations and more benchmarks earlier on in the process. As one key informant succinctly put it, 'it's critical to incorporate the evaluation dimension upfront, not as an afterthought'. This kind of work is essential not just to account for tax dollars spent, but because leaders need to know if programs are working or not and whether resources could be used in a better way. Additionally, many agencies are asked to do more/better research when they are scrutinized by others. Most key informants would spend more on evaluation if they could.

A challenge for effective evaluation is having a control group, pre/post evaluation, and capturing behavioral change. It has been suggested that there is nothing to prove that financial literacy works and therefore we ought to hold off on doing much more until we get a better sense – through evaluation – of what works. However, while the success of financial literacy initiatives may be difficult to measure, informants agree that practitioners and leaders can, nonetheless, work to improve their efforts. Informants maintain that there are enough insights from what has been done to indicate that financial literacy does work (even if we do not always know its full range of effects).

Indeed, experts still struggle with how to define success when it comes to financial literacy initiatives. It is not yet entirely clear what indicators should be used. Some key informants feel passionately that we need to work towards a universal set of indicators while others insist that this is not a one-size-fits-all issue.

Financial literacy needs to be relevant to consumers' situations. Research helps agencies develop content and improve its relevance for specific groups. Focus groups can be quite helpful in this regard.

Domestic Interviews – Key Findings

Background

SEDI believed it would be important to ensure that any recommendations to AE&I be informed by the experience of key financial literacy practitioners in Alberta. In order to access this information SEDI undertook a survey of key informants. Seven interviews were conducted by the SEDI researcher with representatives of four non government and three government organizations. The interviews were designed to capture some of the key lessons learned from the financial literacy practices of the interviewees. The interviews were conducted in March of 2009.

General Considerations

Informants pointed out that, within the province of Alberta, there is a particularly strong emphasis placed on self-sufficiency, entrepreneurship and self-reliance. Awareness of this entrenched value ought to inform the development of recommendations, policy and programs. Current policies and programs seek to provide clients with choice. For example, there is no mandatory retirement age in Alberta. Additionally, within Alberta, the joint public-private partnership approach is growing in significance. Thus, recommendations should be categorized in these terms. The scope of government responsibility should be clear.

Defining Financial Literacy

For the purposes of interviews, financial literacy was broadly defined as the ability to understand information about financial matters (such as banking, credit, saving and investing). Financial literacy was identified as a basic skill needed by all Canadians. Key informants were invited to respond to this definition.

While informants generally agreed with the definition put forward by SEDI, they suggested it be expanded.

An acceptable definition must communicate the idea that financially literate individuals are able to understand information on financial matters and apply this understanding to successfully navigate the various systems they encounter. In other words, they must be able to use their understanding to make appropriate financial decisions (given their personal situations).

The message from Alberta interviewees was that financial literacy training is only effective insofar as it positively changes behaviours or translates into action (i.e. saving for a home, a child's education, or retirement). Increasing awareness is one thing, increasing action related to awareness is another.

Financial Literacy Program Outcomes

Domestic key informants were asked to identify direct and indirect outcomes of financial literacy training. Recognizing these outcomes is a crucial first step towards planning a strategy and conducting robust impact evaluations.

The most commonly cited outcomes are listed below. Please note, this list of outcomes is based on key informants' perceptions. In most cases, key informants' views have been informed by some combination of front-line work and external/internal research. Most commonly, program evaluations involve comparison of self-reported surveys completed at program intake and again at program completion. Finally, it should be noted that some outcomes may reflect interviewees' experiences with asset building programs.[49] Certainly, many informants would argue that financial literacy training is more efficacious in the context of an Individual Development Account (IDA) program (see discussion below). Based on the outcomes listed below, it would be reasonable to suggest that the matched savings piece worked as a catalyst to achieve the outcomes that all financial literacy programs aspire to.

Direct Outcomes

The most commonly cited direct outcomes of financial literacy programs can be divided into two categories – subjective and practical changes. Of course these categories are neither mutually exclusive nor fixed. However, for heuristic purposes, outcomes have been loosely organized along these lines. Please note, although we are discussing 'direct' changes that are both subjective and practical, the hope is that these immediate changes are related to long-term behavioural change.

More subjective outcomes include:

- increased **confidence** (in terms of managing finances, engaging with a group, general self-esteem, asking questions, navigating systems, purchasing an asset, etc.);
- participants **feel more hopeful and optimistic** about their future;

[49] *IDA Programs are incentivized savings programs that provide a matching savings incentive for personal deposits made into a dedicated purpose account and generally restrict the use of account funds for specific purposes. In addition, these offer or even require beneficiaries to participate in financial education.*

- increased **social capital** (group workshops provide an opportunity for connections to form between/among individuals and organizations);
- increased **sense of control** (e.g. through consumerism modules participants begin to feel more able to make decisions that align with their values);
- greater **orientation towards the future** (participants are encouraged to set goals and engage in long-term planning); and,
- greater **awareness** (participants think more about what they spend, track their spending, shop around, determine whose advice they should trust and hence make more informed decisions).

More practical (or objective) outcomes include:

- increased **knowledge and skills** to make sound financial decisions;
- participants budget, plan ahead, distinguish between needs/wants and prioritize spending accordingly;
- participants understand what they are actually committing to when they enter into a **contract** or use **credit**;
- individuals deal with money in a more **intentional** way (if someone does well one month but fails to recognize why they have been successful replication of positive action is improbable);
- increased familiarity with – and uptake of – **basic financial products** (i.e. RRSPs, RESPs, etc.);
- increased ability to file **taxes** and claim the **benefits** one is entitled to;
- increased financial, housing and employment stability;
- increased **employability**[50] (e.g. high bills and associated stress can hurt the quality of one's work; financial insecurity can lead to housing loss and an inability to maintain employment; accrued self-esteem, social capital, etc. translates into employability skills; etc.);
- increased **income** (e.g. through a job laddering module[51], through increased motivation to work, etc.) ;

[50] *Key informants seemed to agree that the link between current financial literacy programs and employability could be made stronger. According to one key informant: 'Adding the employability dimension and helping people get a (better) job as an intentional feature of programming is desirable.' This possible avenue could include more content specifically geared to the implications of low wage jobs. Sessions on job laddering (see footnote below) and/or micro-enterprise could also be extremely valuable.*

[51] *As part of their financial literacy program, Candora offers support around 'job laddering'. The facilitator points out there are only two ways to balance your budget – cut costs or make more money. At a point, when costs can't be cut any further, balancing a budget would require a greater income. Job Laddering involves looking at an individual's life style (e.g. their number of kids, when they drop off/pick up kids from school, free time, skills, etc.) and discussing ideas and options related to increasing their earning power. This might involve increasing the intensity or efficiency of a current job, taking another job, babysitting, etc. Basically, the point is to help participants find a way to save – and earn – every possible cent while respecting their values and realities.*

- reduced **financial exclusion** or **increased financial/social inclusion** (if individuals are confident entering banks and dealing with financial representatives, understand charges/fees, budget their income, plan ahead and have some savings they are less likely to use fringe financial services);
- reduced **debt loads** (as consumers understand credit, its implications and debt repayment strategies and act on this understanding);
- increased **savings**; and,
- participants are able to **make the most** of what they receive as income – whether it is from employment, income support, etc.

Possible Indirect Outcomes

To some extent, the range of indirect outcomes associated with increased financial literacy are infinite. As one key informant succinctly put it: 'What does financial literacy not affect? It affects everything!**'** For the purposes of this paper only the most frequently mentioned impacts have been included.

Indirect outcomes include:

- greater overall **confidence** and **quality of life** (participants seem to know better where they are headed and how they are going to get there);
- greater **self-sufficiency** (whether individuals save and build a nest egg or save for a particular asset);
- improved **relationships** and (in the view of a key informant) reduced **domestic violence** (e.g. tension over financial issues is reduced and participants become more equipped to live independently, control their emotions – and associated spending, handle stress and resolve conflict);
- reduced **targeting of vulnerable populations** (i.e. seniors and people with disabilities) by predatory businesses;
- greater ability to teach others (i.e. children, spouses, friends, neighbours, family, etc.) and, thus, greater likelihood of **volunteering in the community**;
- more effective **parenting** (e.g. openly discuss money and share knowledge, positive attitudes, and practices related to finances with their children[52]; make healthy but affordable food choices; budget for extra-curricular activities and other expenses related to child-development; etc.);

[52] *Many key informants mentioned the effect parents' financial literacy training has on children. They wondered if this dimension could be incorporated (or studied) more intentionally. One informant asked: 'How can we be sure to pass this education onto children?'*

- **newcomers** are more able to succeed (e.g. more able to navigate Canadian systems etc.);
- adults enter their senior years more prepared for **retirement**;
- **school** attendance and graduation rates improve as transience is reduced and long-term planning becomes the norm;
- the **community** becomes a better place to live as rates of crime, domestic violence, alcoholism, etc. are reduced; and,
- the **economy** is improved (e.g. more people use mainstream financial institutions with more regularity, increase their assets, etc.).

The aforementioned outcomes may seem somewhat intangible to those who have never experienced firsthand the impact of financial literacy training. The following example (provided by key informants) helps to illustrate the phenomenon and transform rather abstract concepts into a real life scenario.

Candora's *Women's Saving* group discusses, among other issues, the theme of relationships and money. The facilitator encourages participants to take at least one thing away from the session, i.e. to protect their credit rating because it is their own. The facilitator has a saying: 'Love is love but your SIN is forever.' Ideally, participants in the group come to understand credit as a safety net in case anything ever goes wrong.

After the program ended, its success was evinced by a call to the facilitator from a former participant – Joan[53]. Joan called and excitedly recounted a recent experience. She had been in the bank getting a credit card. She was just about to give her common-law spouse access to the card when she heard the facilitator's voice echoing in her head. Joan opted not to add her spouse's name to the card. Seven days later the relationship ended. Joan was tremendously relieved that she hadn't given anyone else access to her card; she was just rebuilding her own credit rating and if he had gone on a spending spree the consequences could have been devastating. Joan was calling to thank the facilitator whose voice saved her from making a serious mistake. Joan will likely share this story with her children and friends who, in turn, may think twice about sharing their credit.

[53] *This is a pseudonym.*

Financial Literacy Supply and Demand in the Alberta Context

Supply – Examples from the Field

The Financial Plu$ Collaborative (FPC), Edmonton[54]

The FPC seeks to educate, inform and promote opportunities to build financial assets. Members represent organizations, institutions and agencies that are interested and actively involved in asset development. One of the FPC's goals is to increase the number of Financial Literacy and Individual Development Account (IDA) groups in the City of Edmonton. In fall 2009, the FPC will hold a conference for Edmonton and Alberta featuring a number of local, provincial, national and international speakers. The conference, which seems to be appropriately timed, will look at innovative ideas, education and barriers to getting ahead for low income people.

The Candora Society of Edmonton

Candora is a not-for-profit community development organization with a mandate to address the needs of low income residents of North East Edmonton (specifically the communities of Rundle and Abbottsfield). A large proportion of these residents are single parent families, income support recipients, and/or the working poor. Education levels are low, and some families are second and third generation recipients of income support.

Through a focus on the area's strengths, rather than its deficits, Candora seeks to reduce isolation, increase understanding, build self worth, and decrease the frequency of crises. Candora achieves these goals by supporting community capacity, providing opportunities for learning about the issues that affect residents' lives, and supporting individual and collective action to address these issues. Candora runs over 20 programs at a time.

In terms of financial literacy education, Candora offers a Women's Savings group for low income women who are both working and receiving Income Support. The program consists of 13 weekly sessions. Dinner and childcare are provided. Participants receive support around savings and connecting to community resources.

When Candora was first approached to pilot this program, they declined to participate as they wanted more curriculum and delivery flexibility than the original design allowed for. When it was agreed that they could run the program in a way that was community-driven and in line with their values they decided to become involved. The two year pilot – including its matched savings component – was funded by the provincial government (AE&I) and run in partnership with the Edmonton Financial Literacy Society (EFLS). A problem with the pilot was that initially, until word of

[54] *See www.assetials.com.*

mouth spread, they did not get a great participant response. Many clients who were referred by their AE&I case workers were hesitant to enrol. Many wondered: 'what's in it for AE&I?' or 'do I have to participate?'

Since completion of the pilot, Candora has signed a subsequent (1 year) contract with AE&I. Although AE&I is no longer providing the match, Candora has found an outside funder thus allowing them to offer a match to participants of the second intake of the program (Spring 2009) under this contract. Under the new contract the program parameters have also changed. Participants no longer have to be employed.

Candora also offers other Community Economic Development Initiatives, including a *Starting a Home Based Business* course and a *Dayhome Training Program*. The *Dayhome* program supports women through the entire process of opening a dayhome either privately or with an agency. During this 50 hour program, among other things, participants learn about operating a successful business, contracts and tax information related to running a home based business. This is a very unique program – the only one of its kind in Alberta. Candora has been contacted about the program by different regions. Candora would be willing to consider integrating more financial literacy into the *Dayhome* program in the future.

Other Candora programs related to financial literacy include: collective kitchens (Candora supplies staples and clients chose menus, pool resources – $3/family member and prepare meals); *Future Save* (in partnership with the Federal government) seeks to inform clients about RESPs; and benefit awareness initiatives during tax time.

Momentum, Calgary[55]

Momentum is a not-for-profit Community Economic Development organization that has been partnering with low-income Calgarians to develop their productive futures since 1991.

Momentum's Department of Financial Literacy seeks to enable low-income earners to better manage their limited financial resources in order to become self-reliant and contributing members of their communities and work towards increased financial security. This is done through money management education programs, asset building IDA programs, and the *Calgary Rent Bank* program.

Money management education is delivered both 'in-house' and to groups in the community. Momentum reaches over 1300 individuals each year with money management education through several different Financial Literacy programs. Other community organizations, who have existing relationships with participants (i.e. Addiction treatment centres, homeless shelters, parenting groups), are able to bring in money management facilitators from Momentum, tap into their

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[55] *See Momentum rent bank Final Evaluation Report 2008; Money Matters Report; Fair Gains Social Return on Investment Case Study. http://www.momentum.org*

expertise and fully utilize this resource without having to become money management experts. Participants receive training in the environment that they are most comfortable and are therefore more likely to attend workshops, engage with the group and ask questions of the facilitator to clarify their learning.

Momentum also trains trainers. As there are already lots of printed resources available, Momentum's objective is to connect with organizations interested in increasing capacity in the area of financial literacy and do training of trainers. Recently they have received funding from *Status of Women*[56] to build the capacity of community based organizations across Western Canada, The Yukon and The North West Territories to deliver their own financial literacy training.

Note that Momentum uses a model of financial literacy that is not just about financial assets. They use the Sustainable Livelihoods' Model. Within this framework assets are: financial, social, personal, physical (secure place to live etc.), and human (capacity to hold a job, leadership and interpersonal skills, etc.)[57]. Momentum's basic community based money management workshops promote an understanding of assets, budgeting, banking, credit and consumerism.

Additionally, Momentum delivers IDAs – which combine up to 36 hours of financial literacy training over an extended period of time (6 months to 1 year) with savings incentives. This financial literacy training promotes an understanding of relatively complex topics (i.e. insurance, investments, wills and estates, etc.). Currently, Momentum delivers three adult IDAs (*Fair Gains, the Owen Heart Home Ownership Program and Savings Circles*). Two additional IDA programs for youth also operate at Momentum, including *Youth Fair Gains* and through a partnership with the John Howard Society they deliver the *Youth Opportunity Route* that targets high-risk youth. These two youth IDAs receive funding from AE&I for operational and delivery costs. AE&I do not fund the matched savings component of these programs.

Through the *Calgary Rent Bank* Momentum provides loans to adults to assist with: security deposits for rent and utilities as well as rent and utility arrears. *Rent Bank* clients participate in a financial literacy program – *Money Management for Housing.* In addition to workshops, this program has a one-on-one component for individualized financial coaching primarily for budgeting and debt management which seems to be very effective for people who are in crisis.

Momentum targets a broad spectrum of low-income earners. Those who use the *Rent Bank* are facing imminent financial crisis and receive one-on-one attention. Some are homeless. At the other

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[56] *Status of Women Canada is a federal government organization that promotes the full participation of women in the economic, social and democratic life of Canada; works to advance equality for women; and seeks to remove the barriers to women's participation in society. A particular emphasis is placed on increasing women's economic security and eliminating violence against women.*

[57] *See Momentum's Asset Building Blocks (available on request from SEDI or Momentum).*

end of the spectrum are participants in the *Fair Gains* IDA program. These clients can't have more than a certain amount of debt and are willing/able to commit to a year-long program.

The Edmonton Financial Literacy Society (EFLS)

The EFLS is a non-profit organization with a mission to facilitate economic self-reliance among low-income earners through asset building, financial education, and community partnership. Subject to funding, EFLS will alter course content and delivery to more closely meet the needs of particular target audiences. EFLS can also license materials to other organizations; provide train the trainer services and ongoing support; and deliver training directly – though they typically prefer to deliver courses through community partnerships. They have a very small staff (2-3 people plus delivery contracts).

Their financial literacy courses focus on the emotions behind spending and money management. They have at least six different versions of their financial literacy curriculum. These versions are tailored to different target audiences, including:

- Aboriginal peoples (aboriginal courses integrate indigenous values, place a value on indigenous culture, etc.);
- 12 year olds (this course is delivered through an after school club, participants are not defined as low income);
- people with mental health issues;
- adults with stable employment; and
- immigrants.

They are currently running 2 IDA programs with rural and immigrant participants. In addition the EFLS are also partnered, along with the City of Edmonton and Wings of Providence[58], in the *Success Group IDA*. This project, funded by the Canadian Women's Foundation, provides victims of family violence with a matched savings account as well as financial literacy training. The matched savings can be used for a number of priorities and tend to provide an important link between saving and future orientation.

[58] *Wings of Providence provides second stage housing services for women with children who have experienced family violence. Its mission is to provide comprehensive transitional programs and independent living in a safe, secure, supportive and healthy environment for its residents. Second stage housing provides long term accommodation and accompanying support services for women with their children.*

Other Individuals/Groups Involved in the Field of Financial Literacy in Alberta

Key informants identified a number of other groups who are – or have been – involved in financial literacy initiatives in the province.

1. Community Capital, Red Deer[59]
   - Community Capital has delivered financial literacy education.

2. Just Financial[60]
   - An off-shoot of First Calgary Savings (a local credit union) that offers banking services to those who might have a hard time at mainstream financial institutions. Reportedly, they provide a fair amount of one-on-one support to this target audience.

3. The Bissell Centre, Edmonton
   - The Centre does financial literacy work and is helping to fund the upcoming FPC conference.

4. The Terra Association, Edmonton
   - The Centre provides support services for pregnant and parenting teens in Edmonton.

5. The Housing Support Services Hub, Edmonton
   - HUB has a financial literacy component. According to one informant, they are doing brilliant work with people who are struggling with homelessness and housing issues. They offer a 3rd party 'small t' trusteeship. They are doing intensive work on a pilot basis.

While interviewing the stakeholders listed above was not possible given the scope of this study, key informants suggested that, in the case of subsequent research/actions, it may be advisable to consult with these groups.

[59] *See the following external site: http://www.centralalbertaonline.com/business/businpro/communitycapital/index.shtml.*
[60] *http://www.justfinancial.com/*

Demand

Organizational Demand for Government Support

Key informant interviews revealed significant organizational demand for more funding, programs, and staff training geared towards financial literacy. Across the board, those currently offering financial literacy programming would offer more if they could. Other ministries (i.e. the Ministry of Seniors' and Community Supports) are also quite passionate about increasing the base level of knowledge and moving forward with a provincial financial literacy strategy. The United Way of Edmonton has also expressed a great deal of interest in reviewing findings generated by this study as these might help them advocate for changes in what types of initiatives they are planning to support.

In general, among informants, there was an acknowledgment that the economic downturn is leaving consumers increasingly vulnerable. Debt levels are rising, employment rates are falling and concerning financial service patterns are beginning to emerge. According to one informant: 'This is just the beginning, we are going to see more and more people with extreme financial difficulties.' Key informants hope that the government will respond quickly and effectively enough to support laid-off, unemployed and underemployed Albertans.

Demand Among Low-Income Albertans, Including Those Receiving Income Support

Generally, key informants estimate that only some (or few) low-income Albertans tend to understand information about financial matters. Though low-income earners can be very skilled at budgeting, there may be significant knowledge gaps when it comes to topics such as credit/debt, saving and investing. Those who have had experience with stocks or investments are more likely to have learned about these topics. Low-income earners who have never had these opportunities may just have experienced getting by month to month.

That said, most key informants stressed that many Albertans – regardless of income level – struggle to understand financial matters. Low levels of financial literacy were thought to be a relatively universal issue. However, key informants pointed out many reasons why it is important to target financial literacy initiatives at low-income earners.

For those who are financially excluded, or whose bank balances regularly drop to zero there is not a great deal of support available when it comes to trying to understand financial products and services. Low-income earners may also find it difficult to approach experts or otherwise seek out clear and accurate information. In the process of dealing with mainstream financial institutions and the government, they may encounter a range of individual and systemic barriers. Many vulnerable individuals find mainstream financial institutions and mechanisms intimidating (e.g. newcomers for whom English may be an additional language). Mainstream banks may also be inaccessible or unappealing to clients (e.g. in terms of their location, identification requirements, cheque holding policies, etc.).

For those who are in debt, there is a huge information/knowledge gap. Many agencies are funded by credit card companies and/or charge for their services. Reportedly, one organization (Money Mentors) which offers primarily fee based online seminars and debt management services does not accept as clients individuals who are unable to agree to pay back a certain amount each year. Notably, Candora has successfully brought in volunteers from 4 Pillars Consulting Group (specializing in financial services, credit & debt counseling and credit repair) to meet with groups. Expanding such partnerships may be possible.

Many informants emphasized that the middle class is also struggling with debt and unable to pay for financial advice. Although it is important to support low-income earners, financial literacy is a topic that ought to be covered across the board.

Some AE&I programs are available to all Albertans (e.g. career planning workshops). Financial literacy workshops could be made available to the general public even if the Ministry is primarily focused on integrating financial literacy into programs that are predominantly directed at low-income earners.

Certainly key informant interviews suggested that there is a considerably need for financial literacy initiatives among low-income Albertans. However, this need does not automatically translate into 'demand' per se. Key informants identify financial literacy as an area were people need to learn that services are available before demand will be articulated. Many people who are dealing with issues don't understand the extent to which these issues are caused – or related – to poor financial literacy. In other words, individuals do not identify as 'financially illiterate' and thus are not actively seeking assistance. This is why raising the profile with agencies is so important.

Informants suggest that once people become more aware of the issue, providers will be swamped. Additionally, the economic situation is changing and the middle class is facing lay offs and, often, high mortgage payments.

Though active marketing has not yet fully transformed need into demand for service, many informants suggest that even existing demand is not being met. Some organizations report having wait lists. Reportedly, more and more judges are demanding that those convicted of fraud work through a financial literacy course. However, the supply is just not there. Generally, informants agreed that the demand they are seeing now is only the beginning.

Discussion of Central Themes

Key informants were eager to share their thoughts on financial literacy policy and program options for low-income Albertans. Below is a brief discussion of key themes that emerged during interviews.

Role of Government, the Private Sector and Community-Based Organizations

Cross-ministerial Coordination

In order to achieve the greatest impact, financial literacy ought to be addressed as an issue pertinent to the mandates of multiple Alberta government ministries. AE&I efforts to increase financial literacy should relate to the activities of Alberta Education (learning and information services), Advanced Education and Technology (community learning), Municipal Affairs (library services) and Culture and Community Spirit (voluntary sector services). Financial literacy initiatives could be integrated within existing provincial cross-ministerial initiatives, such as the Homelessness Secretariat and Safe Communities Secretariat (which incorporate poverty reduction strategies). Alternatively a new and more specific cross-ministerial initiative could be developed, for example, an overall provincial strategy that included the Ministries of Education, Finance and Enterprise and Seniors' and Community Supports.

Financial literacy needs to start when learners are younger. Preventative efforts should be made in schools, possibly in the form of an extra-curricular activity. Financial literacy needs to be part of everything – part of the mainstream – not something unique and special. Early intervention would be the most efficient tactic. Statistically speaking, Alberta is a young province (with many young people). This means the bulk of Albertans could be reached as they approach their major life course milestones. There was a consensus among key informants that financial literacy is a basic skill needed throughout the life-course.

Before formulating a provincial strategy, the government of Alberta would need to better understand the problem

Multi-Sector Collaboration and Partnerships

Multi-sector collaboration between the public, private and voluntary sectors should be encouraged. The core competencies of all stakeholders should be understood and used to maximum effect.

Public Sector

The government has a significant role to play in the facilitation of partnerships; development of consistent standards of practice and evaluation; and provision of resources.

The government's role as a facilitator of partnerships seems to be crucial in several key regards. Key informants agree that not-for-profit agencies are generally able to engage individuals, namely low-income individuals, in a way that government agencies are unable to do. It is also important to involve other levels of government (i.e. municipal) in financial literacy work.

It can take a considerable amount of time to get government buy in. For example, Alberta Works staff may see themselves in a more legalistic and administrative role rather than as participants in community development. New initiatives take time to trickle down to front-line workers. Key informants wonder how the different sectors could engage better to reach a goal – namely, increasing financial literacy and self-sufficiency.

Some question the extent to which AE&I employees should be involved in the delivery or promotion of financial literacy initiatives. Income support recipients could view this as another requirement which may breed resentment, slow uptake or unsuccessful outcomes. It is important that financial literacy delivery agents are trusted. Most key informants agree that non-governmental agencies should deliver programs and that promotion occurs at the grassroots level – through community agency referrals and word of mouth.

That said, uptake would improve with increased engagement and enthusiasm from government case workers. Until workers really believe in the value of financial literacy programming it will affect how they present the service to clients. Is it being framed as a demand or an opportunity? One of many options or a crucial step? Recently, Momentum ran a workshop for Alberta Works staff to increase their familiarity with the service and equip them to speak to clients confidently about financial literacy programming.

Notably, it was stressed that benefits should not be tied to financial literacy programming. Participation should be voluntary. Successful outcomes seem to be linked to participant readiness (to learn and make changes in their lives).

An additional issue related to the government's role as facilitator relates to key informants' observation that information sharing across groups is not happening as well as it could/should. There is a need for a financial literacy network or a hub. Within Edmonton, the Financial Plus Collaborative (FPC) and according to some key informants could fill this role. However, the FPC is currently not funded to do such. It is a group of people who get together out of shared interest ('there is a limit to what networking can do when everyone is working off the side of their desk'). The government may have a role to play in coordinating or otherwise supporting province-wide networking efforts.

More financial literacy should be integrated into existing programs (i.e. AE&I training programs). Although AE&I funds various initiatives, they are just starting to integrate financial literacy into their existing programs. Currently, AE&I training programs may contain a combination of budgeting and life skills rather than an 'actual financial literacy' component. Recently, however, AE&I has posted a

Request For Proposals for an agency to deliver their *Employment Services for Battered Women* program. Under this contract, financial literacy as well as other services will be provided to groups of women who are survivors of domestic abuse.

This integrated approach would also work well with other programs (i.e. programs for youth and employment preparation/training programs). Moreover, existing programs already account for daycare and lunch arrangements. If stand alone financial literacy programs were created, providers would have to provide supports that enable and encourage attendance (e.g. a light supper for a whole family, childcare featuring fun activities for kids so they look forward to the event, etc.).

Financial literacy needs to be included as a component within the AE&I training framework to facilitate contracting practices.

The government should also look at income support and asset limits and create policies that will encourage income support recipients to build assets and put their financial literacy training into action. Asset limits could be increased to encourage greater use of savings tools such as the Canada Learning Bond, RRSPS and/or Tax Free Savings Accounts. If we want to help people escape the 'welfare trap' and become more self-sufficient the Alberta Works framework, as it pertains to asset accumulation, needs to be revamped. Financial literacy is not a silver bullet but it is a precondition to successful saving and asset building.

Finally, the government should conduct some sort of pilot work to see what works best in different regions of the province. Smaller regions may have fewer existing programs, smaller client bases, etc. Pilot studies would have to be well coordinated with local partners because, as all informants agree, recruitment solely through case workers rarely works well.

Community-Based Organizations

Community-based organizations can be incorporated through external contracting practices. Through this process, programming can be effectively targeted at specific audiences. Contracting external agencies allows for information to be modified and adapted to meet learners where they are at – a key element of successful education.

Organizations' high level of understanding of potential participants' needs/strengths as well as their established relationships with clients can be leveraged. The use of community-based organizations can also generate resource efficiencies by utilizing the existing service delivery infrastructure. Moreover, participants can receive training in an environment where they are comfortable and are therefore more likely to attend workshops, engage with the group and ask questions to clarify their understanding.

Train the Trainer

There is some debate among key informants as to whether it is best to a) focus on building the internal capacity of organizations to deliver financial literacy independently or b) focus on making human resources available so organizations are able to bring in specialist facilitators without having to become experts themselves.

Certainly, train the trainer programs that seek to build the internal capacity of organizations allow for a much broader sharing of expertise and better enable agencies to integrate financial literacy into their existing services. For example, Momentum is currently working with community-based organizations across Western Canada, The Yukon and The North West Territories to build their capacity to deliver financial literacy training.

It is important that delivery agents are skilled educators and knowledgeable in the field of financial literacy. As one key informant noted: “We have appropriate teaching in Canadian schools so why are we less rigorous when it comes to Financial Literacy Education?” It also helps if facilitators have certain attributes. Some key informants suggested that it isn’t necessary for facilitators to be total experts as long as they have a sense of faith that change is possible and are able to build strong and trusting personal relationships with participants. One informant suggested that truly effective trainer training could take 4 hours a day for 4-6 weeks and should include situational (classroom) training. Over this time future trainers would learn the content of the curriculum as well as become comfortable altering materials appropriately, making material applicable to participants’ situations, and recognizing teachable moments as they arise. However, community agencies may not be able/willing to put adequate resources into building staff’s teaching/training skill set.

Capacity building is an incremental process. Insofar as resources are finite, those offering train the trainer services ought to invest the majority of resources into training groups that are ready and have articulated demand. Of course, some resources also ought to be dedicated to cultivating demand and readiness among other organizations. The goal is creating a sustainable system.

That said, training should be accessible so that financial literacy can be incorporated into the everyday operations of a wide range of not-for-profit organizations. In addition to train the trainer, books or other resources could be made available. It is important that existing information and knowledge be disseminated and that organizations are able to photocopy and use materials for educational purposes. According to some informants, being able to copy information without being limited to a certain training model is important.

Private Sector

Engaging the private sector can provide additional support for financial literacy training. Support could take the form of: funding matched savings programs; experts volunteering time and providing in-kind services; increased marketing opportunities; workplace training etc.

For example, Momentum has built relationships with individuals who work in the private sector (e.g. in banking, insurance, wills and estates, etc.). These professional volunteers provide support in a non-threatening environment and help bridge the gap between financial experts and session participants (potential consumers of financial products and services). Momentum is also able to help volunteers learn how to present information in a way that it is accessible and understandable to individuals facing various barriers (e.g. low-literacy, English as an additional language, etc). Ultimately, participants leave sessions with improved knowledge, understanding, and comfort/confidence. They are more equipped to ask the right questions, make wise choices, and access appropriate financial services and products.

Building relationships with banking institutions is also important as these may facilitate the process of unbanked clients opening accounts. Even if people do have accounts they may not understand, for example, which type of account best meets their needs. Switching or opening accounts may provide an opportunity to practically apply skills (e.g. consumerism) that participants have been developing.

However, it is critical that there is a clear differentiation between financial literacy training opportunities that provide independent support and commercial advertising or tied selling which links advice to products.

Workplace-based financial literacy training is another avenue where the private sector could help create opportunities that will positively affect employee behaviour and company outcomes.

Some informants mentioned that they would like to see more financial literacy delivered through the workplace, especially through major companies in Alberta. They suggested that this approach might reach more men, for example, those working in Fort McMurray who may be facing layoffs.

Workplace delivery may also benefit the not-for-profit sector. Within not-for-profit organizations there tends to be high staff turnover rates. Staff have difficulty maintaining their standard of living when the cost of living increases. Increased financial literacy would benefit staff, organizations, and clients. Leading by example is important to successfully serving clients. The improved financial literacy of staff could also be an indirect outcome of programs designed to help clients.

Programming Best Practices

Key informants outlined a number of effective practices related to increasing financial literacy, specifically that of low-income Albertans. Key points and common themes that emerged through the interview process are below:

Targeting Audiences

Individuals and families that are currently 'unbanked' are the most vulnerable to the negative consequences of poor financial literacy. Notably, the government may have a role to play in facilitating access to the financial mainstream. The success of financial literacy training in Alberta depends on financial inclusion. The government could endeavour to reduce barriers to the preconditions of financial literacy (e.g. opening a bank account, getting identification, receiving certain benefits, etc.). There are ways the system could work 'smarter'.

Particular target audiences include:

- newcomers and those for whom English is an additional language;
- children and youth in the child welfare system as well as youth more generally;
- persons with developmental disabilities;
- individuals with mental health issues;
- women, especially those who are leaving abusive relationships or who are reliant on partners for income security; and,
- individuals involved with the criminal justice system.

As noted above, community based delivery draws on the experience, aptitude, understanding and social networks of organizations who have already worked with members of these vulnerable populations.

Recruitment and Retention

Currently program recruitment is happening in different ways.

In Calgary, Community Resource Centres located in different quadrants of the city have been quite effective. Once individuals arrive at these centres they can become engaged in a whole spectrum of services. Momentum also runs regular financial literacy workshops at community resources centres, parenting groups, youth employment programs, immigrant serving agencies, addiction recovery programs and libraries in low-income areas. Participants then find out about other program options through the workshop facilitator. Also, Momentum places more emphasis on providing financial literacy to those receiving other services they offer (e.g. a trades training program). Recently, they began to distribute brochures and run monthly budgeting and credit workshops at an Alberta Works office (HEP is offered out of AW offices). They try to run sessions on days people are already coming in to pick up cheques. It is important to offer programming that fits with participants' lives and schedules.

It is important to note that, effective April 1, 2009, and shortly after interviews were conducted, the Homeless and Eviction Prevention Fund (HEP Fund) rent shortfall benefit was transferred to a housing program under the department of Housing and Urban Affairs (HUA). The program is called *Direct to Tenant Rent Supplement Program*. Albertans seeking help for the first time to pay a rent shortfall should contact the nearest Housing Management Body for information on the *Direct to Tenant Rent Supplement Program*, while Albertans needing emergency social assistance with an eviction notice or help to pay a damage deposit should contact your their Alberta Works income support office.

An interesting recommendation has emerged from Momentum's evaluation of their *Rent Bank* program[61]. That is, it might be wise to further their relationship with current clients rather than try to reach a broader audience. Clients are facing more complex issues and, though they may come in presenting with financial 'symptoms' these tend to be interrelated with a range of other issues.

When it comes to understanding why individuals do – or do not – seek help in the first place, it is important to recognize that money issues are deeply personal and can cause a lot of anxiety. Potential participants may fear they will be judged and told how to spend their money. If matched savings are involved they may think programs are 'too good to be true.' Thus, financial literacy practitioners try to set things up in such a way as to make tackling money issues as enticing and exciting a prospect as possible. They also try to partner with people and agencies who are already trusted. Community organizations can advertise to the clients they serve, build awareness and promote programs.

Marketing involves knowing the language, challenges and emotions that will engage clients. For example, an effective advertisement might appeal to clients' desire to build their capacity to save money for birthday or Christmas presents. Key informants also point to community newsletters as effective media of promotion.

That said, some practitioners find promotion to be challenging. Most staff at community agencies are not trained as marketers. Regardless, without increasing the availability of programs only limited numbers can be recruited.

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[61] *Hoffart, Irene, Synergy Research Group, Calgary Rent Bank, Final Evaluation Report, written for Momentum, November 2007.*

Respect Clients

It is important to meet clients where they are at and draw on their existing understanding. For example, someone who doesn't understand a credit card contract may still have plenty of valuable life experience. Perhaps they have managed to live for years on a budget of $1000/month.

Tailor Programs in a Life-Course Context

Programs and materials must be customizable. It is important that resources are tailored to particular groups (e.g. domestic abuse survivors, newcomers, etc.) to suit their needs. Crucially, this is not a one size fits all initiative but rather a skill development exercise that enables participants to integrate financial literacy into their daily lives. Tailoring may be particularly important when it comes to serving clients with different cultural or linguistic backgrounds; clients with low general literacy levels; youth; etc.

Indeed, when it comes to understanding and applying one's understanding of financial matters, not everyone needs to learn the same things. For some, the basics (budgeting, banking, credit, rules around wills, etc.) will suffice (until their situation changes or until they enter a different stage of life). Others may need/want to know more about investment tools, stocks, etc. It is important that the content of financial literacy curriculum pertain to learners' situations. A key informant noted that at the *Reaching Higher Conference (2008)* there was a brilliant presentation about New Zealand's life-course approach. Insofar as all citizens are at different points in their lives, it makes sense to target programming to the major milestones people experience.

Key informants noted that those designing and delivering programs must consider the target audience they seek to serve. Target populations ought to have some commonality and not be too heterogeneous.

Program Timeframes and Length of Involvement with Clients

Informants suggested that the longer a client is engaged in a financial literacy program, the more their behaviour will change. For example, if the objective is to increase financial literacy, a course offered 2 times/week for 10 weeks would likely be more effective than a 2-3 day workshop. The longer program allows for learned behaviours to be practiced and reinforced over time. Currently, however, ideal timeframes are not always possibly as, at least in some cases, program schedules are determined by partner agencies, funding structures and/or resource constraints.

Past and present financial literacy programs, funded by AE&I, have featured 14 one and a half to two hour sessions and a follow-up contact after 6 months. It would be difficult to condense this timeframe. Thus, if financial literacy were to be integrated into existing AE&I training programs, ideally these programs should last 14 weeks or more. However the potential for customization of financial literacy resources should expand beyond targeting particular market segments and encompass the possibility of tailoring programs to fit well within diverse delivery structures.

When considering the relationship between program duration and behaviour change, it is also important to consider that programs requiring longer and/or more intense commitments may attract (or screen for) participants who are more willing/able to change their behaviour.

Point of Intervention

In terms of integrating financial literacy into existing AE&I programs, opportunities to increase financial literacy should be provided early – when clients first enter the income support system or are accessing career planning workshops or training. Insofar as a goal of Alberta Works is for recipients to become self-sufficient and exit the program, they need to be given the tools to do so. After a number of years or even months they might have already started doing things in a particular way. At entry, financial literacy would be established as part of the system. At this point it could just become a 'no brainer' – not an option but an integral part of the process.

It is also important that financial literacy training occurs when an individual's circumstances are relatively stable. Informants note that people who are not stably located are less receptive. Basic needs must be met and a certain level of stability must be achieved. Of course stability can be quite a subjective concept. For example, youth who are 'couch surfing' may feel quite stable.

Conduct Impact Evaluations

A primary challenge of programming is often defining and quantifying outcomes. Organizations are generally not in a financial position to do rigorous impact evaluations. Most rely on comparisons of pre-/post-program self-reported surveys of skills, knowledge, and behaviours. These surveys may measure: how much debt gets written off; confidence levels; etc. Most key informants feel strongly that more could be done in terms of evaluation. Evaluations can help identify what and why an approach is working and what and why it is not. They are central to developing the credibility, effectiveness and sustainability of programs. However, evaluation requires special skills and resources that are not currently available.

The Financial Plus Collaborative (FPC) believes there is value in working toward some sort of a standardized evaluation that all members will use to measure the outcomes of their respective financial literacy programs.

Currently, many organizations running programs funded by AE&I are asked to track the number of participants who are receiving income support or receiving other government supports. This is collected in the form of a monthly report.

Ensure Products and Services are Accessible

A wide range of measures may be taken to ensure accessibility. For example, we should offer programming that fits with peoples' schedules in a location that can accommodate children where people will feel safe and welcome. Services need to be at no cost to the participant. Using plain, jargon-free, language is also crucial.

Candora is a leader when it comes to creating 'clear print' communications for people with low literacy. A consultant assisted them to ensure resources are at the appropriate grade level. Handouts always take into account who might need to understand them. Handouts often include lots of pictures to make them as use friendly as possible.

Often, government information is too wordy and complex. It is important to make these documents 'short and sweet' with large print ('If you make it clear they will come').

Mechanisms for Engagement

Key informants indicate that practical and experiential financial literacy training yields the best outcomes. They have also identified strategies that can increase demand for and participation in financial literacy training. The following engagement mechanisms may be crucial to reducing barriers, to recruitment, to retention, and to successful outcomes.

First, **experiential-based training** utilizes interactive educational techniques that facilitate the learning process. Examples of techniques include:

- technology, especially for engaging youth. EFLS is looking at e-learning. They have partnered with Goody Learning Co. and hope to run a series of small pilot projects in schools to figure out when/why e-learning works best;
- collective kitchens; and,
- engaging and fun group activities (i.e. the Game of Life; bringing in guest speakers or going on collective excursions; watching and discussing Opera videos; sharing internet pulls and personal experiences; making paper maché piggy banks for children; etc.).

Second, **incentives for participation** can encourage participation and, arguably, improve outcomes. Note, incentives to participate must be positive rather than punitive. Examples of positive incentives include:

- combining financial literacy training with a matched savings incentive (IDA programming – see below);
- providing food/meals, possibly for the whole family;
- providing childcare, ideally fun activities for children;
- covering transportation costs; and,
- personal coaching;

Third, through **service coordination** financial literacy training can be embedded within other existing programs thus effectively increasing access. For example, financial literacy training could be integrated into:

- Vibrant Communities' Make Tax Time Pay program;
- The Homelessness and Eviction Prevention Fund; or,
- settlement services for newcomers.

Fourth, **local delivery** is important. Geographical locations and economic/social status matter. Thus, specific communities should be considered when programs are developed and/or tailored. Moreover, community-based delivery can reduce barriers associated with transportation costs and childcare.

Fifth, **appropriate marketing for target audiences** is a worthwhile investment. Promotion of training opportunities should be linked to (a) specific target market(s).

Sixth, providing a **range/balance of learning opportunities** or, for example, an appropriate combination of group/workshop-based training and more individual personalized attention, allows for greater flexibility and 'on-demand' learning.

Seventh, workshops **should have an energy** about them – they are more engaging when there are about 8-12 participants. Workshops, especially for some groups, should be highly interactive, not just lecture-style. For example, the City of Edmonton provides financial literacy training to women leaving abusive relationships. Delivery occurs in an environment that is more like a support group (with a facilitation piece) than a classroom. The facilitator pursues a psycho-educational group processes. There is a check-in ('how is everyone doing today') and questions about safety and changes in personal relationships. Above all, it is a group process – through this process the group becomes a group. They share more as they feel safer over time.

Finally, **one-on-one coaching** contributes to knowledge retention and is an ideal as a follow up piece. If knowledge is gained through training, that is only the first step. Increased knowledge alone can sometimes make people feel disempowered as they realize for the first time the implications of their situation, for example, their debt load. One-on-one follow-up can provide them with the support they need as they begin to manage their money differently. Those in low-income situations do not generally have access to counselling services as they cannot afford to pay for extra support. In fact, if an individual has that level of support he or she is unlikely to have attended group workshops in the first place.

Recognize that Financial Literacy is about more than Money

Support around financial literacy cannot be limited strictly to 'financial' issues. For outcomes to be successful participants have to strike a balance between what they value and how they manage money.

Programs must emphasize behaviour and try to get the root cause of issues. According to one informant, 'people will continue to do what they're doing until they get over the emotional dimension'

Individual Development Accounts (IDAs) – Financial Literacy Combined with Savings Incentives

Key informants were overwhelmingly supportive of IDAs. They identified the following factors that make this approach to increasing financial literacy so successful.

First, savings incentives encourage participation as well as the development of a savings habit that many participants continue after program end.

Second, a longer timeframe provides a greater opportunity for long-term behavioural (and conceptual) changes to develop and take hold. Ongoing occasions to practice and develop new habits are integral to the design of IDAs. Moreover, experiencing the process imbues an orientation towards the future.

One-on-one coaching support by facilitators meets individual needs and helps individuals both change their behaviours as well as increase their knowledge. In one example a washing machine, purchased with the aid of financial incentives, was leveraged to further savings. Purchases such as this, continue to allow participants to put their learning into practice. For example, money saved from eliminating trips to the laundromat can be banked.

Key informants noted that, on entry, participants often identify the financial incentive as the reason they joined an IDA program. However, by program-exit, most participants claim they benefitted most from the impact of the skills and knowledge they have gained. Financial literacy is an asset, suggesting that building assets does not necessarily mean providing assets. However, some key informants suggest that despite the clear benefits of building knowledge and understanding, they would be wary of having financial literacy without the matched funds as they believe the match is key to achieving behaviour changes through applied learning. Programs without financial incentives have generally focused on promoting discussions of financial matters in everyday situations.

Key informants would like to see government funding continue and be expanded for IDA programs. Alternatively, they suggest the government could work to influence other groups (e.g. in the private sector) to support (e.g. through tax credits) matched savings incentives. Possibly, the government could develop a public-private partnership system to cover costs associated with IDA programming.

When asked whether they would support financial literacy initiatives (that are not part of an IDA program) key informants universally said they would. They clearly recognize the value – and the demand – for this type of program.

About SEDI

SEDI is a national charitable organization that uses innovative approaches to help low-income Canadians gain financial independence. For over 22 years, SEDI has worked with businesses, governments and more than 800 not-for-profit organizations across Canada on financial literacy, asset building and entrepreneurship initiatives. SEDI's expertise allows it to influence public policy, opening the way for Canadians to enter the social and economic mainstream.

In 2008, SEDI launched the Canadian Centre for Financial Literacy, which seeks to increase the financial literacy of over 230,000 lower income Canadians by 2013.

Visit **www.sedi.org** for more information.