

Missing for those who need it most

Canada's financial help gap

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Unlocking financial help for all Canadians

Evidence tells us that access to relevant, high-quality financial help and advice is associated with greater financial health¹ and resilience,² but not all Canadians have access to the financial help and advice they need. Canadians with low incomes are frequently unable to access the types of help they need to build their financial capability, maximize their incomes, tackle urgent financial problems, and set and pursue financial goals.

This financial help gap has taken on new urgency in the context of the COVID-19 pandemic and ensuing inflation and interest rate increases that have made life increasingly unaffordable for many Canadians. People with low incomes have been impacted most severely,³ with financial vulnerability deepening and growing more pervasive among these households.⁴

One of the target outcomes of Canada’s National Financial Literacy Strategy, *Make Change that Counts*, is to “expand access to trustworthy and affordable financial help, particularly for vulnerable Canadians.”⁵ To do this, we first need to identify the types of financial help that are most critical to building the financial health of vulnerable groups, what is currently available, the extent to which it is

accessible, affordable, appropriate and trustworthy for these groups, and where there are help gaps that need to be filled. Then we can begin to identify and build potential solutions that effectively address the needs of these populations.

The National Financial Literacy Strategy also identifies the need to “Build and provide for diverse needs.”⁶ This speaks to the importance of ensuring that:

- More Canadians have access to, and use, financial products and services that are tailored to their needs, vulnerabilities, and resource constraints
- More Canadians, particularly those with diverse needs or one or more forms of vulnerability, are involved and consulted in the development and delivery of financial products and services, which in turn leads to higher levels of inclusion
- Fewer Canadians experience a low quality of service (including disrespect or not being offered a product or service appropriate for their needs) when accessing financial products or services

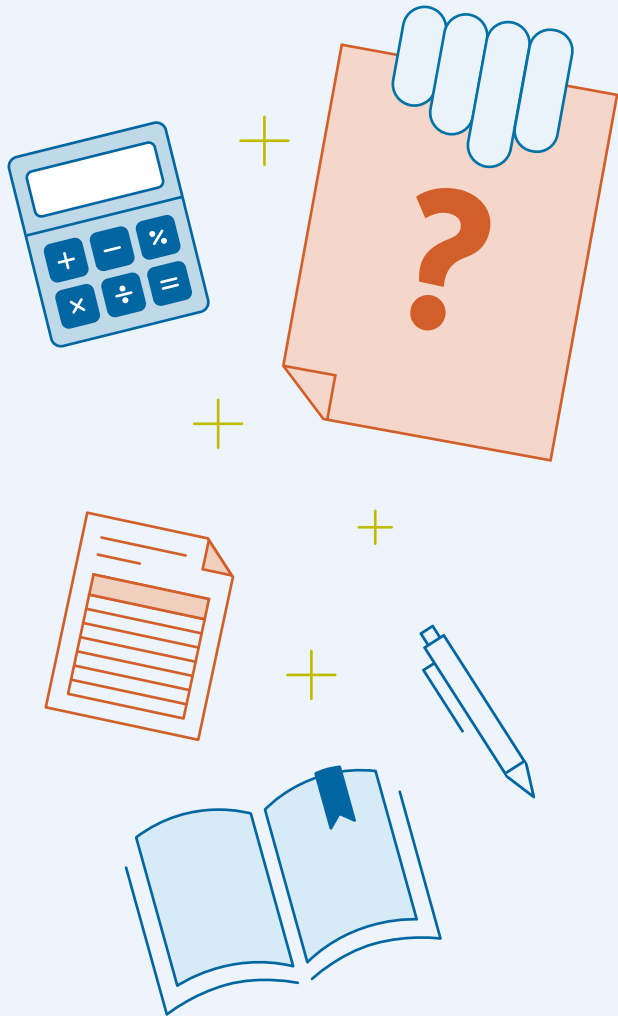
While we often look at financial help services in relation to the needs and preferences of the average middle- or higher-income consumer, and applicable regulatory and oversight mandates, we consider them less often from the perspectives of low-income and vulnerable consumers and their particular financial contexts and needs.

In this project, we have attempted to identify gaps in access to affordable, appropriate and trustworthy financial help for people with low incomes specifically. To this end, we:

- Defined their priority financial help needs
- Identified barriers that typically impact their access to services
- Identified relevant services that are currently available in the market
- Assessed how accessible, affordable, appropriate and trustworthy these services are for people with low incomes
- Assessed where there are particular financial help gaps for this population.

Prosper Canada would like to thank Co-operators for its generous funding support for this project and the many stakeholders and key informants from all sectors who contributed their expertise and insights to this work. The following report provides an overview of our methodology, key findings and their implications, and sets the stage for the next phase of our work – working with stakeholders from all sectors to identify and advance solutions to close Canada’s financial help gap for people with low incomes.

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Eight critical services for financial health

Financial health refers to a household's ability to manage its current financial obligations and feel confident in its ability to do so in the future.⁷ There is growing consensus that financial help services should aim to improve consumer financial health;⁸ consequently, we have used a consumer financial health lens to determine which financial help services were most critical for people with low incomes.

Building on research evidence, consultation with community stakeholders with deep expertise on the financial help needs of people with low incomes, and our organizational experience designing and piloting financial help interventions reaching over 760,000 people with low incomes to date, we identified eight financial help services as the most critical to building the financial health of people with low incomes:

1. Conduct a comprehensive financial health assessment*

2. Help to build a comprehensive financial plan

3. Help to develop and adhere to a budget or spending plan

4. Help to solve urgent financial problems

5. Help to understand, navigate, select and/or access appropriate financial products

6. Help to set and pursue saving goals

7. Help to manage debt

8. Help to tax file and access income benefits

* A financial health assessment is a tool to assess someone's financial situation and health, including whether they are banked, their levels of savings and debt, their credit score, their income (including government benefits), whether they have filed their taxes, and their financial goals and confidence. For an example of a financial health assessment, see http://www.prospercanada.org/prospercanada/media/PDF/Coaching%20Toolkit/Health-Assessment-Form_June-2015.pdf

Having defined the financial help services to focus on, we identified categories of service providers in all sectors who offer these services to Canadians more generally and specifically to people with low incomes:

- Retail banks
- Credit unions
- Insurance providers
- Financial planners
- Credit counsellors
- Insolvency trustees
- Commercial tax preparers
- Governments
- Community organizations

We then conducted a literature scan and a market review to assess the extent to which each of these eight priority financial help services is available to people with low incomes in Canada, and affordable, appropriate and trustworthy. Services that are not affordable may be inaccessible to people with low incomes or further exacerbate their poverty. Services that are not appropriate or trustworthy risk undermining, rather than building, their financial health because they fail to take important aspects of low-income consumers' financial circumstances

into account and/or expose them to unwarranted additional risks and costs.

We interviewed key informants to supplement qualitative and quantitative data gaps and validated our findings through our Project Advisory Committee. Key informants and Advisory Committee members were drawn from each of the financial service provider sectors we examined and were selected for their comprehensive knowledge of the services their sector provides, including retail banks, credit unions, insurance providers, financial planners, debt help services, commercial tax preparers, government service providers, and non-profit community organizations.

See *Appendix A* for a list of Advisory Committee members and project key informants and *Appendix B* for more details on our methodology.

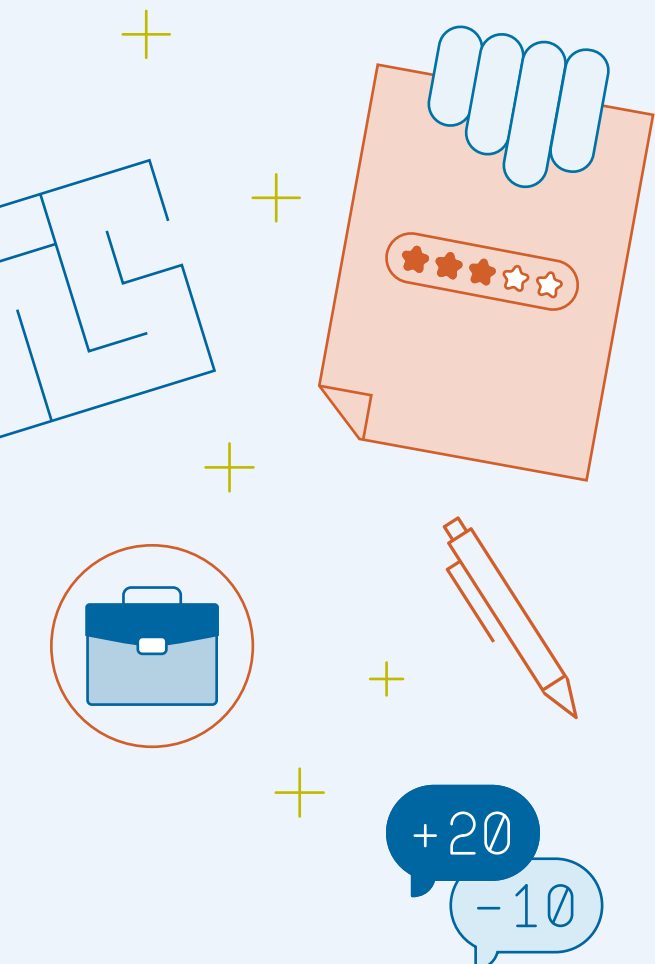
Services that are not affordable may be inaccessible to people with low incomes, and those that are not appropriate or trustworthy risk undermining their financial health.

Study limitations

There is a lack of empirical, quantitative and qualitative research on the availability of affordable, appropriate and trustworthy financial help services for people with low incomes in Canada. This study, therefore, relied heavily on qualitative assessments from expert key informants and Advisory Committee members.

Due to capacity constraints, we interviewed one to three key informants per financial service sector. The insights we gained from these interviews are, therefore, not necessarily representative of the perspective of others in their sector, although we did select informants specifically for their broad knowledge of their sector.

This study was limited in scope to the eight financial help services we identified as critical to the financial health of people with low incomes. As such, it does not address gaps in access to other financial services, or gaps in access to affordable, appropriate and trustworthy financial *products* for people with low incomes. These additional dimensions of financial exclusion also require attention and action.



Barriers for low-income Canadians: the financial help gap

1. People with low incomes have distinct circumstances and challenges that impact their ability to access and afford financial help services.

They are more likely to be underbanked,⁹ meaning they have an account with a mainstream bank or credit union but regularly use alternatives (e.g., high-cost fringe financial services, such as payday lenders).¹⁰ They often lack the means to pay for commercially available financial help services, particularly individuals who derive their main income from provincial social assistance programs (welfare and disability support), which offer benefits that fall well below Canada’s poverty line.¹¹ People with low incomes living in rural and remote regions may face distance barriers when it comes to physically accessing financial help services.¹² Inadequate broadband infrastructure and other digital barriers mean virtual services are often not a viable option for low-income residents of some rural and remote communities. Individuals may also lack the identification needed to access financial services, particularly refugees, people exiting correctional facilities, Indigenous Peoples and people who are homeless or precariously housed.¹³

2. People with low incomes are less likely to trust financial professionals, and people who are both low-income and Indigenous or racialized do not always feel respected by them.

Canadians with low incomes are generally less trusting than those with higher incomes,¹⁴ and this low trust level extends to financial professionals and institutions. In a 2021 survey, 69% of Canadian households with low incomes rate their primary Financial Institution as ‘poor to fair’ (1–6 out of 10) for helping to improve their financial wellness.¹⁵ Low trust in a service can be problematic as it can directly impact access.¹⁶ Indigenous Peoples, 2SLGBTQI+ people and people with disabilities have the lowest levels of trust in financial professionals and fear being discriminated against.¹⁷ Racialized, Indigenous and marginalized groups worry more about discrimination than the broader population, and past experiences have often led them to speak to financial professionals less often.¹⁸ For Indigenous Peoples in particular, other reasons for mistrust of settler institutions include colonization, residential schools, assimilation policies and racism.

High-profile examples in the media of discriminatory treatment of Indigenous customers reinforce this distrust (e.g., the handcuffing of an Indigenous grandfather and his 12-year-old granddaughter who tried to open a bank account in Vancouver).¹⁹

3. Mainstream financial information, guidance and advice is often not appropriate for people with low incomes because it fails to take into account their distinct circumstances.

This failure can be problematic for consumers with low incomes, as generic financial guidance can potentially be harmful to them. For example, many income support programs come with strict saving and asset limits. Financial help that fails to take these limits into account can result in individuals losing eligibility for benefits that comprise most of their income. Registered Retirement Savings Plans (RRSPs) provide tax-deferral and potential tax-savings benefits to middle- and higher-income Canadians, but those benefits are generally not available to Canadians with lower incomes. In retirement, withdrawals from RRSPs result in benefit clawbacks for retirees with low incomes. These are just two of many potential pitfalls that can arise from reliance on financial knowledge and guidance largely developed with middle- and higher-income consumers in mind.



4. Most commercial financial help providers (retail banks, credit unions, insurance providers, financial planners, commercial tax preparers), nonetheless, do not tailor their services for people with low incomes.

The financial help providers we interviewed understand that people with low incomes have different financial needs from people with higher incomes. Despite this, most commercial providers do not ask customers for their individual or household income when providing services and tailor their services accordingly. Financial planners, tax preparation services, and insurance brokers assisting with selection of some types of insurance products are exceptions, as they need income information to render their services.

Income information alone, however, does not provide a full picture of the distinct context and needs of people with low incomes. In certain instances, financial institutions may run analyses of client incomes or of other aspects of financial vulnerability. For example, some financial institutions have done income-based analyses for a particular project or product, and some may use credit scores to determine whether someone is financially vulnerable. For financial institutions who do collect income data, it tends to be extremely inconsistent, error prone and often out of date. This makes it challenging to use this information systematically and/or as part of portfolio risk management. Financial institutions therefore do not, as a rule, have a comprehensive understanding of the income breakdown of their entire clientele.



5. Because most commercial financial help services are not designed for people with low incomes, there are few appropriate financial help services for this population.

It is challenging for financial service providers to tailor their services for diverse customer segments and the many unique contexts and needs of their customers. While basic commercial financial help services are technically available to most customers, the reality is that they are not particularly tailored for people with low incomes, so their usefulness is limited for them. At the same time, more comprehensive services (e.g., financial planning) are not available to people with low incomes. While the federal Financial Consumer Code now requires banks to ensure that any services they do offer are appropriate to the client receiving them,²⁰ banks are not obliged to offer financial help services that meet the needs of all their clients. There are examples of financial institutions delivering financial services tailored for people with low incomes (see Pigeon Park Savings), but these seem to be the exception. Some community-based organizations offer free, comprehensive financial help programs purpose-built for people with low incomes, but they are only available in a small number of communities. While many low-income households in Canada report being unable to access financial help services,²¹ those who do access help have higher rates of financial resilience,²² underscoring the importance of closing the current gap in access to financial services for people with low incomes.

6. Financial institutions often offer free basic financial help services, but more comprehensive financial help services typically needed by people with low incomes are not accessible and/or affordable.

While some basic financial help services offered by banks and credit unions are free to account holders or members (e.g., building a financial profile, helping to navigate and access products and apps that help with budgeting and saving), more comprehensive services like financial planning are inaccessible for people with low incomes. For example, financial institutions may discuss which savings accounts are most appropriate for a client's needs but would likely not help someone create a more comprehensive savings plan that takes into consideration their goals, cash flow and how much they can reasonably contribute. Comprehensive financial help services offered by financial institutions are often only available to wealth management clients who have a threshold amount of investable assets – e.g., \$100,000 or even, in some cases, as high as \$500,000. A small but growing number of financial planners offer their services on a fee-for-service or advice-only basis, but a financial plan can cost from \$3,000 to \$10,000 and ongoing services range from \$120 to \$400 per hour^{23,24} – well beyond the range of anyone with a low income.

Pigeon Park Savings

A collaboration between Vancity and the charity PHS Community Services Society, Pigeon Park Savings is a credit union branch on the Downtown Eastside of Vancouver that offers financial services to people living on low incomes.

It offers its 4,000 members cheque cashing, bank accounts and bank cards, and financial advice, and even helps members with support in getting identification.

Pigeon Park Savings offers a welcoming environment to people living on low incomes, and all financial services representatives have mental health training.

7. Most financial institutions and professionals lack the understanding, tools and training to provide relevant and appropriate financial help services to people with low incomes.

Most banks, credit unions and commercial tax preparation companies do not train their frontline staff to understand the financial barriers and issues faced by people with low incomes, and there appear to be few tailored tools and information resources to support commercial financial service providers to meet the financial help needs of people with low incomes. Consequently, many financial professionals who are highly competent in meeting the needs of middle- and higher-income clients lack adequate understanding of the financial context and needs of people with low incomes to serve them appropriately. Few are conversant in the public income support and subsidy programs that people with low incomes rely on, the complex interactions of these programs, and how changes in personal earnings, savings and investment products can impact a client's eligibility for critical income and in-kind supports in the short and long term. Without this knowledge, financial help services risk undermining, rather than building, the financial health of people with low incomes.



8. There is no strong commercial business case for seeking and serving clients with low incomes due to limited profit generation opportunities.

People with low incomes often cost more to serve and do not generate as much revenue as higher-income customers. Consequently, banks and other commercial financial service providers have little financial incentive to specifically target and attract customers with low incomes. While technological solutions can, in theory, make it less costly to serve people with low incomes, fintechs may also lack a business case for serving or targeting people with low incomes. Technology may reduce service costs (e.g., the cost of staffing a branch), but revenue opportunities are still limited. There are significant

pressures on fintech start-ups, especially those with venture investors, to achieve strong revenue early on or to show that there is a large market opportunity. While there may be opportunities for solutions that benefit people with low incomes (e.g., avoiding fees, accessing credit, savings tools), solutions centred on financial help and advice, including one-on-one counselling, are likely more difficult to offer on a profitable basis. For fintechs that are Business-to-Business companies (e.g., that are building solutions for banks or credit unions to provide services to their clients), there is no incentive to build for people who are low income if the financial institution does not prioritize this population.



9. Select community financial empowerment organizations offer free, appropriate, and comprehensive financial help services but do not have the resources or geographical reach to meet the needs of all Canadians with low incomes who need help.

Since 2016, 14 national Financial Empowerment Champion organizations, their partners and Prosper Canada provided financial help services to more than 650,000 Canadians with low incomes, helping them access \$1 billion in tax credits and benefits. Most community organizations understand the financial context and needs of people living on low incomes and tailor their services accordingly. Community members trust these organizations because they see them as unbiased, though some people may perceive free services to be inferior to paid services. While community-delivered financial help services are generally free, appropriate and trustworthy, they are not available in all communities, largely due to lack of funding. Underfunding also means these organizations lack capacity to meet community needs, which has been exacerbated by the increasingly complex financial problems of community members with low incomes.

10. Canada would benefit from the collection and publication of more comprehensive, disaggregated, national data on access to financial help services, and financial inclusion more broadly.

Through this project, with the help of engaged stakeholders from all sectors, we have been able to qualitatively describe the current gap in access to financial help for people with low incomes. However, without consensus on the financial products and services necessary for financial inclusion, and an accurate and differentiated empirical picture of who does and does not have access to the services, it will remain difficult to accurately target and assess the impact of solutions.

Access to priority financial help services for low-income Canadians



This section describes each of the priority financial help services more fully, why it is important for people with low incomes, the extent to which diverse service providers offer this service and any important limitations with respect to the accessibility, affordability, appropriateness or trustworthiness of the service they offer for people with low incomes.

For insights broken down by financial help sector, see *Appendix C*.

1. Conduct a comprehensive financial health assessment

A comprehensive financial health assessment aims to provide an in-depth understanding of someone's financial situation, behaviours, attitudes, needs, and goals to determine how to improve their financial health. A comprehensive financial assessment is a critical precursor to building a financial plan, and the quality and comprehensiveness of the assessment will necessarily impact the effectiveness of any ensuing financial plan. This service typically includes:

- Reviewing of the client's balance sheet (assets, liabilities)
- Looking at their monthly budget or spending plan
- Exploring their financial attitudes and behaviours (when necessary)
- Identifying specific financial goals (e.g., with respect to saving, debt, credit repair, tax filing, accessing income benefits).

People with low incomes often have multiple financial challenges. A comprehensive assessment helps to identify all of these and to prioritize which issues and/or goals need to be addressed most urgently. It also enables the service provider to understand the client's context, set realistic goals, and effectively “meet them where they are at,” reducing the risk they will overwhelm or discourage clients who may be struggling concurrently with other life challenges.

A comprehensive financial assessment is often the first step accredited financial planners will undertake with their new clients. Financial planners may work independently or for banks, credit unions or wealth management firms. They are most often compensated through commissions on investment products purchased by their clients. Some provide their services on a fee-for-service or advice-only basis. Because most people with low incomes have few resources to invest, there are few incentives for commission-based financial planners to work with them. Those that offer their services on a fee-for-service basis are generally too expensive for a person with a low income to afford. Further, because most financial planners do not acquire specialized knowledge related to the financial lives of people with low incomes

(e.g., government programs, benefits and clawbacks, systemic and institutional barriers) in their training, the assessment services they offer may not be appropriate for clients with low incomes.

Banks and credit unions may offer financial assessment services to clients; however, a comprehensive assessment may only be available to wealth management clients who meet a minimum asset threshold. More commonly, banks and credit unions may work with clients to build a less in-depth financial profile and review it with them. Financial profiles and reviews are not mandatory for new or existing customers and are administered unevenly.

A small number of non-profit community organizations across Canada are trained to provide free financial coaching services to people with low incomes that include a comprehensive financial health assessment. However, these services are tenuously funded and most people with low incomes in Canada do not have access to them.

Credit counsellors and licensed insolvency trustees examine people's debts and ability to pay in the context of their debt-relief services, but generally do not offer comprehensive financial assessments.

In summary, commercially provided comprehensive financial health assessments are a critical precursor to helping people to build effective financial plans but are generally unaffordable and/or inaccessible to people with low incomes and are unlikely to be entirely appropriate to their needs. Financial profiles and reviews may be available at no cost to them through a bank or credit union but are less comprehensive and may not always be appropriate to their needs. Community financial coaching programs offer free, comprehensive, and appropriate financial assessments to people with low incomes, but this service is not broadly available.

Comprehensive financial health assessments are a critical precursor to helping people to build effective financial plans.

2. Help to build a comprehensive financial plan

Taking into account an individual's or household's financial situation, a comprehensive financial plan sets out their short- and long-term financial goals and the steps they will take to achieve them. Building a plan may include helping the individual to:

- Select and purchase appropriate saving products
- Navigate financial services and make referrals as needed
- Periodically review progress and update the financial plan as needed.

Financial plans are a valuable way to assist people with low incomes to set and achieve short- and longer-term financial goals they may struggle to achieve without this assistance. They also help people to prioritize which goals they will tackle first and to set out achievable action steps that make it easier for them to succeed and less likely to become overwhelmed or discouraged.

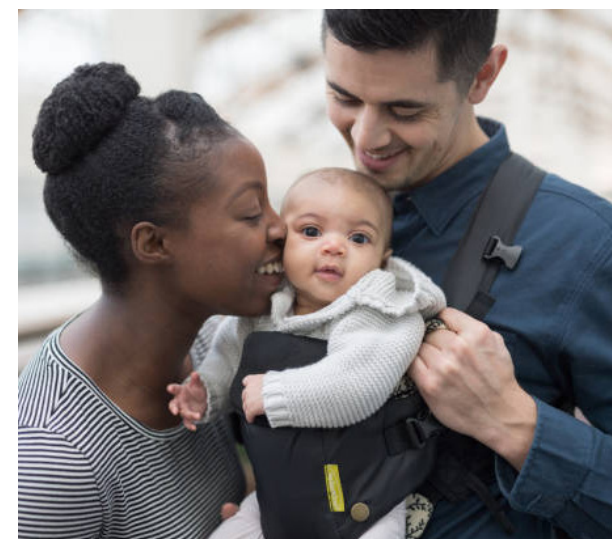
Financial planning is the core service provided by professional financial planners. However, as noted above, people with low incomes generally lack the necessary wealth and/or income to access the services of professional financial planners. In addition, a pilot financial coaching program for people with low incomes delivered by financial

planner volunteers showed that planners required additional training and day-to-day support to overcome their knowledge gaps with respect to the financial context of their low-income clients.²⁵

Banks and credit unions offer comprehensive financial planning as part of their wealth management services, but these are not accessible to people with low incomes for reasons already outlined. Financial institutions may also offer help building a more basic financial plan on request and/or basic online financial planning tools. These services and apps may be accessible and helpful to some people with low incomes, although they fall short of the more comprehensive service that would ideally be available. For example, help with a basic financial plan would typically not include periodic review and updating or support to implement the plan. Some people with low incomes are also digitally excluded and/or may have language and literacy barriers that prevent them from using online financial planning tools.

Community financial coaching services offer free, comprehensive financial planning by staff with in-depth expertise on the financial context and challenges of people with low incomes, but, as noted earlier, these services are offered by a small number of organizations in Canada and are not broadly available.

In summary, people with low incomes may be able to access help building a *basic* financial plan through their bank or credit union (or through online apps offered by these institutions), but they need to request the live service or be digitally included with the language and literacy skills to access and use the online tools. Basic financial planning help and tools fall short when it comes to supporting clients to successfully implement their plan and to periodically review and update it as needed. Community financial coaching programs offer free help to people with low incomes to build, execute, and periodically review/update a comprehensive financial plan, but this service is not broadly available.



3. Help to develop and adhere to a budget or spending plan

Budgets and spending plans help people manage their money and, when possible, save and/or pay down debts. This service generally includes help to:

- Analyze monthly personal or household income and spending
- Create a budget or spending plan that ensures monthly spending is less than monthly income
- Provide information/advice on how to adhere to their budget or spending plan
- Provide ongoing coaching to help them stick to their plan, troubleshoot obstacles, and recover from unexpected income and expense shocks.

This service is important for people with low incomes because they have little surplus income and often low or no savings to cushion them against emergencies and little capacity to comfortably manage debt.²⁶ Consequently, living within their income is an important, if often challenging, goal.

Financial planners offer help with budget and spending plans as part of broader financial planning services; however, as noted earlier, these services are typically not affordable to people with low incomes.

Licensed insolvency trustees offer two mandatory budget counselling sessions for insolvent consumers, as mandated by the *Bankruptcy and Insolvency Act*, but this service is only available to people who are receiving their debt-relief services (see the section on debt on page 19 for an overview of the costs associated with these services). Non-profit credit counselling agencies offer budgeting help, regardless of whether people elect to restructure their unsecured debts through an agency. Most consumers who meet with a credit counsellor walk away with a budget and have the option to follow up, all at no charge. These agencies also offer free workshops, webinars and eLearning for consumers to build their budgeting skills.

Most banks and some credit unions also offer online apps that help people create budgets or spending plans, but do not otherwise offer budgeting assistance to most people. Some fintech companies also offer similar apps (e.g., Mint, Billi, Walletifai, YNAB) that allow people to link their bank accounts to track spending in real time. These apps are often more comprehensive than those offered by financial institutions and tend to be free for use of the basic service (with add-ons that have associated costs). As many people with low incomes have digital, language and literacy barriers, online apps that are useful to some people with low incomes are not accessible to everyone, and some people may not know where to look for

third-party apps or to understand which best suit their needs.

Some community organizations will help people with low incomes to create a budget or spending plan and will work with them to help them adhere to their plans. However, these services are offered by relatively few organizations and are not broadly available.

In summary, people with low incomes seeking help to build and follow a budget or spending plan may receive help from non-profit credit counselling agencies. They may also receive help from licensed insolvency trustees if they are participating in debt relief services. Otherwise, those with adequate digital, language and literacy skills can access online budget tools offered by their bank or credit union or by third-party fintech companies. People unable to make use of these options may be able to access more comprehensive, personalized support from community organizations, but these services are often tenuously funded and only offered by a small number of organizations in Canada.

4. Help to solve urgent financial problems

This service aims to assist individuals to resolve urgent financial problems or crises that impact their ability to meet their basic needs. This service typically involves:

- Helping clients to compile relevant documentation
- Advocating with them, or on their behalf, to financial institutions and relevant government departments/agencies
- Helping them to navigate formal complaint, recourse and appeal processes
- Referring them to other financial help services.

Urgent financial problem-solving services are important for people with low incomes because they enable those who need help to overcome personal, institutional and systemic challenges and to regain their financial stability.

People with low incomes experience urgent financial problems more frequently than most Canadians due to income insufficiency but may also experience urgent problems concerning public income benefits and subsidies, taxes, managing debt, access to financial products and services, and consumer protection and recourse in the event of complaints, frauds, scams and financial abuse. They are also more likely to experience challenges navigating financial and government institutions

and self-advocating with confidence due to personal language, literacy, disability and mental health barriers, as well as institutional and systemic barriers that further disadvantage individuals with disabilities, Indigenous Peoples, racialized people and people who are 2SLGBTQI+.

Banks and credit unions offer urgent financial problem-solving support to their customers but only when it relates to a product or service that the bank or credit union provides to that customer (e.g., help accessing credit quickly for an emergency, resolving incidents of fraud, cashing a cheque quickly). Similarly, government departments and agencies may offer help solving urgent financial problems related to tax filing (Canada Revenue Agency) and accessing income benefits and, in the case of student loans, repayment assistance for people with low incomes.²⁷ Credit counsellors can help people with urgent debt problems to quickly negotiate with creditors and frequently help with other urgent issues, such as lacking money to pay for rent, tax bills, collection calls, legal problems, and even mental health challenges associated with financial distress. Some community organizations offer comprehensive help to people with low incomes aimed at solving a wide range of urgent financial problems, but these services are only offered by a small number of organizations in Canada and are not broadly available.

In summary, most providers only offer urgent financial problem-solving in relation to their own programs, products and services – e.g., if a person living on a low income has an urgent problem related to their debt, banking services or access to benefits, they can likely find support from credit counsellors, financial institutions, or government departments/agencies, respectively. When people with low incomes experience barriers to successfully navigating these processes, when these processes fail to resolve their issues, or when they need assistance with a more complex mix of problems, they need help from a provider that can take a broader perspective and advocate with them or on their behalf. These services are only available from non-profit credit counsellors and a small number of community financial help organizations.

People with low incomes experience urgent financial problems more frequently than most Canadians.

5. Help to understand, navigate, select and/or access appropriate financial products

In today's rapidly evolving financial marketplace, a proliferating array of new financial products and their increasing complexity make it more and more challenging for consumers to select the products that are most appropriate to their needs and likely to help them build their financial health. This financial help service aims to help people choose the best products for them and ideally includes:

- Assessing the client's needs, goals, priorities and/or risk profile
- Helping them to select and open deposit accounts (e.g., chequing, saving)
- Helping them select and purchase other financial products (such as credit, insurance and/or investment products)
- Referring them to other trustworthy sources of help to select/purchase these financial products.

Due to the personal, institutional and systemic barriers noted earlier, people with low incomes often find it challenging to identify and access the financial products most appropriate to their needs. Products well suited to people with higher incomes are also not always appropriate for people with low incomes (e.g., RRSPs or Registered Education Savings Plan [RESP] group plans) but may be marketed and sold to them nonetheless.

High-cost and high-risk financial products, as well as fraudulent products, are also disproportionately targeted to people with low incomes and other vulnerable groups (e.g., seniors, newcomers).²⁸ It is therefore critical to ensure that people with low incomes have access to affordable, appropriate and trustworthy help choosing and accessing the financial products that are right for them.

Professional financial planners help their clients to navigate and access appropriate financial products as part of broader financial planning services, but their services are not generally accessible to people with low incomes. In addition, they may lack the contextual knowledge about people with low incomes to provide effective advice. Banks and credit unions also help consumers to select financial products, but only with respect to their own products, which may not be the best available product in every instance for the consumer. A 2018 Financial Consumer Agency of Canada review of bank sales practices also identified concerns regarding the impact of sales incentives on the appropriateness of product recommendations.²⁹

Insurance providers also offer this service exclusively with respect to their own insurance products. Insurance agents and brokerages help clients to select from a broader array of products within particular industry subsectors (property and casualty, auto insurance, and health and life insurance), but most industry service providers do

not help people assess all of their insurance needs and select the best products for them.

Some fintechs (mostly personal financial management apps) will make product recommendations based on in-app activity and identified user needs. There are also fintechs like NerdWallet that are online product and service recommendation engines. However, some of these fintechs have recently come under fire in the US because of questions around how their business model impacts the recommendations they make.³⁰

A small number of community financial help organizations may offer help to navigate and understand appropriate financial products but do not generally recommend specific products. Community organizations are limited due to lack of certification and licensing necessary to recommend specific financial products. Additionally, recommending specific products is outside the mandate of these organizations, whose focus is generally on education and support of individuals in understanding financial products and services and in making their own financial decisions. Instead, they refer clients to financial institutions or other financial services that they know offer broadly appropriate products and help people ask the right questions. This increases the likelihood that clients will make informed decisions and access generally appropriate products but does not ensure they are accessing the best products on the market for them.

In summary, there is no single source of comprehensive help and advice for people with low incomes seeking to understand, select and access the best financial products for their needs. Professional financial planning services are too costly and financial institutions and insurance companies tend to only support clients to choose from among their own products. Insurance brokerage services help people assess a broader range of insurance products, but generally still within specific insurance sub-sectors. A small number of community organizations help people with low incomes to understand the kinds of financial products appropriate to their needs and refer them to potential sources of appropriate products but do not select products for them. These services are not broadly available, however.

6. Help to set and pursue saving goals

While it is not always possible for people with low incomes to save because they cannot afford to or because income benefits they receive place limits on the assets they can hold, it is important for those who can save to get the support they need to set goals and determine which savings vehicles are most appropriate. This service includes:

- Assessment of the individual's reason(s) for saving and capacity to save
- Help to set one or more saving goal(s)

- Provision of information/advice on how to save successfully
- Coaching to support achievement of saving goal(s)
- Support to plan for retirement
- Help to open registered savings accounts (e.g., RESP, Tax-Free Savings Account [TFSA], Registered Disability Savings Plan) and access related savings grants and incentives.

Help to set and pursue short- and longer-term saving goals is important for people with low incomes because even modest savings can help them to smooth uneven income and expense flows,³¹ weather financial shocks,³² reduce their risk of financial hardship³³ and high-cost debt,³⁴ and build longer-term financial resilience and security.³⁵

Financial planners help clients to set and pursue savings goals in the context of their financial plans, but their services are largely inaccessible to people with low incomes. Banks and credit unions will help customers to select the savings product best suited to their needs (e.g., savings account, RRSP, TFSA, etc.) from among those they offer, open these accounts, and set up automated deposits. Most banks also offer free, online, basic savings advice and apps to their account holders, but only clients with a minimum amount of investment capital are likely to receive more comprehensive

support to set specific saving goals and to put in place more comprehensive action plans and mechanisms to achieve these. There are fintech products that can assist with setting savings goals, building emergency savings and rounding up to save, but there are not as many of these in Canada as in the United States. These companies provide some financial literacy components, typically around setting savings goals, but cannot provide comprehensive advice.

A small number of community financial help organizations offer financial coaching services to people with low incomes that include helping them to set and pursue saving goals, but these services are not available in most communities.



7. Help to manage debt

Canadian households carry high levels of household debt³⁶ with debt loads relative to income at near historic highs.³⁷ Current inflation and interest rates make it more difficult for households to comfortably carry and manage their debt. In this context, financial help to manage debt is an increasingly important service that typically includes:

- Assessment of the individual's/household's financial situation
- Help to access debt relief/assistance programs
- Referral to appropriate professional assistance (e.g., credit counsellor, licensed insolvency trustee, counselling, community supports)
- Help to establish a manageable debt repayment plan
- Help to negotiate with creditors to reduce debt.

Help to manage debt is important for people with low incomes in Canada because 49 per cent of people with low incomes carry debt³⁸ and those who do spend an average 31 per cent of their income on debt payments, making debt a major source of financial vulnerability in this population.

There are four main types of debt assistance available to Canadians:

- **Do-it-yourself (DIY):** Credit counsellors support people to develop a budget and plan to pay off their debts independently. DIY solutions include, but are not limited to, budgeting, increasing income, decreasing expenses, conventional financing, selling assets, getting help from family or friends, and/or a communication strategy for creditors. The organizations that offer this service may be non-profit or for-profit companies. Non-profit credit counselling organizations offer this service for free while commercial providers charge for this service.
- **Debt Management Plans:** Credit counselling organizations help those eligible for this service to work out an agreement with creditors to reduce or eliminate interest on their debt and to develop a repayment plan. Non-profit credit counsellors charge a small set-up fee, as well as 10 per cent of the monthly debt repayment amount (typically capped at \$75), but both fees may be waived. Consumers work with credit counsellors to create and maintain a budget, set goals and rebuild credit. Interest relief from payday and other predatory lenders may be limited.

- **Consumer proposals:** This is a legal option available to people with less than \$250,000 in debt who have a stable income. A licensed insolvency trustee works with them and their creditors to arrive at a plan whereby they only need to repay a portion of what they owe, with no interest. The consumer would typically pay around \$1,500 to the insolvency trustee to establish a consumer proposal, plus 20 percent of subsequent payments.³⁹
- **Bankruptcy:** Licensed insolvency trustees can help individuals who are eligible to declare bankruptcy to file and clear their debts, with some important exceptions (e.g., secured home and car loans, child support and alimony, some student loans, income tax owing and debt due to fraud). There are two costs for bankruptcy, the fee to declare it and fees on surplus income. A first bankruptcy typically costs \$1,800 to declare. The second costs \$3,600.⁴⁰ People who have surplus income over \$200 a month must pay 50 per cent of this.⁴¹

MANAGING DEBT

49% of people with low incomes carry debt in Canada

31% of their income is spent on debt payments

Options like DIY or Debt Management Plans are voluntary and may impact credit temporarily. Consumer Proposals and bankruptcies are legal options. Consumers who file must attend two budget counselling sessions. Debt rehabilitation services offered in consumer proposal and bankruptcy situations appear to be insufficient to prevent insolvency recidivism among 21 per cent of service users.⁴²

In addition to licensed insolvency trustees and credit counsellors, financial planners also offer help to manage debt as part of their broader financial planning services. Banks and credit unions may assess a customer's debt and credit situation to determine suitability for a product, such as a loan, but do not offer personalized debt management coaching or support. Banks and credit unions may, however, seek to help customers who are struggling to repay their debts by providing financial education and advice, refinancing outstanding loans, or consolidating multiple debts into a single lower-interest loan. Large financial institutions provide funding for non-profit credit counselling agencies and may suggest customers avail themselves of these services, but they do not refer their customers to specific credit counselling providers.

A small number of community financial help organizations provide people with low incomes with free financial coaching to help to manage their debt. This may include assessing their debt situation and budget, setting debt repayment goals, helping them to apply for debt relief programs, and periodically checking on progress and updating the plan if needed. For clients with more severe debt problems, they may help them to understand the other debt assistance options available to them and to select the one that is most appropriate. Many of these community financial help organizations are limited in the extent of their negotiating authority when dealing with financial institutions and other creditors due to licensing requirements. They may provide clients with a list of appropriate providers of this service in their community but typically do not make direct referrals.

Student loan debt is more common among indebted low-income households than other households, and their median student loan debt is the highest at \$15,000.⁴³ Canada Student Loan recipients who cannot afford to make their student loan repayments can access the federal government's *Repayment Assistance Plan*⁴⁴ or *Repayment Assistance Plan for Borrowers with Disabilities*⁴⁵ through the National Student Loan Service Centre. Depending on their income, applicants may qualify for reduced payments or no payments at all.

There are risks in the marketplace for debt services. Some within the sector are provincially regulated (credit counsellors), others are federally regulated (licensed insolvency trustees), and some are not regulated at all, which poses a risk to consumers. An example is debt consultants, who charge consumers unnecessary fees to refer them to insolvency services.⁴⁶ Any consumer can receive a free consultation from a licensed insolvency trustee, and non-profit credit counselling agencies make referrals to trustees at no cost. There have been efforts to curtail the debt consultant industry to strengthen the integrity of the insolvency process.⁴⁷

In summary, people with low incomes have access to an array of trustworthy debt help services, but people need help finding the right service for them because too many people are currently falling prey to predatory debt consultants. While services provided by non-profit credit counsellors and community financial help agencies are free, for-profit professional services are provided at a cost, although some fees may be waived in some cases. People with low incomes may require assistance, however, to determine which service is most appropriate for their debt situation and to avoid predatory debt consultants.

8. Help to tax file and access income benefits

In Canada, tax filing is a critical gateway to hundreds of provincial and federal income benefits, tax credits, and in-kind supports that boost incomes and reduce expenses for people with low incomes. Tax filing may be the primary way that people access these benefits and establish their eligibility and the amount they will receive.⁴⁸ Due to the complexities of tax filing and benefit application processes, however, and other barriers that people with low incomes may experience,⁴⁹ up to one in five Canadians with low incomes does not currently tax file.⁵⁰ These individuals miss out on potentially thousands of dollars in benefits they are eligible for but not receiving.

Help to tax file and help to access benefits is an important service for people with low incomes because it connects them to additional income that can reduce their poverty, help them to stabilize financially, reduce financial stress, and improve their financial and general wellbeing. Tax filing and benefit assistance services generally include:

- Providing tax-filing software
- Help filing taxes (current year and past years)
- Help learning how to file their own taxes
- Help identifying benefits they may be eligible for but not receiving, and how to access them
- Help applying for income benefits.

There are many commercial tax preparer companies in Canada that provide direct tax-filing services for Canadians. Additionally, there is a list of certified software, including free software, available on the CRA website for people who self-file. Commercial tax preparation services offer various levels of tax-filing support at various price points (up to around \$300 for full service). Software varies in price from free options to approximately \$100.

Commercial tax preparer staff do not receive training on the needs of people with low incomes but are well-versed in the benefits and tax credits for which people with low incomes may be eligible. They may inform people of benefits not available through tax filing.

The CRA provides training and resources for free tax-filing support through the Community Volunteer Income Tax Program (CVITP), specifically for people with low incomes. Every year, more than 630,000 people file their taxes through this program, enabling them to access over \$1.45B in tax-related benefits.⁵¹ The CVITP serves people with simple tax returns for which a person's income comes from employment, pension, benefits, RRSPs, scholarships and/or interest under \$1,000. This program does not serve people who are self-employed or with more complex tax situations. Because of an increase in gig work⁵² and self-employment,⁵³ many people with low incomes cannot access CVITP clinics.

Some community organizations provide support with tax-filing through CVITP and help navigating and accessing income benefits. While CVITP grants to community organizations have expanded the availability of free tax filing by community organizations, there remain issues around geographic reach, a need for year-round support, and their ability to meet demand due to capacity constraints. People who are cut off from their benefits after tax season frequently have difficulty accessing free tax clinics due to the seasonality of these services.

Financial planners offer tax and benefit advice and can, in some cases, file taxes, but are not accessible or affordable for people with low incomes, and, as outlined above, may not have sufficient expertise in serving clients with low incomes to provide appropriate advice.

For people with low incomes, there are still challenges with the accessibility and appropriateness of supports available. The 2022 Reports of the Auditor General of Canada to the Parliament of Canada found that the CRA and Employment and Social Development Canada (ESDC) have not done enough to help hard-to-reach populations connect with the benefits put in place to support low-income Canadians.⁵⁴

Various initiatives exist in the market to help address this gap; however, limitations remain in their reach and effectiveness:

- There are free online self-file options, though some people do not trust free products, and believe they are getting an inferior product. For example, Intuit, the company that owns TurboTax, a highly rated online tax software, has found that some people purchase software versions that have features that they do not need given their situation, rather than using the free version.
- With the goal of improving access to benefits, the CRA is piloting a navigator for people applying for the Disability Tax Credit, which is a particularly challenging benefit to access. Service Canada offers support navigating benefits in person (including visiting remote communities), over the phone and online and can provide more in-depth services, like filling out forms.
- Some commercial tax preparers offer a refund advance product, in which they immediately provide people with their refund, minus the tax-preparation rate. This product is regulated by the CRA. There are some risks involved (for example, CERB repayments for people who were not eligible were garnished from refundable tax credits, which then had to be recovered from clients).



For people with low incomes, there are still challenges with the accessibility and appropriateness of supports available.

Closing the gap: Working toward financial help services for low-income Canadians

We have found that there are some affordable, appropriate and trustworthy financial help services available to people with low incomes – e.g., tax filing assistance and non-profit credit counselling – but there are important gaps in the year-round availability of free tax filing services, limited availability of free debt help services, and almost no availability of benefit navigation and assistance services and more comprehensive financial planning and counselling services.

Building on these findings, Prosper Canada will work with the Project Advisory Committee and cross-sectoral stakeholders to identify effective solutions to fill current financial help gaps for people with low incomes and to develop a comprehensive solutions framework that identifies how each sector can help ensure every Canadian has access to the financial help they need to build their financial health.



Appendix A: Advisory Committee members and additional key informants

This report's findings do not necessarily reflect the opinions of the individuals below, nor of their institutions.

Advisory Committee

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Aspire Coordinator,
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Peter Davis

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Stephanie Debisschop

Executive Director,
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Jessica Fisher

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Rodney MacDonald

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Alexandra Macqueen

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Susan Murray

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Canadian Life and Health
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Tom O'Dwyer

Lead Tax Advisor, Ability
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Gaby Polanco Sorto

Executive leader in
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Keith Taylor

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Other key informants

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Ken DeBlieck

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Lucilla Nardi

Chief Distribution Officer
CFIS & VP Life and Wealth
Sales & Compliance,
Co-operators

John Stapleton

Principal, Open
Policy Ontario

Ruth Stephen

Director, Behavioural
Finance Lab,
Financial Consumer
Agency of Canada

Appendix B: Expanded methodology

We began this project by conducting a literature scan and a market scan to answer the following questions:

What are the core financial help services necessary to build financial health for people living on a low income?

Is there information on the cost of these services in Canada?

Are these services offered by knowledgeable and unbiased sources?
Are the sectors regulated?

Do people trust these services?

Are these services available for people living on low incomes in Canada?
What do we know about the gaps?

Are these services tailored to the needs of people living on low incomes?

Are there limitations to these services, particularly for people with low incomes?

We then identified a set of core financial help services necessary to build financial health for people with low incomes, based on research and our organizational experience working with and supporting people with low incomes to build their financial health over the last 30+ years.

Services were selected using the following criteria:

- Relevance to what we know about the financial context and needs of people with low/moderate incomes
- Potential to help low-income consumers achieve target financial health outcomes (outlined in the Definitions section on page 28).

The eight financial help services we defined as key to improving the financial health of people with low incomes are:

1. Conduct a comprehensive financial health assessment

2. Help to build a comprehensive financial plan

3. Help to develop and adhere to a budget or spending plan

4. Help to solve urgent financial problems

5. Help to understand, navigate, select and/or access appropriate financial products

6. Help to set and pursue saving goals

7. Help to manage debt

8. Help to tax file and access income benefits

People with low incomes may not all need all these services but, in aggregate, these services would address the financial needs of most people with low incomes.

Having defined the financial help services to focus on, we identified categories of service providers in all sectors who offer these services to Canadians more generally and specifically to people with low incomes:

- Retail banks
- Credit unions
- Insurance providers
- Financial planners
- Credit counsellors
- Insolvency trustees
- Commercial tax preparers
- Governments
- Community organizations

Mapping services available to people with low incomes

Based on our experience, literature and market scans, and key informant interviews (see Validating our findings section on page 28), we mapped the target services offered by each service provider category.

Assessing affordability, appropriateness and trustworthiness of target services

Having mapped available financial help services, we created a rubric to assess these services based on definitions of “affordable,” “appropriate” and “trustworthy” drawn from the Measurement Plan for the National Financial Literacy Strategy (see Definitions section on page 28).

We then applied the findings from the literature scan and market scan to understand the context and the affordability, appropriateness and trustworthiness of financial help services on offer to people living on low incomes in Canada.

As there was not enough available data to fully populate the assessment rubric, we have opted not to publish it in this report. This exercise and the data that was available did help us, however, to identify gaps in affordable, appropriate and trustworthy services.

Affordability

We defined affordability as whether or not services took consumers’ finances into consideration, and assessed it with the following performance ratings:

- **Unaffordable:** Service cost is high and unlikely to be affordable to anyone with a low income.
- **Somewhat affordable:** Service cost is moderate and likely to be affordable to some people with low incomes.
- **Free:** Service is available at no cost to people with low incomes.

People living on low incomes face numerous barriers to accessing affordable financial services, including unexpected fees and penalties and no local access to mainstream financial services.⁵⁵

As low-income households often have no extra room in their budgets, this can lead to forgoing financial help services (e.g., not tax-filing, thereby missing out on crucial benefits).

When they do access financial help services, people living on low incomes often pay more and pay fees that higher income people do not. This can lead to negative financial outcomes (e.g., people who are unbanked must rely on expensive cheque-cashing services).

Even when free financial help services are offered by community organizations, people with low incomes may not be aware of them or may face challenges accessing them (e.g., if they have mobility or distance barriers, language barriers, etc.).

Appropriateness

We defined appropriateness as whether services took into account consumers' financial circumstances and needs, and assessed the following performance ratings:

- **Not appropriate:** Services are designed for and restricted to consumers who are not low-income.
- **Narrowly appropriate:** Services are largely designed for, and targeted to, people who are not low-income, but some service users may be low-income.
- **Somewhat appropriate:** Services are designed for and targeted to consumers with a range of incomes, including those with low incomes.
- **Appropriate:** Services are uniquely designed for and targeted to people with low incomes.

Many factors (personal, institutional, systemic) determine whether a particular service is appropriate for a given user. Through research and program evaluation, we have identified many access barriers common to people with low incomes generally, as well as specific barriers for certain populations groups, geographies and services. The bottom line is that most people with low incomes experience multiple access barriers.

From our experience designing, piloting and evaluating financial help services for people with low incomes and insights from the broader field of human-centred design, tailoring services specifically to people living on low incomes is the biggest predictor of success and take up. Conversely, one-size-fits-all services often fail to remove access barriers or to help people with low incomes to overcome these barriers.

Trustworthiness

We defined trustworthy as services that are delivered by a trustworthy and unbiased source[†] and assessed it using the following performance ratings:

- **Untrustworthy:** Providers are not mandated or required in any way to take the interests of their clients into account and/or do not have processes to do so.
- **Somewhat trustworthy:** Providers are mandated or required to assess whether services are appropriate for their clients and have processes in place to ensure they do.
- **Trustworthy:** Providers are mandated or required to act in the best interest of clients and have processes in place to ensure they do.

[†] There is another aspect of trust relating to whether people trust sources of financial help, which we discuss in this report, but which was not used in our analysis because there is little data.

Access to trustworthy financial help services is crucial for people to make good financial choices and thereby to increase their financial health. This is particularly true for people living on low incomes, who are likely to be more negatively affected by poor financial choices.

For people with low financial literacy, the volume of financial help services may be overwhelming, and it is difficult to differentiate between trustworthy services and those that are not suitable, are unnecessarily expensive, or are not in their best interest. People with low incomes may rely on less reliable sources of financial information, such as word of mouth, advertising, social media and other online sources. As these sources frequently lack critical analysis, they may not present risks and caveats associated with financial services.

Validating our findings

The assessment of financial services was validated through service providers, key informants, and the Advisory Committee (see the list of Advisory Committee members and other interviewees in Appendix A). The Advisory Committee was also

‡ For the purposes of this report, we use the Seymour Financial Resilience Index™ definition of low income, rather than the Market Basket Measure, Canada’s official poverty line. We have chosen this measure because it is simpler and captures households that would be considered moderate income in much of the country but who have been struggling financially through the pandemic and ensuing inflationary period.

§ Note that this does not include financial education.

engaged in the development of our research approach and typology of services, and on the insights gained from the literature and market scans and key informant interviews.

Definitions

Low income

An annual income below \$25,000 for single-person households and below \$50,000 for multi-person households.‡

Financial health

“The extent to which a person or family can smoothly manage their current financial obligations and have confidence in their financial future. The elements that shape a person’s financial health include:

- **Day to day:** smooth short-term finances meet financial obligations and consumption needs
- **Resilience:** capacity to absorb financial shocks
- **Goals:** on track to reach future goals
- **Confidence:** feeling secure and in control of finances.”⁵⁶

Financial help

Personalized and semi-personalized financial information (e.g., robo advisors), guidance and advice provided to individuals to help them achieve their financial goals and build financial health.[§]

Affordable financial help

“Help or advice that takes consumers’ finances into consideration. This includes services that are available at low- or no-cost to consumers, particularly for consumers who have financial challenges and few resources with which to meet those challenges.”⁵⁷

Appropriate financial help

“Financial...services that have regard to consumers’ circumstances, including their financial needs.”⁵⁸

Trustworthy financial help

“Relevant and unbiased financial help or advice that can be an important catalyst for good financial decisions, which result in positive outcomes and improved financial resilience.”⁵⁹

Appendix C: Findings by service provider

The following section provides a brief overview of the financial services offered to people with low incomes by sector, as well as an analysis of their affordability, appropriateness and trustworthiness. Where there are similar findings, we have grouped sectors together, but have noted where there may be differences.

Retail banks and credit unions

Both banks and credit unions offer clients a variety of financial help services. These include building a financial profile, helping to navigate and access products and offering apps that help with budgeting and saving. These services are generally free for bank clients/credit union members, but they are not designed specifically for people with low incomes, are delivered unevenly and would, in many cases, need to be sought out by a client.

More comprehensive services, like help with financial health assessments or financial plans, and ongoing support, are generally reserved for wealth management clients (e.g., with assets of \$100,000+) and are, therefore, inaccessible for people with low incomes.

Both banks and credit unions have made some efforts to improve the accessibility of financial help services. Vancity, a credit union in BC, is currently partnering with a local non-profit to offer basic banking services to people in Vancouver's Downtown Eastside (see Pigeon Park Savings). Some credit unions are also exploring ways to

enable staff to have broader money conversations with members who come into their branches.

Most banks have strategies to attract particular consumer segments, some of which may include people with low incomes. For example, many banks have strategies to recruit students/youth and newcomers, who may have low incomes initially but have the potential to become higher-income customers in the future.

Despite these efforts, the incentive structure and the pressure to achieve revenue targets at both banks and credit unions makes it challenging to dedicate time to services that are not considered profitable. Canada's Financial Consumer Code regulations and associated guidelines⁶⁰ require banks to ensure products and services are appropriate for clients and to ensure that remuneration does not conflict with this. These regulations do not apply to provincially regulated credit unions, however, and they do not compel banks to create appropriate services for people with low incomes, or for any population, where none exist.

Insurance providers

Insurance providers help people navigate and access insurance products. In many cases, however, there is no one service available to help people understand which insurance they need based on their situation and goals and how to navigate different options accordingly, as property, casualty and auto insurance, and health and life insurance, are often sold by different agents.

People with low incomes may have fewer avenues to access insurance advice because there is a dearth of affordable policies. Many insurance companies have a minimum limit. For example, while people with low incomes may benefit from small life insurance policies (e.g., under \$10,000), these are rare because there is no financial incentive for advisors whose commissions are proportional to the value of the policies they sell.

One of the largest access barriers to insurance is connecting people to insurance advisors. Individuals who do not own a home or a car are less likely to seek out an insurance advisor. Some advisors use their community connections to undertake outreach, but this varies by advisor.

Financial planners

Financial planners offer a wide range of comprehensive financial help services, but these services are generally not accessible to people without a minimum level of investable assets or who cannot afford hourly fees for fee-for-service planners. Financial planning services offered by banks are often only available to wealth management clients who meet a minimum threshold of investable assets (e.g., \$100,000+). In some cases, full-fledged financial planning services may be restricted to clients with \$500,000 or more in assets under management.

Most financial planners are largely compensated by commissions on the investment products they sell. While fee-for-service or advice-only financial planning is becoming more common, it is still only available to a small percentage of clients and costs \$3,000 to \$10,000 for a financial plan and \$120 to \$400 per hour for ongoing services. Consequently, this option is not affordable to people with low incomes.

Because the financial needs of people with low incomes are so different than those of people with higher incomes, financial planners aiming to serve the former would likely have to be knowledgeable and skilled in low-income planning. However, there are few payors in the market for this service, despite high demonstrated demand by people with low incomes for the community-based services that do exist.

Some non-profit organizations and financial planning organizations have been designing and piloting free, community-based financial planning services, although these services are small-scale and not broadly available to Canadians with low incomes.

Credit counsellors

Credit counsellors offer support to develop budgets and spending plans to help clients pay off debts independently. They can also help with Debt Management Plans, in which they can work with creditors to reduce or eliminate interest and develop a repayment plan. Non-profit credit counselling agencies are licensed and accredited. As part of maintaining accreditation and accessing the national framework, agencies provide free counselling and education to any consumer who reaches out. Credit counsellors must obtain and maintain their Accredited Financial Counsellor certification. For Debt Management Plans, credit counsellors charge a small set-up fee and a 10 per cent monthly fee on the debt repayment amount (capped at \$75), but both of these fees can be waived.

More non-profit organizations used to provide credit counselling services, but the CRA determined that credit counselling is not considered a charitable activity.⁶¹ As a result, multi-service community agencies that needed to maintain their charitable status stopped providing credit counselling services as part of their service offering. Caseloads were absorbed by a smaller pool of non-profit credit counselling agencies.

Google has restricted the advertisement of debt settlement, debt management and credit

repair services if providers are not regulated by a federal government. As such, in Canada, only licensed insolvency trustees can advertise about debt, and non-profit credit counselling organizations are prohibited from advertising about debt because they are provincially licensed.

Insolvency trustees

Licensed insolvency trustees (LITs) can help people with consumer proposals, in which LITs work out a deal with creditors to reduce debt, as well as with bankruptcy. A consumer proposal costs around \$1,500 to establish, plus 20 per cent of subsequent payments.⁶² There are two costs for bankruptcy, the fee to declare it and fees on surplus income. A first bankruptcy typically costs \$1,800 to declare. The second costs \$3,600.⁶³ People who have surplus income over \$200 a month must pay 50 per cent of this.⁶⁴

Because they are federally regulated, LITs can advertise their services.

There appears to be a gap in the availability of a neutral service to help Canadians assess which debt repayment options are best for their circumstances. It may be unclear for people seeking debt solutions where they should turn. For this reason, people are often sold expensive and unnecessary debt referral services through debt consultants.⁶⁵

There have been efforts to curtail the debt consultant industry to strengthen the integrity of the insolvency process.⁶⁶

Commercial tax preparers

Some commercial tax preparation services offer free options to file taxes, and thereby to access benefits available through the tax system.

These companies offer various levels of tax-filing support at various price points (up to around \$300 for full service).

There are free online self-file options, though some people do not trust free products. For example, Intuit has found that some people purchase software versions that have features that they don't need given their situation, rather than using the free version.

Some commercial tax preparers offer a refund advance product, in which they immediately provide people with their refund, minus their rate. This product is regulated by the CRA. There are some risks involved (for example, CERB repayments for people who were not eligible were garnished from refundable tax credits, which then had to be recovered from clients).

Commercial tax preparer staff do not receive training on the needs of people with low incomes but are well-versed in the benefits and tax credits for which people with low incomes may be eligible. They may inform people of benefits not available through tax filing.

Government

Financial services as defined in this report (i.e., not including financial literacy resources, which are provided by the Financial Consumer Agency of Canada) are mainly offered at the federal level by the Canada Revenue Agency (CRA) and Service Canada. The CRA offers help with tax filing, and both departments offer support with access to benefits they administer.

Both the CRA and Service Canada are working to increase tax-filing rates and improve access to benefits. The CRA helps to administer the Community Volunteer Income Tax program (CVITP), which provides free tax-filing support to people with low incomes through community providers. In 2021, the CRA supported 3,490 organizations and 15,230 volunteers to submit 638,610 returns for 574,330 Canadians, with total entitlements of \$1.45 billion.⁶⁷

In addition to the CVITP, the CRA is piloting several projects to increase tax-filing, including:

- Collaborative efforts with the governments of British Columbia and Ontario to increase tax-filing rates among people with low incomes
- Adapted tax forms for Indigenous communities
- A navigator for the Disability Tax Credit, one of the most complex tax credits to access.

Service Canada's recent efforts to increase uptake in its services include visiting every Indigenous community once a year (assuming the community accepts the invitation) and improving the readability of the information on their website (most Service Canada webpages now range from a Grade 6 to 8 reading level).

Despite these efforts, the Auditor General found that the federal government has not done enough to support hard-to-reach populations (e.g., Indigenous Peoples, people who are housing insecure, newcomers and refugees, people with disabilities, seniors and youth) in accessing benefits.⁶⁸

Low-income and other marginalized communities face several barriers to tax-filing and benefits take-up. Service Canada has identified the following barriers to use of its services:

- **“Service Design:** Design that is overly complicated and time-consuming makes the steps difficult to understand.
- **Language of Service:** Not communicating in the client's language, including official language, Indigenous language, sign language (ASL or LSQ) or other language.
- **Accessibility:** Elements that hinder access to services by a person with a disability.

- **Lack of Awareness:** Due to not promoting or communicating . . . services effectively.
- **Lack of Cultural Awareness:** Distrust or past negative experience with government. Processes and approaches that can discourage or prevent some persons from applying when [Service Canada does] not account for their social or cultural context.
- **Policy Design:** Includes foundational aspects of [Service Canada] programs such as eligibility or entitlement criteria, deadlines, and/or costs, which may be prohibitive to certain clients. Prerequisites are preventing potentially eligible Canadians from accessing benefit programs. For example, many benefit programs require low-income applicants or members of First Nations living on reserve to file an income tax return with the Canada Revenue Agency (CRA); or to present forms of identification (SIN, birth certificate) that are difficult to obtain.
- **Limited Service Availability:** Due to distance, hours of operation, inaccessible infrastructure or not having Internet access, some clients are restricted in their ability to access [Service Canada] services. In the pandemic context, the most vulnerable may also feel unsafe in an overly crowded in-person setting.
- **Literacy or Numeracy:** Using language and information that is too complex, making forms and communications confusing and/or difficult to understand.”⁶⁹

Long wait times are also a barrier to access for help from both CRA and Service Canada.

Beyond these barriers, federal government efforts to increase tax filing are also complicated by the fact that it does not have data on who is not filing their taxes. There may be opportunities for further collaboration between levels of government and community organizations more broadly to identify and assist people with low incomes who have not filed, as the CRA is currently piloting with the governments of British Columbia and Ontario.

It is further worth noting that all levels of government – federal, provincial and territorial, municipal, and First Nations governments – are engaged in benefit design and/or delivery. While application for many benefits takes place through the tax system, others involve their own separate applications.

Community organizations

Select community financial empowerment organizations across the country provide a wide range of comprehensive financial help services, including all of those examined in this report (with some limitations to helping people access appropriate financial products).

Most services offered by community organizations are tailored to the unique needs of people with low incomes and provided for free. Community members trust these organizations, which they see as unbiased and not having vested interests. In some cases, however, free services are not seen as being as credible as those provided by the private sector (though this perception applies to free private services as well, such as free tax-filing software, and can create a barrier to their use).

While community financial help services are generally free, appropriate and trustworthy, they are very unevenly available across the country, with many service gaps. This is in large part because there are very few sources of funding to support this work, and available funding is typically unstable and short-term. Due to underfunding, community organizations generally lack capacity, including people with professional accreditation and infrastructure. In many cases, demand for services outstrips supply. Because of this, some may avoid promoting their services because they are unable to deal with more requests. Many organizations must make difficult choices, like choosing between depth and breadth of support.

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