

FINANCIAL CAPABILITY:

Learning from Canadian Communities

produced by

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and

St. Christopher House



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Research Paper

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Executive Summary

Across Canada people are wondering about whether or not they are making sound financial decisions. Those struggling to survive and get ahead on low incomes are no exception. The ability to access the relevant information, education and advice that can help one make sound financial decisions is increasingly important in an information-based society. Yet, there are no provisions made by the Canadian government to equip citizens with the necessary skills, confidence and knowledge needed in order to function effectively in the economic mainstream. When a person applies a set of skills, confidence and knowledge to the financial decision-making process, they are said to be “financially capable”. Building financial capability is becoming an area of interest for many institutions, organizations and sectors serving the general public and is an increasing priority for policy makers in countries such as the US and the UK. The implication is that decision makers have begun to respond to the needs for financial capability building opportunities in the general population.

Low-income earners are not the least of those demanding opportunities to build their financial capability. Research to date has revealed that some opportunities exist for low-income earners to build their financial capacity, but are those opportunities sufficient in quality and quantity?

In an effort to learn about the needs of socio-economically excluded individuals, key informant consultations were performed with community practitioners of financial capability building for the poorest. The consultations were conducted in two waves or ‘tiers’. In the first tier, community organizations in Toronto that offer some form of financial capability building services to low-income people were consulted in order to gain insight into community responses to the needs of vulnerable and low-income individuals. A comprehensive scan yielded consultations with 24 community organizations. In the second tier of consultations, a select group of individuals representing organizations with established financial capability building programs were assembled in a virtual forum. In a working session, these key informants engaged in a discussion of the findings of the first tier of inquiry and worked to further flesh out the knowledge and understanding of how the need for financial capability building opportunities are being responded to in the community. Nine practitioners from 8 organizations were convened and represented practice in British Columbia (2 practitioners), Alberta (1 practitioner), Manitoba (1 practitioner), Ontario (3 practitioners), Quebec (1 practitioner) and Nova Scotia (1 practitioner). Consultations included questions about effective practices in existing delivery models, obstacles encountered and the needs of the community including where (or whether) the demand is concentrated among certain populations and to what extent those demands are responded to.

Generalized research findings can be summarized as follows:

- The demographics of the market of low-income earners demanding opportunities to build their financial capability skills are constantly changing.
- Support for financial capability building programs that respond to the needs of the poor must be built within the voluntary sector. More funding is needed to help coordinate the efforts among voluntary sector organizations. Some funding from the private and public sector exists, however more sustained and coordinated commitments are needed in order to build on existing organizational experiences with, and interest in, fincap.
- Financial capability building for low-income Canadians requires that practitioners employ adult education skills in order to facilitate the learning of their clientele. Providing opportunities for one-on-one learning and guidance ensures the relevance of the information being delivered, yet many programs ensure this inter-personal learning through formats or sets of formats that are highly variable. Focus on the individual, however, is key as emphasis is placed on building trust and confidence in financial systems among individuals with long experiences of financial exclusion.
- Practitioners must also be equipped with technical expertise and have recourse to draw on existing data of relevance and importance to low-income communities. It was found, in consultation, that information and advice that speaks specifically to the reality of low-income earners is non-existent in the mainstream, therefore too much of program resources are concentrated in generating relevant information.
- Measures of progress towards financial capability building must consider the subjective nature of the learning process, and the long timeline that might be required for an individual to begin reaping tangible, measurable benefits from their financial capability training. Any standardization of financial capability delivery, particularly to financially and socially excluded individuals, must check quantitative measures of progress and uptake with qualitative measures and indicators of success.

This research seeks to equip decision-makers and stakeholders with insight into the effective practices of building financial capability among socio-economically excluded Canadians. The results will be used to inform the drafting of a national strategy on financial capability in an effort to put financial capability for low-income Canadians on the policy agenda.

Introduction

The ability to make informed financial decisions is an essential skill for basic functioning in Canadian society. Yet, there are few provisions made by the private or public sector to ensure that those who are in the most dire of financial straits receive the financial skills training necessary to function at even the most basic level. Canadians are expected to perform tasks such as spending and budgeting; choosing insurance companies, banking or investment products; and saving for retirement, home ownership, and post-secondary education on a daily basis. Yet how can these 'simple' tasks be performed if the necessary tools are unavailable and inaccessible to most? Every day financial decisions can have profound implications on the financial security, well-being, and prosperity of individuals and families, not the least of which are those living below the poverty line, struggling to lift themselves out of poverty while trying to make ends meet.

To date, research at SEDI has shown that there are approximately 655,000 low-income Canadians in need of financial skill building opportunities and who would be willing to pursue those opportunities if they were made available to them. Yet, in Canada, no policy measures are in place that would ensure such opportunities become available, accessible and attractive. This contrasts with trends emerging on the international scene where some governments have been creating research agendas to learn more about the issue, and funding programs and services in order to increase the financial decision making abilities of their citizens.

The OECD (Organization for Economic Co-operation and Development) published *Improving Financial Literacy: Analysis of Issues and Policies in 2005*, the first major study of financial education at the international level. It details the growing complexity of the financial marketplace, the implications for consumers and policy makers, and provides examples of cases where financial literacy training and financial education have made their way onto the public policy agenda. The UK leads the examples of countries that have taken a comprehensive approach to financial capability building. The Financial Services Authority (FSA), a non-governmental financial services regulating body whose Board is appointed by the Treasury, houses that country's Adult Financial Capability Framework which details the skills needed and the steps that must be followed to better inform, educate and create confident consumers. In the U.S., the Office of Financial Education in the Treasury Department supports the functions of the Congressional Financial Literacy and Education Commission, an inter-agency commission that "encourages government and private sector efforts to promote financial literacy, to co-ordinate

financial education efforts of the federal government, and to develop a national strategy to promote financial literacy among all American consumers.”¹

From the emerging discourse we adapt the term ‘financial capability building’ or ‘fincap’ to describe those instances where institutions, organizations and individuals offer people the opportunity to build the skills necessary to better manage their finances. An opportunity to ‘build skills’ would include a forum in which interactive and personalized advice, information and education can be received or developed in a facilitated manner through a range of channels relevant to the clients.² While there is no agreed definition of financial capability in Canada, a paper from the first ever national conference on the topic proposes that a financially capable individual is one who has the *skills and confidence to be aware of financial opportunities, to know where to go for help, to make informed choices, and to take effective action to improve their financial well-being* while an enabling environment for financial capability building would promote the acquisition of those skills³. Financial capability, therefore, goes beyond the objective knowledge described by the term ‘financial literacy’ and includes the subjective confidence of an individual and his or her ability to behave responsibly when it comes to information gathering and decision-making around financial matters⁴.

Purpose

The purpose of this research project is to determine effective practices in delivering fincap services to socio-economically excluded Canadians. The results will be used to inform the drafting of a national strategy on financial capability policy research and advocacy in an effort to bring fincap for low-income Canadians to the legislative agenda. This process will be steered by a committee of high-level experts from across sectors who have a range of knowledge and expertise in the field of financial capability building. Ultimately, through this research made possible by funding from the Levi Strauss Foundation, partners SEDI and St. Christopher House will be in a position to provide policy makers, private sector financial institutions and other stakeholders with information on effective practices in fincap building for marginalized and vulnerable communities. Borrowing from the work that has been underway at the UK’s FSA, this project considers “effective practice” to be duplicable efforts that take all possible steps to ensure

¹ SEDI (Social and Enterprise Development Innovations). (2006). *Why Financial Capability Matters: Synthesis Report on Canadians and Their Money: A National Symposium on Financial Capability held on June 9-10, 2005 in Ottawa*. PRI New Approaches for Addressing Poverty and Exclusion Project.

² This model of the foundation for a ‘financial capability skill set’ was adapted from the UK’s Financial Services Authority’s (FSA) *Building financial capability in the UK*, May 2004.

http://www.fsa.gov.uk/pubs/other/financial_capability_uk.pdf

³ SEDI (2006).

⁴ SEDI (2004). *Financial Capability and Poverty*. Discussion Paper prepared for the Policy Research Initiative.

that fincap providers get “the right messages... to the right people at the right time and in a manner that actually makes a difference to them.”⁵

In order for service providers to employ effective practices, it is imperative that they draw on knowledge about the various factors that pull on those messages. In this research, several such knowledge areas were examined.

- **Knowledge of the Target Population for Fincap Building.** Who is demanding fincap and, specifically, who among low-income populations? What are their educational backgrounds, their learning needs and styles, ethnic backgrounds and language capabilities, literacy levels and what barriers to inclusion do they encounter?

- **Knowledge of Fincap Program Design and Delivery Models.** What program designs have been successful and what improvements can be made? What challenges have been encountered and how have they been overcome? Are these models portable and what are the limitations to portability?

- **Knowledge of the Environmental Factors that Impact Fincap Delivery for Low-Income Canadians.** What terrain do organizations navigate in terms of policy and regulations? Do clients of organizations have access to government programs? What private sector services are available to people struggling with poverty and which services go unregulated? What are the possibilities for partnerships with literacy organizations?

Methodology

In order to answer questions about the needs of socio-economically excluded populations and the limitations in providing fincap services to them, this research focused on the work of community-serving organizations. Previous research at SEDI has shown that these organizations have been the most responsive and most attentive to the specific needs of low-income Canadians for fincap skills. Therefore, community-serving organizations were approached both as proxies to the target population and as practitioners.

Partner organizations SEDI and St. Christopher House took the lead on approaching community-serving organizations in an effort to learn more about fincap initiatives for low-income people that

⁵ FSA. (2004) *Building financial capability in the UK*.
http://www.fsa.gov.uk/pubs/other/financial_capability_uk.pdf

are underway across Canada. Drawing on their extensive knowledge of, and networks with, community-serving organizations, SEDI and St. Christopher House created a two-tiered research plan that sought to create opportunities and forums for knowledge exchange and best practices convenings with, and amongst, community-service based fincap practitioners.

Tier 1

In the first tier of consultations, the Greater Toronto Area (GTA) was defined as a catchment area for inquiry that would provide a 'field of observation' of community-serving organizations, at large, who provide support and outreach to vulnerable Canadians. St. Christopher House's long experience in building fincap through the Financial Advocacy and Problem-Solving (FAPS) program as well as St. Chris' extensive knowledge of, and networks with, community-serving organizations in Toronto, served as connections with these groups. This, coupled with the geographic proxy of this network to SEDI, made the GTA a natural and feasible fit for the first stage of the research. Researchers performed interviews with 24 key-informants from organizations identified as key community-serving agencies. Not all of these, however, reported to be fincap practitioners. Ten operated capacity-building programs in Toronto and had been identified as having an interest in fincap building, yet did not actually practice for a variety of reasons that are examined in the body of this paper. Fourteen of those consulted were identified to be fincap providers while 3 organizations that were known fincap practitioners and potential informants were never consulted due to unavailability. Informants were asked to discuss, based either on their experience or their knowledge of the field, what was being done to deliver fincap to low-income Torontonians, how fincap is being delivered, who is being served, what challenges have arisen and why, and what possibilities for future activity exist.

The specific content of the first tier's key informant interviews generated information on organizational activity and programming as well as on the clients of those programs. The end results are 24 sketches or case studies (some more and others less brief) of instances of fincap building within community organizations in Toronto. These sketches were created by following these general streams of questioning in consultation with informants from each organization:

- 1) Who makes up your clientele?
- 2) What are the needs of your clientele?
- 3) How do you provide opportunities to build financial capability in the community?
- 4) What skills have you developed to improve the delivery of fincap to your clientele?
- 5) What challenges have you encountered?

Much information was generated about the methods used to build fincap and the necessary infrastructure to continue to build fincap (both inter- & extra- organizationally). Similarly, there was much discussion around challenges and obstacles. Some gaps in the research remain, however, for example less information was generated on the clients served and the needs of clients. Information on the skills that organizations have developed to respond to needs was also sparse.

The gaps in responses generated by the first tier of consultations were not surprising. They indicate that there is still very little being done consistently in the GTA to deliver fincap to marginalized and vulnerable individuals. What the first tier of consultations *did* provide, however, was insight into the possibilities for reproduction of existing delivery systems. In an effort to fill the gaps, a second tier of consultations was conducted to follow up and expand on the findings and questions from the first tier.

Tier 2

In the second tier of the community consultation, practitioners of fincap from across Canada, known to SEDI as leaders in the response to the demands of low-income Canadians for fincap skills, added their expertise to the existing knowledge areas in an effort to fill some of the remaining gaps. Eight organizations from six provinces across Canada (including St. Christopher House who performed the dual role of facilitator in the discussion as well as participant) were asked to consult on the results of the GTA case studies. Nine individuals from 7 of the organizations convened in a virtual forum to discuss the information that had been generated. The provinces represented at the convening are British Columbia (2 practitioners), Alberta (1 practitioner), Manitoba (1 practitioner), Ontario (4 practitioners), and Nova Scotia (1 practitioner). Participants used the results of the GTA consultations as terms of reference for a broad discussion on effective practices in fincap building. Only one of the original 8 organizations invited to the virtual forum was unable to participate. The informant from Quebec was unable to attend the original session, however participated in a bilateral consultation that was co-facilitated by SEDI and St. Christopher staff and that drew on a brief synthesis report generated from the discussion held during the virtual forum.

The final component of the second tier of research was the circulation of the discussion synthesis and the key findings of the research to date. Participants were asked to verify that the report was accurate and complete and to provide further comment and feedback on any new elements of the discussion if they saw fit.

Demand for Research in Practice

As much as the virtual forum was an opportunity to generate information on the effective practices with fincap for low-income Canadians, it was also an opportunity for practitioners engaged in this work, yet working in isolation, to learn about some of the other initiatives underway. The forum was valued as an opportunity to share knowledge, as well as to generate it for the purposes of this project. Although considered by participants to be a useful forum, it was agreed that it needed to be scaled up and repeated for the purposes of building process. For the purposes of the project, the forum was sufficient, however for the purposes of creating a process of consultation among peers, participants stressed that this forum needs to be followed up and expanded.

Language Barriers

Another difficulty in performing the research objectives effectively was the lack of French-language translation. There were several francophone practitioners known to the researchers who SEDI has not had formal contact with as of yet and might have benefited greatly from sharing their experiences with and who would have added substantially to the discussion. Nevertheless, these individuals had to be excluded from consideration due to language inaccessibility. To compensate for this potentially compromising setback, the bilingual key informant who ultimately spoke to the experiences in Quebec was highly knowledgeable about not only the organization he represented, but also about the work of other key actors who did not have access to the forum due to language barriers. As a result, the researchers were confident that fulsome information from the province of Quebec was recovered, nevertheless, feels it incumbent to report on this potentially major flaw in the implementation of the research.

Research Findings

Identification of the Target Population for fincap Building

Identifying who is in need of financial capability building programs and who is demanding them among low-income Canadians is a complex process. Consultations with fincap delivery practitioners and community-serving organizations across Canada revealed that in order to bridge the access gap between need and access to adult learning, practitioners must understand that low-income people have multi-dimensional, unfixed characteristics. Not only do identity markers such as age, gender, education, income level and marital status contribute to a learner's profile, but also their ability to access programs over geographical barriers, physical and mental disabilities and language barriers. Also, low-income learners and individuals cannot only be identified according to barriers, but also by learning assets such as motivation, access to social capital and hard skills (i.e. language, work skills, lifeskills and self-analysis). Therefore, the model of the target population in need of fincap programming is a moving one.

Not all low-income Canadians fit into that model, as it was found in consultation that some individuals are already quite financially capable. In consultation with a women's community organization in Toronto, it was found that women living on low-income were highly proficient in resource management and identified their main challenge to be access to opportunities to apply their skills. Other low-income Canadians might not fit into that subset of individuals in need of fincap when developmental disabilities, illness or other insurmountable disabilities preclude them from gaining independence from a support system.

At the same time, however, this research also revealed that there are those who overcome seemingly insurmountable barriers such as illness, disability or lack of material resources in order to teach themselves where to go for the financial information, education and advice relevant to them. That the successful impact of financial capability training is highly subjective, relying heavily on an individual's self-identified goals and objectives in financial management training, makes the task of identifying a target market more complex, for the service itself will change from individual to individual. This complexity, however, does not suggest that models for action and delivery cannot be implemented and that standards in operation among fincap practitioners cannot be applied. What it does suggest is that the individual is the basic unit of fincap programming. This section of the paper reports on considerations that must form pillars in any system of response to the needs and demands for fincap among low-income Canadians.

Moving Models

The profile of low-income Canadians is highly variegated and constantly changing. As people cycle through life, changing jobs, raising children, losing and gaining supports, their needs shift as do their demands for particular services such as financial capability training. Not only do identifying markers such as age, gender, education, income and marital status contribute to the profile of this group of people, but also their personal ability to access programs over geographical, physical, language, mental and emotional barriers. While all of these factors provide insight into the population of individuals in need of and demanding fincap, it is important to note that they are not determinants of the need. In other words, not all women, single parents or elderly people living on low-income need financial capability training. Therefore, the parameters for assessing need do not depend on a person's profile but more on the barriers a person faces and the assets they present with. While understanding a person's profile helps to build effective, timely and inclusive responses to the need for fincap building, it should not overstate the demand as demand for fincap emanates from individual experiences. Therefore, fincap programs are constantly challenged to remain in touch with the needs of clients that represent a wide variety of backgrounds, barriers and capabilities. When those clients present with multiple, persistent and complex barriers, this challenge is much more pronounced.

Articulating Demand

Not every Canadian is motivated to learn, and low-income Canadians are no different. In fact, in consultation it was found that a lack of learner self-identification among those who need services the most is a perennial problem for all adult education programs, from fincap practitioners to ESL providers to lifeskills trainers. Many informants reported that reaching out to those with high levels of need but with low levels of motivation was particularly difficult because of the circumstances that often accompany situations of low morale, self-esteem or motivation. It was reported that too often people in these situations have no fixed addresses, no phone connection or answering services, no identification and complications with dependencies and mental illness. The result is that those who would most benefit from opportunities to acquire skills are the least likely to pursue those opportunities. From consultations, it was revealed that rigid program structures can impede comprehensive identification of potential clients for financial capability among other capacity building programs. For example, an informant from a voluntary harm reduction program revealed that the highly marginalized individuals he works with in the small downtown Toronto program need realistic programs that do not punish them for having addictions, mental illnesses or for being homeless. When people are struggling with extreme barriers to participation, even the slightest requirements such as keeping attendance can dissuade potential participants. This informant's approach to building financial capability among

the most marginalized (i.e. those who failed to meet the criteria of other voluntary advocacy programs, who failed to visit with social workers or who were not stable enough to participate in regular sessions at established programs) allowed for participants to set the terms of their engagement with the program. Breaking down unrealistic programming constraints and requirements when reaching out to those who would benefit the most from fincap programs would go far to facilitate active fincap learner self-identification.

Demands for fincap and Access Gaps

When motivation to learn does exist, and people identify fincap as a priority learning area, one of the greatest barriers to inclusion in much-demanded fincap programming is a lack of resources to draw on to facilitate the learning process. Finding the time to attend sessions, coming up with the money to cover childcare and transportation costs, are all examples of such barriers. The working poor were identified, almost universally among informants, as some of the most chronically resource-deprived groups when it came to accessing fincap programs. In consultation with an informant from a Toronto-based foodbank, studies have shown that the number of working poor in that city is on the rise and that the profile of that population is changing quite dramatically. Although newcomers and single parents are most represented among the working poor, two-parent households are now also factoring among them. Highly skilled individuals are also increasingly represented among the working poor; a phenomenon that has not yet been documented. With this in hand, the case can be made that any identification of demand for financial capability must be multi-pronged. The informant at the foodbank reported high levels of interest in financial information and education among those clients of the foodbank who visited with volunteer advocates (community information providers), yet highlighted the fact that opportunities for these individuals to access fincap programs and thereby add their voices to the measurable, articulated demand for these services are missing.

Clientele Profile

From both Toronto-based and national consultations, a profile of current clients of programs was generated. From general drop-in centres or information posts in community-serving organizations to specific programs set up to provide low-income earners with financial capability skills and training, it was found that low-income earners demanding fincap services represent a multitude of situations, experiences, knowledge-levels and backgrounds. Among those who had presented themselves to fincap programs or who had expressed interest in fincap programming to social workers and caseworkers are newcomers, single parents, pensioners and the elderly, disabled individuals, youth-at-risk, mentally ill persons, income assistance earners, people with substance dependencies, and the homeless.

Although not low-income, some concern was also expressed for other at-risk groups that benefit from community-service based fincap programming. Those who have managed to lift themselves out of poverty were seen as being in need of financial capability training, as they were seen as still being at-risk of cycling back into low-income situations without adequate training and information through that transition period. One informant, speaking from experience providing fincap services in Alberta, used the term “working debtor” to describe the scenario in that province where a booming economy is not only a *boon* but also a potential *bane* on the promotion of financial stability when vulnerable individuals transition out of poverty without recourse to information and education to cushion that transition. Three informants from Toronto speaking from experience in programs promoting independent living and transition identified this tendency to “slip back into poverty” as a major obstacle to promoting self-sufficiency. To paraphrase the emphasis that one of these three informants placed on this point, “no streets-to-homes program should be without a fincap component”. Therefore, financial capability building programs occupy a unique place in the spectrum of community services geared towards creating inclusion among marginalized members of society. While helping to lift people out of situations of poverty or socio-economic exclusion, they can also prevent people from falling below the poverty line, as well.

It cannot be understated that an understanding of the full scope of demand for fincap services among low-income Canadians is compromised by a gap in the delivery of this programming. Newcomers were identified by many informants, particularly in Toronto, to be in high demand of financial capability training, however preliminary follow-up with settlement organizations revealed that there is no great movement to provide such programming as a part of programming in this field of work. There is much emphasis on employability skills building and some financial management information as a component of this professional development-oriented service, but financial capability as an essential service was not found to be offered. This does not suggest that these organizations fail to respond to the needs of their clientele nor does it glaze over the fact that program development requires a large investment of time and resources that simply may not be available. What this does reveal, however, is that until financial capability emerges as a field of work, many individuals will find it difficult to articulate demand.

Therefore, effective fincap programming for low-income Canadians should not only take into account the constantly-changing profiles of individuals living on low-income, but must also employ a broader approach that considers that potential clients of this service are not always reachable through current program structures and under common assumptions of the constitution of low-income households. Some clients face multiple and persistent barriers while all clients experience shifting needs and characteristics whether on a short temporal scale (day-to-day) or

longer temporal scale (throughout the lifecycle). Where these barriers restrict access to the information, skills and advice that can help an individual to make well-informed financial decisions is where practitioners bringing fincap to low-income Canadians need to develop their approach.

The following section will look closely at the way that programs have been structured to account effectively for these complexities and what structures are missing in building effective responses to demands.

Fincap Program Design and Delivery Models

In this section of the report we turn our attention to the task of responding to the needs and demands of low-income earners for financial capability building. What models for service exist and what needs to be taken into consideration if practitioners are to build an effective response to those demands? The previous section discussed the multiple and shifting barriers that clients face and that fincap practitioners must be able to recognize and respond to effectively. In much the same way that every individual asks for help in different ways, not every individual retains the same quantity of information or responds to the same type or format of learning. For example, one informant revealed that, in delivering fincap workshops there were some participants who found the material to be *under* their heads and not specific or relevant enough to their own needs. In another example, clients in a voluntary trusteeship program required constant reminders as to why they were doing what they were doing when it came to budgeting and money management. Therefore, differing learning styles and abilities must be responded to appropriately. What are the models of appropriate response to date and what are the skills that practitioners need in order to implement those delivery systems effectively? This section looks at practitioner skills, the individual as the unit for delivery, and the varying formats of delivery in order to generate an understanding of effective practice in this field.

Practitioner Skills

“Appropriate responses” to client needs are almost as diverse and variant as the characteristics of those clients. Yet, this should not undermine the task of building a response mechanism that addresses the need for fincap building among low-income Canadians. Informants agreed that fincap for low-income Canadians is a necessary service and that it must come from those organizations that have the most care-focused services for low-income earners, or through collaborations with this sector.

Importantly, practitioners must also possess adult education skills as many obstacles to outreach that adult educators face, such as low levels of learner self-identification, overlap with those faced by fincap practitioners. Fincap practitioners embody a spirit of problem-solving and demonstrate this with excellent research skills which would allow them to approach authority figures in official positions and institutions to ask what might seem like menial questions. All informants speaking from established fincap programs reported that too often their questions go un-answered as there is little knowledge among mainstream financial service providers of the relevance and impact of financial services on low-income earners. Practitioners must have an aptitude for technical understanding of the financial sector and mainstream economics in order to identify ways in which to bridge the gaps between their clients and the functioning of those sectors and the mainstream. Yet, at the same time, practitioners must also be able to assess the feasibility of

those bridges for the particular client they are serving. For example, many clients seeking out financial capability report having had negative experiences with official bodies, and it is not uncommon for them to distrust authority as a result. Therefore, it is important for fincap practitioners to transcend this image of a “gatekeeper” of knowledge and embody the qualities of a facilitator and co-problem solver when working with their clients to effectively build financial capability.

At the most basic level, practitioners must be able to recognize when someone is in need of financial capability skills building. This could require very little effort such as when an individual approaches an information center with questions about their eligibility for financial assistance, but it could also require much more effort and interpretation. One informant, an Adult Protective Service Worker (APSW), described the “cloak of competencies” that his clients sometimes try to “pull over his eyes” when they attend one-on-one sessions with him. It is not uncommon for individuals to attempt to feign competence out of fear of reproach, or out of the habit of performing conformity in front of authority figures. Garnering reliable narratives from clients is a perennial issue facing adult educators, as the opportunity to understand a client’s motivations can sometimes rely heavily on the relationship formed between facilitator and learner. Therefore, the abilities of practitioners might extend beyond a set of skills to include virtues such as patience, endurance and chivalry, all of which can be subjective depending on the particular facilitator-learner scenario.

A recent study from the Institute of Public Policy Research (IPPR) in the United Kingdom discusses behavioural economics, revealing that often, what seems like irrational behaviour from clients can be rationalized when taking into consideration the subjective nature of the learning process. The study emphasizes that building the ability to apply learning should become a priority over broadening the reach programs and services.⁶ A failure to develop the “soft skills” needed to implement learning, attempts to build financial capability will have failed. Becoming fully financially capable relies not tangentially but centrally on behavioural, attitudinal and cognitive skills building. Yet, this is still an under-researched and emerging area of discourse in the financial capability field and would require further research. Nevertheless, informants from across Canada agreed that, from their experience, focusing on the “heart” of an individual and not only on their “head” when facilitating the learning process should be the main approach of fincap practitioners, particularly where low-income Canadians are concerned.

⁶ Mike Dixon (2006). *Rethinking Financial Capability: Lessons from economic psychology and behavioural finance*. IPPR.

Subjective Practice: Focus on the Individual

Ideally, fincap delivery will be highly tailored to the individual client and beginning with an assessment of an individual's 'learning assets' and his or her 'hard' and 'soft' skills is an approach that would concomitantly assess areas of need as well as potential learning activities.

Theoretically, an individual with clearly- mapped learning assets would most easily find the opportunities to apply those skills and equip themselves with relevant information. What this suggests is that striving to equip everyone with equal quantities of information is not as effective as individually identifying attainable objectives for clients.

Effective practice would check the quantitative measure of an individual's financial capability with a relative measure that is subjective and takes into account a person's particular situation, experiences, barriers and accomplishments. This, however, should not suggest that absolute measures of success are inadmissible, as being financially capable implies an appreciation for tangible change and concrete, observable, absolute results. Flexibility and consideration of relative needs must be built into any framework that attempts to measure the level of an individual's financial capability.

Effective Delivery Formats of fincap to low-income Canadians

From across Canada, several delivery formats for fincap were revealed. While it is difficult to classify these, two formats of delivery were most prevalent. However, it should be noted that there is a blurred line between these two as multi-format delivery systems are not uncommon.

One potential model for fincap-building was based on incorporating learning with individualized service. An approach within that model is the use of biography to holistically assess a client's needs and assets. Although time-consuming, this individualized approach allows identification of potential additional fincap issues beyond the "presenting problem", which is important for prevention work. It also helps to establish a less paternalistic relationship between teacher and learner which, as seen above, is crucial for learning and building client participation. However, this individualized service model for fincap is usually used by clients for "just in time" support and less for ongoing learning. Clients often present themselves at one-on-one services when they are faced with acute, crisis situations such as eviction, debt or during tax season.

Another potential fincap-building model is developing and delivering workshops for learning and skills-building. Although workshops don't offer anonymity among peers which some clients insist upon when discussing highly personal topics, they might offer quick access points for people who

would otherwise be deterred by the prospect of sharing personal and confidential information one-on-one. Unlike one-on-one sessions that are flexible in terms of following client participation, workshops often require longer-term and firmer commitments from clients. For potential clients with few resources and who are juggling work and family responsibilities, the time commitment required by some workshops might deter them and serve as a barrier to teachable moments rather than as an access point.

On the other hand, however, committing to a learning regime might assist in building positive attitudes and behaviour for those instances where individuals do commit. The workshop model for fincap-building can respond at an appropriate scale to many of the common fincap issues facing low-income people. Workshops might also act as an access point for more individualized service for some clients, as one informant pointed out was the case at her organization. It was clear, however, that for such an integrated delivery of fincap services, funding must be forthcoming.

It is important to note that neither of these models are mutually exclusive and a mix of models and approaches helps address the diverse learning capacities and issues of the target population. It is also important to note that the effectiveness of each delivery system is speculative and heavily reliant on the learning preferences of the individual. In consultation, it was agreed that an ideal situation would see people attending workshops at local organizations that provided access to more specialized one-on-one sessions. Programs would also demonstrate the use of financial services in the community, taking time to introduce people to institutions and technology in a more inter-personal and hands-on manner. Finally, programs would realize their full integration into the community with the promotion at, and referrals coming from, various other services such as employment offices, bank branches, college career centers, housing offices, shelters, food banks, settlement offices and government assistance offices.

Towards a Model of Effective Practice

It was suggested that the resultant model for delivering fincap should resemble more of a continuum rather than a hierarchy of options from which clients would choose. Evidently, a robust and highly integrated response mechanism that offers multiple points of access within the community is necessary in order to ensure that fincap messages are 'encoded' appropriately and accurately in a manner that is client-relevant. Such a delivery mechanism would emphasize a horizontal structure with multiple access points. The messages delivered will differ from person to person within the fincap target market and strategies to reach the entirety of that market will require much integration of existing knowledge, bridge-building within the community-serving sector and flexibility among community-serving organizations to draw on outside resources. No

single organization can offer its clientele a full roster of options, as informants agreed that concentrating these services in any one location could create geographic barriers. Therefore, building an effective delivery mechanism requires a strong focus on coordination among different institutions in the community and an integration of efforts.

Environmental Factors Impacting Fincap Delivery for Low-Income Canadians

There were many external factors identified in the discussion as having major and varying impacts, both positive and negative, on fincap building for low-income earners in Canada. The main factors identified and discussed were the government, the financial sector, the community-serving sector, and the economy, at large.

Access to financial capital: Increased and long-term funding

Through consultations with community-serving fincap practitioners from across Canada it was found that there are no existing, long-term government investments in fincap-building for the poorest. It is worth mentioning, however, that some of the fincap programs consulted have managed to secure short-term funding from different provincial bodies (one with the provincial Housing Ministry and another with the provincial Family and Community Support Services). The municipal level of government has also been a key source of support for informants in Winnipeg and in Calgary. Examples of these relationships might provide a template for other areas, although it cannot be underemphasized that building financial capability is important for all Canadians and is a life-long endeavour, as well. According to informants, the need to coordinate programs at the federal level of government with a view to long-term delivery of this service cannot be understated. Unanimously, it was recognized that governments tend to favour programs that produce quick and quantifiable results. However, informants of this research all agreed that fincap-building is not a linear process nor will results come about in a short time-frame. Not only individuals, but organizations and partnerships as well might need several opportunities to 'get it right'. Furthermore, many informants expressed that fincap is not only another social service, but an essential service needed in low-income households across Canada. This will require a funding framework that is responsive and open to re-evaluation and growth as the field, itself, grows.

Many low-income individuals live with financial complexity. When making financial decisions, they have low or even no margins of error, therefore long-term, regulated support could ensure that they are offered equal opportunities to participate in the mainstream economy. As a result, one of the highest priorities in building an enabling environment for financial capability is developing and sustaining a means of long-term, steady support for fincap delivery to low-income Canadians.

Through the consultations, credit unions and caisses populaires were identified as great allies and, in some cases, the co-founders and primary funders of financial capability programming in their

regions. Some of the groups consulted have also had successful short-term partnerships with large, private sector financial institutions. These are good signs that there is a growing, cross-sectoral awareness of fincap issues for low-income Canadians. The consultations revealed that current practitioners have and should continue to welcome opportunities for partnerships across sectors.

Access to social capital: Strategizing to build discourse and practice in financial capability building within the voluntary sector

From across Canada, fincap practitioners reported that a network of professionals and community practitioners is growing, albeit slowly so that the supply cannot keep up with the demand. It was also reported that although cohesion across the country is necessary in order to examine all the possibilities for fincap building and to share experiences, the importance of building local connections should not be overlooked or considered less relevant than national connections. Building contextually-based responses to fincap needs should be a pillar of the overall strategy to address the need for fincap among low-income earners in Canada.

It was suggested during the consultation that relevant responses to demands for fincap among low-income earners should be built on, and emanate from, existing infrastructures of community-serving organizations with fincap experiences. The idea of approaching human service colleges in regions across Canada and proposing fincap be integrated into the curriculum as another subject that community workers and social workers could provide support with was examined. However, alongside the fact that changing curriculum is an arduous process, many informants agreed that promoting fincap building as an “add-on” subject administered by community workers, social service and social workers would undermine the fact that many clients of fincap programs have expressed that financial incapability was at the core of their difficulties. Clients of fincap programs had expressed that the opportunity to build financial capability was also an opportunity to gain independence and to learn to gain control of their life. It is an opportunity to apply the learning on top of undertaking the learning process itself, which was reported to be a rare opportunity and one that should not be ‘bankrolled’ under a list of other support services.

Informants suggested that a more effective strategy for supporting those most in need of this service would be an effort to increase organizational awareness and appreciation for fincap building among low-income Canadians. There are many organizations and community agencies working in isolation in this field, or working in this field without even knowing it! The Toronto-based informants expressed the fact that they respond to requests for financial training, yet they feel they do so in a limited way as their resources are earmarked for the support of individuals in

crisis situations and in need of permanent support. At the same time, however, some organizations with similar mandates expressed that what little fincap building opportunities they did provide revealed an interest and an impact, as well.

In order to cultivate these isolated experiences it will be necessary to create incentives and to make appropriate resources available in order to counter the resistance that these already-resource-strapped organizations might have to taking on “more work”. Demonstrations of partnerships within the voluntary sector should be supported and incentives should be provided so that organizations working in isolation might explore the possibilities of working together. Almost all organizations in Toronto that reported an interest in offering financial capability to their clients also expressed the fact that “they didn’t know where to begin”, that there was too much to know and that they were too unfamiliar with financial management and education. Yet, they were surprised to find out about other programs with similar experiences in this particular field of work, therefore what they experienced to be a lack of expertise and capability of their own to deliver a service might actually be a lack of coordination.

In this way, community-based organizations were identified as a kind of voluntary, community-serving agency that would be an expedient service provider due to its proximate location within the community and its almost intimate understanding of the issues faced by clients in its various programs. Yet, there is a debate as to whether community-based organizations are the “best” type of organization to provide this service as they tend to be limited by a lack of resources and by funding guideline restrictions. Therefore, organizations that specialize in literacy and adult education were also examined in this research and it was determined that there exists a strong connection between the programs offered by literacy organizations and financial capability building. While one organization specializes in providing a secure environment for local residents to come to when in need, the other specializes in providing opportunities to learn and build skills. Many fincap programs have integrated these separate streams of support services to varying degrees and some have concentrated more in first-response style services while others entirely in adult-learning style services. It is important to recognize, however, that the mandate of fincap is broader than providing coping strategies which many community-based and community-serving organizations base their operations in.

Access to Human Resources: Inter-sectoral partnership building

All practitioners agreed that providing ‘advice’ was antithetical to the goals of their own fincap service provision for low-income Canadians as they would not want to be mistaken for financial experts. Yet, it was recognized that there is a vacuum of expertise within the financial industry that looks specifically at low-income earners. The information that most financial planners offer is

incompatible with the realities and situations that low-income Canadians face on a daily basis. Indeed once a client's income dips below the poverty line, there are few financial tools available in the mainstream that are relevant or appropriate for them. For example, saving money in an RRSP is often a financially unwise strategy for people who become low-income seniors.

Therefore, many informants agreed that the difference between effective fincap practice in the voluntary sector that drew on current, relevant and highly-specialized expertise and fincap practice that struggled for facts and to remain current, was the ability of the voluntary sector to retain highly expert human resources. Those individuals with financial expertise who sought jobs in the voluntary sector rarely built careers in that sector as the remuneration is not competitive with that offered by the financial sector. It was reported that too often the personal and professional satisfaction that comes with bringing fincap opportunities to those who value them the most is outweighed by the constant stresses of working for under-funded programs and in a vacuum, without a peer group.

Filling the "human resources" gap is no easy task and, duly, informants emphasized the need to create inter-sectoral cooperation. For example, volunteerism within the financial sector would be a strong tool for fincap-delivering, community-serving organizations to have access to. Providing incentives for financial professionals to become involved in serving communities in ways that are long-lasting could begin to bridge that gap.

Conclusion

If a national strategy for financial capability is to be inclusive of all Canadians, then it must take into account the various needs and demands for this service from coast to coast. This research is an early inquiry into the demands and needs of the very poorest in Canada as pertains to financial capability building. Through consultation-based research, practitioners from across Canada, who listen to the demands of individuals living on low-income on a daily basis and who also deliver fincap services to communities in response to those demands, offered their feedback on the state of current practice in the field. From those consultations, it was learned that financial capability programs and services are growing and a field of work is developing, although with few coordinated supports and little technical expertise from which to draw the necessary responses. Interest in these programs is also growing from a consumer perspective, however at a much more accelerated rate. Community service agencies, however, have observed that even experts in the private financial sector who deal with clients with financial planning issues on a daily basis have little information and/or advice that is relevant to the particular needs of the very poorest. Although community-serving programs go far to acquire the skills and expertise in order to respond to clients, not all clients can be reached effectively in such an environment.

This generalized synopsis of the findings can be summarized as follows:

- - The demographics of the market of low-income earners demanding opportunities to build their financial capability skills are constantly changing. Therefore, it is difficult to determine who is most in need of fincap opportunities or at-risk of financial exclusion as a result of a lack of fincap skills. In fact, it was emphasized that financial capability is a necessary service and that it is “for everybody”. Therefore, framing the question in terms of demographics (i.e. “who is demanding it”) instead of in terms of access (i.e. “how can it best be made available to everyone?”) could truncate the delivery model’s reach.
- To build response to this demand, intake-staff at all potential referring organizations and institutions would have to be trained to recognize fincap needs among clients and to match those needs with suitable delivery agencies. Therefore, fincap delivery needs to start “outside the door” of the actual delivery agency. From the current consultations, however, it was found that this second degree support for fincap delivery is lacking in scope and depth.
- More intra-sectoral coordination among existing initiatives within the voluntary sector is necessary as very little knowledge or understanding exists in the voluntary sector around

what fincap is and what its objectives are. The Toronto consultations revealed that financial capability programming is often perceived within the voluntary service sector as a specialized service or identified with a particular delivery organization. (i.e. some organizations consulted considered fincap to be “that program St. Christopher House offers”). At the same time, those same organizations fail to see their own connection to the in-take and referral network for financial capability and that they are, indeed, an integral component of that program’s network.

- Few incentives are offered from the private and public sector to build fincap programming in the voluntary sector. Yet, almost half of the Toronto consultants reported that, with adequate support, they would enthusiastically develop their own fincap programs. Organizations that provided counselling or educational programs within their core activities invited the idea of building their own fincap programs.
- An individual’s progress towards attaining financial capability is a subjective and ongoing process. Any standardization of delivery of fincap, particularly to financially and socially excluded individuals, must check quantitative measures of progress and uptake with qualitative measures and indicators of success.
- Factoring among the skills that are beneficial for fincap practitioners to have are adult education skills, facilitator and social services skills. What all fincap practitioners should have, however, is an ability to attend to individual requests, to investigate technical and specialized material, to be approachable as many clients are discouraged from participating in the mainstream economy by the “officialdom” of the financial marketplace.
- While practitioners need to be able to research information, they also need to be supported in this endeavour by experts in financial institutions as the primary focus of the practitioner is the individual. Therefore, partnerships and coordination between community-serving, fincap-delivering organizations and financial institutions need to be encouraged from a human resources perspective. In consultation, it was reported that the voluntary sector is unable to compete with financial institutions for highly expert individuals. Fincap programs in community-serving agencies too often suffer from “brain drain” as people with banking experience or finance degrees tend to gravitate towards the financial private sector.

Recommendations for Further Study and Action

Based on these findings, several recommendations can be made for further study and action:

- 1) **Consumer research.** Consumer research would seek to answer questions about the formats of delivery of fincap information that would be most suitable for people struggling with poverty. The research showed that people that are resource-strapped persistently under-utilize programs and services. In order to maximize the uptake of fincap products and services, research about consumer preferences would be necessary.
- 2) **Cross-sectoral collaboration.** Across sectors there is a need to build discourse and action around financial capability for low-income Canadians. How best might efforts be coordinated? What existing structures could be built upon effectively and what are the barriers to integration? What incentives provided by the public and private sector would help low-income Canadians articulate their demand for fincap? All of these are questions that should be answered collaboratively and by drawing on the resources of the many stakeholders that play a role in building socio-economic inclusion.
- 3) **Examination of the financial and economic factors that affect low-income earners.** Financial and economic factors that affect low-income earners are not dealt with in the financial planning field. Much of the information and advice that 'works' theoretically for middle- and high-income earners does not work for people struggling to survive on low-income. There is a need for collaboration among professionals to begin cataloguing the information and advice relevant to low-income earners, as well as the areas of expertise needed for fincap practitioners. In particular, there is a need to identify those factors that are subject to fluctuations or change such as interest rate changes. Fincap services and training need to be robust and able to adjust to the many external variables that affect the economic and financial well-being of low-income people.
- 4) **Intra-sectoral and organizational collaboration.** The field of financial capability for the poorest is one that overlaps much, in principle and practice, with other voluntary sector activities such as adult education programs and socio-economic integration programs (i.e. programs directed towards newcomers and other citizens experiencing exclusion). While traditional structures such as funding structures might discourage integration, possibilities for integration and/or development of fincap delivery in the community should be explored as means by which to scale-up delivery.

- 5) Identifying the demand. This research was not conducted as a random sample survey of needs for fincap among low-income Canadians, but rather as a qualitative, informed inquiry. Informants were hand-selected to give expert feedback and to map knowledge about fincap delivery for low-income Canadians. In order to answer questions about gaps between client demand and service delivery, however, much more quantitative, analytical and large-scale research would be required. A broad, Canada-wide cross-demographic survey is needed to determine the gap that exists between need and demand and between demand and delivery.

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Notes
