

Missing for those who need it most

Canada's financial help gap

Defining Canada's financial help gap

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.

In this project, we have attempted to identify gaps in access to affordable, appropriate and trustworthy financial help for people with low incomes. 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, and where there are particular financial help gaps for this population.

The report's findings were informed by the participation of financial help providers from all sectors – including retail banks, credit unions, insurance providers, financial planners, credit counsellors, commercial tax preparers, governments and non-profit community organizations.



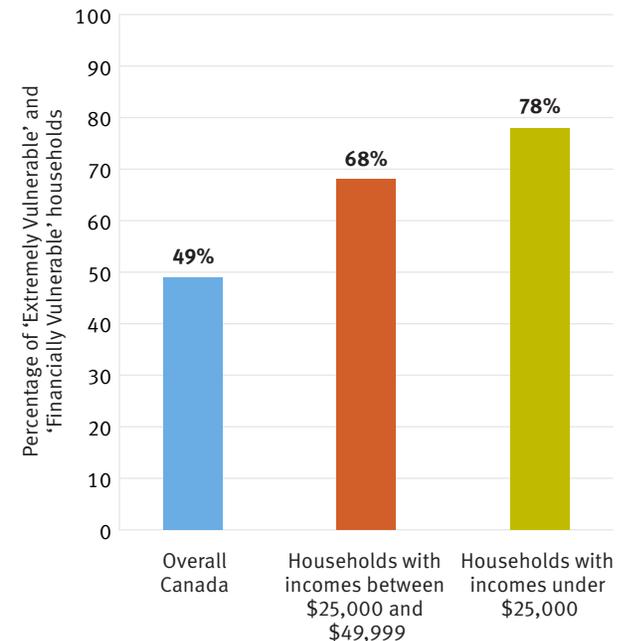
Why change is needed



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

This study is motivated and informed by one of the target outcomes of Canada’s National Financial Literacy Strategy, *Make Change that Counts* – to “expand access to trustworthy and affordable financial help, particularly for vulnerable Canadians.”⁵

More low-income Canadian households are financially vulnerable⁶ compared to Canadians overall as of June 2022



Source: Financial Resilience Institute, June 2022 Seymour Financial Resilience Index™ with data provided from ‘Financial Vulnerability of Low-Income Canadians: A Rising Tide’ Report (November 2022)

Households defined as ‘financially vulnerable’ for this chart include ‘Extremely Vulnerable’ households with a financial resilience score of 0 to 30 and ‘Financially Vulnerable’ households with a financial resilience score of 30.01 to 50 based on the Institute’s Financial Resilience Index model.

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Financial help services and providers



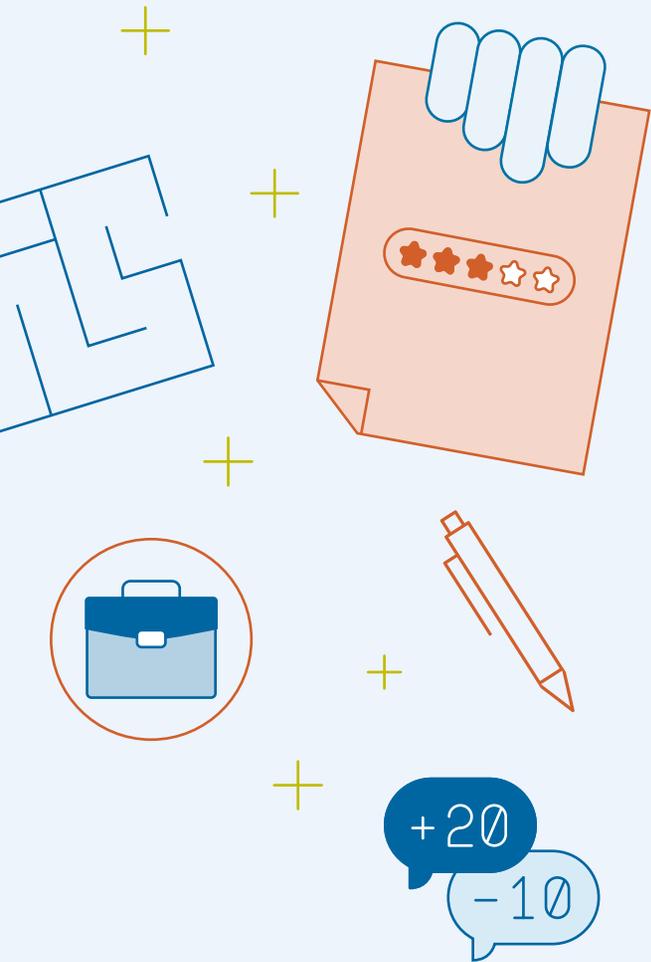
Building on research evidence, consultation with community stakeholders with deep expertise on the financial help needs of people with low incomes, and our organizational experience designing and piloting financial help interventions reaching **over 760,000 people with low incomes** to date, we identified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

1. Conducting a comprehensive financial health assessment⁷ to assess a person's financial situation, needs and goals
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

The financial help sector includes diverse service providers 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

Key findings



1. People with low incomes have distinct **circumstances and challenges** that impact their ability to access and afford financial help services.
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**.
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.
4. Most commercial financial help providers, nonetheless, **do not tailor their services** for people with low incomes.
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.
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**.
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.
8. There is no strong commercial business case for seeking and serving clients with low incomes **due to limited profit generation opportunities**.
9. Select community financial empowerment organizations offer free, appropriate, and comprehensive financial help services but **do not have the resources or reach** to meet the needs of all Canadians with low incomes who need help.
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.

Next steps

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.

Acknowledgements

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Endnotes

¹ See:

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² Duncan, E. and Koci, K. The financial vulnerability of low-income Canadians: A rising tide. Financial Resilience Institute; 2022 Nov. Report is based on the June 2022 Index. Financial Resilience Institute, June 2022 Seymour Financial Resilience Index™. Seymour Financial Resilience Index™ is a trademark used under license by the Financial Resilience Society.

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³ Uppal, S. Rising prices and the impact on the most financially vulnerable: A profile of those in the bottom family income quintile. Ottawa: Statistics Canada; 2023 Feb 8. Available from <https://www.150.statcan.gc.ca/n1/en/pub/75-006-x/2023001/article/00002-eng.pdf?st=YILO2eSf>

⁴ Duncan and Koci, 2022.

⁵ Financial Consumer Agency of Canada. Make Change that Counts: National Financial Literacy Strategy 2021 – 2026. Ottawa: Financial Consumer Agency of Canada; 2021. Available from <https://www.canada.ca/en/financial-consumer-agency/programs/financial-literacy/financial-literacy-strategy-2021-2026.html>

⁶ Duncan and Koci, 2022. The proprietary Index measures household financial resilience, defined as a household's ability to get through financial hardship, stressors and shocks as a result of unplanned life events, with measurement of financial resilience at the national, provincial segment and individual household levels every four months. The June 2022 Index is based on a robust sample size of 5061 adult Canadians and 1515 low-income Canadians from a representative sample of the population by household income, age, gender

and province, with a MOE of 1.38%. Further information on the Index and Financial Resilience Institute's work is available at: <https://www.finresilienceinstitute.org/> Low-income households are defined as individuals and families with household income under \$25,000 plus households of more than one individual with a household income under \$50,000 (excluding single person households with a household income between \$25,000 and \$49,999).

⁷ A financial health assessment enables an individual or household to take stock of their financial situation and health, including whether they are banked, their saving and debt levels, their credit score, their income (including government benefits), whether they have filed their taxes, and their financial goals and confidence. See for example: http://www.prospercanada.org/prospercanada/media/PDF/Coaching%20Toolkit/Health-Assessment-Form_June-2015.pdf