

Submission to the Provincial Working Group on Financial Literacy

by Social and Enterprise Development Innovations (SEDI)

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The Importance of Financial Literacy

Financial literacy matters in the context of people's everyday lives, more so now than ever before. These lives are growing ever more complex with more opportunities and choices on offer for the informed consumer but which also provides more challenges and perils for those who are not financially literate. The choices, individuals and families make can have lasting social and economic consequences for the balance of their lives.

It is clear, not just in Canada but also around the world, that many consumers of financial products and services lack the knowledge, skills and confidence to make informed decisions about their finances. Financial literacy is increasingly being acknowledged as a strategy that, if properly utilized, can build the capacity of individuals and, in doing so, improve their current and future financial circumstances. In a nutshell, financially literate individuals save, spend and invest more wisely than those who are not.

We believe that financial literacy is about being able to maximize financial well being by effectively functioning within a mixed market economy. This is an economy where individuals have to navigate not only the financial service sector but also the welfare state. Consequently, we prefer a wide context for financial literacy, one which includes an understanding of the benefits available from governments and how to shop for the right financial products and services.

We believe that financial literacy is an essential skill for all Canadians and therefore policy makers and practitioners should treat it as such. Understanding financial literacy as an essential skill would enable a national strategy to apply thereby facilitating and integrating financial literacy initiatives across a broad range of existing federal and provincial programs. It would also send a clear message to Canadians that financial literacy is a fundamental skill they can benefit from daily throughout their lives.

One way to accomplish the goal of a financially literate province is by providing financial literacy supports to students so that when they graduate from secondary school they have already acquired the financial literacy skills they require to successfully understand and participate in the mainstream economy.

Why is it important for Ontario students to be financially literate? What are the short-term and long-term implications?

Young people are exposed to financial literacy challenges at increasingly younger ages. For example, many children in elementary and secondary school now have cell phones, some have their own bank accounts and all are forced to consider or make consumption related decisions every day. Each of these children will transition into adulthood where they will be confronted with the challenges associated with making financial decisions with short and long-term consequences.

By teaching financial literacy to students, we provide them with the opportunity to consider their current and future actions in the realm of their own personal economics more carefully. This should occur in both the elementary and secondary stages of a student's life where age appropriate facilitation and real-life examples will offer insights into how day-to-day influences and related actions affect one's personal economic choices and thus one's financial health in both the short and long term.

Financial literacy is about both knowledge and behavior. It is acquired through a gradual process, one that takes time to build up. In the short term therefore, the province can create tools and supports that can introduce students to basic banking, savings, compound interest, consumerism, spending choices etc. As the foundational knowledge increases, it can be enhanced by topics relating to savings vehicles, the benefits and risks of credit, debt and debt repair, and later to employment and employment related deductions, investments (education, job training, starting a business) government benefits, taxation and transitioning to adulthood (living on one's own – rent, utilities, costs etc.).

In the longer term, empowering students to better understand, take control and, perhaps more importantly, take responsibility for their financial behavior, will be a key outcome particularly when it comes to financial goal setting, banking, budgeting, saving, spending and achieving personal financial goals. We believe that by providing students with the tools and supports necessary for them to learn and thus feel empowered to take action, particularly in this realm where individual responsibility is paramount, the province could be an effective catalyst. The educational system has a significant influence in the lives of elementary and secondary school students and thus can act as a major player to enable students with the knowledge that can alter their behavior with very practical and positive results. For example, when we preach the advantages made possible by going to post-secondary education (PSE) we often neglect to show all students how each of them can hope to achieve PSE. We often fail to show them how to save towards PSE or what government benefits and other financing opportunities exist to assist with the costs of attending PSE. The proposed financial literacy curriculum components can add these important dimensions to the classroom discussions and to the knowledge base of the students.

We view financial literacy as the intellectual backbone of savings and asset building. Making sound financial decisions increases wealth, opportunity and productivity. When combined with positive role modeling by teachers, parents, grandparents, guardians and caregivers financial literacy becomes an acquired skill. Increasing the financial literacy of students will increase their capacity to plan and make financial decisions that will have important long-term consequences. Learning the value of savings will

increase the likelihood that students will begin saving at an earlier age for longer-term assets such as a post secondary education, homeownership, a business start-up or a rainy day/emergency reserve fund.

Financial education within the school system can address many of the information asymmetries that contribute to the financial exclusion of many vulnerable groups. Children from newcomer families or low-income and working poor families, Aboriginal children, children with learning and other disabilities and those with lower literacy levels are generally those who are economically excluded in our society. Through the effective communication of information about good money management practices regarding earning, spending, saving and borrowing money, consumerism and managing the increasing range of financial options, financial education is a valuable tool to reach those at the bottom of the pyramid. It will offer educational opportunities and insights for students to begin to understand and gain the tools necessary in order to realign their personal financial strategies, better manage their own resources, set and achieve their own financial goals.

What should be the three key objectives of financial literacy education in Ontario?

The broad goal of student driven financial literacy should be to ensure that every student graduating from secondary school is financially literate. A financially literate student is a student who: is capable and confident of making informed financial decisions and knows when they need help and where to go to get it. SEDI sees the three key objectives of financial literacy education in Ontario as:

1. Increasing the number of financial literate elementary and secondary school age children in Ontario through an inclusively designed financial literacy strategy.

A financial literacy education strategy should ensure that **no child is excluded** from the opportunity to participate in these critical skill building curriculum components. This means that the strategy must be designed to ensure access for all youth in Ontario to build their financial literacy skills and knowledge including those who:

- are not involved in direct classroom education;
- have special needs requiring specialized education programs, assistance, technology or other services;
- have low literacy levels, are pursuing English language training or English literacy development;
- are residing in remote communities;
- are First Nations, Métis and Inuit; and
- are attending French language schools.

Engagement on this topic with agencies (i.e. Learning Disabilities Association of Ontario) who work directly with the above populations is critical to ensure that all students have the opportunity to engage in financial literacy learning opportunities proposed by the Ministry of Education.

2. Create a financial education strategy that encourages parents, grandparents, guardians and care givers to become involved in this aspect of the curriculum in order to support their children's financial literacy activities and knowledge building. To do this the province should:

- utilize the 144 provincial Parenting and Family Literacy Centers to provide financial literacy tools and supports to and for Parents, Guardians and Caregivers;
 - amend the provincial Aboriginal Education Strategy to include financial literacy and discuss the need for culturally sensitive financial literacy tools and supports with Aboriginal leaders;
 - build the capacity of guidance counselors to provide financial literacy tools and supports to students and parents who identify a need with respect to their personal finances and/or financial planning for post secondary education. The guidance office would act as a resource and refer students and parents to appropriate financial supports in the community. They would also act as a catalyst to support parents to access RESPs and to start saving for their child's post secondary education.
 - provide translated materials for parents, grandparents, guardians and caregivers whose first language is not English;
 - develop communication tools and facilitation assistance for parents in isolated communities; and,
 - encourage proposals for the Parent Reaching Out (PRO) Grants to include projects that include parental involvement in the financial literacy education of their children.
- 3 To increase the quality of the delivery of the financial literacy tools and supports provided to students through a comprehensive training program for teachers and those working with the student groups identified above. This will ensure that the delivery of the curriculum components will be undertaken by facilitators who themselves are financially literate and who have received training in how to be effective financial literacy educators.

What advice would your organization provide to the Working Group on Financial Literacy on the concepts related to financial literacy education in elementary and secondary school?

SEDI does not undertake financial literacy work in schools so we are not in a position to provide specific recommendations regarding pedagogical or classroom based approaches. Our only comment would be that concepts developed for the classroom should be related to the real life financial decision making situations that students will confront both during school and after graduation.

To develop the best financial literacy education for Ontario students, what challenges will have to be addressed and what gaps will have to be closed?

As noted above, it should not be assumed that in school classroom based initiatives will reach all school age children. We urge the province to design a strategy that includes opportunities for schools to collaborate with community agencies that serve youth and families to ensure that disenfranchised youth have the opportunity to access the curriculum. This will also facilitate access to financial literacy education for newcomer youth.

What other comments would your organization/group like to share about financial literacy education?

Financial literacy education should be linked where appropriate with government benefits and initiatives such as the Registered Education Savings Plan, the Canada Learning Bond the Registered Education

Saving Grant, the Ontario Child Benefit, The Ontario Child Benefit Equivalent, The Ontario Student Loans program, Scholarship and opportunities to realistically finance important investments such as post-secondary education and employment training. These products offer real life opportunities, during the elementary and secondary school years in both children's as well as parent's and guardian's lives to apply "teachable moments" and allow for the practical application to transform theory into practice.

Thought should be given to, and perhaps budget allocations should be made for, creating opportunities for activities that would bridge the lessons and knowledge gained from the classroom learning's with the personal activity that provides real life experience such as, saving and asset-building through incentivized savings accounts.

The province should undertake research, surveys and evaluations as the financial literacy curriculum components roll out and are administered. Baseline information taken during teacher training and at the onset of curriculum facilitation to both elementary and secondary school children could yield much information on both subjective matters (self assessments, perceptions on financial understanding and knowledge as well as attitudes towards financial instruments, decisions, information and its receipt), and objective measures (measures used to test respondents knowledge and understanding of financial terms and their ability to apply financial concepts to particular situations. These surveys can assist to determine a "baseline" from which the program can be evaluated and enhanced to better suit the knowledge gaps of the target population. In addition, this baseline would be helpful to determine the ultimate effectiveness of the program. An on-going evaluation strategy would assist to ensure that the program is remaining relevant.

Background on SEDI

SEDI is a national non-profit charitable organization that was founded in 1986. SEDI's mission is to expand socio-economic opportunities for low-income Canadians. We accomplish our goals by using social innovation - a process that identifies, market tests and brings good socio-economic policy ideas to scale. Since its inception, SEDI has achieved significant large-scale policy and program impacts in the areas of self-employment, saving and asset building and financial literacy.

We believe that a financially literate person is someone who has the capacity to make informed decisions about his/her financial future; knows when they need help and where to go to get it; and has the ability to appreciate the wider impact of financial decisions on personal circumstances, the family, and the broader community. SEDI has been involved with financial literacy for low-income and unemployed Canadians since it started operating. Early work in this area included the development of the financial literacy component of self-employment training curricula for low-income women and unemployed factory workers. A key objective of the training was to improve business budgeting and cash flow planning skills in order to assist entrepreneurs in making informed and responsible business decisions. This approach was adopted by the Federal government and made available to eligible EI recipients across Canada in 1993 through the Self- Employment Benefit.

In the mid 1990s, SEDI evolved this work to youth at risk while broadening the context from self-employment to self sufficiency. This influenced the development of the National Youth Employment Strategy.

In 1997, SEDI introduced Canada to the concept of savings and asset building as a poverty alleviation strategy. Included in this concept is the belief that financial literacy is a precondition to successful savings and asset building and investing (home ownership, retirement, post secondary education, small business start up, skills training).

In 2000, SEDI launched *learn\$ave* which included a financial literacy program initiative. This large scale policy demonstration provided matched savings and financial literacy education to over 3,600 low-income, low-asset, Canadians in ten communities across the country. SEDI's work in this area led, and contributed, to new initiatives such as the Canada Learning Bond, the Registered Disability Savings Plan, Tax Free Savings Accounts and reforms in some provinces to the treatment of assets by welfare authorities.

By 2002, SEDI had concluded that financial literacy was a basic skill all Canadians required in order to function in the everyday economic mainstream. We approached the newly formed Financial Consumer Agency of Canada (FCAC) about collaborating on the development of a national strategy to advance financial literacy in Canada. This partnership has produced topic relevant research and two key national/international events on financial literacy held in 2005 and 2008. In the latter event, SEDI issued a call for the Federal government to launch a National Task Force to develop a national strategy on financial literacy.

In 2008, SEDI launched the Canadian Centre for Financial Literacy (CCFL) that is working with community partners to bring financial literacy supports to over 230,000 low-income Canadians by 2013. A description of the CCFL activities can be found in Appendix 2. An inventory of our current community partners can be found in Appendix 3. (Appendices not included in the draft document).

In 2010 we launched the TD Financial Literacy Grant Fund which will provide \$11 million in grants to community financial literacy practitioners across Canada over a five year period.

In each of these successful initiatives, SEDI has worked in partnership with a number of community-based organizations whose foundations have strong roots in communities across this province and across this country. This submission is founded on our extensive experience as a voluntary sector organization that works directly with community organizations, all levels of government and businesses across the country to expand socio-economic opportunities to low-income Canadians.

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