

## **HIGHLIGHTS OF THE CASE FOR FINANCIAL LITERACY**

### Assessing the effects of financial literacy interventions for low income and vulnerable groups in Canada

- **Financial literacy is a basic need** for every Canadian.
- **Low-income and vulnerable Canadians are not necessarily less financially literate than other people**, but face real challenges in accessing accurate and appropriate financial information and advice suited to their life context and financial needs.
- **Mainstream financial information, tools, and advice, while useful for middle or higher income Canadians are often less so for low-income Canadians** and can even be detrimental. Expertise from financial institutions and professionals may be inadequate, incomplete or incorrect when applied to vulnerable clients.
- **Financial literacy programs for vulnerable groups serve an important function in translating financial information and advice and adapting it** to respond more directly to the life context and needs of vulnerable groups.
- **There is substantial, if not extensive, evidence that these interventions can make an important contribution to the well-being of vulnerable groups**, in the context of other societal, institutional and individual factors that shape financial outcomes.
- **It is critical, however, that financial literacy staff are first financially literate themselves.**
- **Participants also need to be able to trust the financial literacy education provider** – both their motives and their capacity to provide accurate and appropriate information.
- **Community agencies delivering financial literacy education often face funding and human resource challenges**, however, that can limit their capacity to deliver effective programs and services to their clients.
- If done well, **financial literacy programs can equip vulnerable Canadians to better navigate complex financial systems and choices and highlight opportunities for positive change** to public and private financial services and systems.
- **Financial literacy is not a panacea**, however. It is a complement to, not a substitute for, other critical building blocks of financial inclusion and well-being.

Table 1 **Summary of evidence on effects of financial literacy interventions for vulnerable groups**

<b>Type of effect</b>	<b>State of the evidence base</b>	<b>Current conclusions</b>
<b>Helping participants navigate life transitions</b>	Largely anecdotal and intuitive with inferences possible from social trends, theory and a handful of indirect studies.	Likely to have positive effects, but further research required with attention to the diverse and non-standard kinds of transitions experienced by vulnerable groups.
<b>Helping newcomers to settle in Canada</b>	Some promising findings from applied research, including some quasi-experimental studies.	Good evidence for the demand and gaps in supply. Some evidence for positive effects on orientation to Canadian banking systems and confidence of participants.
<b>Improving financial inclusion for marginalized communities</b>	Some early and promising findings from applied research, but still largely reliant on community	Strong association between community practice on financial literacy and financial inclusion.
<b>Increasing housing stability for insecurely housed families and individuals</b>	Reasonably strong evidence from applied research.	Good evidence for improved housing outcomes among low- and modest-income owners, although no measureable increase in rates of ownership. Substantial and sustained improvement in outcomes for low-income renters leaving shelter systems, but effects may be mediated by a financial incentive.
<b>Establishing good financial knowledge, attitudes and habits among youth</b>	Heavily researched for youth in formal education settings, with some early and promising applied research for vulnerable youth outside of school.	Mixed evidence on the effects of in-school financial literacy delivery. Early results for vulnerable youth are positive, but point to challenges in program delivery.
<b>Improving the net worth of participants</b>	Heavily researched in both workplaces and community savings programs, including rigorous experimental research.	Savings behaviours (e.g. frequency and consistency of deposits) improve but no measureable effect on the medium-term net worth of participants.
<b>Improving access to public benefits and managing the effects of windfalls</b>	Largely anecdotal and intuitive.	Likely to have positive effects but further research required. Results from work on the Canada Learning Bond may be relevant.
<b>Improving psycho-social outcomes for participants (e.g. reduced stress and enhanced self-efficacy)</b>	Reasonably strong evidence base from applied research.	Good evidence for reductions in self-reported stress and improvements to self-efficacy. Further research required to understand effective delivery.