

April 13, 2010

SEDI Submission to the Task Force on Financial Literacy

Social and Enterprise Development Innovations (SEDI) welcomes the opportunity to provide a submission to the Task Force on Financial Literacy. This is a vital area of policy and we commend the government and the Task Force for dedicating time and resources to the important task of framing a strategy that will contribute to the prosperity of all Canadians. This submission draws from our many years of experience in the design, development and delivery of financial literacy services for low income earners across Canada. It speaks to the importance and means of ensuring that a national strategy is inclusive and accessible to vulnerable populations across Canada. It speaks to the importance of financial literacy for all Canadians but it also notes as does the Consultation Paper that the financial literacy landscape is comprised of many different sectors and players who have different objectives and challenges. Our submission addresses what we believe are the key points and recommendations the Task Force needs to consider with respect to ensuring that a national strategy is accessible and inclusive of low income and vulnerable populations in Canada- people who generally receive social and educational supports through the voluntary or community sector.

The broad context for a national strategy for 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 people make can have lasting economic consequences for the balance of their lives.

It is clear not just in Canada but 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 consumers and in doing so improve their current and future financial circumstances. In a nutshell financially literate consumers 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 consumers 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 through the system and how to shop for the right service or product.

We believe that financial literacy is an essential skill for all Canadians and should be treated by policy makers and practitioners as such. Understanding financial literacy as an essential skill would enable a national strategy to apply and integrate 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.

The challenge for the growing number of Canadians who are concerned about the issue had been to develop a strategy that positions financial literacy on the national agenda. The announcement of the Task Force accomplished this goal. It is now up to the Task Force to construct recommendations that will evolve financial literacy from a “good idea” and sporadic unevaluated activities into an effective well co-ordinated national strategy.

We believe improving the financial literacy of Canadians is a mass market challenge and that all sectors of Canadian society will be important players in achieving this goal. To complement a broad mass market approach the strategy will also have to include customized approaches that target specific sectors including those that serve vulnerable low income populations.

In addition, the strategy will be a learning opportunity. There is much we do not know about the links between financial literacy, debt and credit or between financial literacy and the awareness and uptake of government products and services and consumer behaviour. Increasing our knowledge in these areas will help Canadians and inform policy and practice.

The importance of the voluntary sector in the financial literacy landscape

As the Task Force document notes there are a wide range of players who are currently active on the financial literacy landscape. This includes people and organizations in the public, private and voluntary or community sectors. Each sector has its own set of needs and activities. And while there are frequent reasons for these activities to be interrelated the primary focus of this submission is to

address financial literacy for low income earners and vulnerable populations and how the voluntary sector is best positioned to respond to these needs.

The voluntary sector is crucial to the successful implementation of a national strategy for financial literacy especially with respect to the inclusion of low income Canadians. It is a sector that operates in every community across the country. Voluntary agencies are access points for many Canadians including those with low incomes. The sector already provides a wide range of social, literacy, education, settlement and employment support services to Canadians and consequently represents a large infrastructure and therefore leveraging opportunity for the national strategy to build upon and to ensure accessibility for those most in need of financial literacy education.

Principles governing the national strategy

As it proceeds to design its recommendations for a national strategy we call upon the Task Force to adopt the following principles to guide this aspect of its work.

Principle 1

The strategy should not be a substitute for regulation.

We strongly urge the Task Force to highlight in its final report the importance to the government of working to achieve a 'fair' balance between regulation and financial education/literacy. While we do not see it as within the mandate of the Task Force to prescribe where regulation or financial literacy begin and end, we do believe that this is an overriding theme that government policy makers will inevitably be addressing on an ongoing basis as financial products and services evolve. An effective national strategy will acknowledge this and ensure that regulators, financial literacy practitioners and financial service providers are consulted as new initiatives are put forward.

Principle 2

The strategy should be inclusive and accessible by design to low income and vulnerable Canadians over the life cycle.

To be truly inclusive the national strategy will need adequate funding and clearly defined roles for the voluntary, public and private sectors. Resources will need to be prioritized, flexibly managed, be non duplicative and delivered and targeted to those most in need regardless of their geographic location. Services should be provided coherently over the life course through schools, the workplace and in communities.

Principle 3

The strategy should employ a life course oriented behavioral economics approach.

The strategy should be premised on the idea that increased consumer knowledge alone does not necessarily determine desired consumer behavior. An effective strategy would link the provision of financial literacy information with regulatory, program and market based incentives that encourage responsible behavior like saving for post secondary education or retirement. Financial literacy supports should be viewed as integrated building blocks that reinforce key messages and behaviours and have continuity of content. Providing financial literacy from an early age and through various channels throughout the life course can help reinforce key messages and develop positive financial behaviours.

Principle 4

The strategy should be transparent and accountable to all Canadians.

The strategy recommended by the Task Force will need to set specific objectives within an established timeframe and provide benchmarks against which to measure progress. In addition, the strategy will need to ensure ongoing common evaluations of funded initiatives and that the lessons learned are captured, shared and integrated into future activities.

Principle 5

The strategy should encourage and support continuous innovation.

There are many ways to improve the financial literacy of low income Canadians including means that have yet to be identified and tested. A flexible national strategy will encourage and enable communities and businesses to try and evaluate new approaches to growing financial literacy in Canada.

Principle 6

The strategy should frame a collaborative approach that makes efficient and strategic use of public, private and voluntary sector resources and ensures the co-ordination and ongoing evaluation of effective policies and practices.

Given the limited availability of public funds the national strategy should initially evaluate, build upon and co-ordinate current and effective financial literacy resources targeted to those most in need. The strategy should also acknowledge that new funds will be needed to leverage responses to gaps in service for vulnerable Canadians.

Strengthening financial literacy through ensuring national accountability, collaboration and coordination

The financial literacy arena is comprised of an ever growing array of activities and actors that are spread across the public, private and voluntary sectors at the national, regional and local levels. Consequently, the field is growing increasingly complex with a range of stakeholders beginning to operate side by side but only occasionally in collaboration. At present there is no national framework for collaboration or co-ordinating body for financial literacy. The FCAC has received Federal government support for the promotion and delivery of specific financial literacy initiatives but its current mandate does not include the co-ordination of broad based multi-sectoral initiatives. We believe that for the national strategy to be multi-sectoral, effective and sustainable it will need to have a secure home with the authority and resources it needs to meet its objectives. In this regard, there are two broad options for the Task Force to consider. The national strategy could be housed within an existing agency or within a newly created organization. There are merits and issues with

both options. Adding the strategy to an existing agency would likely be more cost efficient and depending on the history of the agency leverage existing networks and capacities. A concern with this approach would include the risk that the strategy could be overwhelmed by locating it with an agency with a very wide mandate or in the case of a regulatory body by the mandate of the agency itself.

Alternatively, locating the strategy with a new organization could provide the independence needed to ensure a clear focus on strategic objectives and facilitate jurisdictional and cross sectoral issues, program benchmarking and evaluation and avoid the issue of getting lost in a larger agenda, However, it would likely be more costly at least in the short term to create and staff a new entity and politically challenging in a period of lean resources for governments.

We encourage the Task Force to thoroughly consider both options and select the one that they believe is most likely to ensure that its recommendations are delivered on. Wherever the national strategy is located it should enable the development and implementation of a common framework for collaboration and evaluation across sectors of financial literacy initiatives and advocate the use of associated evaluation tools by fund recipients and other actors in the field. Further, it should have the capacity and credibility to be able to work with other levels of government to identify and pursue mutual goals.

Recommendations

Ensuring a strategy that meets the financial literacy needs of vulnerable populations

The consultation document asks the important question: financial literacy for whom? The initial design of the national strategy will set the policy and practice terms for financial literacy for many years into the future. Consequently, it is important ‘to get it right’ early on. A key component to getting it right is to ensure that the strategy is inclusive. This means that it is by design accessible to low income and otherwise vulnerable Canadians. Therefore:

- **We recommend** that the national strategy recognize the need for community capacity building to ensure that local community groups have the skills and resources to provide needed financial literacy resources to identified vulnerable populations.
- **We recommend** that the national strategy partner with the voluntary sector to identify specific low income adult target groups who are at greatest risk of financial illiteracy and include detailed proactive plans to ensure their access to the most effective financial literacy resources available.

Promotion

Low income and vulnerable Canadians will need to know that a financial literacy resource is available in order to choose to use it. They will also need to see the relevance of the resource in real life terms in order to be motivated to use it. Therefore:

- **We recommend** that the national strategy include specific segmented marketing strategies to bring the message about the financial literacy strategy and available resources to low income and vulnerable Canadians. Wherever possible, marketing approaches should be interactive and behavioural in their orientation.
- **We recommend** that the strategy include marketing initiatives that target specific identified vulnerable groups.

Funding

A new strategy without adequate resources will be viewed correctly by many as the emperor without clothes. It is vital that the recommendations of the Task Force specify priority targets for the national strategy accompanied by a clear time frame for implementation and an inventory of the projected associated costs. It is necessary that the strategy secure an appropriate level of funding from the Federal government to ensure that priority targets are met. Therefore:

- **We recommend** that the Task Force identify and cost out the following quantifiable strategic objectives to be achieved in the first five years of implementing the strategy:
 - To encourage all territories and provinces to achieve the goal of providing financial literacy education to all school children who are 10 years of age or older.
 - To work with voluntary sector leaders to build the capacity of at least 3000 community organizations across the country so that they can provide financial literacy supports to their clients.
 - To identify and work with at least 100 private sector companies to bring financial literacy to the low wage workplace.
 - To establish a financial literacy innovation fund that leverages additional resources to finance new ways to increase the financial literacy of low income Canadians.
 - To identify how financial literacy information and supports can be linked to federal programs that provide opportunities for financial planning and investing such as the NCCB, CPP, RRSP, RESP-CLB, OAS.
 - To create a financial literacy champions awards program that annually acknowledges extraordinary contributions by an individual, a community and a company.

Appendix 1: Background to SEDI

SEDI is a national non-profit charitable organization that was founded in 1986. SEDI's mission is to expand economic opportunities for low income Canadians. We accomplish our goals by using social innovation- a process that identifies, market tests and brings good social 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 where to go to get it; and, has the confidence to make informed decisions.

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 (home ownership, retirement, post secondary education, small business start up, skills training) investing.

In 2000, SEDI launched *learn\$ave* which included a financial management training/financial literacy program initiative. This large scale policy demonstration provided matched savings and financial management education to over 3,500 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, we had concluded that financial literacy was a basic skill all Canadians required and approached the newly formed 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 major national 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, we launched the Canadian Centre for Financial Literacy (CCFL) which is working with community partners to bring financial literacy supports to over 230,000 low income Canadians by 2013.

In each of these successful initiatives, SEDI has worked in partnership with a number of community organizations. This submission is rooted in our experience as a voluntary sector organization that works with community partner organizations, governments and businesses across the country to expand economic opportunities to low income Canadians.