

Backgrounder: Financial Empowerment Initiatives

The problem

Despite record low unemployment and rising average net worth,¹ Canadians report that their personal finances are the primary cause of stress in their lives.² How can this be?

The reality is that gains in net worth have been largely concentrated at the top end of the income scale.³ For other Canadians, decades of sluggish income growth,⁴ volatile and unpredictable incomes from high rates of precarious work,^{5,6} dwindling workplace benefits,^{7,8} and increasingly complex financial products and choices⁹ are making it harder and harder to achieve financial stability, let alone build financial security for the future.

To illustrate, 44 per cent of employed Canadians live paycheque-to-paycheque¹⁰ and one in five say they could not muster \$2,000 within a month for an emergency.¹¹ Sixty-two per cent of workers are not covered by a registered pension plan¹² and the median retirement savings of Canadian families aged 55-64 without workplace pensions is just \$3,000.¹³ At the same time, total household debt now exceeds our GDP¹⁴ and the average Canadian owes \$1.78 for every dollar of household disposable income.¹⁵

Those with financial resources can buy professional help to address their financial challenges. Other Canadians, however, have few places they can turn when urgent financial problems hit or they need help to build their money management skills, access income benefits, tackle debt, find ways to save for emergencies and longer-term goals, and access safe and affordable financial products. Mainstream financial service providers tailor products and services for middle- and higher-income Canadians, while government and non-profit service providers often lack the mandate, funding and expertise to help clients with their financial problems.

The response

A substantial body of international evidence and emerging Canadian evidence suggest there are effective ways to close this gap and ensure every Canadian has access to the financial policies, programs, products, and advice they need to build their financial wellbeing:

1. Expand access to high quality, community, financial help services across Canada;
2. Help sustainably scale proven financial help interventions by building them into existing public services with large-scale reach into target populations; and
3. Foster cross-sector collaboration to explore the financial challenges of financially vulnerable households and develop effective solutions.

1. Expand community financial help services

With federal and Ontario government funding, the national charity [Prosper Canada](#) has been working with non-profit Financial Empowerment Champion partners in 14 communities to provide financial help services to vulnerable Canadians, including financial education, financial coaching/counselling, and tax filing and benefit assistance. In three years, these pilots have helped over 251,000 individuals to improve their financial capability and health at a cost of just \$61-\$100 per person – e.g., 100,000 individuals accessed \$292 million in new income through tax filing and benefits assistance; 89,000 participated in financial education; and 33,000

accessed one-on-one financial help. While evaluations are still underway, evidence from earlier pilots¹⁶ and other jurisdictions¹⁷ shows reduced financial stress, improved financial capability, and achievement of important financial milestones and outcomes like the 3,000+ RESPs current pilot sites have opened for children in low-income families, doubling their chances of attending post-secondary education. Extending funding for these sites and expanding them to serve 20 communities would enable over 500,000 Canadians similarly to build their financial health.

2. Build proven financial empowerment supports into existing public services

Once local financial empowerment capacity is in place, governments can leverage this to build financial help into large-scale public services that vulnerable people use. Integrating financial empowerment supports into other public programs (e.g. social assistance, employment, housing, shelter, and healthcare services) generates a “*super vitamin*” effect¹⁸ – boosting program outcomes by eliminating the financial stressors that otherwise impede client progress. It also provides a stable platform for sustainably scaling financial empowerment supports by leveraging existing service systems to enable cost-effective delivery.

This impact is motivating the Cities for Financial Empowerment (CFE) Fund in the United States to provide seed funding, planning, and technical assistance to cities seeking to integrate financial empowerment supports into their services. With funding from Bloomberg Philanthropies, the CFE Fund aims to help 50 cities to embed financial empowerment services. In Canada, the Maytree foundation is funding Prosper Canada to work with two cities (Edmonton and Toronto) to do the same. Nine additional cities and two provincial governments have also expressed interest in service integration. Investments to support necessary planning and technical assistance can help to accelerate their efforts.

3. Invest in cross-sector solution development to build household financial stability

All sectors have a role to play in helping low- and modest-income households to build their financial stability and security. To be effective though, we need to work together to identify barriers, develop effective solutions, and mobilize parties from each sector to move them forward. This requires a collaborative, sustained process to engage key stakeholders, build shared knowledge, and establish consensus on evidence-driven solutions.

The Aspen Institute’s [EPIC Program](#) in the United States offers an excellent model we can build on. EPIC engages partners from all sectors to mount coordinated, focused explorations of critical barriers to financial security for low- and modest-income households and uses this knowledge to develop and promote solutions. Using this approach, EPIC succeeded in drawing national attention to the previously unrecognized issue of income volatility and has successfully mobilized key stakeholders from all sectors to advance agreed upon solutions.

Modest public investment in a comparable Canada Financial Solutions Lab would enable us to engage academic, business, community, and government research partners – and low- and modest-income Canadians themselves – to drive new insights on barriers to household financial stability and health and to identify and promote policy, program, product, and technology solutions that enable Canadians to build their financial wellbeing. Prosper Canada has already succeeded in mobilizing many interested partners in short-term collaborative research efforts. Focused investment would enable more sustained, robust processes that culminate in evidence-driven solutions and partners ready to implement them.

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¹ Driven by rising housing prices in key markets and investment wealth. **See** Statistics Canada (2017), Table 11-10-0016-01 [Survey of Financial Security, assets and debts held by economic family type, by age group, Canada, provinces and selected census metropolitan areas](#)

² A [national survey conducted in 2014 by Leger on behalf of Financial Planning Standards Council](#) found that 42 per cent of Canadians ranked “money” as their greatest stress and that this stress is driving Canadians to lose sleep, reconsider past financial decisions, argue with partners and lie to family and friends. A more recent [2018 survey by Capital One and non-profit Credit Canada Debt Solutions](#) found that a startling 44 per cent of Canadians believe their financial situation negatively impacts their mental health.

³ Between 1999 and 2016, the top 20 per cent of Canadians saw their net worth (total assets, less all debts) rise by more than \$28 for each \$1 increase gained by the bottom 40 per cent of Canadians, after inflation. The median increase (accounting for inflation) in net worth of the bottom 20 per cent rose just \$1,100 while the top 20 per cent saw their net worth rise by a median of \$844,300. Source: Analysis conducted by Dr. Jennifer Robson using Statistics Canada data (Table 11-10-0049-01, Survey of Financial Security, Assets and debts by net worth quintile, Canada).

⁴ Osberg, Lars. [Canada's Middle Class – Forever Further Behind?](#) Conference Paper · June 2017.

⁵ Library of Parliament. [“PRECARIOUS EMPLOYMENT IN CANADA: AN OVERVIEW,” HillNotes](#), Nov 21, 2018.

⁶ [Pervasive and profound the Impact of income volatility on Canadians](#). A public opinion survey conducted on behalf of TD Bank Group by Ipsos Reid. May 17, 2017.

⁷ RBC Insurance. [FEWER CANADIANS HAVE DISABILITY COVERAGE THROUGH WORKPLACE BENEFITS, LEAVING THEM MORE AT RISK](#). News release. Apr 24, 2018.

⁸ René Morissette, [Changing Characteristics of Canadian Jobs, 1981 to 2018](#). Statistics Canada, Catalogue no. 11-626-X — No. 086 ISSN 1927-503X ISBN 978-0-660-28384-5. Nov 30, 2018

⁹ Office of Consumer Affairs. [Conclusion – Making Sense of Consumer Trends](#). Innovation, Science and Economic Development Canada. 2011.

¹⁰ Canadian Payroll Association. [Survey Finds Employed Canadians Failing to Take Advantage of Improved Financial Picture to Reduce Debt or Save More for Retirement](#). Canadian Payroll Association 2018 Survey of Employed Canadians News release. September 5 2018.

¹¹ *Ibid*

¹² Statistics Canada. [“Pension plans in Canada, As of January 1, 2016,” The Daily](#). July 1, 2017.

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¹⁴ Statistics Canada. [National balance sheet and financial flow accounts, third quarter 2018](#). Table 2 - Households and non-profit institutions serving household sector indicators – Market value, not seasonally adjusted

¹⁵ Statistics Canada. [National balance sheet and financial flow accounts, third quarter 2018](#).

¹⁶ See:

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¹⁷ See:

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¹⁸ See:

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