



BRIEFING NOTE #1

POLICY RECOMMENDATIONS

To help more Canadians to access the financial products, services and advice they need to enjoy financial security today and peace of mind for their future, we recommend that, over the next 5 years, the federal government invest:

- **\$27.5M** to establish free, high quality, community financial help services in 20 cities/communities to enable 500,000 low/modest-income Canadians to improve their financial stability and health
- **\$3.5M** to support a cross-sector research and solution development initiative to explore and address the financial needs and challenges of low/modest-income households.

Funding would flow through a national intermediary, the charity Prosper Canada, enabling it to work with partners to deliver the above initiatives and to raise matching funds and in-kind support from other partners to expand the reach and impact of the government's investment.

The problem we are trying to solve

- **Canadians report that their personal finances are the primary cause of stress in their lives,**¹ despite record low unemployment and rising average net worth.²
- **Gains in net worth have been largely concentrated among high-income Canadians.**³ For other Canadians, decades of sluggish income growth,⁴ volatile incomes from high rates of precarious work,^{5,6} dwindling workplace benefits,^{7,8} and increasingly complex financial products and choices⁹ have made it harder to achieve financial stability, let alone build financial security:
 - 44% of employed Canadians live paycheque-to-paycheque¹⁰
 - 1 in 5 say they could not muster \$2,000 within a month for an emergency.¹¹
 - 62% of workers are not covered by a registered pension plan¹²
 - The median retirement savings of Canadians aged 55-64 without workplace pensions is \$3,000.¹³
 - Total household debt now exceeds our GDP at 100.72%¹⁴
 - The average Canadian owes \$1.78 for every dollar of household disposable income.¹⁵

- **Canadians with low/modest incomes have few places to turn when urgent financial problems hit** or they need help to build their money management skills, access 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 nonprofit service providers typically lack the mandate, funding and expertise to help clients with their financial problems.

Solution #1: Financial Empowerment Champions

- National charity [Prosper Canada](#), with federal and Ontario government funding, currently supports nonprofit 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 3.5 years, these pilots have helped 290,000+ people to build their financial capability and health**, e.g.:
 - **106,000+** individuals accessed \$305M+ in new income through tax and benefits assistance;
 - **89,000** participated in financial education
 - **33,000** accessed one-on-one financial help
 - **4,684** children had an RESP opened and accessed the Canada Learning Bond.
- **While evaluations are still underway, evidence from earlier pilots¹⁶ and other jurisdictions¹⁷ shows that individuals who receive financial empowerment supports experience important benefits:**
 - Reduced financial stress
 - Improved financial capability
 - Achievement of important financial milestones/outcomes.
- **The proposed new funding would renew support for existing Financial Empowerment Champion organizations (Vancouver, Edmonton, Calgary, Winnipeg and Montreal) and extend funding to 15 additional FECs across Canada, selected through a public RFP process.**

Solution #2: Invest in cross-sector research and solution development

- **All sectors have a role to play in helping low/modest-income households to build their financial stability and security but, to be effective, 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/modest-income households and uses this knowledge to develop and promote cross-sector solution frameworks.
- **Modest investment in a comparable Canada Financial Solutions Lab would enable us to drive new insights on barriers to household financial stability/health and develop and promote solutions** (policy, program, product, and technology) 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.

REFERENCES

¹ 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.

² 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](#)

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.

¹³ Shillington, Richard. [An Analysis of the Economic Circumstances of Canadian Seniors](#). The Broadbent Institute, Feb 2016.

¹⁴ Statistics Canada. [National balance sheet and financial flow accounts, first quarter 2019](#). 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, first quarter 2019](#).

¹⁶ See:

- Prosper Canada Centre for Financial Literacy. [MPower Money Coaching Program](#). 2017
- Ontario Ministry of Community and Social Services. [Evaluation of the Financial Empowerment & Problem Solving \(FEPS\) Program](#). 2017.

¹⁷ See:

- Center for Financial Security. [Financial Coaching: Review of Existing Research](#). Issue Brief 2015-10.1, University of Wisconsin-Madison, October 2015
- Roder, A. [First Steps on the Road to Financial Well-Being: Final Report from the Evaluation of LISC's Financial Opportunity Centers](#). Economic Mobility Corporation, September 2016. Pp.8-11.