

REPORT OF RECOMMENDATIONS ON FINANCIAL LITERACY

EXECUTIVE SUMMARY AND RECOMMENDATIONS

CANADIANS AND THEIR MONEY

Building a brighter financial future



TASK FORCE ON
Financial Literacy

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Executive Summary

Financial literacy is critical to the prosperity and well-being of Canadians. It is more than a nice-to-have skill. It is a necessity in today's world – and, moving forward, should be treated as such by policy-makers, educators, employers and other stakeholders across the country. The time for action is now.

In reflecting upon its mandate, the Task Force recognized that progress in financial literacy requires a common understanding of purpose among all participants. Our definition of financial literacy as *having the knowledge, skills and confidence to make responsible financial decisions* received considerable support from Canadians during our public consultations and in the submissions we received. As such, we ask the Government of Canada and other stakeholders to adopt the Task Force definition of financial literacy.

The Need for a Comprehensive Strategy to Improve Financial Literacy

Over an 18-month period, we conducted and commissioned a considerable volume of research, examined international best practices in the field, consulted widely with Canadians and met frequently to deliberate on our findings. The result of this work is the basis for the proposed National Strategy on Financial Literacy (the “National Strategy”), for consideration by Canada's Minister of Finance.

The National Strategy aims to strengthen the knowledge, skills and confidence of Canadians to make responsible financial decisions. Under a framework of shared responsibility, stakeholders will collaborate with a designated leader to ensure effective implementation, sustain momentum and leverage resources. As an essential skill, financial literacy requires lifelong learning at home, at school, at work, and in the community. The diverse needs of Canadians will be met by enhancing existing programs, improving access, communications and delivery, and building awareness. Ongoing evaluation of progress will ensure accountability.

Under this Strategy, we are proposing an integrated set of 30 recommendations, with a mission to strengthen the financial literacy of Canadians. Because this important issue

touches all residents, our recommendations are multi-faceted and emphasize the need for a collaborative approach. Whether financial literacy initiatives are undertaken by schools, governments, financial institutions, employers, labour organizations or voluntary bodies, collaboration and coordination will be essential to success.

Five Priorities

Although our recommendations are wide-ranging, five priorities define the Strategy's overall objective of strengthening the knowledge, skills and confidence of Canadians to make responsible financial decisions. Our specific recommendations build on the topics identified in our consultation paper *Leveraging Excellence* (February 2010), such as education, borrowing, saving and communication. These topics were commented on by Canadians during our public consultations and are summarized in our report *What We Heard* (September 2010).

The five priorities of the proposed National Strategy are:

1. Shared Responsibility
2. Leadership and Collaboration
3. Lifelong Learning
4. Delivery and Promotion
5. Accountability

1. Shared Responsibility

The mission of strengthening the financial literacy of Canadians is a shared responsibility among many stakeholders. This mission will not be realized without the combined efforts of individuals, families, governments, educators, financial services providers, employers, labour organizations, businesses and voluntary organizations.

Over the course of our work, we were impressed by the many programs, websites, seminars and course materials that have been developed with the objective of improving the financial literacy of Canadians. However, practical mechanisms are still needed to facilitate collaboration across sectors in a way that maximizes the

impact of these efforts. The duplication of existing initiatives and effective programs would waste scarce resources.

Strong partnerships have already been forged among many of the above-noted stakeholders in promoting and delivering financial literacy programs and in funding research in this area. To take best advantage of the expertise, experience and involvement of all partners, the active participation of all those with a role to play will be essential.

2. Leadership and Collaboration

Although right across the country excellent work is being done to improve the financial literacy of Canadians, it is clear that an undertaking of this scope, complexity and duration requires a focused and dedicated leader. This leadership role will serve to maintain momentum in implementing the National Strategy, provide a home for continuing research and innovation, and ensure that a collaborative framework for financial literacy initiatives is sustained.

These considerations have convinced us that the Government of Canada should continue to take a lead role in promoting financial literacy; that it should seek to achieve public policy objectives by working in collaboration with other levels of government and with stakeholders in the private and voluntary sectors; and that it should create an appropriate mechanism to execute the National Strategy – namely, by appointing an individual focused on these important tasks.

Stakeholders from all sectors have a role to play in implementing the National Strategy. One of our main recommendations is the establishment of a council of stakeholders, representative of relevant sectors, to provide ongoing guidance on the implementation of the National Strategy and to better leverage existing investments, by all sectors, for the advantage of Canadians. A formal collaborative partnership among stakeholders is necessary if Canadians are to benefit from best practices and successful programs and initiatives.

3. Lifelong Learning

We believe that financial literacy is an essential skill acquired through lifelong learning. Indeed, we agreed at the outset that the delivery of financial literacy programs must take into account key life events that bring the need for financial knowledge and skills into focus. Therefore, while our recommendations propose that the formal education system should provide a foundation for financial literacy upon which Canadians can build throughout their lives, we also address opportunities to deliver financial literacy education when people are most likely to be receptive to it. Those “teachable moments” include decision points such as joining a pension plan or workplace retirement savings scheme, seeking financial advice or considering the purchase of a financial product, or determining one’s eligibility for benefits from a government program. Learners retain only some of what they are taught, particularly when the subject matter is outside their everyday experience. Thus, financial education needs to be reinforced through life.

Even for those with the information and education they need to make sound financial decisions, a wide range of psychological, social and institutional influences can impede rational decision making. The considerable research devoted to “behavioural economics” in recent years has yielded many useful insights. The Task Force has therefore not underestimated the importance of the environment or “architecture” of choice,¹ especially default mechanisms such as auto-enrolment and auto-escalation features for workplace retirement savings plans.² As part of the National Strategy, we believe that “nudging” interventions should be carefully considered by policy-makers as a complement to more traditional financial literacy tools and initiatives aimed at empowering Canadians in their financial decision-making processes.

1 Yoong, J. (2010). “Retirement Preparedness and Individual Decision Making: Implications for Canada.” Research paper prepared for the Task Force on Financial Literacy. Available from www.financialliteracyincanada.com

2 Turner, J. (2006). “Designing 401(K) Plans that Encourage Retirement Savings: Lessons from Behavioral Finance.” Retrieved from AARP Public Policy Institute website: assets.aarp.org/rgcenter/econ/ib80_pension.pdf; and Thaler, R. H., & Sunstein, C. R. (2009). *Nudge: Improving Decisions about Health, Wealth, and Happiness*. New York, NY: Penguin Books Ltd.

Taken together, formal education, just-in-time learning at key life events and insights gleaned from behavioural economics will provide Canadians with the foundation to make better financial choices throughout their lives.

4. Delivery and Promotion

Given the multi-jurisdictional and multi-stakeholder environment in which financial literacy education takes place in Canada, effective delivery is a theme that runs through virtually all of our recommendations.

One of the challenges to effective delivery of financial literacy initiatives is the need to reach and to engage Canadians so that they become aware of, and participate in, targeted initiatives of benefit to them. In our recommendations we emphasize the need for a sustained public awareness campaign on financial literacy, supported by the proposed single source website.

We believe that a single source website is key to allowing Canadians to inform themselves with high-quality, unbiased information from a range of expert sources. The website will facilitate the consolidation and dissemination of financial literacy information and programs. Suggestions for the website content include a self-assessment tool and retirement calculators for individuals.

Another challenge for effective delivery is clear communications. Canadians need financial information and advice that is relevant, understandable and engaging, and we believe governments and financial services providers have a responsibility to ensure that their communications meet these criteria.

5. Accountability

The primary instrument for accountability in the execution of the National Strategy is the above-mentioned appointment by the federal Minister of Finance of an individual responsible for the Strategy and directly accountable to the Minister. This would ensure, at the highest level, accountability to Canadians through Parliament. This individual would also publish an annual report on implementation, programs and national progress as measured by the key indicators cited in this report.

Ongoing program evaluation is, of course, vital to the success of the Strategy. Only with effective evaluation can we optimize the use of programs that work and quickly abandon or repair those that are ineffective. Our recommendations therefore address the necessary evaluation of initiatives and identify the need for the Government of Canada to enhance the evaluation capabilities of financial literacy education providers.

No evaluation of program effectiveness would be complete without a measurement of overall impact on the financial literacy of Canadians. This will likely involve ongoing survey mechanisms at the national level as well as Canada's active participation in comparative international assessments. Statistics Canada's 2009 *Canadian Financial Capability Survey* has paved the way for the development of a National Financial Literacy Index to serve as both a report card on current efforts and a benchmark for future progress.

Conclusion: The Way Forward

The Task Force on Financial Literacy has set out the main priorities for a National Strategy on Financial Literacy. The Task Force believes that the proposed National Strategy will enable Canadians to begin a collaborative journey toward strengthening the knowledge, skills and confidence they need to make responsible financial decisions at every stage of their lives.

Summary of Recommendations

1. The Task Force recommends that the Government of Canada appoint an individual, directly accountable to the Minister of Finance, to serve as dedicated national leader. This Financial Literacy Leader should have the mandate to work collaboratively with stakeholders to oversee the National Strategy, implement the recommendations and champion financial literacy on behalf of all Canadians.
2. The Task Force recommends that the Government of Canada establish an advisory council on financial literacy, both as a forum for collaboration and to provide ongoing advice to the Financial Literacy Leader on the implementation and evolution of the National Strategy. The council's membership should reflect the diversity of the stakeholders with an interest in the National Strategy.
3. The Task Force recommends that the Government of Canada include financial literacy as an essential skill in its *Essential Skills Framework*.
4. The Task Force recommends that all provincial and territorial governments integrate financial literacy in the formal education system, including elementary, high school, post-secondary education and formalized adult learning activities.
5. The Task Force recommends that all provincial and territorial governments provide financial literacy professional development opportunities for teachers. The Government of Canada should support these efforts by making financial literacy professional development resources available and accessible for teachers.
6. The Task Force recommends that employers incorporate financial literacy training into their current workplace training programs and communications. To that end, the Government of Canada, as well as provincial and territorial governments, should make workplace financial literacy programs eligible for tax assistance. Governments should demonstrate leadership as employers by developing workplace financial literacy programs for employees throughout their careers.
7. The Task Force recommends that financial services providers put a strong emphasis on delivering educational information and ensuring that it is fully understood by Canadians at “teachable moments” so that Canadians can make responsible financial decisions.
8. The Task Force recommends that the Government of Canada, in partnership with stakeholders, provide tools to help Canadians become better informed about the role and benefits of professional financial advice, as well as how to choose a financial practitioner.

9. The Task Force recommends that the Government of Canada promote financial literacy through federal programs that reach Canadians directly (e.g., Employment Insurance, Old Age Security, CPP, Universal Child Care Benefits), and that provincial and territorial governments do the same with their respective programs.
10. The Task Force recommends that the Government of Canada, in partnership with provincial and territorial governments, integrate a financial literacy component into the Canada Student Loans Program for students receiving funding.
11. The Task Force recommends that the Government of Canada make financial literacy training programs for young Canadians eligible for funding through the Youth Employment Strategy.
12. The Task Force recommends that the Government of Canada, as part of the 2011–2012 renewal of its Urban Aboriginal Strategy (UAS), make financial literacy training programs for young Aboriginal Canadians eligible for funding.
13. The Task Force recommends that the Government of Canada provide relevant financial information and education services for recent newcomers to Canada through its orientation services (both abroad and in Canada), the Immigrant Settlement and Adaptation Program and the Language Instruction for Newcomers to Canada Program.
14. The Task Force recommends that the Government of Canada, as well as provincial and territorial governments, invest in the capacity of the voluntary sector to offer financial information, learning and guidance to Canadians.
15. The Task Force recommends that the Government of Canada support existing capacity-building initiatives in First Nations communities by offering culturally relevant financial literacy tools, training and resources to organizations involved in these initiatives.
16. The Task Force recommends that the federal, provincial and territorial governments help Canadians maximize the financial benefit from government programs for which they are eligible by:
 - a) Ensuring simplicity and clarity in the way programs are written and structured;
 - b) Simplifying application processes; and
 - c) Intensifying outreach initiatives to improve Canadians' awareness of these programs and their eligibility criteria.
17. The Task Force recommends that employers offer automatic saving programs and tools to facilitate increased lifelong saving by Canadians, drawing on international best practices in this area.

18. The Task Force recommends that the Government of Canada create, maintain, continuously upgrade and promote a single source website for financial literacy, in an effort to increase public awareness about, and ease of access to, information.
19. The Task Force recommends that the Government of Canada, in partnership with stakeholders, establish a comprehensive and ongoing public awareness campaign to promote awareness of the need for financial literacy.
20. The Task Force recommends that organizations involved in financial fraud prevention and education, from securities commissions to financial institutions, intensify their efforts to raise fraud awareness among the most vulnerable Canadians. In particular, the Government of Canada should strengthen its existing programs related to financial fraud awareness and prevention (e.g., Fraud Awareness Month, the Federal Elder Abuse Initiative) and explore other opportunities to heighten Canadians' awareness, including through further collaboration with stakeholders.
21. The Task Force recommends that the Government of Canada use existing research and best practices to make available and promote a financial literacy self-assessment tool for Canadians.
22. The Task Force recommends that governments and private sector organizations initiate financial literacy awards and competitions for youth, students and workforces in Canada. For example, the Government of Canada should establish a new teacher award in financial literacy education, administered through the Prime Minister's Awards for Teaching Excellence.
23. The Task Force recommends, given the importance of clear communication, that the federal, provincial and territorial governments require all financial services providers within their respective jurisdictions to simplify their informational materials and disclosure documents. Governments should lead this effort by reviewing and improving their own public informational materials to ensure they meet clear communications principles.
24. The Task Force recommends that the Government of Canada measure progress on the National Strategy by:
 - a) Reviewing and repeating the *Canadian Financial Capability Survey (CFCS)* at appropriate intervals;
 - b) Using a smaller basket of indicators, in the years between dedicated CFCS studies, to gauge interim changes in Canadians' financial literacy; and
 - c) Establishing specific targets to assess Canadians' progress on financial literacy as measured in the CFCS.
25. The Task Force recommends that the Government of Canada, in collaboration with provincial and territorial governments where appropriate, make every effort to capitalize on opportunities to benefit from international financial literacy assessment initiatives at the next available opportunity.

26. The Task Force recommends that all stakeholders establish clear evaluation standards for their investments in financial literacy programs. To that end, the Government of Canada should offer resources and tools to support and enhance the evaluation capabilities of financial literacy education providers, particularly voluntary agencies.
27. The Task Force recommends that the Government of Canada publish periodic progress reports to Canadians on the implementation of the National Strategy.
28. The Task Force recommends that the Government of Canada amend the *Public Accountability Statements Regulations*, which require federally regulated financial institutions to publicly report on their contributions to Canadian society, to include disclosure on financial literacy initiatives, as follows:
 - a) Financial literacy initiatives should be added to the list of “what statements must contain” (c.f. section 3.(1) of the regulations); and
 - b) A clear definition, guidelines or parameters around what constitutes a “financial literacy initiative” should be specified for reporting purposes.
29. The Task Force recommends that, beyond financial institutions, all organizations of sufficient size (e.g., those listed on S&P/TSX60) report on their participation in the National Strategy through their existing annual shareholder reports, corporate social responsibility reports or other public reporting channels.
30. The Task Force recommends that the Government of Canada continue to sponsor and undertake research in financial literacy and to share Canadian and international research findings with all stakeholders.

Information about the work of the Task Force is available on the Internet at
www.financialliteracyincanada.com