

Financial help for those affected most by the affordability crisis

The affordability crisis is driving growing financial vulnerability

Canadians are increasingly struggling to make ends meet and Prosper Canada and our partners are witnessing firsthand the growing and deepening financial vulnerability of Canadian households. This trend has been building for some time, but has been exacerbated by the pandemic and ensuing inflation, and has culminated in the current affordability crisis.

According to the Angus Reid Institute, 1 in 3 Canadians overall and 1 in 2 Canadians with incomes under \$50,000 say they're now in either "terrible" or "bad" shape financially.¹ Among those in "terrible" or "bad" shape, 94% and 80% respectively say it is difficult to feed their household.² More generally:

- 67% of Canadians have cut back on their discretionary spending
- 40% have had to draw down on their savings
- 35% have had to defer RRSP or TFSA contributions
- 13% are borrowing from friends and family, and
- 8% have taken out a bank loan to make ends meet.³

In addition, 36% of Canadians report that they are short of money at the end of the month, versus 19% in 2019.⁴

Financial help is missing for those most affected

Many low- and moderate-income Canadians have no place they can turn when financial crises hit. They need help to access all the income available to them, to balance their budgets, tackle debt, and rebuild their financial resilience. The stakes are high – having this support can be the difference in not having to choose between buying groceries or paying their rent.

Mainstream financial services often aren't specialized in the type of support and services needed by low- and moderate-income Canadians,⁵ and this population is more vulnerable to predatory financial behaviour. This is partly why Canada's National Financial Literacy Strategy identifies enhancing access to trustworthy and affordable financial help services as a key priority for building the financial resilience of Canadians.⁶ Given the current economic context, this priority has grown in urgency.

Research and on-the-ground experience show that there is significant demand for tailored, community-delivered financial help services from low- and moderate-income people. Independent evaluations of large-scale Canadian pilot programs have demonstrated their effectiveness and high levels of client satisfaction.⁷ ⁸ Select community organizations offer free, appropriate, and comprehensive financial help services but are not consistently funded and do not have the resources or geographical reach to meet the needs of all Canadians with low and moderate incomes who need help.⁹

A targeted investment could close the gap

Prosper Canada is calling for **sustained national investment in on-the-ground financial help programs for low- and moderate-income Canadians**. With a targeted investment of \$85M over 5 years in community-delivered financial help services, the Government of Canada can eliminate the financial help gap for 1.5 million financially struggling Canadians and connect them to an additional \$2 billion in income benefits they are eligible for but not receiving.

Service reach could extend to every province and territory and include one-on-one financial problem solving, financial education, help with debt management, and setting and pursuing savings goals, as well as year-round support with tax filing, benefit screening and assistance.

These services are a lifeline to financially vulnerable Canadians, providing them with the help they need to tackle affordability and other money challenges and build a stronger, more secure, financial future for themselves and their families. Additionally, they will help to reinforce and complement related government initiatives aimed at strengthening consumer protection, including protection from predatory lenders, creation of safe and affordable credit alternatives, and expanded access to low-cost bank accounts for vulnerable consumers.

1.5 million Canadians would benefit

The proposed investment would support equitable expansion of services to all regions in Canada and to people living in rural, remote and Indigenous communities. Services would be delivered through three primary channels:

- **Regional Financial Help Hubs** – Community organizations selected by a competitive request for proposals (RFP) to deliver financial help services on a regional basis. Hubs will deliver services directly and through outreach and partnerships.
- **National, toll-free Financial Help Hotline** – To enable people living anywhere in Canada and those with mobility challenges to access the full suite of financial help services by phone.
- **Online Financial Self-Help Hub** – A one-stop source of tailored and tested consumer financial information, tools, and resources designed for people with low and moderate incomes seeking to improve their financial stability and health.

Services would include:

- **One-on-one financial coaching and problem-solving** help with budgeting, basic banking, debt management, credit repair, RESP and Canada Learning Bond enrolment, and saving.
- **Capacity development and training** for organizations running newly established services, provided by lead organizations with established financial empowerment program expertise and experience, enabling the expansion of services across the country.
- **Benefit screening and assistance**, including year-round tax filing supports, to close the gap in take-up of federal benefits, which increases individual annual incomes by an average of \$3,500.

Participating community organizations would deliver these services to an estimated **1.5M** low- and moderate-income Canadians over **5** years, connecting them to an estimated **\$2B+** in new tax and benefit income.

This investment advances key government priorities

Expanded investment in community-based financial help services offers the federal government a proven and cost-effective way to advance many key priorities:

- Helping Canadians tackle affordability challenges and reduce their financial stress
- Closing the \$2B gap in take-up of federal income benefits by those who need them most
- Making progress against national poverty reduction targets
- Protecting vulnerable consumers from predatory lenders
- Connecting vulnerable consumers to affordable small-value credit, where available
- Connecting vulnerable consumers to trustworthy and appropriate debt help
- Promoting uptake of low-cost bank accounts by eligible consumers, and
- Building financial resilience through increased savings.

FCAC should be the lead government agency

We are keen to partner with the Government of Canada on the details of the delivery of this program. The Financial Consumer Agency of Canada (FCAC) is best positioned to administer this investment, given its ownership of the National Financial Literacy Strategy, its deep knowledge of the financial challenges facing Canadians, and its strong relationships with the stakeholders working to help Canadians rebuild their financial health and build a more accessible, inclusive, and effective financial ecosystem for all Canadians.

There are different funding models the Government of Canada could consider for this investment, including seeking funds from financial institutions, as partners in helping to strengthen the financial ecosystem for low-income consumers. FCAC is currently largely funded through levies on the financial industry and other national governments, like the UK and Australia, have partnered with the financial sector to fund community delivered financial help services.¹⁰

With respect to the administration of related grants, this function could be fulfilled by the FCAC directly or by a granting intermediary organization. Prosper Canada would be pleased to support the government as an advisor or a granting intermediary, leveraging our 30+ years of experience in designing, testing, and scaling financial help services, administering national granting programs, building frontline service capacity, and driving continuous service improvement and innovation.

In this capacity, we have mobilized partners and resources from all sectors to help more than **1 million** low- and moderate-income individuals to build their financial health and grow their incomes by **\$1.26 billion**. Prosper Canada is therefore uniquely positioned to support the federal government to implement this investment to achieve maximum reach and impact against its goals. Our capabilities include:

- Program financial management and administration
- Administration of open, competitive RFP processes to select service providers
- Negotiation of annual service plans and targets with service providers
- Onboarding and training of new organizations
- Outcome monitoring, performance management, and project evaluation
- Knowledge mobilization and animation of a national community of practice to foster continuous service improvement and innovation, and to enable the expansion of services across the country
- Promotion of integration of financial help into relevant municipal and/or provincial services
- Leveraging of complementary provincial/municipal government, financial sector and philanthropic investment to expand service capacity, reach and impact, and
- Program reporting.

Prosper Canada will continue to work with private and community partners from across the financial services sector to secure business and philanthropic investment to pilot innovative approaches to delivering financial help to underserved populations and continue our work to identify how other financial service providers can better serve financially vulnerable Canadians.

Further, Prosper Canada will pursue investment and service integration opportunities with provincial, territorial, and municipal governments, including offices delivering social assistance and other programs serving predominantly low- and modest-income Canadians. We commit to directly leveraging an additional \$4M/year from the private sector, foundations, and other funders to advance the goals of this investment.

Prosper Canada – Who we are

Prosper Canada is a national charity dedicated to expanding economic opportunity for Canadians living in poverty through program and policy innovation. As Canada’s leading champion of financial empowerment, we work with government, business, and community partners to develop and promote financial policies, programs, and resources that transform lives and foster the prosperity of all Canadians. www.prospercanada.org

Proposed 5-year budget

An investment of **\$85M** over **5** years and would reach **1.5M** Canadians and increase their incomes by an estimated **\$2B**. Annual total costs are estimated to be \$12.4M in Year 1 and \$18.15M annually thereafter in Years 2-5.

PROPOSAL COMPONENTS	5-YEAR COSTS
<p>1. Regional Financial Help Hubs and related community-delivered financial help services Selected community organizations deliver financial help services, including year-round tax filing and benefit assistance, one-on-one financial coaching and problem-solving. Estimated 5-year reach: 1M low- and moderate-income Canadians access services and access an estimated \$1.94B+ in new tax and benefit income.</p>	\$55,000,000
<p>2. Free financial counselling phoneline Dedicated phone line staffed by expert financial counsellors providing guidance on a range of financial topics and referrals to appropriate community supports. Estimated 5-year reach: 100,000+ low- and moderate- income Canadians (over years 2-5), connecting them to an estimated \$60M in new tax and benefit income.</p>	\$17,000,000
<p>3. Online Financial Self-Help Hub One-stop online source of tailored financial information, tools, and resources for use by clients directly or through support providers. Estimated 5-year reach: 400,000+ low- and moderate-income Canadians (unique website visitors).</p>	\$3,800,000
<p>4. Financial help resources, training & capacity building for frontline delivery partners Enhancing and expanding existing suite of foundational financial literacy resources, tools, and training courses and a national peer-to-peer community of practice to equip frontline service providers to deliver quality financial empowerment services.</p>	\$4,600,000
<p>5. Program management, monitoring and evaluation Delivery of grant RFP process, program setup, coordination of the different program components, financial management, program monitoring and reporting, and coordination of external evaluation on select program elements.</p>	\$4,600,000
TOTAL	\$85,000,000

¹ Angus Reid Institute. Tightening up, drawing down: Vast majority of Canadians making tough decisions to handle cost-of-living crisis. 2023. Available from <https://angusreid.org/cost-of-living-inflation-discretionary-spending-savings-canada/>

² Ibid.

³ Ibid.

⁴ Financial Consumer Agency of Canada. Canadians' Financial Well-being: Summary of FCAC survey findings. 2023. Available from <https://www.canada.ca/en/financial-consumer-agency/programs/research/summary-covid-19-surveys.html>

⁵ McNicoll, S., Mulholland, E., Fair, A., Panesar, H., and Rae, L. Missing for Those Who Need It Most: Canada's financial help gap. Toronto: Prosper Canada; 2023. Available from: <https://prospercanada.org/CMSPages/GetFile.aspx?guid=43a2876e-ebde-487f-9f15-e209a12e2364>

⁶ Financial Consumer Agency of Canada. Make Change that Counts: National Financial Literacy Strategy 2021-2026. 2021. Available from <https://www.canada.ca/en/financial-consumer-agency/programs/financial-literacy/financial-literacy-strategy-2021-2026.html>

⁷ R.A. Malatest & Associates LTD. Evaluation of the Financial Empowerment Champions Project: Final Report. 2021. Available from <https://learninghub.prospercanada.org/knowledge/evaluation-of-the-financial-empowerment-champions-project/>

⁸ R.A. Malatest & Associates Ltd. Evaluation of the Financial Empowerment and Problem Solving Project: Final Report. 2021. Available from <https://learninghub.prospercanada.org/knowledge/evaluation-of-the-financial-empowerment-and-problem-solving-project-final-report/>

⁹ McNicoll et al (2023)

¹⁰ See:

- 1) Citizens Advice Bureau. Briefing: Funding for debt advice through the FCA levy. 2014. Available from: https://www.citizensadvice.org.uk/global/migrated_documents/corporate/citizens-advice-briefing-on-funding-for-debt-advice-through-the-fca-levy-21-january-2014.pdf
- 2) Government of Australia. Ministers for the Department of Social Services. The Honourable Amanda Rishworth MP. Media Releases. Available from: <https://ministers.dss.gov.au/media-releases/13201#:~:text=Under%20the%20new%20Industry%20Funding,industry%2C%20totalling%20around%20%2430%20million.>