

ENVIRONMENTAL SCAN
OF THE SUPPLY OF FINANCIAL CAPABILITY INFORMATION
EDUCATION AND ADVICE IN CANADA

Ottawa

August 2006

Prepared by
SEDI
Social and Enterprise Development
Innovations



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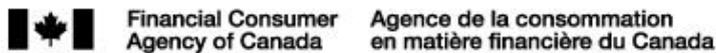
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* Appendices are available upon request by contacting SEDI at (416) 665-2828 ext. 239 or info@sedi.org

EXECUTIVE SUMMARY

SEDI has prepared this report at the request of the Financial Consumer Agency of Canada (FCAC) to assess the current state of the production and delivery of financial capability services and products in Canada. This final report presents our main findings and conclusions based on the quantitative and qualitative data SEDI has collected for the research project. In this report we provide updated (since our May 2006 interim report) quantitative information to describe the current state of financial capability as well as a synthesis of qualitative information from key informant interviews conducted in the spring of 2006. We present our analysis on the current state of the supply side of the financial capability marketplace, with a focus on accessibility and relevance.

Primary research for the current phase of the project was being conducted mainly through document reviews and web-based research and, where necessary, we attempted to fill information gaps through direct communication with study subjects (through telephone and/ or email). Data presented in this report was collected and coded by two researchers at SEDI, Petra Kukacka and Jennifer Robson, between January 2006 and June 2006. SEDI also worked with a subcontractor in Montreal to conduct and report on interviews with Francophone interview subjects in Quebec. In total, 133 organizations across Canada were included in the sample. The sample includes private, public and voluntary sector organizations offering products and/or services that increase consumer financial capability through information, education and/or advice.

The full report discusses the project methodology in greater detail and presents and discusses key findings and conclusions.

PROJECT OBJECTIVES AND OUTLINE

SEDI has prepared this report at the request of the Financial Consumer Agency of Canada (FCAC) to assess the current state of the production and delivery of financial capability services and products in Canada. The results from this environmental scan will inform the broader policy process as well as identifying potential priority areas for investment in pilot initiatives to boost financial capability supports or investigate new approaches to the delivery of financial capability services.

The current study was developed with the following objectives:

- a. To map out the full range of financial capability products and services for information, education and advice available in Canada including public education, adult learning opportunities, governmental or quasi-governmental sources, private and voluntary sector providers.
- b. To identify stakeholders for a proposed national consultation exercise on financial capability.
- c. To identify potential partners and resources for future investments in financial capability.
- d. To identify gaps in the market by age (including children, youth, working age adults and seniors), income/wealth, literacy/numeracy, ethnic background (Aboriginal, new Canadians, other linguistic or cultural minorities), access to technology, topic/life-course, region (including urban/rural/remote)

In the present report we focus on the first and last objectives and provide quantitative information to describe the current state of financial capability and to draw interim conclusions, where possible, about potential gaps in the market.

For this project, our primary research questions have been as follows:

- What are the supplier's objectives relative to the product or service?
- What is the nature and scale of the product or service?
- What methods are used for the production and delivery?
- Who is the target audience?
- How accessible is the product or service to consumers (including literacy levels, fees for service, media access, geographic distribution, etc..)?
- What is the target subject matter?
- What are the costs to the supplier, to consumers or to third parties for this product or service?
- Is there any evidence of consumer impact (including knowledge, attitudinal and behavioral change)?
- How does the product or service relate to a supplier's larger organizational objectives or interests?

- How do suppliers assess the current state of the market for financial capability products and services (including questions of demand and supply)?
- What are suppliers' perceived costs and benefits of engaging in financial capability services?
- What are the perceived challenges to suppliers?
- How do suppliers assess their own performance relative to their own objectives and the needs of the market?
- How are suppliers planning to change their performance in the short, medium and longer term?
- What are the perceived future opportunities and risks to suppliers?

METHODOLOGY

Operational Definition

SEDI has developed an operational definition of financial capability for the purposes of this project. It is guided by the conceptual framework used in the United Kingdom by the Financial Service Authority and cited by SEDI in several previous publications. For the purpose of this and other research, SEDI proposes that the conceptual definition of financial capability be understood as a set of financial skills, financial knowledge and financial behaviours among individuals. We propose that *an enabling environment for financial capability in Canada would ensure that all Canadians develop the skills and confidence to be aware of financial opportunities, to know where to go for help, to make informed choices, and to take effective action to improve their financial well-being.*

This present research is intended to study the supply of financial capability support to Canadian consumers directly (through consumer information, education or advice, where it is not specific to the sale of a single financial product) or indirectly (through information or education of trainers/educators who in turn deliver services to consumers). We have operationally defined this support in terms of products (such as websites or brochures) and services (such as individual counselling or group training programs).

The key distinction for SEDI is that the information, education or advice that is transmitted must be generalizable to more than one situation by consumers. For example, information regarding features of credit cards available on the market would enable consumers to build knowledge, skill and confidence that they could apply to several credit card purchase and use decisions and would therefore be included in our study. By contrast, the agreement documents related to a particular credit card product, for example, are specific to that one product and presumes a pre-existing level of financial capability.

More detailed information on our working definitions is included at Appendix 1.

Quantitative Data Collection Methods

SEDI has used a range of research methods to collect the required information in the current phase of the project. We began with a literature review to gather any information already available from secondary sources. As expected, this has been of limited value and the study instead is relying primarily on primary research. Primary research for the current phase of the project is being conducted mainly through document reviews and web-based research and, where necessary, we are attempting to fill information gaps through direct communication with study subjects (through telephone and/ or email). Quantitative data presented in this report was collected and coded by two researchers at SEDI, Petra Kukacka and Jennifer Robson, between

January 2006 and June 2006. A copy of all quantitative data is available upon request and can be obtained by contacting SEDI at (416) 665-2828 ext. 239 or info@sedi.org.

A Microsoft Access-based database was developed as part of this project. The draft design of the database was circulated to FCAC for review on February 15, 2006. In addition to reflecting the operational definitions discussed above as well as the data needs of the research objectives, SEDI has been guided by Statistics Canada's definitions of variables that describe an organization's sector and size. A copy of organizational contact information from the database is found in Appendix 3.

In addition to the database, SEDI has developed a standardized questionnaire or worksheet that we used to record data from all sources. This questionnaire (and by extension the database design it reflects) was beta-tested with 3 organizations which SEDI included in the sample and who volunteered additional time to help us test the research tools for this project. A copy of the final questionnaire is found in Appendix 4.

Quantitative Sample Size And Selection

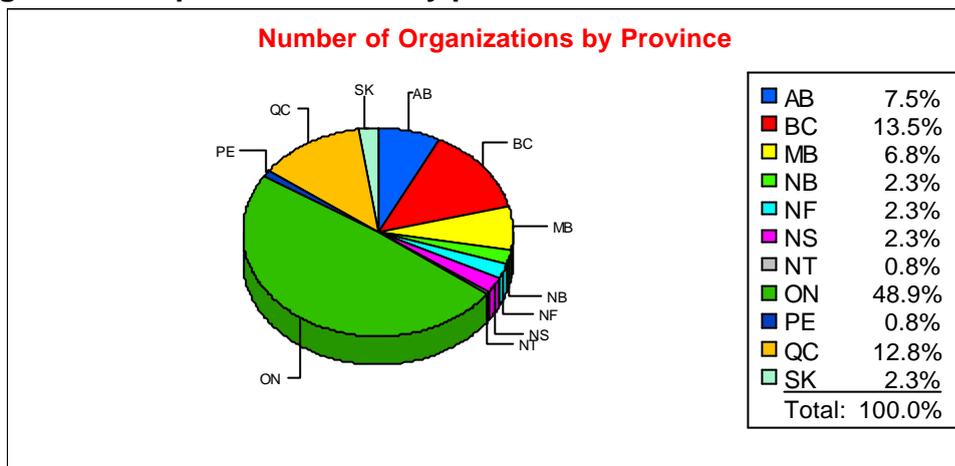
This study used a judgment sample. SEDI limited the sample size to no more than 350 Canadian organizations across public, private and voluntary sectors and including national, regional and local organizations. Based on our previous scans, we believe that this is more than sufficient to capture the range of activity in the supply of financial capability products and services and our challenge may in fact be coping with a smaller than expected real population. Within the time frame and resources allowed for the present study, we were able to sample 113 organizations, a number well below our expected cut-off. We don't have sufficient information to be able to conclude whether this was due to constraints in the data collection methods and timeframe or whether in fact we reached a saturation point and the Canadian market place is actually much smaller than we anticipated. We are however confident that our sample is large enough to provide valuable information.

We had also decided to limit our current frame to no more than each five products and five services per organization included in our sample. As the data collection progressed, we discovered that this could result in a skewed sample where a few organizations with many products and services could be over-represented. In the interests of collecting a broader and more representative sample, we lowered this threshold to no more than 3 products and 3 services although we have noted in many cases where an organization may provide a greater number than those catalogued in this survey (45 of the 113 organizations in the current data have more than 3 products or services). We believe again that this should be sufficient to meet the study objectives and will ensure that outliers have less impact on our analysis and conclusions.

The sample has been collected as a judgment sample. However several methods were used to limit potential biases in the selection of organizations to be studied. In our first wave of data collection through on-line and document searches, we attempted to stratify the sample to ensure roughly comparable representation across all regions and all sectors. We also asked key contacts to refer us to other organizations of interest and in that way used pre-existing networks.

However, as of this report, there are some important biases in the current data that must be noted. First, the sample is heavily weighted towards organizations based in Ontario (49% of all organizations sampled, see Figure 1 below). This is for two reasons: first, a large majority of the national and international organizations (such as federal government bodies, chartered banks and national associations) are headquartered in Toronto or Ottawa; and second, many of the first organizations sampled for this report were in the GTA and in gathering contact referrals we found that many providers of financial capability products and services are, understandably, more familiar with other providers in their geographic area.

Figure 1: Sample distribution by province



Another important source of bias in the data is the over-representation of non-profit organizations, particularly small, community-based organizations. In the first weeks of the data collection, SEDI was able to collect large amounts of data from our existing network of non-profit organizations in communities across Canada. However, collecting data from organizations outside our networks has proven to be much more time consuming and difficult resulting in an over-representation of the most responsive and easy to reach organizations, a response bias not uncommon in survey research, but that in this case results in an over-representation of small, non-profit organizations (see Figure 2 below).

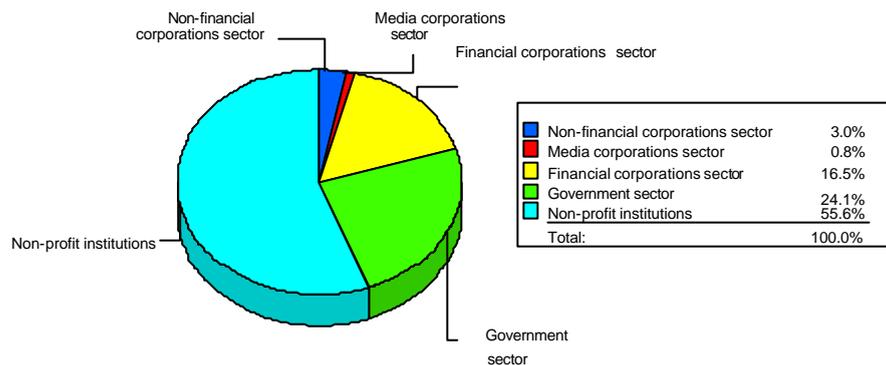
A final source of bias in the data set is that there were significant portions of the questionnaire (Appendix 4) that proved difficult and at times impossible to collect using the collection methods for this portion of the research project (ie: on-line research, document searches, etc..). These included:

- Organizational budget information for several organizations (such as credit counseling agencies and local better business bureaus) which have now been entered under the category of “other”.
- Product and service up-take information, particularly for on-line products and services. As a result, we have a somewhat skewed picture regarding relative supply levels (by region, target population, organization type and all other dependant variables).

- Product cost (to consumers), investment (production and delivery costs to suppliers) and impact or evaluation data proved very difficult to collect.

Perhaps the most significant source of bias in the current study is the weakness of data on up-take. Because we do not have good information on how many consumers are actually being reached (annually, for example) by most of the products and services included in our survey, we are left interpreting patterns that may include very large and very small services with very big differences between them in terms of market impact. Because of the limited information, we have excluded any detailed reporting or discussion of certain variables, but highlight them as areas for further research. Some additional information was collected during the in-depth interviews with key informants during the second phase of data collection however it is too limited to provide useful quantitative data for this final report. Again, further research may be required. Data collection methods should also be considered to increase the response rates from private sector organizations.

Figure 2: Sample distribution by organization type



Qualitative Data Collection Methods And Sampling

After the first phase of quantitative data collection was completed in March 2006, SEDI selected a sub-sample of organizations to act as key informants for the qualitative portion of the study. The aim of the qualitative study was to uncover organizational perceptions and to clarify or supplement the quantitative findings. In selecting key informant subjects, SEDI aimed to ensure geographic and organizational (in terms of organization type and size) representation. We also took into account information from the quantitative scan and aimed to interview organizations that appeared to have significant levels of activity on which they might base their responses to the questions posed.

Response rates proved to be very challenging. We estimate that up to one third of the original sub-sample declined to participate in the interview process. Where possible, SEDI selected other organizations to maintain balance in the sample. In total, SEDI was able to complete 20 interviews with representatives from organizations in each of the main sectors noted earlier (see Figure 2) and operating in every region (with the exception of organizations specific to the territories). To maintain the confidentiality of key informants, identifying information has been removed from this report, however a copy of the sample distribution (by region and sector) for the interviews is found in Appendix 5.

Interviews were conducted by telephone between April and late May 2006 by two interviewers in each English and French. Before contacting interview targets, SEDI developed an open-ended interview questionnaire. Because of an administrative error, 2 versions of the questionnaire were used in the study such that one version was used in the English interviews (found in Appendix 6) and another was used in the French version. The subjects covered in both interview templates were, for all intents and purposes, roughly comparable and did not impede the primary research aims for the qualitative study.

Detailed written notes were taken by both interviewers and returned to the research lead for coding and analysis. First, all interview notes were reviewed and any identifying information was removed. Next, the text was analyzed and key responses were excerpted and entered into an Excel spreadsheet organized by interview topic area. The interview excerpts were then coded and patterns in responses were analyzed. A copy of the interview response excerpts and coding is found in Appendix 8.

FINAL RESULTS AND DISCUSSION FROM THE QUANTITATIVE STUDY

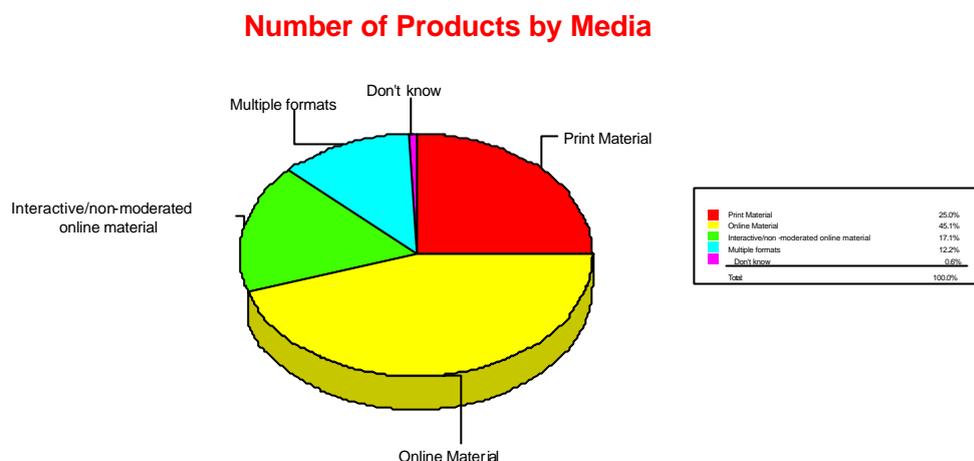
Among the 113 organizations sampled to date, we have recorded 164 products and 99 services that may increase Canadian consumers' financial capability through access to financial information, education or advice. There does appear to be some concentration of activity among a portion of the organizations surveyed. For example, 45 organizations offered more products or services than could be included in the present study. Another 12 organizations provided no products at all (focusing only on services) and another 48 provided no services at all (focusing entirely on products). It appears that certain organizations may be more heavily invested as leaders in the field while others may offer a more limited range of financial capability supports that are tangential to their core areas of business. As well, it is worth noting that the overlap between providers of products and providers of services is imperfect. Where services are delivered, it suggests that products required to support them (for example training materials or curricula) may not necessarily be the property of the sponsoring organization.

In the following section, we turn our attention to the 164 products included to date in this study.

Financial Capability Products In Canada – Final Results And Discussion

Among the 164 products included in this study, on-line products such as websites, web-based portals, electronic documents, on-line interactive tools (such as calculators or worksheets), were by far the most common media format (see Figure 3 below). Fully 66% of the products surveyed were available only on-line, including products available in more than one format. When looking at delivery systems, fully 81% of all products relied on electronic delivery (for example, a print document might be available when ordered off a website). This may be partly an artifact of the data collection method which relied heavily on internet-based research. However, it is also consistent with two previous scans conducted by SEDI and suggests that the use of information technology is important to understanding the delivery of financial information, education and advice in Canada.

Figure 3: Distribution of sampled products by delivery format



Providers of financial capability products may view the internet as a cost-effective and efficient way to deliver information, education and advice. It enables relatively large amounts of information to be made available on-demand to consumers and enables producers to update (avoiding costly and time-consuming printing and distribution of printed materials), add and change information with relative ease, and even to target various products to different consumer segments by, for example age, life-stage or financial goals without limiting information delivery to other interested consumers. For example, using a web-based portal, one organization could make available several packets of information geared to particular demographic groups, without limiting access to information of interest to several target groups. By contrast, achieving the same simultaneous targeting and breadth in a printed form would require multiple and/or very lengthy documents, as well as significantly higher production and distribution costs.

From a consumer perspective, on-line materials offer several advantages in protecting a degree of privacy through self-serve delivery. In other words a consumer can look for relevant financial information without necessarily revealing a great deal about their personal financial circumstances to another person. For those with easy internet access, on-line delivery may also be very convenient offering just-in-time delivery whenever a consumer is seeking financial capability information, education or advice.

That said, reliance on on-line technology also raises serious concerns with regards to access. First, internet access in Canada is not universal, particularly for rural/remote communities or for lower-income Canadians who may not be able to afford either the hardware or connection costs. Although many communities offer public access points (for example in local libraries) there are trade-offs in terms of personal privacy and the timeliness of information. Second, on-line technology also presumes a degree of digital literacy and proficiency that may or may not be shared by all consumers. In addition to the basic literacy, digital formats bring their own literacy and capacity issues as users absorb and use information in very different (often less absorptive) ways when it is presented in digital as compared to printed format.¹ Third, for persons with

¹See for example, Estes and Spires (2002) "Reading in Web-Based Environments", in Block and Pressley eds. *Comprehension Instruction*, New York, Guilford Press, p. 115-125.

communications disabilities (ie. visually impaired persons), on-line materials may or may not present particular difficulties, depending on the adaptive technologies to which they may or may not have access. Fourth, the nature of on line delivery precludes the kind of human interaction and support that can be necessary for people to build their confidence in ways that enables them to incorporate their learning into their daily lives. Finally, on-line financial capability products may not necessarily be as reliable as information, education and advice delivered in other formats. For example, it is not impossible for on-line information to be tampered with or for technical difficulties to render it temporarily unavailable. For all these reasons, it is worth raising serious questions about the degree to which providers of financial capability products are serving the needs of Canadians by relying so heavily on on-line media.

Financial capability products in Canada also tend to primarily serve the goal of passive dissemination of information. For the purpose of this study, we differentiated between the goals of information, education and advice. Information, in our working definition involves the transmission of facts to consumers who must then interpret and apply the information as they see fit. Education, in our conception, will involve the acquisition of new financial skills and competencies (such as money management or budgeting) that can be applied in a variety of settings. Advice, in our conception, will involve the ability to make a sound financial decision (such as selecting a financial product between one or more alternatives). As illustrated in Figure 4 below, a significant portion of the financial capability products included in this study appear to aim primarily at increasing consumer information, indeed nearly a third appear to offer this as their only aim. Among all products, including those with multiple goals, provision of financial information is included as an aim more half (50%) of the time.

Figure 4.1 illustrates the distribution of products across the multiple goals included in this study, and further shows the predominance of information-focused products in the marketplace, over advisory or educational products. The figure is presented as a venn-diagram with each overlapping circle representing one objective of financial capability products (information, education and advice). This study included any product that might fall anywhere in the shaded areas, but the final distribution of sample products (illustrated in scatter-points)

This is significant from a consumer perspective in that the current market of financial capability products may not be adequately responding to consumer need for advice or for the development of new financial skills and capacities. More information is not necessarily always adequate for consumer interests. Indeed, the availability of more financial information may, without adequate skills (25% of all products surveyed) or advice (22% of all products surveyed) actually be contributing to lower rather than greater levels of financially capable behavior as consumers suffer from information overload.

Figure 4: Distribution of products by purpose

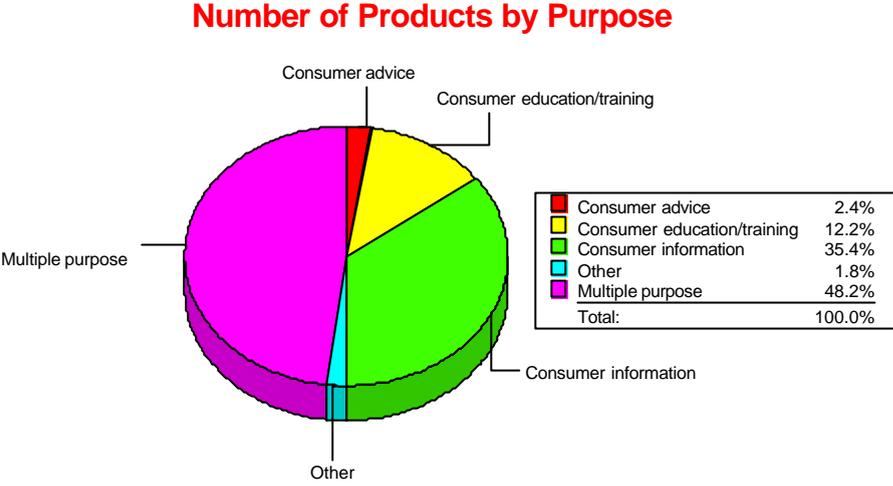
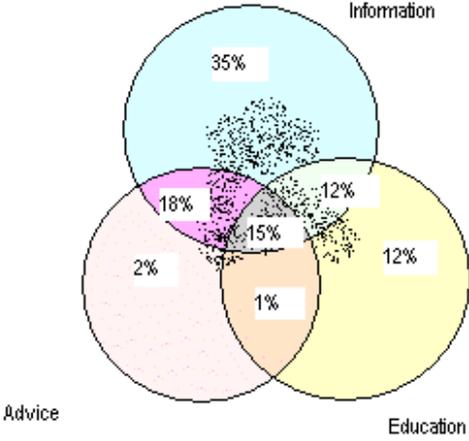
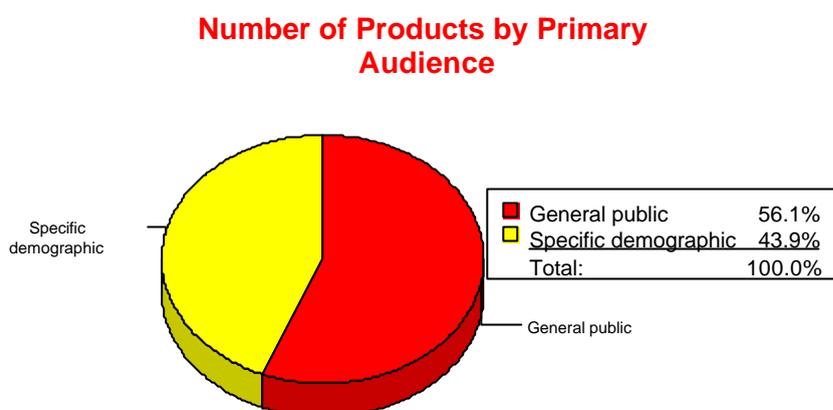


Figure 4.1: Distribution of products by purpose



In addition to paying attention to product aims, the target audience(s) for financial capability products must also be considered. Among the products surveyed to date, a slim majority appear to be aimed at a very general audience (56%, see Figure 5 below). On the one hand, this suggests that most products offer some relevance and accessibility to most Canadian consumers. On the other hand, it suggests that more personalized needs for financial capability products may be underserved.

Figure 5: Distribution of products by primary audience



Where products were more clearly aimed at a particular audience, certain target groups emerged as the main beneficiaries.

Box 1: Most frequent audiences among targeted audiences for financial capability products

Middle-wealth	(33.3%)
Middle income	(31.9%)
High income	(31.9%)
High wealth	(31.9%)
Youth aged 16-24	(26.4%)
Trainers/ educators/ facilitators	(20.8%)
Youth under 16 years of age	(18.1%)
Students	(16.7%)

Note: Percentages are the percentage of products that serve a particular demographic; single products may be targeted to more than one demographic.

As illustrated in the box above, middle and high income/wealth Canadians appear to be the best served groups when it comes to the provision of financial capability products. This may be for several reasons. First, to the degree that suppliers in the private sector are concerned with seeing a return on their investment in product development and delivery, they may be targeting consumers estimated to be more able to pay for their products. Second, it may reflect a bias in the market against lower income and lower wealth consumers. This finding is significant in light of the previously discussed over-representation of non-profit organizations (many of whom make

vulnerable groups the primary target population for their products and services) in the study sample. Providers may be presuming that consumers with fewer financial resources have less need or interest in financial information, education and advice on the basis that they enjoy fewer financial resources. This is an assumption that SEDI has argued strenuously against. More light might be shed on the issues of target groups when considering the topics represented among financial capability products (see Box 2 below) however issues of demand and interest among vulnerable groups of consumers will ultimately need to be explored in future research.

Box 2: Most frequent topics addressed in financial capability products

Credit/ debt	(54.3%)
Consumption	(51.8%)
Saving	(51.2%)
Budget/ money management	(48.2%)
Financial planning	(47%)
<p>Note: percentages are % of products that cover certain topics; single products often covered more than one topic.</p>	

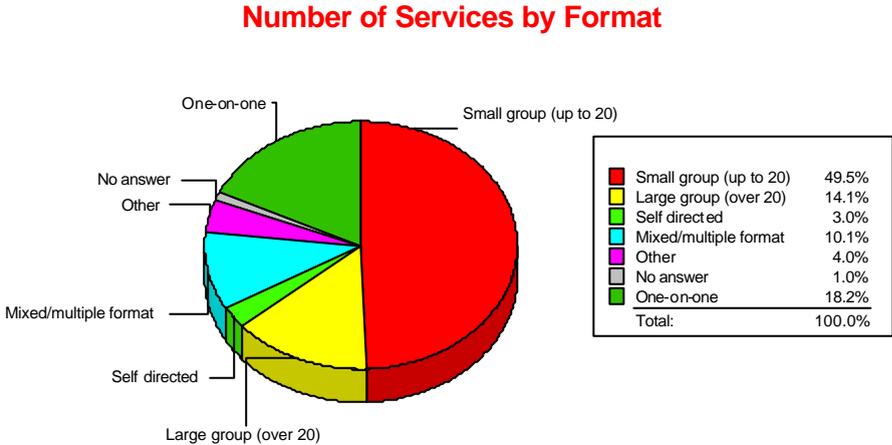
Based on the informal input we have received from our networks of agencies working with low-income and low-wealth Canadians, there may be topics that are of greater or lesser interest to this target group: for example, avoiding financial fraud, understanding and accessing public benefits and basic banking – notably none of these appears on the list above. This in no way suggests that information regarding credit and debt or any of the financial topics listed in the table above would not be of interest to lower income and wealth Canadians. Rather, it suggests a pattern that, in designing products for the broad and wide middle demographic, providers of financial capability supports may be inadvertently leaving out large swathes of the population.

In the following section, we turn our attention to the 99 financial capability services included to date in this study and examine to what degree they follow similar patterns to the products discussed above.

Financial Capability Services In Canada – Final Results And Discussion

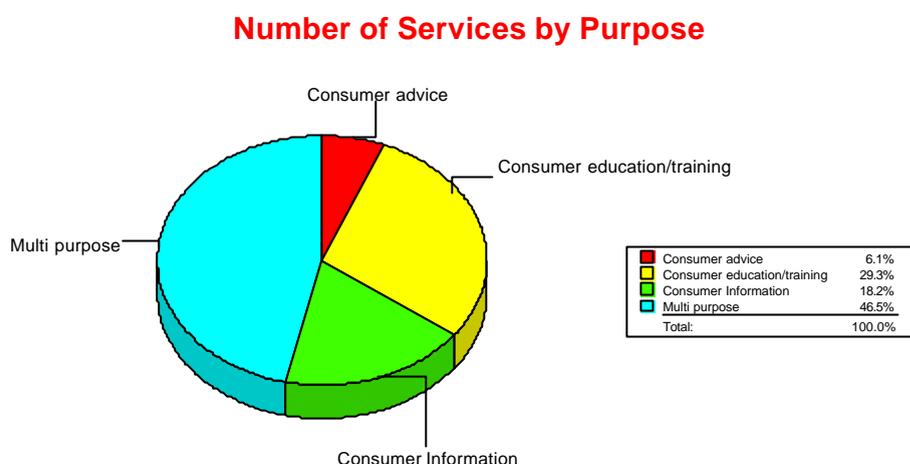
Among the 99 financial capability services included in this current report, most (49.5%) are delivered in small groups of no more than 20 people (see Figure 6 below). Another 10% are available to consumers in multiple formats, including small groups. This may at least be partly a reflection of the relative over-representation of non-profit organizations. Many of these, for example those included in SEDI’s own immediate networks, offer financial capability training programs delivered in small groups over one or more sessions. While there may be advantages in efficiencies and in effects (such as opportunities for peer learning and support), it may also be worth asking to what degree group settings, even small groups, serve the full range of needs among consumers. There is also an equity argument to be made. As referenced above, higher income and higher wealth consumers are more likely to enjoy highly personalized access to a knowledgeable financial expert – a service for which they pay in fees or charges or which are provided by the institution if an individual’s financial portfolio (held by that institution) has surpassed a certain value. But the personalized nature of the service first ensures that the advice and information being delivered is more likely to be relevant and suitable to the particular needs of the consumer. Second, it also protects the consumer’s desire for privacy in discussion personal financial issues in a public setting – something that many consumers may experience some degree of discomfort with.

Figure 6: Distribution of services by format



As compared with products, a larger proportion (46.5%) of financial capability services appear to serve multiple aims among transmitting financial information, education and advice. This may be a reflection of the pedagogical differences between products and services in that it may be easier to cover a wider range of goals and adapt a person-to-person (even in a group format) to these multiple goals. To the degree though that a broad view of financial capability includes skills, knowledge and confidence, it suggests the market must maintain an appropriate balance between products and services to meet consumer need. More research is needed to evaluate the adequacy of the current balance.

Figure 7: Distribution of services by purpose



As compared with financial capability products, financial capability services are somewhat more likely to have been developed for a particular target audience (61.6%) rather than the general public (38.4%). What’s more interesting though is the types of target audiences most frequently cited by providers of financial capability services (see Box 3 below). While youth are often the target audience for financial capability products and services, low-income Canadians are the single largest target group for service-based intervention. However significant caution should be used in interpreting this finding given that voluntary sector organizations (and particularly those serving disadvantaged groups) were, as noted earlier in this report, highly over-represented in the current sample. As well, little if any data was available to look at the uptake of financial capability services. So while services for low-income Canadians may appear to be plentiful in the current sample, the real number of consumers served may be quite small, particularly when compared with the services offered by financial institutions and for-profit advisors which tend to be geared towards middle and upper income Canadians.

Box 3: Most frequent audiences among target audiences for financial capability services

Low-income	(41%)
Public income assistance recipients	(21.3%)
Low wealth	(18%)
Youth aged 16-24	(16.4%)
Students	(16.4%)
Middle-income	(14.8%)

Note: Percentages are the percentages of services that serve a particular demographic; one service may be targeted to more than one demographic.

There are also interesting patterns when looking at the most frequent topics addressed in financial capability services. In many cases they overlap with those noted in the financial capability products listed above. However, in the case of services, saving emerges as the most frequent, followed by budgeting/money management, credit and debt. This is again perhaps, at least partly, a reflection of the prevalence of non-profit organizations (and particularly those engaged in asset-building programs) in the current sample. For example, “saving” emerges as the leading topic for financial capability services (which would be consistent with the training offered as part of asset-building programs such as Individual Development Accounts), followed by “budget/money management” (a skill set perhaps considered key to wealth accumulation and asset-building) and “credit/debt” (often issues that impede financial security or wealth accumulation). The data in the current study suggest a strong link between financial capability services and asset-building programs. This finding does need to be interpreted with significant caution because, as repeatedly noted throughout this report, our study wasn’t able to gather sufficient information on uptake to weight products and services to reflect the real number of consumers served. As a result we may be seeing patterns that reflect a large number of very small programs.

Box 4: Most frequent topics among target audiences for financial capability services

Saving	(76.8%)
Budget/ money management	(75.8%)
Credit/debt	(72.2%)
Consumption	(58.6%)
Consumer rights and redress	(54.5%)
Note: percentages are % of services that cover certain topics; single services often covered more than one topic.	

Accessibility – Language, Alternate Formats, Literacy, Cost

There are several barriers which might impede access to financial capability products and services. Regardless of the quality, adequacy and relevance of the financial information, education or advice provided in the product or service, delivery issues such as language, literacy, media formats and cost can make all the difference to consumers with linguistic challenges, literacy/numeracy challenges, persons with disabilities or persons living in low-income. Assessing the quality, adequacy and relevance of the financial capability content delivered to

Canadian consumers is beyond the scope of the current project but we raise it as an important area for future discussion and research.

Particular gaps in the market may exist for non-English speaking consumers. Of the 164 products surveyed, nearly half (81) were available in English only and a little better than a third (65) were available in English or French. However, consumers whose first language is neither English nor French could turn only to 7 out of 164 (4.3%) of products to improve their financial capability. Consumers of services fared only slightly better with 40 out of 99 (40.4%) available in English only and 16 (16.2%) available in English or French. Nearly a quarter (23.2%) of services in this study are available in a multilingual format.

Consumers with communications related disabilities will also face significant barriers to accessing financial capability products in Canada. We were able to confirm that only 35 are available in alternate formats for persons with disabilities. Again, consumers of services may fare better with more than half (57.6%) of financial capability services being offered in formats accessible to persons with disabilities.

Although this study did attempt to rate products in terms of document complexity using pre-established literacy rating scales, we have some concerns regarding the reliability of the way the external scale was implemented in this study. As a result we report on the judged literacy levels of the products in this survey but do not discuss the significance of this result. Of the 164 products included in the study, a large majority (103) were judged by the research team to be of a basic or level 1 literacy. Further and more detailed research would be required to either confirm or dispute this finding.

Last but certainly not least, cost can be a significant factor in the accessibility of financial capability products and services to consumers. We experienced significant difficulty in obtaining accurate and reliable information regarding the real costs to consumers and providers of financial capability products and services. Particularly among private sector organizations, we found this information is generally considered to be proprietary or may be difficult to deduce from published service fees expressed as a percentage of an account balance. In this study, an overwhelming majority of products (151 out of 164) are available free of charge to consumers. This may be an artifact in part of the large segment of web-based products found and included in our sample. Internet technologies enable low or no-cost end use product development and distribution to consumers with relative ease and low production and distribution costs. That said, costs of accessing the products through associated technology expenses (hardware, software and connection charges) are not insignificant and as a result even 'free' products may be out of the affordability range for certain low-income consumers. Among the handful (10) of products that required some form of payment (either a direct fee or an indirect charge such as a subscription or membership), the dollar amounts of the charges to consumers are relatively low, ranging from \$0.55 to \$69.95. Financial capability services in this study appear to come at a significantly higher cost to consumers: Nearly a third (28.2%) are offered at some direct or subscription/membership-based fee to consumers and among these the cost to consumers ranges from \$5.00 to \$125.00.

RESULTS FROM THE QUALITATIVE STUDY

Key informant interviews conducted with a sub-sample of organizations in the study have revealed somewhat more nuanced information about the supply side of the market for financial capability in Canada. Interviews were semi-structured to ensure that basic questions were posed while also encouraging frank and open responses from key informants. Responses are discussed below and some relevant excerpts from interviews are included for illustrative purposes. A complete list of coded interview excerpts is found in Appendix 8.

Understanding The Construct

Except in a few cases, many key informants were unfamiliar with the term “financial capability” but most agreed with the proposed working definition developed by SEDI and generally understood the construct. One respondent noted:

“[Translation] Financial capability is, at the same time, a skill and a state of being.”

Other respondents emphasized money management, budgeting and financial planning as core skills in financial capability. Avoiding consumer debt was also raised as a central aspect of financial capability. This suggests that perhaps at least some suppliers have a view that emphasizes knowledge and skill, as evidenced in certain forms of financial behavior, rather than attitudinal characteristics such as confidence.

Organizational Mandates And Activities

Most respondents reported that financial capability is related to their overall organizational mandate, although a small group described it as central to their mandate. Where it is related, or even central, organizations report links to aims such as promoting self-sufficiency, delivering services to clients in financial crisis, promoting financial inclusion and public education.

“General self-sufficiency is the overall goal of [organization] – financial capability is a strong cornerstone of that.”

“[Financial capability fits with our] community leadership strategy, to support access to financial services and help the community and people to prosper together.”

“Yes financial capability fits into the mandate of the organization as the organization’s purpose and mission is to help people in long- or short-term financial difficulty.”

The supply of financial capability products and services may be expanding in Canada. Several organizations in this study reported that they expected financial capability to assume a greater

profile in their mandates or to seeing growth in the near future in their organizational activities related to financial capability. In a few cases, respondents indicated they expected to continue at present levels of activity related to financial capability but in no cases did any respondents indicate their organization expected to reduce their financial capability products or services.

“[Financial capability activities are] under review for expansion.”

“[Translation] We’ve been doing this since we started and we’ll keep doing it.”

Perceived Opportunities

Respondents were asked about their perceptions of current or future opportunities and challenges (see discussion in next section) for the development of financial capability products and services. While more challenges than opportunities were raised during interviews, respondents highlighted opportunities for government to take a new role in financial capability:

“It would not take much to build financial capability into the existing employment support program.”

Opportunities for partnership also emerged as a theme among respondents:

“Partnerships have been extremely important in forming bridges to financial capability clientele.”

“Partnerships are invaluable.”

A few respondents noted that there were opportunities as well for the private sector to increase its role in financial capability:

“The media and TV can do a lot.”

“[The private sector] needs to see broader picture, that educating their clients is only good for their own businesses.”

Perceived Challenges

While partnerships were raised positively as opportunities, several respondents noted that partnerships can often prove challenging, where different organizations in different sectors (private, voluntary and public) must negotiate ways of working together:

“[Translation] There’s always the challenge of melding different organizational cultures.”

“Start-up was difficult – government was not on same page.”

“Solutions need to be developed by stakeholders, ownership needs to be in the hands of those experiencing the problems.”

More specifically, respondents had lots to say about the role of government. Several respondents noted that governments should be increasing their involvement in financial capability provision to citizens, for example by making funding available, better coordinating between departments or levels of government, and integrating financial capability into their own existing programming.

“[Government] should strive to be proactive instead of reactive.”

“[Government should] strive for public consultation.”

“[It would be] important to build inter-departmental, inter-governmental cooperation in order to track individual’s progress and better identify their vulnerability and needs.

“Lack of government funding [is a challenge].”

One of the more frequent challenges mentioned by interview respondents was in public attitudes and awareness. Respondents described challenges in getting members of the public to recognize their own need for financial information, education or advice, as well as perceived challenges in changing specific attitudes towards money:

“[Translation] To be sure, the biggest challenge is the whole consumption-based society.”

“[Translation] One of the big challenges is public perception on everything related to personal finance and especially budgeting because there is a very big taboo in talking about financial help”

“Most people using financial services/ products do not even know what to ask. Most people rely on financial services without having a clear idea of how those services work.”

“People don’t realize that they need the services. Others don’t realize that it’s OK to ask for help – there’s much stigma around discussions of financing.”

Respondents also indicated that there are significant capacity challenges in meeting consumer need for financial information, education and advice. Among the capacity issues raised were funding, expertise and scale:

“[We are] constantly over-burdened.”

“[There’s] not enough carrying capacity within the organization to meet new opportunities should the present themselves.”

“Funding. [We] need staff to provide this to everyone – needs to be in-house, given by people with access to, knowledge of and trust of the clients who are at-risk and vulnerable.”

“[One challenge is] staying current and relevant.”

Assessing Demand

Key informants were asked about their perceptions on consumer demand for financial capability products and services. Respondents were split between those who suggested it is a topic of interest to the general public and those who described particular target groups where demand might be highest. Among the target groups noted were:

- persons living in low-income
- persons with middle income
- children or youth
- social assistance recipients
- seniors
- newcomers to Canada
- women
- Aboriginal persons
- homeless persons,
- entrepreneurs.

Key informants also noted the importance of aiming products and services appropriately to their target audience and making products and services relevant to the lives of consumers:

“Everyone needs this, however different people need different aspects. Often people come to the need for financial capability at life change points.”

“[...] becoming financially capable should be a life-long experience as people’s needs shift.”

While respondents highlighted these issues, few if any solutions were offered to address these same challenges. The issues discussed in this report are perhaps better treated as areas for further discussion and research rather than as specific recommendations for policy or a program response by any stakeholder in the field of financial capability.

Inputs And Impacts

Respondents in the key informant interviews were slightly more informative than the data sources used during the first phase of research regarding the costs, organizational resources and evaluations of the products and services they provide.

Many respondents had difficulty answering questions regarding the inputs (human resources, expenditures, funding, etc...) to their organizational financial capability activities. This may reflect several factors. First, as noted above, several organizations may not necessarily have previously considered some of their activities specifically in the context of financial capability. Among many organizations, the functional roles of program/product expertise and financial management/accounting may be very separate and different research methods (including much more time to gather data) may be needed to access this information. Finally several organizations, namely private sector organizations may have a proprietary or other organizational interest in keeping this information to themselves. In these cases, very different research strategies may be required to address organizational concerns.

Where we were able to solicit responses regarding organizational financial and human resources inputs, estimates of organizational resources dedicated to financial capability varied from 5% to 100%. For organizations who received outside funding for their financial capability activities, the most frequently mentioned sources for funding were government and non-profit or philanthropic sources, while private sector sourcing was mentioned rarely. A handful, mainly financial institutions and a few non-profit service delivery agencies, of organizations reported using fee for service to recover costs (or generate profit) associated with their financial capability activities. Several organizations did note that, whatever the tally of resources internally to support financial capability, they were scarce.

Nearly all respondents reported using some form of evaluation to assess the impact(s) of their financial capability interventions. In the overwhelming majority of cases, respondents described using post-test and self-report strategies such as client satisfaction surveys. The content of these appeared to be somewhat mixed with respondents mentioning both attitudinal (ie: confidence) and behavioral (ie: changes in financial plans or activities) measures of impact, but most simply ask about consumer “satisfaction” with the good or service they received. This pattern, if reflective of the larger market of financial capability supply, is worrisome because it makes it difficult if not impossible to assess impact in any real way. Post-test measures will only reveal information after a client has received the service, making it impossible to look at real changes over time – both before the intervention but also in any kind of sustainable way over time. Also, relying on self-reported perceptions alone can be troublesome in that consumers may overestimate their own real levels of financial knowledge. Overall, the evaluation of financial capability impacts appears fairly weak and an area ripe for investment in capacity building as well as future research and discussion.

CONCLUSIONS

While this project incurred several methodological challenges and limits, as a path finding study we believe it makes an important and very new contribution to the emerging field of financial capability in Canada. This report has described and discussed the major findings and suggested several areas for future research. Overall, the researchers are left with an impression of a supply-side market of financial capability products and services that is relatively healthy in size and scale but perhaps somewhat disjointed, limited in scope and haphazard from the perspective of supplying information, education and advice to raise financial capability levels among all Canadian citizens. This is perhaps not unique to this field, but also presents an opportunity for intervention and coordination. For example, just as a national literacy strategy has helped to coalesce the varied activities (research, policy and practice) of various stakeholders in the basic literacy field in Canada, so too a national financial capability strategy might encourage the 113 organizations in this study (as well as the uncounted others not included in our sample) to better coordinate and manage the supply of products and services that might meet consumer need for financial capability.

That said, we would also encourage a degree of patience among decision-makers. We are too early in our thinking and knowledge in Canada to be able today to set out directions for large-scale action. This report, perhaps more than anything, has helped to note some of the current problems and issues on the supply-side of financial capability in Canada – funding, capacity, demand, partnership, evaluation, participation among all three major sectors, accessibility and relevance to consumers. We need more information to confirm the findings of this report, to explore several of the issues raised and also to explore topics not addressed in this survey including measurement of actual levels of financial capability among Canadians and exploring consumer demand and preferences in their products and services. Only by matching up what stakeholders produce and deliver with what Canadians want and need will we see a real and positive impact on financial capability in Canada. We strongly encourage decision-makers to invest in significantly more research and discussion before charting a path for financial capability in Canada. Financial capability is certainly too important not to act, but it is also too important to do poorly.



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