



FINANCIAL EMPOWERMENT: PROVEN STRATEGIES FOR REDUCING POVERTY IN ONTARIO

Submission to the
Ontario Ministry of Child and Youth Services
October 4, 2013

Social and Enterprise Development Innovations (SEDI)

EXECUTIVE SUMMARY

Introduction

Social and Enterprise Development Innovations (SEDI) is a national charity dedicated to expanding economic opportunity for Canadians living in poverty through program and policy innovation. We are pleased to submit this brief with our ideas and recommendations on the next phase of the Ontario government's Poverty Reduction Strategy. In it, we offer some general reflections on questions posed by the government in its consultation document. The remainder of our submission is focused on an innovative new approach to improving the financial security of low- and modest-income households, known as Financial Empowerment.

General reflections

1. **The government's next Poverty Reduction Strategy should not target children to the exclusion of other vulnerable groups.** Single working-age adults on social assistance and people with disabilities are among the poorest Ontarians and both groups experience significant labour market barriers. The government should therefore include both of these groups in its strategy going forward.
2. **The government should consider asset, as well as income, poverty and use both measures to monitor the impact of its future Poverty Reduction Strategy.** Assets are important pathways to opportunity and, therefore, a critical piece of the puzzle when it comes to assessing poverty, building a more comprehensive picture of who is at risk, and measuring the impact of future strategies which should aim to help financially vulnerable families to build savings and assets as stepping stones to greater independence and security.
3. **The government should partner with, and systematically capture learning and best practices from, communities that have established strong cross-sectoral collaborations and strategies to reduce poverty.** They should further encourage adoption of effective practices by other communities through active knowledge exchange initiatives and incentives built into relevant policy frameworks and program models and investments.
4. **The government should dedicate resources and establish processes to support both internal research and 'R&D' collaborations with non-government partners to identify and test effective poverty reduction innovations** and their potential to assist the government in meeting Ontario's poverty reduction goals.

Financial Empowerment

Financial Empowerment is a new approach to poverty reduction that focuses on improving the financial security of low-income people through the following community-level interventions:

1. Provision of financial information, education and counselling
2. Help accessing income boosting benefits and tax credits
3. Connecting people to safe and affordable financial products and services
4. Access to savings and asset building opportunities
5. Consumer awareness and protection.

Evidence from a wide range of scaled interventions in the United States and local grassroots initiatives in Canada, suggests that a Financial Empowerment approach can help to measurably advance, the Government of Ontario's objectives of reducing poverty, increasing employment, encouraging savings for retirement and post-secondary education, and reducing health care and social service costs.

High-impact initiatives we suggest the government explore

1. **Pilot financial counselling and coaching programs.** Financial counselling helps people in crisis to solve their most urgent financial problems and helps create the stability necessary for them to focus on the longer term. At this stage, financial coaching can help them to set financial goals and to map out and implement effective steps to achieve them.
2. **Support the development of web-based financial information and education tools** to enable frontline providers to help clients acquire the financial information, knowledge and supports they need. These are highly scalable across entire service sectors at a very low-cost and can measurably improve program outcomes.
3. **Expand volunteer income tax clinics to help low-income people access the benefits they are eligible for.** SEDI is working with the Canada Revenue Agency and the City of Toronto on a local strategy that can potentially serve as a prototype for other urban communities. A parallel pilot for rural and remote communities may be needed.
4. **Create and support web-based, benefit screening tools¹** that enable community and government frontline workers to identify low-income clients that are not accessing their benefits and connect them to the information and supports they need to do so.
5. **Launch a province-wide initiative to reduce the number of unbanked Ontarians.** This should tackle systemic barriers and provide active supports to enable people to open accounts with mainstream financial institutions (e.g. banks or credit unions).

6. **Promote direct deposit among employers and for government benefit programs.** Direct deposit is a powerful incentive for people to become banked, opening the door to other positive financial behaviours and opportunities.
7. **Help connect Ontarians in remote regions to appropriate and affordable financial services.** Currently some communities have no local mainstream financial services and pay exorbitant costs for cheque cashing and other services from non-financial providers.
8. **Help families to access existing matched savings programs** such as the Canada Learning Bond, Education Savings Grant, Disability Saving Bond and the Disability Savings Grant. Initiatives could include awareness campaigns and web-based tools to help people access these benefits.
9. **Support and promote other community-based savings and asset building programs.** There is strong evidence that Individual Development Accounts (IDA) programs and other savings interventions positively impact on financial behaviour and outcomes and enhance access to poverty reducing activities such as post-secondary education and self-employment.
10. **Take further measures to address the proliferation of predatory lending practices,** including development of safe and affordable small credit products for low-income borrowers.
11. **Take steps to prevent consumer fraud targeting seniors.** This could take the form of enhanced regulation and enforcement combined with education/awareness campaigns delivered through seniors associations and other community partners serving this population.
12. **Support foreclosure prevention programs in the event that mortgage rates begin to climb.** These can prevent financial loss for lenders and homeowners alike and help financially vulnerable groups to protect what is often their most important financial asset.

Conclusion

A Financial Empowerment approach offers an opportunity to invest modestly in a range of promising poverty reduction initiatives that can be:

- **Scaled immediately at low cost** using technology-based approaches
- **Integrated inexpensively into existing programs** to improve outcomes
- **Cost shared with other partners** and leverage volunteer resources; or
- **Piloted and scaled up gradually** as more resources become available.

We hope that the government will take advantage of this period of fiscal constraint to learn more about these interventions through a combination of low-cost initiatives and small scale pilots, thereby laying the groundwork for larger future investments down the road in those that prove successful.

1. Introduction

In 2008, the Ontario government developed its first Poverty Reduction Strategy. As this strategy reaches its close in 2013, the Ministry of Child and Youth Services has invited Ontarians to reflect on the successes achieved over the past five years and to share their thoughts on which aspects of the old strategy it should carry forward and what new elements might be included in the next phase of Ontario's effort to lift more individuals and families out of poverty.

Social and Enterprise Development Innovations (SEDI) is pleased to submit this brief to the Government of Ontario with our ideas and recommendations. In it we offer a small number of general reflections on some of the questions posed by the government in its consultation document. The bulk of our submission, however, is focused on an innovative new approach to improving the financial security of low- and modest-income households, known as Financial Empowerment. This has been implemented on a large scale in 12 U.S. cities with significant documented success and is also being embraced by innovative community organizations at the grassroots level in Canada, but without the benefit of scaled program models, commensurate investment or adequate research to assess the impacts.

It is our hope that the Ontario government will be among the first in Canada to take advantage of the innovations that have proven so successful south of its border, and in local neighbourhoods here in Ontario, and champion their broader adaptation and application here in Ontario.

2. About SEDI

To provide some context for the ideas that follow, this section provides a brief overview of our organization and its work.

SEDI is an Ontario-based, national charity dedicated to expanding economic opportunity for Canadians living in poverty through program and policy innovation. Since 1986, we have worked with businesses, governments and community groups across Canada to turn transformative ideas into large-scale opportunities for low-income Canadians. To do this, we:

- Undertake research and consultation to identify and develop big new ideas
- Test and evaluate these in real life settings to find out what really works and why
- Develop programs and policies that build successful innovations into Canada's social architecture.

Some of our past successes have included:

- Creation of the **Self-Employment Benefit** program which today helps approximately 10,000 Employment Insurance recipients annually to launch successful new businesses that employ them and create jobs for other Canadians.
- **Learn\$ave** – A \$30-million, 9-year research project demonstrating that financial education combined with incentive savings plans can improve low-income Canadians' access to post-secondary education by 23% and their chances of launching successful business start-ups by 60%. This research led to the creation of the *Canada Learning Bond* and *Canada Education Savings Grant*.
- The **Independent Living Account** program, which helps homeless shelter residents to build the money management skills and savings they need to move into secure housing. This program has been shown to reduce homeless recidivism among graduates from an estimated 78% to less than 30%.

In 2008, SEDI established the [Canadian Centre for Financial Literacy](#),² a division of SEDI, to build a sustainable national system of financial literacy education and supports for low-income people. SEDI also administers the [TD Financial Literacy Grant Fund](#)³ which supports financial education programs in communities across Canada. We also currently run a number of asset building projects aimed at exploring the use of financial education and Individual Development Accounts to reduce homeless recidivism, enable social housing residents to transition to lower levels of housing subsidy or into market housing, and to foster the successful transition of youth in care to independence.

3. Target populations – Children is too narrow a focus

In commenting on the next phase of Ontario's Poverty Reduction Strategy, SEDI felt it was important to respond to the government's question of who the strategy should target – in particular, whether the government should continue to give priority to lifting children out of poverty.

While the government's decision to focus so heavily on child poverty in its first strategy was almost certainly a key contributing factor to its success, we are not in favour of targeting child poverty to the exclusion of other groups. We believe that a strategy focused on children alone misses a significant portion of Ontarians living in poverty that also need our help.

We know from the ground-breaking work of the Task Force on Modernizing Income Security For Working Age Adults (MISWAA), and from our own recent research looking back over 20 years at the changing face of poverty in Canada, that single working age adults without children are now the largest group on social assistance in the country.⁴ Income benefits for this group, however, have been allowed to fall far below those available to other low-income populations – specifically seniors whose benefits have been indexed to inflation for many years and families with children who have been supported by substantial federal and provincial investments in the child benefits system. As a result, single working-age adults on social assistance are among the poorest Ontarians and consequently face significant barriers to social inclusion and labour market integration, as well as significant hardship in their daily lives.

We also know that people with disabilities continue to experience the greatest difficulty accessing the labour market and consequently merit the government’s attention.

It is, therefore, critical that the government include both of these groups in its strategy going forward, recognizing that these populations are extremely diverse and that segmented approaches will be necessary to meet their needs.

4. Measuring poverty – monitor assets as well as income

Just as it is important for the government to take into consideration all Ontarians living in poverty as it formulates the next phase of its strategy, **SEDI would like to encourage the government to broaden its view beyond income poverty and to give consideration to the role that household assets, savings and debt – together with income – play in determining overall financial vulnerability, risk of poverty and ability to move out of poverty.**

Savings and assets are ideally, for most households, the critical first line of defense against emergencies and unforeseen expenses and income interruptions. Families that have adequate savings and assets can often successfully weather such setbacks, but households that lack this security are financially vulnerable and at risk of falling into poverty.

Financial vulnerability occurs when individuals or households have low, no, or negative net worth and, consequently, are at high risk of going under financially in the event of an interruption in their income, unforeseen increases in their expenses, or curtailment of their credit.

Disturbingly, financial vulnerability has been on the rise in Canada for some time:

- Canadians have the highest debt-to-income ratio in the G-7 at over 161%.⁵
- Nearly 1 in 6 Canadian families have a net worth that is either \$0 or negative⁶
- Nearly 1 in 4 Canadians have no financial wealth at all (including savings, stocks, bonds, RRSPs).⁷
- Canada's household savings rate, while rising remains very low at 4.4% (June 2013).⁸

People living in poverty are the most vulnerable of all in this scenario, as many have no financial assets to fall back on. Many are also burdened by debt and finding it increasingly difficult to cope. Despite this, Canada – including Ontario – lacks effective, comprehensive strategies to build the financial resilience of low- and modest-income households and communities against future economic shocks.

Research has shown conclusively that assets should play a central role in whatever strategies we adopt. Assets not only help to build individuals' hope and confidence in the present, but also hold the promise of future wellbeing.⁹ Even when economic, institutional, and other factors are controlled for in analyses, the simple possession of assets has been shown to help:¹⁰

- reduce poverty;
- psychologically connect people with a viable, hopeful future;
- increase personal efficacy and social influence; and
- improve household stability.

In the sections that follow, we offer our thoughts on important innovations that the Ontario government can draw on to tackle both poverty in the conventional sense and growing financial vulnerability, which often extends up the income ladder into middle and even high-income households.

It is worth noting, however, that because assets are important pathways to opportunity, they are a critical piece of the puzzle when it comes to assessing poverty, building a clearer and more comprehensive picture of who is at risk, and measuring the impact of future strategies which should aim at helping financially vulnerable families to begin building savings and assets as stepping stones to greater independence and security.

For this reason, we strongly recommend that the government give consideration to monitoring asset, as well as income, poverty and use these measures together to monitor the impact of its future Poverty Reduction Strategy. SEDI has been working with the Canadian Council on Social Development, TD Economics, Environics Analytics, United Ways, Community Foundations and a range of other partners to develop a national Financial Vulnerability Index to measure household financial vulnerability at the neighbourhood level. We would be pleased to share more information on this initiative with the government.

5. Leverage the contribution of all sectors

In its consultation document, the government correctly identifies the need to leverage the contributions of all sectors of society in tackling the challenge of poverty.

We, therefore, highly recommend that the government build on the extensive cross-sectoral expertise, relationships, and structures that already exist in communities that belong to the [Vibrant Communities](#) initiative supported by the JW McConnell Foundation and the Caledon Institute. The Vibrant Communities model engages the full range of public, private and non-profit actors in communities to develop comprehensive local strategies to reduce poverty, leverage and optimize the use of all available community resources and build sustainable solutions. Examples of successful strategies include the [Hamilton Roundtable for Poverty Reduction](#), [Opportunities Waterloo Region](#), the [Guelph-Wellington Task Force for Poverty Elimination](#), etc.

Other communities that have used different approaches to fostering cross-sectoral action (e.g. Civic Action in Toronto) should also be included in this group, as all have valuable lessons to share with other organizations and communities and possess the attributes necessary to lead systemic, long term change in their communities.

The government should give particular attention to partnering with, and supporting, these innovative and cross-cutting initiatives with a view to leveraging their partnerships and ‘know how’ to drive poverty reduction in their communities.

The government should also be systematically capturing learning and best practices from these communities and encouraging their adoption in other communities through active knowledge exchange initiatives and appropriate incentives built into relevant policy frameworks and program models and investments.

6. Harness evidence to drive impact

No matter what focus the government chooses to take in its next strategy, it should give priority to innovations that deliver impact in a sustainable way based on proven evidence.

Success on this front, however, will depend to a large degree on whether the government has given adequate attention to the questions of what works and how to build effective innovations into Ontario’s social architecture in an effective and sustainable way. Too often, these questions are addressed haphazardly and governments rely on serendipitous rather than systematic ongoing inquiry to source and test innovative ideas emerging from other jurisdictions or from the field in their own jurisdiction.

We, therefore, urge the government to set aside a dedicated pool of resources and to establish processes to support both internal research activities and 'R&D' collaborations with non-government partners for the purpose of ongoing inquiry into effective poverty reduction innovations and their potential to assist the government in meeting Ontario's poverty reduction goals.

7. Financial Empowerment – A proven approach

In keeping with this direction, SEDI strongly encourages the government to investigate the potential of a comprehensive new community approach to reducing poverty called **Financial Empowerment** – an important new set of interventions that have been *proven* to measurably improve the financial outcomes for low- and modest-income households.

7.1 Understanding the building blocks of financial security

Financial Empowerment is rooted in the understanding that all households need to engage in a distinct set of activities in order to achieve financial security. This *Household Financial Security Framework* includes the following actions:

- **LEARN - Acquire knowledge and skills** that enable them to navigate and succeed in the labour market and the financial marketplace
- **EARN - Grow their income** through wages, businesses, investments and income-boosting government programs and tax benefits
- **SAVE – Access savings opportunities** through affordable basic goods and services, convenient and affordable financial services and products, help with debt reduction, and money management skills
- **INVEST – Build assets** through affordable supply and financing, public incentives, and knowledge about asset purchase and management
- **PROTECT – Protect against loss of income/assets, extraordinary costs, and predatory external forces** through insurance, consumer protection and asset preserving policies.

Financial vulnerability and poverty arise when individuals and households are unable – for individual and systemic reasons – to undertake these activities.

There is a common perception that, with additional financial literacy, people living in low-income can succeed in changing their financial behaviour and outcomes. We know, however, from extensive research evidence and qualitative feedback from a broad range of community partners across Canada, that this is not the case.¹¹

Financial literacy alone will not enable low-income people to tangibly improve their financial security. Additional supports are needed to overcome systemic and other barriers.

7.2 Financial Empowerment Framework

Financial Empowerment is an evidence-driven and comprehensive approach to filling this critical gap. It includes an array of interventions that have proven successful at both eliminating systemic barriers to the full financial inclusion of low-income people and providing enabling supports that help them to acquire and practice the financial skills and behaviours that tangibly improve their financial outcomes and build their financial security.

The Financial Empowerment approach focuses on community level strategies that encompass five main types of interventions that have been identified as both necessary for low-income households to improve their financial outcomes and effective at helping them to do so. These are set out in figure 1 below.

Figure 1 Financial Empowerment Framework



7.3 The 'supervitamin' effect

Financial Empowerment strategies are not designed to replace other important poverty reduction interventions, but to be a complementary set of interventions that, in many cases, can be built into other existing programs to improve their outcomes (e.g. social assistance, employment, housing, settlement...). This has become known as the '*supervitamin*' effect – boosting program outcomes by addressing underlying financial issues that many programs currently ignore or are not equipped to address.

To illustrate, in Ontario, few frontline community or government personnel serving low-income clients are currently trained or supported to address key underlying causes of financial vulnerability. In many cases, however, these problems are also the root cause or a significant aggravating factor in relation to the issues that programs are designed to address. Consequently, underlying financial problems often prevent clients from successfully achieving their program goals. These problems include:

- Low financial literacy
- Poor access to neutral and relevant financial information
- Inability to afford neutral and relevant financial counselling and advice
- Individual and systemic barriers to accessing mainstream financial services
- Reliance on costly fringe financial services
- Low or nonexistent savings
- High household debt-to-income levels
- No or negative household net worth
- Low credit scores
- Failure to file taxes
- Lack of awareness of – or difficulty accessing – government benefits.

A number of leading edge community organizations in Ontario and elsewhere in Canada have begun experimenting with more comprehensive financial supports for low-income people that go beyond financial education alone to address these issues. For example, St. Christopher House in Toronto has established a comprehensive personalized financial counselling program for individuals in deep poverty – the *Financial Advocacy and Problem Solving (FAPS)* program. In 2012 alone, this program helped 2,050 low-income people to access \$3.9 million in income through tax filing, government benefits they were entitled to but had not accessed previously, and help addressing debt issues.

Such interventions are proving successful at a neighbourhood level, but there are few resources or strategies in place to deliver sustainable, scaled approaches.

By contrast, a [coalition](#) of 12 major cities led by New York¹² has invested in scaled up, city-wide strategies and programs as part of the rapidly growing Financial Empowerment movement in the U.S.¹³ [Evaluation](#) has shown that these strategies and programs are tangibly improving the financial security of low income households.¹⁴ More and more U.S. cities are adopting these approaches in partnership with state and federal governments and community partners.¹⁵

The next five sections of this brief explore each of the five Financial Empowerment “pillars” in greater detail, setting out the kinds of interventions that have proven successful and providing selected examples of successful programs.

7.4 Financial information, education, and counselling

These interventions are aimed at providing low- and modest-income people with free access to high quality, neutral, and relevant financial information, education and counselling services.

This is achieved by integrating these functions into other existing programs and information sources and making it easier for low-income people who need help with their finances to learn about and access the supports they need in their neighbourhoods or online.

Types of interventions

- **Financial education and counselling networks and referral structures**
- **Neighbourhood, one-stop financial assistance centres** offering financial education, tax filing assistance, help accessing benefits, and one-on-one financial counselling
- **Incorporating financial education into municipal social services and employment programs** to improve outcomes
- Clear, **shared metrics to evaluate individual/household progress toward financial security**
- **Standardization and credentialing of financial education and counselling services and providers**, building on these metrics.

Successful program examples

- **Financial Empowerment Centers** in New York City provide individualized financial counselling sessions to low-income New Yorkers. Out of 5,000 clients served, 93% achieved at least one milestone on debt, savings, budgeting and/or opening a bank account. One thousand of those clients actively worked on debt reduction plans and were able to reduce their debt by \$1.5 million.
- **Financial Opportunity Centers** serve 64 low-income communities across the United States, providing free financial and employment services. In 2011 alone, they helped 3,600 people to find employment, 3,100 to obtain public benefits, 3,600 to increase their earnings and 6,300 to create budgets to reach their financial goals.

Related initiatives already underway in Ontario

- **Building financial literacy into schools** for grades 4-12
- **Funding for community financial literacy programs** e.g. through the Ontario Trillium Foundation
- **Mandated requirement for Children's Aid Societies to build the financial skills of youth in care** to help prepare them for a successful transition to independent living

High-impact initiatives we suggest the government explore

- **Pilot financial counselling and coaching programs.** Too often financial education programs leave participants with the knowledge that they need to take action but without the help they need to sort out complicated financial problems and to develop a financial plan for the future. Financial counselling programs assist those in crisis with solving their most urgent financial problems and creating the stability necessary for client to focus on the longer term. At this stage, financial coaching can help them to set longer term financial goals and to map out and implement effective steps to achieve them.
- **Support the development of web-based financial information and education tools** customized for different service sectors to enable frontline providers to help clients acquire the financial information, knowledge and supports they need. These are highly scalable across entire service sectors at a very low-cost and can measurably improve program outcomes.

7.5 Help accessing income boosting benefits and tax credits

These interventions are aimed at quickly boosting the incomes of people living in poverty by enabling those who have not done so to easily file their taxes and to access government benefits to which they are entitled.

Types of interventions

- Public **awareness campaigns to improve tax filing and benefits take-up**
- Use of **technology-enabled tools to increase public benefits screening and uptake**
- Creation of **access points for benefits screening** in high-need communities
- **Establishment of free/low-cost community tax preparation services**

Successful program examples

- The **Benefit Bank**[®] is available in 10 different states and allows case workers to prepare clients' income tax returns and automatically complete applications for state and federal benefits. Clients have received \$1.145 billion in refunds and benefits since 2006.
- In Toronto, St. Christopher House's **Financial Advocacy and Problem Solving (FAPS) program** helped 2,050 people access \$3.9 million in entitlements in 2012.

Related initiatives already underway in Ontario

- **Ontario Trillium Benefit** which enables recipients to receive three benefits in one, with a choice of monthly or lump sum payments to enable improved financial planning and money management choices.
- **Increases to the minimum wage, social assistance benefits and the Ontario Child Benefit.**

High-impact initiatives we suggest the government explore

- **Expand volunteer income tax clinics** to help low-income people access the benefits they are eligible for. SEDI is working with CRA and the City of Toronto on a local strategy that can potentially serve as a prototype for other urban communities. A parallel pilot for rural and remote communities may be needed.
- **Create and support web-based benefit screening tools¹⁶** that enable community and municipal and provincial government frontline workers to identify low-income clients that are not accessing their benefits and connect them to the information and supports they need to do so.

7.6 Safe and affordable financial products and services

These interventions are aimed at improving access to safe and affordable mainstream financial services and products that meet the needs of low-income people and reduce their reliance on fringe and predatory financial services.

Types of interventions

- **Establish basic financial services in underserved neighbourhoods.**
- **Create and promote low-cost transaction and savings products** in partnership with, or independently of, financial institutions
- **Create affordable credit products – e.g. small dollar, refund anticipation or auto refinance loans** – to reduce reliance on fringe lenders
- **Develop online tools that help people to easily compare financial products** and select those that best meet their needs.
- **Encourage employers to use direct deposit** to nudge people to open bank accounts and reduce reliance on costly cheque cashers.

Successful program examples

- **Bank On San Francisco**, an initiative to promote banking among unbanked populations, has opened more than 10,000 chequing accounts annually since 2006. When opened, 80% of accounts remain active and the average savings balance is \$980. Since its launch, this initiative has been replicated in over 100 communities across the U.S.
- San Francisco created **Payday Plus SF**, a safe and lower cost alternative to payday loans that provides opportunities to build credit history. *Payday Plus SF* disburses more than 300 safe payday loans annually.

Related initiatives already underway in Ontario

- *Payday Loans Act (2008)*

High-impact initiatives we suggest the government explore

- **Launch a province-wide initiative to reduce the number of unbanked Ontarians.** This would tackle systemic barriers and provide active supports to enable people to open accounts with mainstream financial institutions (e.g. banks or credit unions).
- **Promote direct deposit among employers and for government benefit programs.** Direct deposit is a powerful incentive for people to become banked, opening the door to other positive financial behaviours and opportunities.
- **Help connect Ontarians in remote regions to appropriate and affordable financial services.** Currently some communities have no local mainstream financial services and pay exorbitant costs for cheque cashing and other services from non-financial providers. Initiatives like Desjardin's in northern Quebec¹⁷ have succeeded in extending safe and affordable basic financial services to many remote communities.

7.7 Access to savings and asset building opportunities

These interventions are aimed at enabling low-income households to build their human capital and other assets that can help them to escape poverty. This is achieved through policies, programs and incentives that build financial literacy, incentivize saving, and help connect people to appropriate savings supports and opportunities.

Types of interventions

- **Short-term and emergency savings products**
- **Incentivized savings accounts** – e.g., Individual Development Accounts (IDAs), post-secondary education savings accounts, or other accounts for uses such as buying a home or a vehicle
- **Promotion of federal registered saving vehicles that support the saving of low income people** - e.g., Registered Education Savings Plans and Registered Disability Savings Plans.
- **Incorporating financial education into municipal social services and employment programs** to improve outcomes – e.g., Information on savings and earning exemptions for those on Ontario Works and the Ontario Disability Support Program

Successful program examples

- **Save USA** is a tax time matched savings program operated through free tax clinics in New York City, Newark, San Antonio and Tulsa. Over 1600 savings accounts were opened, with \$1 million saved for the full year in 2012.
- SEDI's **Independent Living Account (ILA) program** provides residents of Toronto homeless shelters with money management skills and incentives to build the savings they need to move into more permanent housing. To date, 300 shelter residents have collectively saved over \$100,000 and 50% have successfully moved into permanent housing. Fewer than 30% of these have returned to shelter use over a three-year period, compared to an estimated one-year recidivism rate of 78% for shelter users generally.

Related initiatives already underway in Ontario

- **Loosening of asset limits for social assistance** applicants and recipients
- Establishment of the **Ontario Child Benefit Equivalent** for youth in care.

High-impact initiatives we suggest the government explore

- **Help families to access matched savings programs** such as the Canada Learning Bond, Education Savings Grant, Disability Savings Bond and the Disability Savings Grant. These could include awareness campaigns as well as web-based tools to help people access these benefits.
- **Support and promote other community-based savings and asset building programs.** There is strong evidence that IDA programs and other savings interventions positively impact on financial behaviour and outcomes and enhance access to poverty reducing activities such as post-secondary education and self-employment.

7.8 Consumer awareness and protection

These interventions are aimed at increasing consumer awareness of predatory and fraudulent financial and business practices and ensuring adequate consumer protection policies and regulations are in place and enforced.

Types of interventions

- **Consumer education and awareness initiatives** to prevent fraud and financial abuse
- **Regulation, licensing and zoning to contain fringe financial services** and limit their proliferation
- Local disclosure **law enforcement and litigation to curb predatory lending**
- **Foreclosure prevention strategies**, including foreclosure counselling, forgivable emergency loans, and encouraging lender workouts and assistance to tenants in foreclosed properties.

Successful program examples

- New York City's Department of Consumer Affairs (DCA) practices **active enforcement of regulations governing Refund Anticipation Loans** (loans on expected tax refunds offered by tax preparation businesses). DCA inspected 800 businesses and issued 2,010 violations in 2010.
- Since 2008, **NeighborWorks America** has provided foreclosure counselling to 1.4 million homeowners. In 2008 and 2009, the program helped save governments, lenders, and homeowners \$920 million.

Existing initiatives in Ontario

- ***Payday Loans Act, 2008***
- Current work on **debt settlement policy**.

High-impact initiatives we suggest the government explore

- **Take further measures to address the proliferation of predatory lending practices**, including the development of alternative safe and affordable small credit products for low-income borrowers.

- **Take steps to prevent consumer fraud targeting seniors.** This could take the form of regulation and enforcement combined with education and awareness campaigns delivered through seniors associations and other community partners serving this population.
- **Foreclosure prevention programs** in the event that mortgage rates begin to climb. These can prevent financial loss for lenders and homeowners alike and help financially vulnerable groups to protect what is often their most important financial asset.

8. Relevance of Financial Empowerment to key government objectives

Financial empowerment strategies and interventions have been proven successful at reducing poverty by enabling participants to:

- Increase their incomes
- Reduce their debts
- Increase their savings.

Overall, clients are better off with higher levels of financial security.

Specific Financial Empowerment interventions have also been shown to generate ancillary benefits, including:

- Reduced stress and improved mental health¹⁸
- Decreased health care service use¹⁹
- Increased success at finding and keeping jobs²⁰
- Increased access to post-secondary education²¹
- Increased rates of successful small business formation.²²

9. Partnership opportunities

SEDI is currently exploring diverse Financial Empowerment approaches aimed at improving financial outcomes for Ontarians living in poverty. We would be pleased to share our emerging knowledge with the Ontario government and to discuss potential areas for collaboration. To this end, we have highlighted some of our current areas of work below:

- **Web-based financial information and education tools** to quickly and sustainably build the capacity of frontline human service providers in Ontario to provide high quality, relevant financial information and education to their low-income clients for improved program outcomes.

- **Online financial decision support tools** to enable frontline service personnel in all sectors to help low-income clients to select financial products (e.g. RESPs, RDSPs) that best meet their needs. These tools can also be adapted for direct use by low-income people.
- **Neighbourhood-based program models for the provision of financial counselling and coaching to low-income people.** We are currently working with the City of Toronto on a potential financial coaching pilot for youth in Toronto’s priority neighbourhoods.
- **Expansion of free community tax clinics for low-income people.** We are working with the Canada Revenue Agency (CRA) and other municipal, community and private sector partners to find ways to significantly expand the delivery of free tax clinics. These are an ideal vehicle for mobilizing financial sector volunteers through community-private sector partnerships, with technical support from CRA.

Online technologies, designed using the best behavioural research evidence, have the potential to significantly improve financial behaviours, as well as knowledge. Interventions can be at many ecological levels:

- Client support service – guided navigation through complex information
- Tailored messages based on individual goals and needs
- Targeted social media to influence service providers
- Goal-setting and mobile reminders
- Online education for counsellors and service providers
- Virtual reality and gaming
- Evaluation and process analysis.

For this reason, when designing solutions, we systematically investigate the evidence on available interventions and what has worked, and bring to bear the best evidence on persuasive design, so that all interventions are as effective as possible. SEDI program staff are trained in persuasive technologies and human-centred design and we co-develop technology tools with partners, users and multi-disciplinary teams using rapid iteration to ensure they meet the needs of service providers and end-users alike and are user-friendly in their context.

This approach, and the skills our team and broader network of experts bring to this work, are unique in Ontario’s community sector and a resource that we are pleased to make available to the government at any time.

10. Conclusion

Ontario has an ambitious social policy agenda but is constrained fiscally until it eliminates the provincial deficit in 2017-2018. As a result, we understand that the government cannot make large investments in the short-term, even though there will be pressure to demonstrate results against its Fair Society agenda, poverty reduction goals and commitments to improve the effectiveness of key social programs.

A Financial Empowerment approach offers an opportunity to invest modestly in developing a range of promising poverty reduction initiatives that can be:

- **Scaled immediately at low cost** using technology-based approaches
- **Integrated inexpensively into existing programs** to improve outcomes
- **Cost shared with other partners** and leverage volunteer resources; or
- **Piloted and scaled up gradually** as more resources become available.

Our hope in submitting this brief is that the government will take advantage of this period of fiscal constraint to learn more about these interventions through a combination of low-cost initiatives and small scale pilots, thereby laying the groundwork for larger future investments down the road in those that prove successful.

We appreciate this opportunity to share our ideas and recommendations with the government and look forward to working collaboratively with it to move some of these ideas forward together.

References

- ¹ For an example, please see the united Way of Calgary's Benefits Navigator at: <http://www.calgaryunitedway.org/main/benefits/>
- ² For more information, please visit: www.theccfl.ca
- ³ For more information, please visit: <http://www.sedi.org/grantfund/>
- ⁴ "In Ontario, at the beginning of the millennium, there were approximately 92,000 single people and 95,000 lone parents receiving Ontario Works (social assistance for non-disabled persons). As of February 2011 there were 151,400 single people on social assistance—a dramatic increase of 65 per cent. At the same time, lone parents on social assistance declined to just under 76,000—a decrease of 20 per cent." Source: Stapleton, John; Bednar, Vass. "Trading Places: single adults replace lone parents as the new face of social assistance in Canada". *Mowat Centre Employment Insurance Task Force*. <http://www.mowateitaskforce.ca/sites/default/files/Stapleton.pdf>
- ⁵ OECD iLibrary. "Household wealth and indebtedness: As a percentage of nominal disposable income" http://www.oecd-ilibrary.org/economics/household-wealth-and-indebtedness-2013-1_hswlth-table-2013-1-en
- ⁶ Morissette, Rene; Zhang, Xuelin. "Revisiting wealth inequality". *Perspectives on Labour and Income*. Dec 2006, 7:12. <http://www.statcan.gc.ca/pub/75-001-x/11206/9543-eng.htm>
- ⁷ Ibid.
- ⁸ OECD iLibrary. "Household saving rates – forecasts: Percentage of disposable income." http://www.oecd-ilibrary.org/economics/household-saving-rates-forecasts-2013-1_hsv-gr-table-2013-1-en
- ⁹ Robson, Jenn. "The Case for Financial Literacy: Assessing the effects of financial literacy interventions for low income and vulnerable groups in Canada." SEDI (Social and Enterprise Development Innovations). <http://www.sedi.org/DataRegV2-unified/sedi-Publications/The%20Case%20for%20Financial%20Literacy%20EN.pdf>
- ¹⁰ Ibid
- ¹¹ Ibid
- ¹² The Office of Financial Empowerment in New York City has documented the "supervitamin" effect it produced by integrating financial empowerment interventions into New York's municipal social service delivery system, radically improving the impact of its services. For research and evaluation reports, please visit: <http://www.nyc.gov/html/ofe/html/publications/research.shtml>
- ¹³ For more information, please visit the website of the Cities for Financial Empowerment Coalition at: <http://cfefund.org/info/cfe-coalition>
- ¹⁴ <http://www.nyc.gov/html/ofe/html/publications/research.shtml>
- ¹⁵ For information on knowledge exchange activities and initiatives to support replication of effective strategies in other cities, please visit: <http://cfefund.org/>
- ¹⁶ For an example, please see the united Way of Calgary's Benefits Navigator at: <http://www.calgaryunitedway.org/main/benefits/>
- ¹⁷ For more information, please visit: <http://www.caissesolidaire.coop/qui-nous-sommes/nunavik.html>
- ¹⁸ Adams, Jean; White, Martin; Moffat, Suzanne; Howel, Denise; Mackintosh, Joan. *A systematic review of the health, social and financial impacts of welfare rights advice delivered in healthcare settings*. BMC Public Health. 26 March 2006. <http://www.biomedcentral.com/1471-2458/6/81>
- ¹⁹ Greasley, Peter; Small, Neil. *Welfare Advice in Primary Care*. School of Health Studies. University of Bradford. 2002. <http://www.leeds.ac.uk/nuffield/portfolio>
- ²⁰ LISC. Financial Opportunity Centers: Comprehensive Approach for Long-Term Financial Health. February 2012. http://www.lisc.org/docs/publications/FOC_2012.pdf
- ²¹ Leckie, Norm; Hui, Taylor Shek-Wai; Tattrie, Doug; Robson, Jennifer; Voyer, Jean-Pierre. "Learn\$ave: Individual Development Accounts Project." Social Research and Demonstration Corporation. <http://www.sedi.org/DataRegV2-unified/sedi-Publications/learnSave%20final%20report%20English.pdf>
- ²² Ibid