

Financial Health & Resilience of Canadians versus Financial Vulnerability

November 26, 2018

Eloise Duncan, Principal, Seymour Consulting, CMC MA

Presentation for Research Symposium hosted by FCAC



VISION

Our vision is for **financial healthy, resilient Canadians and families.**



MISSION

As a purpose-driven social enterprise, our mission is to help improve the financial health and resilience of Canadians, knowing the strong connection between financial and overall personal well-being. We do this by **bringing visibility to factors that most impede or improve consumer financial well-being, and by collaborating with committed financial services innovators and other partners** to drive positive impact at scale.



Eloise Duncan

Co-Founder, Financial Health Index and Principal, Seymour Management Consulting, Inc.

FINANCIAL HEALTH



RESEARCH & MEASUREMENT



CONSULTING



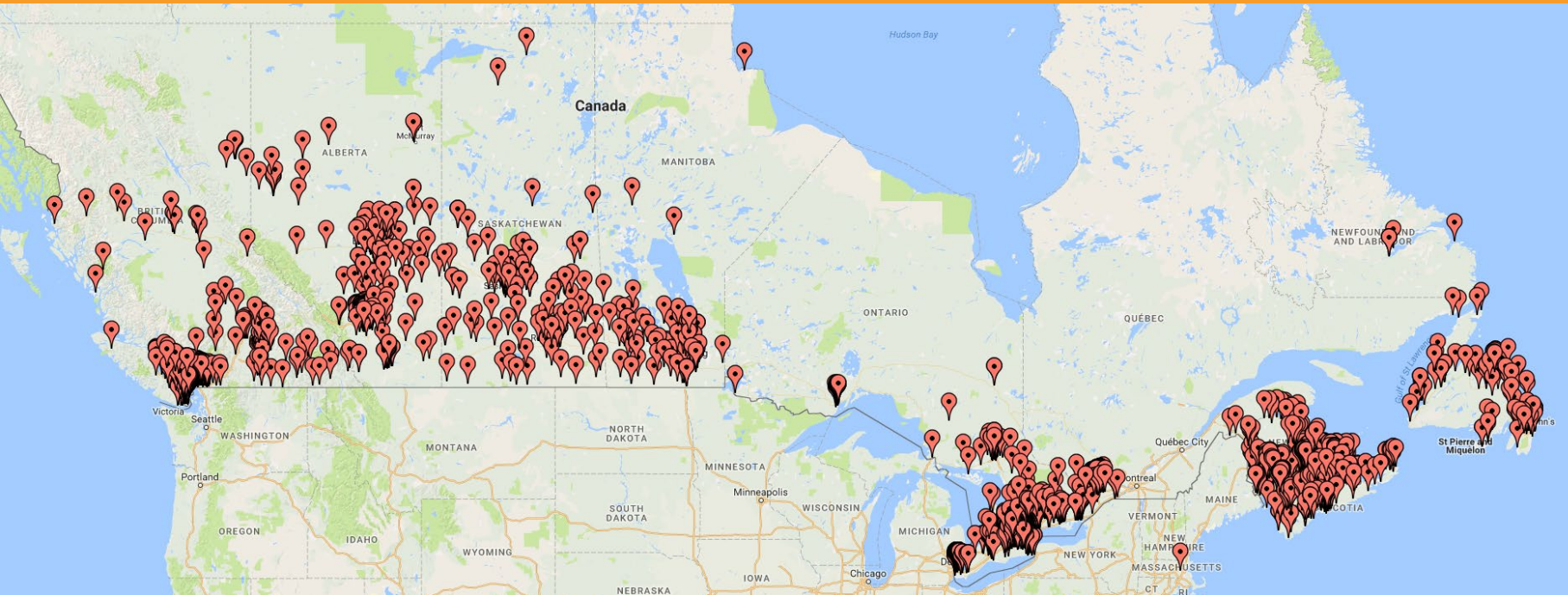
COLLABORATIVE INNOVATION



John C. Lo

Co-Founder and Research Director, Financial Health Index

The independent, national Canadian Financial Health Index study (2017 and 2018)



Canada's national independent & longitudinal investigation into consumer financial health and the role financial institutions can play to improve Canadians' financial health and wellbeing.

2018 and 2017 studies (an annual study)

5000 primary or joint financial makers across all provinces, excluding Quebec (can be included at a later date).

Respondents ranged from 18 to 70yrs old

Recruited through the Angus Reid Forum, the data is weighted to be representative of the Canadian population by province, gender, age, household income. Additional boost of low income households.

Definitions

On ‘financial health’, ‘financial wellness’ and ‘financial resilience’ within the overall construct of “financial well-being”



Financial Health

Financial health is about your ability to balance your financial needs for today with those of tomorrow, and get through times of financial hardship.

Financial Wellness

Financial wellness speaks to your emotional peace of mind in terms of your financial situation, and current and financial future obligations. The opposite is financial stress.

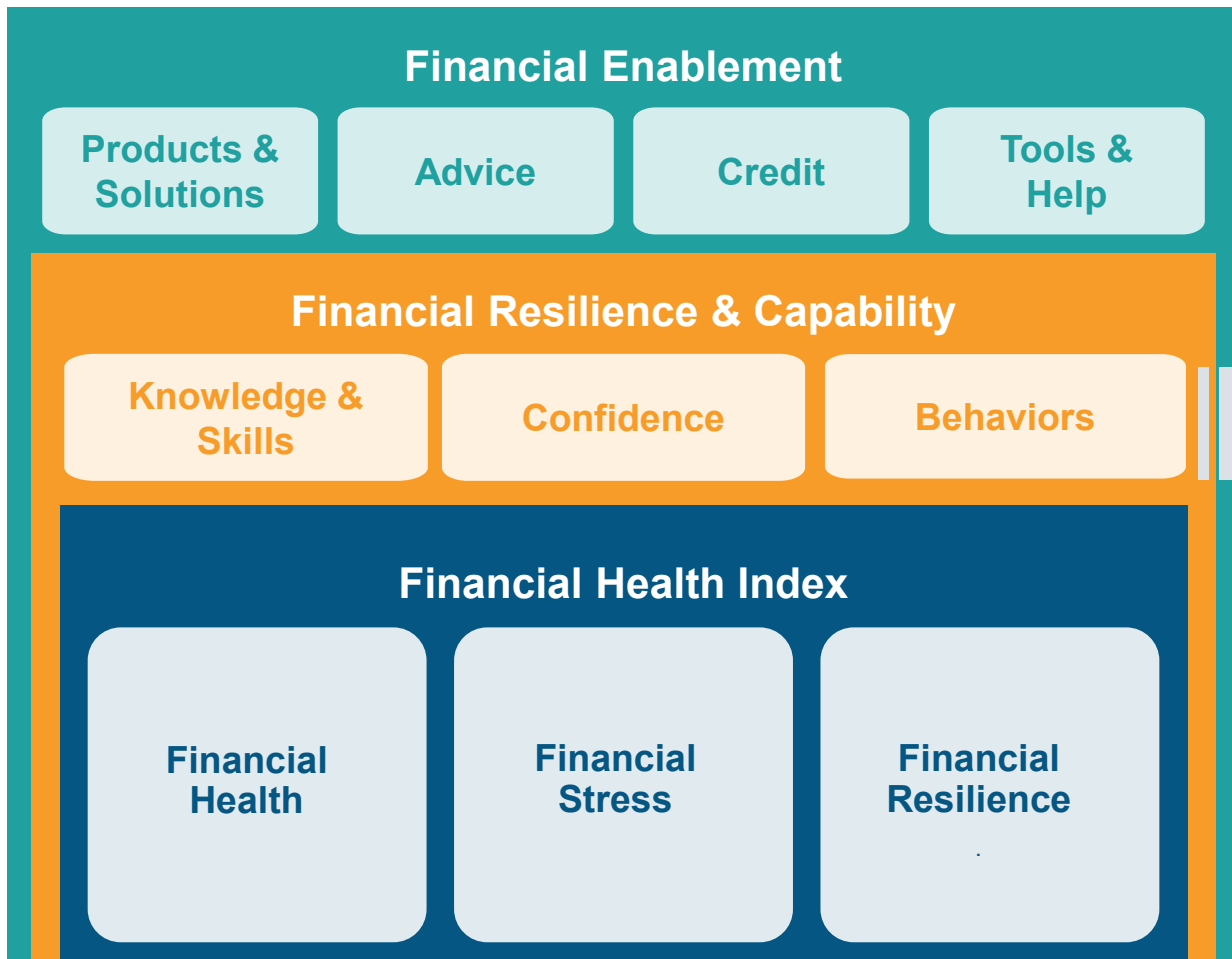
Financial Resilience

Financial resilience speaks to your ability to weather unforeseen life events, financial stressors or ‘shocks’.

Financial Wellbeing Framework

Encompasses financial resilience & capability, behaviors and financial enablement and support

Spans four pillars of the financial services spectrum



Financial Behaviours

1. DAILY FINANCIAL MANAGEMENT

2. BORROWING & DEBT MANAGEMENT

3. SAVING, PLANNING & INVESTING

4. PROTECTING AGAINST UNFORSEEN EVENTS

We place major emphasis on financial resilience

Inspired by work in Australia and around the globe

Building Consumer Financial Resilience

Economic resources

Financial confidence, knowledge and behaviours

Financial products, services, education & support

Social capital

So that people can enhance their ability to weather un for- seen life events, financial stressors or shocks



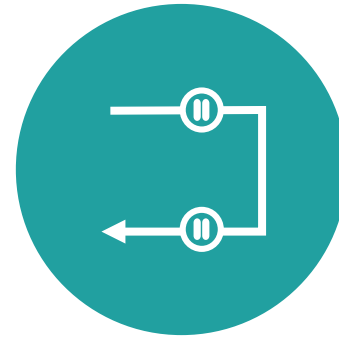
Our work explores the many controllable and less controllable factors that impact Canadians' financial wellbeing



Financial knowledge, skills and confidence (Capabilities)



Planning ahead in line with financial goals



Consumer & financial behaviours



Planned and unplanned life events



Economic resources



Income variability or volatility



Social Capital from close family, friends, government, NGOs



Financial Institution support

Building financial resilience is a continuous journey of building knowledge and discipline for Canadians



Canadians already assess themselves highly with regard to their financial capabilities

83% already confident working with numbers

81% already confident in their money management decisions



85% agree they have the skills and knowledge to manage household's finances well

75% feel they understand what financial products and tools they need

74% already consider themselves financial knowledgeable

Still, knowing and doing are different things - and there can be disconnects between high levels of financial knowledge and confidence, and behaviours



61% have not taken steps to build their financial knowledge over the past 12 months

43% have not taken steps to better manage their finances over the past 12 months

36% don't have a monthly spending budget for their household

21% don't plan ahead financially

Source: 2018 Financial Health Index study

Consequently, more than half (55%) of Canadians remain unconfident that they could get through periods of financial hardship

59% don't have access to savings in case of emergency

25% stress often over coming up with money for an unforeseen expense

14% don't know how they would raise the money in case of emergency

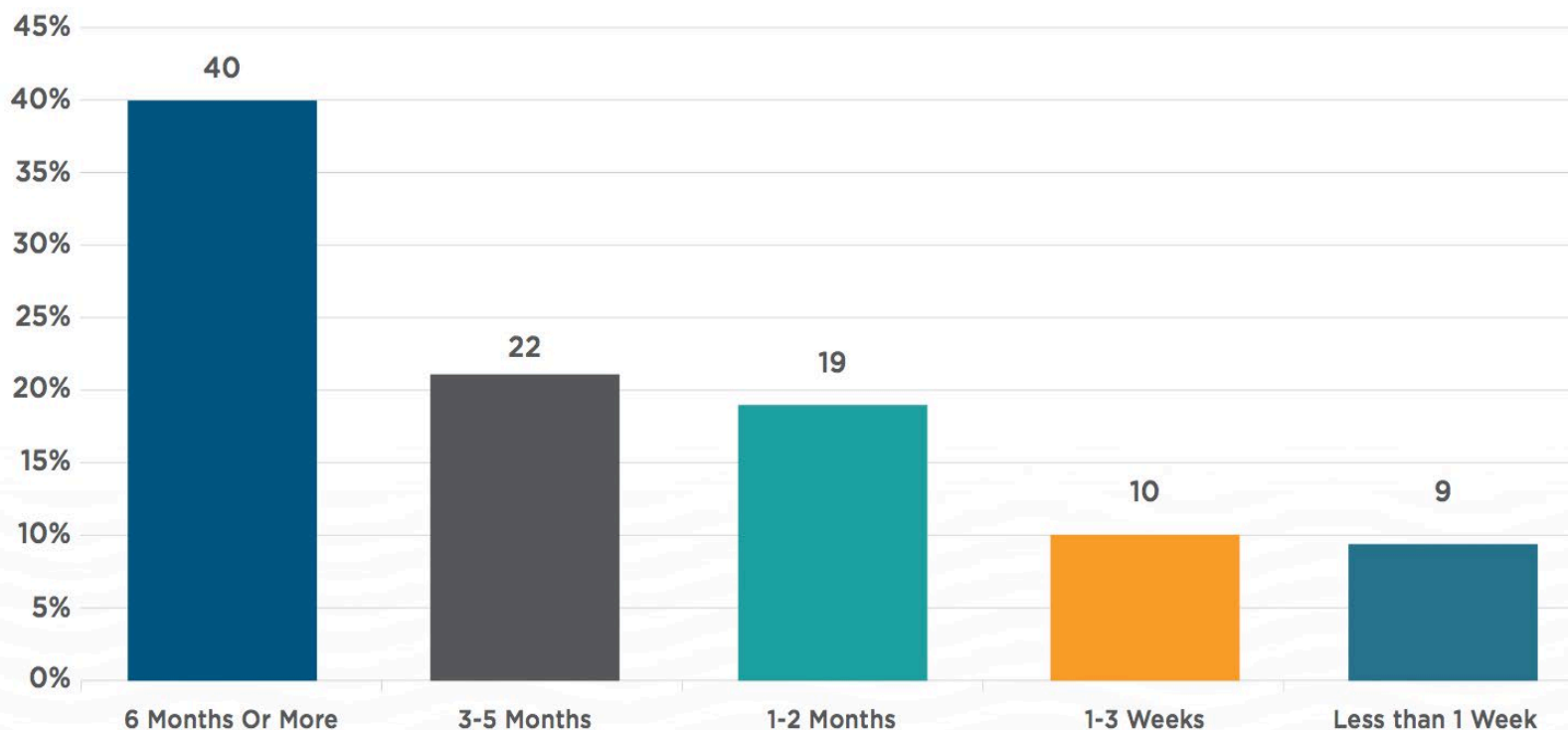
Source: 2018 Financial Health Index study



And 38% Canadians are also struggling to make ends meet, with less than 1-2 months savings buffer

Financial Resiliency: Canadians' ability to make ends meet

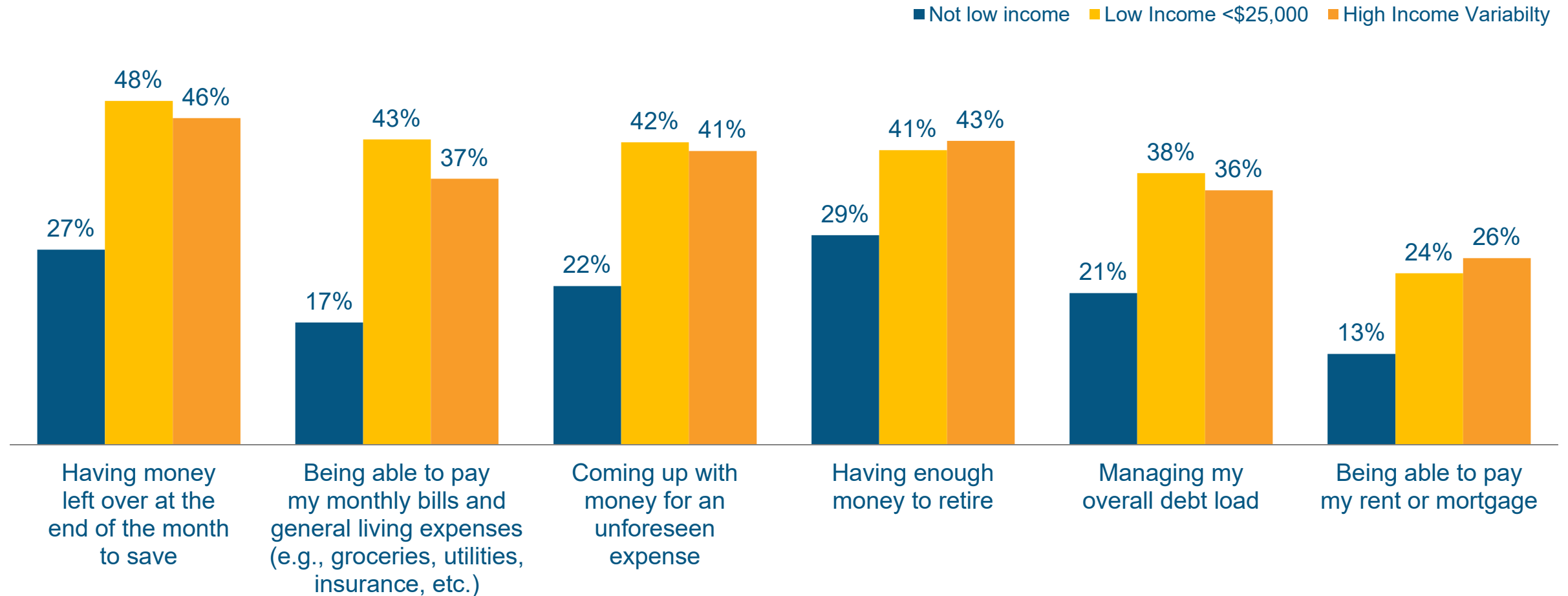
At your current level of spending, how long could you and your household afford to cover expenses, if you had to live only off the money you have readily available, without withdrawing money from retirement accounts or borrowing?



Source: 2018 Financial Health Index study

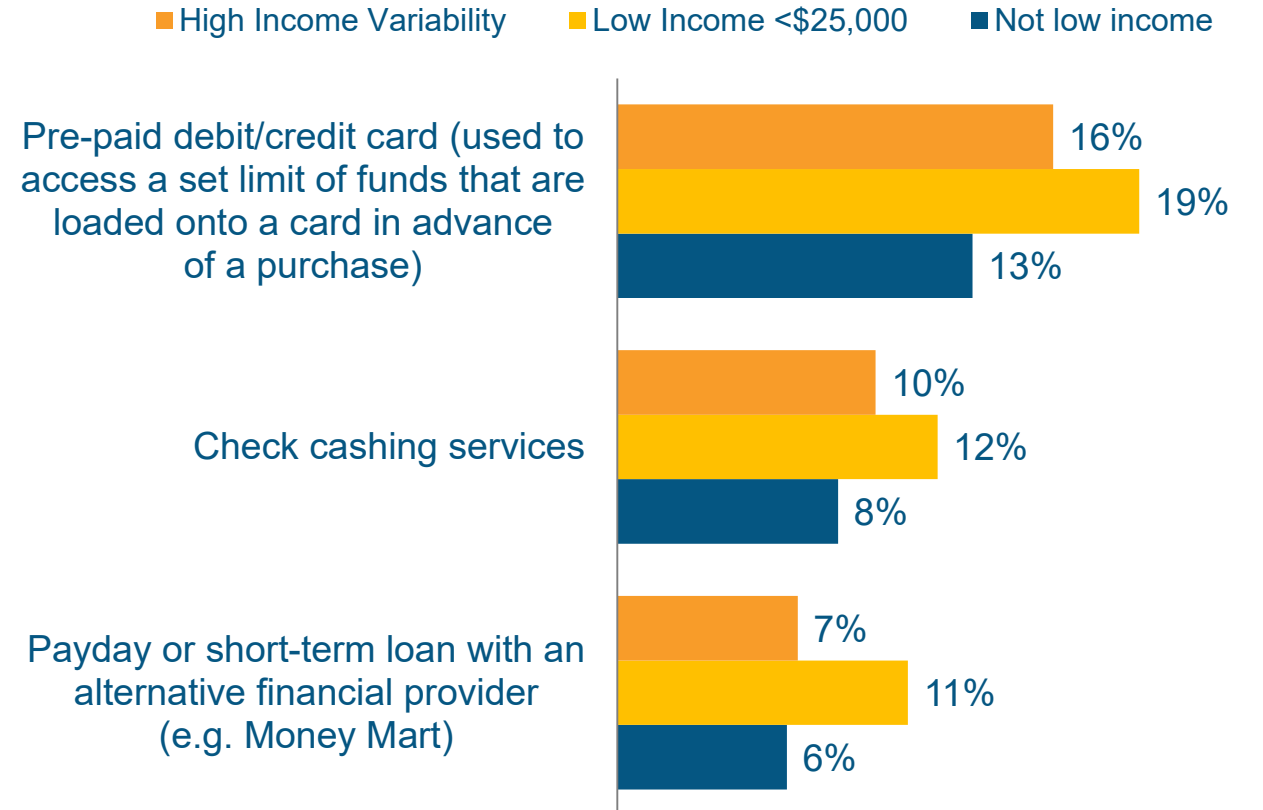
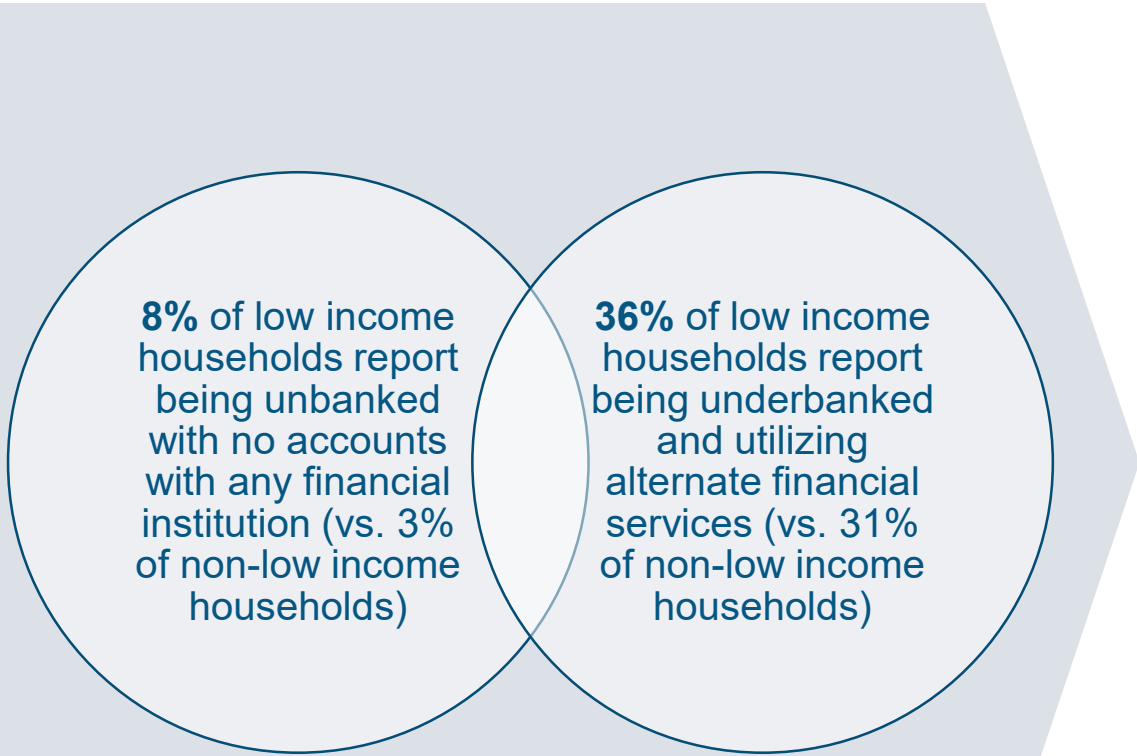
Low income earning households, and those experiencing high income variability month over month are significantly more likely to stress “often,” and notably more about being able to pay for monthly bills and coming up with money for unforeseen expenses

Proportion of Canadians who stress “often” over each of the following



Usage of more predatory alternative financial services, such as payday loans, continues to be quite prevalent – particularly for low-income households and those with less stable income

Proportion of Canadians who report using alternative financial services (2018)



Source: 2018 Financial Health Index study

Financial Health Index White Papers (2017 & 2018)

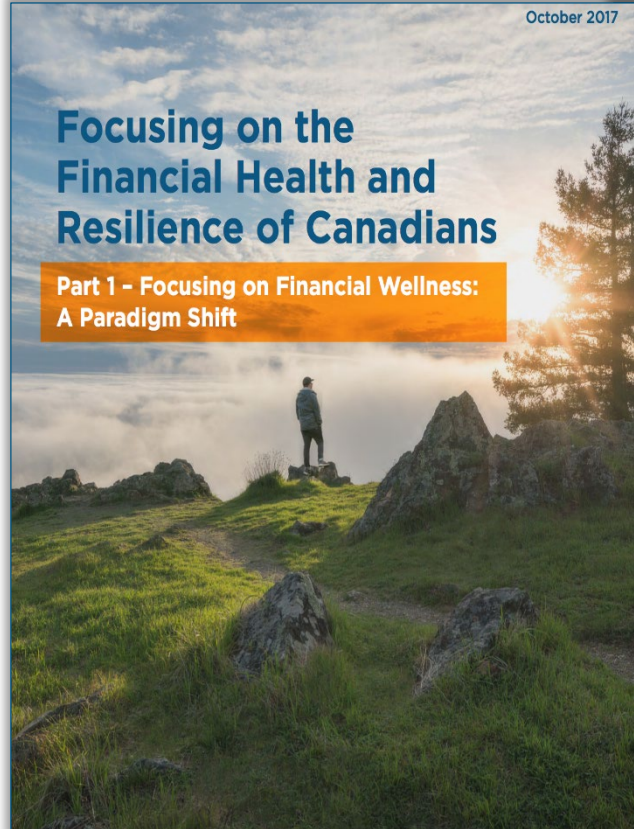
To help promote engagement & innovation around consumer financial health in Canada.



October 2017

Focusing on the Financial Health and Resilience of Canadians

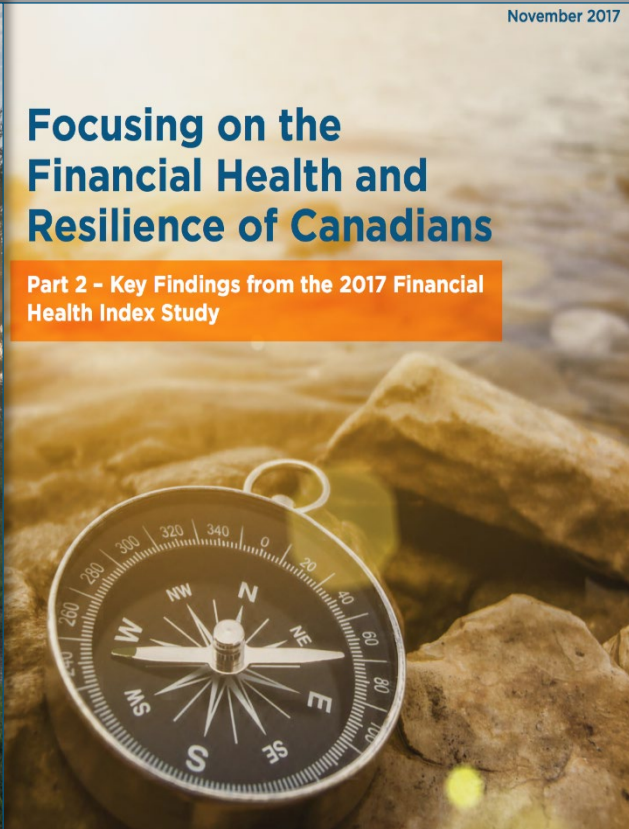
Part 1 - Focusing on Financial Wellness: A Paradigm Shift



November 2017

Focusing on the Financial Health and Resilience of Canadians

Part 2 - Key Findings from the 2017 Financial Health Index Study



October 2018

Financial Wellbeing Remains Challenged in Canada

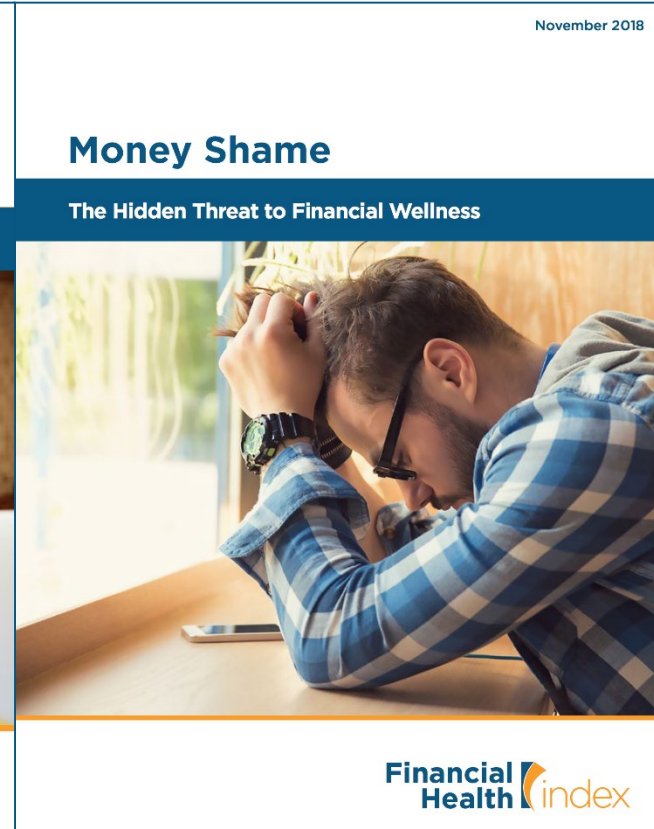
Highlights from the 2018 Financial Health Index study



November 2018

Money Shame


The Hidden Threat to Financial Wellness



Thank You

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Appendices



Example Consumer Financial Health Measures

Ability to balance your financial needs of today with those of tomorrow and get through times of financial hardship.

Financial Health



- % who don't have a budget, or have one but don't always stick to it.
- % Canadians who spend more or the same as their monthly household income.
- % Canadians who pay most of their bills on time.
- % of Canadians who pay the full balance of their credit cards in full, or more than the minimum balance every month.
- % who have taken steps to build their financial knowledge over the past 12 months.
- % who have taken steps to change their behaviours to better manage their finances over the past 12 months.
- % who have increased their borrowing to pay for things in the past 12 months
- % who have borrowed against the equity in their home in the past 12 months, with reason (smart reasons/ debt consolidation or investment v. to pay for general living expenses).
- % who plan ahead financially.
- % of consumers' total savings and investments are estimated to be specifically for their retirement.
- % who have used alternative financial products and services to meet their short term needs: including specifically payday or short term loans.

Example Consumer Financial Resilience Measures

Incorporated into the 2017 and 2018 Financial Health Index Studies

Financial Resilience

Financial resilience speaks to your ability to weather unforeseen life events, financial stressors or 'shocks'.



- At their current level of spending, how long the person and their household could afford to cover expenses, if they only have to live off the money that was readily available, without withdrawing money from retirement accounts or borrowing.
- Canadians able to save any portion of their monthly income.
- Confidence levels in ability to get through periods of financial hardship resulting from unplanned events.
- Source of funds that people would use in the case of an emergency.
- Confidence in having insurance policies in place will provide enough support in case of an emergency.
- Social capital - % who have close family or friends who could provide financial advice and/or support in times of financial hardship;
- Other financial resiliency factors (e.g. % experiencing high, medium or low income variability).

Financial Knowledge, Confidence and Capability (examples)

- X% are not confident in their money management decisions.
- X% are not confident they have the skills and knowledge to manage their household finances well
- % do not understand what financial products and tools they need.

Example Financial Wellness Indicators

Your emotional peace of mind in terms of your financial situation, current and future financial obligations. The opposite is financial stress.

Financial Wellness (opposite of financial stress)



- Financial stress and well-being, also in context of overall personal well-being.
- % Canadians who agree that money worries make them:
 - Lose sleep at night.
 - Cause emotional stress.
 - Make them physically unwell.
 - Cause arguments between their partner/ spouse and them.
- % who feel they have a bit too much debt or far more debt than is manageable.
- % who feel confident or very confident that their household is currently doing what is needed to meet their longer term financial goals (such as putting money away for retirement, buying or paying off a home, saving up for education etc.)

CFSI Financial Health Indicators integrated into the Canadian Financial Health Index study

Financial Health

1. SPENDING/ BALANCING INCOME

Which of the following statements best describes how your household's total income compared to total spending, over the last 12 months?

2. PAYING BILLS

Which of the following statements best describes how your household has paid its bills over the last 12 months?

8. PLANNING AHEAD

To what extent do you agree or disagree with the following statement: "My household plans ahead financially."

Financial Wellness

4. DEBT LOAD

Thinking about all of your household's current debts, including mortgages, bank loans, student loans, money owed to people, medical debt, past-due bills, and credit card balances that are carried from month to month...as of today, how would you describe your household's debts?

5. CONFIDENCE IN SAVING FOR RETIREMENT

Thinking about your household's longer term financial goals such as saving for a vacation, starting a business, buying or paying off a home, saving up for education, putting money away for retirement, or making retirement funds last... How confident are you that your household is currently doing what is needed to meet your longer term goals?

6. RATING OF CREDITSCORE

How would you rate your credit score? Your credit score is a number that tells lenders how risky or safe you are as a borrower.

Financial Resilience

3. SAVINGS BUFFER

At your current level of spending, how long could you and your household afford to cover expenses, if you had to live only off the money you have readily available, without withdrawing money from retirement accounts or borrowing?

7. SUFFICIENT INSURANCE PROTECTION

Thinking about all of the types of insurance you and others in your household currently might have, including health insurance, vehicle insurance, home or rental insurance, life insurance, and disability insurance... How confident are you that those insurance policies will provide enough support in case of an emergency?