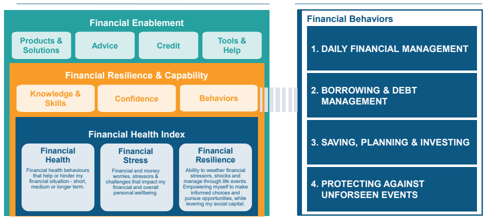
Financial Health index

Financial Wellbeing Framework

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

Spans four pillars of the financial services spectrum



Key Finding: Financial Wellbeing is a multi-faceted construct, with different components and indicators.

Building on emerging research and work around the globe:

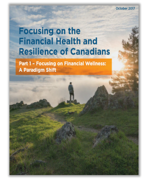
Financial wellbeing is a multi-faceted construct, and is impacted by many factors, including consumer and financial behaviours; financial knowledge, confidence, skills and experience; psychological factors, and economic environmental factors (including social capital).

Financial wellbeing builds on the multi-faceted concept of **financial capability** (centered on what you do) and financial literacy (what you know).

Within the overall construct of financial well-being, we define '**financial wellness**' as one's emotional peace of mind in terms of your financial situation and current and future financial obligations.

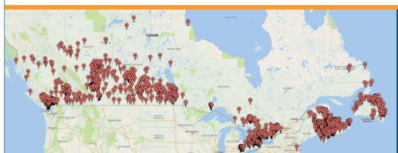
Measures that relate to the three inter-related constructs of financial health, wellness and resilience include:

- The extent to which people feel comfortable with their financial situation and current and future financial obligations;
- The ability to meet financial commitments such as living expenses, bill and loan payments; and
- Resilience for the future based on people's ability to weather un-foreseen life events, financial stressors and 'shocks'.



Our model and research validates that Financial wellness is closely tied to overall personal well-being.

Research findings from the annual longitudinal national Canadian Financial Health Index study (2018 and 2017)



Canada's most comprehensive, independent investigation into consumer financial health and the role financial institutions can play to improve Canadians' financial wellbeing.

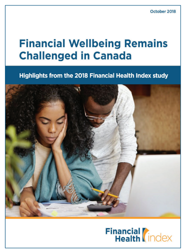
2018 and 2017 studies (will be annual)

5000 primary or joint financial makers across all provinces, excluding Quebec

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. Includes credit union, bank and credit union & bank members.

Topline results & key findings from 2018 FHI study



- Money worries causes 60% Canadians emotional stress. 39% agree money worries affects their physical wellbeing. 43% Canadians report higher levels of stress related to ongoing and future financial obligations.
- 78% of Canadians describe their household spending as either hovering slightly below, above or equal to income.
- 30% Canadians are unable to pay all of their bills on time.
- 64% say they have a monthly spending budget but only 26% stick to it regularly.
- Canadians spend roughly 60% of their monthly take home income on rent or mortgages and monthly bills, and 10% on debt.
- Nearly a third (32%) of Canadians say that have a bit more or far more debt than is manageable, up 4% versus 2017.
- 33% agree they have increased borrowing to pay for things in 2018 versus 2017.
- 55% are unconfident they could get through periods of financial hardship.
- 32% of Canadians with household incomes over $100k report they are somewhat or extremely financially stressed.
- 52% have taken steps to change their behaviours to better manage their finances in the past 12 months.
- 38% rate their primary Financial Institution poorly in terms of supporting their financial wellness.

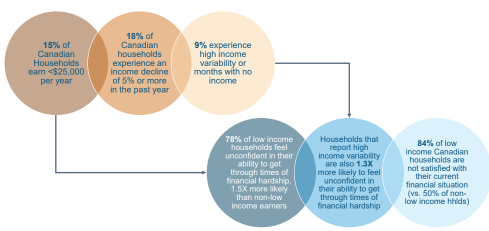
Our work and indicators put significant emphasis on consumer financial resilience

Highlight Findings from 2018 Study

- 38% of Canadians have a savings buffer of less than 2 months. 10% of Canadians have less than 1 week's buffer.
- 55% are unconfident they could get through periods of financial hardship.
- Only 18% are confident in their household's ability to plan ahead financially.
- Only 1 in 5 Canadians are confident that their insurance policies will provide enough support in case of an emergency.
- 39% of renters and 22% of homeowners are not able to save any portion of their monthly income.
- 37% don't feel secure in their job or work situation and 36% experience income variability month-over-month.
- Almost 1 in 5 Canadians (18.5%) are not investing any of their savings for retirement, up 7% over 2017.

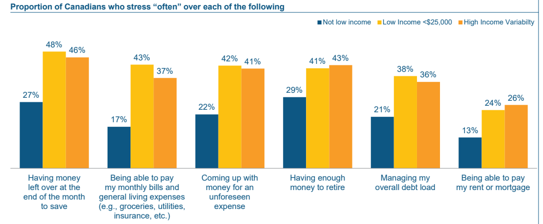
Source: 2018 Financial Health Index study

Improving Canadians' financial health and resilience needs to be priority for policy, particularly for those most vulnerable.



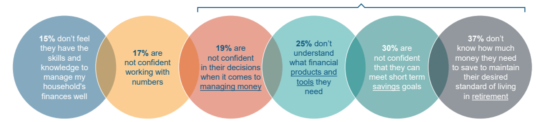
Key finding: Low income earning households, and those experiencing high income variability month over month are significantly more likely to stress "often," and notably more about being able to pay for monthly bills/ expenses and coming up with money for unforeseen expenses.

Proportion of Canadians who stress "often" over each of the following

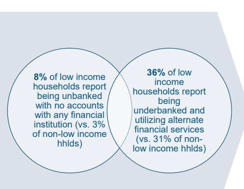


Financial service providers also have a role to play in supporting the financial health and resilience of their customers – including through improved access and support.

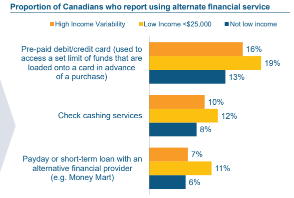
Key areas of focus that can be supported by financial service providers



Yet, 8% of low income Canadians report not even having an account with any financial institution; and 36% report having used alternative (higher cost) financial services, including: pre-paid debit/credit cards, check cashing services, and payday loans

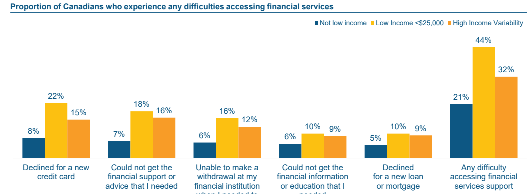


Proportion of Canadians who report using alternate financial service



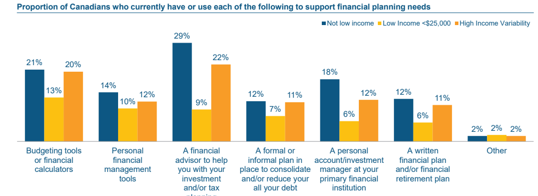
Furthermore, one in four Canadians reported experiencing difficulties accessing financial services support in 2018. Low income households are more than twice as likely (44%) to have experienced difficulties accessing financial services support.

Proportion of Canadians who experience any difficulties accessing financial services



Financial institutions have historically provided greatest advisory and account management support to their highest "value" customers, consequently neglecting lower income earning households. Indeed, those most in need have had the least access to the support they need.

Proportion of Canadians who currently have or use each of the following to support financial planning needs



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