



Financial Consumer
Agency of Canada

Agence de la consommation
en matière financière du Canada



WHAT WE HEARD

SHAPING A
NEW NATIONAL
STRATEGY
FOR FINANCIAL
LITERACY





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Introduction

The Financial Consumer Agency of Canada (FCAC) launched the first [National Strategy for Financial Literacy](#) in 2015. The strategy was successful in raising awareness of the importance of financial literacy, and it spurred wide-ranging efforts aimed at strengthening Canadians' financial knowledge, skills and confidence.

This year, FCAC is renewing the strategy to make sure it reflects our new realities and Canadians' evolving expectations of an increasingly digital financial marketplace.

To inform this renewal, we consulted with financial literacy stakeholders across Canada, researchers in Canada and abroad, and individual Canadians. We also drew insights from in-house research, external research and our own experiences over the past 5 years. The appendix provides a selection of references to these sources.

The purpose of this document is to share what we heard during our consultations with our stakeholders and provide an early preview and synopsis of our thinking.

THE CONSULTATION PROCESS: An online engagement website and consultation paper anchored our consultation process. The website included a questionnaire, an online discussion forum, and background material. These tools were designed to present ideas, ask questions and gather feedback on how FCAC, and public, private and non-profit stakeholders, including financial marketplace actors, can strengthen Canadians' financial literacy in the years to come. Stakeholders provided comments over a 3-month period from November 2, 2020 to January 29, 2021.

We heard from:

- 67 people who responded to an online public questionnaire
- 29 organizations or individuals who provided written submissions

In addition, we hosted 8 by invitation stakeholder roundtable discussions. These included representatives from 90 organizations from across the country and focussed discussions around the needs of specific consumer segments which were:

- Indigenous Peoples
- Seniors
- Women
- Newcomers to Canada
- People of colour
- Francophones
- People living on low income, and
- Cross-sector interests (national industry associations, non-profit organizations and community service providers)

Summary of findings

In this section, we highlight the main themes that emerged from our consultations as well as our research, grouped into three categories:

- the financial literacy ecosystem,
- enabling better financial outcomes for consumers, and
- research and collaboration.

THEME 1: FINANCIAL LITERACY ECOSYSTEM

Stakeholders were clear that a national financial literacy strategy should remain a priority, but that literacy alone would not lead to better financial outcomes. They emphasized that, to keep moving the needle, the financial ecosystem needs to evolve such that it can be used effectively by all Canadians, and such that it can reach more Canadians, in particular, people facing the most challenges due to barriers or circumstances. Everyone in the ecosystem has a role to play, including FCAC and other regulators and governments, financial service providers, the private, non-profit and community sectors, financial literacy educators and influencers.

The strategy should therefore aim to create a more accessible, inclusive and effective ecosystem that supports diverse Canadians in meaningful ways. Stakeholders proposed that efforts focus on:

- reducing barriers in the ecosystem that limit or hinder people from accessing, understanding and using appropriate financial products, services, and education to their benefit,
- catalyzing action by creating new and more opportunities for Canadians to take positive financial actions; and addressing biases and misunderstandings about how best to assist people with financial challenges.

Reducing Barriers:

Stakeholders noted the importance of reducing and removing structural and systemic impediments in order to help financial consumers in Canada achieve better financial outcomes. Barriers in the financial ecosystem limit consumers' ability to access, understand, choose, and use financial products and services that are most suitable for their needs. Specifically, the insights gleaned from our consultations and our research point to the need for reducing barriers to access and comprehension as a first order of business: we need to communicate in ways people understand and facilitate access to financial products and services for diverse needs.

Communicate in ways people understand

Our consultations underscored that people often find financial information confusing and overwhelming. Nearly all stakeholders emphasized the need for financial institutions, governments and other stakeholders to use better communication, starting with plainer language. Suggestions included writing promotional and educational information at a language level suited to age 12/Grade 7 readers, encouraging the financial industry to adopt common, simpler terminology, and making materials more visual and available in a greater variety of formats (such as videos) to overcome language or literacy barriers. Some stakeholders suggested considering one-to-one counselling and communications in place of written materials or impersonal transactions. Behavioural finance research also indicates that lengthy disclosures and notices linked to financial products and services are poorly understood and do not help consumers make better financial decisions. The measure of success for communication and messaging targeted at consumers needs to be consumer understanding.

Specifically in the context of digital finance, research also indicates that subtle differences in how disclosures are presented (e.g., the positioning of buttons or defaults) impacts consumers' decisions about disclosures. To remain effective, disclosures and other forms of information linked to financial products and services will need to evolve alongside digitalization in the financial sector.

Target financial literacy initiatives through a diversity lens

Stakeholders universally recommended making financial literacy efforts/financial information more inclusive. Many said "mainstream" financial information can alienate certain populations by failing to recognize their financial contexts and priorities. All groups of people are not homogenous, and different groups have different needs. For example, women, people of colour, Indigenous Peoples, newcomers to Canada, older Canadians, or people living on low incomes, have unique needs which are not captured by an 'average Canadian' reference point. Financial literacy efforts should speak to these realities. This includes being attuned to cultural practices and religious beliefs around money, accommodating disabilities and cognitive challenges, providing multilingual resources and using relevant role models. Stakeholders suggested that banks and other financial institutions should tailor their programs, services and activities "from the bottom up" and reflect the perspectives of diverse audiences.

Improve accessibility

The consultations noted that Canadians don't have equitable access to financial services or unbiased advice. Language barriers, disabilities and distance to services can all create accessibility issues that can lead consumers to adverse financial outcomes. For example, lack of accessible cheque cashing or short-term credit can drive people to payday lenders or high-interest credit cards. Stakeholders suggested embedding accessibility criteria in the development of all financial literacy initiatives. They also proposed that financial service providers develop codes of conduct to help staff better meet the needs of vulnerable populations. We also heard that, for some, accessibility means face-to-face interaction, such as that provided by coaching and mentoring. Several stakeholders suggested making it easier for people living on low incomes to file income taxes and access government benefits and incentivizing the financial industry to provide tailored services to financially vulnerable individuals.

Digital tools should promote, not impede, financial literacy

It is evident to us at FCAC, and was echoed by many stakeholders, that a financial literacy strategy for today's increasingly digital financial marketplace needs to highlight the need for digital access and digital literacy. The lack of internet, computers and digital skills can be barriers to inclusion. To be effective, financial literacy initiatives need to be built around digital access and literacy. For some population segments or regions, this may mean providing paper-based information and services in person or by phone for those who lack digital access, skills, or both. When using digital media to target financial literacy efforts, stakeholders suggested focusing initiatives through technologies that Canadians prefer and already use, such as online banking and financial apps.

Catalyzing Actions:

Even in the absence of obvious barriers, consumers are not always able to make the right financial decision at the right time. This may be because the financial marketplace is too complex, the number of choices too confusing, or because other factors and decisions compete for consumers' attention and motivation. Stakeholders noted the importance of experimenting with ways to catalyze or motivate financial actions that would benefit consumers. Specifically, the insights gleaned from both our consultations and our research point to the need for using behavioural design to simplify financial decisions and providing consumers with adequate help and guidance when making financial decisions.

Apply behavioural insights and "nudging" approaches

Stakeholders suggested that financial literacy efforts be complemented by emerging strategies in "behavioural facilitation." For example, they suggested using success stories and relatable role models to generate positive feelings and confidence around financial tasks. Others recommended financial incentives (like matched savings) and nudging strategies to move people toward actions that contribute to positive financial outcomes. As has been noted by research on financial decision-making, stakeholders also pointed out that living in scarcity (whether of time or money) can affect the way people think and their ability to plan and make decisions. This is particularly important in the wake of the COVID-19 pandemic and its economic impacts on Canadians.

Enhance access to trustworthy and affordable financial help, remove stigma, and normalize financial conversations

Both the lack of knowledge of trustworthy sources of unbiased financial information, and the perceived social stigma associated with financial hardship make it difficult for Canadians to talk about money, be it with an advisor, or a friend/well-wisher. Indeed, many Canadians are not comfortable talking about money at all, even with family members. To counter this dynamic, financial information and advice should be presented in a way that encourages people to learn and act rather than contributing to shame or remorse. Financial service providers can play an important role in encouraging their clients to talk about finances, whether with their families or with financial advisors or counsellors. Without these combined efforts, young people won't learn about financial matters from reliable sources; people with debt will hesitate to talk about it due to stigma or perceived failure; and people living with financial struggles will not know who to trust or where to look for help.

Strengthen consumer protection measures

There is strong consensus that enhanced consumer protection is a tool for increasing positive consumer outcomes. Canada has a consumer protection framework for banking that provides redress mechanisms and limits consumer liability in the context of fraud or unauthorized access. As the industry evolves and as non-banks such as fintechs offer financial products and services, the financial ecosystem needs to work together to ensure positive consumer outcomes. A majority of consumers are unaware of the protections they currently have with respect to banks or whether the same protections apply when dealing with non-banks. Stakeholders suggested that financial products and services need to be tailored to individual needs and tested for effectiveness, whether offered by banks or non-banks. They also told us messaging to consumers needs to be consistent, unbiased, and effective. They suggested too that safeguards need to be adapted to protect those who might be most vulnerable in the digital world.

THEME 2: ENABLING BETTER FINANCIAL OUTCOMES FOR CONSUMERS

Financial resilience for today's world

The importance of financial resilience was a common theme raised in our consultations. We are living in a time when many people are facing heightened financial stress, uncertainty and vulnerability. This is due to the COVID-19 pandemic, as well as an increasingly complex and digital financial system. We heard that financial service providers, governments and other stakeholders need to do more to help Canadians build the financial literacy and behaviours that will lead to financial resilience. Stakeholders highlighted several aspects of personal finance that are crucial. These include effectively managing day-to-day expenses and debt, saving for goals and life's emergencies, being able to navigate the financial marketplace, building just-in-time financial knowledge and gaining the confidence to take action.

Correct unfounded assumptions about poor financial health

Many stakeholders commented that low financial literacy or poor financial outcomes are too often assumed to be the individual's fault and framed as a moral failing. Yet these realities are more often due to circumstances that are beyond a person's control. How do we account for actions that consumers take out of necessity (debt is often a *survival* strategy, for instance) rather than because of financial illiteracy? How do we respond to the fact that even the best-laid plans can be dramatically altered by life events and forces such as the current pandemic, rapid rise in housing costs, rise of precarious work or financial abuse? The strategy should include an understanding of these dynamics, systemic factors and personal barriers that hinder a person's ability to achieve financial well-being.

THEME 3: RESEARCH AND COLLABORATION

Expand and share research to support stakeholder efforts

We heard about the need for more evidence-based research to better understand target audiences, causes of poor financial health and the effectiveness of financial literacy programs, communications and promotional efforts. Many stakeholders agreed the renewed strategy should be rooted in empirical research, evaluation and measurement. They noted the importance of all players in the ecosystem sharing insights on what works, highlighting best practices, and gaps in financial knowledge.

Maximize use of best practices through increased collaboration

We also heard that more partnerships are needed to build capacity, increase research and evaluation, and scale up financial literacy initiatives that have been measurably effective. They recommended that these efforts need to be ongoing. Many stakeholders noted that financial service providers and other organizations should team up with community groups who have built trust with people, have more "on-the-ground" access and may have effective resources in place. For example, it was suggested that stakeholders could support and align their efforts with [The Shared Path: First Nations Financial Wellness](#) report. Stakeholders also recommended that FCAC continue to promote Financial Literacy Month, which they recognized as a successful initiative for engaging stakeholders and Canadians.

Additional comments

Stakeholders also mentioned:

- the need for universal basic income and employment supports
- the prevalence of predatory and alternative forms of lending
- making financial education mandatory in all elementary and high schools across the country
- fees charged by banks and credit card companies

We recognize that these issues are important public policy considerations. We will continue to contribute to these discussions as we implement the strategy to the extent they fit within the scope of the strategy and FCAC's mandate.

Next steps

We are distilling what we learned – through our consultations, research and experiences from the inaugural strategy – to shape a new National Financial Literacy Strategy for 2021-2026.

We would like to thank the financial literacy stakeholders in Canada and abroad who took the time to talk with us, as well as the researchers whose work has informed our perspective. Your insights helped evolve our thinking about how this next phase of our efforts can best serve Canadians' needs in our new realities that are increasingly shaped by digital commerce.

We have shifted the strategy's emphasis from a "call to action" for individual Canadians, toward changes that major players in the financial literacy ecosystem can make for the benefit of Canadian consumers. The new strategy will chart a path forward that builds on previous efforts and focuses stakeholder efforts on creating a more accessible, inclusive and effective support system for financial consumers. We will highlight ways that stakeholders can reduce barriers, catalyze action and work together, so that we can collectively support Canadians in the pursuit of financial resilience.

The National Financial Literacy Strategy will be launched in summer 2021.

Canadians want to be financially resilient. Stakeholders want to help them. Let's make change that counts.

Appendix: research references

In addition to the feedback and input we received during the consultations, we referred to the following research sources for insights.

FCAC plans and reports

- [National Strategy for Financial Literacy — Count me in, Canada](#)
- [Implementing the National Strategy for Financial Literacy — Count me in, Canada: Progress report 2015-2019](#)
- [Financial Consumer Agency of Canada Business Plan 2021-2022 to 2023-2024](#)
- [Summative Evaluation of the Financial Literacy Program: Final Evaluation Report \(March 2020\)](#)
- [Industry Review: Bank Complaint Handling Procedures \(February 2020\)](#)
- [Report on Best Practices in Financial Consumer Protection \(2018\)](#)
- [Domestic Bank Retail Sales Practices Review \(2018\)](#)
- [Review of Financial Literacy Research in Canada: An Environmental Scan and Gap Analysis 2020](#)

Research insights

- [Dashboard on COVID-19 surveys \(Financial Well-Being and Bank Products and Services\)](#)
- [Canadians and their Money: Key Findings from the 2019 Canadian Financial Capability Survey \(November 2019\)](#)
- [Financial well-being in Canada: Survey results \(November 2019\)](#)
- [Highlights: Key findings from the Survey on Banking of Canadians \(July 2019\)](#)
- [Using Research to Improve the Financial Well-being of Canadians: Post-symposium Report \(June 2019\)](#)
- [Sustained behaviour change through financial education: A budgeting longitudinal study using mobile technology \(June 2019\)](#)
- [Home equity lines of credit: Consumer knowledge and behaviour, FCAC \(January 2019\)](#)
- [The Path Towards Smarter, More Targeted and More Effective Financial Literacy: Post-symposium Report \(April 2017\)](#)
- [The link between financial confidence and financial outcomes among working-age Canadians \(May 2016\)](#)
- [The Shared Path: First Nations Financial Wellness, Simon Brascoupé, Elizabeth Mulholland, AFOA Canada, Prosper Canada \(November 2019\)](#)
- [Learning about Financial Well-being in Canada, Canadian Payroll Association.](#)
- [“Mental accounting and behavioural hierarchy: Understanding consumer budgeting behaviour”, Xiao J., and Barbara O’Neill, International Journal of Consumer Studies 42: 448–59 \(2018\)](#)
- [Statistics Canada](#) – various data including household debt-to-income ratio and household savings rates

Other financial literacy strategies

- [Quebec Financial Education Strategy: 2019–2022 Orientations and action plan](#)
- [Australia National Financial Capability Strategy 2018](#)
- [MALAYSIA National Strategy for Financial Literacy 2019-2023](#)
- [New Zealand National Strategy for Financial Capability 2021-2024](#)
- [Promoting Financial Success in the United States: National Strategy for Financial Literacy 2016 Update](#)
- [UK Strategy for Financial Wellbeing](#)