



FINANCIAL EMPOWERMENT FOR MORE INCLUSIVE GROWTH

Pre-budget Submission 2017
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FINANCIAL EMPOWERMENT FOR MORE INCLUSIVE GROWTH

“It’s time to invest in growth that will benefit all.”

Federal Budget 2016

Executive summary

Financial exclusion, instability and vulnerability trap people in poverty and undermine the success of public poverty reduction strategies and programs.

These issues also prevent many people with low incomes from participating in broader economic growth.

Financial empowerment is a comprehensive and proven set of interventions that provides paths out of poverty and into the middle class by enabling people with low incomes to overcome financial barriers, join the financial mainstream, and build their financial stability and wealth.

Investments in financial empowerment to date in Canada have built a strong foundation enabling us to begin development of tested program models and toolkits, training champion organizations across the country, and developing evaluation metrics and tools to measure impact and drive continuous improvement of services.

To achieve sustainable scaling and progress against federal financial empowerment priorities, however, we need the capacity to: engage, mobilize and support Canada’s emerging financial empowerment field; mobilize partners and resources nationally around key initiatives; and integrate financial empowerment solutions into larger service systems where evidence tells us this can improve low-income clients’ financial wellbeing *and* broader service system outcomes.

To this end, we recommend that the federal government invest an additional \$10 million over the next 5 years to support activities in the following three areas:

1. Establishing and animating a national community of practice
2. Generating and mobilizing new knowledge to inform policy and programs
3. Integrating Financial Empowerment into service systems

Introduction

The federal government's 2016 Budget commitment to inclusive growth for all Canadians was warmly welcomed by many Canadians, as were accompanying federal investments in child benefits, housing, indigenous communities, employment and access to post-secondary education.

We are concerned, however, that these investments will not fully achieve their intended effects because they overlook a key barrier to opportunity – the underlying financial instability, vulnerability and exclusion that many Canadians with low incomes are experiencing.

This issue has gone largely unnoticed and unaddressed in Canada, despite growing evidence that these problems prevent many people from escaping poverty and stymie the best efforts of many costly government and community programs to help them.

If we want inclusive economic growth in Canada, we need to tackle this issue.

Fortunately, proven financial empowerment solutions exist that can remove these barriers.

Government, business, community and philanthropic stakeholders are also beginning to mobilize to put these solutions to work in Canada, drawing on the experience, evidence and learning of other jurisdictions, like the U.S. where these solutions are being adopted and implemented by all levels of government, including by over 40 major cities.

The federal government has a critical role to play in helping to scale similar solutions in Canada and has already taken some important steps to support financially vulnerable Canadians to build their financial wellbeing.

There is much more that we can do, however, to build real paths to opportunity for those Canadians who continue to be left behind.

In this submission, we outline the challenges we need to address, solutions that have been proven to work, and how the federal government can play an even more effective role in building prosperity for all Canadians.

Canadians with low incomes are most affected by financial barriers to opportunity

In Canada today, average household debt levels are at an all-time high of 165.3% of annual disposable income – the highest in the G7 and more than double 1982 debt levels.^{1,2}

At the same time, average household savings have sunk to 3.9% of annual household income, down from over 20% in 1982.³

Financial vulnerability has also grown with 10% of all working-age households and 20% of those in the lowest income quintile now having zero or negative net worth.⁴

While growing financial vulnerability affects people of all income levels, people living in poverty are the most vulnerable of all, as few have any savings to fall back on in the face of job loss, illness, other income interruptions, or unforeseen expenses.⁵

People living in poverty also experience additional financial barriers that most of us do not however – barriers that relentlessly undermine their efforts to improve their financial situation. These include:

- Low financial literacy, often compounded by literacy, numeracy and language challenges
- Difficulty accessing mainstream financial services
- Mainstream financial products, services, and advice that don't meet their needs
- Predatory fringe financial services that further erode their financial stability
- Difficulty accessing public income benefits through tax filing or other channels
- Public policies that impede positive financial behaviours like saving⁶ or fail to incentivize them to the same extent for people with low incomes as they do for other Canadians.⁷

Together, these obstacles actively prevent many people with low incomes from building the financial stability and assets they need to pursue proven routes out of poverty and into the middle class – education and training, employment, entrepreneurship, and ownership of a home or other capital asset.

But Canadians with low incomes currently have few sources of financial help

Despite this, there are few sources of financial help available to Canadians living on low incomes.

Frontline government and community service providers generally lack the mandate, knowledge, and resources to help people with low incomes address financial barriers and build their financial capability and wellbeing.

Mainstream financial institutions are equally challenged to deliver effective products/services to people with low incomes.

As a result, financial help tailored to meet the needs of people with low incomes remains a critical gap in our social support system.

Financial empowerment solutions help people move from poverty to opportunity

Financial Empowerment is an integrated set of solutions that have been proven to increase the financial wellbeing of people living in poverty, when they are tailored to the needs of target users and delivered in coordination with other community supports.⁸



Financial empowerment solutions enable people with low incomes to measurably improve their financial outcomes (incomes, credit scores, savings and debt levels) by removing financial barriers and connecting people to opportunities to boost their incomes in the short term and start building savings and assets for their future.

This, in turn, enhances their access to proven routes out of poverty – education, training, employment, entrepreneurship, and ownership of a home or other tangible assets.

For a summary of evidence on the impact of financial empowerment solutions, please see [Appendix 2](#).

Financial empowerment interventions can be scaled sustainably by building them into existing service systems that are already resourced, serve clients with low incomes, and aim to improve their financial wellbeing. These can be public, private or non-profit service systems (e.g. provincial/municipal social assistance programs, municipal employment centres, community health centres, credit unions, First Nations health and welfare services; Aboriginal Friendship Centres, newcomer settlement services, or YMCAs).

There is strong evidence that this produces a “super vitamin” effect⁹ – improving public and community program outcomes by alleviating financial stressors that impede participant success and removing barriers to financial inclusion.

There is strong evidence that financial empowerment can help to advance many federal priorities aimed at fostering more inclusive economic growth. For a list of these priorities and information on how financial empowerment can be integrated into relevant federal government policy, program and funding frameworks, please see [Appendix 3](#).

We are pursuing a strategy to build the financial wellbeing of 1 million Canadians

Our goal is to scale 5 key financial empowerment services to measurably improve the financial health of one million Canadians with low incomes by 2020. These interventions are:

- **Financial education**
- **Financial coaching and counselling**
- Assistance **tax filing and accessing benefits**
- Help to **access basic banking** and direct deposit
- Assistance **opening RESPs and RDSPs.**

To achieve this goal, we are pursuing a coordinated strategy with our many partners and the national ABLE Financial Empowerment Network to:

- Foster collective impact
- Develop Financial Empowerment Champion organizations across Canada
- Build frontline capacity
- Promote service system integration

The federal government is a key financial empowerment partner, supporting a mix of important initiatives that are matched by over \$10 million in contributions from other partners who see the potential of sustainable, scaled, financial empowerment supports to reduce poverty (see [Appendix 4](#)).

A \$10M investment over 5 years will accelerate sustainable scaling of financial empowerment across Canada

To achieve true sustainability and scale, however, and optimize the contribution of financial empowerment interventions to key federal priorities, we need to strengthen our capacity to engage, mobilize and support Canada's emerging financial empowerment field and invest in the systematic integration of financial empowerment solutions into larger service systems where evidence tells us this can improve low-income clients' financial wellbeing *and* broader service system outcomes.

To this end, we recommend that the federal government invest an additional \$10 million over the next 5 years to support activities in the following three areas:

1. Establishing and animating a national community of practise

Establish a national community of practise, building on the national ABLE Financial Empowerment Network and Prosper Canada's own cross-sector network.

Animate engagement opportunities and an online portal that offer practitioners, funders and policy makers:

- Free financial empowerment program methodologies, tools, and resources
- Regular updates on new initiatives, research findings and promising/best practices
- A national evidence-based indicator database for supporting the evaluation of financial empowerment initiatives
- Peer-to-peer knowledge exchange opportunities
- National consultations and dialogue on related policy issues and initiatives, such as:
 - The National Poverty Reduction Strategy
 - Bank Act Review
- Work collaboratively with federal departments to coordinate financial empowerment initiatives nationally to advance key federal priorities such as:
 - National Financial Literacy Strategy
 - RESP and Canada Learning Bond take-up
 - Connecting Canadians to their benefits

2. Generating and mobilizing new knowledge

- Convene a Financial Empowerment Research Network comprising leading Canadian and international financial empowerment researchers
- Facilitate development of a coordinated Canadian research agenda
- Mobilize research partners and resources to conduct strategic research in support of agenda priorities, in consultation with key federal government and other partners
- Produce and disseminate tailored knowledge products for practitioners, policy makers, and funders to inform effective practice and policy.

3. Integrating Financial Empowerment into service systems

- Work with key federal departments to identify and support opportunities to integrate financial empowerment into targeted policy, program and funding frameworks, where evidence shows it can help to advance key government priorities
- Engage business, community, provincial and municipal partners in coordinated national financial empowerment initiatives to advance relevant, targeted federal priorities
- Mobilize additional resources from private sector, philanthropic and other government sources to expand the scope and impact of the above activities.

Conclusion

\$10 million over 5 years is a significant investment, but we believe we have the expertise, track record, and partnerships across Canada to successfully accomplish our goal of enabling one million Canadians living in poverty to improve their financial wellbeing through the sustainable scaling of proven financial empowerment interventions.

We also believe the proposed investment will increase the impact of other federal initiatives aimed at reducing poverty and fostering more inclusive economic growth.

We have already begun to work on many of the above initiatives, but the sustained funding we are proposing will enable us to significantly grow and accelerate our efforts, and to continue leveraging new partners and resources.

We look forward to working with the government to reduce poverty in Canada and build a more inclusive economy, and believe that financial empowerment and the investment we have proposed can enable the government to provide tangible evidence of progress against both of these important goals.

Thank you very much for your consideration of this submission. We would be pleased to answer any questions at the Committee's convenience.

[Click to view appendixes and references](#)