Financial Health & Resilience of Canadians versus Financial Vulnerability

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Eloise Duncan, Principal, Seymour Consulting, CMC MA
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Our vision is for financial healthy, resilient Canadians and families.

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.

FINANCIAL HEALTH

RESEARCH & MEASUREMENT
CONSULTING
COLLABORATIVE INNOVATION

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

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.

Canada’s national independent & longitudinal investigation into consumer financial health and the role financial institutions can play to improve Canadians’ financial health and wellbeing.
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
So that people can enhance their ability to weather unforeseen life events, financial stressors or shocks

We place major emphasis on financial resilience

Inspired by work in Australia and around the globe
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

Source: 2018 Financial Health Index study
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:

- Having money left over at the end of the month to save: 27% (Not low income), 48% (Low Income <$25,000), 46% (High Income Variability)
- Being able to pay my monthly bills and general living expenses (e.g., groceries, utilities, insurance, etc.): 17% (Not low income), 43% (Low Income <$25,000), 37% (High Income Variability)
- Coming up with money for an unforeseen expense: 22% (Not low income), 42% (Low Income <$25,000), 41% (High Income Variability)
- Having enough money to retire: 29% (Not low income), 41% (Low Income <$25,000), 43% (High Income Variability)
- Managing my overall debt load: 21% (Not low income), 38% (Low Income <$25,000), 36% (High Income Variability)
- Being able to pay my rent or mortgage: 13% (Not low income), 24% (Low Income <$25,000), 26% (High Income Variability)

Source: 2018 Financial Health Index study
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)

<table>
<thead>
<tr>
<th>Service</th>
<th>High Income Variability</th>
<th>Low Income &lt;$25,000</th>
<th>Not low income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-paid debit/credit card (used to access a set limit of funds that are loaded onto a card in advance of a purchase)</td>
<td>13%</td>
<td>19%</td>
<td>16%</td>
</tr>
<tr>
<td>Check cashing services</td>
<td>8%</td>
<td>12%</td>
<td>10%</td>
</tr>
<tr>
<td>Payday or short-term loan with an alternative financial provider (e.g. Money Mart)</td>
<td>6%</td>
<td>11%</td>
<td>7%</td>
</tr>
</tbody>
</table>

Source: 2018 Financial Health Index study
Financial Health Index White Papers (2017 & 2018)
To help promote engagement & innovation around consumer financial health in Canada.
Thank You

Eloise Duncan. Principal

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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.
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.
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?