1) Introduction
   a) Explain my FE&P research: inner-city; low-income; Toronto, Vancouver & Winnipeg; SSHRC supported

   b) Argument: that indeed financial literacy is important but it is necessary for all actors in our society not just middle-income consumers

   c) Outline: provide some evidence on fin lit.; define fin lit. including need for (1) broader notion & (2) different notions; conclusion

2) A Definition of Financial Literacy
Financial literacy is achieved as individuals, businesses, government and society have the appropriate knowledge, skills and attitude about short-term (daily) and long-term finances to maintain there financial well-being and contribute to the well-being of those they interact with.

3) Evidence of the Need & Knowledge of Fin Lit in Canada
   a) Context of fin lit in Canada: ‘Micro’ concerns include record high consumer debt, & rapid growth certain types of credit: Payday loans; Sub-prime credit cards; ‘Macro’ concerns refer to problems for the entire economy: e.g., sub-prime mortgage crisis emanating from US

   b) Evidence is limited at present but Stats Can is soon to implement their new survey related to this: Survey on Financial Capability

   c) Data on Household Assets & Liabilities: there are different ways to measure debt sustainability: debt to income, debt to assets, debt servicing, etc.

      i) Debt to Income: One indicator of debt sustainability is the household debt-to-income ratio, and this ratio is high and has been rising steadily from the 1990s rising to 121% by 2006 (Certified General Accountants Association of Canada, 2007, p.29); 140% (G&M, June 2009).
ii) Debt to assets: However, when debt is considered in relation to household assets or net worth, then the figures have not risen so steeply due to the rising value –in 2007– of home and equity holdings. Household debt-to-assets rose slightly from 14.9% in 1990 to 16.2% in 2006 (p.29) and 17.7% in the first half of 2008 (Bank of Canada, Financial Systems Review, 2008, p.21). The net asset position of the average Canadian household has changed dramatically since the early 1990s.

iii) Low-income Debtors: The CGA report notes that the distributed debt across the population is of concern. The least wealthy quintile had 2nd fastest rate of debt growth between 1999 and 2005 (4.4% per annum) & was the only group to experience a decline in median net worth, by 2.3% (p.36). “What is possibly more perplexing is that those with the least amount of net worth had been able to increase their access to credit at a much steeper pace than that of other families… (p.37).” The numbers of people with debt in lowest quintile tripled between 99 & 05: (see table 2, p.37) and in 99-05 comparison it is people with incomes between 20-29,000 with highest increase in debt-to-asset ratios, from 10 to 14% (p.38). I wonder if this rise in debt is associated with the rise in payday lending we have seen in the last 10 years.

d) Evidence on Levels of Financial Literacy: again this information is limited: the main sources of these data are Financial Consumer Agency of Canada sponsored surveys (2001, 2005 and 2006) and Statistics Canada’s Survey of Financial Security (SFS)1 (1999 and 2005) plus smaller studies by SEDI, CGA & Buckland. Here are some insights:

i) With specific reference to having a budget, 42.3% of SFS respondents indicated that they had one in 1999 while a slightly larger percentage, 46.3% said they had one in 2005.

ii) The FCAC sponsored survey in 2006 found that two-thirds of respondents had a household budget but that only one-third of respondents followed the budget closely. These surveys suggest that between one-third to 58 percent of households do not have a budget. To the extent that a household budget is a basic tool and indicator of financial literacy this result points to a weakness in financial literacy particularly for households with more complicated budgets.

iii) Moreover another FCAC-sponsored study found that 92% of respondents were at least “somewhat” confident (48%) or “very” (44%) confident about making effective financial decisions (Les Études de Marché Créatec/FCAC, 2006). Without even a household budget, particularly for middle- and upper-income earners, it’s hard to square this level of confidence.

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1 The FCAC surveys include a number of questions related to knowledge about financial services and the SFS has a series of questions about financial behaviours including a question about having a household budget. Data gaps exist with reference to many other aspects of financial literacy such as household financial planning and knowledge of the macro-economy.
iv) In a national survey sponsored by CGA-Canada it was found that only 35% of respondents felt that their debt had increased either a little or a lot and that 65% felt their debt had remained the same (23%) or decreased (42%) (Chartered General Accountants, 2007, p.76). This is surprising given the increase in consumer debt on average.

v) Evidence re low-income Can, from my qual studies: The results found that many low-income respondents evidenced financial literacy in that many learned to cope with strict budgets, they used diversified activities to raise their income, they constrained their credit and they were reasonably knowledgeable about relevant government programs and banking services. Where particular constraints were noted in financial literacy, they related to detailed knowledge about institutional policies and attitudes about deeper financial and life goals. Respondents are from inner-city neighbourhoods where mainstream bank branches and services are few and fringe bank outlets and their services are abundant. This is an important contextual feature of inner-cities which shapes situated learning in the sense that it makes fringe bank services and information about these services more accessible than the equivalent for mainstream banks. Considering fringe bank services are considerably more expensive than mainstream bank services, reliance on fringe banks, rising from situated learning, can reinforce poverty.
4) Unpacking The Definition of Financial Literacy

a) The definition focuses three components of financial literacy: knowledge, skills and attitude.
   i) Knowledge refers to understanding about processes (policies and programs) affecting household finances from macro economics to household financial planning.

   ii) Skills refer to the ability to undertake certain activities like budgeting, comparison shopping and financial planning.

   iii) Attitude refers to a sense of hope of the future and a belief that one has some control over one’s life. This point is very important and relates to broader societal influences: society affects one’s attitude and world view.

b) The definition assumes that there are several important actors involved in financial literacy (consumers, businesses, government, society):
   i) Individual consumers do not live in a vacuum but in a broader society and economy: our views about life, finances, and what we hold dear are affected by society. For instance there is evidence that views about holding debt and accumulating savings are different today than 50 years ago. These social views affect individual behaviour. So it’s not just about changing individuals but also about changing social views. This is similar, but not as challenging as changing social views about the environment’s role in the economy.

   ii) Moreover, consumers are not the only actors in society: other critical actors are businesses, banks and govt. We have been deeply influenced by the market-centered idea that consumers are free to order their lives through work and consumption however they want. In fact governments create policy that shapes much of our economic and social lives. Business affects us profoundly through actions such as advertising. So these actors must also gain better financial literacy. Consider the sub-prime mortgage crisis as a powerful example of the need of business –in this case, bankers– to behave in more transparent and careful fashion. I could add a similar argument regarding payday lenders.

   iii) Finally, all individuals don’t face the same experiences and challenges: literacy requirements vary across society. I think we need to pay particular attention to low-income people, considering their vulnerable situation. Income trends over time, social assistance policy and banking services are three important institutions or institutional consequences that affect different income groups in different ways. The financial consequences for different income groups are that they have different financial literacy needs.
5) Conclusion
Financial literacy must be conceptualized within society, consider all the actors—not just consumers but also business and government—and realize particular fin lit experiences & needs of low-income people. Household debt levels are high but, as far as most recent surveys are concerned, people don’t perceive them as growing &/or consider this as much of a problem. A significant minority of Canadians don’t even have & maintain a household budget & yet many feel confident about their finances. Low-income Canadians face particular structural obstacles to financial well-being and financial literacy. As a researcher my natural response to the fin lit question is to think that we need more data. And I think this is true in this case. But the data needs to recognize the social context of fin lit & examined multiple actors, not just consumers. It also needs to realize that fin lit needs vary.