



## Redefining financial vulnerability in Canada

**September 21, 2022**

***11:00AM – 12:00PM [EDT]***

# Welcome!

Thank you for joining today's webinar, **Redefining financial vulnerability in Canada**, hosted by Prosper Canada.

The presentation will begin shortly.

Audio will begin when the presentation starts.

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# Webinar logistics

- Audience members have been put on 'mute' for this webinar and **panelists' webcams have been turned off.**
- Please **share any questions** and **respond to questions posed by panelists** using the '**Question**' box (located in the GoTo Webinar control panel).
- A **PDF download** of this slide deck is available in the '**Handouts**' box (located in the GoTo Webinar control panel) and will be emailed to all registrants within a few days.
- This webinar is being **recorded** and we will **post a recording** on our website and **email the recording link** to all registrants within a few days.



## Land acknowledgement

# Prosper Canada – Who we are

**Founded in 1986, Prosper Canada is a national charity dedicated to expanding economic opportunity for Canadians living in poverty** through program and policy innovation.

As **Canada's leading champion of financial empowerment**, we work with governments, businesses and groups to develop and promote financial policies, programs and resources that transform lives and foster the prosperity of all Canadians.

**We help service systems and organizations in all sectors to build proven financial empowerment approaches into their businesses** in ways that:

- Are **sustainable**
- Help them **achieve their goals**
- Tangibly **increase the financial well-being of the low-income people** they serve.



# Today's presentation

- 1. Welcome and introduction**
- 2. Redefining financial vulnerability**
  - a) Setting up the problem**
  - b) Presenting research on financial vulnerability as a threat to holistic financial well-being**
  - c) Scenario**
  - d) Recommended policy and financial counselling supports**
  - e) Commentary and front-line perspective**
- 3. Q&A period**

# 1. Introductions: Our speakers



**Jerry Buckland**  
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# Redefining financial vulnerability in Canada

Financial Vulnerability in Canada: The Embedded  
Experience of Households

Jerry Buckland and Brenda Spotton Visano

21 September 2022

Webinar hosted by Prosper Canada



# Objective and outline of presentation

## Objective

- To demonstrate the limitations of the conventional way in which financial vulnerability is conceived, to expand on and strengthen this conception, in order to more effectively address all types of financial vulnerability
- To get your feedback, on several questions, based on your work

# Objective and outline of presentation

## Outline



INTRODUCTION



PROBLEM



BROADENING



SCENARIO

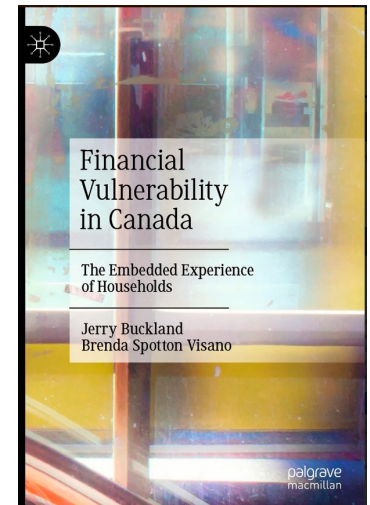


POLICY  
IMPLICATIONS



## Financial Vulnerability in Canada: The Embedded Experience of Households (1/2)

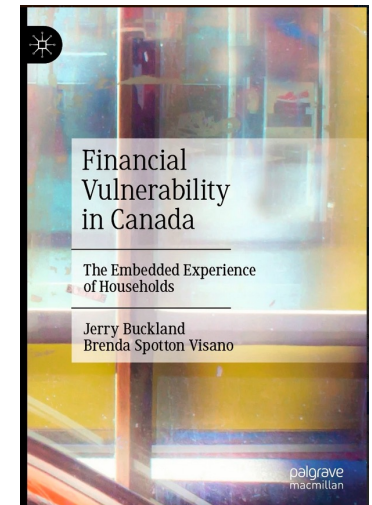
- We recently completed a book that seeks to understand financial vulnerability in Canada by
  - Understanding and broadening the conception of financial vulnerability
    - By assessing common views about financial vulnerability and
    - Exploring various literatures that examine financial vulnerability





## Financial Vulnerability in Canada: The Embedded Experience of Households (2/2)

- We recently completed a book that seeks to understand financial vulnerability in Canada by (cont.)
  - Gathering relevant data on financial vulnerability in Canada
    - Including, nationally representative survey data and
    - Integrating insights from the Canadian financial diaries research project
  - We juxtapose financial vulnerability with financial wellbeing



INTRODUCTION

PROBLEM

BROADENING

SCENARIO

POLICY  
IMPLICATIONS

## Narrow conception of financial vulnerability (1/5)

- Operational definition of financial vulnerability matters for what gets looked at and what gets attention
  - Current Canadian policy focus: financial vulnerability operationalized as consumer over indebtedness – mortgages and non-mortgage consumer debt



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INTRODUCTION

PROBLEM

BROADENING

SCENARIO

POLICY  
IMPLICATIONS

## Narrow conception of financial vulnerability (2/5)

- Our primary concern:
  - The current policy focus is too narrow
  - It omits the financial experience of modest-income Canadians
  - It may be creating barriers to building financial resilience and improving financial well-being

INTRODUCTION

PROBLEM

BROADENING

SCENARIO

POLICY  
IMPLICATIONS

## Narrow conception of financial vulnerability (3/5)

- Some limitations of the current policies
  - Mortgage debt is not directly relevant to renters; 75% of the lowest income Canadians do not own a home
  - Non-mortgage consumer debt (credit card debt and payday loans) explains most of consumer bankruptcies/proposals, but we have no national data on high-cost debt



INTRODUCTION

PROBLEM

BROADENING

SCENARIO

POLICY  
IMPLICATIONS

## Narrow conception of financial vulnerability (4/5)

- Some limitations of the current policies (cont.)
  - National Financial literacy efforts assume greater financial literacy skill will result in lower and more manageable debt – but low financial literacy may not be the cause of high debt loads



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INTRODUCTION

PROBLEM

BROADENING

SCENARIO

POLICY  
IMPLICATIONS

## Narrow conception of financial vulnerability (5/5)

- Some limitations of the current policies (cont.)
  - Capping payday loan rates at 300+% still too high when high-income consumers pay only 4%
  - Ignores bank policies that may be penalizing low-income consumers and forcing some consumers into payday and other high-cost debt



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INTRODUCTION

PROBLEM

**BROADENING**

SCENARIO

POLICY  
IMPLICATIONS

## Our aim (1/2)

- To widen the lens on financial vulnerability
- To broaden the conceptual definition of financial vulnerability to include Canadians without debt
- To capture more of the experience of Canadians with modest income



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INTRODUCTION

PROBLEM

BROADENING

SCENARIO

POLICY  
IMPLICATIONS

## Our aim (2/2)

- To better reflect the breadth of financial struggles
  - To understand how much is within the control of an individual (and so would benefit from greater financial education, e.g.) and how much would benefit from better government or bank policies
- Our Conceptual Definition: Financial vulnerability is the risk of a personal financial crisis/high stress/bankruptcy
- But what does this mean “on the ground” in the day-to-day experience?

INTRODUCTION

PROBLEM

BROADENING

SCENARIO

POLICY  
IMPLICATIONS

## Qualitative research on financial vulnerability (1/3)

### Canadian Financial Diaries research project

- Focus on strength-based consumer financial well-being defined as
  - Can easily meet current financial obligations
  - Feels secure in their financial future
  - Has holistic set of assets including social assets
  - Can make choices that allow enjoyment of life free of financial stress



INTRODUCTION

PROBLEM

BROADENING

SCENARIO

POLICY  
IMPLICATIONS

## Qualitative research on financial vulnerability (2/3)

- Financial vulnerability is a threat to financial wellbeing, defined as
  - Liquidity stress
  - Financial insecurity
  - Anxious and feels financial stress



INTRODUCTION

PROBLEM

BROADENING

SCENARIO

POLICY  
IMPLICATIONS

## Qualitative research on financial vulnerability (3/3)

- Principal causes of financial vulnerability
  - Low income
  - Mismatch of income and expenditures
  - No savings cushion
  - Consumer knowledge, psychology, and behaviour of lower order importance



INTRODUCTION

PROBLEM

BROADENING

SCENARIO

POLICY  
IMPLICATIONS



## Questions

1. For those of you familiar with Canadians struggling to manage on a low income, is this conception, about financial wellbeing and vulnerability helpful?
  - ☐ Yes
  - ☐ No
  - ☐ Mixed

INTRODUCTION

PROBLEM

BROADENING

SCENARIO

POLICY  
IMPLICATIONS

## Person with limited resources facing spending crisis (1/4)

- Consider a low-income renter with no savings cushion who faces a sudden necessary expenditure (a \$500 car repair to facilitate getting to work)





INTRODUCTION

PROBLEM

BROADENING

SCENARIO

POLICY  
IMPLICATIONS

## Person with limited resources facing spending crisis (2/4)

- Inability to afford the payment this month forces hard choices:
  - Risk being overdrawn on bank account,
  - Risk disconnection of a utility and subsequent reconnection fee, or
  - Borrow, but if unable to access bank credit/“maxed out” on credit cards and at risk of the bank exercising its right of offset, then last resort is a payday loan

INTRODUCTION

PROBLEM

BROADENING

SCENARIO

POLICY  
IMPLICATIONS

## Person with limited resources facing spending crisis (3/4)

- The trade-off calculations and a short-term coping focus or “tunnelling” results in choosing a payday loan as the best option; if they can pay the loan off in 2-4 weeks it will still be cheaper than the likely NSF charges (2 x \$48) or a utility reconnection fee (\$120)



INTRODUCTION

PROBLEM

BROADENING

SCENARIO

POLICY  
IMPLICATIONS

## Person with limited resources facing spending crisis (4/4)

- The likelihood that the loan will have to be rolled over for several weeks is not fully accounted in the trade-off calculation due to stress and a hyper-short-term time horizon as coping
- Low financial literacy skills are neither the problem (since trade-off thinking was good just too short term) nor is financial education the solution

INTRODUCTION

PROBLEM

BROADENING

SCENARIO

POLICY  
IMPLICATIONS

## Questions (1/2)



2. Why do some Canadians with low income have difficulty focusing on their longer-term financial situation?

**Select all that apply.**

- ☐ Tunnelling
- ☐ Stress
- ☐ Lack of understanding or weak financial literacy skills
- ☐ Other: \_\_\_\_\_

INTRODUCTION

PROBLEM

BROADENING

SCENARIO

POLICY  
IMPLICATIONS



## Questions (2/2)

3. Do you think Canadians with low income who use payday loans and other high-cost services are comparison shopping and thinking in terms of money trade-offs?

- ☐ Yes
- ☐ No
- ☐ Mixed

INTRODUCTION

PROBLEM

BROADENING

SCENARIO

POLICY  
IMPLICATIONS

## Policy and counselling (1/2)

- Policy supports:
  - Eliminate the banking barriers for low-income Canadians
    - Eliminate poverty penalty in banking fees – make the cost of basic banking services equitable
    - Eliminate the bank's right of offset
    - Require banks extend low-cost credit (overdraft) to all Canadians

INTRODUCTION

PROBLEM

BROADENING

SCENARIO

POLICY  
IMPLICATIONS

## Policy and counselling (2/2)

- Counselling supports
  - Financial literacy skills may have modest benefits but risks sending the message that do-it-yourself money management alone can achieve greater financial security
  - When financial stress and anxiety present, trauma-informed counselling approach is preferred

INTRODUCTION

PROBLEM

BROADENING

SCENARIO

POLICY  
IMPLICATIONS



## Questions

4. What do you think are the most important means to assist Canadians with low income and reduce their financial vulnerability? **Select all that apply.**

- ☐ Financial literacy courses to teach basic money management
- ☐ Policy reforms to improve access to basic banking services
- ☐ Financial coaching to help them manage complex financial situations
- ☐ Strengthen predatory lending regulations (e.g., reduce the maximum fee that can be charged)
- ☐ Other: \_\_\_\_\_



# Thank you!

Your questions and comments are most welcome

# Financial Empowerment

Celebrating 23 years in the Community

Participants develop new skills and knowledge to move toward the life they want—for themselves, their families and their community.



# Participants' Financial Stories: Payments

- **Monthly Bank Account Fees**
  - \$4/month for 12 debits/month
  - \$18/month for unlimited debits/month
- **Transactions fees on a basic bank account**
  - \$1.25 per excess debit transaction fee chequing account
  - \$3.00 mailed paper statements per month
- **Non-sufficient fund charges and overdraft**
  - \$49 non-sufficient fund charges
    - Rent, utilities, insurances (car, term-life, pet)
  - Monthly charge vs. pay-per use charge
  - 22% interest rate, calculated on daily balance





# Participants' Financial Stories: Short-Term Credit

- **Repairing Credit Score**
  - Access to mainstream credit e.g., over credit limit usages + fee
- **High-Cost Alternative Financial Services**
  - **Subprime Auto loan**
    - \$5,000 used vehicle vs. high interest rate (38%) with low credit score(s)
  - **Rent-to-own financing**
    - Leased furniture with Annual Percentage Rate at 30%
    - Secured Credit Card APR 20%, \$60 annual fee, \$500 security deposit
  - **Instalment loan**
    - \$3,000 → \$8,500 rolled over 7+ times in 2 years, ~3x
    - Plus: add on insurance fees, administrations fees
  - **Cheque cashing**
    - Provincial payment, unbanked



# Participant Outcomes

- **Increased:**

- Money Management
- Confidence, financial wellness & hope for the future
- Awareness of options, programs & services

- **Positive relationship with money**

- **Financially empowered**





# Book giveaway

**Ten free copies available** of Jerry and Brenda's book

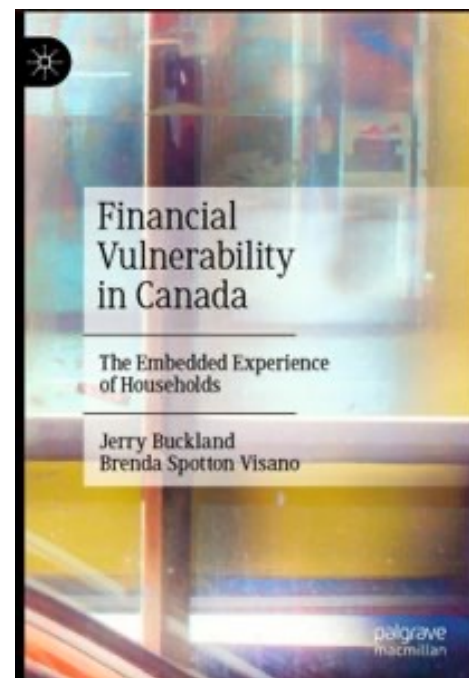
*"Financial Vulnerability in Canada: The Embedded Experience of Households"*

Write to [info@prospercanada.org](mailto:info@prospercanada.org) with the subject line:  
*Financial vulnerability book request*

Requests accepted until September 30, 2022

Provide: full name, phone number, address

First come, first served.



# Questions?



# Q & A Period

*Question from audience*

**How can we amplify financial empowerment?**

*Panelist responses*

**From Margaret:** Start or join a financial empowerment centre and also recognizing that everyone and everything (individuals, schools, communities, etc.) is involved because it effects so many different parts of each person's life. The most vulnerable have less of a buffer and there's a need for recognition that financial resiliency needs to be better supported in many ways.

**From Jerry:** Implement programs like those of Momentum and SEED Winnipeg nationally. Revise and expand Access to Basic Banking regulations.



# Q & A Period

*Question from audience*

**What do you believe is an effective definition of financial empowerment?**

*Panelist responses*

- **From Margaret:** There are effective definitions developed by:
  - Government of Canada: <https://www.canada.ca/en/financial-consumer-agency/programs/financial-literacy.html>
    - On Financial Well-being: <https://www.canada.ca/en/financial-consumer-agency/programs/research/financial-well-being-survey-results.html>
  - Prosper Canada: <https://prospercanada.org/Financial-Empowerment/Overview.aspx#:~:text=Financial%20empowerment%20is%20an%20approach,security%20of%20low%2Dincome%20people>

# Q & A Period

*Question from audience*

**Do the panelists have comments around living/minimum wages?**

*Panelists responses*

**From Margaret:** Momentum Calgary supports the efforts of Vibrant Communities Calgary that specifically does advocacy work to support living wages. For more information on this non-profit, see <https://enoughforall.ca/>.

**From Brenda:** Living wage has an impact on a large portion of the Canadian population. Many low-income Canadians are living below the benchmark of poverty. Brenda's data analysis indicates that there's still a mismatch of income to expenditures which is the most critical for managing payments on a day-to-day basis.

**From Jerry:** Many Canadian Financial Diaries diarists were experts at living with a very meagre income. But this pressured them to focus on the Short Run which may harm their Long Run wellbeing. Higher levels of social support --consistent with a min income-- would help these diarists to turn more of their attention to the Long Run.

# Q & A Period

*Questions from audience*

**When it comes to hiring/renting, is there a need to re-examine the use of credit scores?**

*Panelist response(s)*

**From Brenda:** From my perspective, yes. Credit scoring is opaque. There is little to no information on how credit scores are calculated, and they not reviewed by third parties. Since they remain in the purview of the private sector and beyond the review of an independent third party, they should not be used. New release of reporting rent payments to Equifax, at a charge to the borrower which supports and fuels the discussed concept of poverty penalties.

**From Jerry:** I agree with Brenda.

# Q & A Period

*Question from audience*

**What are some tangible ways you envision advancing this notion of poverty literacy, given the disproportionate (and often false) focus on financial literacy?**

*Panelist response*

**From Brenda:** The Financial Consumer Agency of Canada has recently brought into a closer alignment its financial literacy effort with its consumer protection effort and now focuses on “financial resiliency.” This is a promising development since it allows for more direct recognition of the interplay between the financial landscape and an individual’s financial knowledge and behaviours.

To promote “poverty literacy” as an appreciation of the everyday financial experience of modest-income Canadians requires more stories of the type Margaret Yu shared with us in the webinar, that ACORN exposes in its campaigns, and that Prosper and other agencies communicate in news media, such as the recent Toronto Star article referred to above.

# Q & A Period

*Question from audience*

**For Jerry and/or Brenda, if we don't obtain a free copy, where can we purchase the book?**

*Panelist response*

**From Jerry and Brenda:** Our book is available as an e-book and in hard copy from Springer publishers at the link below.

<https://link.springer.com/book/10.1007/978-3-030-92581-9>

# Q & A Period

*Question from audience*

**For Jerry and/or Brenda, if usury is illegal in Canada, why are payday loans legal?**

*Panelist responses*

**From Jerry:** Good question! The federal government made an exemption to the CRI for it in provinces that implement payday loan regulations (that might include an interest cap).

**From Brenda:** Payday loans were exempted from the Criminal Code in 2007 when the federal government handed over responsibility for regulating this credit product to the provinces. The main argument then, as now, is that these small denomination loans are expensive to administer, and a higher rate of return is necessary to ensure cost recovery. The Toronto Star published a nice piece by Chirstine Dobby where she explains some of the thinking behind high-interest loans.

<https://www.thestar.com/business/2022/09/17/canada-could-finally-lower-its-60-interest-cap-on-loans-but-the-industry-is-fighting-hard-to-keep-rates-high.html>

# Q & A Period

*Question from audience*

**For Jerry/Brenda, are there limits on what can be withdrawn in right of offset?**

*Panelist response*

**From Brenda:** The right of offset may be exercised by a bank only for overdue debts owed to the same bank. There is no limit as far as I am aware. For more information see the Financial Consumer Agency of Canada's consumer information at <https://www.canada.ca/en/financial-consumer-agency/services/banking/right-of-offset.html>

# Q & A Period

## *Question from audience*

**For Jerry/Brenda, are there any studies/research on how much of a financial institutions' profits are gleaned from these huge charges in fees (potentially from citizens living in poverty) rather than fees received through investment returns (potentially from citizens with high incomes)?**

## *Panelist responses*

**From Jerry:** Good question, but I am not aware of any.

**From Brenda:** The Financial Consumer Agency of Canada published a study that may be of interest. “Banking Fees in Canada: Patterns and Trends” by Charles Gibney, Sami Bibi and Bruno Lévesque (2014).

<https://www.canada.ca/content/dam/canada/financial-consumer-agency/migration/eng/resources/researchsurveys/documents/bankingfees-fraisbancaires-eng.pdf>



# Q & A Period

## *Question from audience*

**Please direct me to where poverty level and modest income levels are defined.**

## *Panelist responses*

**From Jerry:** We do not define these precisely in the book partly because of the stigma associated with poverty and the desire to not label people as poor. The federal government does define poverty and it can be found here: <https://www-statcan.gc.ca.uwinnipeg.idm.oclc.org/en/topics-start/poverty>

## **From Brenda:**

The poverty line income has recently been defined by the Liberal government as equal to the Market Basket Measure of income. The MBM represents the costs of specified qualities and quantities of food, clothing, footwear, transportation, shelter and other expenses for a reference family of two adults and two children. The MBM basket is priced for 50 different geographic areas - 19 specific communities and 31 population centre size and province combinations. <https://www12.statcan.gc.ca/census-recensement/2016/ref/dict/pop165-eng.cfm>

Statistics Canada is developing the Market Basket North (MBM-N) measure, which adapts the MBM to the needs in colder climates and price the basket for 9 areas in Northwest Territories and the Yukon. <https://www150.statcan.gc.ca/n1/pub/75f0002m/75f0002m2021001-eng.htm>

To date there is no Indigenous culturally appropriate equivalent market basket of goods and services.

The “**modest income**” is our term to refer to those Canadians with incomes in the lowest 1/5<sup>th</sup> of the income distribution.

# Q & A Period

*Question from audience*

**Margaret, you mentioned support offered by Momentum Calgary to marginalized groups in Canada. Is support also offered to individuals with intellectual and/or developmental disabilities?**

*Panelist response*

**From Margaret:** Yes. Aspire Calgary is a division of Momentum that helps that serves this population. Some of the agencies that are part of Aspire Calgary serve people with intellectual and developmental disabilities. For more information, see: <https://aspirecalgary.org/>

## Thank you for joining us!

- **We will be sending you an email soon with:**
  - Slides from today's webinar
  - Link to webinar recording
  - Link to post webinar survey
- **We will also post the recorded webinar on our Learning Hub:**  
<https://learninghub.prospercanada.org/webinars/>

This webinar is supported by the  
**Investment Industry Regulatory Organization of Canada (IIROC)**

# Upcoming webinars

## **Investing with confidence for financially vulnerable Canadians**

- **October 18, 2022** (1pm-2pm ET)
  - Topic: Investor education and consumer protection
  - Speakers: FAIR Canada, Ontario Securities Commission, Investor Protection Clinic at Osgoode Hall Law School

- Register at:

<https://register.gotowebinar.com/register/3854026175332702734>

## Visit our Learning Hub to view our catalog of past webinars

The screenshot shows the Prosper Canada Learning Hub website. At the top, there is a navigation bar with the Prosper Canada logo, a 'Browse' button, a search bar with the placeholder text 'Enter the search text here', and links to 'Prosper Canada Home', 'FAQ', 'Profile', and a shopping cart icon with a '4' badge. Below the navigation bar is a main banner area featuring a large image of a smiling woman with glasses. Overlaid on the left side of the banner is a dark blue box with the text: 'Who is the Hub for? This Hub is for practitioners, policy-makers, funders, and advocates working to advance the field of financial empowerment.' Below the banner are four content tiles. The first tile, titled 'WHAT'S NEW', describes an online tool for newcomers to Canada. The second tile, titled 'Discover', describes a search function for resources. The third tile, titled 'Prosper Canada Toolkits', describes collections of practical financial empowerment resources. The fourth tile, titled 'Prosper Canada Events', describes materials and resources from Prosper Canada's webinars and conferences. Each tile includes a 'View >' link and a set of numbered links (1, 2, 3, 4).

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**Who is the Hub for?**  
This Hub is for practitioners, policy-makers, funders, and advocates working to advance the field of financial empowerment.

**WHAT'S NEW**  
This online tool will help newcomers to Canada successfully manage their money.  
[View >](#) [1](#) [2](#) [3](#) [4](#)

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Access collections of practical financial empowerment resources like curriculum and toolkits to support your work.  
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