INNOVATE FINANCIAL HEALTH

2020

Supporting Financial Health Fintechs in Canada

Trends, Challenges, and Opportunities

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About Us

Innovate Financial Health (IFH) is a national non-profit organization focused on supporting the creation and scaling of products and services that improve the financial lives of Canadians, particularly those more financially vulnerable.

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A Note on COVID-19

This report was written prior to the emergence of COVID-19 and the declaration of a global pandemic. As of writing, the full impact of this outbreak remains unknown but already around the world we are seeing just how devastating the social and economic fallout of a public health crisis of this scale can be.

As of March 30th, 2020, nearly one million Canadians had applied for unemployment, while an Angus Reid survey found that 44% of households had experienced job or wage loss[i]. Countless small businesses across the country are in danger of permanently shuttering their doors. Gig-workers, artists, informal economy workers – all those already at the economic margins will be and are being hit hardest by this crisis.

If before COVID-19, millions of Canadians were already financially vulnerable, after months of economic stoppage, social distancing, and job loss we can only expect the numbers to rise. This crisis has quickly uncovered the gaps in our approach as a country to household financial insecurity and missing links in our social safety net. Now more than ever it is time to invest in entrepreneurs and innovators who are building products and services that help Canadians build financial health, that increase the accessibility of critical financial advice and products, and that give Canadians the resources and knowledge they need to weather future storms, whether personal or global in nature.

Executive Summary

Millions of Canadians are struggling with their financial health – struggling to pay bills, to get out of debt, to build emergency funds, and to save for their futures. According to TD's 2019 Financial Health Index[ii] which surveyed over 10,000 Canadian adults, over half reported spending more than or equal to their income in the last 12 months. Seymour Consulting Inc.'s longitudinal Financial Health Index found that in 2019, 38 per cent of Canadians were unable to pay all their bills on time[iii].

Technology can play a key role in addressing some of these challenges that Canadians face on a day-to-day basis. Over the last five to ten years we have seen a growing number of companies, called fintechs, that primarily use technology to change and enhance the way we do banking or access financial advice and services. Many of these companies are building products that are specifically meant to help Canadians improve their financial health. The purpose of this report is to explore the existing financial health fintech landscape in Canada, the challenges that these companies face, and how an accelerator program that provides mentorship and resource supports over a defined time-frame can better help these financial health fintechs grow and thereby help improve the financial health of people across Canada.

In our research, we identified over 80 financial health fintechs working on solutions such as:

- Increasing access to traditional financial products for a more diverse population
- Distributing financial health solutions through employers and partners
- Integrating new approaches to encourage savings and emergency funds
- Making financial education more experiential and actionable.

While working on exciting solutions, many of these financial health fintechs express significant challenges in:

- Accessing relevant industry-specific expertise and mentorship
- Navigating and establishing partnerships with financial institutions
- Securing financing
- Building trust and consumer adoption.

Many early-stage startups go through some sort of program that helps them access mentorship and resources to facilitate growth. Although various terminology can be used, we identify these programs as accelerators for the purposes of this report.

In Canada, there is a wide range of accelerator type support available to startups and in recent years, there has been a growth of fintech-specific accelerator programs. These programs are incredibly important in developing the broader fintech ecosystem in Canada. Financial health specific fintechs, however, feel that these programs do not necessarily address their specific needs. Globally, there exist many financial health specific accelerators that help these types of companies grow while maintaining their mission of improving the financial health of their clients.

We believe that there is a need for the design and development of an accelerator program in Canada that is specifically geared towards the needs of financial health fintechs. This program should:

- Focus on financial health fintechs that already have developed a product and have test users
- Offer a level of flexibility and customization that is inclusive to the needs of the founders and financial health fintechs
- Leverage a coalition of financial institution partners and investors
- Provide specific resources and partnerships that enable financial health fintechs to remain mission-driven.

With this in mind, Innovate Financial Health launched a pilot accelerator in January 2020. By establishing this program in Canada, we believe we can catalyze the growth of the financial health fintech ecosystem in Canada and encourage more founders, financial institutions, investors, and non-profits to invest in this space. By doing so, we believe this accelerator program can be a catalyst for advancing technology for the benefit of the financial health of people across Canada.

Definitions

Financial Health:

The holistic ability to balance the financial needs of today with those of tomorrow to build long-term resilience and opportunity as defined by the Financial Health Network.

Accelerator:

A fixed-term, cohort-based program that is focused on catalyzing startup growth through intensive mentoring, educational programming, and access to resources such as office space and legal services. Programs may offer some sort of funding in the form of a prize, a grant, or in exchange for partial ownership of the participating startups.

Fintech:

Otherwise known as financial technology, fintechs are products and services that primarily use software and other modern technologies to enable and improve traditional financial and banking services. Fintech companies often refers to startups but larger technology companies, non-profits, and legacy financial institutions can all build fintechs.

Support Ecosystem:

The infrastructure and network of organizations, programs, mentors, investors that connect to support startups and entrepreneurs within a specific geography, demographic, and/or industry.

Financial Health Fintech:

A technology solution that helps to improve the financial health of people, addressing at least one of the financial health indicators outlined by the Financial Health Network[iv]:

1. Spend less than income
2. Pay bills on time and in full
3. Have sufficient liquid savings
4. Have sufficient long-term savings
5. Have a sustainable debt load
6. Have a prime credit score
7. Have appropriate insurance
8. Plan ahead for expenses

Financial Health in Canada

In general, Canadians are understood to be a population well-served by our financial institutions. The relative stability of our banking system helped Canadians weather the 2008 financial crisis, and our robust social safety net alleviates certain drivers of consumer debt seen in other countries, such as medical expenses. Millions of Canadians, however, continue to struggle day-to-day to pay their bills, to manage debt, and to build savings.

According to TD's 2019 Financial Health Index[v] which surveyed 10,305 Canadian adults, only 27 per cent are considered "financially healthy" while almost 40 per cent are classified as either "financially vulnerable" or "financially coping (low)". Over half reported spending more than or equal to their income in the last 12 months and almost one third indicated that they were unable to pay all their bills on-time and in full.

These results are supported by Seymour Consulting Inc.'s longitudinal 2017-2020 Financial Health Index studies[iii] which surveyed over 3,000 primary or joint financial decision makers across Canada excluding Quebec. This report indicated that:

- 38 per cent are unable to pay all their bills on time versus 25 per cent in 2017
- Over half of those surveyed have a liquid savings buffer of only two months or less
- A quarter regularly use credit to buy food or pay expenses because they have run short on money.

These statistics are further troubling when we consider how financial health affects mental and physical well-being. The Financial Health Index report found that over half of Canadians lose sleep at night because of money worries.

Addressing these challenges that Canadians are facing will require a concentrated effort from multiple stakeholders including politicians, policymakers, community organizations, and financial institutions. Currently, efforts to address this challenge have prioritized financial literacy. For example, in 2015, the Financial Consumer Agency of Canada released the National Strategy for Financial Literacy[vi] and efforts have focused heavily on learning activities such as events, workshops, and courses. This focus on financial literacy is consistent with the corporate responsibility initiatives of many of Canada's banks. While these financial literacy and education efforts are important, these initiatives by themselves are not adequate in addressing the increasing financial vulnerability that millions of Canadians are facing.

One area of opportunity comes from using technology and the startup ecosystem. Advances in technology can play a larger role in addressing the issues Canadians are facing by increasing access to, reducing the cost of, and improving the quality of financial services for certain demographics. These technology-based solutions, however, require an ecosystem of individuals, organizations, and institutional partners who share a commitment to improving Canadians' financial health and a belief in the potential for technology to play a role.

Over the course of this report, we will analyze the existing financial health fintechs that currently exist in Canada, the challenges that these companies are facing in growing, and how an accelerator program can create a more centralized support ecosystem that addresses the needs of these companies and in turn improves the financial health of Canadians.

Methodology

From July through November 2019, Innovate Financial Health conducted interviews with 20 financial health fintechs, 14 global and Canadian accelerators, and ten end users, as well as conducted a survey of over 150+ end users to answer these questions.

Financial Health Fintech Landscape

According to Toronto-based consulting firm Fintech Growth Syndicate, there were over 800 fintech startups headquartered or operating in Canada with over 31,000 employees as of January 2019[vii]. These fintechs tackle everything from payments, accounting, insurance, wealth management to cryptocurrencies.

In our analysis, we identified over 80 fintechs specifically focused on positively addressing the day-to-day financial lives of Canadians, hereby called financial health fintechs. Important to our definition of financial health fintechs are that they are designed to be accessible to the average Canadian and as such, we have excluded startups focused on cryptocurrencies or products for accredited investors and financial advisors that may improve the financial outcomes of their users but only tailor to a specific, relatively-privileged user base.

Figure 1:
Breakdown of Canadian Financial Health Fintechs as of November 2019

Financial Health Fintech Trends

» The fintechs emerging and growing in the financial health space are creating new, innovative, and exciting solutions to a range of problems facing Canadians.

In particular, we've identified four interesting developments in the financial health fintech landscape:

1 Increasing access to financial products for a more diverse population

With advances in technology, intuitive user design, and marketing, fintechs have focused on simplifying processes and lowering fees to make certain financial services more accessible to the general population. The most prominent of these examples has been with the growth of robo-advisors, digital platforms that provide automated wealth management services, such as Wealthsimple and Nest Wealth. These tools encourage individuals that previously may have been too intimidated to invest their money to access wealth management services.

Similarly, we see the same democratization of access being worked on in other financial products. PolicyMe, for example, is digitizing the life insurance process to make it faster and cheaper to purchase the appropriate life insurance. Common Wealth Retirement and Blue Pier, on the other hand, are both focused on making pensions more available to non-standard workers and employees of small and medium-sized employers respectively.

2 Distributing financial health products through employers and partners

Increasingly, fintechs in Canada are distributing their products through employers and other partner organizations that have access to a large client base rather than directly to end users themselves. For certain fintechs, these models can be a more efficient and cost-effective method to acquiring customers. For employers, there is growing evidence from other markets that more financially healthy employees result in better attrition, retention, and performance.

For example, both Instant Financial and Zayzoon provide employees with access to wages-on-demand. By providing access to wages earlier, these products help employees pay their bills on time, avoid non-sufficient funds (NSF) fees, and reduce the need for payday lenders. Instant Financial partners directly with employers, whereas ZayZoon partners with payroll providers. Another fintech Cacheflo uses a behavioural-based cash flow management software that helps non-profits, credit-unions, and financial advisors better serve their clients by using technology to identify areas where end users can save.

3 Integrating new approaches to encourage real savings

The first wave of fintechs addressing personal financial management focused on budgeting. Mint, which was founded in 2006, aggregated information from multiple financial institutions onto a single platform so that users can have a clear picture of their full financial lives. While this can be useful, many have realized that aggregated information alone does not often result in changes in behaviour or outcomes. Newer fintechs are increasingly introducing features that employ elements of gamification and behavioural economics to more directly affect savings. These features include:

Goal-based savings where users can track their progress to a specific savings goal. Vacation Fund, for example, is a vacation saving platform where employees can direct a portion of their paycheck into a separate target vacation goal.

Prize-linked savings where users have a chance to win a sum of money based on how much they've saved. Quber, for example, will run monthly Save to Win contests where for every $20 saved within the Quber app, a user will get a ticket for a monthly draw of $500 and annual draw of $5,000.

Round-up savings where any purchases made are rounded up to the nearest dollar with the difference put into a savings or investment account. Not only have fintechs like Mylo and Koho provided round-up savings but so too have financial institutions such as Tangerine and Scotiabank.

4 Making financial education more experiential and actionable

Financial education remains a core component of financial health. Increasingly, we're understanding that the traditional way that financial education is taught – in classrooms and in workshops – does not necessarily change behaviour or help individuals achieve financial outcomes. Instead, financial health fintechs are focused on making financial education more experiential and relevant to specific life events.

For example, altruWisdom is a subscription-based platform that provides actionable advice based on life events such as marriage, having children, the death of a family member, and starting post-secondary education. Abacus and WALO are both focused on making financial education more experiential for youth and more realistic to how money is truly experienced today via a pre-paid card and corresponding mobile application for children and teenagers. Forward Vision Games, on the other hand, is a simulation-based game with an indigenous focus that help students experience real world financial decisions.

Financial Health Fintech Challenges

» While there is a growing number and community of financial health fintechs, our review of literature and interviews with fintech founders and end users has revealed a common set of challenges.

These challenges exist for fintechs in general but are compounded by the financial health nature of these products. Financial health founders must find the balance between launching and scaling a commercially-viable product while remaining focused on the mission of improving financial health.

1 Lack of access to industry-specific financial services expertise and mentorship

For many fintech founders, it is difficult to access the industry-specific expertise that they are looking for, even if they can access general mentorship and resource support elsewhere. While these general (i.e., sector-agnostic) support programs can be immensely beneficial, fintech founders need additional sector-specific expertise around topics such as navigating regulation and establishing partnerships with financial institutions.

One interviewee shared a story about getting feedback on their user testing process by a mentor. While the mentor was an experienced entrepreneur, they didn't have expertise in financial services. Because of the uniquely sensitive topic of financial services and money, the fintech found that the advice was difficult to apply for their specific situation.

Fintech entrepreneurs actively seek out mentors and advisors on their own when formal pathways to these individuals and networks do not exist. They draw on networks from their past careers to find mentors and support. Some seek out support from other founders in their local ecosystems. But these informal pathways are time-consuming and limited. When expertise is needed in an area outside the scope of a founder's network, or when someone is a first-time founder and does not have established networks, they may not find the support they need. One founder, sharing his desire for greater access to advisors with backgrounds in finance, expressed his frustration:

FOR FINTECHS, PARTNERSHIPS WITH ESTABLISHED FINANCIAL INSTITUTIONS CAN BE INVALUABLE TO SUCCESS.

"There's probably a lot of middle tier management that are very knowledgeable that have between 15 and 20 years in banking [experience] that would probably lend themselves and love the opportunity to shape smaller, solution-based type of enterprises...I don't even know where to look [for these types of advisors]...that's definitely the most time consuming and difficult part."

In search of more formalized fintech and financial health-specific support, several of our interviewees decided to apply for and participate in accelerator programs outside of Canada, specifically in the US and Singapore. At the time of application in early 2017, one founder lamented that existing Canadian accelerators were too generic and that the decision to travel was based on the need for a program that is "strategic in nature, that has a fintech flavour, that can bring relationships, and that get us more knowledge about how banks are operating across the globe and in Canada."

Not all founders, however, are able to relocate temporarily to another country to access support. Additionally, our conversations showed that these challenges in accessing mentorship seemed to magnify for companies based outside of Toronto and Montreal, both of which have relatively established fintech ecosystems that entrepreneurs may be able to tap into. Fintechs in Vancouver, Calgary, Atlantic Canada, and other regions have a significantly more difficult path to accessing the right expertise.

2 Challenging to navigate and establish partnerships with financial institutions

For fintechs, partnerships with established financial institutions can be invaluable to success. These partnerships allow fintechs to access relevant customer banking data and a significant customer base. For financial institutions, they can take advantage of these partnerships to improve their internal operations or to provide more customer-centric products and services to their clients. In the Canadian market, however, it is oftentimes challenging to establish these partnerships with financial institutions.

Unlike the U.S., which has over 10,000 financial institutions (over 5,000 federally insured commercial banks and savings institutions[viii] and over 5,000 federally insured credit unions[ix]) that fintechs can potentially access for partnerships, the Canadian market is significantly more concentrated. Canada only has approximately 300 financial institutions (86 federally regulated banks[x], of which 36 are domestic, and 239 credit unions[xi]). Of these financial institutions, the "Big Five" banks of Bank of Montreal, Bank of Nova Scotia, Canadian Imperial Bank of Commerce, Royal Bank of Canada, and Toronto Dominion own over 80 per cent of total commercial banking assets[xii].

In this market, fintech founders overwhelmingly reported difficulty in navigating Canadian financial institutions and establishing partnerships, often leading to a sense of frustration and pessimism. These fintechs experience both organizational and strategic barriers. It is often difficult to understand corporate structures and get in front of the right individual at a financial institution who is both strategically aligned and has the decision-making power to develop a partnership. Many times, startups feel as if they are sharing their knowledge without a true interest from the financial institution. Additionally, the perspective of entrepreneurs is that many of these financial institutions don't have in-place processes that can better facilitate potential partnerships. Instead, the procedures seem ad-hoc and highly dependent on a single individual within the organization acting as a champion.

One interviewee believed that the existing financial institutions prioritize working with fintechs that help improve the institution's own processes and services over ones that are more focused on end users. Another fintech decided in the summer of 2019 to exit the Canadian market entirely and to focus on the U.S., quoting the headwinds of Canadian banking. Specifically, because financial institutions have been resistant to allowing consumers to share their banking data with fintechs, it has been difficult for these fintechs to provide the level of service that they intend to.

While it is hard for us to evaluate the motives of the financial institutions, there is no doubt that financial health fintechs find it challenging to establish beneficial partnerships with financial institutions.

3 Difficulty accessing investment

Funding is, of course, top of mind for any early-stage startup. Startups in general will always have a challenge convincing investors and sources of financing to provide funding for their company. Financial health fintechs, in particular, expressed specific concerns that existing funding sources do not necessarily align with the priorities of their businesses.

Venture capital (VC) is typically a significant source of funding for the startup ecosystem. In recent years, there has been an increase in fintech-specific venture capital firms in Canada which has helped bolster the fintech ecosystem across Canada. For example, Luge Capital, a Montreal-based fintech VC announced raising $85 million in 2019 to invest in Canadian fintechs whereas Portag3 Ventures closed $427 million in their second fintech fund in December of 2019.

FINTECHS FIND IT DIFFICULT TO UNDERSTAND CORPORATE STRUCTURES AND GET IN FRONT OF THE RIGHT INDIVIDUALS AT A FINANCIAL INSTITUTION.

Several of our interviewees, however, were concerned that the economics behind venture capital financing were not strategically aligned with the mission of their businesses. Many created their companies with the intention of helping a specific demographic and felt that in their experience, potential investors would exert pressure to abandon particular customers to target less mission-aligned demographics (e.g., high net-worth individuals, high-earning millennials) that are perceived to have more growth or profit potential.

The impact investment industry – investors that aim to generate specific beneficial social or environmental effects in addition to financial gains – should theoretically offer an alternative to these more mission-driven companies. In Canada, however, there are still relatively few impact investors that are focused on early-stage technology companies. Most are focused on larger-scale projects such as affordable housing and renewable energy.

And of the few that are focused on funding technology companies, almost none are focused on financial services. According to the Responsible Investment Association's *2018 Canadian Impact Investment Trends Report*, only 4% of 59 surveyed Canadian impact investors invest in financial services (excluding microfinance)[xiii]. This is in direct contrast to Global Impact Investing Network's 2018 *Annual Impact Investor Survey* of 229 leading global impact investors where 45% of respondents had at least some allocation to financial services (excluding microfinance)[xiv]. In Canada, the top sectors are food / agriculture, housing / real estate, and energy.

In other markets, investors focused specifically on early-stage financial health fintechs have emerged to help tackle these issues. In the United States, for example, these investors include Accion Venture Lab ($42 million USD fund), Core Innovation Capital ($70 million+ USD fund), and Flourish Ventures ($500 million USD fund). These types of investors that are both fintech-focused and specifically aligned to the mission of increasing financial health are yet to exist in Canada.

Without funds that are explicitly designed for financial health fintechs, it becomes difficult for founders to gauge which particular individuals and investors are open to these ideas. Overall, we find that there is a lack of available funding in the market for financial health fintechs and since there isn't an established market, founders need guidance on whom specifically to approach that are aligned with their missions.

4 Relatively slow consumer adoption of fintechs

Over the past several years, Canadian consumers have greatly increased their use of fintech solutions but continue to trail global peers according to findings from Ernst and Young's Global Fintech Adoption Index[xv]. Fintech adoption in Canada has more than doubled since 2017, rising from 18 to 50 per cent in 2019. The global average consumer adoption, however, is 64 per cent and out of 27 markets, Canada is ranked twenty-third in adoption. China and India lead the way at 87 per cent adoption whereas in the UK, consumer adoption is at 71 per cent.

According to Ernst and Young[xvii], the top reasons Canadian consumers started using fintechs were because of better rates and fees (42 per cent), ease of setting up an account (19 per cent), and more innovative products and services (10 per cent). The top reported reasons why consumers were opting to use incumbent financial institutions stemmed from lack of awareness of how fintechs work (29 per cent), greater level of trust (24 per cent), and the fact that they don't see the advantage of fintechs (17 per cent).

Figure 2:
Drivers and Barriers of Fintech Adoption in Canada[xvi]

Top reasons driving Canadian consumers to fintech services:

Better rates and fees

Ease of setting up an account

More innovative products and services

Top reasons why consumers in 2019 opt to use an incumbent financial institution:

Lack of awareness of how fintech companies work

Greater level of trust

Don't see the advantage of fintech

Adapted from EY's Fintech Adoption Index 2019 - Canada[XIV]

Our end user survey targeted towards more financially vulnerable individuals also found that lack of awareness was the biggest barrier to use (38 per cent) followed by the related issue of being unsure of how to choose which product to use (28 per cent) and concerns with privacy (26 per cent).

Clearly, for fintechs to reach a mass market of Canadians, there is still much work to be done in terms of addressing awareness, trust, and the perceived need for fintechs. With Canadian financial institutions increasingly integrating fintech into their service offerings through products like budgeting apps, and given overall levels of consumer satisfaction with traditional financial institutions, the bar for quality and value is high in the Canadian market. Fintechs need to demonstrate a strong value proposition and offer tangible improvements to existing products. The entrepreneurs that we interviewed were very aware of this dynamic:

"We have a very stable financial system in Canada with a lot of major players...getting the word out there [is the biggest challenge]. Close second I would say is the trust factor – having so many big banks plus the hundreds of credit unions...having the notoriety and the trust when it comes to financial data is a huge challenge and barrier that we keep front and centre when it comes to our design process."

Particularly with several recent high-profile data breaches of financial institutions, Canadians are increasingly aware of data security issues and the vulnerability of their personal financial data. With that in mind, fintechs must be careful in their design and usability to communicate trust. In interviews with end-users, several expressed hesitancies to use fintechs after experiences of glitching or without seeing evidence of reliability and trustworthiness from reviews by users or online sources. One end-user interviewee shared:

"It felt weird to put my money somewhere, but I was OK with that but then it started glitching too and having issues and I kind of freaked out and I said you know what I'd rather just have my money in one place in my bank. Because I've always had banking you know, so that's my only reference of trust."

Another end user interviewee suggested:

"If something is accessing my bank information, I definitely need to know it's a secure and safe program, company, etc....with my bank's programs...I just trusted that off the bat."

For financial health fintechs that deal with more low- to moderate-income users, these challenges are more acute as these populations are less likely to currently use fintech or contemplate using fintech.

According to Oliver Wyman's Reimagining Financial Inclusion report, "the psychological effects of financial scarcity make it especially difficult for low- and middle- income consumers to plan for the future – they are often too busy putting out fires in the present."[xvii] This was clear in discussions with end users.

"It's hard to address my financial situation without addressing some of the emotional, social, and community issues that are part of 'money' in our society. [...] "I wish financial management courses and organizations incorporated information about how to tell your kid that they can't have a birthday party at the escape room like their friends, or how to keep friends in your life if you can never afford to go out with them, or how to do basic maintenance on a $500 car so it will last a few months longer."

Despite these challenges, clearly more and more people are comfortable with using fintechs to address their financial services needs. Beyond building better products and services, fintechs will also need to continue focusing on building awareness and trust amongst users for the companies to have a chance of growing and succeeding.

Current Fintech Support Ecosystem in Canada

While financial health fintechs in Canada are expressing challenges in accessing relevant mentors, financial institution partners, investors, and users, we have seen significant growth over the past five years of fintech-specific accelerator and support programs (see Figure 3).

As we previously noted, fintechs deal with unique challenges around data, regulation, and partnerships that other startups may not have to address. Accelerators are important as they can provide the focused support required to grow a fintech.

These programs range in their duration, delivery, and services, which can include:

Funding:

In the form of a grant or in exchange for partial ownership of the participating startups (i.e., funding in exchange for equity).

Capacity Building:

Workshops and training sessions to develop key management skills. General curriculum-based content is more valuable for first-time founders.

Networks:

Access to mentors and advisors with relevant backgrounds.

Technical Assistance:

Advisory or consultancy services that provide one-on-one support and feedback on a startup's product and/or business model. Can range from low-touch advice such as pitch deck reviews, market research, and fundraising support to hands-on customized support on more specific topics such as product roadmaps, UX/UI testing, etc.

Access to Investors and Partners:

Access to investors and partners either via a pitch night or one-on-one matchmaking.

Exposure Opportunities:

Opportunities to promote their startup through news articles, podcasts, demo days, and at industry events (Fintech Forum, Money 2020, etc.)

Additional Resources:

Pro-bono or heavily discounted resources such as professional service hours (e.g., accounting, legal), cloud credits (e.g., AWS, Google Cloud), a data sandbox (e.g., Flinks), or workspace.

Since many of these programs are funded by or well connected to larger financial institutions such as RBC and National Bank, they are well equipped to address the needs of fintechs.

For financial health fintechs, however, there is still a gap in the ecosystem. The accelerator programs that are geared towards more socially impact-driven businesses are earlier stage and are run in the form of competitions or hackathons – a multi-day event where teams come together to quickly develop a business idea and prototype to solve a particular challenge. For example, the goal of the Desjardins Cooperathon is to take aspiring entrepreneurs and help them start businesses. These are important initiatives to direct individuals to starting mission- driven businesses and several of the graduates of the Cooperathon have gone on to launch active businesses such as WALO, a financial education application for children and Kaira, a financial wellness coach. After this stage, however, these companies will continue to need hands-on support to fuel growth.

Other existing programs encompass all types of fintechs besides those that are financial health specific. Of course, for existing programs, this makes sense as their goals are not necessarily to advance financial health in Canada. Instead, their goals may be financial or to support internal innovation or to advance the fintech community overall. As a result, however, financial health fintechs can often be left out of the picture. For example, none of RBC Reach program's first cohort of four can be considered a financial health fintech and only two of eight fintechs in the Holt Accelerator's 2019 cohort (Manzil and Ireland-based ConfirmU) and three of fifteen fintechs in Fintech Cadence's 2020 cohort (Benefi, Emma, Sprout Financial) can be considered financial health fintechs.

This is to say, if it is important to support technology solutions solving for the financial challenges that Canadians are facing, there is opportunity for more accelerator-based support programs for financial health fintechs.

We are beginning to see this type of support develop here in Canada. Innovate Financial Health launched a pilot three-month accelerator program in January 2020 for four startups addressing financial health challenges in Canada. Moreover, National Bank also announced a six-month innovation competition in October of 2019 where five teams working on products that help Canadians better manage their money will compete for a $100,000 cash prize.

Figure 3:
Overview of Select Active Canadian Fintech Accelerator Programs

Note that descriptions are summaries and not official language from each program. Accelerator is used as a term to encompass all support programs for early-stage startups. Some programs listed will self-define with alternative terminology.

Accelerator Programs	Year Launched	Duration	# of Startups	Funding	Focus	Select Key Services
Desjardins Cooperathon	2016	2 months	260 total	Up to $15,000 grant and $50,000 in in-kind services	Social impact startups addressing the UN Sustainable Development Goals. Finance is one of six tracks	• **Capacity Building:** Five workshops that take entrepreneurs through team formation, ideation, design, and prototype development • **Access to Investors:** Two-staged pitch competition for monetary and in-kind prizes
Diagram Ventures	2017	18-24 months	6 total	Case-by-case	Insurance or financial technology	• **Technical Assistance:** Diagram co-founds companies with experienced entrepreneurs • **Networks & Access to Investors:** Power Financial, Portag3 ventures, and 50+ angel investors as mentors for the program
Fintech Cadence Ascension	2018	3 months	15/cohort	N/A	Fintechs	• **Networks:** Weekly mentorship with fintech experts • **Capacity Building:** Four optional workshops on topics such as team & leadership • **Access to Investors:** A demo day to investors that costs $250/startup to cover costs

Figure 3 - continued:
Overview of Select Active Canadian Fintech Accelerator Programs

Accelerator Programs	Year Launched	Duration	# of Startups	Funding	Focus	Select Key Services
Holt Accelerator	2018	3 months	10/cohort	Up to $125,000 in funding	Fintechs	• **Network & Access to Investors:** 50+ advisors and demo day to investors • **Technical Assistance:** Access to experts in Stradigi's AI lab for weekly consultations • **Capacity Building:** Tailored training for teams in areas such as pitching and leadership • **Additional Resources:** 4 months of rent, CFO services, legal & account set-up
RBC Reach	2018	3-6 months	4/cohort	Up to $100,000 equity	Health and wellness, mobility, and solutions for small and medium-sized enterprises	• **Access to Partners:** Expedited path to a commercial agreement with RBC • **Networks:** Mentorship from RBC and Highline Beta executives • **Technical Assistance:** Access to RBC technologies and divisions such as Borealis AI and RBC's Cybersecurity Lab • **Additional Resources:** Office space
National Bank Innovation Competition	2020	6 months	5/cohort	$100,000 cash prize for winner	Fintech solutions to help individuals better manage their money	• **Access to Investors:** Opportunity to pitch their business and technology solutions to a panel of National Bank executives, venture capitalists, and tech leaders • **Additional Resources:** Access to Flinks data

Global Financial Health Fintech Accelerator Programs

» While financial health fintech specific accelerator programs are just starting in Canada, there are many established initiatives globally that support these types of companies that we can learn from in designing and developing a similar initiative here in Canada.

As part of this knowledge-gathering process, we spoke to eight global accelerators (see Figure 4).

At a high level, we found that because of the specificity of these programs, they were significantly more customized to the unique needs of their cohort than a standard accelerator program. While some sort of standardization is required for efficiency purposes, many of our interviewees talked about how they prioritize customized support over “101”-level education in the design of their programs.

The most customized of these programs was the BFA Catalyst Fund, which works with each of their cohort members to diagnose a specific challenge or need that they are working on. The Catalyst Fund then provides a team of consultants for a multi-week sprint to address these needs. The team can consist of specialists in topics such as product management, design, analytics, regulation, and user research. Projects can include everything from creating and understanding customer personas to helping build an analytics dashboard. Over the course of the program, each fintech will go through three of these sprints.

Additionally, while a general accelerator program will provide access to a wide range of mentors from a variety of industries, these programs can provide very specific and relevant expertise. For example, Village Capital’s Finance Forward program has an advisory board that consists of other financial health fintechs (e.g., MPower Financing, LendUp), impact investors (Fluorish Ventures, Core Innovation Capital), and financial institutions (PayPal, MetLife Foundation).

We also find that these global accelerators have a wider range of partners than the existing fintech accelerators in Canada. Since Canadian fintech programs are typically aligned to one single financial institution, participating startups only have formal access to that one relationship. While this allows for a deep relationship with a particular partner, it also forces fintechs to focus on a single partnership that may or may not develop further. Interviewed programs have a wider range of partners that can be used. For example, the Financial Solutions Lab is supported by founding partner JPMorgan Chase and managed by the non-profit Financial Health Network and therefore, participating fintechs have the potential to access hundreds of financial institutions that are part of the Financial Health Network's member base. As such, it significantly increases the likelihood of those fintechs to be introduced to a potential partner.

Since the mission of these programs are stated from the outset, the investors that they recruit are also aligned to this mission. In the case of the BFA Catalyst Fund, they use an investor advisory committee with six experienced fintech investors – Accion, Anthemis, Flourish Ventures, Gray Ghost Ventures, Quona Capital, and 500 Startups. They also have a larger circle of 50+ investors that are part of the network and kept up to date about their cohort companies.

Finally, these programs have discovered unique ways to get in front of customers to both encourage customer adoption and to ensure that the startups are building with customer adoption in mind. For example, a core tenet of Blue Ridge Lab's Catalyst program is inclusive user design. As such, they established a Design Insight Group which consists of a group of 500+ low-income New Yorkers that startups can access to test their products. These participants are paid US $25/hour to conduct testing.

Looking back through our interviews with fintech founders, we can see how the design of these global accelerator programs can be more suited to addressing their need to access relevant mentors, partners, mission-aligned funding, and customers. Through these programs, we can get inspiration in developing our own financial health fintech accelerator here in Canada.

Figure 4:
Overview of Global Financial Health Fintech Accelerator Programs

Note that descriptions are based on our summaries and not official language from each program.

Accelerator Programs	Duration	# of Startups	Delivery Method	Funding	Focus	Key Services
Blue Ridge Labs Catalyst	6 months	5-10/ cohort	In-person (NYC)	Up to US $60,000 in recoverable grant	Tech for Low-Income	• **Technical Assistance:** Floating Chief Technical Officer (CTO), hands-on advisory on technology, impact measurement, talent, funding, etc. • **Additional Resources:** Access to Design Insight Group for user testing,12 months of office space, executive coaching
Catalyst Fund	4-8 months, rolling cohort	5-10/ cohort	Virtual	Up to US $100,000 grant	Inclusive Fintech	• **Capacity Building:** Support in areas such as customer insights, persona development, UX/UI testing, regulatory advice • **Technical Assistance:** Customized “sprints” from small consulting teams on topics such as machine learning, building dashboards, product architecture • **Access to Investors:** Access to investor pool (Omidyar, Accion, 500 Startups, etc.) • **Additional Resources:** Invitations to key industry invites including SOCAP and Fintech Forum

Figure 4 - continued:
Overview of Global Financial Health Fintech Accelerator Programs

Accelerator Programs	Duration	# of Startups	Delivery Method	Funding	Focus	Key Services
DFS Labs	6 months	4-5/ cohort	Virtual	US $25,000-$100,000 grant	Inclusive Fintech	• **Technical Assistance:** Venture building support from an entrepreneur-in-residence in local and domain expertise and on product market fit and fundraising • **Network:** Connections to extensive network of fintech experts
Fast Forward	3 months	8-10/ cohort	Virtual (in person in San Francisco every two weeks)	US $25,000 grant	Tech Non-Profits	• **Network:** Mentor "speed-dating" events with San Francisco-based tech companies • **Access to Investors:** Donor demo day with 80% of audience from institutional donors
Finance Innovation Lab	9 months	12-16 fellows/ cohort	In-person (London, UK)	No guaranteed funding	Financial Health Fintech	• **Capacity Building:** Personalized leadership and venture building training via monthly business strategy sessions and leadership retreats • **Network:** Access to experts in ethical finance, regulation, etc. via monthly speaker series

Figure 4 - continued:
Overview of Global Financial Health Fintech Accelerator Programs

Accelerator Programs	Duration	# of Startups	Delivery Method	Funding	Focus	Key Services
Financial Solutions Lab	8 months	5-10/ cohort	Virtual with select in-person meetings	Up to US $125,000 convertible note or grant for non-profits	Financial Health Solutions	• **Network:** Mentorship and advisory from JPMorgan Chase and Financial Health Network and access to a broader financial services ecosystem • **Additional Resources:** Pro-bono office hours from resource partners in accounting, behavioural economics, legal, consulting, etc. • **Exposure:** Access to FinHealth Network's national platform and key events such as EMERGE: Digital
Financial Venture Studio	6 months	5/cohort	Virtual	Between US $50,000 and $1 million investment	Fintech	• **Technical Assistance:** Customized coaching and mentorship from FVS partners • **Network:** Connections to financial institutions, media outlets, thought leadership, etc.
Village Capital: Finance Forward	3 months	10-12/ cohort	Virtual (two to three in-person sessions)	US $75,000 grant for two peer-selected selected ventures	Financial Health Fintech	• **Capacity Building:** Three four-day workshops across the US with in-depth peer feedback • **Network and Access to Investors:** One-on-one meetings with 50+ investors and mentors

Moving Forward: The Design of a Canadian Financial Health Accelerator

» We believe that Canada needs an accelerator program specifically geared towards the needs of financial health fintechs.

We know that the current state of financial health in Canada is deeply concerning. Millions of Canadian households are financially precarious, and those numbers are growing year after year. Canadians are increasingly living paycheque-to-paycheque, bearing the weight of mounting consumer debt, and struggling to save for retirement or to plan for their family's future.

Currently, efforts to address these challenges have focused heavily on financial literacy. But financial literacy alone is not enough to address the needs of a growing segment of Canadians who are struggling with their financial health. More needs to be done to support interventions that help people learn new behaviours and change harmful ones, that provide just-in-time advice and resources to support better decision making, and that make beneficial financial products more affordable, accessible and appropriate for a broader segment of the population.

We also know that there is a significant pipeline of financial health fintechs doing just this work, and that these fintechs are looking for support in accessing mentors, partners, funding, and users. There is a both significant opportunity, and significant demand from financial health fintechs for a program that can help them address the financial needs of Canadians. This demand was validated with over 40 fintechs applying for Innovate Financial Health's pilot accelerator program.

From this experience and our research into global accelerators and the needs of Canadian financial health fintechs, we have the following recommendations for the design of this financial health fintech accelerator:

1 The accelerator should support financial health fintechs that already have a product in the market and have active users

Where accelerator programs can be useful for all startups, we believe that for the most impact, this program should focus on companies that already have at least a minimum-viable product development and have active test users. These companies are more likely to have fintech-specific and financial health-specific challenges such as establishing financial institution partnership and navigating regulation. As well, they are less likely to pivot significantly and more likely to continue on the mission of financial health. Companies that do not have a product developed yet can take advantage of existing resources and support in the Canadian ecosystem to guide them through the initial stages of launching a fintech. By focusing on later stage companies, this program will increase the likelihood and speed in creating success stories. Through growth and success, these financial health fintechs have the opportunity to inspire a next generation of entrepreneurs that also pursue the financial health sector.

2 The accelerator should be designed inclusively and as customized to the cohort as reasonable

We believe that the challenges of financial health fintechs are unique from other sectors. Our belief is that for the most impact, this program should be designed inclusively as many of the interviewed global accelerator programs have been.

Many traditional accelerator programs require founders to relocate to a specific location over defined period (typically 3-months or more) through a pre-determined curriculum. These programs, however, are more difficult to access for fintechs with established teams and office spaces as well as founders whose life circumstances don’t permit a three-month move (e.g., parents). Instead, most of the global accelerator programs we interviewed offer virtual programs with periodic in-person sessions. By doing so, these programs can be more inclusive to both later-stage companies and a diverse group of founders. Since a financial health fintech accelerator program is already narrow in terms of the industry, it would be difficult to access a significant pipeline if the program is additionally restrictive.

Secondly, we believe that the more customized the program, the more effective it can be in addressing specific challenges and needs of these fintechs. For example, the partners and advice that an insurance fintech will be seeking are different than those of a savings fintech. Customization will depend on resource restraints but in approaching the design and development of the accelerator, it makes sense to dedicate resources to adapting the program throughout each cohort to the specific needs of that particular group of fintechs – be it by recruiting additional mentors and partners or by designing different educational content.

3 The accelerator program should involve a coalition of financial institution partners and investors

To ensure that these financial health fintechs find appropriate partners and investors that can help them scale, this accelerator program should focus heavily on building a coalition of supporters. While certain accelerator programs are primarily created to develop a single partnership between a financial institution and the cohort, we believe that it is in better interest for the fintechs to be exposed to multitudes of potential partners and investors as part of an accelerator program.

4 The accelerator program should provide specific resources and partnerships that enable these fintechs to remain mission-driven

The underlying goal of this program would be to use technology to improve the financial lives of Canadians, particularly those whose needs may not currently be met by existing financial products and services. Critical to this mission is the program's ability to help participating fintechs maintain their mission. This program, therefore, needs to provide the support necessary to do so. This support includes exposing the fintechs to mission-aligned partners such as non-profits, community organizations, and impact investors. As well, there are opportunities for capacity building such as teaching inclusive user testing and impact measurement. Finally, there is opportunity to provide space for financially vulnerable Canadians to provide feedback on these products. It is critical that the program continue to understand its underlying mission as it is designed, developed, and iterated upon.

In Conclusion

Overall, we believe that the time is ripe for the development of a Canadian financial health fintech accelerator. Addressing the issues that Canadians are facing in their financial lives will benefit not just individuals but society as a whole. Fintech can play a critical role in helping Canadians build financial security, resilience, and health. It is now up to the technology and social impact ecosystem to work together in creating the conditions that ensure these mission-driven financial health fintechs can succeed. Establishing an accelerator program specifically for this purpose is the first step that we need to take to catalyze the growth of this sector. Investing in such an initiative will both directly help grow fintechs that are making a positive impact but also inspire more action from across the ecosystem to support the financial health fintech sector overall.

We believe that we, Innovate Financial Health, can play this role and have an obligation to do so.

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