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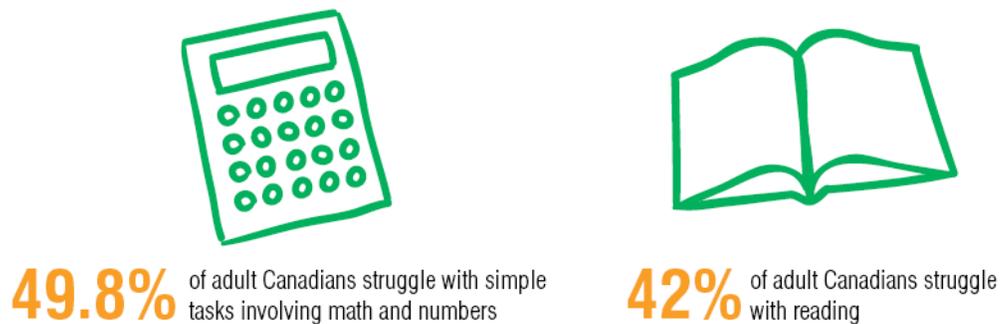
Hello All,

As you know, over the past several months I have been working to find a location for the Guelph ShareClub to deliver a community program designed to improve financial literacy. This initiative was taken as a result of a recent federal government task force on this subject. That body has now produced their report, available at <http://www.financialliteracyincanada.com/eng/documents/canadians-and-their-money.html>, and I suggest that you might profit from reading it. I have excerpted some main points from this presentation that I think are of importance to us in the ShareClub.

A. The root cause of financial illiteracy:

“During our consultations, many organizations highlighted the link between the poor literacy and numeracy skills of Canadians and their insufficient financial literacy levels. The fact that 42 percent of working-age Canadians – that is, those aged 16 to 64 – have literacy levels below that required to understand and use information contained in texts and tasks that typify our emerging knowledge society and information economy is a clear indication of the magnitude of the challenge (Figure 4). The figure increases to 48 percent if all Canadians over 16 years of age are considered, including those over age 64.”

Figure 4: Key Results from the 2003 *International Adult Literacy and Skills Survey*



Source: Statistics Canada. (2010). ABC Life Literacy Canada. "Submission to the Task Force on Financial Literacy".

So—about 50% of Canadians aged 16 and up ‘struggle’ with simple math tasks and reading. I suppose this could be taken as a searing indictment of our educational institutions and their priorities, but then must we also not take into account the effect of increasing drug and alcohol usage, leading to a larger segment of ‘unteachables’ in our society? In any case, if we were looking for root causes of financial illiteracy it would seem that we need not look beyond the paragraph quoted here. Just as an aside I see that quite a few societal commentators are bemoaning the increasing disparity between the upper and lower economic strata in Canada. With the stark data given above I don’t see how any other result could be expected. It augurs poorly for us that, in this time of increasing world competition, half our population is not just financial illiterate but are sorely lacking in the basic three ‘Rs’.

B. Is there a role for groups such as the ShareClub to improve financial literacy? Here is what the task force has to say about the role for the voluntary sector in delivering information:

“In delivering financial literacy initiatives and reaching out to the most vulnerable Canadians, we recognize the important role of the voluntary sector, which comprises community service agencies, charitable groups and national umbrella organizations. Research conducted for the Financial Consumer Agency of Canada found that the vast majority of financial information and learning products and services that are aimed at, or accessible to, low-income Canadians are provided by the voluntary sector. Voluntary organizations deliver programs and services on behalf of governments. In our judgment, when these organizations are being funded to deliver financial literacy information, they should ensure that it is of high quality and relevant to the Canadians they serve.”

I find this paragraph very puzzling — if the organizations are being funded are they then truly voluntary? My experience so far has been that when I went to groups in Guelph that already had an audience of individuals who were in need of, and could profit from, financial tutoring our proposed efforts were given a pat on the head and told to move on. It seems to me that such groups are quite protective of their clients and have no desire to share them with an outside provider, no matter how honourable the motive, even if that service is free. One would think that protecting one’s turf and internecine jealousies are out of place in social service organizations, but perhaps that is not the case.

C. Where do Canadians get most of their financial information?

Apparently from financial services providers:

“Canadians deal with many different types of financial services providers, among them:

- ❖ Banks, credit unions and caisses populaires;
- ❖ Trust companies;
- ❖ Securities dealers, mutual fund companies and distributors;
- ❖ Insurance companies (life and health, and property and casualty);
- ❖ Finance and leasing companies;
- ❖ Independent advisors, financial planners, insurance brokers and accountants;
- ❖ Alternative banking facilities (e.g., payday loan providers, cheque-cashing outlets).

Our research suggests that the level of attention and commitment to financial literacy and consumer protection is uneven across the financial sector and its institutions. Although informational materials are readily available to consumers, much of this material is complex and is not presented in simple, accessible language. In our judgment, financial services providers have a responsibility to ensure that their informational materials are developed, written and designed to be readily understood. Transparency is key. It is vital that institutions have well-trained front-line and advisory staff that can provide accurate information and helpful

guidance to customers.”

As might be expected in a document that has been tailored to clear government subjective political correctness hurdles, it is a masterpiece of understatement. You are all surely aware that loans from ‘alternative banking facilities’ carry onerous interest levels, surpassing even those levied by banks on overdue credit card statements, that compound with malicious rapidity. I have been told that almost all of those who find themselves in financial dire straits can trace their troubles back to these operators. Apparently the collective Canadian governments have set no limits interest rates. I am pretty sure that if our group had been given the responsibility of generating this report that this is an area we would focused on. Justification for this usury practice seems to reside in the number of defaults experienced by lenders. I suppose their thinking goes something like this: “Let’s set up a loan business where we give out money to virtually anyone who can walk in and ask for it, but since so many of them will default we can charge two or three times the going rate”. Why these shysters are allowed to continue operating is beyond me.

Overall, I find the report tepid and toothless. The task force chairman and vice chairman are CEOs of an insurance company and a bank-run brokerage, respectively. The first five recommendations of the committee deal with ways to offload all responsibilities for financial literacy onto various government agencies. Most Canadian financial service

operators are clearly hiding behind the mantra of ‘An informed customer is a valuable customer’, but their efforts to avoid any responsibility for providing the necessary information in a clear and unbiased way belies this intention. Someday we will find out what the taxpayers of Canada have had to pay for the voluminous whitewash used in producing this report, thus adding insult to injury. In the meantime I will continue to try to find a place for the ShareClub in providing basic financial information to our community.