



## **Financial Empowerment Terms & Meanings**

There are many different terms and phrases used in this work, and sometimes they are used interchangeably. This page is FERN's best attempt at gathering up some of these phrases and providing working definitions for them. These are interpretations that reflect a number of different sources, and are open to discussion.

### **Financial Literacy**

Here are a few different definitions:

Financial literacy means having the knowledge, skills and confidence to make responsible financial decisions. -- [Financial Consumer Agency of Canada](#)

Financial literacy ('financial literacy') means having the knowledge, skills and ability to understand, analyze and use information to make informed financial decisions. This includes such things as: simple budgeting; understanding bank accounts and common bank services; using loans and credit cards sensibly; managing and paying down debt; and how to effectively save for important purchases, rent requirements, home-ownership, education or retirement. -- from the [Guidelines for the SEDI/TD Financial Literacy Grant Fund](#).

## Financial Capability

The Personal Finance Research Centre at the University of Bristol in the United Kingdom published a model for "financial capability", a term which has been frequently used in place of "financial literacy". This graphic, which shows that model, is drawn from [The Case For Financial Literacy](#), written by Jennifer Robson for SEDI. The original UK report which introduced the model can be [read here](#).



## Asset-Building

The term asset-building is used quite broadly in the context of developing communities or individuals by looking at what strengths ("assets") they already possess to enhance them and develop what is lacking and needed. When looking at a narrower field of finances, "asset-building" is most often associated with helping people build financial assets through savings. Here's a summary from [SEDI's website](#):

SEDI recognizes that poverty is not just a question of income – it's also an issue of assets. Building savings and assets is one of our most progressive approaches to alleviating poverty and fostering independence. The idea is to enable poor and working poor Canadians to save more money faster, in order to acquire assets such as a new business, home ownership, post secondary education, or job training.

Asset-building programs often combine personal financial education with some kind of structured saving program and coaching. In some programs, the amounts saved by participants are matched in differing ratios by grant funds or sponsors. Policy change is an important part of asset-building, as there are some public policies that create barriers for low-income people to build up poverty through things like income clawbacks or policies that require people to liquidate assets before receiving social assistance.

## **Financial Inclusion**

[Wikipedia](#) provides a good definition to start out with:

Financial inclusion or inclusive financing is the delivery of financial services at affordable costs to sections of disadvantaged and low-income segments of society, in contrast to financial exclusion where those services are not available or affordable.

Financial inclusion is a topic of wide concern globally and many initiatives seek to address access to banking in poverty-stricken countries where there simply are no widespread banking services available. In Canada, much of the discussion around financial inclusion looks at how mainstream financial services are not available or affordable for low-income individuals, and how alternative and predatory financial services providers (cheque-cashing businesses, payday loans, pawnshops, etc.) are filling the gaps. An excellent resource on this topic is a book called [Hard Choices: Financial Exclusion, Fringe Banks, and Poverty in Urban Canada](#).

An interesting couple of terms in the field of financial inclusion are "unbanked" and "underbanked." The first term "unbanked" means a person does not have any kind of accounts with a mainstream Canadian financial institution (chartered banks, credit unions or subsidiaries of foreign banks). "Underbanked" means that a person may have a bank account but they are not able to access other financial services or products which they need, e.g. credit cards, deposits with reduced hold periods, loans.

## **Access to Benefits**

A factor influencing poverty is whether somebody is able to access the government benefits they are entitled to as a citizen or resident. For various reasons, some people may be missing out on financial benefits such as Universal Child Care Benefit, Guaranteed Income Supplement, Working Income Tax Credit. Taking action on this topic combines elements of financial literacy, asset-building and financial inclusion.