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Taking a Needs-Based Approach to Financial Literacy for Low-income Individuals and Families in Greater Victoria

What Does a Needs-Based Approach to Financial Literacy¹ Look Like?

- Respond to the questions and challenges facing individuals in their own lives, at the specific time when they are interacting with service providers;
- Informed by adult education principles, engaging individuals on their own interests and building upon their past experience and successes;
- Avoid one-size-fits-all financial literacy teaching which assumes that covering certain topics constitutes financial literacy has been “delivered”;
- Adapt learning opportunities to reflect an understanding of the ways that economically marginalized individuals have learned to cope with limited financial resources, have used non-financial resources to sustain their livelihoods, and have been excluded from mainstream financial services and products;
- In addition to stand-alone workshops or programs directly addressing financial literacy, train front-line workers to be aware of financial information needs for their target clients and be prepared to respond to needs within (embedded in) other social services delivery.

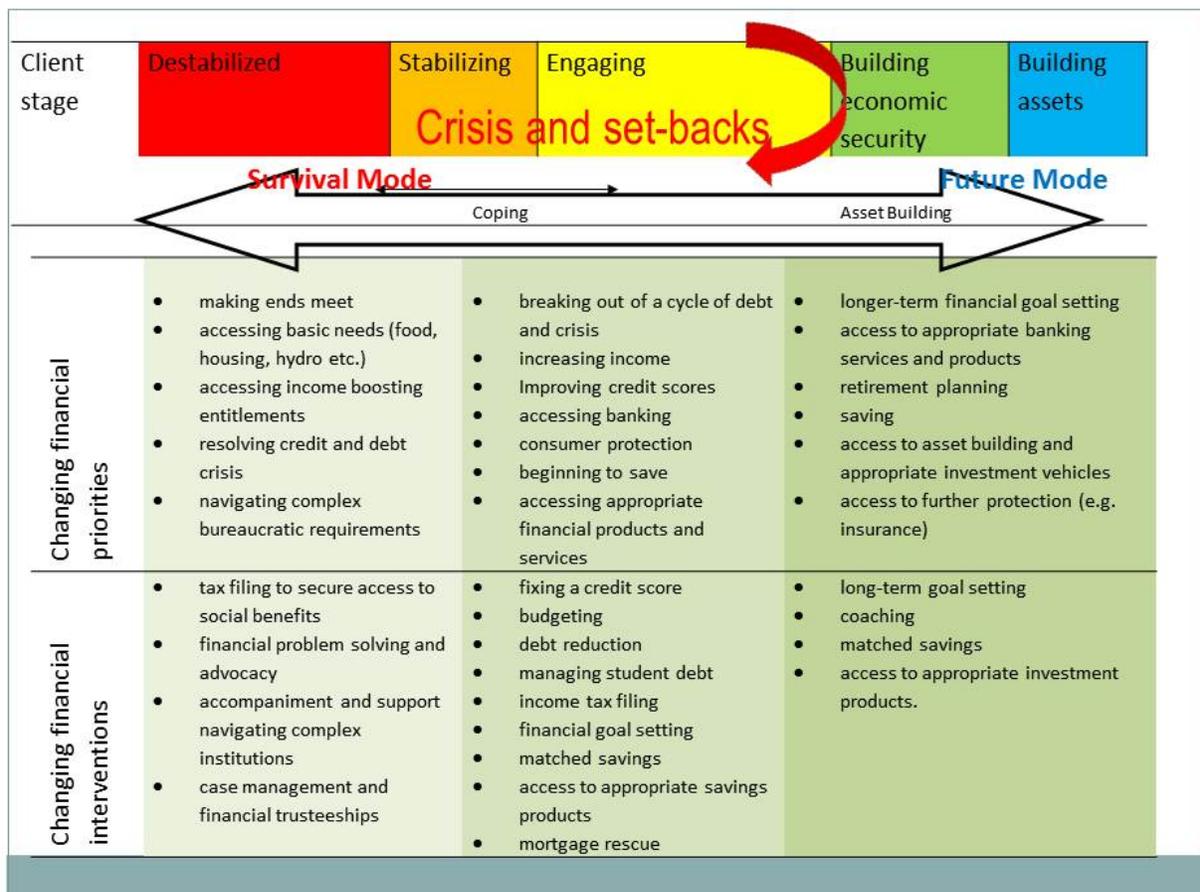
Why a Needs-Based Approach?

The field of financial literacy is broad, with tie-ins to almost every imaginable aspect of day to day living. There are *many* approaches and resources for financial literacy training, most of which are available at low or no cost to end users or organizations. For people managing programs or delivering services in the social sector, knowing which approaches or resources to pull from requires an investment in time to access and review different materials. What works for

¹ There is no commonly-agreed-upon terminology in this field. Financial literacy, financial capability and a range of other terms are used interchangeably in various sources. This report uses SEDI’s term “financial literacy” as it relates to our current funding source, TD Bank’s Financial Literacy Grant Fund.

one cohort or client may not work for another, even within the range of materials aimed at low-income Canadians.

Recent work by Janet M. Murray for SEDI/Canadian Centre for Financial Literacy² has connected various elements of financial literacy to different priorities and needs experienced by people based on their current level of stability. This work is based on research with organizations in Canada serving individuals with low incomes, ranging from street-entrenched people in deep crisis to the working poor, below the Low-Income Measure threshold. Murray’s work draws on the Sustainable Livelihoods Framework and looks at the continuum of needs that face participants, adapting financial interventions to the particular needs of participants, depending on where they are at.



² Canadian Centre for Financial Literacy will be releasing Janet Murray’s report in the spring of 2014. Preliminary information on this research was shared at the ABLE Conference 2013. ([Hyperlink to proceedings](#) from Janet’s presentation, shared with another speaker).

This framework is an excellent place to begin with thinking about needs-based approaches to financial literacy. By looking at this framework, it's apparent that the kinds of financial information addressed in workshops or one-on-one coaching has to match the needs of the client at the given time. If it's not relevant today, it won't be learned and applied today, especially if today a person is in crisis and uncertain about whether their basic human needs will be met. As one moves out of survival mode, different topics become relevant.

Overlaid on this, the life stage of a person will also influence what kinds of financial interventions are needed. For young people there is more emphasis on initiating financial relationships, establishing independence from parents/guardians/caregivers and shaping one's identity. Compared to this, a mid-life person leaving an abusive relationship, for instance, would have more experience with accessing banking and using credit and might be more involved with creditor issues, separating finances from a spouse, or looking at education savings for children.

In response to this, developing curriculum for financial literacy aimed at low-income learners becomes less about putting together a set of lessons and more about assembling content and resources that can be pulled from like a menu, then training service providers on how to recognize or "triage" financial priorities and access the materials which speak to those needs.

Researching "What Is" In Greater Victoria

Between September 2013 and February 2014, community developer Susan Low connected with people who provide support to low-income individuals and conducted group discussions with participants who are currently or have recently been living on low incomes. Her research had four components:

1. Literature review
2. Peer interviews using a set of discussion questions, between program managers and workers in 20 organizations that respond to different needs of low-income individuals and families.
3. Five focus group discussions held with a total of 56 participants who are all living on low incomes (groups included youth, job-seekers and single mothers).
4. 14 key informant interviews with front-line workers and program managers in organizations that didn't participate in the peer interview process.

This report is meant to share what has been discovered in Greater Victoria in this time period. It is not meant as an exhaustive analysis of approaches to financial literacy or the overall financial needs of low-income individuals.

Highlights of Financial Priorities & Needs

The tables below indicate the financial priorities that were expressed by different client populations through the research. These are by no means exhaustive or exclusive lists; this is what came up during peer interviews, focus groups and one-on-one conversations. We've organized these lists according to the source research activity. It's important to point out that each of the research groups had one or two life factors in common but weren't screened or selected to be representative of all people with those life factors.

Single Mothers Discussion Group – all participants were single mothers. 80% were living on low incomes.

- Making housing decisions – whether to rent or should I try to save up to buy?
- What is renter's insurance and do I need it? How do I get it?
- How do I buy life insurance? How much do I really need?
- How do I make a will to protect my children?
- Getting off income assistance – how to get ahead despite earnings clawbacks, loss of premium assistance, child support payments clawed back
- What is tax deductible or not
- Ways and means to meet basic needs and get necessities on a low income – providing for children's needs, accessing recreation opportunities
- Teaching children about money, passing on attitudes/values about money
- How do things affect your credit rating? What's the difference between credit bureaus? How can I fix my credit?
- How to afford legal fees – financial issues relating to divorce/separation/custody

Youth Discussion Groups – two groups, low-income with multiple barriers to employment

- What are prepaid credit cards? What are secured credit cards?
- How do I get a credit card with no credit or poor credit?
- How to read a credit card statement and get a credit rating report
- How does making minimum payments affect my debt, credit rating
- What is on a paystub
- How do I file my taxes
- How do I recover from identity theft
- How to get small loans to do microbusiness start-ups

Job-Seeker Discussion Groups – ages 18-60, accessing employment support services

- Ways to earn income without clawbacks
- Getting access to no-fee banking, dealing with barriers to banking related to marginalization
- Credit ratings – how to find out about mine, how to repair a poor credit rating
- How to access financial advice without being judged or facing repercussions
- Access to microloans for business start-ups or to deal with short-term cash crunches
- Dealing with debt and student loans
- Where can I go for someone to talk to about my financial situation
- Information on government benefit programs e.g. Fair Pharmacare, MSP Premium assistance
- Accessing transportation subsidies e.g. bus passes, tickets, as transportation is a major barrier to shopping where prices are cheaper.

Peer Interviews – input from service providers on the needs of their client populations – diverse populations below low-income cutoff

- Getting basic needs met – food security, housing needs
- Need for higher income assistance rates
- Tax submission – how to file taxes, how to apply for income-tested benefits
- Debt counselling
- Planning of household finances and preventing financial crisis
- Mobile banking
- Access to low-cost, barrier-free banking
- A hub or one-stop shop for financial advice, services and programs
- Non-commercial, non-biased financial information

Key Findings

This section reflects on some of the more frequently mentioned needs and our observations about the dynamics of financial literacy among low-income earners.

One of the most frequently cited needs was for there to be “a real person” to talk to who will help with financial advocacy and non-judgmental guidance. For people living on low incomes, their past experiences and expectations indicate that the types of financial services and advisors

targeted to serve middle-class Canadians are not “open for business” or even equipped to address lower-income Canadians’ needs. People want a place to go where they can connect with trustworthy, caring service providers who are knowledgeable but aren’t biased or pushing a specific commercial product.

Understanding the dynamics of credit products (credit cards, short-term credit like payday loans, loans) is also of primary concern for all of the groups who provided input. Within this domain, some people are exploring how to access credit and use it constructively, while others are seeking assistance in dealing with current debt problems and histories of debt.

There is definitely a strong need for supports for people at the survival end of the low-income spectrum, to connect with income supports, housing, food, clothing and health care. These needs must be addressed before a person is able to focus their thinking on stabilizing their cash flow or planning ahead. Offering workshops or teaching about wise use of credit is fundamentally useless when a person’s housing is precarious or non-existent. When a person receives income assistance, the asset caps and earnings clawbacks create a Catch-22 situation making it difficult – and risky – to move out of dependence on government income.

Some disabilities and mental illnesses can function as serious barriers to developing financial literacy and improving one’s financial situation. Depression, for example, can prevent a person from effectively advocating for themselves or following through on tasks such as applying for benefits, or keeping up with bills. The whole field of disability tax credits and Registered Disability Savings Plans requires specialized knowledge to navigate, which is not readily available.

Low literacy or poor language skills may prevent individuals from accessing information that could be key to improving their income or dealing with the financial services sector. Needs-based approaches to financial literacy need to identify the literacy/language levels of targeted users and provide appropriate materials or personal supports.

The needs outlined in the tables above are narrower than the scope of the curriculum materials used by several programs in Greater Victoria that aim to increase financial literacy for low-income populations. This is not interpreted to mean that the curriculum materials are covering too much; rather, the most pressing personal needs come from certain areas of financial literacy. Topics like savings, budgeting etc. tend to have less short-term implications or consequences than credit card use or lack of sufficient income.

Next Steps

One of the stated goals of the FERN project is to develop resources that fill in the gaps of existing financial literacy resources for Greater Victoria. This report provides some indication of what needs are considered top-of-mind for various respondents. Some next steps include:

1. Compile a list of resources or programs which address the various stages in the continuum pictured above, for different target populations. This work has been researched and is being prepared as of March 2014.
2. Survey organizations to better understand the financial literacy materials and resources they are currently using, what topics or subjects are addressed in their programs, the number of participants and the capacity of staff to deliver financial literacy training. This survey is being launched in March 2014 and will be reported on in mid- to late-April 2014.
3. Engage program managers, staff and participants (current, former or future) in discussions about what gaps need to be addressed most urgently, and what are the strategies to address them. This work is planned for May 2014.

FERN would like to hear other suggestions about next steps to be taken towards a needs-based approach to financial literacy in Greater Victoria.