

Focusing on the Financial Health and Resilience of Canadians

Part 1 – Focusing on Financial Wellness:
A Paradigm Shift



About us

Seymour Management Consulting Inc. is a Canadian strategic management consultancy with an established financial wellness strategy consulting practice.

As a values-driven enterprise, we strive to help the financial services sector, government and other partners to support the financial health and resilience of Canadians.

We believe impactful strategy begins with solid data and insights. That's why we've invested in developing the 2017 Canadian Financial Health Index study. The Financial Health Index study is Canada's most comprehensive investigation into consumer financial health and wellness, and the role financial institutions can play to improve the financial well-being and resilience of Canadians.

Our goal is to help leading Canadian organizations, and specifically financial services organizations, better understand and measurably improve the financial health of their customers, at scale.

For more information about us, our mission, vision and services, please visit our website at www.finhealthindex.ca.

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Acknowledgment

Center for Financial Services Innovation (CFSI) is a non-profit organization with a mission to advance consumer financial health in America by shaping a more robust and innovative financial services marketplace with higher quality and more accessible products and services. We are deeply grateful for the engagement and contribution of CFSI for their on-going collaboration, advice and for permitting us to incorporate their eight financial health indicators into our research to help support financial health measurement across North America.

Foreword

Financial health and wellness is vital to our overall emotional and physical well-being, family stability and for supporting the achievement of our life goals. Over the past decade, exciting new financial health research, thought leadership and innovation has emerged globally. In Canada, however, continued efforts to increase awareness and research around the subject of consumer financial well-being are still needed.

Current research tends to focus on financial literacy at one end of the spectrum or on financial services products and services at the other. Meanwhile, the financial health and resiliency challenges of Canadians is an important, yet arguably untold story. There is scant research, relative to other nations, that gets to the heart of key interconnected issues that Canadians face around money and finances.

This is why we've taken the bold step of investing in the most comprehensive nationwide investigation into financial health, wellness and resiliency completed to date – the Canadian Financial Health Index study. Through our research and consultancy practice, we strive to build awareness and understanding around the important constructs of financial health and resilience in Canada.

Our research suggests that Canadians today give their financial service providers a failing grade when it comes to helping them improve their financial wellness. We aim to stimulate dialogue and innovation within our financial ecosystem, including financial institutions, policymakers and other collaborative partners, to help improve the financial well-being and resilience of Canadians in meaningful ways.

We are excited to introduce a three-part whitepaper series that we hope will contribute to the emerging dialogue in this space. The contents of these whitepapers reflect not only key findings from the Canadian Financial Health Index study, but as well the professional expertise and insights of its authors acquired through nearly four decades of collective experience in financial services strategy consulting, customer experience strategy and marketing research.

We begin our **Focusing on the Financial Health and Resilience of Canadians** whitepaper series with Part 1 – *Focusing on Financial Wellness: A Paradigm Shift*, represented herein. We hope that you will take away from our initial discussion an appreciation of the importance and modern relevance of focusing on the financial well-being of Canadians, at macro and personal and inter-personal levels. We offer a holistic view of financial health and resilience to identify new pathways for supporting the financial wellness of Canadians.

Part 2 of the whitepaper series is titled *Key Findings from the 2017 Financial Health Index Study* and provides the deep dive into the data, findings and insights from our research. In particular, we discuss the current financial health landscape across Canada, with particular focus on highlighting regional differences in financial stressors and resiliency enablers. Part 2 also identifies several traditionally and emerging underserved and vulnerable segments of the population, who may benefit from additional focus and support from financial service providers and advisors. These include, but are not limited to, Canadians who are: females, millennials, renters, low income earners, unbanked and underbanked, and self-employed/business owners.

We finish the whitepaper series with Part 3 - *The Financial Wellness Economy: Investing in Consumer Financial Health and Resilience*. In this last installment, we make the case for the critical role of financial service providers, and opportunities for them to increase their support of their customers' financial well-being, in particular those who may fit into a marginalized segment. Data from the Canadian Financial Health Index study points to significant gains in a consumer's likelihood to do more business with and say good things about those primary financial institutions who are deemed to be doing better at supporting their customers' financial health and wellness. We report on the system-level performance of financial institutions in providing such support, including comparing the aggregate performance of banks to credit unions.

Definitions

Financial Health:

is about your ability to balance your financial needs for today with those of tomorrow, and get through times of financial hardship.

Financial Resilience:

speaks to your ability to weather unforeseen life events, financial stressors or 'shocks'.

Financial Wellness:

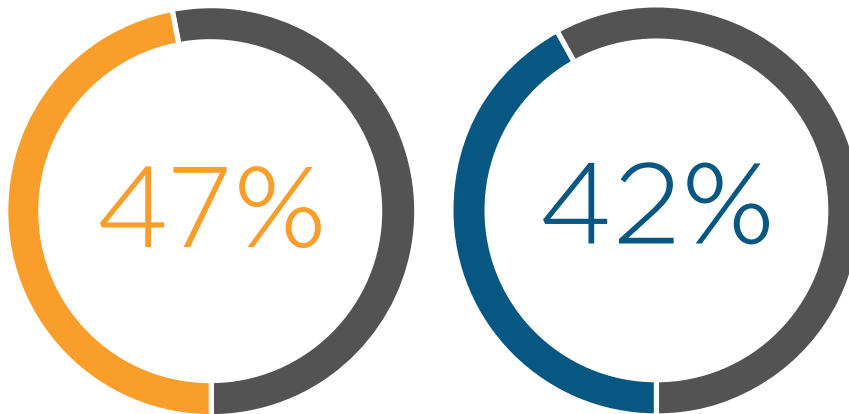
speaks to your emotional peace of mind in terms of your financial situation (with the opposite being financial stress).

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Financial stress is now a mainstream issue

Our research shows that money is one of the top stressors for Canadians and that financial stress felt in Canada is a mainstream issue, as well as a particular challenge for vulnerable segments of our population. Nearly half of Canadians agree that money worries cause them extremely high levels of emotional stress, with four in ten admitting to losing sleep at night over money worries. One in three are both unsatisfied with their current financial situation and stressed about their current and future financial obligations. And approximately one-quarter of Canadians say that they are 'somewhat' or 'significantly' worse off financially compared to 12 months ago.



Agree that money worries cause them extreme emotional stress

Agree that money worries make them lose sleep at night

According to data from the Canadian Financial Health Index study, nearly one in three Canadians feel they have a bit too much or far too much debt. Indeed, Canadians have piled up the biggest increase in debt-to-income in the G7 since 2000, according to a new report by the Parliamentary Budget Officer¹, released in January of last year. Household indebtedness hit 174 per cent in the first quarter of 2017, according to the PBO. That means Canadian households owed \$174 for every \$100 in disposable income. Canada is now the most indebted G7 country in the world.

This myth of a 'traditional financial lifecycle' is outdated and needs to be revised. The story often told about financial success is that slow and steady saving over a lifetime, matched with dedicated hard work and a little luck, will ensure financial security, a comfortable retirement, and better opportunities for one's children.

As outlined in the "Financial Diaries"², this basic lifecycle is not the reality for many Canadians. Factors outside of an individual's control, including income volatility and unplanned life events such as disability, or a fire or flood, can severely affect a person's finances.

1. CBC news (June 20, 2017) Canadians' love for debt taking us into uncharted territory, PBO report warns Retrieved from www.cbc.ca

2. Johnathon Morduch and Rachel Schneider *The Financial Diaries: how American families cope in a world of uncertainty* (2017)

For many Canadians, challenges with saving, debt and budgeting are not about a failure of personal responsibility, a lack of knowledge, or insufficient willpower. Many Canadians work extremely hard and are disciplined with their finances, yet are still struggling to make ends meet. It is very difficult for many to save even for an emergency over the short term, let alone for retirement. In our Financial Health Index study, nearly one in five Canadians report having no savings or investments at all.

Given that there is now more uncertainty than ever – with increasing income volatility, a changing employment landscape and ‘pension gap’, rising housing affordability challenges and a financial world of disruption – the conversation needs to shift³. There is a need to broaden our understanding of financial resilience, and factors that impact how a person will recover from a financial shock, how ‘protected’ they are from unplanned events, and how thin their margin of error can be in times of financial hardship.

3. CFSI *The Journey to Financial Health: Your Company's Roadmap* (2017) and *Understanding and Improving Financial Health in America* (2014)

Focusing on financial wellness – a paradigm shift

Until now, much of the existing body of research in Canada has focused on financial literacy, financial capability, financial inclusion and/or on financial products and services provision⁴. These aspects are important, but do not tell the entire story. Today there is a need and opportunity to step back and examine the whole picture: the overall financial resilience of Canadians.

We see a necessary paradigm shift and the need to evolve from these more traditional focus areas to more meaningful measures related to financial wellness and resilience, and the positive impact financial institutions can have on people's lives.

By helping to understand consumer financial stress and the indicators and enablers of financial resilience, we hope to help support innovation through win-win solutions for Canadians and their families - plus our financial services ecosystem and country at a macroeconomic level.

What is financial resilience? Financial resilience is one's ability bounce back from unplanned events and times of financial hardship. Those who weather unforeseen financial shocks well do so by accessing internal capabilities, and external resources and supports.

The resources that work together to enable financial resilience, embedded within our framework, and inspired by the research of National Australia Bank & The Centre for Social Impact⁵ include: economic resources (and other aspects that impact human capital); financial knowledge, confidence and behaviours; access to and use of financial products and services; and social capital.



4. Statistics Canada: *Canadian Financial Capability Survey* (2014)

5. National Australia Bank and Center for Social Impact: *Financial Resilience in Australia 2015 Report* (2016)

- **Economic resources:** include savings, meeting the costs of living, raising funds in an emergency and income level.
- **Financial knowledge, confidence and behaviours:** includes consumers' confidence and ability to manage their financial decisions; their engagement, knowledge and understanding of financial products, solutions and tools and the ability/willingness to apply that knowledge through financial behaviours that support their financial health and resilience - over the short, medium or longer term.
- **Financial products, services and help:** includes access to and demand for financial products and solutions (including credit and insurance) education, tools or other enablers sought out and used by consumers - either in time of need, and/or on a more proactive basis to help maintain or improve their financial resilience. This also includes financial solutions, advice, 'nudging' or help provided by consumers' Financial Institution(s) and/or financial advisor(s).
- **Social capital:** includes consumers' social connections and support from family, friends, neighbours and/or their community; plus informal/ non-professional financial advice, help or actual financial support from those same people, in times of need. This also includes access to other programs, financial benefits, education or empowerment tools for the underserved - for example provided by Governments, Non-Profit Organizations; Credit Counsellors or others.

Examining the current state of the financial resilience of Canadians helps to shine a light on the challenges of key segments of our population - including more vulnerable groups - and gives us a more complete picture of how people are managing and what 'success' looks like from their consumer perspective (beyond financial wealth creation), and in the context of what's important to them in their lives.

Financial resilience can be positively impacted by financial decisions and/or financial healthy 'behaviours' (i.e., rainy day funds, responsible borrowing and debt management practices, regular savings, diligent planning and investing and also through protection against unforeseen events). A person's financial resilience can also be supported through relevant, timely financial education, tools, programs, advice or supports from their social networks. There is clearly no 'one size fits all' solution.

While Canadians are clearly in charge of their financial wellness, seven in ten Canadians surveyed agreed that making financial decisions can be complex and difficult. And six in ten feel uncertain that they have the skills and knowledge to manage their household's finances well. And although many Canadians do have access to friends and family (social support networks) they don't always share their financial stresses and problems with them or reach out for help. Financial stress is often hidden, even from loved ones.

Looking at Canadians' challenges and issues from their perspective, and through the lens of financial health and resilience, can create new avenues for support, enablement, decision-making and empowerment. It can also guide financial services innovators to invest in new ways - and create enhanced products, services and business models - to have different conversations with their customers, and deliver more empathetic, relevant support by putting consumers' financial resilience - rather than financial products and services - at the heart.

More than one in five Canadians have had challenges in accessing financial services over the past 12 months. Financial institutions can innovate, while deepening relationships with their customers, identifying new growth opportunities and managing their credit risk, based on a deeper understanding of their customers' financial stress and resilience, beyond the credit score.

We hope our research highlights and raises awareness around the many opportunities and critical areas to address collectively in support of particularly underserved and vulnerable groups.

Introduction to the 2017 Financial Health Index study

The Canadian Financial Health Index study looks to contribute to the dialogue around consumer financial well-being by providing comprehensive baseline insights around the sentiments, attitudes, stressors and external influencers surrounding consumers' financial health. We believe this study fills a gap in understanding around the financial stress and resilience of Canadians, nationally, provincially and with respect to particular vulnerable or marginalized groups.

Goals of the Financial Health Index Study

The goals of the Canadian Financial Health Index Study are to explore in-depth and better understand:

1. Where Canadians are at with respect to sentiments and feelings around financial wellness connected to real life stressors and circumstances.
2. Aspects of financial resilience and enablers that allow people to bounce back from unplanned events and times of financial hardship.
3. The role financial service institutions can play to support peoples' financial wellness.

Inspired by analysis of many financial health, capability and wellness studies around the world - and our proprietary framework - our study and analysis covers detailed aspects of financial wellness and resilience, consumer spending and banking behaviour, financial products and services, perceived support from primary financial institutions, and other enablers. Our work covers under-researched aspects linked to financial resilience such as the impact of social capital (support networks) and other factors.

Money decisions are not always rational, and these topics can be complex and multi-layered. Financial education does not always lead to financial knowledge, and financial literacy does not always translate into positive financial behaviours. Indeed, behavioural finance research explores the 'money scripts' (or sub-conscious attitudes and learnings about money, often learned from our parents) that can impact our attitudes and mental 'roadblocks', as well as the disconnect between our financial goals and our behaviours.⁶

There is a need to look at seemingly irrational behaviours in the face of common sense, and to help people with their blind spots or challenges, some of which are controllable, and some uncontrollable, that in turn impact their financial decisions or behaviours. We hope that in time our research can contribute insight into this fascinating and important realm, by highlighting some of the drivers and disconnects related to financial health and stress, and by examining what holds people back.

The Canadian Financial Health Index Study was also born out of recognition that impactful business and customer experience strategies begin with solid data and insights. Our independent study offers robust and meaningful insights into the potential role financial institutions can play to improve the financial well-being of their customers.

Financial service provider partners can in turn work to transform the way their customers are supported in terms of financial services and help them make informed financial choices, while advancing customer-led innovation to improve the financial and overall well-being of their customers and communities.

6. Maggie Baker PhD: *Crazy About money: how emotions confuse our money choices and what to do about it* (2011)

Methodology

The 2017 Canadian Financial Health Index study is an online survey of over 5,200 respondents across each of Canada's provinces, excluding Quebec and also excluding Canada's three Territories (Yukon, Northwest Territories, Nunavut).

Stratified sampling across Canada's 31 largest census metropolitan areas was employed to reduce disproportionate samples, particularly in the case of Ontario. Additionally, quota samples of rural populations from within each province rounded out the sampling plan.

Respondents ranged between 18 and 70 years old, and were all primary or joint financial decision-makers. The survey was conducted between March 14th and April 30th 2017.

Our survey design was informed by an extensive review of multiple financial capability, financial health, financial resiliency and other financial and money-related studies from the US, Canada, Australia, South Africa and other countries⁷.

In addition, we consulted and partnered with CFSI and with their permission, integrated CFSI's eight financial health indicators into our Canadian study⁸.

7. Research reports and studies include: *Canadian Financial Capability Survey, 2014*; *Report on the Economic Well-Being of US Households in 2015* (May 2016); *Gallup-Healthways Financial Well-Being Rankings*; *Momentum South Africa Household Financial Wellness Index* (2015); *CFSI 'Understanding and Improving Financial Health in America' and all subsequent studies and publications* (2014-2017) and *National Australia Bank and Center for Social Innovation (CSI) 'Financial Resilience in Australia 2015'* (2016)

8. CFSI *Eight Ways to Measure Financial Health* (2016).

Highlights from the Financial Health Index Study

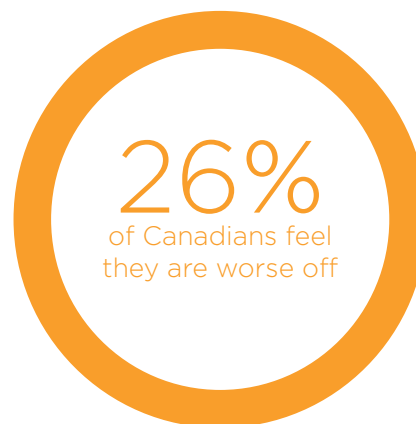
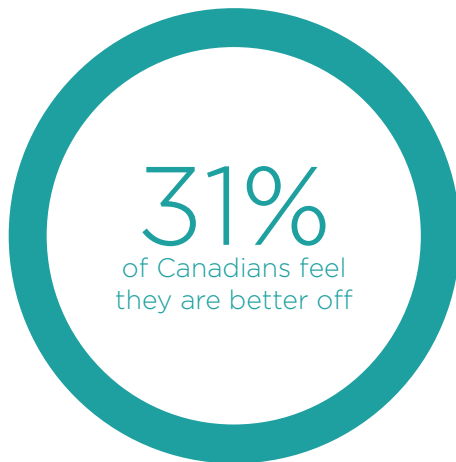
Key Finding 1:

Financial Stress is Mainstream Issue Amongst Canadians

The Canadian Financial Health Index study found that:

- Nearly half of Canadians (47%) agree that money worries cause them extremely emotional stress. Furthermore, for four in 10 Canadians (42%), money worries cause them to lose sleep at night and 36% agree that money worries make them physically unwell.
- Furthermore, 33% are both unsatisfied with their current financial situation or extremely stressed about their financial obligations.
- Approximately one-quarter of respondents say that they are 'somewhat' or 'significantly' worse off financially now compared to their financial state 12 months ago, while 31% say that they are better off and 44% say that they are in a similar state.

Compared to 12 months ago...



It is likely not a coincidence that provinces with lower financial wellness self-ratings are also the ones that have undergone significant economic challenges in recent years. According to The Conference Board of Canada, Saskatchewan and Alberta continued to experience economic recession in 2016 owing to lower oil and other commodity prices, while New Brunswick and Nova Scotia were also lagging overall economic performers in Canada. Nonetheless, the need to better understand where Canadians are at with respect to their financial health and wellness is clear.

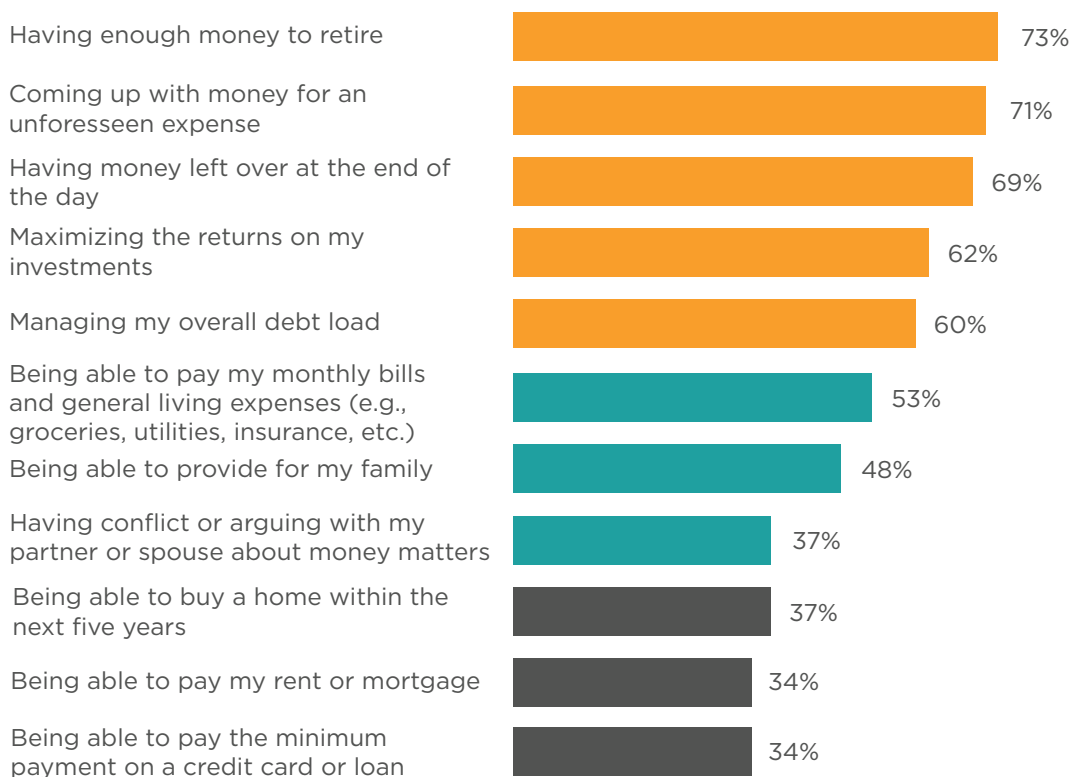
Key Finding 2:

Money worries span all aspects of the spectrum, but Canadians worry most about saving for retirement and for unforeseen expenses

Canadians worry about a number of things impacting their financial wellness. When asked how often they worried about a number of financial stresses linked to their financial health and resilience over the past 12 months, the most frequent worries at a national level included:

- Having enough money to retire on – a concern for nearly three out of four Canadians who worry about this often or occasionally.
- Coming up with money for an unforeseen expense – a concern for over 70% of Canadians.
- Having enough money left over at the end of the month to save. Indeed, 69% of Canadians worry about having enough money left over at the end of the month.

Percentage of Canadians who have “occasionally” or “often” worried about each of the following over the past 12 months



The rising cost of goods and services and increased cost of housing and rents further mean that it is increasingly difficult for Canadians to save. Our research confirms this challenge.

- Half of Canadians say over the past year they have spent about the same or more of their monthly income.
- Over a quarter of Canadians aren't able to save anything on a monthly basis from their monthly take-home pay.
- One in five Canadians have no savings or investments at all.
- 60% of Canadians worry about their overall debt loads.

Key Finding 3:

Increased debt loads are putting Canadians in financially precarious situations

A historically low interest rate environment prevailing since 2008 has made it easy for Canadian households to accumulate debt. In fact, Canadians have piled up the biggest increase in debt-to-income in the G7 since 2000, according to a new report by the Parliamentary Budget Officer, released in January of last year⁹.

- 85% of Canadians say that their cost of living has increased over the past year, and two thirds (63%) agree that housing affordability is a problem.

Despite concerning trends in consumer debt-load, the PBO expects that Canadian household indebtedness will increase due to continued gains in real house prices and elevated levels of consumer confidence despite increasing interest rates. With interest rates now on the rise, many Canadians may be more financial vulnerable and feeling more financially stressed than ever before.

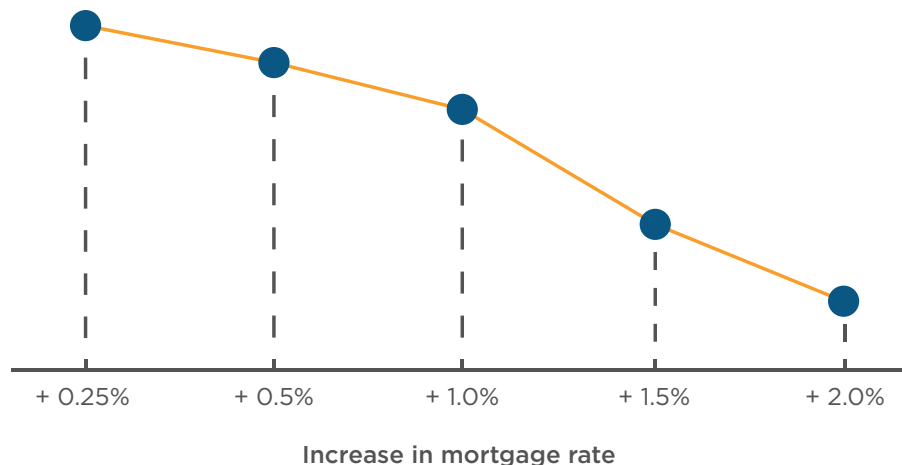
When asked about how long their household could make ends meet if they lost their main source of income

- Over a third of Canadians estimated that they had less than three months of savings available to cover basic monthly expenses.
- One in ten Canadians expect they had enough savings for only up to a month, and 8% said they could survive for a week or less.

Data from the Financial Health Index study also suggest that any increase in interest rates may result in 13% of Canadian mortgage holders possibly not being able to make their mortgage payments. More specifically, it is estimated that if mortgage rates increase by up to 1.0%:

- Approximately one in ten Canadian mortgage holders may not be able to make their mortgage payments.
- That proportion increases to nearly one in five if mortgage rates increase by 2.0%.

Confidence in ability to make mortgage payments given level of increase in mortgage rate



9. CBC news (June 20, 2017) Canadians' love for debt taking us into uncharted territory, PBO report warns. Retrieved from www.cbc.ca

Key Finding 4:

Many Canadians feel unconfident about navigating financial decisions

Seven in ten Canadians agreed that making financial decisions can be complex and difficult. Combined with low financial confidence and/or knowledge, navigating financial decisions can be very challenging indeed.

- Nearly two-thirds of Canadians feel uncertain about their skills and knowledge when it comes to managing their household's finances well.

In terms of confidence that the "household is taking the steps needed to ensure that you will have enough money saved for your long-term financial goals":

- 35% of Canadians are moderately confident they are taking the right steps; 23% are slightly confident and 22% are not at all confident.
- In other words, only 19% of Canadians are very confident that they are saving enough money for their long-term financial goals.

Certain segments of our Canadian population are more vulnerable and less financially secure than others. They do not know how they would raise the money if an unexpected need arose within the next month, and are more likely to take out a high-interest or payday loans. These more vulnerable groups include: low income individuals (with household incomes under \$25k); underbanked individuals (defined as those who use non-traditional financial services e.g., cheque cashing/ payday loans); unbanked Canadians (with no bank account or financial products or services); and people who are unemployed owing to a disability.

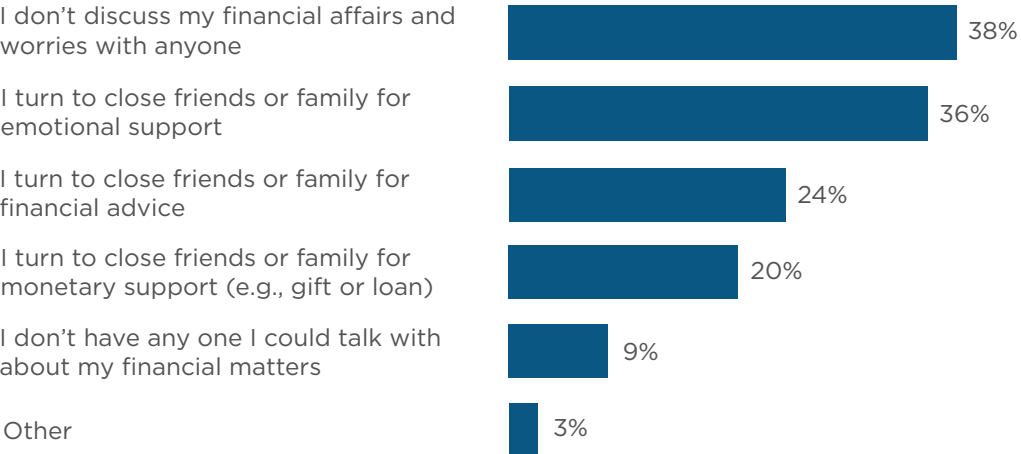
Key Finding 5:

Many keep their money worries to themselves - causing emotional stress

Nearly half of Canadians keep their money stresses and problems private. In fact, 38% of Canadians don't discuss their financial affairs or worries with anyone. An additional 9% of Canadians don't have anyone they could talk to about their financial matters, even if they wanted to.

- Canadians living in rural areas are less likely to be open about their financial matters or money worries. Indeed, 49% of Canadians in rural areas don't talk about their finances with anyone, versus 37% for Canadians living in urban or suburban areas, and the 38% national Canadian average.
- Men are far less likely to discuss their financial matters with anyone, with 44% of men sharing with no one, versus only 32% for women. Men are also far less likely to turn to close friends or family in times of financial hardship, with 20% turning to their close friends or family for support, versus 27% for women. 10% of men also say they have no one to talk to about their financial matters, versus only 8% for women.
- In times of financial hardship, one in five Canadians turn to friends or family for monetary support (such as a gift or loan), and 36% of Canadians turn to close family or friends for emotional support.

In times of financial hardship or worry, do you rely on close friends or family for any of the following?



Key Finding 6:

Small business owners are more stressed and need greater financial support and access

Overall, 8% of Canadians report owning or co-owning a small business, with less than 100 employees, either as a self-employed business owner with no employees, or as a business owner with full or part-time employees. Canadian business owners clearly deal with high financial stress and greater financial vulnerability.

- Canadian small business owners (including the self-employed) are less likely to be satisfied with their financial situation (35% versus 30%), more likely to be extremely stressed about their ongoing and future financial obligations, and less likely to feel secure about their job or work situation (49% versus 38%).
- They are also significantly more stressed about their ability to provide for their family; pay their monthly bills and living expenses; and have enough money to retire on.
- Business owners are also more likely to agree that they “have had difficulties accessing financial services over the past 12 months”, and only 15% feel that their primary FI does an excellent job of helping them to improve their financial wellness.

Recognition of the increased complexity of ‘financial wellness’ for business owners, and the often-close linkages to their personal financial wellness and that of their families, is important. Further Canadian research and innovation for small business owners specifically (and key segments) will bring visibility and understanding to what more can be done - including through the Canadian financial services ecosystem - to support small business financial resilience. Small businesses are the engine of our economy and often underserved by financial institutions.

There is a need to better understand the controllable and less controllable financial roadblocks and difficulties that cause small business owners’ financial stress to be exacerbated, and how financial institutions and other stakeholders can provide more supportive help. Issues affecting small business financial health can include: limited time for financial management; revenue and income volatility or a lack of access to sufficient capital to pursue business growth or investment opportunities. Additional challenges can include a lack of knowledge and/or access to, business financial products, solutions or tools¹⁰. These can impact the personal consumer financial wellness of business owners, and/or the business financial health of their companies.

Building on research and innovation in the US in particular, there is a significant opportunity to better understand and measure small business financial health in Canada, and pursue innovation to support the financial wellness and resilience of business owners, and their employees and families - including through their business life cycles.

¹⁰. Federal Reserve Bank of Chicago and Federal Reserve Bank of Chicago Study: *Small Business Financial Health Analysis and CFSI Financial Health: A New Vision for serving America’s Small Businesses* (July 2017)

Key Finding 7:

Financial institutions have an important role to play, and could do better at supporting their customers' financial wellness

Many Canadians have had challenges in accessing the financial products and services they need. More than one in five (22%) of Canadians have experienced challenges in accessing financial services over the past 12 months. This number is higher for business owners.

- Only 17% of Canadians feel their primary bank or credit union is doing an “excellent” job at supporting their financial wellness. Indeed, nearly half of Canadians (48%) give their primary financial institution (FI) a “Poor” rating (1-6 out of 10) for supporting their financial wellness. FIs get worse marks from those groups who may need their help most, including women, millennials, Gen X’ers, renters and business owners.
- 83% of Canadians feel that it is important that financial institutions “provide flexible solutions or help during times of financial hardship” and “actively listen to you, and understand your financial needs and pain points.”
- Furthermore, 8 in 10 Canadians feel it to be important that financial institutions “provide education, tips or tools so that you can make your money work harder” and “provide personalized advice or solutions to help you to make sound financial decisions.”
- Customers of financial institutions who rate their FI higher on helping to support their financial wellness are approximately 50% more likely to use that FI for more of their personal banking needs. They are also more likely to say good things about their FI to family and friends.

Looking Ahead

We are just at the start of our research journey around consumer financial health, wellness and resilience in Canada. We are passionate about the importance of promoting these concepts, and doing our part to effect positive change through research, best practice sharing, advocacy and strategic innovation support and enablement for financial institutions and other organizations.

Three key areas that we're currently working on include:

- Exploring the impact of financial health and wellness on the overall personal well-being of Canadians.
- Working toward a comprehensive financial health and wellness index.
- Collaboration with financial health best practice leaders and innovators to support financial health innovation and measurement in Canada or globally.

Exploring the impact of financial health and wellness on the overall personal well-being of Canadians

As discussed earlier, nearly half of Canadians agree that money worries cause them extreme emotional stress while one in four agree that money worries make them lose sleep at night. Clearly, financial health is vital to overall emotional and physical well-being, family stability and achievement of life goals.

The Canadian Financial Health Index study aims to better understand consumer financial well-being in relation to other facets of their personal well-being. Based on a review of existing research literature in the personal well-being domain, Seymour Consulting has developed a custom framework for exploring the inter-relationships of these constructs (see below).



Specifically, in the Canadian Financial Health Index study, respondents were asked to rate each of the following six components of their overall well-being:

- Financial health and wellness
- Emotional well-being
- Physical well-being
- Satisfaction with work
- Relationships with friends and family
- Feeling connected with neighbours and community

Our analysis confirmed the strong correlation between financial well-being and overall personal well-being based on the national study. Overall, and across the six components of overall well-being, Canadians feel best about their relationships with their friends and family, yet significantly less connected with their neighbours and community. Financial health and wellness was the second lowest rated component of overall well-being. These findings and results are shared in our full 2017 Canadian Financial Health Index reports and customized offerings.

Working toward a comprehensive financial health and wellness index

Leveraging our framework, data and insights from the Canadian Financial Health Index study, we will develop a proprietary composite measure of financial wellness. It is expected that the Financial Health Index (FHI) will reflect aspects and indicators of consumers’:

- Personal financial health;
- Financial stress; and
- Financial resilience.

Our vision is that the FHI will ultimately help Canadian financial services organizations and other entities measure consumer financial stress and resilience. Through the lens of financial health and resilience, the FHI will enable customer experience innovation, enhanced credit delivery and improved customer relationship management for individual consumers and key segments.

Specifically, the FHI will provide member financial insight (and predictive insights) that go beyond the ‘credit score’, providing multiple business benefits for FIs and other organizations. We also hope to evolve measurement from more traditional ‘net promoter scores’ towards measurement that ties more closely to financial wellness and emotional well-being. We are excited and look forward to introducing the Canadian Financial Health Index in the coming year.

It is our hope that the FHI can serve as a benchmark measure for individual financial service providers and the financial services ecosystem to monitor their progress in helping Canadians of all capabilities better their individual, familial and community’s financial and personal well-being.

Committed financial services innovators and other organizations can lever the Canadian Financial Health Index research to better understand where consumers, customers, and/or their employees are at in their personal financial health journeys and lives: to help support their financial health and resilience in ways that are relevant and meaningful.

Together, we can help build the financial resiliency of all Canadians

We see a significant opportunity to provide research, expertise and support for organizations with a mandate to help Canadians lead healthy financial lives. This will help support Canadians' overall personal well-being, and the well-being of their families. This can positively affect multiple generations.

The first important step is to build increased awareness and understanding around financial health, wellness and resilience. A heightened focus on financial health also means engaging and empowering consumers to think about their individual financial health and wellness journeys in the context of their life and financial goals, while helping to identify practical ways for them to maintain or improve their financial wellness and build their financial resilience over time. This can be done step-by-step, as people navigate planned and unplanned life events and/or weather financial stressors over the short, medium or longer term. We need to help not only the many 'mainstream' Canadians who are struggling to make ends meet and navigate their financial decisions, but more vulnerable groups within our communities - including new immigrants, single parent families, under-banked Canadians and small business owners.

We are keen to collaborate to help enable consumer and small business financial health innovation, measurement and enablement, working with credit unions, banks, Governments, social enterprises; behavioural finance experts and other organizations. Collaborative research and knowledge sharing; myth-busting around consumer financial health and dialogue to create new definitions for success will together help us improve the financial wellness of Canadians - knowing many stakeholders have a part to play.

Seeking out new avenues to help Canadians build their financial resilience will also lead to financial services strategy development and customer-centric innovation to help transform 'banking' - benefitting consumers and financial institutions alike. This will build on some of the disruptive financial services disruption already in play in Canada and globally, to help meet the unmet needs of consumers in our complex and changing world. Focusing on the financial health and resiliency of Canadians can also inform public policy and program investments to help Canadian citizens - and in particular more vulnerable groups - in ways that are meaningful for them and their families.

Our contribution builds on the tremendous and meaningful work already being led by government and other organizations that are focused on financial literacy, financial inclusion/accessibility and financial empowerment.

We see a future that better supports Canadian consumers and their families in the important area of financial health, wellness and resilience. Leadership and innovation through the lens of financial health will benefit us all, and help drive positive outcomes for consumers, their families, our financial ecosystem and economy.

Join us in the journey.

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