

# Focusing on the Financial Health and Resilience of Canadians

**Part 3 – The Role Financial Institutions can  
Play and Business Benefits for Committed  
Financial Institutions**

# 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](http://www.finhealthindex.ca).

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We enable committed financial services innovators to transform the way they deliver banking, through the lens of financial health.

Helping financial services partners and other clients to:

- **Inspire and deepen relationships** with new and existing customers by supporting their money stresses in relevant ways.
- **Inspire and empower your employees and leaders** to help support your customers through the lens of their financial stresses and behaviours – while ultimately uncovering financial product and service opportunities.
- **Measurably improve your customers' financial health:** while connecting your investments to your brand 'health' and bottom line.
- **Attract new partners to join forces in the emerging arena** of financial health and wellness, creating new avenues for 'banking'.

# Introduction

The Canadian Financial Health Index study is Canada's most comprehensive investigation into consumer financial health, and the role financial institutions (FIs) can play to improve the financial well-being of Canadians. Our 2017 baseline study, with over 5,200 respondents from across Canada's provinces (excluding Quebec) provides comprehensive insights around the attitudes, behaviors, stressors, events and social supports that influence consumer financial health, wellness and resilience.

The study was born out of the recognition that impactful business and customer experience strategies begin with solid data and insights. Specifically, the Canadian Financial Health Index study explores consumer perceptions around the role and performance of financial institutions – including major banks and credit unions – in terms of helping their customers to improve their financial health and wellness.

FIs can advance innovation to help and enable their customers to make informed financial choices and improve their financial health and wellness, in ways that matter to them. Our goal is that insights from our study can be levered to help build the business case for financial institutions to invest more in financial-health focused business change. This can enable FIs to differentiate their brands and create profitable growth while actively helping their customers to improve their lives. This will create positive social outcomes for Canadians, their families, our local communities and wider economy.

This white paper represents Part 3 our three-part white paper series: Focusing on the Financial Health and Resilience of Canadians.

In Part 1 – *Focusing on Financial Wellness: A Paradigm Shift*, we initiated a discussion around the importance and relevance of focusing on the financial well-being of Canadians. We offered a holistic view of consumer financial health and resilience to identify new pathways for supporting the [financial wellness of Canadians](#).

Part 2 – *Key Findings from the 2017 Financial Health Index Study*, which launches in November 2017, provides more key data and insights from our research, building on Part 1. In addition to discussing the current financial health landscape across Canada, Part 2 identifies underserved and vulnerable segments of the population that may benefit from enhanced support from financial service providers and advisors.

Part 3 – *The Role Financial Institutions Can Play and Business Benefits for Committed FIs*, makes a case for the important role of financial service providers (across our financial ecosystem) to play their part in improving consumer financial health - while recognizing that individual consumers are ultimately in charge of their financial wellness journeys. Specifically, data and insights from the Financial Health Index study provide multiple avenues for FIs to:

- Understand the financial stresses and challenges of Canadians and opportunities to support the financial health and resilience of priority customer segments;
- Measure the financial health of their customers and key segments within their trade areas;
- Inform the development of financial health strategies, value propositions; tactical programs or operational changes for enhanced service delivery;
- Enable customers' primary account managers, advisors or customer-facing staff within the financial institution to better support their customers' financial wellness; and
- Develop relevant products, solutions or experiences linked to daily money management, borrowing and debt management, saving, planning, investing and protection to support customers' financial health and resilience.



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## 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).

# Financial Institutions have a Pivotal Role to Play

## Financial institutions can play a pivotal role in helping to improve the financial wellness and resilience of their customers

Financial institutions (“FIs”) can play a critical role in helping their customers to think about, understand, manage and improve their financial health and wellness. This support is needed and valued by many Canadians, and particularly relevant in the absence of a desire to discuss finances with friends and loved ones for many, as identified in our [white paper part 1](#), which can be downloaded from our [website](#).

Canadians today give their financial service providers a failing grade when it comes to helping them improve their financial health and wellness. We hope the insights in this white paper stimulate dialogue and innovation within our financial ecosystem around the need to help improve the financial health and resilience of Canadians in meaningful ways, and create opportunities for enhanced support.

FIs can innovate through the lens of financial health, creating new pathways that put customers first, supporting their financial (and overall) well-being. In doing so, roadblocks or stressors that typically prevent customers from achieving their financial goals can be addressed before they occur. FIs can enable their customers (and key segments) to make more informed and creative choices when it comes to managing their debt, saving, investing, planning and protecting their money, thus creating a roadmap to financial wellness throughout their lives.

Providing empathetic service with customers’ financial health at the core engages customers on a more meaningful level, and cements loyalty and trust between FIs and their customers, while deepening relationships.

### One size doesn’t fit all

There is a real need to engage Canadian consumers around the concept of their financial health, and the benefits of them proactively managing their financial wellness as best they can – knowing consumers are ultimately in charge of their consumer and financial decisions.

Canadians clearly see their financial wellness as completely connected with their life and overall well-being. They recognize the need to manage their money and financial decisions to help them navigate through life events, and realize their financial and life goals.

Our study shows that there is a substantive gap and opportunity for FIs to show Canadians that they can be more effective at supporting their financial health, wellness and resilience. And while some Canadians may not subscribe to this way of thinking or exhibit cynicism, the opportunity for an FI to build trust and deepen customer relationships remains.

Traditional and non-traditional full service and niche financial services providers, financial technology firms or “fintechs,” insurance companies, retirement and pensions providers, wealth managers and other organizations within our financial ecosystem can all develop relevant offerings and/or improve the customer experience they provide to better support their customers’ lives.

We know that consumers have different life and financial circumstances; challenges and goals; engagement levels around money matters, areas of strength and ‘blindspots’. For example, one person may feel highly confident and adept at daily financial management and budgeting, but have a blind spot about putting in place the right level of protection and insurance for her family. People can also rationally know what they need to do, but have roadblocks from an emotional or behavioural perspective in terms of connecting their financial goal to behaviours ‘in action’ to support their financial health and resilience over the short, medium or longer term.

A recognition of diversity of Canadians, and different types of blended, single-parent and non-traditional ‘families’ will also be important going forward for FIs. Many people think about their financial wellness on multiple levels, and in context of their family and life.

### Supporting Canadians through planned and unplanned life events

Whether we like it or not, we all go through life events, or experience challenges, that cause significant financial stress and anxiety. People get divorced, have accidents, need to stop working, or need to forgo plans to downsize so their adult children can live at home and pay off debt. Financial services providers (and advisors) can help their customers through unplanned life events, based on a trusting relationships.

As highlighted through our study, Canadians want their FIs to actively listen to them, understand their financial needs and pain points, and support them through times of hardship, or ‘moments of truth.’ Life-event innovation through the lens of financial wellness can create opportunities to better support customers, deepen relationships and in tandem, add value for the FI.

Indeed, FIs are being asked to do more to support peoples’ financial well-being in a broader sense – when and where they most need more help: by demonstrating they have the customers best interest at heart, while building a trusted relationship.

### Encouraging courageous conversations

As FIs improve their knowledge and understanding of their customers, build trust with them, and start having deeper conversations with them about their financial worries, stresses, challenges and goals, they can build a richer, more complete picture of their customers and support them in new ways. This often entails evolving the sales and service culture, customer relationship management approach and/or customer experience within FIs. For example FIs’ employees - who are also banking customers themselves – may also need to be supported differently by their bank or credit union employer: so that they can feel financially well and supported themselves – and empowered to provide empathetic support to customers.

Financial wellness and financial resilience-focused solutions can and must be customized and personalized to customers one-on-one over time. Segment-driven product, service and channel innovation, and on-going testing and learning will pave the way for relevant solutions and new avenues for support. Different customer segments or groups will also have different challenges and needs. For example, the financial stresses that millennials face - and the way they want to seek out information, 'bank', 'shop' 'consume' or track their financial health may look very different from the different needs of an older time-poor small business owner; or a new immigrant to Canada, with little understanding of the Canadian financial system.

There are significant opportunities for financial service providers (and complementary organizations) to create financial health related offerings aimed at specific segments, or to address specific pain points or unmet needs. These offerings and approaches can positively impact the customer experience. Through actively listening, empathetic support and dialogue, a FI can engage the customer to think about their financial health in a way that supports them and their goals. At the same time, the FI, based on a deeper understanding of their customer and their stresses and needs, can also suggest financial offerings, advice or solutions designed to help them achieve their challenges or goals.

What could some of these offerings include?

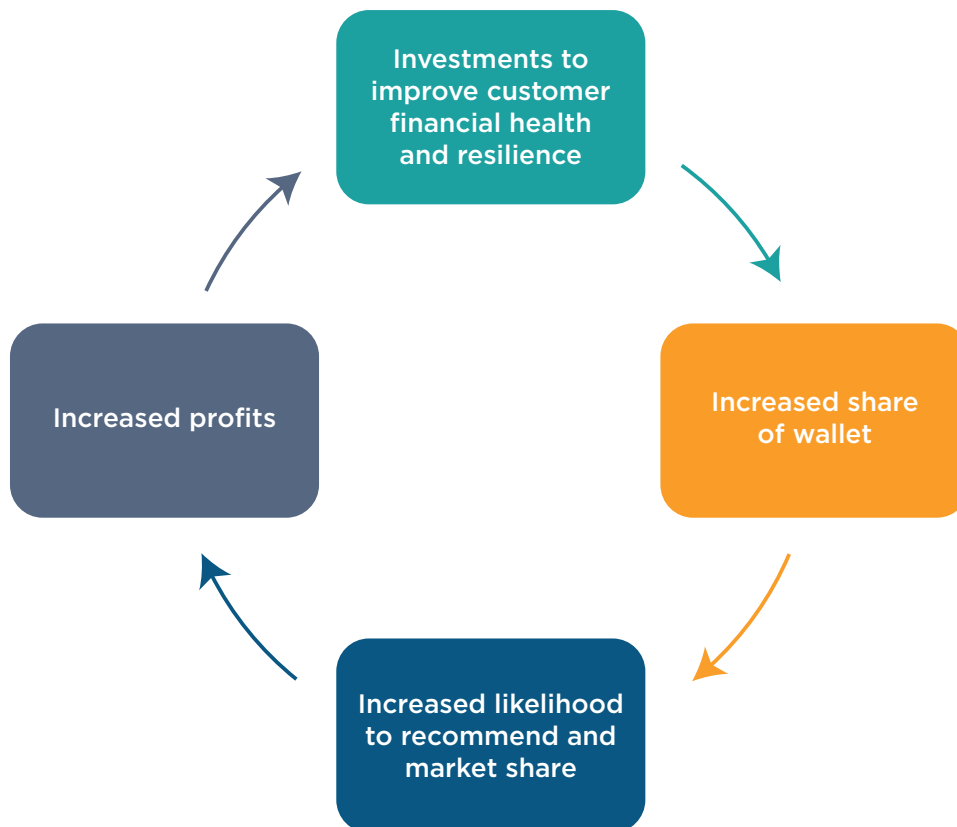
- Practical, empathetic help and support: based on the specific financial stresses, challenge or goals of customers;
- Digital, personalized interactive tools or tracking: to help measurably improve financial health and resilience;
- Enhanced relationship management: from the FI as an organization; and the customers' key contact (or Account Manager or Advisor) to support their financial wellness journey;
- New or enhanced products or programs: to help underserved customer segments with specific financial stresses or challenges,
- Improved credit access, delivery, debt management or other financial counselling: to help empower customers to improve their financial health and resilience;
- Learning options and value-added services: to help customers for the medium to longer term;
- "Nudging" (or helpful customer interventions) based on customer life events, financial stressors or financial wellness goals;
- Personalized financial health-focused road mapping, planning, self-serve tools or advice.

# Consumers Want to be Better Supported

## Consumers feel financial institutions can do more to support their financial health and wellness

Focusing on financial health creates a new avenue for customer-focused innovation in financial services, and Canadians want to feel more supported by their financial institutions in terms of their financial health and wellness.

There are significant business as well as customer and societal benefits that come when FIs invest to help support and improve the financial wellness and resilience of their customers. In exchange, customers reward their financial service providers through increased loyalty and share of wallet and positive recommendations to others, generating new business while differentiating and strengthening the brands of FIs. Greater market share and more profitable, long-lasting relationships will in turn enable financial institutions to make strategic investments to improve their customers' financial well-being - in unique ways that are aligned to their core purpose, brand, enterprise strategies and service model.



The Canadian Financial Index study highlights that 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.”

Unfortunately, Canadians overall give their financial service providers a failing grade when it comes to helping them to improve their financial wellness. Using a scale of 1 to 10, where 1 is “Poor” and 10 is “Excellent”, only 17% of Canadians would rate their primary FI as being “Excellent”. Nearly half of Canadians (48%) give their primary FI a “Poor” rating (1- 6 out of 10).

Primary financial institutions get even worse marks from females, Millennials, Generation X’ers, renters and business owners. In all of these cases, more respondents gave FIs a “poor” rating and fewer gave FI’s an “excellent” rating – which is concerning given that these are some of the most challenged consumer segments. Boomers and retirees (not mutually exclusive), more than other cohorts and segments, however, do feel financial institutions in general are doing a better job of helping to improve financial wellness.

### “Somewhat” or “very important” that financial institutions...



Canadians feel that their primary financial institution may be performing well on the important attribute of actively listening and understanding financial needs and pain points. However, FIs can stand to do better when it comes to providing flexible solutions, empathy and help during times of financial hardship, and in terms of providing personalized advice or solutions to help customers make sound financial decisions. In whatever ways Financial institutions choose to support their customers to improve their financial wellness, both parties stand to benefit.

For Financial institutions, data from the Canadian Financial Health Index study points to significant gains in a consumer's likelihood to do more business and say good things about those primary Financial institutions that are deemed to be doing better at supporting their financial health and wellness.

### Performance of primary financial institution in supporting financial wellness



- ① Provides a named financial advisor to support you in achieving your financial and life goals.
- ② Provides timely suggestions on ways you can improve your financial health, based on your banking transactions.
- ③ Provides education, tips or tools so that you can make your money work harder.
- ④ Provides personalized advice or solutions to help you make sound financial decisions.
- ⑤ Provides flexible solutions or help during times of financial hardship.
- ⑥ Actively listens to you, and understands your financial needs and pain points.

# Significant Benefits for Committed Financial Institutions

## Significant brand and business benefits for committed financial institutions

Customers of financial institutions who rate their FIs well at supporting their financial wellness are approximately 50% more likely to use that FI for more of their personal banking needs.

**These customers are also more 57% more likely to move their mortgage business over to such FIs even if they don't offer the best mortgage rate.**

This speaks to the affinity that a focus on financial wellness can create for financial institutions, and the significant potential for financial service providers to invest in innovation through the lens of financial wellness and resilience.

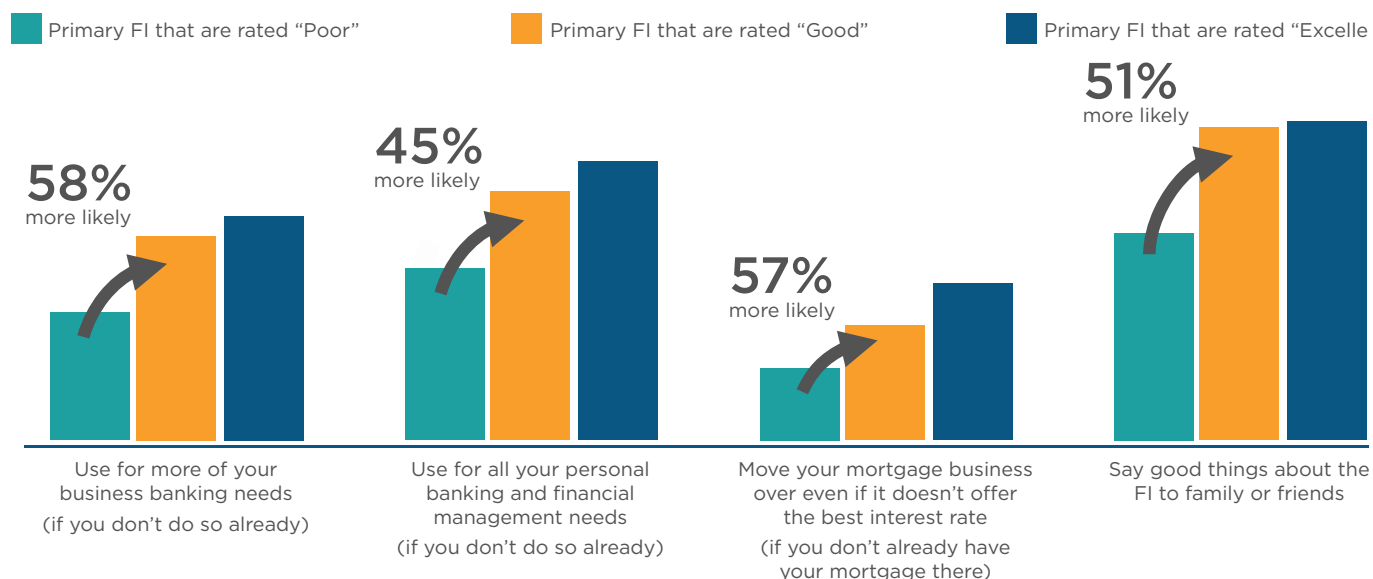
In addition, this highlights the customer attrition and product diminishment risks that FIs face if they continue on in traditional ways. Failing to engage the customer on a deeper level, understanding their challenges, supporting their needs and help them to navigating life events and/or financial challenges reinforces and increases risks of disengagement and/or switching.

By gaining a more holistic view of individual customers and their financial health and resilience (beyond traditional siloed financial product or transactional views or the customer's credit score) FIs can also help mitigate credit risks, drive efficiencies and other positive business outcomes. More proactive customer relationship management can combine with smarter credit and portfolio management.

When Financial institutions invest in supporting the financial wellness of their own employees (from a financial and banking customer experience perspective) there can also be multiple business benefits. These include improved employee engagement, wellness, resilience and productivity, plus increased loyalty and share of wallet from the employee banking customer perspective. Most importantly, this helps FIs to bring their brand value propositions to life - through customer-facing employees who now authentically support the financial health and wellness of the end-customers they serve, because they too feel financially well and supported by their FI Employer.

Lastly, customers of Financial institutions that better support financial wellness are much more likely to say good things about their FI to family and friends - supporting brand differentiation and growth through positive word of mouth and referrals. **Indeed, customers who rate their FIs as "excellent" at supporting their financial wellness are 51% more likely to talk positively about their FI to others.**

## Performance of primary financial institution in helping their customers improve their financial wellness



We hope that over time Canadian FIs - and indeed other organizations - will lever the data from the Canadian Financial Health Index study to help develop or further build their customer-centric financial wellness strategies.

They can do this while measuring their customers' financial health, wellness and resilience in ways that create value for their customers and organization, and complement and enrich existing measures, data, frameworks, goals and strategies.

Based on a deeper understanding of the financial health stresses, issues, needs and behaviours of their customers and key segments, FIs can also segment their customer base into financially challenged, surviving and thriving segments. Driver analysis, predictive modelling, correlational analysis and marketing analytics tied to FIs' specific customer and transactional data - and brand metrics for larger FIs - provide significant opportunities for data-informed investments and innovation.

Ultimately, financial health is about tying the success of your business to the success of your customers. This goes beyond customer loyalty to assessing whether and how your organization is actively helping to improve your customers' lives<sup>1</sup>.

By framing opportunities through the lens of financial health, we can create new definitions for success. Building on their strengths, and in collaboration with other organizations, Financial Institutions have tremendous potential to create win-win solutions that benefit their customers, businesses and our wider community.

1. CFSI *The Journey to Financial Health: Your Company's Roadmap* (2017)

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