Seymour Financial Resilience Index™

For Financial Institutions

The Seymour Financial Resilience Index™ measures consumers' financial resilience, i.e. their ability to get through financial hardship, stressors and shocks as a result of unplanned life events, with measurement across nine behavioural, sentiment and resilience indicators. It measures consumer financial resilience at the national, provincial, segment and individual household level.

The Index leverages non-traditional data and provides a unique and dynamic three-dimensional view of the financial stress, resilience and well-being of Canadians and Financial Institution customers that go beyond their assets, product holdings, credit scores or other traditional risk measures.

Index data and analytics enable financial services companies to understand, measure and track the financial resilience and financial well-being of their customers and prospects at macro and micro levels - with trended benchmark data for Canada's largest banks and other organizations with boost samples. This offers a powerful complement to institutions' customer, transactional, risk and behavioural data, with an array of use cases.

Seymour Financial Resilience Index™ tracking is provided every four to six months at the national, provincial and segment levels. Financial resilience scores for your individual customers can be provided with scoring contextualized through Index benchmark data. Standard subscription to the Index and reports and customized solutions are available through Seymour Management Consulting Inc. [Seymour Consulting]

Seymour CONSULTING

Introduction

Under 70% of Canadian households are not 'Financially Resilient' based on the June 2021 Seymour Financial Resilience Index™. Financial vulnerability and financial stress over current and future financial obligations is a challenge for many households. The financial resiliencescore is a forward-based indicator that can explain slowdowns or changes in household spending, vulnerability to financial stressors and shocks and the future ability for debt repayment.

Households' financial resilience can change over time due to many controllable and non-controllable factors, as measured through the Index. Households can improve their financial resilience by changing their consumer and financial behaviours on their own or through accessing social capital and/or financial support. Financial vulnerability can also change in response to economic conditions or life events that can affect a person's financial situation positively or negatively. Non-traditional financial health and resilience data can augment more traditional risk measures such as delinquencies, write offs, credit scores or debt service ratios.

During the pandemic many households were cushioned by Government Covid-19 financial relief programs, which have since wound down. With the inflationary environment and as interest rates rise, some households and/or borrowers may become more financially vulnerable, particularly those who are over-leveraged or who have experienced unplanned life events. This vulnerability is not necessarily evidenced through borrowers' credit scores or bill payment behaviour but can be measured through a person's financial resilience score.

The Seymour Financial Resilience Index™ enables different financial services organizations to enhance their analytics, decisioning, strategies and targeted execution through different economic cycles and as they strive to help improve their customers' financial wellness.

Importantly it also enables purpose-driven FIs to incorporate financial resilience KPIs, targets and tracking into their organizations' reporting and scorecards, as part of their ESG or Impact strategies.

Impact Measurement and Strategy

- Measure and track the financial resilience of your customers and communities and progress in supporting specific populations.
- Strengthen impact measurement and guide impact strategies and advocacy.

Marketing and Customer Experience

- Understand the financial resilience of your customers underneath their credit scores, assets or product holdings, plus differences in their financial needs, stressors, behaviours and expectations.
- Track reported consumer and financial behaviours and other factors that impact financial resilience.
- Differentiate your brand by helping to maintain or improve your customers' financial resilience and well-through targeted solutions, nudges, digital tools and from a behavioural finance perspective.
- Create targeted marketing campaigns and cross-sale activities to grow business and increase loyalty.
- Empower your staff and advisors with fresh and powerful insights that can support totally different, deeper conversations with customers around their financial resilience and financial wellness, while bringing in data relative to their peers and benchmarks that have meaning and value.
- Create new digital tools, insights and offerings for customers so that they can improve their financial resilience and well-being themselves.
- Gain independent tracking on the extent to which your customers rate your FI for helping to improve their financial wellness compared to bank competitors and gaps and opportunities for your organization.

Enterprise & Credit Risk

- Better prepare for future financial shocks and cyclical downturns by measuring and understanding your customers' and prospects' financial resilience (and financial vulnerability) in advance.
- Assess and track customer and loan portfolio vulnerabilities from a different perspective.
- Track and benchmark the mean financial resilience score of your customers (and key segments) over time compared to non-customers and FI competitors.
- Refine business, risk, credit, origination and portfolio strategies to build your operational resilience.
- Streamline processes and capitalize on growth opportunities while managing credit and risk.
- Enhance forecasting, improve stress testing outcomes and inform future loan loss provisioning.

Why use the Seymour Financial Resilience Index™?

- Incorporate financial resilience goals and tracking into your organizations to bring teeth to your ESG or Impact strategies and reporting

- Enhance your data analytics and create forward-looking strategies in advance of economic downturns, financial stressors and shocks

  The Seymour Financial Resilience Index™ and benchmark data provides a new view on the financial resiliency of your portfolios, segments, markets, customers and prospects, at any point in an economic cycle. Index data and analytics enables financial services organizations to pivot, target and adjust your strategies, also in advance of future financial shocks.

- Help to measurably improve their financial resilience and well-being of your customers while capitalizing on opportunities to drive growth and manage risk

  Target your strategies and drive customer-led innovation so that your customers, employees and communities can thrive, prosper and build their financial resilience. Enable your customers to do more to maintain or improve their financial resilience and wellness in ways that matter to them and support them in relevant and personalized ways while growing your business, depeening relationships, managing growth and risk.

- Realize multiple benefits for your customers, people, enterprise and communities

  Strengthen your enterprise strategies,and enhance your marketing and customer experience. Give your front-line employee new insights and tools to support the financial resilience and well-being of your customers, employees and communities while driving results. Innovate and track your progress while measuring success in new ways, including from an impact strategy perspective.

The index has been peer-revised by Statistics Canada, the C.D. House Institute and leading Financial Instituions.

About the Seymour Financial Resilience Index™ and how it can help your organization

FINANCIAL HEALTH

1
Debt management composite.

2
Plans ahead financially for upcoming and unexpected expenses or to save for long-term goals.

3
Change in household financial situation over the past 12 months.

FINANCIAL RESILIENCE

4
Social capital: close person(s) who could provide financial support in times of financial hardship.

5
Liquid savings buffer.

6
Self-reported credit score.

FINANCIAL STRESS

7
Confidence in ability to meet short-term savings goals.

8
Financial stress composite.

9
Financial stress over current and future financial obligations.

Extremely Vulnerable	Financially Vulnerable	Approaching Resilience	Financially Resilient

0 10 20 30 40 50 60 70 80 90 100

Households are scored from 0-100 across nine key indicators, with a higher score indicating higher levels of consumer financial resilience. Individuals and households from all household income demographics are represented across all four financial resilience segments. [2] The Index and Financial Well-Being studies dataset include multiple indicators spanning the financial services spectrum of daily financial management, saving, planning and investing, credit and debt management and protection. As a result, customer conversations and interactions with a person's FI can be more holistic, authentic and transparent. Ultimately, customer and FI goals [to help customers to maintain or improve their financial resilience] align.

Financial resilience data analytics can be provided for consumers, borrowers and FIs' customers of many different types. These include homeowners with and without a mortgage; renters and borrowers with different self-reported credit scores, people who use a Financial Advisor, tier-one bank customers, 'Approaching Resilient' customers who are over-leveraged debt wise and underserved customer segments. Trended data and analytics complement FIs' other customer and transactional data, risk models, credit scores and combine with AI and other solutions for an array of use cases.

[2] The Seymour Financial Resilience Index™ is a regression model developed over four years, through an iterative process to regressing and evaluating over 30 potential indicators against self-reported "financial resilience" or "financial stress" measures using the multiple linear regression technique. The model builds on longitudinal financial health data from the national Financial Well-Being studies [2017-2021]. The Index has been peer-reviewed by Statistics Canada, with Seymour Consulting and Statistics Canada collaborating to analyse the Index data against government data and publishing the joint Statistics Canada-Seymour Consulting report [October 2021]. In the February 2021 model, nine variables were determined to account for 64 percent of the variance in the financial resilience construct, based on the February 2021 Index. In social sciences, a R-squared of 0.64 is considered to be a strong model. All nine indicators are significant predictors in the regression model with a p-value of less than .01 ($p < .01$) meaning there is a one percent chance that these results are accidental. The regression model has been validated against 2017, 2018 and 2019 data, which revealed consistency in results, represented both by a strong R-squared and similar weights of the independent variables as predictors of financial resilience. Note: weightings for the model are based on their overall contribution to the dependent variable "confidence in the household's ability to get through financial hardship, stressors and shocks as a result of unplanned life events" and are not equal.

Target and adjust your impact and business strategies in advance of future shocks

Through a clear of their customers' changing financial resilience (and vulnerability) at the portfolio, segment and individual customer levels, Financial Institutions and lenders can adjust and pivot their enterprise, risk, marketing and customer strategies – also in advance of future shocks. The Index can also be used to help FIs in their impact measurement, strategies and commitments, as they strive to progress ESG purpose-driven goals.

By highlighting the financial vulnerabilities, financial stresses, challenges and needs of specific household and customer segments - and how these change over time compared benchmark data – FIs can make smart decisions and better support your customers. A customers' financial resilience score and insights can also be provided for non-borrowers and people without Canadian credit history, such as new immigrants or people without debt.

The Index data can help Financial institutions, including lenders, fintechs, payment providers and other organizations to develop more nuanced, targeted credit and risk strategies, portfolio and customer management, and also pricing strategies as appropriate. Individual client and prospect financial resilience scoring can be used in conjunction with customer transactional and behavioural data and Index benchmarks to help financial institutions to engage, serve and support their customers in line with your enterprise goals, Enterprise Risk Management [ERM] frameworks and customer strategies. Process efficiencies can be realized through streamlined credit adjudication, loan origination and/or renewal processes.

Households' financial resilience scores combine with wider financial well-being data on the reported consumer and financial behaviours of households; financial stress and debt stress indicators, sentiment insights and other data insights tracked by Seymour Consulting. Financial resilience insights are also available for households who have and haven't been impacted by job losses and/or reduced hours as a result of the pandemic; for different household compositions and employment groups, and for people who have accepted Government Covid-19 financial relief and/or deferred credit card and loan payments; utility payments; mortgage payments and other payments.

The Index can also be used to identify more vulnerable customers and populations that may require more support from Financial Institutions and other organizations, including racialized Canadians, business owners, low-income Canadians, single parents, women and people not working owing to a disability.

Customer-centric insights can support your analytics, decisioning, strategy and execution

Financial Services companies recognize that they need to support the financial health, resilience and well-being of their customers in new and creative ways, while providing more personalized tools, offerings and solutions. The Index and data analytics enable FIs to innovate and be more relevant for different types of customers, and to target and be relevant for customers of the future (such as Millenials) and underserved customers.

Customers' financial resilience score and Index insights can be a tool to augment consumers' individual credit scores, banking, transactional and behavioural data, while providing a unique and dynamic view on households and borrowers, across the four financial resilience segments and for different populations. This can support more nuanced and targeted strategies, new product and service innovation, credit and risk management, marketing and more, creating multiple benefits for your organization in line with your business goals.

The Index can also help support more targeted marketing campaigns, pre-approvals and cross-sale programs and more, for example by identifying 'Financially Resilient' clients or prospects that may be under-served from a wealth management perspective.

Utilize individual customer financial resilience scoring for your Institution

Individual financial resilience scoring of your customers at an individual level enables your Financial Institution to understand and track the financial resilience of your existing and new customers and importantly, your prospects, with their score complementing their credit score and other customer and transactional data.

Summary and detailed financial resilience scoring can be provided in an automated manner as an augmentation to customers' credit scores and other data. Importantly, individual client financial resilience scores include Index benchmark data, creating power and value in every score. These are based on the regular Index releases, currently every four months in February, June and October each year.

Track how well your FI is helping to improve your customers' financial wellness compared to other organizations based on independent benchmark data

Seymour Consulting has been tracking the extent to which bank and credit unions have been helping to improve the financial wellness of their customers since 2017 as an independent authority. Benchmark data and business benefits available is available for the six chartered banks and other FIs with a boost sample avalaible to any financial institution.

Customized solutions, proprietary models, financial health strategy development and advisory services

Seymour Consulting has extensive experience in developing customized financial health enterprise strategies for organizations and customized proprietary Financial Health Index models and strategies for Financial Institutions based on transactional banking data.

Contact us to learn more

Please contact us to discuss options for subscription to the Index or our other services and strategic consulting, based on your organization's needs. We'd love to help.

About Seymour Consulting

Seymour Consulting is a social enterprise and the leading independent authority on financial health in Canada. Our vision is for a financial resilient Canada.

As creators of the Seymour Financial Resilience Index™ and through our specialist financial health strategy and consulting practice, we work with Financial Institutions, Governments, Non-Profit Organizations and other committed innovators help them to measurably improve the financial health, resilience and well-being of their customers or citizens, employees and communities at scale.

Established in 2009, our growing company is based on Vancouver B.C. and serves clients and partners accross Canada.

For more information on the Index, our team or services, please visit our website.