

The Changing Face of Literacy: The Financial Literacy Imperative

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Financial Literacy Matters

- Canadians' well-being depends partially on their ability to understand, analyze and use financial information that will help them to make good decisions in their day-to-day life and to plan for the future.
 - Financial literacy can help individuals make informed decisions related to bank accounts, mutual funds, government financial-assistance programs (Canada Student Loans, Employment Insurance) or wealth-creation incentives such as capital gains and RRSPs.

Financial Literacy Matters (cont'd)

- Importantly, for students and parents, strong financial literacy skills are critical to help them make informed decisions related to the pursuit of PSE:
 - Navigate student financing options and associated costs to attending PSE;
 - Understand economic returns on career choices;
 - Manage day-to-day living expenses (housing, car loans, credit cards etc.);
 - Comprehend and comply with repayment of student loans;
 - Make financially responsible saving choices for the future (if want to return to school, buy home, contribute to savings and pension; plan for event of unemployment).

Financial Literacy Matters (cont'd)

- Parental expectations not realistic for PSE financing resulting in inaccurate financial planning:
 - 29% of parents expected children to receive grant or bursary (based on financial need) compared to 15% of those who actually received.
 - 11% of parents expected child to need bank or personal loan to finance PSE; in fact 27% of students obtained a bank or personal loan to finance their education.
 - 40% of parents expected child to receive scholarship (based on academic performance) compared to 15% of those who actually received.

New Economy: New Literacies

Similar to education and learning, financial attitudes, financial capabilities and financial literacy fostered early in life through:

- Parents as role models;
- Early experiences with money and savings;
- Financial education and learning: in school, at home and in the community.

➤ **But financial literacy requires individuals to continually learn, be aware and stay informed – across the life-course.**

New Economy: New Literacies (cont'd)

Other countries are making efforts to improve financial literacy:

- OECD recognizes the importance of financial literacy and has established the International Gateway for Financial Education to explore, to describe and analyze the effectiveness of programs to improve financial literacy. The OECD is also including a financial education component in the 2012 Programme for International Student Assessment (PISA).

New Economy: New Literacies (cont'd)

Financial literacy involves the ability to apply knowledge across a range of contexts, (both predictable and unexpected situations) and includes the ability to manage and resolve financial problems and opportunities:

- Critical thinking and problem solving abilities identified as necessary cross-competencies by the OECD.

New Economy: New Literacies (cont'd)

Many Canadians are at risk:

- Persons with basic literacy and numeracy challenges, residents in rural or remote communities, persons with disabilities, and seniors may face significant disadvantages in terms of their financial capability or opportunities to enhance their financial capabilities through existing services.

New Economy: New Literacies (cont'd)

Financial literacy intertwined with other forms of literacy:

- Involves the use of multiple literacies: prose, document, numeracy – and often simultaneously.
 - Literacy and numeracy skills are one of the key determinants of economic inequality.
 - Financial capabilities and poverty are linked.
 - 42% (or 9 million) Canadians performed below internationally recognized standards for participation in a knowledge society.
 - As demand continues for increased skills and education, Canada's literacy situation will likely plateau or even worsen due to demographic shifts. The number of seniors aged 66 and over with prose literacy skills below level 3 is projected to rise dramatically, from 3,059,000 in 2001 to 6,204,000 in 2031.
- **Literacy projections in light of demographic shift may further exacerbate the financial literacy situation.**

Alignment with the work of CCL

- CCL is committed to fostering a culture of lifelong learning in Canada; and this includes the development of key skills and competencies that equip individuals and their families to meet the demands of the future.
- CCL has identified financial literacy as one of the suite of 'new' literacies required. These new literacies include: financial literacy, digital literacy, computer literacy, and information literacy.
- CCL concurs with statements of the Task Force on Financial Literacy:

“The ability to evaluate individual financial literacy programs and interventions; and the ability to track our progress in improving Canadian’s financial literacy levels”.

CCL's role in improving Canadians' financial literacy

CCL can make a key contribution specifically towards one of the Consultation Topics of the Task Force: '*Evaluating National Progress on Financial Literacy*':

- provide a synthesis of available research, monitor trends and identify gaps in information and data;
- identify *who* is most vulnerable, and provide new insights into *why* they are at risk;
- explore links between financial literacy with other education and learning-related issues; and
- provide recommendations for the development of targeted strategies to strengthen the financial literacy skills and capabilities of Canadians (i.e. ensure the inclusion of survey items on financial literacy for forthcoming surveys of literacy skills of population);

CCL's role in improving Canadians' financial literacy (cont'd)

CCL can make a key contribution specifically towards one of the Consultation Topics of the Task Force: *'Evaluating National Progress on Financial Literacy'*:

- disseminate key findings to a wide variety of audiences;
- develop an on-line tool (i.e. ECHO) for financial literacy self-assessment;
- a wealth of expertise and data on education and learning; and
- work in collaboration with other relevant organizations to build knowledge and tools to improve financial literacy (i.e. Canadian Centre for Financial Literacy).

Related CCL Reports

Reading the Future: Planning to meet Canada's future literacy needs

Available at:

www.ccl-cca.ca/CCL/Reports/ReadingFuture?Language=EN

State of Learning: Toward a Learning Future

Available at:

www.ccl-cca.ca/CCL/Reports/StateofLearning/StateofLearning.htm?Language=EN

Securing Prosperity Through Canada's Human Infrastructure: The State of Adult Learning and Workplace Training in Canada

Available at:

www.ccl-cca.ca/CCL/Reports/StateofLearning/2009StateofLearning.htm?Language=EN

www.ccl-cca.ca