

# **FINANCIAL LITERACY AND RETIREMENT PLANNING: A CANADIAN PERSPECTIVE**

**Experts Symposium – *Avenues for Reforming the  
Canadian Retirement Income System***

**Toronto, May 4, 2010**

**David Boisclair**



# State of financial literacy in Canada (1)

## *Canadian Foundation for Economic Education*

- August, 2008 telephone survey conducted by The Strategic Counsel
- Fairly low level of financial literacy
  - <50% answer at least 9/13 MC questions correctly
  - Only 7% answer >2/9 open-ended questions correctly
- 69% are at least somewhat confident they can “save effectively for retirement”
  - But: 58% to decide where/when to invest savings

## **State of financial literacy in Canada (2)**

### ***Canadian Financial Capability Survey***

- Survey completed in 2009 by StatsCan
- Covers all aspects of financial capability with >15,000 complete interviews
- Data recently made available – prelim. results released by the Task Force
  - 70% are preparing for retirement; but
  - 35% know stock investments are uninsured; and
  - Low general financial knowledge

## Canadian Studies and Evidence

- Scarce studies of the effects of financial education (e.g. Learn\$ave)
- No Canadian studies of the effectiveness or efficiency of financial education viz. retirement planning
- June 2009: Creation of the Canadian Task Force on Financial Literacy, to report in December, 2010



## Canadian Context (1)

- Fewer large employers
- Fewer DC plans than in the US
  - Caveat: Counting GRRSPs...
- Fewer financial institutions
- Fewer governments (14 vs. >51 in the U.S.)

## Canadian Context (2)

- Lots of financial education tools and material already available
  - QC: Autorité des marchés financiers, Question Retraite...
  - ON: Investors' Education Fund
- Economic/financial education as part of school curriculum
  - Recent cuts in QC; Additions in ON, MB, BC
  - Strongly supported by public (c.f. CFEE)
  - Many challenges re. Retirement planning

## Outstanding Questions (1)

- Comparative effectiveness of employer- vs. government- (or NGO-) provided retirement planning programs?
- Do we need to mandate employers to provide these programs?
- How do we get small employers involved in such programs?

## Outstanding Questions (2)

- Are financial outcomes, in addition to behaviour, affected by these programs?
- Are these programs more effective at improving financial outcomes than are alternatives to lower the level of fin. lit. required from workers (such as framing, regulation or consumer protection)?
- Is financial literacy / education only a “necessary”, as opposed to a “sufficient”, tool for optimal retirement planning?