

FINANCE • MANAGEMENT • LEADERSHIP



AFOA CANADA

Building a Community of Professionals

The Importance of Financial Literacy in Building Individual Resilience

Saskatchewan Band Managers Meeting
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Topics of Discussion

- Where do we stack up?
 - Middle Class
- Native American Tribes
- Survey Data
- Financial Literacy Pillars



What is the Middle Class?

- No universal definition
- Economists stick to statistical definitions such as isolating the 20 percent of income earner who land directly in the middle in terms of income
- Median is identifying the middle person in terms of income earners from top to bottom
- Stats Canada says the median 2012 income level for families of at least two people is \$82,100



The Wealth Test – Canadian Population

- Real estate accounts for 49 percent of net worth
- Net worth is the measure of overall wealth (real estate, pensions, RRSPs and other investments less debt)

Income Before Taxes

	<u>Unattached Individuals</u>	<u>Families of Two or more</u>
Bottom 20 Percent	0 to \$18,717	0 to \$38,754
Lower to Middle 20 percent	\$18,718 to \$23,356	\$38,755 to \$61,928
Middle 20 Percent	\$23,357 to \$36,859	\$61,929 to \$88,074
Upper to Middle 20 Percent	\$36,860 to \$55,498	\$88,075 to \$125,009
Highest 20 percent	\$55,498 and up	\$125,009 and up



Source: MoneySense – Estimates of 2013 based on Statistics Canada 2011 data
Location matters: PEI, NS & QC below the National Ave. whereas AIB & Ont above

Income Before Taxes – Province & City

By Province	Bottom 20 Percent	Lower to Middle 20 percent	Middle 20 Percent	Upper to Middle 20 Percent	Highest 20 percent
Ontario	18745	44787	72111	108928	247521
Saskatchewan	16802	39174	64333	97388	29360
Alberta	22457	51969	81663	122294	291260

By Major City	Bottom 20 Percent	Lower to Middle 20 percent	Middle 20 Percent	Upper to Middle 20 Percent	Highest 20 percent
Ottawa	21981	53478	83666	124527	248132
Calgary	22340	52187	83140	129422	363760
Outside Canada's 10 largest cities	17235	39844	63833	94645	190264

Source Moneysense: Environics Analytics as of December 2013




Net worth

- Single \$19,265 to \$128,087
- Families of two or more
 - \$263,657 to \$589,686
- Families can build wealth faster than individuals

*Source: MoneySense – Estimates of 2013 based on Statistics Canada 2011 data
Location matters: PEI, NS & QC below the National Ave. whereas AIB & Ont above*

How much money do you need to retire?

- Advisors say 70 to 80 percent of your peak pre-retirement income
- Better rule of thumb
 - Replacement ratio of 50 to 60 percent for couples
 - Replacement ratio of 60 to 70 percent for singles
 - Assume paid for home and kids that are financially independent
- Actual dollars
 - Middle class couples from \$42,000 to \$72,000 per year
 - Middle class singles from \$30,000 to \$50,000
 - Assume no mortgage or child costs



Financial Education and financial empowerment provide important pathways to asset building and personal self-sufficiency, and help build fundamental skills and resources that are prerequisites to buying a home or starting or managing a business.

Source: Building Assets and Building Lives: Financial Capability Programs in Native Communities

If financial education is about what you know, financial capability is about what you do.

Jennifer Tescher, founder of the centre for Financial Services Institute

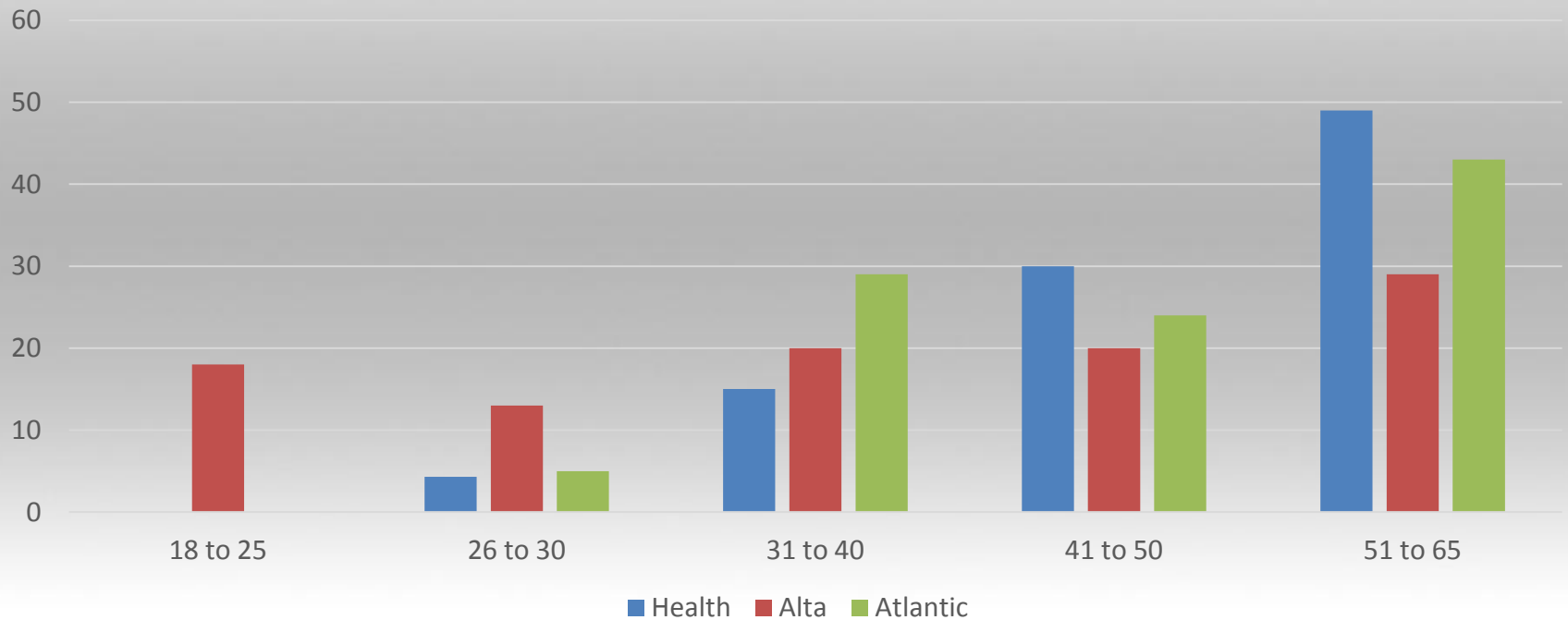


Challenges facing Financial Capability Programs in Native Communities

- Native Americans demonstrate lower levels of financial knowledge than other groups
- Native people living on reserve may not have access to many mainstream financial services as other populations
- Long term intergenerational poverty means young people have little experience with money management
- Unique barriers: remote, rural locations, historical discrimination, or perceived market risk by traditional lenders

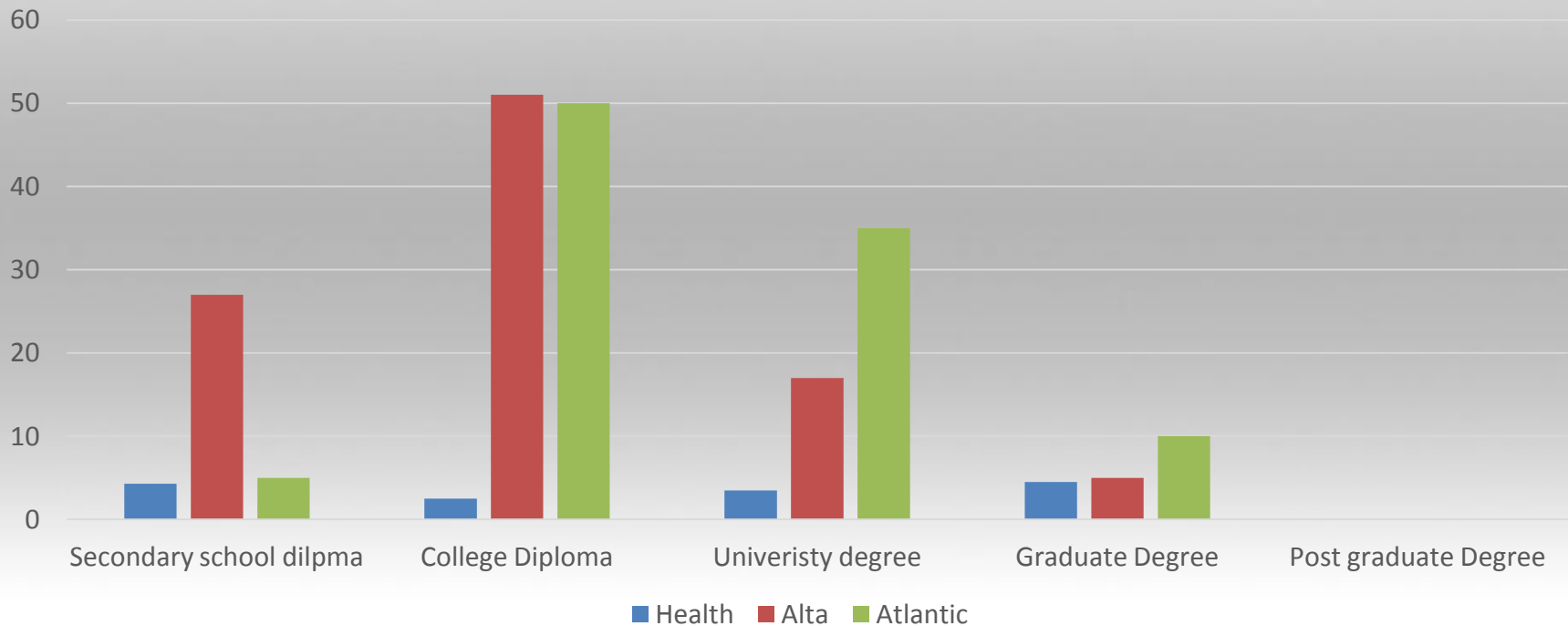
What is your age?

Chart Title



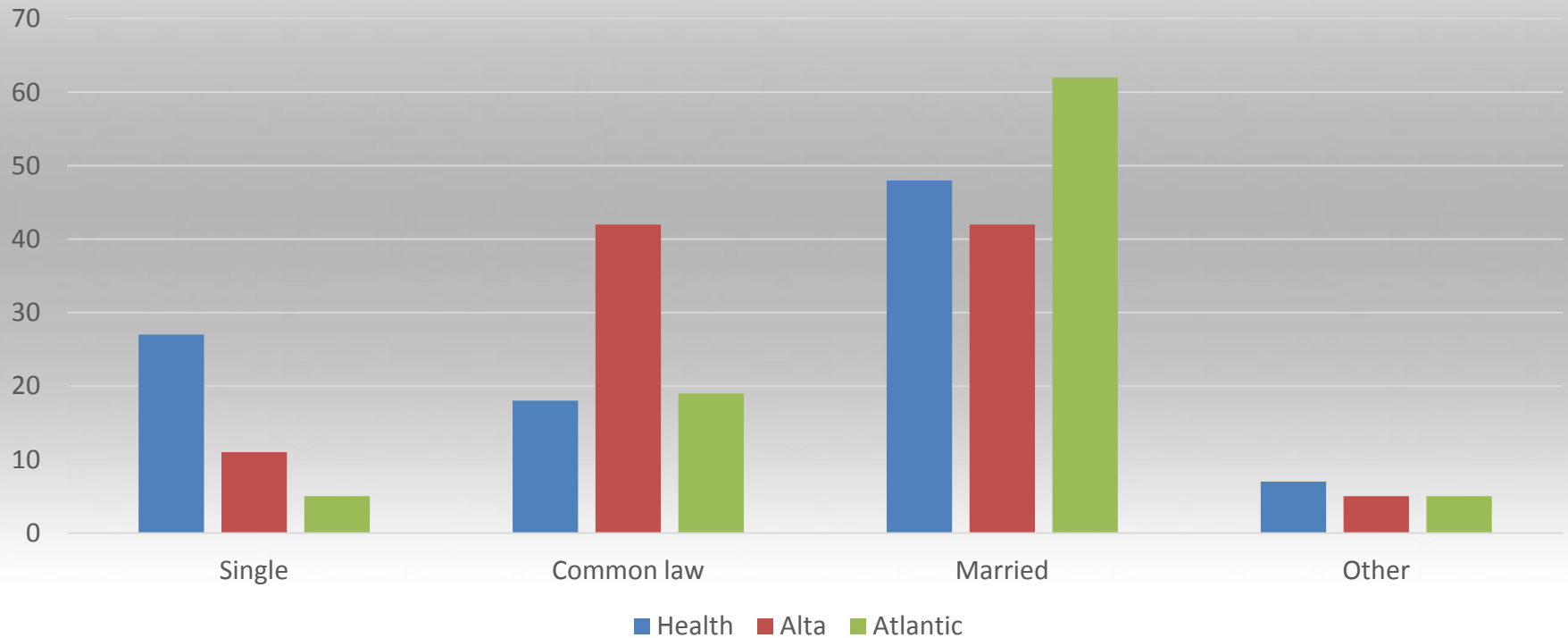
What is highest level of education attained

Chart Title



What is your family formation

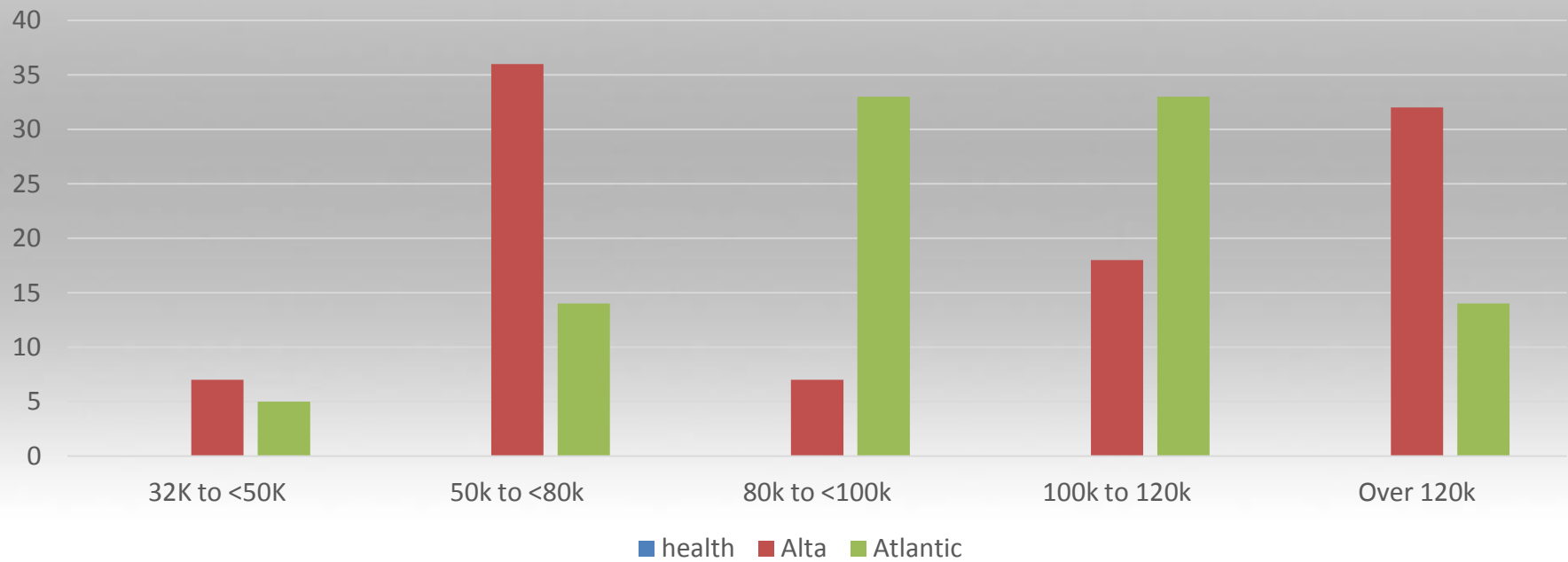
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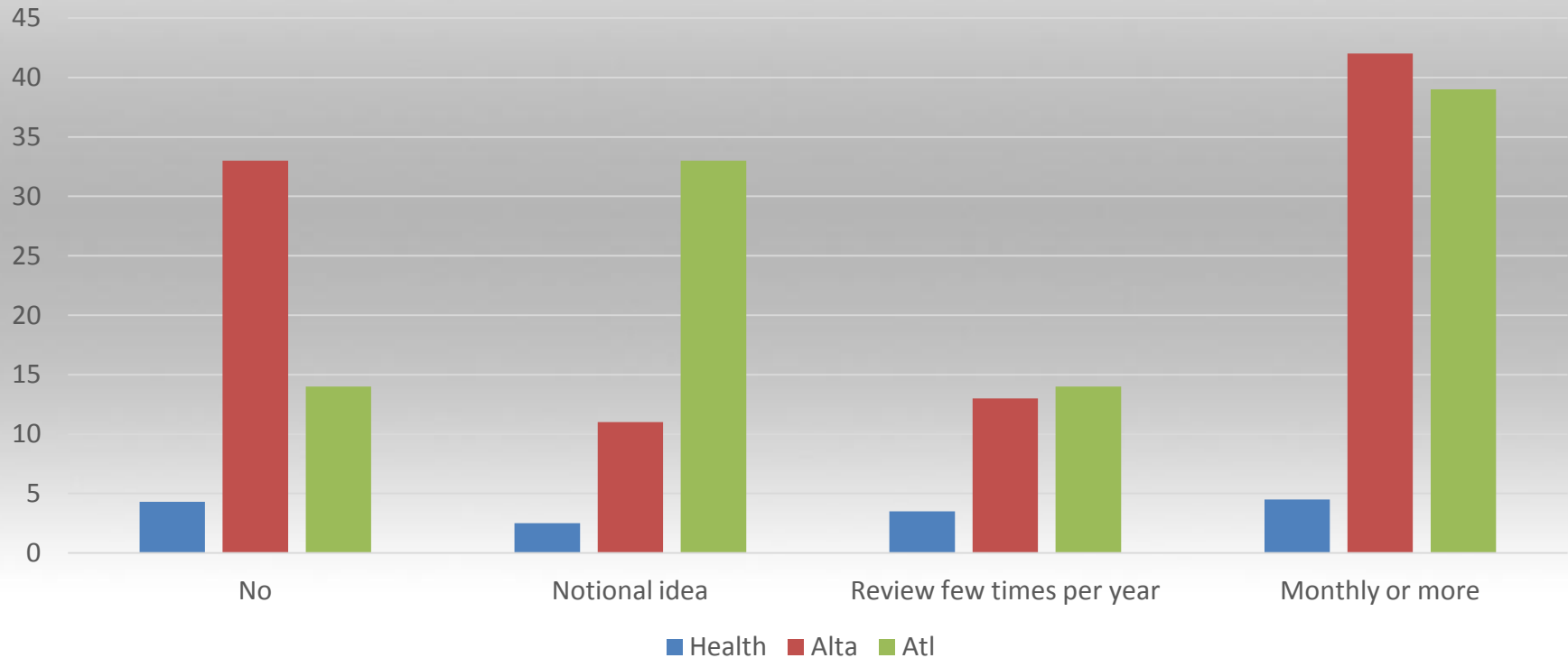
What is your Household Income?

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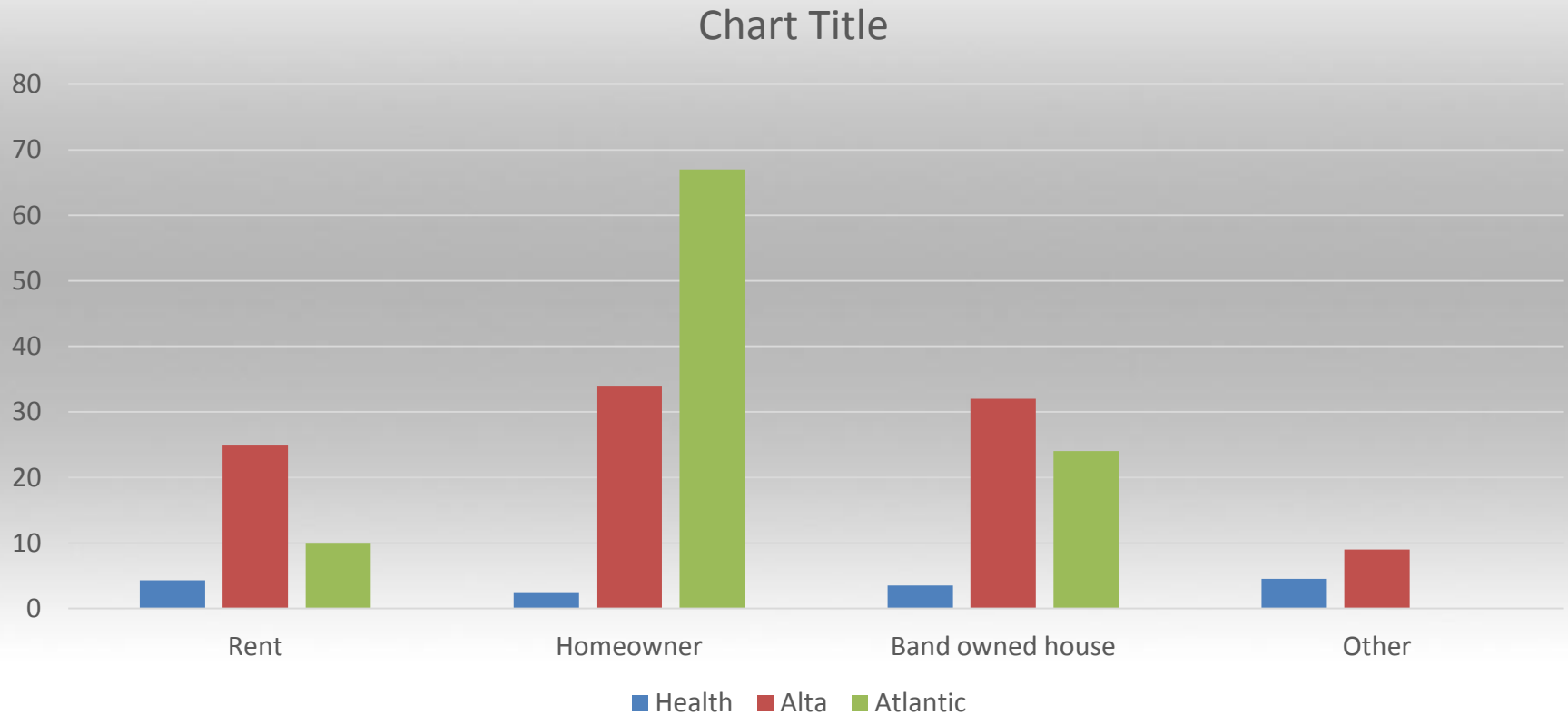


Do you have a Household Budget

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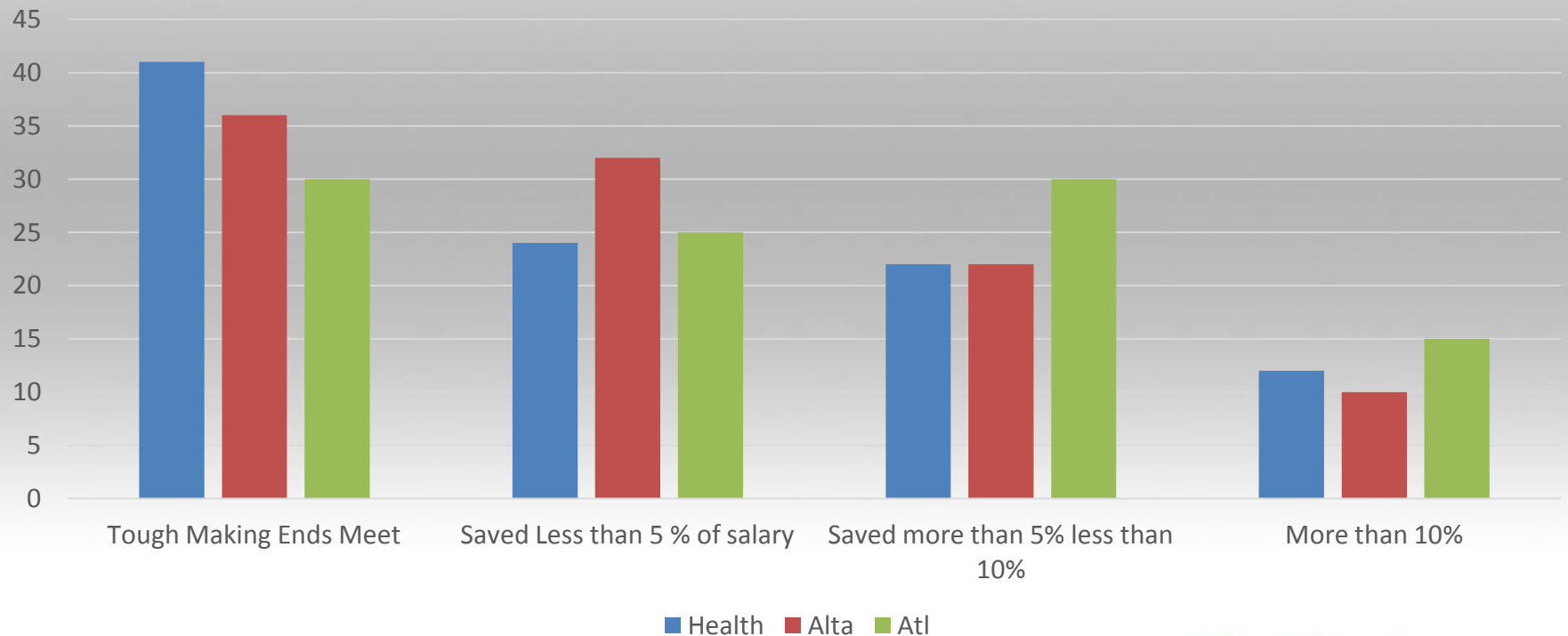


What is your Housing Situation



How would you characterize your financial situation

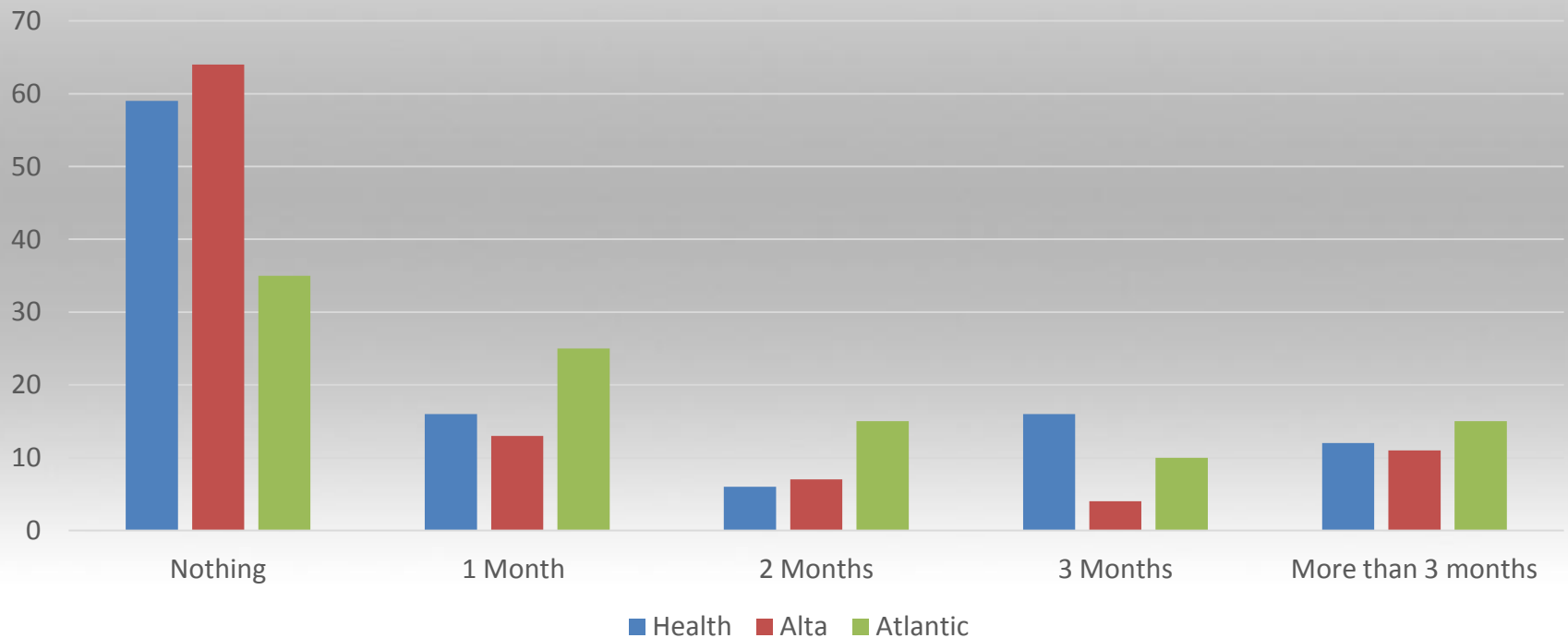
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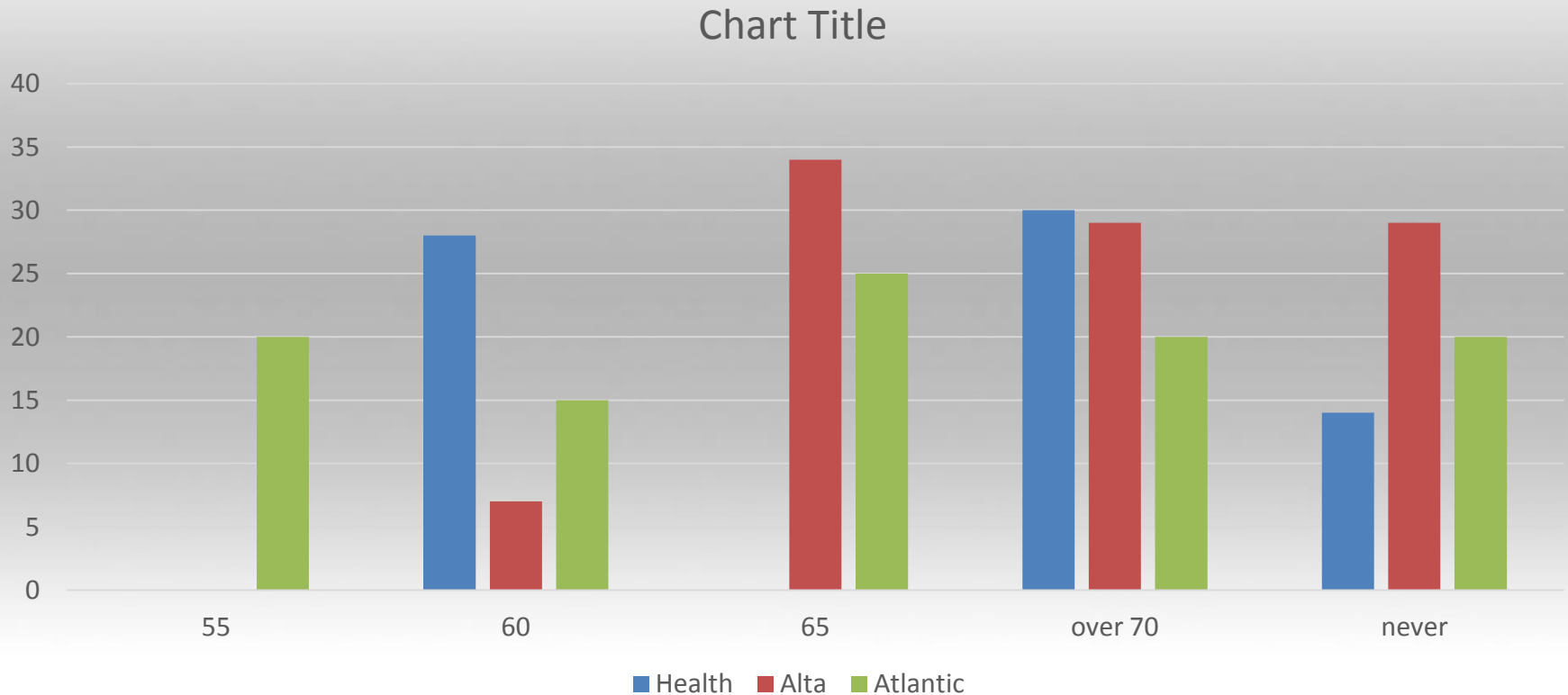


Do you have a rainy day fund

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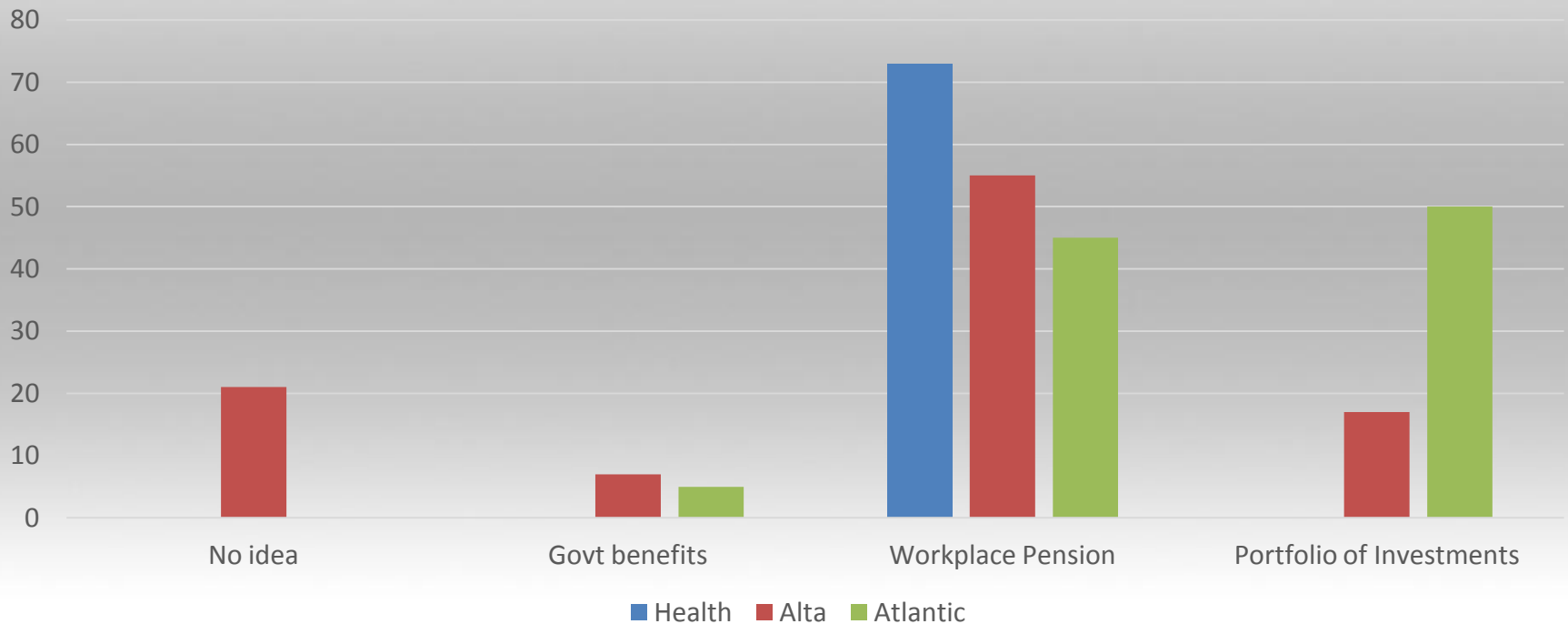


When do you plan to retire?



Which of statements reflect your retirement planning?

Chart Title





Financial Literacy Framework

- ❖ Managing our Financial Affairs
- ❖ Planning Ahead
- ❖ Understanding Financial Products and Services
- ❖ Access to Public and Private Benefits
- ❖ Protecting ourselves from Risks

Big Picture Areas

- Build our Individual Resilience
 - Personal Budget
 - Rainy day fund
- Plan for our Future Goals
 - Save for individual and family goals (eg. Education, housing, transportation)
 - Building wealth
- Plan for our Elderly years
 - Sources of income, day to day, lifestyle, health and estate
- Protect Ourselves from Risks
 - Financial abuse

Potential Future Workshops

- Retirement Planning for Aboriginal Canadians
- Building Wealth for Aboriginal Canadians

Collateral Mortgage

- Bank registers a charge of up to 125 percent of value of your home (loan amount). Assume you want to borrow more in the future
- Pros
 - Allows for additional borrowing for home owner with no additional fees
- Cons
 - Makes it harder for you to leave the bank because tied to other consumer loans (eg, credit card)
 - Most banks do not allow transfers of collateral mortgages
 - If you go into default bank can increase rate up to 10 percentage points (registered at prime plus 10 percentage points)



Thank You!!

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