

**Financial Literacy for Canadians—
Schools Should Teach the Value of Avoiding High Cost Debt,
Higher Education, RSPs, and Owning a Family Home**

BDO Dunwoody Weekly CEO/Business Leader Poll

By COMPAS in *Canadian Business*

For Publication March 8, 2010



**COMPAS Inc.
Public Opinion and Customer Research
March 8, 2010**

1.0 Overview

In the wake of a new national Commission on Financial Literacy, *Canadian Business* magazine mandated COMPAS to ask members of the business panel to pinpoint what average Canadians should know and which institutions should be ensuring that Canadians know it.

Above all, Canadians should be taught the value of

- Paying off credit card debt quickly;
- Higher education including technical education,
- RSPs as longterm planning vehicles;
- Saving money and avoiding avoidable expenditures; and
- Owning a family home.

At the bottom of the list of things for Canadians to know is stock market-related, investment information. Members of the business panel have only moderate enthusiasm for teaching the average Canadian about asset allocation strategy and price-earnings ratios for traded stock.

Who should be responsible for teaching Canadians? Above all, schools. Not governments or post-secondary institutions. Nor should Canadians count on better regulation of the kind of financial information that they receive when investing.

These are the key findings from this past week's Internet survey of CEOs and business leaders on the COMPAS panel. The weekly business survey is undertaken for *Canadian Business* magazine under sponsorship of BDO Dunwoody LLP.



2.0 What Canadians Should Be Taught

Table 2a displays information about the priorities that members would of the business panel would place on financial information that the average Canadian should know. At the top of the list is the idea that credit card payments should be made promptly to avoid high interest payments, followed by an understanding of the financial value of higher education. At the bottom of the list of things to know is understanding price-earnings ratios for traded stock.

Table 2a: (Q1) The federal government has just launched a Task Force on Financial Literacy with an eye on helping to increase the public's understanding of financial matters. How important is it that the average Canadian understand each of the following financial considerations. Please score importance on a 7 point importance scale where 1 means much less important than other considerations and 7, much more important. RANDOMIZE

	Mean	7	6	5	4	3	2	1	DNK
Credit card payments should be made promptly to avoid high interest payments	6.6	78	11	8	3	0	0	0	0
The financial value of higher education	6.0	37	38	14	9	1	1	0	0
People should start saving in RSPs (or RDSPs for people with disabilities) as early in their lives as possible	5.9	44	27	14	9	5	2	0	0
Mutual Funds vary a great deal in their rate of return	5.9	35	34	17	12	3	0	0	0
A dollar saved is more than a dollar earned	5.8	37	32	14	14	3	1	0	0
Buying and paying off a family home is a vital protection for the future	5.7	40	20	21	13	5	2	0	0
The financial value of technical education and apprenticeships	5.7	33	28	21	14	2	0	1	1



Financial Literacy for Canadians
BDO Dunwoody Weekly CEO/Business Leader Poll by COMPAS in Canadian
Business for Publication March 8, 2010

	Mean	7	6	5	4	3	2	1	DNK
RESPs are a vital device for families	5.4	21	26	32	13	5	1	0	1
The benefits of owning and operating one's own small business	4.9	15	20	29	18	9	8	1	1
Asset allocation strategy	4.7	13	21	23	17	17	5	2	2
Price-earnings ratio for traded stock	4.3	9	13	21	25	17	10	4	0

Table 2b: (Q2) Thinking of the elements of financial literacy that are most important for the average Canadian to have, which of the following should play the lead role in building financial literacy?
RANDOMIZE

	%
Schools	51
Increased regulatory requirements for easy-to-understand information about financial products and services	18
Education by financial institutions under government leadership	13
Colleges and universities	9
Government funding of outreach or educational efforts through independent organizations	5
Outreach or educational efforts by governments	3
Don't know or no opinion	2

Table 2b reveals panelists' views about where the lead role should lie in the financial education of the average Canadian. Schools lead by a huge margin.

The following verbatims provide a nuanced sense of panel opinion:

A recent incident with Canada's largest bank prompts me to question whether financial institutions should be charged with educating the public on financial matters when even their front-line employees don't understand the difference



between a 1% increase versus a 1 percentage point increase. The bank wrote an advisory note stating that they were increasing the interest rate on clients' lines of credit by 1 percent, from 1.25% to 2.25%. That is an 80% increase, not a 1% increase. Had they said they were increasing their rate 1 percentage point, perhaps their clients would have done the math. But then did the bank really want their clients to know how much they were increasing their fees (profits)?

Basic understanding of financials in areas such as loans, mortgages, leases, savings should begin at earliest levels of schooling. It is absolutely appalling the number of Canadians who cannot do a cost comparison or understand implicit interest when purchasing or financing products.

Don't need more government advertising

I believe that a basic "financial literacy" course, mandatory in high school in 2 sessions over the last 2 years of the student's high school years, would be best. Everyone should be taught the basics!

I do not believe that RSP's are the way to go. Historically we put money in at a low tax rate, and we will end up taking it out at a higher tax rate. We would be far better off saving 5-10% of our income investing it wisely and, invest the incremental tax (when high enough) into RSP and having the funds available for retirement mainly tax free.

Kids should get exposure at high school level

Our schools need to prepare the students of today to manage their lives and careers. To be successful both need a level of discipline and understanding of global competition.

Too many parents would rather the schools not be too tough on little Johnnie and just let him and other students sail along without a serious consideration to the upcoming real world.



The value of an early start in saving and building value is very important. Starting in the schools may trigger the initiative for students to do something with their lives.

The unfortunate repercussions of the recent value meltdown in the publically traded markets and the increase in the value of real estate will guide the new investor to consider options. The equity/bonds markets have been hit hard and the effect of the Ponzi losses have placed many of the parents of the new investors in a difficult position.

Regardless of how a person earns income, the key element is to put money aside for the future. The next step is to provide viable options to them to make sure their savings are protected, safe and earn income.

There will be some who do not agree that governments should provide funding to facilitate financial education and literacy versus government attempting to itself undertake such education directly. However, two factors must be considered. First, it's not certain that government can be trusted to be impartial in attempting such financial educational activities (the present government may be replaced by one with a different and less benign educational agenda), in which case, it would be better if government simply funded such efforts by independent groups and institutions interested and skilled in such functions - and against specific criteria determining eligibility for funding support. (Nor has it ever been established that government can accomplish such tasks effectively or efficiently.)

And second, all such government funding must be accompanied by legitimate measurement of the success of individual financial education programs with a key performance factor being how successful was the curriculum in fostering citizens' awareness, ability and willingness to make and take decisions to look after their own financial situation so that, government did not have to fund any



assistance to them at any future juncture. The value of government investing in this area must be offset by the avoided costs of government having to step in to look after people at some future point because they couldn't or wouldn't properly look out financially for themselves

3.0 Methodology

The COMPAS web-survey of CEOs and leaders of small, medium, and large corporations was conducted February 26 – March 2, 2010. Respondents constitute an essentially hand-picked panel with a higher numerical representation of small and medium-sized firms.

Because of the small population of CEOs and business leaders from which the sample was drawn, the study can be considered more accurate than comparably sized general public studies. In studies of the general public, surveys of n=101 are deemed accurate to within approximate 9.8 percentage points 19 times out of 20. The principal and investigator on this study is Conrad Winn, Ph.D.

