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**FINAL REPORT**  
**Public Opinion Research to Strengthen**  
**Financial Literacy for Seniors**

Prepared for  
Financial Consumer Agency of Canada  
[info@fcac-acfc.gc.ca](mailto:info@fcac-acfc.gc.ca)

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Prepared by  
The Strategic Counsel  
21 St. Clair Ave E., Ste. 1100  
Toronto, Ontario M4T 1L9  
Tel: (416) 975-4465 Fax: (416) 975-1883  
Email: [info@thestrategiccounsel.com](mailto:info@thestrategiccounsel.com)  
Website: [www.thestrategiccounsel.com](http://www.thestrategiccounsel.com)

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The views expressed in this paper are those of the authors.  
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## I. Executive Summary



## Executive Summary

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The Financial Consumer Agency of Canada (FCAC) commissioned The Strategic Counsel to undertake an environmental scan of experts and organizations engaged either directly or indirectly in the field of financial literacy, specifically in respect of the challenges facing seniors in Canada. This report synthesizes the findings of the scan which was undertaken between February 3<sup>rd</sup> and February 13<sup>th</sup>, 2014. A number of recommendations are also included which aim to provide guidance regarding those aspects of seniors' financial literacy which may require further exploration or further attention.

### A. Background

The Government of Canada's Economic Action Plan (EAP) contains a number of measures intended to further strengthen the rights of Canadian seniors in recognition that age combined with certain personal or life stage circumstances leaves this group somewhat more vulnerable relative to other demographic groups in society. The 2013 EAP specifically focuses on protecting seniors from potential financial deception and abuse and enhancing their access to financial services. Improving financial literacy among seniors is an important element of the Plan in terms of assisting this group in making more informed and educated decisions about their financial interests and future. As stated in the EAP:

*"Some seniors have difficulty accessing financial services due to physical or cognitive impairment, and may rely on the help of others, which can increase their vulnerability to financial abuse. Improving financial literacy among seniors will help them make more informed decisions about protecting their financial interests into the future."<sup>1</sup>*

As a first step, the Government of Canada has indicated that it will "work with stakeholders to better understand the unique challenges faced by seniors, and under the leadership of the Financial Literacy Leader it will implement a financial literacy strategy that specifically responds to seniors' needs."<sup>2</sup> The 2014 EAP built on the 2013 initiatives for seniors in regards to financial literacy. Announced on June 4, 2014, the federal government committed funding, through grants and contributions up to \$25,000 based on eligibility, to address financial abuse via the New Horizons for Seniors Program.

The population of Canadians aged 65 years and older is one of the fastest growing demographic segments in Canada, and this trend is expected to continue over the coming decades. In 2011, almost five million Canadians were 65 years of age or older. This number is expected to double in the next 25 years to reach 10.4 million seniors by 2036. By 2051, almost one-quarter of Canadians are expected to be aged 65 years or older.<sup>3</sup>

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<sup>1</sup> <http://actionplan.gc.ca/en/initiative/financial-literacy-initiatives-seniors>

<sup>2</sup> Ibid.

<sup>3</sup> *Population Projections for Canada, Provinces and Territories (2009-2036)*. Statistics Canada. (<http://www4.hrsdc.gc.ca/3ndic.1t.4r@-eng.jsp?iid=33>)



As the 2013 EAP acknowledges (see above quote), for some seniors aging may be accompanied by a decline in cognitive abilities. In some cases the result may be a sense of over-confidence or under-confidence in their own abilities and a tendency to be more trusting of others which, combined, create the conditions for serious financial abuse and victimization. While the research on cognitive impairment is not definitive, there is evidence to suggest that “cognitive impairment limits understanding of features, benefits, and drawbacks of various financial products.”<sup>4</sup>

In 2013, FCAC’s governing legislation was amended to provide for the appointment of a Financial Literacy Leader responsible for coordinating the activities of various stakeholders in order to contribute to and support initiatives that strengthen the financial literacy of all Canadians. Jane Rooney was appointed to this position in April 2014 and will lead the development of a National Strategy for Financial Literacy. The first phase of this National Strategy will be the development of a seniors’ financial literacy strategy. In the latter part of June, Ms. Rooney embarked on consultations to seek input from industry and other stakeholders regarding the unique challenges faced by seniors and what would be required to ensure that a national strategy which responds to seniors’ needs can be effectively designed and implemented.

## **B. Objectives and Approach**

Leading up to and as input into this initiative, FCAC sought additional primary and secondary research to be undertaken in order to expand its base of knowledge (key among its sources were the work of the Task Force on Financial Literacy and the 2009 Canadian Financial Capability Survey) on the specific challenges and needs of seniors.

### **1. Primary Objectives**

Two principal objectives were identified:

- To prepare a synopsis of information and observations from recent sources that could provide some insights into seniors’ financial literacy needs and challenges, identifying gaps in the current understanding; and
- To conduct primary research by way of in-depth interviews with seniors’ organizations and other stakeholders that are knowledgeable about seniors and their financial literacy needs.

### **2. The Approach**

A two-phased approach was taken, aligning with the above-noted objectives.

#### **Environmental Scan**

As a first step, a brief review of the current literature, tools, resources and organizations focusing on financial literacy and/or issues facing seniors as they pertain to their ability to understand and manage their finances was undertaken. This review, or environmental scan, was not intended to be comprehensive or exhaustive in nature, given the vast literature on financial literacy currently available. It was, however,

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<sup>4</sup> *Canada’s Financial Consumer Protection Framework: Meeting the Needs of Seniors/Vulnerable Canadians*, Margaret Easton, The BC Association of Community Response Networks.



intended to glean information of relevance to the financial literacy of the seniors demographic specifically and to assist in identifying issues of direct or indirect relevance to the topic.

An Internet-based approach was undertaken via key word searches on the topic. The search generated a wide range of literature with varying degrees of relevance. A summary of the findings from the environmental scan is contained in Section II of this report.

The primary objectives of the environmental scan are two-fold:

- First, to review and summarize the information and observations obtained from readily accessible sources in order to provide insights into seniors' financial literacy needs and challenges; and
- Based on the findings, to identify a number of experts who should be contacted as part of a key informant interview study among stakeholders who are knowledgeable about seniors and their financial literacy needs.

The environmental scan is intended to feed into the development of an interview guide, containing a series of semi-structured questions aimed at eliciting information from experts, representing key stakeholder groups, on various aspects pertaining to the topic of financial literacy among Canadian seniors.

### **In-depth Stakeholder Interviews**

As noted above, the environmental scan led to the development of a list of potential interview subjects. With the approval of FCAC, The Strategic Counsel contacted virtually all of those on the list in hopes of arranging one-on-one in-depth interviews with up to 15 in total. A total of 16 interviews were completed as the second phase of the study throughout March, with one interview taking place in early May.

An interview guide, containing a series of questions was developed by The Strategic Counsel and approved by FCAC. Each interview was approximately one hour in length and was conducted over the telephone. Full transcripts of all interviews were then created for further review and analysis. No incentives were paid to individuals to participate in this process.

The process of contacting and conducting interviews involved several steps:

- First the organizations were contacted in order to explain the purpose of the study and identify the most appropriate person to be interviewed. Frequently, a copy of the interview guide was provided to potential interviewees in advance of the interview in order that potential participants could better inform themselves of the nature of the questions and topics to be discussed. This also permitted interviewees to consult within their organization as a means of providing more complete and informed responses to the questions posed.
- Once an organization/individual had agreed to participate, a date/time for the interview was agreed upon and a follow-up call was placed to conduct the actual interview.

All interviews were conducted by a senior, experienced elite interviewer at The Strategic Counsel who was knowledgeable of the topic of financial literacy and able to converse on the full range of related issues.



In most cases, where interviews were conducted with representatives of an organization, these were undertaken with senior officials (i.e., the CEO, President, Vice-President, etc.). All interviewees were offered substantial latitude to respond to the questions contained in the interview guide, particularly as their individual areas of expertise varied which meant that their comfort level with certain areas of the interview guide also varied.

For the most part, response to requests for interviews was positive. Very few organizations declined to participate or elected not to respond to initial calls from The Strategic Counsel on behalf of FCAC.

**Note to the Reader: Interpreting the Findings**

The findings outlined in the subsequent sections should be considered as directional in nature. The interview process was qualitative in nature and engaged a relatively small number of experts (although the total number of experts in this area in Canada is in fact relatively few). Nevertheless, the findings should not be seen to be reflective of the broader population of those working on issues related to financial literacy or seniors.

Moreover, these findings represent a summary of the views expressed by experts as well as the interpretations of the researchers, and are not necessarily endorsed by or reflective of the position or views of FCAC.

## **C. Key Findings**

While there appears to be a considerable wealth of material in the area of financial literacy, in general, as well as a volume of research related to the ageing of the Canadian population, there is a paucity of work dedicated to understanding the financial literacy needs and challenges of Canadian seniors. Some organizations are now turning their attention to this issue, and many are leveraging the existing work on financial literacy. There is general agreement that seniors do face specific and unique challenges that are best addressed in a more targeted fashion.

### **1. Key Findings from the Environmental Scan**

Some key facts and figures arising from the environmental scan, conducted as the first phase of this study, point to a convergence of forces and trends that suggest a growing need to better equip seniors with the skills and abilities they will need to manage their financial affairs. Any one of these facts and/or trends in and of itself does not directly lead to the requirement for a seniors' financial literacy strategy, but together, they do create a strong underpinning for such a strategy:

- The seniors' population is growing, as a proportion of the overall population. This is a global trend, and not one unique to Canada or North America. Perhaps more important, however, is the projection that the ratio of elderly people (i.e., those aged 65 years or older) relative to the working age population is expected to double with implications not only for Canada's social support systems, but also for individual financial decisions. While these trends should not necessarily be alarming, they do provide a





basis for ensuring that seniors (and indeed individuals well before they reach that stage in life) are prepared to sustain themselves financially.

- Canadian seniors are now carrying increased debt loads into their retirement years. Additionally, the level of bankruptcies among seniors has risen. There are a range of reasons cited for this trend, including the fact that more households are now supporting dependent adult children who are taking longer to move into the work force and become financially independent.
- Although the Canadian Financial Capability Survey (CFCS) found that older Canadians (over age 65) demonstrated a weakness in the same three categories, of the five domains which comprise the basis for the CFCS), as other Canadians, the results also indicated that abilities related to ‘keeping track,’ ‘planning ahead,’ and ‘staying informed’ declined significantly with advancing age.
- Evidence exists to show that financial decision-making requires a number of very specific skills: sound judgement, reasoning, ability to retrieve data and information from memory, and problem-solving including both relatively simple and more complex mathematical capability. Cognitive decline affecting all of these skill sets has been noted in a number of studies on aging, with varying degrees of impact. And, this decline occurs more rapidly, affecting a larger proportion of the population, after the age of 80. It is often at this point that issues with respect to basic financial management, but also Powers of Attorney, become critical and the opportunity for possible abuse and exploitation becomes more prevalent. This issue is likely to increase as the Baby Boomer Generation, which now holds the largest share of wealth in the country.
- When cognitive decline is combined with other health issues, the situation with respect to seniors’ financial vulnerability can be exacerbated particularly if there are issues related to visual impairment or mobility. As a number of researchers have underscored, the issues for seniors are often inter-connected and inter-related so that any attempts to create financial literacy strategies should take into account ageism, stigmatization of older people, health status, elder abuse and the larger social networks seniors rely on.
- There has been a declining trend with respect to participation in registered pension plans in Canada and there is evidence, based on OECD reports, of growing income inequality among the elderly, particularly for elderly women and those who are divorced or separated. Among retired Canadians, two additional sub-groups appear to be particularly financially vulnerable: immigrants and those with low net income/net worth.
- Surveys underscore the very precarious nature of the financial situation for a notable percentage of Canadian seniors, with 20 per cent or more having little understanding of how much they have saved over time or how much their retirement will cost. In a 2013 survey sponsored by CARP, a very small percentage of retirees (just over one-in-ten) said they were comfortable financially (down from almost one-third in 2009).



- Economic uncertainty and volatility is a further challenge for many individuals and for seniors in particular, many of whom live on fixed incomes and/or investment income. While a purely rational economic approach to uncertainty would suggest that individuals should save based on their own projections regarding what is required to be financially comfortable in retirement, studies are now showing that forecasting is taking on a greater degree of complexity. A key finding from a study published by Netspar (the Network for Studies on Pensions, Aging and Retirement) in 2011 underscored the importance of ‘information acceleration,’ with strategies to promote enhanced financial literacy among pre-retirees and retirees representing a potential avenue or mechanism.

Thus, demographic, economic and even behavioural trends suggest that the current landscape for Canadians as they head into or reach their retirement years is challenging. Canadians are now required, and this may also be an emerging trend, to take on greater personal responsibility for managing their own retirement assets and ensuring their financial security in retirement. Moreover, studies show a marked distinction in the financial situations of those who have received some financial education versus those who have not. As is detailed in the Environment Scan, financial education was typically correlated with higher levels of saving and wealth, suggesting that providing seniors, and particularly pre-seniors, with education about retirement planning will have a concrete effect on how well they plan for retirement.

## **2. Key Findings from the Interviews**

Although most experts would concur with the need to develop a base of financial literacy skills at an earlier stage in life, there is also a general consensus that these demographic and socio-economic trends are converging to create a compelling rationale for financial literacy programs, resources and tools aimed specifically at seniors.

That being said, there is also acknowledgement that those within the ‘seniors’ cohort undergo a series of key transition points which may necessitate specific strategies for sub-groups taking into consideration each of the following:

- Employment status;
- The shift from income generation to retirement savings as the primary source of income;
- Investments;
- Estate planning;
- Eligibility for and accessing public pensions and/or income supports (OAS, CPP, GIS);
- Housing situation;
- Health status; and
- Transportation and/or mobility.



Some interviewees preferred to look at a “basket of considerations” as opposed to decision points or key transitions. If an individual has overlooked these considerations or allowed them to lapse, then it is the time frame remaining and their ability to handle what is necessary which, from a financial perspective, become critical. The latter is an important point which many of those interviewed emphasized in regards to ensuring that sound financial literacy skills are developed much earlier in life and maintained.

In addition, those interviewed clearly indicated that certain segments of the seniors’ population were most vulnerable in terms of their knowledge, skills and confidence in planning and managing their financial affairs, including: low income seniors, women (particularly those who are divorced/separated), immigrants/newcomers, Aboriginals and those who suffer from mental health issues or mental illness. It was felt that dedicated efforts to target these segments should be undertaken.

A number of areas were identified by the experts interviewed as of particular relevance to seniors, including:

- Financial planning versus financial management
- The keys to successful financial planning and management
- Creating financial plans based on an understanding of key transitions, forward planning and personal financial/life goals
- Eligibility for various financial supports and understanding how they can be accessed
- Understanding the markets and developing a risk profile taking into account personal needs and tolerance for risk
- Recognizing and countering fraud/scams
- Digital literacy

Many experts agreed that the general ‘best practices’ in educating seniors should be applied when developing courses, seminars, resources and tools for this age group. These include offering information to seniors using a range of formats and mechanisms, including video and storytelling, in addition to print and other channels. It was noted that in-person or peer-to-peer approaches are likely to be most successful. The principal recommendation was to find out more about where seniors are and to take the information to them, rather than to assume that they will seek it out pro-actively.



There was considerable skepticism and concern that approaches heavily dependent on online resources or tools would be inadequate in meeting the needs of the current generation of seniors, many of who continue to struggle with digital literacy. Indeed, the issue of digital literacy was raised a number of times by several experts as being the single largest obstacle or barrier for many seniors in terms of improving their financial literacy and their financial management skills. Cognitive decline which occurs to varying degrees among older persons is a sensitive topic and one which continues to be explored, particularly as it relates to seniors' ability to manage their affairs. There was a clear call among some of those interviewed to establish enhanced protections for those individuals who become more susceptible to coercion or financial abuse with diminished capacity. This issue likely requires substantially more discussion and exploration.

Most agree that there is an opportunity for the private, public and not-for-profit sectors to coordinate activities in the development and delivery of seniors' financial literacy programs.



## **II. Detailed Findings from the Environmental Scan**



## Detailed Findings from the Environmental Scan

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Financial literacy and the ability to make responsible financial decisions are important at all ages and all stages of life. Many experts in the field of financial literacy agree that building the basic skills, knowledge and confidence to manage one's money and overall financial affairs is essential to health and overall wellbeing.

Assessments of the state of financial literacy among the broad Canadian population have been undertaken and, based on the results, a number of programs and initiatives led by government agencies, partnerships between government and the private sector as well as non-governmental organizations (NGOs), have been developed to address identified issues with respect to knowledge, skills and confidence. Perhaps less understood are the financial literacy challenges facing specific sub-groups of the population. Emerging demographic, social and economic trends point to the need to focus on the financial literacy challenges and needs of older Canadians. As a first step, the Government of Canada has indicated that it will “work with stakeholders to better understand the unique challenges faced by seniors, and under the leadership of the Financial Literacy Leader it will implement a financial literacy strategy that specifically responds to seniors’ needs.”

This paper will explore demographic, social and economic trends as they pertain to Canadian seniors and draw links between these trends and the need to strengthen financial literacy approaches for the senior population. It will provide a synthesis of the research and information currently available that considers the issues, both direct and indirect, which may have an impact on the financial literacy of the Canadian seniors’ population. The review of current research and information will explore the issues and challenges that may impact the financial literacy of Canadian seniors and together with information gathered from key informant interviews we will attempt to better define the financial literacy needs of seniors.

### **A. Key Trends: Demographic, Economic and Financial**

This first section of the paper will explore the key demographic, economic and financial trend that influence financial literacy needs of Canadian seniors.

#### **1. Accelerated Aging and Increased Longevity**

In the 2011 Census, just under five million Canadians were aged 65 or older, an increase of more than 14% between 2006 and 2011 and more than double the increase for the Canadian population as a whole (5.9%). Longer life expectancy, combined with lower fertility levels, accounts for this trend. The fastest growing group is those aged 60 to 64 years and, as more of the Baby Boomer group, those born between 1945 and 1965 reach age 65, this will accelerate the aging of the Canadian population. According to Statistics Canada projections<sup>5</sup>, “by 2036, the number of seniors is expected to more than double, ranging between 9.9 and 10.9 million depending on the scenario. By 2061, this number could range anywhere between 11.9 million and 15.0 million.”

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<sup>5</sup> Statistics Canada: Census 2011.



Looked at another way, it is expected that by 2015, based on several growth scenarios put forward by Statistics Canada, the number of people aged 65 years or over will exceed the number of children under 15 years of age for the first time in the history of the Canadian population. “Indeed, the children-seniors ratio would steadily diminish and would be between 58 and 75 children per hundred seniors in 2036 and between 50 and 74 in 2061.”<sup>6</sup>

So, as a larger proportion of the Baby Boom generation enters retirement age, the ratio of elderly people, those aged 65 and older, to working age people, aged 15 to 64 years of age is “expected to almost double from its current level of about 21 per cent to 37 per cent in 2030.”<sup>7</sup> And, while population aging is a global trend, Canada’s population is aging at a more rapid rate compared to the OECD average which forecasts an elderly to working age population ratio of 35 per cent in 2030. Not only is the population aging at a greater rate, longevity is also increasing.

Life expectancy for both sexes is now 80.2 years, the first time in Canada’s history that it has gone above 80 years (77.8 years for men and 82.6 years for women). These demographic trends will have both direct and indirect impacts on Canada’s social support system and will mean that individual financial decisions will take on even greater importance.

## **2. Rising Debt Levels among Canadian Seniors**

Canadian seniors are now carrying more debt into their retirement and bankruptcies among seniors are increasing. A report issued by Equifax Canada showed that “despite recent efforts by policy-makers to clamp down on borrowing, total consumer debt in Canada rose \$77 billion, or 6.1 per cent, in the second quarter of 2013 from [the previous] year, and by 6.5 per cent among those 65 and over.”<sup>8</sup> Notably, the increase in debt among the seniors cohort represented the largest year-over-year change of any age group.

Statistics Canada found that about one-third of retirees are carrying debt – about half of retirees with debt owe less than \$25,000, while about one-sixth owe in excess of \$100,000.<sup>9</sup> And, among those 55 years of age or older, who are not yet retired, two-thirds are currently in debt. Much of this debt is related to increases in mortgage credit and auto loan balances. The Statistics Canada report, noted above, examined data from the 2009 Canadian Financial Capability Survey. Assessing the results for the three questions which provide an indication of perceived financial security (i.e., ability to keep up with bills and other financial commitments, assessment of current financial situation against expectations, and perceived adequacy of current retirement income relative to monthly expenses), the report showed that for retired persons aged 55 and over, three groups were particularly vulnerable: divorced individuals, immigrants and low income/low net worth households (i.e., retirees with less than \$25,000 in annual household income).

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<sup>6</sup> Ibid.

<sup>7</sup> United Nations, *2010 Revision of the World Population Prospects*, Statistics Canada.

<sup>8</sup> Equifax Canada, *National Consumer Credit Trends Report*, [http://www.consumer.equifax.ca/about\\_equifax/newsroom/en\\_ca?ncId=1187897919089](http://www.consumer.equifax.ca/about_equifax/newsroom/en_ca?ncId=1187897919089) (Q3, 2013).

<sup>9</sup> *Retiring with Debt*, Katherine Marshall, April 27, 2011 (Statistics Canada).



In a report prepared for the Task Force on Financial Literacy, Stephen MacKay analyzed the five domains that were the basis of the Canadian Financial Capability Survey: Making Ends Meet; Keeping Track; Planning Ahead; Choosing Products and Staying Informed. He found that older Canadians (over age 65) were weaker in the same three categories in which other Canadians also demonstrated some weakness: Keeping Track, Planning Ahead and Staying Informed. However, after age 65 Canadians' abilities in these three areas declined significantly and continued to decline with advancing age.

While in the past fewer Canadians entered retirement with debt, a 2012 study by BMO has found that more than half of Canadian homeowners expect they'll have a mortgage in retirement. And a recent CIBC poll found that 59 per cent of retired Canadians were carrying some kind of debt."<sup>10</sup> A year later, a 2013 BMO study "revealed that Boomers are currently, on average, more than \$400,000 short of their individual retirement savings goal."<sup>11</sup>

Other factors that may contribute to growing debt levels include older Canadians financially supporting their grown children with loans for education or mortgages and maintaining lifestyle choices. For example, Jeffrey Schwartz, Consolidated Credit Counselling Services of Canada notes that, "seniors are carrying more debt into retirement. They are trying to maintain a lifestyle they had pre-retirement but on post-retirement income, and if income has dropped, they are increasing their debt to cover off their spending. It's a very dangerous strategy."<sup>12</sup> And, although there has been a modest increase in savings rates, this will not offset the larger challenge of insufficient retirement savings for a significant proportion of Canadian households.

### 3. Retirement Preparedness

Statistics Canada reported that in 2011, 38.4% of the Canadian population participated in a registered pension plan, down slightly from the previous year (38.8%).<sup>13</sup> As a result, many seniors rely on pension income from private sources, which accounts for about 42 per cent of their total income in their retirement years. However, a report from the OECD<sup>14</sup> also warns that "private pensions are mainly concentrated among workers with higher earnings" and that "the growing importance of private provision in the next decades may lead to higher income inequality among the elderly." This situation is expected to be most acute for elderly women, particularly those who are divorced or separated, reflecting the combined effects of several factors that are specific to this group:

- Generally lower lifetime wages for working women, as compared to men;
- A higher proportion of women in part-time work;

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<sup>10</sup> <http://www.cbc.ca/news/business/taxes/canadians-carrying-debt-into-retirement-1.1168936> (Jan. 4, 2013).

<sup>11</sup> <https://ca.finance.yahoo.com/news/bmo-clock-ticking-canadian-boomers-100000718.html> (Aug. 28, 2013)

<sup>12</sup> *Consumer Debt Rising Fastest among Seniors*, The Canadian Press, August 26, 2013

(<http://www.cbc.ca/news/business/consumer-debt-rising-fastest-among-seniors-1.1346089>).

<sup>13</sup> *The Daily: Pension plans in Canada, as of January 1, 2012*, Statistics Canada (<http://www.statcan.gc.ca/daily-quotidien/131219/dq131219c-eng.pdf>)

<sup>14</sup> *Pensions at a Glance*, OECD and G20 Indicators (<http://www.oecd.org/canada/OECD-PensionsAtAGlance-2013-Highlights-Canada.pdf>)





- More and extended career gaps for women over their working lives;
- Specialization of household labour, which meant that some women ceded financial decision-making to their spouse or partner; and
- Longer female life expectancy.

As a result of the above factors, many women in Canada are unable to save sufficiently for their retirement and come to rely more heavily on CPP and OAS. About one-in-six Canadian women, single, divorced or widowed, face poverty in retirement.<sup>15</sup>

In a survey commissioned by The Investor Education Fund (IEF) in January/February 2013<sup>16</sup>, results further underscored the precarious financial situation of many of today's seniors and those heading into their retirement years. The survey showed that:

- One-in-five Canadian households, aged 50 and over, have no idea how much they have saved;
- One-quarter (24%) have no clue how much they will need to draw down on their savings and investments in order to fund their retirement year-over-year;
- One-third (33%) do not believe they have saved enough for retirement; and
- Fully half (48%) believe they will run out of savings in the first 10 years of retirement.

Further evidence of gaps in knowledge for many current and near seniors is contained in the results of a survey undertaken by the BMO Financial Group<sup>17</sup> which included questions on taxation levels of different types of income. The report on the survey suggested that, “while many older people feel they have a better understanding about finances than younger people, when asked specifically about taxation of capital gains and dividends, four-in-five (80%) of Canadians over age 45 got the answer wrong, or simply don't know.” Yet over half (55%) of seniors gave themselves a mark of ‘A’ or ‘B’ in regards to their overall financial literacy. Interpreting these results, a spokesperson for BMO noted that “Canadians of all ages need to appreciate that improving one's financial literacy is a life-long pursuit. The money issues you face today can change every time you enter a new phase of your life.”

Member polling undertaken by CARP, the Canadian Association for Retired Persons, shows that the proportion of retirees who claim they are financially comfortable has been halved, from 30 to 14 per cent, between 2009 and 2013, while those members who report living from day-to-day has increased from 19 to 28 per cent.<sup>18</sup> The 2014 Canadian Unretirement Index Report produced by Sun Life shows that fewer than 3 in 10 Canadians expect to be retired at age 66.

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<sup>15</sup> Ibid

<sup>16</sup> Investor Education Fund, *2013 Home Equity as a Source of Retirement Income Survey* (Feb. 25, 2013).

<sup>17</sup> BMO Financial Group, *Third Annual Financial Literacy Report Card*, (Dec. 2013)

<sup>18</sup> CARP *Financial Security Poll Report*, August 23, 2013 (<http://www.carp.ca/wp-content/uploads/2013/08/Financial-Security-Poll-Report2.pdf>).



The changing retirement landscape for Canadian seniors points to the need for a focused financial literacy information targeted to the needs of older Canadians.

#### 4. The Changing Economy: Impact on Financial Decisions and Risk Taking

In a subsequent poll undertaken by the IEF in 2014 on the tolerance of investors for risk as well as risk taking attitudes and behaviours related to financial decision making, several findings are of interest with respect to how current seniors and future generations of seniors may respond to the more volatile, or at least more uncertain, economic conditions.<sup>19</sup> Results showed that:

- Just over half of investors say they have made an investment decision based on an emotional reaction that they subsequently regretted, although most have done so only once or twice. Moreover, those who have admitted to making more emotional decisions they regret are also more likely to have experienced a major investment loss.
- Risk of major loss increases with age (and time investing) until age 46–55, and then levels off;
- Different economic scenarios prompt different buying scenarios among investors, although risk preference also weighs into investment decisions regardless of economic conditions; and
- Finally, investment risk-taking, as a behaviour, is influenced by past investment experience and beliefs about the future.

Given the above, it is difficult to know how Canadian investors, and particularly those nearing or into their senior years, may react to more unstable economic conditions and a labour market in which attachment may be more tenuous in the future. Nevertheless, this expected feature of the Canadian, and global, economy will undoubtedly have some impact on how retirees and pre-retirees approach the management of both savings and debt.

Some work examining behavioural responses to savings adequacy uncertainty has been undertaken, although this is a relatively new area, combining the fields of psychology and economics. In a study published by Netspar, a working hypothesis is advanced that “a *rational* individual should start saving more when current savings are inadequate to provide financial support during retirement. However, evaluating whether current savings are adequate is a daunting task. It involves a complex and ongoing process of forecasting future needs and resources.”<sup>20</sup> One of the key findings of this study was the potential importance of ‘information acceleration,’ possibly through increased emphasis on financial literacy for pre-retirees and retirees, as outlined in the statement below:

“In a typical information acceleration process, individuals are invited to explore a rich virtual (online) environment that consists of many different types of information and information formats in order to learn more about a future situation. While information acceleration has thus far mainly been used as a

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<sup>19</sup> Investor Education Fund, *Investor Risk, Behaviour and Beliefs* (Feb. 2014).

<sup>20</sup> *Savings Adequacy Uncertainty: Driver or Obstacle to Increase Pension Contributions*, van Schie, Donkers and Dellaert, Netspar Discussion Papers, Network for Studies on Pensions, Aging and Retirement (2011).



tool to support new product development and marketing testing, it seems a promising approach to also support individuals in understanding future pension needs and preferences. In this view, information acceleration may help individuals to decrease uncertainty regarding the adequate savings level and, hence, trigger them to adequately prepare for retirement.”

And, while noting that financial literacy is an important factor in reducing uncertainty, the report acknowledges that research “has not yet found unequivocal results on how to best support individuals in improving their financial knowledge.”

## **B. Impact of Aging on Financial Literacy and/or Financial Security**

Demographic and economic trends combine to create a challenging financial landscape for Canadians entering their retirement years, or soon to be entering retirement. Moreover, it is clear that Canadians are now required to take greater responsibility for managing their own retirement assets and ensuring their financial security in retirement. In this section of the document, we explore how the physiological effects of aging could affect financial literacy and the ability of older Canadians to make sound financial decisions.

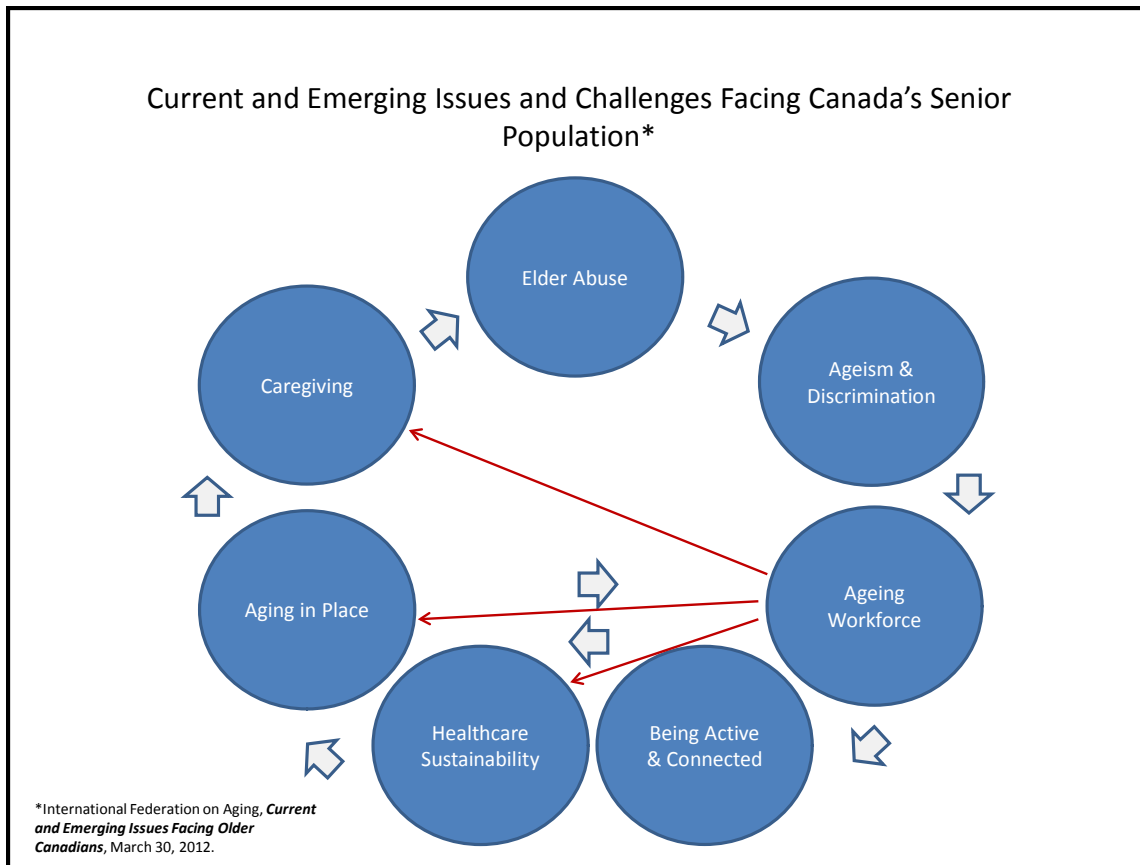
To set the broader context, it is important to understand the full range and interconnectedness of issues affecting the elderly. In 2012, the International Federation on Aging (IFA) undertook a comprehensive exercise to identify and prioritize the issues affecting older Canadians. The chart below, drawn from their 2012 report, illustrates the nature of current and emerging issues. Those that have some bearing on or implications for seniors’ financial literacy are delved into more deeply in the sections that follow, but it is clear that seniors do face some unique challenges.

As underscored in the statement below, the aim of the IFA in undertaking this report was to shed some light on the various issues and, more importantly, the cross-cutting nature of each, as well as to inform policy responses based on best practices.

“The issues identified and their inter-relationship to one another is intricate. However the issues can also be considered as transition points on the life continuum – extending the social and economic productivity of an older person and /or responding to the continuum of care. The starting premise lies in being able to *create an environment that enables older people* to be in control of their future while at the same time recognising that all adults have a responsibility to their own health and well-being. [The caveat on this statement is in reference to older adults with diminishing cognition].”<sup>21</sup>

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<sup>21</sup> *Current and Emerging Issues in Ageing*, International Federation on Ageing (March 30, 2012).



## 1. Decline in Cognitive Abilities

Financial decision-making requires a number of skills and abilities, including:

- Sound judgement;
- Reasoning,
- Retrieval of stored data and information from one's long-term memory; and
- Problem-solving, requiring the ability to undertake simple to more complex quantitative tasks.

“Empirical evidence suggests that mathematical skills begin declining in young adulthood and problem-solving that requires experience and knowledge, also known as crystallized intelligence, peaks just before retirement age ... A growing body of evidence ... consistently show[s] a decline in cognitive functioning with advanced age among various decision-making domains.”<sup>22</sup> Specifically, various studies have shown that, despite an improvement in general investment skill with age, investment performance declines significantly after age 70 as memory and reasoning ability diminishes. Even taking into account the variable levels of financial literacy one would expect to find within any given population, based on different inherent

<sup>22</sup> *Old Age and Decline in Financial Literacy*, Finke, Howe and Huston (<http://ssrn.com/abstract=1948627>).



cognitive ability, financial aims and motivations, the 2008 Health and Retirement Study<sup>23</sup> showed that respondents over 75 years of age “were less likely to understand basic investment concepts such as stock diversification and the importance of mutual fund fees.” This same group also scored lower on numeracy questions.

The Finke, Howe and Huston study, referred to earlier, explored the performance of over 3,000 American respondents on a 20-item survey which was included as a module in the Consumer Finance Monthly Survey conducted by the Center for Human Resources Research at Ohio State University, between December 2009 and February 2010. This study covered four content areas or domains: financial basics, borrowing, investment and insurance. Results showed that “financial literacy scores decline by about 1% each year after age 60 [and] that the decline is not related to cohort effects or differences in gender or educational attainment.”<sup>24</sup> Of particular note, the study also confirmed that confidence in financial decision making abilities does not appear to decline with age. The combination then of sustained or increased confidence in financial decision-making with reduced abilities is important from the standpoint of public policy and helps to explain the relatively poor credit and investment choices made by older respondents in the survey.

Cognitive decline in the aging population was also noted in the much larger survey undertaken by the Institute on Aging, noted earlier. This survey, based on 2002 American data, showed that one-in-ten respondents aged 70 years or older exhibited signs of moderate to severe cognitive impairment and that the prevalence of cognitive impairment rises sharply with age. After age 80, the prevalence rate increases sharply, to 20 per cent among those aged 85 and older.<sup>25</sup>

The fact that both studies referenced above were undertaken within the U.S. likely has little bearing on the relevance of their results within a Canadian context.

## **2. General Health, Well-Being and Links to Financial Security in Retirement**

Some of the studies cited in this document have also examined the impact of major and minor health events on retirement income and financial security in retirement. It has been generally found that, not unexpectedly, that there is a fairly strong correlation between health and wealth. The mean wealth of healthy, married couples in the United States was about three times more than that reported by married couples who reported poor health. Most notably, the difference in mean wealth became even more striking for unmarried participants of the study, where healthy unattached respondents reported mean wealth levels that were five times those reported by respondents claiming poorer health. While access to and the cost of health care services in the United States would certainly factor significantly into the variability in financial circumstances, even with access to universal health care as is the case in Canada, job loss or the necessity to reduce one’s engagement in the work force as a result of a health issue could severely restrict the ability of

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<sup>23</sup> *Health and Retirement Study*, Institute for Social Research, University of Michigan and the National Institute on Aging (2008). This is a study among 22,000 Americans aged 50 and older, conducted at two-year intervals.

<sup>24</sup> Finke, Howe and Huston, *op.cit.*

<sup>25</sup> *Health and Retirement Study*, *op. cit.*



an individual or couple to contribute to a reasonable retirement income. Planning ahead for potential health challenges will be a key component of financial literacy for older Canadians.

Beyond the obvious implications for workforce participation, those health issues, such as Alzheimer's, hypertension and arthritis, with which seniors are most commonly afflicted, prevent them from engaging to the same extent as they might otherwise have in their younger years in actively managing their financial affairs. Diminished hearing, eyesight and energy can also adversely affect the ability to manage one's finances.

That being said, the overall trend is that Canadians are both living longer and generally in better health. Life expectancy for both sexes is now 80.2 years, the first time in Canada's history that it has gone above 80 years (77.8 years for men and 82.6 years for women). At the same time, as life expectancy increases, there is pressure to ensure one's financial security for an extended period of time. While many workers are pushing back the age at which they retire, on average, most Canadians will now need to plan for approximately 20 years or more of retirement income.

### **3. Vulnerability of Senior Canadians to Financial Abuse and Exploitation**

Financial exploitation of seniors is a growing concern in Canada. In a survey undertaken by CARP in 2011<sup>26</sup>, about two per cent of respondents admitted they had themselves been the victim of financial abuse, although almost one-third (30%) said they or someone they knew had been taken advantage of financially due to age, underscoring the likelihood that surveys generally under-estimate the extent of financial abuse among this sub-group of the population. In the CARP poll referred to above, the most frequent forms of financial abuse among the elderly were reported as follows:

#### ***What form did this financial abuse take?***

<b>Family member demanding money</b>	28%
<b>Abuse of power of attorney</b>	17%
<b>Unauthorized bank charges/fees/withdrawals</b>	8%
<b>Services paid for/not received</b>	7%
<b>Aggressive door-to-door salesman</b>	7%
<b>Account mismanagement/fee padding</b>	5%
<b>Charities demanding auto-withdrawal</b>	5%
<b>Stock pitch over the phone/by friend/family</b>	1%
<b>OTHER</b>	22%

In line with these national poll results, the B.C. Centre for Elderly Advocacy and Support has indicated that, of the 200 or more calls it receives monthly on its toll-free line, about 70 per cent of these pertain to incidents of elder financial abuse.

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<sup>26</sup> CARP *End of Life/Elder Abuse Poll Report*, Dec. 20, 2011 (<http://www.carp.ca/wp-content/uploads/2011/12/End-Of-Life-Report.pdf>).



A report by the International Federation on Ageing, published in March, 2013, also noted that “there is a growing incidence of financial abuse of older Canadians, particularly amongst older single women. Several attributing factors to this alarming trend are identified in the literature including: the rapidly ageing population in Canada, both the increasing wealth but also the volatility of the economic climate impacting all Canadians, and more specifically, the growing population of older people, over 20% of whom will experience mild cognitive impairment, which can negatively impact one’s decision-making abilities.”<sup>27</sup> This report went on to suggest that “financial abuse constitutes up to 50% of all reported cases of abuse perpetrated against older Canadians. Financial abuse is also the most difficult kind of abuse for service providers, police services, and judicial systems to provide an adequate response. Most financial abuse is hidden and many victims are unaware of the abuse. Evidentiary difficulties, family attitudes, and low financial literacy all contribute to the low prosecution of offenders.”<sup>28</sup>

Situations of financial abuse of seniors are often perpetrated by ‘trusted’ individuals, including caregivers, friends, neighbours and family members, and professional advisors (i.e., health care professionals, attorneys, banking staff and religious advisors). Cognitive impairment and the need for help with daily activities make some seniors even more vulnerable to financial abuse.

Predatory lending, investment and securities schemes (i.e., pyramid or Ponzi schemes), Internet phishing, identity theft and home repair schemes are other common scams committed by professionals on unsuspecting seniors. Beyond this, poor inheritance and estate planning, including proper execution of Powers of Attorney and drafting of wills, can lead to devastating results for seniors and their families resulting from expensive litigious actions. Additionally, seniors who are the victims of a financial scam have less time to recover financially from their loss given their life expectancy and ability to generate replacement income.

The issue of financial abuse of seniors is exacerbated by the fact that many family members who become caregivers are not sufficiently knowledgeable of their responsibilities or of how to effectively execute their Power of Attorney privileges, for example. Family members taking advantage of seniors is a particularly delicate situation and one which many seniors are reluctant, or too embarrassed, to bring to the attention of the authorities.

As noted above, this situation is likely to increase as the Baby Boomer Generation, which now holds the largest share of wealth in the country, ages. And, the impact of victimization goes well beyond the direct

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<sup>27</sup> International Federation on Ageing, *Summary Report: Financial Abuse of Seniors Meeting* (March 26, 2013).

<sup>28</sup> *Ibid.*



financial loss. Research undertaken by the Financial Services Roundtable has reported that seniors suffering from abuse, neglect or exploitation are more likely to die at an earlier age compared to those seniors who are not dealing with or all of these issues.<sup>29</sup>

To address this issue, many financial institutions have developed toolkits and programs to assist their employees in being alert to potential signs of abuse or fraudulent activity. In addition to legal enforcements, consumer education is viewed as critical to preventing and combating fraud. As such, various levels of government have launched awareness-raising campaigns and produced brochures and other collateral materials containing tips on how to prevent such situations. For example, the Federal/Provincial/Territorial Forum of Ministers Responsible for Seniors has produced a number of publications including “What every older Canadian should know about Financial Abuse” among other topics. Additional recommendations pertaining to identifying ways and means of detecting abuse or potential abuse and addressing the misuse or abuse of Powers of Attorney and joint bank accounts are being considered and acted on by governments and the private sector. The IFA report referred to above did highly recommend more consumer education, focused on the following:

- Empowering individuals to better understand their own situations;
- Ensuring elderly consumers understand what questions they should be asking;
- Adequately describing the roles and responsibilities of the attorney; and
- Meeting the needs of immigrant seniors who may not be sufficiently fluent in English or French.

As recently as October, 2013, the Mutual Fund Dealers Association of Canada (MFDA) held a Seniors Summit at which they announced their participation in a number of investor education initiatives, along with other regulators, with the aim of helping investors (and senior investors in particular), to ask the right questions, understand the relationship between risk and reward, develop realistic expectations of market returns and question the use of terms such as ‘guaranteed or high rates of return.’ The MFDA also plans to educate its own members and regulators on seniors’ investment issues. One of the key points made by the MFDA at this Summit was the changing investment needs of seniors as they enter this next life stage from a singular focus on wealth accumulation to wealth protection, particularly in an era of continued market volatility.

### **C. The Case for Financial Literacy Targeted to Canadian Seniors**

The preceding makes a strong case for embarking on a more targeted approach to improving the financial literacy of Canadian seniors. The intention here is not to paint all Canadian seniors with a broad brush, but rather to underscore that the aging process itself combined with key socio-economic factors can create a confluence of circumstances which exposes seniors from a financial perspective. There is a clear rationale, based on the aforementioned review of the broader environment for the current and future cohort of

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<sup>29</sup> *Protecting the Elderly and Vulnerable from Financial Fraud and Exploitation*, BITS Financial Services Roundtable, (April, 2010).





Canadian seniors to ensure that Canadians entering this phase of their lives have access to appropriate financial advice, information and resources so that they are better able to manage their own finances given their needs.

### **1. Effect of Financial Education on Seniors' Knowledge Levels and Planning**

The Health and Retirement Study referred to earlier also noted a clear difference in the financial situations among those who had received some financial education versus those who had not. Financial education was associated with higher levels of saving and wealth, suggesting that providing seniors, and particularly pre-seniors, with education about retirement planning has a real impact on how well they plan for retirement.

This finding is also in line with the results of the Finke, Howe and Huston study that “observed higher financial literacy scores for characteristics that either decrease the cost of financial knowledge investment or increase the perceived benefit. Literacy in each domain [i.e., the four domains noted above] increases monotonically with education, income, and net worth. Homeowners, stock investors and those who own tax-sheltered accounts have higher literacy scores [...]”<sup>30</sup>

While there are clearly gaps in the availability of resources, work has begun to understand the financial literacy needs of seniors.

### **2. Seniors Financial Literacy Needs and Challenges**

The aging of the Canadian population, current and anticipated debt levels of Canadian retirees and economic/market volatility have prompted a number of organizations to explore various facets of the issue of seniors' financial literacy. The evidence and work in this area suggests that:

- Seniors do experience cognitive decline after age 60 and this clearly affects their ability to process financial information and/or make sound financial decisions;
- Seniors with compromised health will likely face further challenges to their ability to effectively manage their finances as a result of reduced earning power and/or lack of ability to undertake the necessary financial administration;
- Financial abuse and deception targeting elderly Canadians appears to be on the rise. Alarms are being raised that financial scams and abuse could become more prevalent with the ‘greying’ of a significant proportion of the Canadian population;
- While the vast majority of Canadians are financially secure and the median net worth of elderly families in Canada is higher than any other type of family unit, Canadians are now carrying more debt into retirement and this trend is expected to continue with growing numbers entering their retirement years holding a mortgage;

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<sup>30</sup> Finke, Howe and Huston, op.cit.



- The issues and challenges facing seniors are inter-connected and inter-related. Initiatives to improve financial literacy will need to consider an array of issues including ageism, stigmatization of older people, health status, elder abuse, and social networks among others; and
- Particularly vulnerable groups of seniors include: women, those who are divorced/separated/widowed, and low-income seniors.<sup>31</sup> Those with language barriers and/or lower levels of education, including immigrants and Aboriginals are also more financially vulnerable in their retirement years reflecting the higher incidence of these segments among lower income Canadians in general.<sup>32</sup>

### ***Gaps in Understanding of Seniors' Financial Literacy Needs***

There are, however, some clear gaps in our understanding of what is required to address financial literacy skills among Canadian seniors and how to implement programs of this nature. Areas where additional work could be undertaken and/or further investigation would be of value are highlighted below.

- Much of the focus of current discussions on retirement income has been with respect to the forecast impact of an ageing population on mandatory retirement age and public pensions/income supports (i.e., CPP and OAS), while there appears to be less discussion on the real financial and workplace challenges facing retirees of tomorrow and how they might better prepare themselves for these 'new' realities, including via enhanced financial literacy.
- The need to develop an attitude supportive of lifelong learning well into one's retirement years is another area which has not received a lot of attention. Strategies to maintain or improve cognitive abilities after age 60 should be explored taking into account the most appropriate educational and learning techniques for this age group.

The bottom line is that in terms of raising awareness of this issue and creating financial literacy programming targeted to Canadian seniors, insufficient information exists to know what would motivate this group to become more active and knowledgeable managers of their financial affairs, and at an earlier stage in their lives. Studies do show that seniors, like others, consider the costs in terms of effort/time and money (i.e., if professional financial advice is required) against the benefit or perceived outcome. However, more research is required to understand better what messaging or motivators would impact behaviours and attitudes with respect to financial management in their senior years and/or in retirement.

### **3. Current Financial Literacy Resources for Seniors**

While more organizations are entering the financial literacy landscape with interactive and skill-based programs, relatively few resources to date have been developed specifically for seniors. Significant gaps exist in the range of topics covered and in the availability of resources. Organizations have yet to take into account the demographic and socio-economic trends that face older Canadians today and into the future.

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<sup>31</sup> *Aging in Poverty in Canada: Seniors on the margins*, National Advisory Council on Aging, Government of Canada (<http://publications.gc.ca/collections/Collection/H88-5-3-2005E.pdf>)

<sup>32</sup> *Embracing the Challenge of Aging*, Special Senate Committee on Aging, March 2007 ([http://www.parl.gc.ca/Content/SEN/Committee/391/agei/rep/repintfeb07-e.htm#3. Seniors\\_at\\_Risk](http://www.parl.gc.ca/Content/SEN/Committee/391/agei/rep/repintfeb07-e.htm#3. Seniors_at_Risk))



The most common topics include preparing for retirement, financial abuse and fraud prevention. Most resources are offered online and are generally fairly passive and information based.

Governments at both the federal and provincial levels offer retirement calculators, and general information on public benefits. While most financial institutions provide pre-retirement information to seniors it is often product and sales focused. The Financial Consumer Agency of Canada, the securities commissions (BCSC, Alberta, AMF) and the Investor Education Fund offer targeted resources for seniors aimed at planning for retirement and avoiding scams and fraud. As well, several non-profit organizations offer toolkits for community organizations on how to spot financial abuse. Given that most non-profits require funding to develop resources it is not surprising that the focus has so far been on elder abuse – funded by the federal government through New Horizons for Seniors Program.

However, several organizations have recently begun to turn their attention to strengthening seniors' financial literacy and are in midst of developing targeted resources, including the Canadian Bankers Association (CBA). For more information on the resources available please see **Appendix A**.

#### **D. Recommendations for Key Informant Interviews**

One of the principal outputs from the environmental scan is the production of a list of organizations and individuals who could be included in a second phase of this study which involves conducting a series of in-depth interviews among experts who could provide a perspective in the issue of financial literacy among Canadian seniors.

The list was developed with a number of criteria in mind as set out below. Note that those identified may not necessarily meet all criteria, but do meet at least one or more of the following:

- Expertise in financial literacy (and/or financial literacy targeting the seniors population);
- Expertise on issues pertaining to aging and/or seniors;
- A broad national perspective or a unique perspective on aging and/or seniors;
- A group, organization or individual that offers a perspective on the financial needs, challenges and issues facing seniors that may not be captured in other ongoing stakeholder consultation exercises undertaken by the FCAC;
- Specialization in investigating and/or remedying financial abuse among older adults;
- Representation from various types of groups (i.e., regulatory, advocacy, think tanks, etc.); and
- Representation reflecting the interests/needs of sub-groups within the seniors' demographic (i.e., Francophones, newcomers, aboriginals, low income, etc.).



### **III. Detailed Findings from Key Informant Interviews**



## Detailed Findings from Key Informant Interviews

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The Strategic Counsel conducted a series of 16 one-on-one interviews by telephone with representatives from a selection of the recommended organizations shown in **Appendix B**. The results of these interviews, each of which was about one hour in length, are detailed below.

An interview guide was drafted for the review and approval of FCAC (see **Appendix C**). As interview subjects represented different types of organizations and/or perspectives (i.e., financial institutions, advocacy groups, academic experts, etc.), some had more comments to make on certain of the questions and fewer remarks in response to others. The approach taken was to encourage all interviewees to respond to any or all questions and, specifically, to focus on those questions where they felt they had sufficient knowledge to be able to offer insights. Verbatim quotations from interviewees are highlighted with large brackets and in italics. These quotes have been included throughout the document to illustrate some of the points raised during interviews.

### Note to the Reader

**The findings elaborated on here have been drawn from a limited number of interviews and should not be viewed as reflective of the views or opinions of the broader universe of experts in this area. They are intended to provide insights and guidance only on the topic of the unique needs and issues facing seniors with respect to financial management and financial literacy.**

### A. Defining ‘Seniors’ as a Demographic Group

In discussing issues and challenges facing seniors, it is important to first understand how this term is defined and whether, in the current context, the term ‘seniors’ remains a relevant and commonly used way of referring to a particular cohort of the population.

Most of those interviewed were very comfortable with the term ‘seniors,’ and commonly understood it to encompass those aged 65 years and older. For many, age 65 continues to reflect a defensible ‘cut-off’ and a threshold or point of passage that is well recognized by economists, actuaries, demographers and the general public alike and one that has legal or official standing (i.e., created and used by government).

However, a number of interviewees suggested that the term has become somewhat outdated for several reasons:

- Changes to Old Age Security to increase the age of eligibility from 65 to 67 years which will affect those who are currently 54 years of age or younger;
- The increasing number of Canadians now working past age 65, voluntarily or involuntarily. According to the Canadian Centre for Policy Alternatives, “age 65 is not the trigger for retirement that it used to be, and an increasing proportion of older Canadians already stay in the workforce



well past that age.”<sup>33</sup> Statistics indicate that one-in-four (24%) Canadians aged 65 to 70 are still working, an increase of 11 per cent since 2000;

*“Typically, I don’t use the word seniors. I don’t like that. I use older adults or older Canadians. But there are certain subgroups within that group. Certainly someone at 65 does not have the same issues as someone who’s 105 and we have more centenarians now than we’ve ever had in the past... We have many more people over the age of 85.”*

- The health of Canadians, particularly the fact that life expectancy has risen by 10 years or more over the last five decades. “In 1961, the average Canadian could expect to live to age 71, 10 years less than the current estimated life expectancy. The average Canadian born in 2009 can be expected to live 81.2 years;”<sup>34</sup> and
- The fact that many Canadians now in their seventh decade are leading active lives, still caring for children and, in some cases, parents, with major expenses (in contrast to previous decades where those over 60 years of age would generally have been downsizing and/or scaling back on expenses).

*“I think of seniors as older (i.e., 75+) ... they tend to have been living on a fixed income for five to 10 years and are now feeling the pinch because their income isn’t going as far as they’d like to. They often have issues with isolation or lack of technical ability ... they’re feeling somewhat left behind.”*

Increasingly, as a matter of respect, terms such as ‘older Canadians,’ ‘elder Canadians’ or ‘older adults’ have replaced ‘seniors.’

Others promote self-definition, recognizing that age is not only a state of mind, but also a factor of socio-economic conditions. In very low income communities, for example, life expectancy rates are much lower than average and are directly linked to poverty. Living to age 65 under these conditions would be “viewed as a celebration in some communities” as one interviewee noted.

<sup>33</sup> Working After Age 65: What is at Stake? Canadian Centre for Policy Alternatives.

<sup>34</sup> *How Canada Performs: A Report Card on Canada*, Conference Board of Canada (2012) (<http://www.conferenceboard.ca/hcp/details/health/life-expectancy.aspx>)



Still others suggested that it may be appropriate timing to consider several sub-groups within the ‘seniors’ category:

- Those aged 65 to 75 years who are likely to be working at least part-time, volunteering, traveling and in relatively good health; and
- Those post-75 years of age for whom health becomes more of an issue. At this stage, there is a higher incidence or prevalence of certain medical conditions and many people in this cohort are on some sort of medication, whether for more minor or major health issues.

Alternatively, those over 60 years could be further defined within three categories: 60 to 70, 70 to 80 and over 80 years of age. As one interviewee noted, by 85 years of age there is typically a major increase in medical issues, use of medications and health-related concerns.

*“Doing a consultation event in the downtown east side, we generally accept that in the late 40’s and 50’s, that’s older for that community. Those women are often grandmothers and have a lot of health issues that are associated with ageing ... I rarely use 65 and when I do my work I really try to get at some of those slices of difference, because 90 is really different than 50 or 65.”*

While there does not appear to be a firm consensus as to a more useful categorization of those aged 60 or 65 and older, it is clear from those interviewed that this conversation is beginning to take place and that, for the time being, there are no hard and fast rules around the definition of the term ‘seniors’ in terms of age.

## **B. Key Life Stages or Transition Points for Older Canadians**

There are clear transition points or stages that citizens face as they age. While each presents an opportunity for the individual, they can also result in financial instability and a need to enhance knowledge and understanding of related financial issues. For older Canadians specifically, these points often occur in relation to:

- Employment status – in particular, involuntary job loss;
- The shift from income generation to retirement savings as the primary source of income, including decisions around early retirement which has implications for retirement finances;
- Investments decisions – for example, decisions around whether to spend down assets versus growing assets or stretching dollars to address increased lifespan;
- Estate planning;
- Eligibility for and accessing public pensions and/or income supports (OAS, CPP, GIS);



- Housing situation, specifically when one downsizes or moves into assisted living accommodation;
- Related to the above is the so-called ‘empty nester’ syndrome, as children leave home and are less reliant financially and otherwise on their parents. Of note, some of those interviewed remarked on the ‘boomerang’ phenomenon which has increased the time during which adult children remain in the family home;
- Health status (or the health status of a family member such as spouse or partner); and
- Transportation, from driver to non-driver (usually at a much older point and often after 80).

As these transitions take place, people move from a situation of independence to one of increasing dependence. And, for many, this dependency has significant financial implications. At the same time, planning for these transitions may be difficult as events may not occur in an orderly fashion, due to unforeseen circumstances. Moreover, as some of those interviewed stressed, these transitions are often inter-linked. They can often occur together or in some combination, creating a cyclical or domino effect.

*“The more you lose some of your independence ... that will have financial implications. It’s hard to plan for. Most people don’t think about accessing information until after the fact. We don’t plan and we make wrong assumptions [about our lives].”*

It is important to note that virtually all of those interviewed made the point that many of the transition points which have implications for an individual’s financial status as a senior occur well before one is considered officially a member of that demographic group. The decision points which will ultimately set an individual up for success or failure with respect to their financial state as a senior occur as one moves through their ‘20’s, ‘30’s and ‘40’s, although they then become more acute for those in their ‘50’s and beyond if they have not been adequately addressed over time.

*“Seniors face the same challenges as other Canadians in terms of basic financial literacy – budgeting, money management, debt ... In an ideal world, Canadians would be planning well before, so that hopefully some issues can be dealt with earlier. What’s unique for seniors are the issues around health and moving from income generation to consumption of savings.”*





*“It’s all tied together. It is the earlier life stages well before retirement as well as the stage when one is nearing retirement that are really important for financial planning. However, these [transitions] are changing in terms of the age structure. We have to start thinking in terms of future generations and how they will be different. For example, the current timeline for youth transitioning into the workforce is 18 months longer. If they are having a harder time getting into the labour force, then the old assumptions about when you start saving for retirement are going to have knock on effects.”*

Some interviewees preferred to look at a “basket of considerations” as opposed to decision points or key transitions. If an individual has overlooked these considerations or allowed them to lapse, then it is the time frame remaining and their ability to handle what is necessary which, from a financial perspective, become critical.

*“If you take basic financial literacy work, there are many stages and decision points along the way. Most happen before you are a senior. In some cases people hit them before they are seniors. Some people face the prospect of retirement before 60. It’s more a basket of considerations and they can apply to seniors or not. What’s different is the time frame remaining and their capacity to handle it. And, in some cases there has been a generational shift ... some people are considering exactly the same issues, but are looking at retirement from a different perspective. For example, a 40 year old will look at different frame of reference.”*

In general, however, as noted above, many of those interviewed were of the opinion that if one hasn’t learned the basics along the way, by the time one is on the verge of the senior years, or fully into that stage of life, addressing financial literacy becomes even more challenging.

*“[I have conducted] pre-retirement planning sessions and career-days and am surprised by how little they [participants] knew. In high school, nobody teaches our children [the basics]. So unless parents teach you, you’re not going to learn it. Many children don’t know what income tax is. The lack of financial training goes all the way back to high school. Otherwise, when do you talk about compound interest, stock, etc.? You will learn a little bit when you get your first mortgage or when you start investing RRSPs, but that’s it. Most people have to rely on the advice of somebody else and they don’t know how to monitor the quality of the advice they’re getting.”*



### **C. Quality of Life and Standard of Living for Today's Seniors**

Most of those interviewed were reluctant to express a definitive judgement as to whether Canadian seniors were better off today than they were 20 or 30 years ago or whether this was a particular driver of financial literacy needs among the seniors population. Interviewees felt that economists, population health and medical experts would have a better perspective on this issue. In addition, it was difficult for many of those interviewed to determine what the net effect was of the various issues and elements that factor into quality of life (i.e., income security, health, social networks, etc.). A number of those interviewed suggested that the response to this question partly depends on how we define 'quality of life.' The most common responses were ... "it all depends" or "it's difficult to generalize."

Nevertheless, many did agree that there were some ways in which older Canadians were better off and some ways in which they were worse off which have implications for financial literacy, both in terms of need and the focus of any such requirement.

#### **1. Improvements in Older Canadians' Quality of Life**

Interviewees noted that, on the positive side of the ledger, the poverty rate among Canada's elderly population has dropped considerably from about 36.9% in 1975 to 12.3% in 2010, although it was considerably lower still in 1995 (3.9%) and has subsequently increased. In this respect, some would conclude that today's generation of seniors is perhaps better off than any previous generation.

Other data also create a fairly positive picture for the current generation of retirees. According to one interviewee, data from a 2009 study shows that Canadians carry much less debt into retirement versus their American counterparts. In part, this reflects a certain degree of prudence on the part of Canadians, as well as a tendency to more heavily discount the future which leads to cautious views and behaviours in regards to potential risk.

#### **2. Issues Negatively Impacting Seniors**

Those interviewed suggested that, from a financial perspective, several issues are affecting Canadians more so now than they have in the past and that these have a direct bearing on the need for enhanced financial literacy among seniors:

- Because Canadians are now living longer in their retirement years, many need to be able to stretch their incomes much further than they would have 20 or 30 years ago. The issue of having to extend retirement incomes for a much longer period than has historically been the case is one that concerns a number of those interviewed.



*“[We are] realizing that Freedom 55 is not going to be an option. We’re going to have to fund a much longer retirement and this is going to be difficult. It’s wonderful to think that we have extended life to 85 years plus, but the question is how do we finance [a longer lifespan]? I think people might have intellectually known this was coming, but nobody has taught them how to plan for this period of time.”*

- From a financial perspective, it means that a larger percentage of seniors increasingly find themselves in a position of taking on more risk. Perhaps not surprisingly then, a significant proportion of the complaints lodged against investment and financial advisors come from those in the seniors community. As one interviewee noted, research by John Stapleton is starting to show that mainstream financial advice is not as appropriate as it should be. “Financial advice to low income seniors is often wrong and potentially harmful;”<sup>35</sup>

*“A lot of seniors find themselves in situations where they have no choice but to chase yield. To generate income they need, they move to riskier securities and longer-term bonds, without fully understanding the implications. This situation results in a lot of ‘he said/she said’ scenarios. Investors complain that they feel they were led down a wrong path to buy risky investments. But, the advisor tells a different story. Advisors say they fully explained the risk.”*

- Exacerbating this issue is the rising cost of care and the complexity of the issues pertaining to financing care in the senior years, including retirement living, home care, etc. Related to this is the fact that Canadians are now living longer with an array of health issues, from minor to chronic. Some of those interviewed indicated that the rising cost of care now consumes a significant and likely increasing proportion of one’s retirement income, relative to what the case would have been two or more decades ago;

*“People are moving through different levels of health needs which have huge financial implications. If you’re staying in your own home, what kind of coverage do you have for home care and what will you have to pay for out of pocket? If you’re in a care facility, what do you have to supplement? It’s a very complex system. Whenever you develop a dependency, there are going to be financial implications which are hard to plan for.”*

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<sup>35</sup> *Why is mainstream advice often wrong for low income senior Canadians?* Financial Literacy Blog, Canadian Centre for Financial Literacy, December 13, 2012.



*“Things that are maybe worse for seniors are the rising costs of everything. I mean, 20 years ago, if you needed care, it certainly didn’t cost the proportion of your retirement income that it does now ... So with this big group of people over the age of 85, they are all living on their savings from 20 to 30 years ago. They have to stretch that income further.”*

- The shift from defined benefit plans to defined contribution plans will mean a loss of, or at a minimum a reduction in, one of the historical ‘pillars’ of retirement income for many Canadians;
- The increasing complexity of various systems, including financial and health care systems, is expected to create a significant challenge for older Canadians;
- The requirement for a modest facility with technology in order to effectively manage and administer one’s finances, given the shift away from in-person delivery of financial services by many organizations working directly or indirectly in the financial services sector;
- Increased complexity of financial markets and the investment world as well as the difficulty for seniors to obtain good investment advice that is not only suitability to their stage in life and financial circumstances, but also specifically geared to the older adult audience, reflecting the way in which this group consumes and processes information. The remarks from several interviewees are indicative of this particular concern;

*“Financial institutions [need to] do better job of training of their employees/people that deal with ones [seniors] that don’t meet the criteria to talk to a financial planner. FPs get a lot of training, expertise on how to help you manage your finances, but it’s a different kind of knowledge that would be more important for people with lower incomes (how to use their small investments).*

*Far too many people in banks tell [seniors in general] to purchase standard financial products without understanding their individual circumstances. An FP will ask you all about your life – assets, liabilities, risk tolerance. These issues aren’t applied if you’re not meeting an FP, but they are every bit as relevant. They [seniors and low income seniors in particular] are not as profitable for an FI.”*



- A reduction in social support networks through family and community groups which seniors in society have traditionally relied on for assistance. One interviewee commented that the increased participation of women in the ‘paid’ economy has reduced their activity in the voluntary sector (i.e., provision of support to family, neighbours and community through church groups and community services), exposing key segments of the older population to some vulnerability in terms of social and emotional support as well as those networks that historically provided assistance in decisions with respect to personal finances;
- The boomerang phenomenon which has meant that many Canadians now in the ‘50’s and ‘60’s are still financially responsible (in part or in whole) for their adult children. This shift in terms of a longer timeline to independence for their offspring results in the current group of Baby Boomers being less able to save for and/or simply unprepared for the financial implications of their retirement; and
- A general deterioration in the social status conferred upon the elderly in society, otherwise referred to as ageism. While seniors in the past have been seen as a source of wisdom and stability, technology is shifting the emphasis toward youth. Knowledge and the expertise accumulated through experience are no longer viewed as relevant, the implication being that financial institutions do not treat the older individual in the same way, and with the same level of advice, that they might provide others.

*“The older adult is not treated as the customer. The family member is. This is part of ageism in society. The older person isn’t treated with the same approach by the institution or service provider. They are not training their staff to understand capacity or frailty. Further, they can’t assume incapacity. Anybody can be hard of hearing ... we tend to have stereotypes. This is a universal challenge.”*

### **3. Vulnerable Sub-Groups of Seniors**

The general trends, both positive and negative, tend to mask the important differences that exist between and among sub-groups of the seniors population, and this point was underscored by many interviewees. Those interviewed felt that a number of sub-groups were particularly vulnerable.

*“We see a lot of reports that Canada is one of the best countries in the world to live in. But, one of the concerns I have about these sorts of studies is that they look at generalities. There are hidden populations that have always had challenges. And the question is: is that group growing or not?”*



Some of the participants viewed the exposure or vulnerabilities facing these groups as stemming from specific policies – social or economic – which have negatively impacted their financial status. Alternately, others suggested that often a range of factors working in combination, including health and social supports, have resulted in lower access to information and resources which, in turn, have inhibited their financial literacy skills.

The following sub-groups were identified as being most vulnerable in terms of their financial security and thus most likely to benefit from financial education:

- Single seniors – there is a 20% poverty rate among single seniors (using the Low Income Cut-Off as the threshold) which is twice the general population poverty rate and five times the rate for married couples in their senior years.<sup>36</sup>
- Single lower income women in particular – a number of factors are in play for this group:
  - women generally outlive men
  - many women in the current generation of seniors were not the primary income earner. Instead, they have stayed at home looking after children or, in some cases, parents. For those who are now in their ‘50’s or older and facing separation or divorce from their spouse, their retirement income outlook is particularly concerning
  - if their partner passes away, unlike a couple who can receive both OAS/CPP, the single woman loses one of these payments and, if the survivor is aged 65 or older, receives 60% of the contributor’s retirement pensions, if the surviving spouse or common-law partner is not receiving other CPP benefits under CPP survivor benefits. While this loss of income would apply regardless of gender, it is the likelihood of the female outliving the male partner along with their higher level of financial dependency on their spouse/partner which makes this an issue specific to single women. And, for those in the \$40,000 income bracket, losing about \$12,000 in income is significant, versus a couple who could expect to receive approximately 65% income replacement.
- Immigrants and newcomers – these groups often face a language barrier and, in order to effectively reach them, almost half of participants expressed the view that training should be provided in their first language via cultural brokers. Their needs are viewed as being fairly specific: identifying what they are eligible for as well as helping them to understand the differences between payday lenders and mainstream financial institutions. Financial literacy training would need to be developed in a way that takes into account the cultural norms in terms of who, in the family, handles the money.
- Aboriginals – while there is no hard data on financial abuse within this community, a number of those interviewed agreed that Aboriginal seniors are a potentially highly vulnerable group given other factors (i.e., levels of poverty, health status and health conditions, generally lower levels of education relative to other groups) and should be a priority target for increased financial literacy

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<sup>36</sup> *Income Adequacy Among Canadian Seniors: Helping Singles Most*, Philip Bazel and Jack Mintz, The School of Public Policy, University of Calgary (Volume 7, Issue 4, February 2014).



training. Additionally, it was the opinion of some interviewees that Aboriginal seniors tended to avoid mainstream financial products and services. In part, this was a factor of geographic location, but more predominantly viewed as a result of basic cultural and attitudinal differences.

- Mentally Ill – people with a long history of mental illness have often alienated their family members and support systems and, as a result, can't count on their support or advice. In addition, for some, mental illness emerges later in life – dementia is accompanied by depression – and these are new issues for families to come to grips with. This group will find themselves more vulnerable from the perspective of their financial literacy skills and abilities. The implications for those considering how to focus future financial literacy initiatives are many and diverse, including the need for those battling mental illness to be able to access financial advice, information and resources from credible sources, but also the impact of mental illness on one's ability to manage one's own finances and to process any information intended to provide assistance in this respect.
- Less educated/low income – those who are less educated are less likely to seek out assistance to improve their financial knowledge and understanding on their own. For example, those who had entry level jobs for most of their working lives will likely be more in need of assistance than others. The research is showing that mainstream financial advice is not as appropriate for these groups as it should be – the financial advice to low income seniors is often wrong and potentially harmful. For example, people who have incomes low enough to qualify for GIS should be advised to plan carefully so as to ensure that their income sources do not reduce their GIS entitlement or disqualify them altogether.<sup>37</sup>
- Disabled – there is a high correlation between disability and poverty/low income.

#### **4. Technology and Access to Information**

Several of those interviewed emphasized the impact of technological advancements and access to the Internet as key issues which have a significant impact on both quality of life and financial management capability for the current cohort of Canadian seniors. While this may not be a significant issue for those currently in their '40's, many interviewees felt that those who are now aged 70 or older are the ones who are currently facing significant stress stemming from automation and the overlay of technology in the financial service sector.

For many within this group, the technology revolution has occurred at a pace which has been challenging for them to sufficiently grasp in order to be able to benefit adequately from the various online communities which exist as well as the wealth of information now available. Rather than being viewed as empowering, some seniors find technology a disincentive at best and a complete barrier at worst both in terms of general information and specifically accessing their own finances.

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<sup>37</sup> Maximizing GIS: A Background Paper on Retirement Financial Planning for Canadians with Very Low Incomes, John Stapleton, Open Policy Ontario.



*“Access to information has exploded and perhaps what they [seniors] need more than anything else is a Geek Squad to make sure they are properly set up. Then they become part of the online community ... technical literacy, general literacy and financial literacy [will allow them to participate] in online social gathering places for individuals on financial issues.”*

As a number of interviewees indicated, the issue of developing an increased comfort level and facility with technology is perhaps one of the most important skill-sets to address. In terms of improving financial literacy among seniors it is vital to work with this group and those heading into their senior years to enhance digital and computer literacy skills.

*“One of the challenges is that everything has become more complex and more automated, and more linked to technology. The systems and structure have changed and people will not be catching up with it for 20 years. I think being connected for seniors has meant going to a bank and talking to somebody. That helps them to make good choices and keep themselves safe. But, everything has become passwords and code numbers and they’re giving financial incentives to seniors to go on Internet banking. And, that puts people at risk. It undermines their ability to get everything done and to plan things out.”*

As one interviewee commented: *“There’s a huge opportunity with the Internet, but not a lot of support for seniors to help them learn all this new stuff.”*

#### **D. Common Financial Issues and Challenges Facing Seniors**

According to those interviewed, seniors facing an array of financial issues and challenges, some of which have been alluded to in previous sections. For the sake of completeness, these and other issues identified are summarized in the chart below, along with recommended solutions where they were offered.





### Key Financial Issues and Challenges for Canadian Seniors

ISSUE OR CHALLENGE	SPECIFICS	POSSIBLE SOLUTIONS AS IDENTIFIED BY INTERVIEWEES
<p><b>Training of Financial and Investment Advisors</b></p>	<ul style="list-style-type: none"> <li>• The commission-based compensation structure for investment advisors is viewed as pressuring those advisors to recommend seniors borrow to increase their assets under management.</li> <li>• About one-third of interviewees expressed the view that banks and other financial institutions often take a ‘one size fits all’ approach to advising clients. But, for a low income senior, receiving the same advice to save and/or put money in RRSP’s may mean that they are worse off as a portion of this is clawed back.</li> <li>• Seniors do not receive a consistent experience from one bank or financial institution to another in terms of financial advice</li> </ul>	<ul style="list-style-type: none"> <li>• Financial institutions and advisors need to be made more aware of the distinctions between sub-groups of seniors.</li> <li>• There should also be increased accountability in dealing with low income customers.</li> <li>• Employees of financial service providers that have a significant proportion of seniors as clients should receive ongoing training specific to this group. For those talking with clients about investments, mortgages and RRSPs, more comprehensive and regulated training is recommended.</li> <li>• If this is not already being done, continuing education credits should be offered to bank employees.</li> </ul>
<p><b>Investor Education</b></p>	<ul style="list-style-type: none"> <li>• This is not an issue specific to seniors – many don’t understand the process of investing, are relatively uninformed and don’t carefully vet who they are dealing with, the products they are buying or the risks inherent in some products.</li> </ul>	<ul style="list-style-type: none"> <li>• Information needs to be created for the investor as well as for the dealer community.</li> <li>• For the investor, information and resources should focus on the gaps, going beyond the information that is currently being offered via Prosper Canada, FAIR and even through high schools.</li> </ul>



ISSUE OR CHALLENGE	SPECIFICS	POSSIBLE SOLUTIONS AS IDENTIFIED BY INTERVIEWEES
<p><b>Multiple Streams of Income and Tax Management</b></p>	<ul style="list-style-type: none"> <li>• Once in retirement, seniors must manage a number of income streams – government and corporate pensions, their own savings vehicles – and taxes.</li> <li>• Seniors need more information on the most tax efficient ways to draw down on their savings and investments during retirement. There are few advisors who are proficient or specialized in this area, and those who are tend to be concentrated in the larger urban centers.</li> <li>• Tax filing is a huge issue for seniors and specifically, those in low income groups.</li> </ul>	<ul style="list-style-type: none"> <li>• Increase number of tax filing clinics. Some interviewed felt this was of particular importance for low income seniors.</li> </ul>
<p><b>Services Targeting Middle and Lower Net-Worth Individuals</b></p>	<ul style="list-style-type: none"> <li>• Many of the financial services target high net-worth individuals (usually \$500K-\$1M in to invest). These seniors have access to accountants, lawyers, private banking services.</li> <li>• Those in the middle group have trouble finding ‘sensitive’ specialists.</li> </ul>	<ul style="list-style-type: none"> <li>• More customized service offerings and better training of financial services advisors on financial planning for lower net-worth individuals.</li> </ul>
<p><b>Forward Planning</b></p>	<ul style="list-style-type: none"> <li>• The Canadian Financial Capability Survey flagged a number of issues including the fact that higher and middle income seniors are not doing as much forward planning (i.e., estate planning) as is advisable. While they are planning for their retirement, they are not thinking as much about intergenerational transfers.</li> </ul>	



ISSUE OR CHALLENGE	SPECIFICS	POSSIBLE SOLUTIONS AS IDENTIFIED BY INTERVIEWEES
<p><b>Technology</b></p>	<ul style="list-style-type: none"> <li>As noted earlier, the shift to paperless bills, e-retail transactions, the movement away from paper cheques in addition to other electronic-based transactions (i.e., the Canadian Payments Association is examining the possible transition to electronic payments) is affecting seniors who have relied principally on cash transactions.</li> <li>As the structure and platform of financial systems change, this presents significant challenges for seniors who have developed habits around financial practices based on their life experiences.</li> </ul>	<ul style="list-style-type: none"> <li>For the time being, continue to offer parallel paper-based delivery mechanisms with respect to payment systems and invoicing.</li> <li>Financial literacy initiatives should also take into account the current generation of seniors' heavier reliance on hard copy as well as traditional media (radio/television), in addition to web-based information campaigns and resources.</li> <li>For web-based information and resources, government sites need to be more heavily promoted and more readily accessible (i.e., easy to find and identify as such) as these sites are more trusted and credible.</li> </ul>
<p><b>Fraud and/or Financial Abuse</b></p>	<ul style="list-style-type: none"> <li>Data appears to suggest that seniors in their '70's are the most vulnerable because they are the group that is least likely to regularly check their bank accounts.</li> <li>Financial abuse is also linked to dependency and isolation as well as the financial situation of some seniors (i.e., those who may not have planned well enough may be more susceptible to a 'quick fix').</li> <li>Some staff at financial institutions do not demonstrate an understanding of seniors' rights when it comes to the privacy of their personal and financial information.</li> <li>Some concerns were raised by interviewees regarding family members who are given information by banking staff and who then, whether out of honest attempts or malicious behaviour, make decisions that do not benefit the senior.</li> </ul>	<ul style="list-style-type: none"> <li>Financial service providers should ensure the interests of seniors, as their customers, are respected and protected, particularly in cases where a family member may exert undue or contrary influence.</li> <li>Financial service provider staff need to be better trained to identify real frailty and lack of capacity in seniors as opposed to those who suffer from hearing or visual impairments.</li> <li>Greater transparency required in terms of banking practices in dealing with seniors and more disclosure.</li> <li>Seniors need better advice around power of attorney in order to make informed decisions.</li> <li>General awareness raising and improved financial literacy skills should positive impact this issue.</li> </ul>



ISSUE OR CHALLENGE	SPECIFICS	POSSIBLE SOLUTIONS AS IDENTIFIED BY INTERVIEWEES
<b>Complexity of Financial Systems</b>	<ul style="list-style-type: none"> <li>Seniors are now having to navigate increasingly complex financial systems which are vastly more complicated than managing a basic chequing or savings account.</li> <li>Additionally, financial supports are now available but through multiple levels of government (municipal, provincial, federal)</li> </ul>	<ul style="list-style-type: none"> <li>Any intervention requires providing acceptable, relevant and customized information to the client in a way that the client can access.</li> <li>Seniors need more face-to-face delivery mechanisms versus a digital application which may be more appropriate for a younger population.</li> </ul>
<b>Cost of Care</b>	<ul style="list-style-type: none"> <li>The data are clear on the trendlines for seniors in terms of the proportion of expenses which are directed to health services and health care as well as their increased use of the health care system, especially as they move into their '80's.</li> </ul>	
<b>Financial Planning versus Management</b>	<ul style="list-style-type: none"> <li>Planning for one's financial future does not begin early enough.</li> <li>And, even when planning does occur, executing may become an issue in terms of translating knowledge into actual behaviour.</li> </ul>	<ul style="list-style-type: none"> <li>Pre-retirement workshops.</li> <li>Peer support and/or advice.</li> <li>Better understanding of gap between knowledge and behaviour.</li> </ul>
<b>Cognitive Ability</b>	<ul style="list-style-type: none"> <li>A general loss of cognitive ability (not necessarily dementia) can lead to challenges around making long-term decisions, planning and implementation.</li> <li>Memory lapses become more frequent.</li> <li>Increased susceptibility to fraud/scams.</li> </ul>	<ul style="list-style-type: none"> <li>Advisors and those working in the financial services sector should be better trained to recognize symptoms of cognitive impairment.</li> <li>Given potentially varying levels of cognitive ability, approaches to literacy training should reflect this (i.e., not a homogeneous approach).</li> </ul>
<b>Ageism</b>	<ul style="list-style-type: none"> <li>Society tends to place more value on those considered to be productive, so as seniors leave the workplace, they lose their 'value.'</li> <li>This may be changing as seniors increasingly remain in the labour force.</li> </ul>	



## 1. Specific Financial Literacy Skills Required by Seniors

In addition to the above-mentioned list of issues and challenges facing seniors, which have key implications for designing financial literacy programs, interviewees suggested a number of very specific skills or abilities that seniors should develop, including:

- Identification of desired life/financial goals at specific stages throughout one's life;
- How to build, implement and stick to a financial plan in order to meet life goals;
- Surviving on a fixed income;
- Understanding what is required in savings and what level of spending can be supported by one's budget;
- Understanding what credit means and the degree of flexibility available with decisions around credit;
- Total expenses/bills and their impact on the 'bottom line';
- Understanding the degree of 'bandwidth' available (i.e., finding and implementing strategies to avoid living from pay cheque to pay cheque);

The point was made that seniors, as with other segments of the population, need to better internalize the value of understanding one's own finances, that doing so is empowering and will serve to put the individual on a path to success.

## 2. Identifying Cognitive Abilities and Skills Required

Most of those interviewed were reluctant to venture opinions as to the basic cognitive skills required in order to effectively manage one's finances. Many simply felt they did not have adequate knowledge or expertise. Additionally, they were hesitant to make generalizations about the effects of aging and its impact on seniors' cognitive capabilities, in recognition that aging does not affect everyone in the same way.

At the same time, there was a general consensus that the aging process is likely to create a series of challenges to varying degrees.

*“This is a challenging one. This stuff is hard. Dealing with financial affairs is challenging for all Canadians. Not only do you need to have cognitive skills and build on that with additional confidence, but if your cognitive ability is deteriorating, it would be so much harder.”*



The issue of cognitive decline and diminished capacity, and its affect on an older individual's competence in the financial domain, has been the subject of some, albeit limited, study. The focus of these studies has been on understanding "where and when performance deficits occur, thereby indicating where external assistance and interventions may be required."<sup>38</sup> In 2000, a Financial Capacity Instrument (FCI) was developed to "assess domain-level financial activities and task-specific financial abilities in patients with dementia."<sup>39</sup> One of the critical aspects of studies of this nature is that an individual suffering some degree of diminished capacity, whether mild or more severe, must be able to recognize where and when these deficits occur in order to make effective decisions about their care, including their finances. Put more succinctly, an individual needs to be aware of and cognizant of their own deficits, which is often not the case. This is a complicating factor.

Many older persons, even those without a clinical diagnosis of dementia, face at least one of or a series of issues that could have implications both for their ability to manage their own finances, but also for their ability to effectively learn and implement advice intended to improve their financial literacy and administration. A certain level of 'executive functioning' (i.e., the integration of cognitive abilities such as language and memory) is required for effective decision-making.

Those interviewed suggested that the most common issues facing seniors, and which could impact their financial capability, pertain to losses in the areas outlined below. Again, many of these areas are either inter-related or are exacerbated when one or more are evident simultaneously.

- Memory
- Hearing and vision
- Organizational and planning skills
- Budgeting
- Motor skills (i.e., mobility)
- Independence
- Confidence
- Ability to articulate clearly

It's important to note that, for many older people, simple tasks can take on a degree of complexity, whether real or perceived. In addition, as some of those interviewed pointed out, more research is required to better understand, from the perspective of behavioural science, the gap between "knowing and doing." From the standpoint of financial literacy training, having more information on this topic is extremely vital as knowing what the right thing to do is only one aspect of financial management, while actually doing it is a separate

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<sup>38</sup> *Awareness of Financial Skills in Dementia*, L.E. Van Weilingen, H.A. Tuokko, K. Cramer, C. A. Mateer and D. F. Hultsch, Department of Psychology, University of Victoria (July, 2004)

<sup>39</sup> *Ibid.*



issue. It would be important to understand what barriers are preventing seniors from implementing appropriate financial strategies, among those who are aware of what those strategies are.

## **E. Improving Financial Literacy among Seniors**

The majority of those interviewed were somewhat less prolific on the topic of recommended approaches to improve financial literacy among seniors.

The suggestions that were put forward included the following:

- Unbiased personal financial counselling made available at critical life stages – when applying for CPP, for example. The advantage of this approach is that every single senior would move through this process, versus those who may/may not attend courses offered through non-profits or messages relayed via mass marketing campaigns.

### **1. Best Practices in Educating Older Persons**

Many suggested that financial literacy courses should incorporate best practices in adult learning and adult education techniques. Numerous recommendations were made, encompassing the following general best practice approaches:

- Honouring the wisdom in the room, recognizing the seniors' knowledge and experience
- Establishing an egalitarian and welcoming learning environment
- Instituting democratic learning approaches
- Offering flexibility in terms of pacing
- Being mindful of font sizes in presentation of information
- Using storytelling techniques and incorporation of information within social contexts
- Providing highly practical advice, issued in 'bite-size' pieces
- Incorporating videos and visual material preferred over booklets and texts
- Offering various times for courses (seniors generally do better in the morning versus later in the day or evening, depending on medications being taken)



A key recommendation in developing any information or courses targeting older people is to consider who the audience is, how they like to receive information and specifically how seniors learn. For example, one interviewee talked about using large print wall calendars to relay messages about financial fraud, recognizing that older women generally plan their days/weeks/months using a paper calendar which is located in a prominent place within the home.

## **2. Delivery Mechanisms**

There are a range of organizations and/or individuals within the community that should be leveraged to better connect with seniors and to broaden the opportunities to impart financial literacy communications and information. The principal recommendation from virtually all of those interviewed was to find out where seniors are and take the information to them, rather than assume that they will seek it out pro-actively

The basis for many of the suggestions offered by interviewees was that financial health is often related to other issues or has implications for other issues such as social connectedness and isolation or physical and mental health. Many felt that those outside the financial world didn't have an adequate understanding of this basic precept – that financial well-being is often at the heart of many other issues that individuals face, particularly as they age.

Those interviewed suggested extending the reach of financial literacy support out beyond the traditional financial providers to include:

- Social workers and social service organizations;
- Pharmacists; and
- Health/medical professionals

In order to properly equip these professionals, some interviewees spoke about the need for basic tools and resources so that they can respond quickly and accurately to questions. Prosper Canada is apparently piloting a project which aims to leverage current digital technologies in order to provide resources to these types of intermediaries. An online tool has been created, with print functionality, to empower intermediaries with the abilities and resources to be able to respond to commonly asked financial questions. A key feature of this tool, however, is that it will require constant updating in order to be accurate and for intermediaries to have confidence in its accuracy. While it has tremendous scalability to a broader range of potential audiences, it would be critical to ensure that the tool is properly resourced in order to maintain it as a repository of good quality and accurate information. Another proposed project is exploring the potential for medical professionals in a hospital to identify low-income patients that may be eligible for government benefits and to provide information.





Interviewees also underscored the need to leverage existing community-based resources, peers, and those places that seniors are most likely to frequent (i.e., grocery stores, pharmacies, libraries, knitting clubs, book clubs, etc.). Caregivers, including family members, should also be considered as they are often conduits for information, influencers or providing a considerable amount of assistance to seniors. Caution should be taken in any approach which involves bringing in a third party and allowing them access to personal financial information about the senior. Seniors should be directly involved in the decision as to whom is engaged on their behalf.

Additionally, in-person or higher touch approaches were generally favoured over use of the Internet to relay information to seniors. Speakers who are brought in to courses or seminars should also be trained or advised on communicating with seniors. The suggestion was made that speakers need to speak slowly and enunciate clearly. Repetition of key points is also advised. The approach taken should follow that recommended for any successful presenter:

- First, indicate what you are going to tell the audience;
- Following this up by telling them;
- Conclude by reminding them of what they've just been told.

Video was also recommended over print material as it cuts across the spectrum of those who have greater/lesser difficulty with reading written material.

Continuing to use traditional media (radio, television, public) was also recommended. Seniors who may have given up driving are likely to be using public transit more frequently while other seniors who are home-bound will generally, at a minimum, pay their cable bill to ensure access to television.

## **F. The Role of Government**

There was some difference of opinion as to the optimal role of government, although most agreed that, while government is in the best position to reach out to seniors as they pass through specific stages (i.e., eligibility for OAS and CPP), it should not specifically take on the role of program delivery. Rather, it should partner with and fund the various groups and agencies already playing, to varying degrees, this role. This would include non-profit and community-based organizations, adult learning centers, associations, etc.

Government is seen to have a number of advantages:

- Financial resources, for example offered through the New Horizons for Seniors Program which offers grants or contributions funding to programs for seniors, or led by seniors, that address one or more of the five programs objectives, including “expanding awareness of financial abuse;”<sup>40</sup>
- Broad reach;

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<sup>40</sup> More information on the New Horizons for Seniors Program, including funding amounts and eligibility criteria is available on the Employment and Social Development Canada (EDSC) website: <http://www.edsc.gc.ca/eng/seniors/funding/index.shtml>.



- Ability to partner;
- Credibility with the public and with many non-profits and other potential partners working in the financial literacy field;
- Viewed as unbiased.

As a result, there is support for government taking on a leadership role in this area. Suggestions were advanced that government should become a repository for available resources regarding seniors and financial literacy – providing information and best practices in this area.

### **G. Measuring Progress on Seniors’ Financial Literacy**

Progress on raising the level of financial literacy among seniors could be assessed via a combination of measures, qualitative and quantitative in nature. Those most frequently cited by interviewees as providing the best or most accurate measure of success are included in the table below.

**Proposed Indicators of Success**

<b>Quantitative Indicators</b>	<b>Qualitative Indicators</b>
<ul style="list-style-type: none"> <li>• Level of debt (reduced)</li> <li>• % of seniors filing taxes (increased)</li> <li>• % of seniors accessing benefits (increased)</li> <li>• Take-up on financial literacy courses and information (increased)</li> </ul>	<ul style="list-style-type: none"> <li>• Level of self-assessed financial stress (reduced)</li> <li>• Personal financial wellness scale (improved)</li> <li>• Self-assessed adequacy of income (stable or improved)</li> <li>• Self-assessed financial abilities (i.e., ability to plan ahead, make ends meet, budget, pay bills on time, manage their financial affairs, feel in control) (improved)</li> <li>• Sense of feeling well-supported by financial advice/advisors (positive/increased)</li> <li>• Sense that they feel they have access to support they need (positive/increased)</li> </ul>



## **Appendix A: Current Resources and Tools**



## Current Resources and Tools

While there are many organizations now offering general financial literacy programs, there are relatively few that target seniors specifically. The chart below is not intended to be a comprehensive list of organizations active in financial literacy for seniors but rather an overview of what is generally widely available.

ORGANIZATION(S)	RESOURCES AND/OR TOOLS PROVIDED
National Initiative for the Care of the Elderly (NICE) <a href="http://www.nicenet.ca">http://www.nicenet.ca</a>	Elder abuse and financial literacy pocket tools (online)
Advocacy Centre for the Elderly <a href="http://www.advocacycentreelderly.org/elder_abuse_-_introduction.php">http://www.advocacycentreelderly.org/elder_abuse_-_introduction.php</a>	Online information on elder abuse
Investor Education Fund (IEF) <a href="http://www.getsmarteraboutmoney.com">www.getsmarteraboutmoney.com</a>	General life events based online information – planning for retirement; living retirement; death and dying; and, caring for a loved one.
Federal Government <a href="http://www.seniors.gc.ca">www.seniors.gc.ca</a>	General information on benefits, taxation, and provincial resources
Financial Consumer Agency of Canada <a href="http://www.fcac.gc.ca">www.fcac.gc.ca</a>	Planning for retirement and general budgeting information targeted to seniors
Banks (reviewed the big six: TD Bank, RBC, National Bank, Scotiabank, CIBC, BMO)	Planning for retirement – extensive information on products and services such as RRSPs, TFSA, financial advisors. Retirement calculators and saving products.
Canadian Bankers Association <a href="http://www.cba.ca">www.cba.ca</a>	Announced a new program to be rolled out this fall: Your Money – Seniors (money management, fraud, and financial abuse)
Credit Canada Debt Solutions <a href="http://www.creditcanada.com">www.creditcanada.com</a>	Financial Tools for Seniors



## **Appendix B: Organizations Identified for In-Depth Interviews**



## Organizations Identified for In-Depth Interviews

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The following is a summary of the types of organizations that were identified following an environmental scan on the topic of financial literacy among seniors. In order to maintain the confidentiality of those interviewed, the specific individuals and organizations who took part in the in-depth interviews have not been identified. A total of 16 interviews were completed, broken out by type of group as follows:

- Advocacy (3)
- Not-for-Profit (3)
- Banks/FI's (1)
- Regulatory Bodies/Professional Associations (3)
- Academics (4)
- Miscellaneous (2)

The bulk of the interviews were completed in March, 2014 with a final interview conducted in early May as the analysis was ongoing.

As a result of the intervening Quebec provincial election, individuals based in Quebec were not contacted through the writ period. This resulted in a short delay in terms of the project timelines and required follow-up with these individuals.



## Appendix C: Interview Guide



## Interview Guide

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### SENIORS' FINANCIAL LITERACY: IDENTIFYING NEEDS, CHALLENGES AND SOLUTIONS

#### Introduction:

- Review purpose and nature of interviews:
  - The Government of Canada has made a commitment to improving Canadians financial literacy and to understanding the unique situation of seniors in this regard.
  - In the context of developing a Financial Literacy Strategy for Canada's Seniors, interviews are being undertaken with a select number of individuals and organizations who have some expertise in the fields of aging, seniors issues, or financial literacy.
  - Purpose is to obtain a better understanding of the kinds of issues and challenges that Canadian seniors are facing that could have an impact on their ability to make sound financial decisions. We are also looking for any feedback you could provide on how to develop strategies to address these issues (i.e., through information, programs and services).
  - This study is being conducted on behalf of the Financial Consumer Agency of Canada, with input from Economic and Social Development Canada.
- The interview will take about 45 minutes to 1 hour of your time.
- Any comments you make will be kept completely confidential. The report produced will not attribute comments back to individuals by name, without your express permission to do so. Rather, what will be reported is a summary and synthesis of comments.

***NOTE TO INTERVIEWER: Interviewees will be provided with a list of the topics/themes to be covered in the interviews in order to allow them sufficient time in advance of the interview to organize their thoughts and comments and/or to provide any relevant documentation.***

#### Interviewer to Confirm the Following:

Name of Interviewee: \_\_\_\_\_  
Organization Represented: \_\_\_\_\_  
Position/Title: \_\_\_\_\_  
Area of Expertise: \_\_\_\_\_  
Date/Time of Interview: \_\_\_\_\_

***NOTE TO INTERVIEWER: Some issues/questions may be more relevant to certain individuals and organizations than others. Judgment will be required regarding where and on what questions the interviewer should probe more deeply.***





### **Defining Seniors and Older Canadians:**

1. We are discussing issues facing seniors or older Canadians. These terms could be defined quite broadly or narrowly. How would you define seniors and older Canadians? Probe for:
  - a. By age or some other criteria?
  - b. Do you use the terms seniors and older Canadians interchangeably? If not, what is the main difference between these two terms?
  - c. Do we need to rethink our typical definition of seniors (as age 60 or 65 and older)? Is this still relevant today?
2. What are the key life stages or transition points for seniors or older Canadians? Probe for:
  - a. Are there key decision points for people as they age? What are they?
  - b. What do you feel are the implications from a financial perspective?

### **Standard of Living and Quality of Life for Today's Seniors**

3. In general, do you feel the quality of life and standard of living for today's seniors is about the same as, worse, or better than it was say 20 or 30 years ago? Explain. Probe for:
  - a. What are some of the ways in which seniors today are better off?
  - b. What are some of the way in which seniors today are worse off?
  - c. With respect to their financial situation specifically, are seniors today generally better off, worse off or about the same as they were 20 or 30 years ago?
4. What are the most common financial issues or challenges that you feel seniors today and in the near future do and/or will face? Probe for:
  - a. Planning for retirement/saving for retirement
  - b. General financial planning
  - c. Asset protection
  - d. Planning of wills/estates/funeral
  - e. Planning for future housing needs/loss of independence
  - f. Fraud/scams/abuse – what are the most common/what is the impact?
  - g. Debt management
  - h. Diminished capacity
5. What could be done to address these issues or challenges? Are some of them simpler to address than others? If so, which ones?
  - a. How could seniors be better prepared to address these challenges/issues? What can be done to help seniors address these challenges?
  - b. Are there any specific barriers preventing seniors from addressing some of these common financial issues (real or perceived)? What are they? What needs to be done to overcome the barriers?



### **Challenges Facing Seniors and Aging Canadians:**

We are specifically interested in seniors' financial literacy, and particularly the issues and circumstances that seniors could face that might have an impact on their ability to properly administer their own finances. For purposes of this discussion, we define financial literacy as having the confidence, knowledge, skills and abilities to make responsible financial decisions (i.e. make the right choices for one's own needs and deal with everyday financial matters).

6. Are there specific cognitive skills/abilities do you feel are required, at a fairly basic level, for seniors to be able to be able to manage their own finances? What would you look for or how might you assess whether an individual in their senior years still has these skills/abilities?
7. From a purely mental, physiological or medical perspective, what are some of the issues and challenges that we face as we age that would either directly or indirectly affect an older person's ability to manage their finances appropriately? Probe for:
  - a. Specific conditions
  - b. Prevalence of specific conditions in the population at large
  - c. Sub-groups of the population, if any, most affected
  - d. Impact of specific conditions on ability to demonstrate financial literacy
  - e. Strategies to ameliorate or address these conditions and counter adverse affects on ability to demonstrate financial literacy
8. What other issues or challenges, apart from those that are medical or physiological in nature, do seniors or aging persons face that could impact their ability to make sound financial decisions? Probe for the following (assess perceived prevalence of issue and possible strategies to address the issue):
  - a. Ageism/discrimination
  - b. Changing family structure/network
  - c. General loss of independence, exclusion, isolation
  - d. Abuse
9. Are there certain sub-groups of seniors that you think are more vulnerable in terms of their financial literacy skills and abilities? Probe for the following (identify specific issues for each sub-group and possible unique needs that should be addressed):
  - a. Low income seniors
  - b. Newcomers/immigrants
  - c. Single
  - d. Women
  - e. Aboriginals
  - f. Seniors living in rural/remote communities
  - g. Institutionalized seniors



**Improving Financial Literacy among Seniors:**

10. What kind of information, programs or tools do you think would help seniors, or do you believe seniors need, in order to assist them in better managing their money and finances, given some of the challenges you have identified? Probe for:
  - a. Where do you think the real gaps in understanding exist?
  - b. What aspects of handling financial matters do you feel that seniors are most confused about and/or do not handle particularly well?
  - c. Thinking about specific life events, what kinds of programs/tools could be developed around specific transitions or life events for seniors?
  
11. What are the best ways of delivering programs and services related to improving financial literacy to seniors? Who are they most likely to respond to?
  - a. Financial advisors/bankers
  - b. Educators
  - c. Community volunteers
  - d. Family members
  
12. What information, tools and resources should be developed for family members or care givers to help them effectively assist seniors with their financial administration?
  
13. And, what are the best ways of connecting with family members and care givers? Probe for:
  - a. Physicians offices
  - b. Lawyers offices
  - c. Financial counselors/advisors/bankers

**Best Practices, Roles and Responsibilities:**

14. Are you aware of any best practices either in the field of educating older persons or in developing financial literacy programs applicable to seniors that you could share? Probe for:
  - a. Specifics of best practices
  - b. Sources
  - c. Application to seniors
  - d. Relevance or adaptation to Canadian context (if best practice emanates from outside Canada)
  
15. To ensure that programs, tools and resources are specifically relevant to seniors, what kinds of adaptations need to be done and/or what needs to be taken into consideration?



16. What organizations, groups or individuals do you feel have the expertise required to develop, implement and deliver financial literacy programs to seniors? Who do you think should be engaged in developing these types of programs? Probe for:
  - a. What do you feel is the appropriate role for government?
  
17. Finally, how would you measure progress in terms of improving financial literacy among Canadian seniors? Probe for:
  - a. What is the evidence or indicators that you would look to in order to be able to demonstrate improvement?

**THANK YOU FOR YOUR PARTICIPATION. THESE ARE ALL THE QUESTIONS WE HAVE AT THIS TIME. IF YOU HAVE ANY ADDITIONAL THOUGHTS, PLEASE FEEL FREE TO E-MAIL OR CALL [PROVIDE INTERVIEWEE WITH E-MAIL ADDRESS AND TELEPHONE NUMBER].**