

**Financial help services for Canadians:
A wise investment in Canada's recovery and future resilience**

Submission to House of Commons Pre-Budget Consultations

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RECOMMENDATION

Invest \$15 million over two years to deliver financial help services to 500,000+ financially struggling Canadians, helping them to rebuild their financial stability and health.

This investment would enable Prosper Canada and its partners from all sectors across Canada to:

- ✓ **Develop and disseminate toolkits and training to quickly scale up delivery of virtual tax filing assistance** so that community organizations can once again safely deliver *Community Volunteer Income Tax Program* services to the **740,000+** low-income Canadians who depend on this help annually to access and retain urgently needed income benefits. To date, **200,000** of these individuals have not yet e-filed their 2019 taxes and risk losing critical federal income benefits – e.g. Canada Child Benefit, Guaranteed Income Supplement for Seniors, GST Credit.
- ✓ **Deliver free, expert benefit navigation and financial counselling services by phone and online to help financially struggling Canadians** to get income benefits, build a sustainable budget, manage their debt to avoid insolvency, and make a plan to rebuild their financial health. Canada has **14** established nonprofit *Financial Empowerment Champion* organizations that have helped **340,000+** vulnerable Canadians to build their financial health over the past **4** years, boosting their incomes by over **\$720 million**. Renewed funding will enable them to offer telephone and online delivery and significantly expand their service reach – province-wide in some cases. Funding for **5-6** additional organizations targeting underserved regions and groups can ensure services are available to all Canadians, including in rural, remote and Indigenous communities.
- ✓ **Maintain and promote a bilingual Benefits Finder portal to enable Canadians to access clear, easy to navigate, comprehensive information on emergency benefits and relief** offered by the federal and provincial/territorial governments and major banks, credit unions, utilities, and telephone and internet providers. Prosper Canada's [Financial Relief Navigator](#), launched June 23rd, has been used by **70+** nonprofits, United Ways, financial service providers and municipal governments to help **22,400+** Canadians to date to access emergency benefits and relief. Investment is needed, however, to sustain daily updating in French and English, promote the tool to more Canadians, and help transition to a permanent, national online Benefits Finder that includes all benefits – not just emergency relief.
- ✓ **Partner with large service providers, employers, and technology platforms to expand the reach of financial help services.** Large service providers and employers in all sectors are seeking ways to help their service users and employees to deal with the financial consequences of COVID-19. By providing training, toolkits and technical help to technology companies, banks and credit unions, large employers, and municipal/provincial government, we can leverage existing technology and service platforms, workplaces, and employee assistance programs to deliver financial help to more Canadians.

RATIONALE

Government relief measures are helping but not reaching everyone

There are important barriers preventing some Canadians from accessing relief measures.

Despite many Canadians' urgent need for emergency benefits and relief, some are struggling to get the help they need. A [Wellesley Institute survey](#) of 500+ community organizations providing services to vulnerable individuals showed **75%** of service users had trouble accessing the Canada Emergency Response Benefit (CERB). This study and [prior research](#) on barriers to accessing income benefits and [tax filing](#) highlighted the following challenges:

- **Not tax filing** – Only individuals who have filed their 2018 taxes can access federal Canada Child Benefit and HST/GST Credit top-ups, but **12%** of working-age Canadians [do not tax file](#). The share of non-filers is highest among [adults under age 25](#), [Indigenous Peoples](#), [visible minorities](#), and residents of the [northern territories](#). [Newcomers, the homeless](#), people with [disabilities](#), and the [self-employed with low incomes](#) also face challenges.
- **Difficulty navigating benefits** – Many vulnerable Canadians also have [trouble navigating the complex array of government benefits](#) due to: information, language, and literacy barriers; lack of identification and other documentation; not knowing where to get help; and fear of government. A recent [Wellesley Institute study](#) pointed to challenges navigating diverse and conflicting information sources, inaccurate media reports, and rapidly changing information.
- **Lack of digital literacy and/or internet access** – Many Canadians lack the [digital literacy and/or computer and internet access](#) to find benefit information and apply online. [Community organizations frequently cited](#) poor digital access (**57%**) and computer illiteracy (**50%**) as obstacles to accessing CERB. Only **63.5%** of Canadians in the North are [covered by LTE \(4G\) mobile networks](#). In 2017, **37%** of households in the lowest income quintile and **21%** in the second lowest quintile [lacked a home computer](#); and **31%** and **15%** respectively [did not have home internet](#).
- **Concern over repercussions of accessing emergency benefits** – CERB can cause problems when it interacts with other benefits, tax credits and in-kind supports, for some recipients triggering [monetary clawbacks](#) of **100+%** and/or [impairing eligibility](#) for other benefits. [Wellesley Institute survey](#) respondents indicated some people felt there were too many unknowns and did not apply. Others [feared clawbacks](#) and that they would have to pay back money they did not have. Undocumented workers were also concerned they would be [reported to immigration](#) officials.

Even with emergency benefits, many households are struggling to manage financially

Many households were financially unprepared to weather the current economic lockdown.

A steady [decline](#) in household savings rates over the past few decades has left many Canadian families with [relatively few savings](#) to see them through the earnings shock have been experiencing since March 2020. In a March 2020 survey, [Statistics Canada](#) found that **28.9%** Canadians had already reported that COVID-19 was having a moderate or major impact on their ability to meet financial obligations or essential needs.

Millions of Canadians are now struggling to adjust to job loss and sharply reduced incomes.

8.46 million Canadians have [applied for CERB](#) payments. Among CERB recipients [surveyed in July](#), **30%** reported being in “bad” or “terrible” shape financially. According to the [Bank of Canada’s analysis](#), the unemployment rate in April 2020 was worse than in the 2007–09 global financial crisis and those still employed were working far fewer hours. [Seasonally adjusted employment](#) dropped **9.2%** from [February to June 2020](#) and the [Bank of Canada](#) expects unemployment to remain well above pre-COVID levels through 2021.

Canada is facing an unprecedented wave of personal insolvencies this fall.

33% of households financially impacted by COVID-19 are [using RRSPs and TFSA savings](#) to make ends meet, while many households are relying on [loan payment deferrals or increased borrowing](#) to bridge income losses. Over **760,000** Canadians are currently [deferring payments](#) on **\$300B** of [consumer and mortgage debt](#) and Canada’s big six banks have projected **\$11 billion** in [consumer loan losses](#) by November 2020. In a [June 29 survey](#), financially impacted consumers estimated they could only keep up with their bills for **7** more weeks on average. Highly indebted households will be challenged by [rising debt payments](#) relative to their incomes when deferrals end this fall and the proportion of households with [debt-service payments over 40% of their income](#) is expected to rise, as will the [risk of insolvencies](#) the longer the income shock lasts.

Financially struggling Canadians have few places they can turn for financial help.

There are few financial counselling services available to low and moderate-income Canadians seeking help to manage through this crisis and rebuild their financial health. They cannot afford professional financial advice or financial advisors paid through investment product sales commissions. Most financial professionals also [lack expertise on tax credits and income benefits and basic money management strategies for lower income individuals](#). Nonprofit credit counselling agencies provide debt counselling and, in some cases, broader financial counselling, but are not present in every community. Fourteen nonprofit Financial Empowerment Champion organizations are currently piloting free tax filing, financial counselling and benefit navigation supports across Canada, serving close to 100,000 people annually, but funding for these services is scheduled to sunset over the next 3-8 months.

Canadians need access to financial help to weather the crisis and help drive our recovery

Successfully meeting Canadians’ financial help needs is critical to Canada’s economic recovery.

CERB and other emergency relief measures have largely done a good job putting a “financial floor” under the feet of most Canadians to ward off immediate hardship, but economic recoveries depend on consumer confidence and their willingness to resume spending that fuels broader economic growth. According to the [Bank of Canada](#), *“spending has fallen sharply since the pandemic hit ...because there have been fewer things to buy, but also because there has been a sharp drop in consumer confidence... We don’t know how consumer and business confidence will rebound, or whether the pandemic will lead to lasting changes in savings and spending habits.”*

There is a risk that high household debt levels will be a brake on our economic recovery

According to the U.S. Federal Reserve, the race to pay down excessive debt among low and moderate-income households was one of the [key reasons](#) for the United States’ historically slow recovery from the Great Recession. Aggregate Canadian household debt was **101.89% of Canada’s GDP** in Q1 2020-21 and our [household debt levels currently exceed those of U.S. households on the eve of the Great Recession](#),

[with delinquencies already trending steeply upward prior to the pandemic](#). Without help, many households will struggle to manage their debt and, because so many Canadians are affected, this will likely have real consequences for Canada's economic recovery.

Governments have responded admirably to the COVID-19 financial crisis, but the job is not yet done.

Canada's governments have responded with extraordinary speed, focus and unanimity of purpose to mobilize an extraordinary range of measures to financially stabilize households, jobs and businesses and. But for programs to work, we need to ensure they are reaching the Canadians who need them. This means making sure people can get the information and help they need to tax file, navigate new benefits, and retain existing benefits they rely on to pay the rent and put food on their table. We also need to make sure that everyone who has lost jobs and income can get the financial help they need to build a sustainable budget, manage their debt, and make a financial plan to rebuild their financial health. These steps will help Canadians to safeguard their financial, as well as physical health, and give them the financial confidence they need to participate fully in Canada's economic recovery when the time is right.

Other countries are investing in national financial help services for their citizens – we should too.

[Australia](#) (CDN\$19M), the [United Kingdom](#) (CDN\$65M) and [New Zealand](#) (CDN\$31M) have all made substantial investments in national money advice and debt counselling services to help households financially impacted by COVID-19. These investments build on previously established national money help programs to redress large scale weaknesses in household financial health. Canada needs to do the same.

The investment we are proposing will speed our recovery and build resilience against future shocks.

With a modest investment of just **\$7.5M** annually, we and our partners across Canada and from all sectors can help **500,000+** Canadians achieve financial stability and begin rebuilding their financial health. We can help parents and seniors to tax file and access the income benefits they rely on to make ends meet. We can help Canadians to better manage their debt and avoid insolvency. And we can help households with incomes to begin saving, building their financial resilience and longer-term security. The longer we wait, however, the steeper the price Canadians will pay for circumstances they cannot prevent or navigate effectively without financial help. If we act now, however, we will be laying the service infrastructure to speed Canada's economic recovery and build Canadians' financial resilience against future emergencies and economic shocks.

Making financial help available to struggling households now is the best buffer against future uncertainty for Canadians and Canada and a wise investment in everyone's future.