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Public Opinion Research ► ►
**National Report Card
on Youth Financial Literacy**

Executive Summary



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National Report Card on Youth Financial Literacy



THESE MATERIALS ARE NOT INTENDED TO PROVIDE SPECIFIC FINANCIAL INVESTMENT, TAX, LEGAL OR ACCOUNTING ADVICE, AND SHOULD NOT BE RELIED ON FOR THAT PURPOSE.

THESE MATERIALS ARE INTENDED FOR USE AS GENERAL INFORMATION TO UNDERSTAND YOUTH FINANCIAL LITERACY IN CANADA. THE CONCLUSIONS DRAWN AND OPINIONS STATED ARE THOSE OF THE PUBLISHER. THE DATA IS CURRENT AS OF SEPTEMBER 2011.

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A full version of this report can be found at www.bsc.bc.ca and www.investright.org

About this Study

This is the first comprehensive Canadian benchmark study on youth financial life skills. The British Columbia Securities Commission (BCSC) hired Innovative Research Group to assess the effectiveness of secondary school financial education programs — specifically, financial literacy outcomes (knowledge, attitudes, awareness) — and in preparing young Canadians as financial consumers (behaviours). The BCSC believes that the information and analysis in this study will help educators and policymakers develop and deliver financial literacy programs for Canadian youth.

Financial literacy means having the knowledge, skills and confidence to make informed and sound financial decisions.

Many students currently leaving high school — and many adults — have weak financial skills and little knowledge of the financial realities they will face. As a result, they make costly mistakes, and are more vulnerable to scams and frauds.

By teaching students financial skills, we can give them the practical abilities and knowledge they will need to effectively manage their finances and achieve their goals.

A key component of the BCSC's mandate is to protect and promote the public interest by fostering a securities market that is fair and warrants public confidence. Youth with strong financial life skills become informed investors and contribute to a fair securities market.

Key Findings

The National Report Card on Youth Financial Literacy (NRCYFL) survey of over 3,000 recent Canadian high school graduates — *most of which are currently enrolled in a post-secondary program* — finds that they have lofty expectations for their future. Respondents report expected earnings in 10 years to be roughly three times the national average. A majority believes it's likely that they will purchase a home in the next 10 years, and most believe they'll be financially better off than their parents.

Although this group of young peoples' attitudes toward sound financial management is in the right place, in practice, many lack the financial behaviours that are important to future success.

With efforts underway across the country to improve financial literacy skills for young Canadians, a core objective of the NRCYFL was to answer whether secondary school financial literacy curriculum is making a difference in financial life skills outcomes.

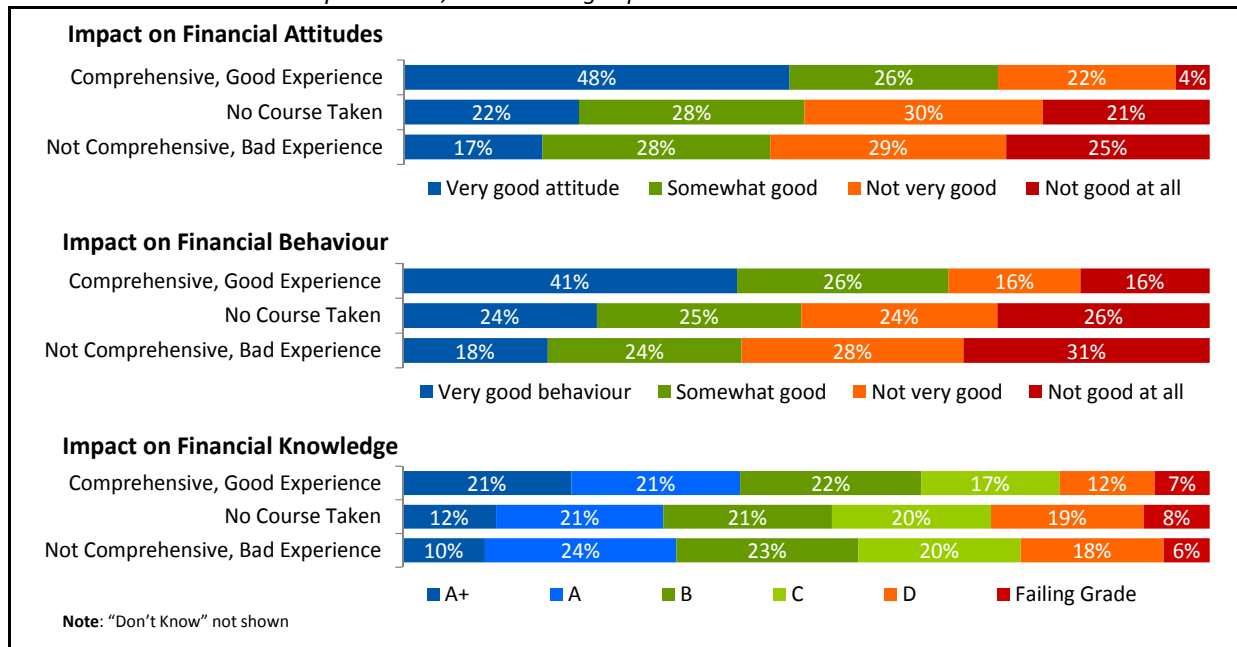
The results of this survey show that students who took both *comprehensive financial literacy courses* and had *good experiences* with them perform better when it comes to positive financial attitudes, behaviour and knowledge. Simply having taken a financial literacy course or not having taken one at all

has little impact on financial attitudes, behaviour and knowledge. To have an impact, courses need to be both comprehensive and delivered in an *effective and interesting* format. Having a bad course experience produces financial literacy outcomes similar to having not taken a course at all.

Nationally, less than half of recent high school graduates recall taking a course that covered topics in personal finance.

The graph below illustrates the impact that taking a comprehensive personal finance course with a good learning experience has on financial attitudes, behaviours and knowledge relative to no course at all and a course with a bad learning experience.

Graph: Financial literacy outcomes by Comprehensive Personal Finance Course with a Good Learning Experience vs. No Course Taken vs. Not Comprehensive, Bad Learning Experience



Study Highlights

Expectations

For the most part, high school graduates are very optimistic about their future. The median survey respondent expects to earn \$70,000 in 10 years' time (more than double the reported income of Canadian post-secondary graduates 10 years their age) and almost three quarters expect to purchase a home within 10 years, which is a much higher rate than actual home ownership.

- The average survey respondent expects to earn \$90,735 in 10 years; roughly three times the average income of 25 to 29 year-olds with post-secondary degrees (\$31,648) according to Statistics Canada's 2006 Census data.
- The median survey respondent expects to earn \$70,000 in 10 years. According to the 2006 Census, the median income for a 25 to 29 year-old with at least a high school diploma is \$26,000. Even among Canadians between the ages of 25 and 29 who have a post-secondary degree, the median income is only \$29,000.
- Nearly 3-in-4 (73%) expect to own a home within the next 10 years; according to estimates by Statistics Canada, only 42% of 25 to 29 year-olds are homeowners.
- A large majority of respondents (81%) believe they will be financially better off in life than their parents.

Youth Experience with Debts & Savings

Debts ▶▶

- Over half (51%) of respondents carry debt, which for nearly 7-in-10 (69%) includes a student loan. Respondents also have loans from family members (27%), outstanding credit card balances (25%) and lines of credit (14%).
- Among those who carry debt, the average debt load is just under \$8,000.
- In order to repay their debts, almost half (48%) set aside money from employment, while a quarter are doing nothing.
- Among those with a student loan, almost half (49%) say they will definitely or very likely pay it off in 5 years. However the real numbers tell us a different story. Student debt has nearly reached a record high at \$15 billion according to the 2010-11 actuarial report released by the Federal Government.

Savings ▶▶

- Nearly 8-in-10 respondents say they are saving for their education, followed by vacations (27%) and emergencies (26%).
- 60% of respondents already have money set aside for the future. Almost all keep their savings in their bank accounts (90%), while far fewer report having GICs (12%) or mutual funds (10%) or other savings vehicles or investments.

Attitudes

Recent high school graduates are “talking the talk” when it comes to attitudes towards financial literacy. For the most part, recent high school graduates have the right attitude.

- A majority (93%) agree it is important to learn about finances at an early age.
- Again, 93% agree it is important to build up personal savings.
- 67% agree that they know where to look to learn about investing and personal financial management.
- 60% agree it’s important to have a written financial plan.

Behaviours

However, in many cases young Canadians are not “walking the walk” when it comes to financial behaviours. Many lack the financial behaviours that are important to future success:

- Less than half (44%) keep a budget to record income and expenses.
- Very few respondents, 1-in-10 (12%) have written financial plans.
- Nearly 4-in-10 (38%) respondents admit they do not know how much they earned and spent in the last month.
- 13% of respondents have shared financial passwords or PINs, while 6% have been the victim of fraud or ID theft.
- A majority does not know the interest rate on their bank account (58%), nor did they shop around for their banking services (65%).
- 37% pay monthly banking fees, but only 62% know how much those fees cost.

Knowledge

Although many recent high school graduates do relatively well on financial knowledge testing, some do better than others. Respondents were asked to complete a basic financial literacy test to measure their knowledge. Nationally, 35% of graduates scored an “A” or higher on the basic financial literacy test. Over 4-in-10 (42%) British Columbia (BC) graduates scored an “A” or higher on our basic financial literacy test. This was followed by graduates from Alberta at 37% and the Prairie provinces at 36%.

Table: Respondent grades based on basic financial literacy test

	National	BC	Alberta	Prairies	Ontario	Quebec	Atlantic
A+	13%	16%	12%	16%	12%	11%	11%
A	22%	26%	25%	20%	21%	20%	22%
B	22%	21%	25%	28%	20%	21%	28%
C	19%	16%	18%	19%	18%	23%	13%
D	17%	13%	15%	11%	20%	17%	18%
F	8%	7%	5%	7%	9%	7%	8%

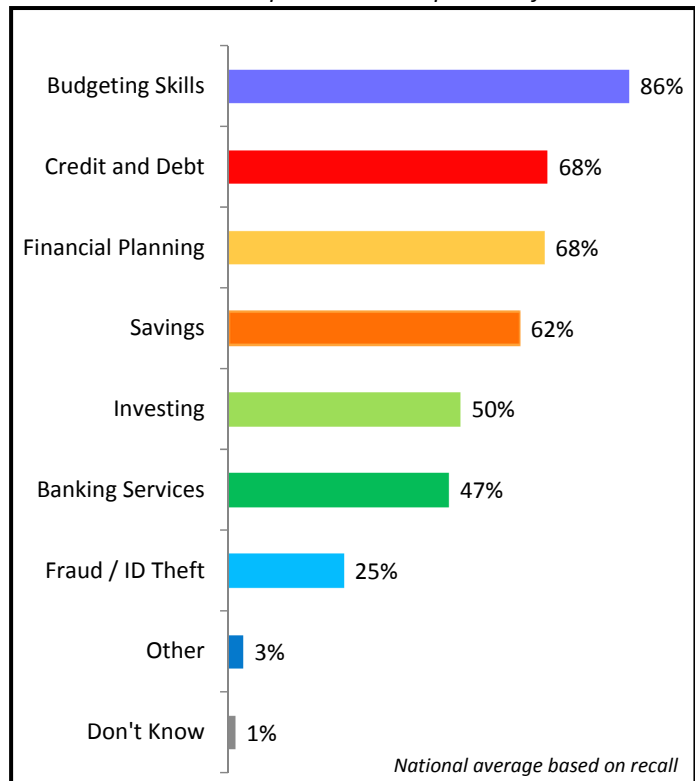
Note: An “A+” represents scores of 90% or more on the test; “A” 80-89%; “B” 70-79%; “C” 60-69%; “D” 50-59%; “F” less than 50%.

In-class Experience with Financial Literacy

Nationally, only 45% of recent graduates recall taking a course that covered topics on personal finance. BC and Alberta grads are most likely to recall having taken a high school course on personal finance (60%) while Ontario and Prairie province grads are least likely to recall having taken courses that covered personal finance in high school (37% and 38% respectively).

- Among those who took a personal finance course in high school, a majority agree (84%) the financial courses they took were relevant to people like them.
- 57% agree that their personal finance course has helped them manage their finances today.
- Less than 2-in-10 (19%) respondents agree that as a young adult, they know everything they need to know about personal finance.
- Over 7-in-10 (71%) agree that more time should have been spent teaching personal finance in high school.

Chart: Financial topics covered in personal finance courses



Impact of Secondary School Financial Literacy Courses

Having taken a secondary school course in personal finance makes a difference. Those who have taken a course score slightly higher on our attitude, behaviour and knowledge indices, though not substantially so. The effects are more pronounced with regard to respondents' financial attitudes than their behaviours or knowledge.

Not all financial literacy courses are created equal. Having taken a “very comprehensive” course – that is, a course or courses that covered multiple personal finance and financial skills topics – makes one much more likely to have higher scores on our attitude, behaviour and knowledge indices. However, those whose courses were “somewhat comprehensive” or “not very comprehensive” score no differently than those who did not take a course at all.

Not all financial literacy courses are effective. Having a “good learning experience” with a personal finance course makes one much more likely to have higher scores on our attitude, behaviour and knowledge indices. However, those who had a “bad learning experience” largely score no differently than those who did not take a course at all, and in some cases score more poorly (especially with regard to financial behaviour and attitudes).

Methodology

This survey was conducted by Innovative Research Group Inc. through an online survey among a representative sample of 3,006 Canadian high school graduates, 17 to 20 years of age. The interviews were conducted between September 7th and September 26th 2011 in both French and English.

The youth sample was provided by Uthink Online. The survey was administered to a series of randomly selected respondents from Uthink Online’s research panel. The survey was weighted to ensure that the overall sample's composition reflects actual young Canadian high school graduates between the ages of 17 and 20 according to 2006 Census data, in order to provide results that are intended to approximate a probability sample. Uthink Online provides each panellist with a unique URL. Only invited panel members are able to complete the survey, and only once.

Prior to fielding this study, the questionnaire was pre-tested among Francophone and Anglophone panelists. They were given special instructions to complete the survey independently, and then they completed the survey with an interviewer. With the interviewer, they went through the survey, question-by-question, providing feedback on comprehensiveness, completeness, and whether the questions were ordered logically.

A probability sample of this size would have an estimated margin of error of +/-1.8 percentage points, 19 times out of 20. The margin of error will be larger within each sub-grouping of the sample.

About the British Columbia Securities Commission



Our mission is to protect and promote the public interest by fostering:

- A securities market that is fair and warrants public confidence
- A dynamic and competitive securities industry that provides investment opportunities and access to capital

Our vision is to play a leading role in securities regulation that inspires investor confidence and supports fair, efficient, and innovative Canadian capital markets.

A key goal of the BCSC is to help investors protect their financial interests. We have developed InvestRight.org to provide investors with the tools to research and assess potential investments, and protect themselves from unsuitable or fraudulent investments.

We have a comprehensive youth education program and resource, called *The City* to help BC high school teachers teach students the fundamentals of managing money as part of the province's Planning 10 program.

We partnered with the Financial Consumer Agency of Canada (FCAC), and adapted the resource to an online format and a national audience in both official languages. *The City* is now widely used in all provinces and territories.

www.bcsc.bc.ca

About Innovative Research Group



Innovative Research Group Inc. is a national public opinion research and strategy firm with offices in Toronto and Vancouver.

We provide critical information needed to assess and overcome public affairs and corporate communications challenges, identify and evaluate potential solutions, and monitor outcomes.

www.innovativeresearch.ca