

# CANADA'S FINANCIAL WELLNESS LAB

DC Plan Summit  
Chateau Montebello  
Feb 22<sup>nd</sup>, 2023



# WELCOME



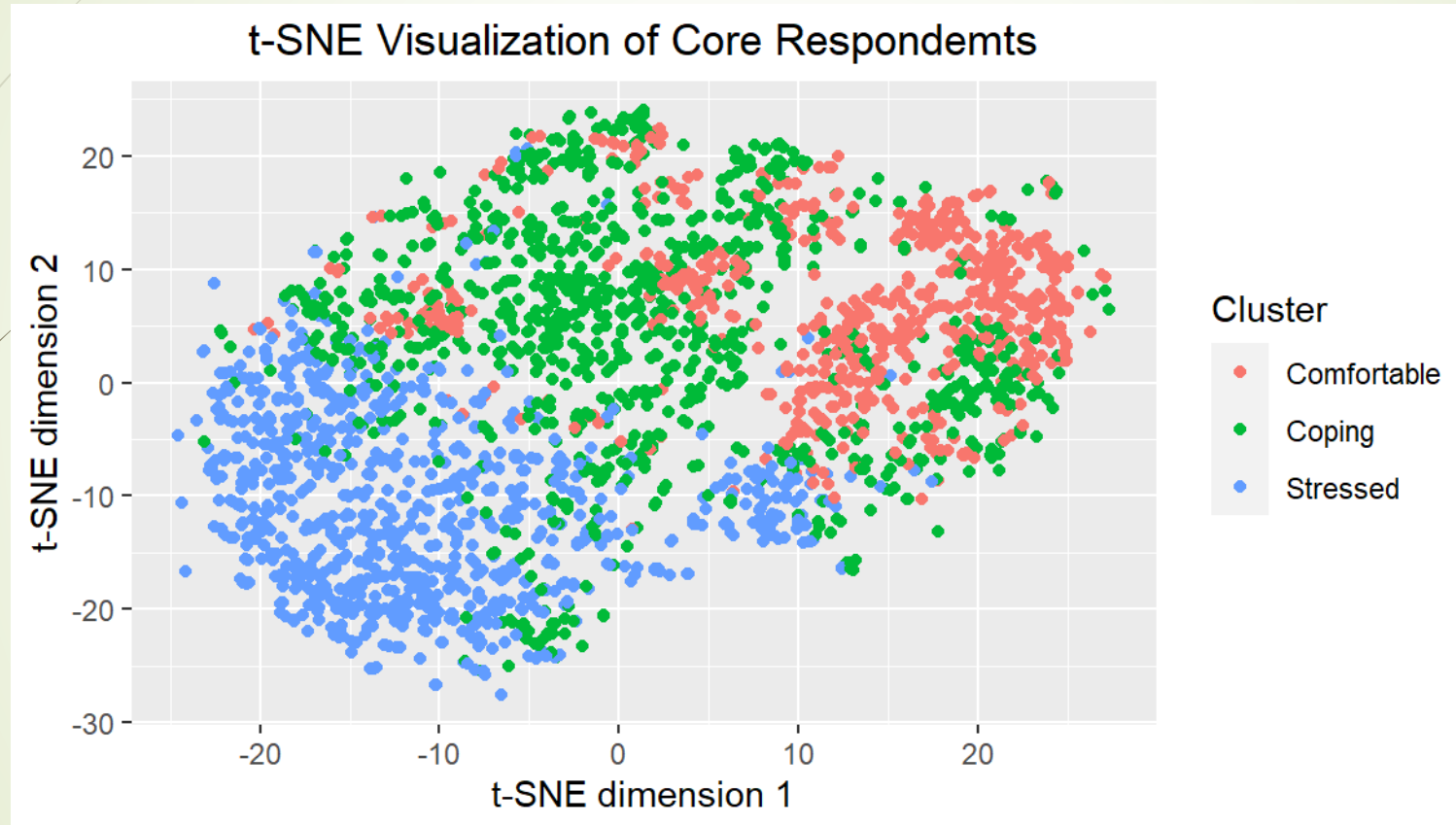
# CANADA'S FINANCIAL WELLNESS LAB

- Launched in 2021 with a mandate is to develop quantitative finance and data analytics solutions that will enable Canadian households to enhance their financial resilience.
- The Lab resides in Western University's Faculty of Science, leveraging strengths in actuarial science, financial modelling and data science.
- Academic partners from Ivey Business School, Wilfrid Laurier University, UBC Okanagan and the University of Winnipeg
- Four industry partners - the National Payroll Institute, Aligned Capital Partners, Ceridian and LifeWorks – who are providing anonymized data and funding

# WHAT DO WE KNOW (SO FAR)?

- 2/3<sup>RD</sup> of Canadians are stressed or vulnerable
- Financial stress is impacting their physical and mental health
- And, in turn, impacting their workplace productivity
- Income is important but it doesn't define the probability of financial wellness
- Spending, saving and debt are the primary drivers
- Savings trump returns & investment choices
- Literacy won't hurt but it doesn't drive behaviour
- One size does not fit all – interventions need to be personalized

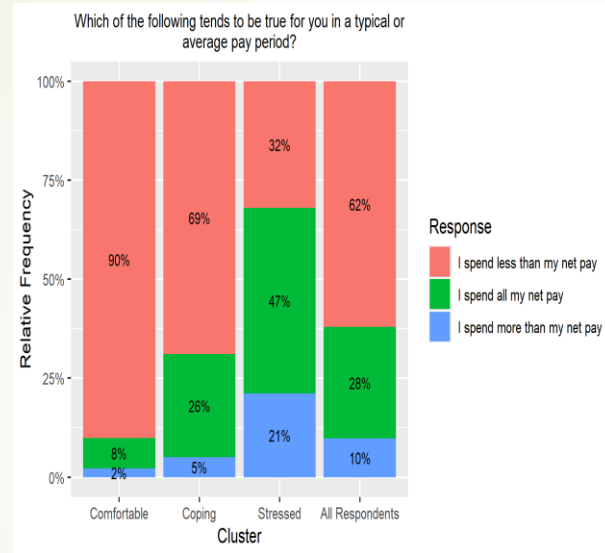
# HOW DO WE KNOW IT?



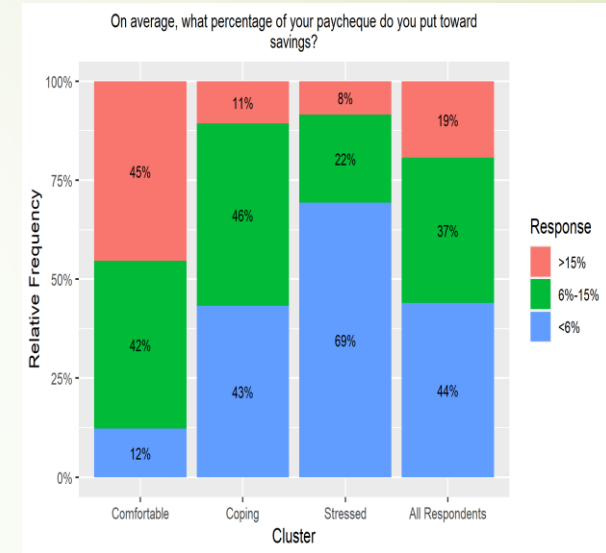
The 12-year pattern in the clustering results remains unchanged.

# THE THREE SISTERS DEFINE WELLNESS

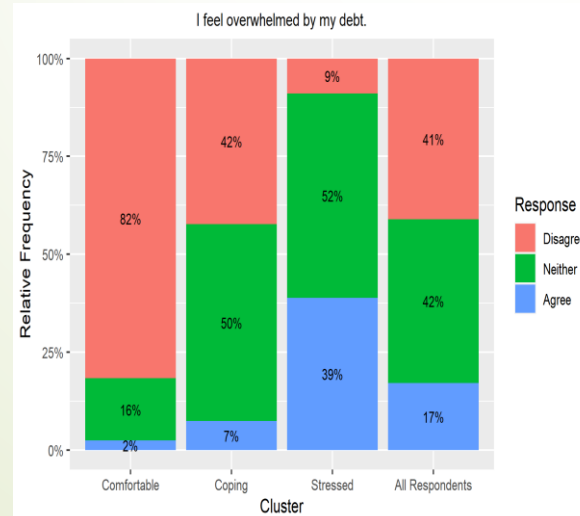
## Spending



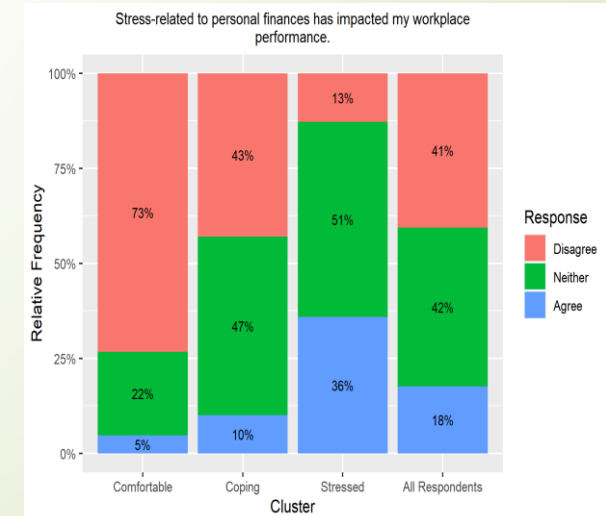
## Savings



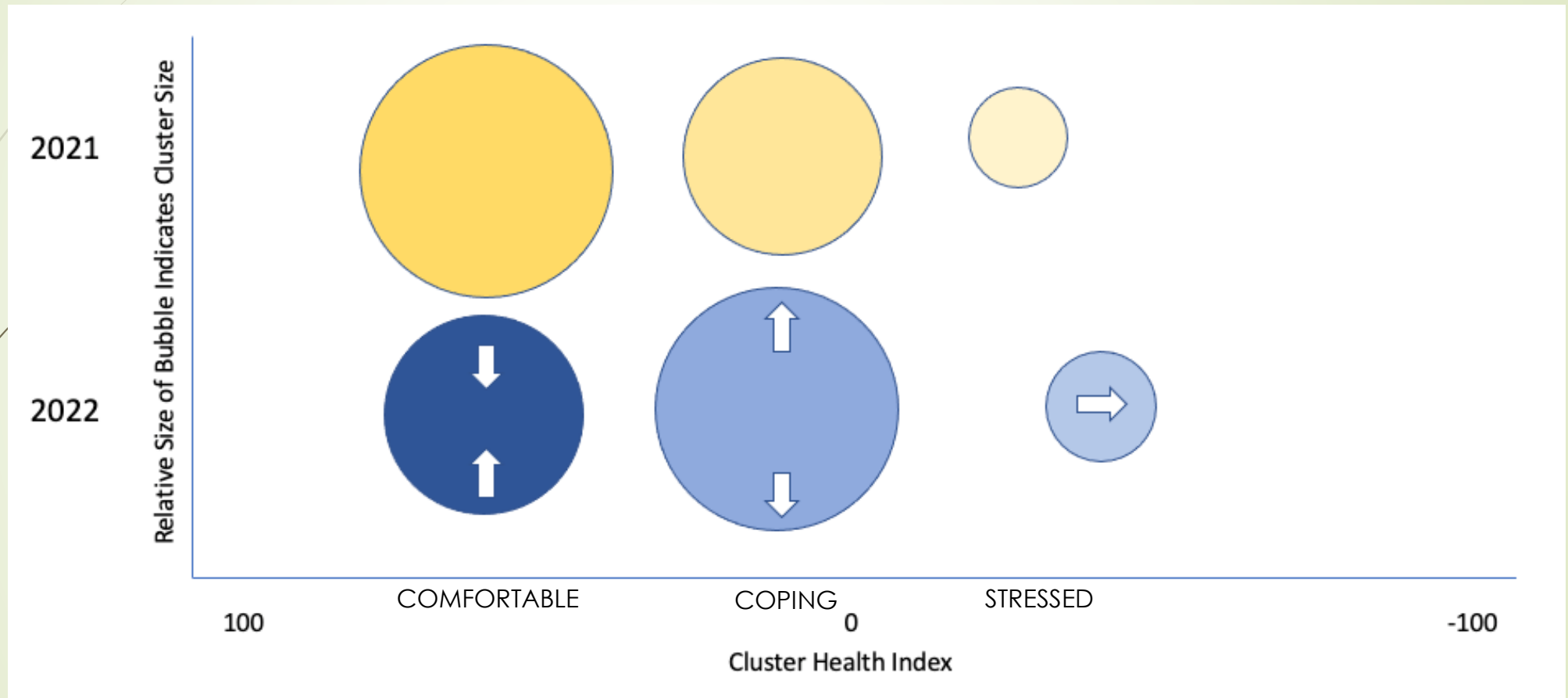
## Debt



## Impact

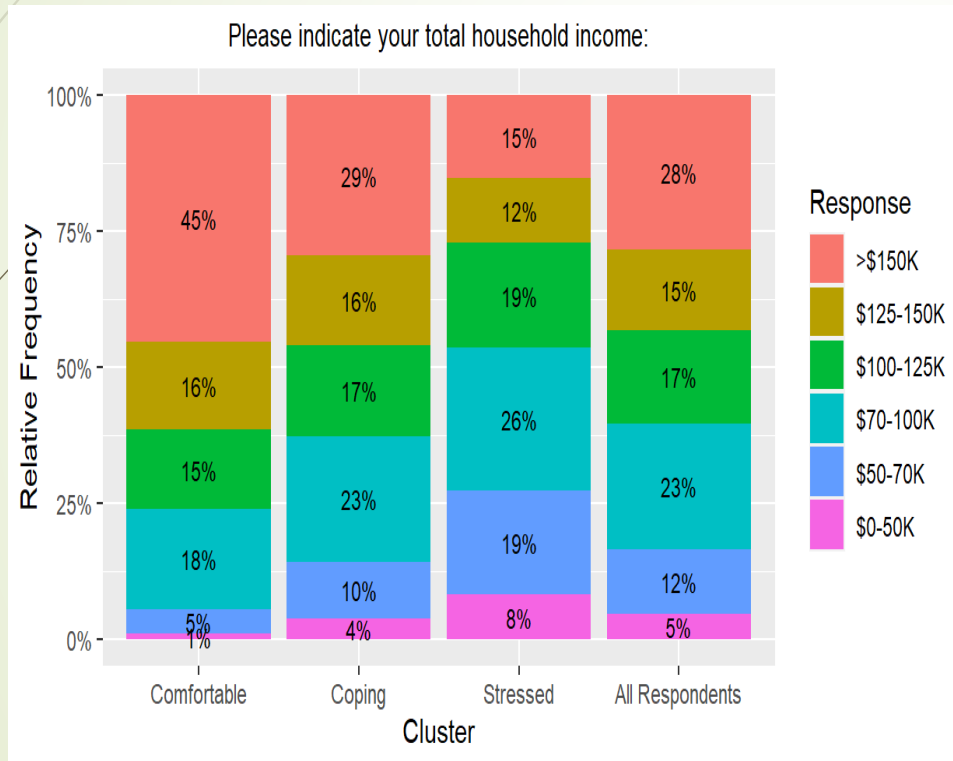


# CLUSTERS ARE SHIFTING & DRIFTING



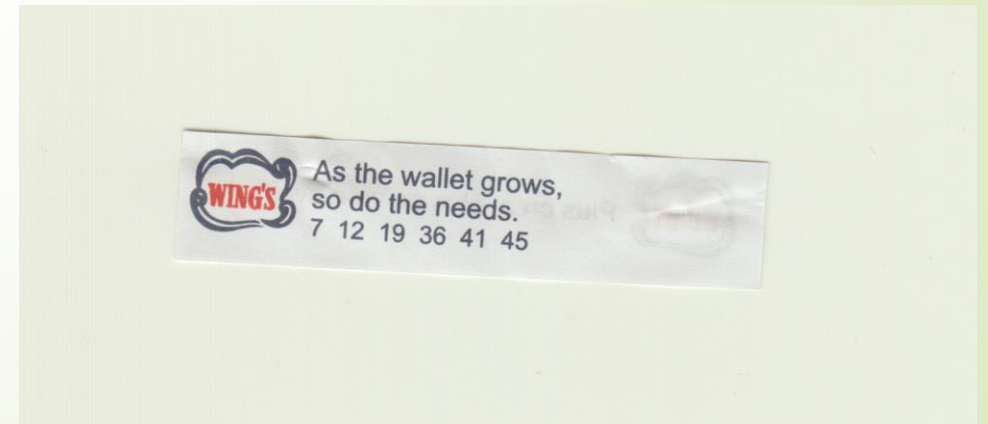
The number of Coping households is growing but the degree of discomfort amongst the Stressed has increased significantly.

# THE ELEPHANT IN THE ROOM



## *Income plays a role*

- But our data does not point to a causal role
- Giving everyone a raise won't solve the problem





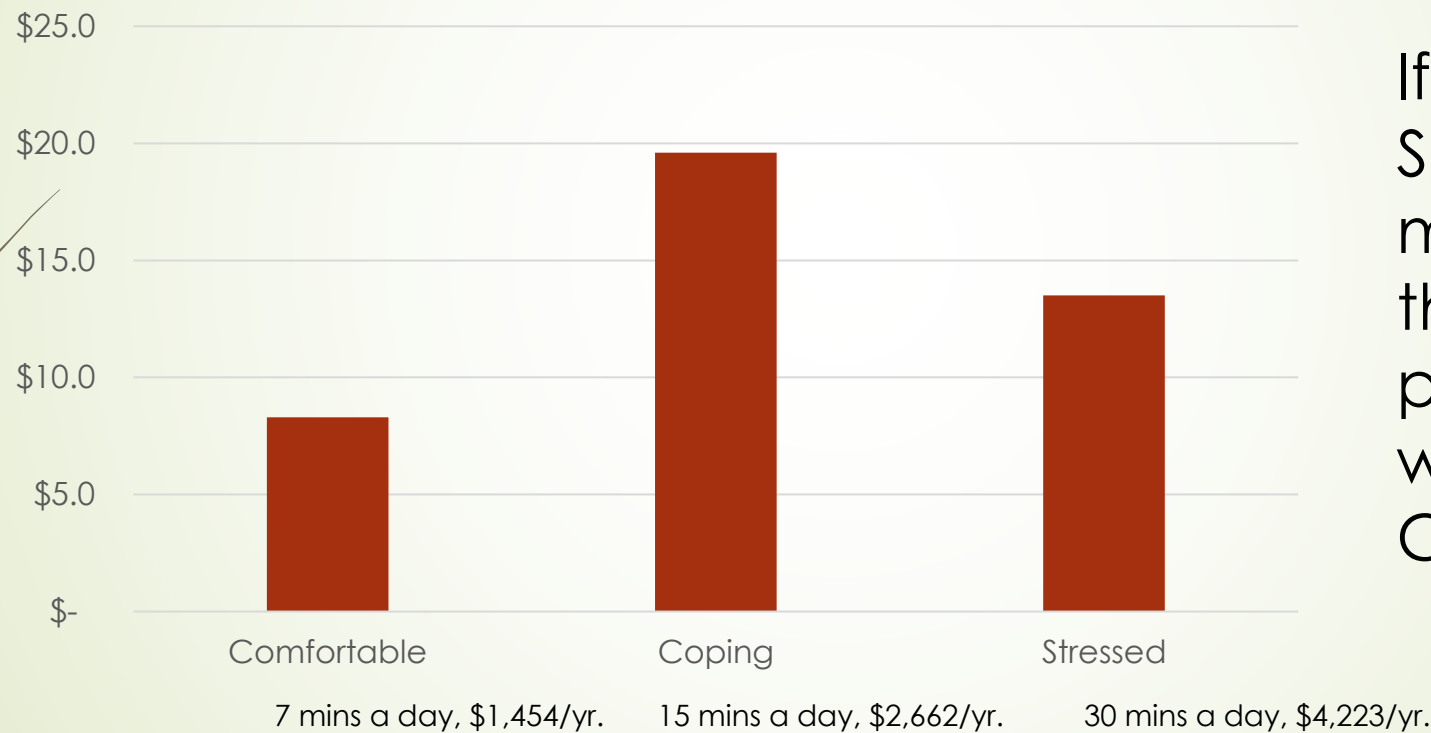
## This just in ...

### *Ceridian 2022 Omnibus Survey*

- Americans and Canadians are very similar except
  - Canadians have more debt
  - And they are a little more stressed
- Three in five employed North Americans (61%) are more stressed about their finances today than they were a year ago
- 54% of employed North Americans had to tap into their savings account (including emergency funds) to pay for necessities in 2022
- 82% of employed North Americans spend time thinking about personal finances during the workday
- Over three quarters of employed North Americans plan to increase their income next year

# THE BOTTOM LINE

The Productivity Impact of Financial Stress on the Job (**\$B** CDN), by Cluster



## Opportunity Cost

If everyone in the Stressed cluster moved to Coping, the workplace productivity savings would total **\$4.9B CDN**

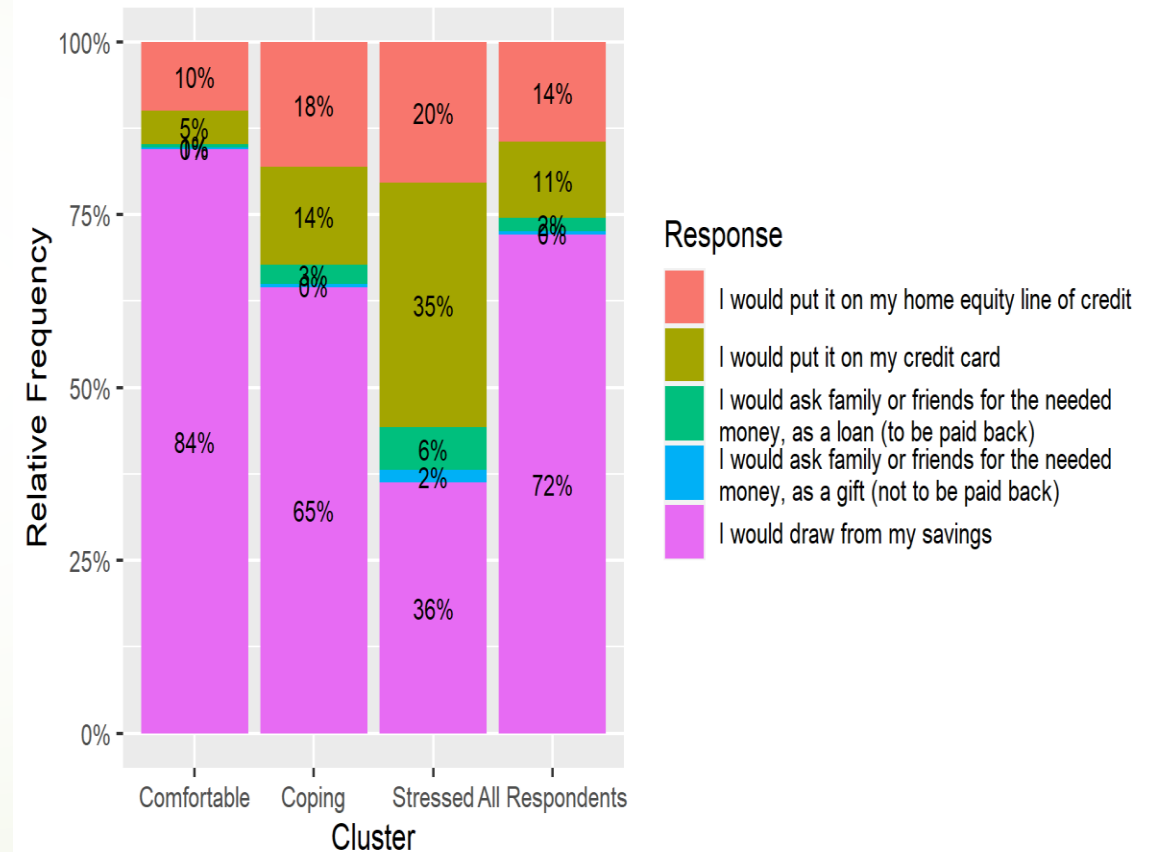
# WHAT DOES IT MEAN FOR EMPLOYERS?

- Financial wellness doesn't start/stop at the employee parking lot – the impact on the workplace is real and it is measured in \$billions
- Financial wellness programs need to target ALL employees – larger incomes AND more modest incomes
- Prioritize payroll deduction savings programs
  - Not just retirement – emergency acct, home ownership, education as well
  - Prioritize enrollment – the more the merrier
  - Keep it simple – a broad, complex list of investments choices is counter productive (and of min. value)
- Literacy is good ... but behavioural coaching would be better
- Make room for personalization

# A QUICK WIN?

- ➔ A payroll deduction
- Emergency Savings Account?


Which of the following would you use as your primary source of the \$2,000, if an emergency arose within the next month?




# WHAT DO WE WONDER?

- ▶ The long term affect of spending patterns on resilience
- ▶ The long term affect of debt patterns on financial wellness
- ▶ The role of income resiliency (variability, frequency) on financial wellness
- ▶ The impact of insurance on resiliency
- ▶ Behavioural vs empirical causation – how to hunt vs which hill to hunt on
- ▶ The role of technology in affecting change
- ▶ The affect of externalities (interest rates, inflation, longevity etc.) on financial wellness patterns
  - ▶ Inflation's impact on the sisters
  - ▶ Housing affordability & impact on savings & debt
  - ▶ Longevity risk on savings requirements and 'risk required'

# WANT TO KNOW MORE?


Canada's Financial Wellness Lab


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RESEARCH ▾
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**Translating data-driven insights into tools and practices Canadians can use to improve their financial resilience, reduce financial stress, and support better financial decision-making.**

The lab's goal is to develop quantitative finance and data analytics solutions that will enable Canadian households to enhance their financial resilience. The Lab resides in Western University's Faculty of Science, leveraging strengths in actuarial science, financial modelling and data science. Academic partners from the Ivey Business School, Wilfrid Laurier University, UBC Okanagan and the University of Winnipeg are also part of the team. The academic team is joined by four industry partners - the National Payroll Institute, Aligned Capital Partners, Ceridian and LifeWorks - who are providing the lab with anonymized data on the financial circumstances of thousands of Canadians showing how much they spend, save and earn.




**FINANCIAL STRESS RAINS DOWN ON WORKING CANADIANS**

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**STATE OF THE NATION DECEMBER 2021**

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**EMPIRICAL STUDY: RISK FOR INVESTORS**

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"This collaboration allows our team of experts to analyze very complicated data sets and gain insights on how Canadians can become more financially resilient. Most financial research is theoretical, proprietary or originates outside of Canada. The real-world data our partners are providing brings a Canadian context, reflecting the impact of uniquely Canadian programs and realities."

**- Matt Davison, principal investigator on the project and dean of Western Science**

**Our primary research questions:**

Financial wellness is a complex puzzle with a myriad of intertwined subtleties, each leading to more questions. But we are going to start with:

- **Savings Patterns:** An examination of the savings patterns of Canadians and how these patterns contribute to financial resiliency. We will focus on the sequential patterns of savings using real world observations and in the context of realities such as low interest rates, volatile markets and unexpected shocks.
- **Income Resiliency:** An examination of how household income contributes to financial resiliency and in particular how the characteristics of income (level, interruption, sustainability etc.) empirically impact household behaviours with respect to savings patterns, investment trades, risk and return. Income resiliency has a direct impact on savings patterns but it also dictates other cash flow issues. Financial resiliency is compromised when the timing of cash inflows does not match cash outflows and inadequate financial buffers are in place.
- **Investment Risk:** We will examine the three cornerstones of personal financial risk – capacity, tolerance and required to assess empirically how Canadians approach risk and whether their choices contribute or detract from resiliency.
- **Protection and Security:** An examination of how participation in employer sponsored benefits programs contributes to financial

# QUESTIONS?

