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## Canadians and Their Money: New Recommendations for our Pocketbooks

By Jennifer Hoyer, ESPC Resource Coordinator

We've all been talking a little more about money since the fall of 2008. Collective anxiety about the "Great Recession" led the Government of Canada to pull together its Economic Action Plan in January of 2009. As part of this larger initiative, the Task Force on Financial Literacy was assembled to provide advice and recommendations to the Minister of Finance on how Canadians could become more financially literate.

### A National Task Force on Financial Literacy

Among other goals, the Task Force was charged with promoting financial literacy, assembling a framework for collaboration on financial literacy, and setting out a means to evaluate progress towards a more financially literate population. In February 2010 they released *Leveraging Excellence*, a consultation report which pinpointed nine major themes – including debt management, fraud prevention and retirement planning – for discussion by Canadians. A series of public sessions through April and May 2010 were summarized in *What We Heard*, a report of main issues and suggestions brought forward.

### Canadians and Their Money

On February 9, 2011, the Task Force re-ignited conversation with the release of *Canadians and Their Money*. This report discusses the need for better financial literacy across Canada and sets out a National Strategy with core priorities and recommendations. The report was informed by over three hundred submissions from groups and individuals across the country.

"Financial literacy is critical to the prosperity and well-being of Canadians." Cutting straight to the point, *Canadians and Their Money* doesn't question the need for better financial literacy. The report asserts that improved knowledge and skills will equip Canadians with the confidence to make sound financial decisions.

The Task Force's five priorities include:

- **shared responsibility** across diverse stakeholders
- an office to provide **leadership** and coordinate efforts across Canada
- **lifelong learning** within the school system and beyond
- **promoting and delivering** financial education using appropriate tools, including a comprehensive website and public awareness campaigns
- **accountability** standards to monitor progress and evaluate programs

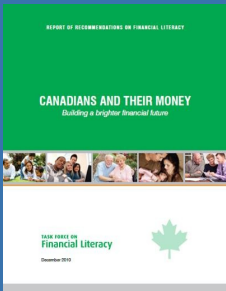
The National Strategy highlights startling revelations about specific groups across Canada. Research revealed that while seniors struggle to keep track of their money and stay informed about financial issues, they are ahead of the rest of us when it comes to making ends meet. And while recent immigrants may have trouble planning ahead financially, they're doing better at tracking income and spending.

We haven't always spilled this much ink on financial literacy. The report highlights that financial literacy isn't part of the Government of Canada's Essential Skills Framework, which details core workplace skills. The Task Force recommends that the Government add financial literacy to this skill set during its current review of the Framework.

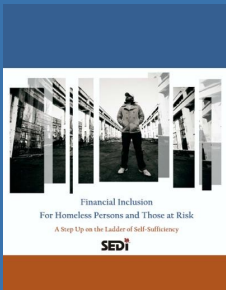
### Reactions to the National Task Force

*Canadians and Their Money* has been well received by interest groups who work with both young people and seniors. The report recognizes that seniors are more susceptible to fraud

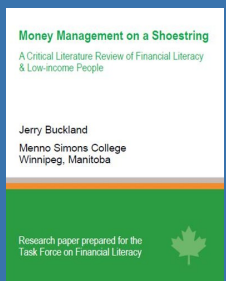
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*Canadians and their money: building a brighter financial future.* Report from the Canadian Task Force on Financial Literacy, 2010.



*Financial inclusion for homeless persons and those at risk.* Social Enterprise Development Innovations, 2008.



*Money management on a shoestring: a critical literature review of financial literacy & low-income people.* Research paper prepared for the Task Force on Financial Literacy, Jerry Buckland, 2011.

See Also:

*Financial literacy: strategies to meet the needs of low income Albertans.* Social Enterprise Development Innovations, 2009.

## Canadians and Their Money, *cont'd from page 1*

and delivers recommendations to promote fraud awareness and prevention, in line with a submission from the Canadian Centre for Elder Law.<sup>1</sup> It also realizes that our attitudes towards financial education for teenagers are outdated. As the *Globe and Mail* points out, our present approach “is like sex education used to be – [kids] can pick it up on the street”.<sup>2</sup> The report recommends that provinces include financial literacy in their curriculum and provide training for teachers.

The Financial Planning Standards Council (FPSC) and the Canadian Bankers Association (CBA) both applaud the Task Force report. The CBA is pleased with recommendations for a comprehensive informational website and financial literacy education within the school system.<sup>3</sup> Several of the FPSC’s recommendations to the Task Force were reflected in the report, including lifelong learning and an emphasis on enlisting the expertise of financial professionals.

The Strategy has also met with some skepticism. While the Task Force report emphasizes that “transparency is key” and that financial institutions are responsible for creating easy-to-understand informational materials, FAIR Canada argues that better disclosure of fees is still needed.<sup>4</sup>

Many of the “teachable moments” identified for financial education include collaboration with stakeholders, who deliver products such as credit cards or mortgages, and partnership with existing programs, such as the Youth Employment Strategy, the Urban Aboriginal Strategy, and the Immigrant Settlement and Adaptation Program. While these partnerships will reach many groups, others will continue to fall through the cracks. Vulnerable Canadians who are not eligible for standard financial services or who do not fall under targeted programs won’t interact with financial literacy programs provided through these partnerships.

### Financial Literacy and Low Incomes

*Money Management on a Shoestring: a critical literature review of financial literacy & low-income people* was prepared for the Task Force during its consultation process. Author Jerry Buckland points out that “low-income people face higher rates of [financial] illiteracy than do non-poor people”.<sup>5</sup> He is unsure if financial literacy or low-income comes first,

but he does know that low-income people often have restricted access to mainstream financial services. As a result, they aren’t aware of and do not value the benefits of financial services. Buckland suggests prioritizing accessibility of financial services for low-income Canadians.

*Money Management on a Shoestring* makes important connections between quality of life and financial literacy. The author explains that quality of life measures peoples’ satisfaction with the things that they value; as such, financial literacy initiatives should be evaluated based on a framework that accounts for the degree to which individuals understand and value financial literacy. Buckland also brings up return on investment, calling for a comparison between the costs of financial literacy education and other programs that improve well-being.

The Task Force report lines up with many of Buckland’s recommendations but there are noticeable gaps. The report’s emphasis on program evaluation does not account for the degree to which Canadians value increased financial literacy and believe that it improves their lives. Additionally, core recommendations do not deal with accessibility of financial services.

The Task Force on Financial Literacy has accomplished an important feat: it has Canadians talking more than ever about being smart with their money. It provides extensive recommendations that will make major improvements if implemented. But there is plenty of room for more conversation.

#### Notes:

1 “Federal Task Force on Financial Literacy Recognizes Elder Abuse.” Canadian Centre for Elder Law, February 9, 2011. <http://www.bcli.org/ccel/news/2011/02/federal-task-force-financial-literacy-recognizes-elder-abuse>.

2 “Money ed is the new sex ed.” *The Globe and Mail*, February 13, 2011. <http://www.theglobeandmail.com/news/opinions/editorials/money-ed-is-the-new-sex-ed/article1904490/>.

3 “Task Force on Financial Literacy report a good blueprint for improving financial literacy of Canadians.” Canadian Bankers Association, February 9, 2011. <http://www.cba.ca/en/media-room/65-news-releases/557-task-force-on-financial-literacy-report-a-good-blueprint-for-improving-financial-literacy-of-canadians-canadian-bankers-association>.

4 “Financial Literacy Task Force Releases Report.” Canadian Foundation for Advancement of Investor Rights, February 10, 2011. <http://faircanada.ca/top-news/financial-literacy-task-force-releases-report>.

5 Buckland, Jerry. *Money management on a shoestring: a critical literature review of financial literacy & low-income people*. Winnipeg: Menno Simons College, 2011.

# Basic Retirement Education: Looking Into Canada's Retirement System

By Michelle Harkness, Volunteer Writer



*Freedom 55* is a term most of us associate with retirement. If we are lucky, some of us will get to retire that early, while others will wait until the standard age of 65. What if you are working but barely making ends meet? Is retirement really an option? 2.2 million Canadians who are classified as the 'the working poor' may not have the luxury of early retirement.<sup>1</sup> Certainly, the working poor have difficulty making ends meet (let alone saving for retirement), but what options exist for people with low-income to prepare for retirement? There are some opportunities that can help the working poor. The goal of this article is to provide some information on the retirement system in Canada and to list some options available through Canada's Retirement framework.

Canada's retirement system is structured under three pillars.<sup>2</sup>

## Pillar One - Alleviate Poverty

**Old Age Security (OAS)** is a pension that was established in 1952. This benefit is a flat rate benefit, meaning that the government pays a pre-determined lump sum per month. The 2010 rate is \$524 dollars per month. To receive OAS the retiree must be 65 years of age or older and have lived in Canada for at least 10 years. It is recommended that the retiree apply for OAS 6 months before retiring.<sup>3</sup>

The **Guaranteed Income Supplement (GIS)** was introduced in 1967 and was specifically designed to increase incomes of the elderly poor. The GIS is a benefit in addition to OAS that is based on taxable earnings. A retiree who qualifies for the OAS benefit also qualifies for the GIS benefit, provided that they or their spouse do not exceed a specific amount of income. The difference between GIS and OAS is that the GIS is not taxable. Single recipients earn \$652.51 per month and married recipients earn \$430.90 each. Because the GIS is based on taxable earnings, this benefit must be re-applied for every year.

## Pillar Two - Mandatory benefit contribution programs

The **Canadian Pension Plan (CPP)** was established in 1966. The Canadian Pension Plan is a joint initiative between federal and provincial governments. The CPP was set up to provide benefits in the event that the pensioner retires or becomes disabled. Should the retiree pass on, his or her benefits can be transferred to a spouse. Contributing to the CPP is a joint effort between the employer and employee. Both must contribute a certain percentage toward the CPP. The current percentage is 4.95 %. To qualify for the CPP you must either be 65 years old and have made one valid contribution to the CPP, or be between 60 and 64 years old and meet the requirements for earnings and contributions.<sup>4</sup>

The **Quebec Pension Plan (QPP)** is a compulsory public insurance plan and has a similar structure and guidelines as the CPP. Acknowledging that an aging population will put pressure on the QPP due to benefits having to be paid to an increasing number of beneficiaries, the contribution rate was increased in 2003 to 9.9% to keep the Plan sustainable. Citizens applying for the CPP and QPP later in age can receive a higher monthly benefit, whereas those choosing to retire earlier receive a lower monthly benefit.

*(Continued on page 4)*



## Lunch and Learn Series



In conjunction with the Edmonton Public Library, the ESPC continues the popular Lunch and Learn Series into 2011.

### Upcoming Topic: Human Trafficking



The next talk will feature Kimberly Ferland from ACT Alberta. April 13 is Human Trafficking Awareness Day in Edmonton.

ACT Alberta is a coalition of government agencies, nongovernmental organizations, survivors of trafficking and the general public who are concerned with identifying and responding to human trafficking in our province.

**Place:** Central Court, Stanley Milner Library

**Date:** April 13, 2011

**Time:** 12:00-1:00PM





## Want to volunteer for the ESPC?

Get involved with some of our existing and new volunteer opportunities!

We are looking for people who can:

- research and / or write reviews
- help in the community
- serve on the board
- fundraise

For more information, visit [edmontonsocialplanning.ca](http://edmontonsocialplanning.ca) and fill out our volunteer application form (under the **Support Us** menu).

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## Basic Retirement Education, *cont'd from page 3*

### Pillar Three - Voluntary retirement options

**Registered Retirement Savings Plans (RRSPs)** are savings plans registered with Revenue Canada. RRSPs assist with savings and can be used as a tax shelter up to a certain limit. The contributor can also shelter a certain amount of their income each year in an RRSP. The benefit of RRSPs is that income is not taxed until the recipient reaches retirement age and withdraws their savings. Once the retiree starts drawing income, they are taxed at regular tax levels. The downside to RRSPs for low income earners is that they do not contribute enough to make it a tax benefit.<sup>5</sup>

**Registered Retirement Plans (RPPs)** are an option for employees who have unionized jobs. The employer and the union agree to provide pensions for retired workers in the form of periodic payments. RPPs are also tax exempt until withdrawal.

**Annuities** are a series of fixed payments over a set period of time. Annuities are tax deferred and provide an income stream either immediately or at a future date.<sup>6</sup> The Canadian Government disbanded its annuities program in favour of the OAS and GIS initiatives. There are a variety of annuity options available through insurance companies.<sup>7</sup>

### Other Retirement Options

**Tax Free Savings Accounts (TFSA)** allow a person to contribute up to \$5000 dollars into a tax free savings account. The initial investments are taxed but withdrawals are not.<sup>8</sup>

The **Ten Percent Savings Rule** is another possible savings method. The ten percent rule means that people should save 10 percent of their gross annual income. This savings option is optimally beneficial if one starts saving at a young age. Combining these savings along with OAS and GIS should provide an adequate level of retirement income. The benefit of this rule is that if you start saving later you can combine your savings with that of the OAS and GIS pensions, to provide some level of retirement income.<sup>9</sup>

Some retirement options are more plausible than others for the working poor. Individuals working full-time with an employer that makes benefit contributions, have the option to retire early and have greater income during

retirement. However, a person of low-income may not fare as well if they have one (or more) part-time jobs with employers offering no contributions toward retirement plans. The working poor may often live paycheck-to-paycheck. Consequently, they may not have enough disposable income to put into RRSPs, TFSA, or practice the ten percent rule. It is unsurprising to find low-income earners working past the age of 65 to remain afloat. It is even more unfortunate to find some elderly slip into poverty or homelessness due to the lack of planning or income during their retirement years. While *Freedom 55* is possible for those who have secure full-time jobs, this ideal may not be achievable for the working poor.



Photo: [theyopener.com](http://theyopener.com)

### Notes:

1 "Facts About the Working Poor in Canada." Poor No More. <http://www.poornomore.ca/files/workingpoor.pdf>.

2 Michael Baker and Kevin Milligan. "Government and Retirement Incomes in Canada." Department of Finance Canada, November 2009. <http://www.fin.gc.ca/activty/pubs/pension/ref-bib/baker-eng.asp>.

3 *IBID*.

4 Service Canada. *Retirement Planning*. Government of Canada, February 2001. <http://www.servicecanada.gc.ca/eng/lifeevents/retirement.shtml>.

5 Canada Revenue Agency. *Registered Retirement Savings Plan (RRSP)*. Government of Canada, December 2010. <http://www.cra-arc.gc.ca/tx/ndvds/tpcs/rrsp-reer/rrsp-eng.html>.

6 Annuity Strategies. *Annuity Basics - Annuity Definition*. Byrd Financial Group, March 2011. [http://www.annuity-strategies.com/annuity\\_definition.html](http://www.annuity-strategies.com/annuity_definition.html).

7 Service Canada. *Canadian Government Annuities Plan - A Brief History*. Government of Canada, March 2010. <http://www.servicecanada.gc.ca/eng/cs/ga/060.shtml>.

8 Baker and Milligan, 2009.

9 Tom Drake. *How Much Do You Need To Retire? The 10% Rule*. Canadian Finance Blog, August 2008. <http://canadianfinanceblog.com/how-much-do-you-need-to-retire-the-10-rule>.

# Deal Or No Deal? Pay Day Loans

By Christopher Rudge, Volunteer Writer



Rush hour traffic: 124 Street and 107 Avenue intersection

"It's like a bank, but run by your friends," say the two perky young spokespeople, welcoming would-be borrowers to their website.<sup>1</sup> Sifting through the website, users are provided with constant reassurance as to the legitimacy and reliability of payday loans; however, no interest rates, fees or other terms of service are provided.

Also called "fringe banking" or the "alternative consumer credit market", payday loans are typically marketed as a quick and easy way to cover personal expenses between pay-cheques. Promising flexible, low-interest financial options with instant cash in hand, the reality of payday loan providers and the people who rely on them is ignored in financial news.

Businesses offering such services have seen incredible growth throughout Canada over the past twenty years. Rare in the early 1990s, these centres have become ubiquitous in Edmonton and across Canada, growing to approximately 1,200 locations nationwide in 2004. Edmonton's own *The Cash Store* has enjoyed a large share of this growth; expanding from its original location on the corner of 124<sup>th</sup> St. and 107<sup>th</sup> Ave., this TSX traded company now has 15 locations in the city and another 510 throughout Canada.

Self-described as an effective financial tool for anyone short of cash between pay cheques, young, low-income families actually form the customer base for payday loans. A report by Statistics Canada found that low-income families were twice as likely and young families were three times more likely to use payday loans. Delving further into the

statistics, those requiring such loans greatly exceeded non-users in several other categories:

- 4 in 10 reported that spending exceeded income (2 in 10 for non-users)
- 1 in 6 sold personal assets to pay debts (1 in 20 for non-users)
- 1 in 5 also used pawnshops to make ends meet (1 in 50 for non-users)

Such statistics point towards a cycle of high-interest debt; a 2007 study of payday loans found the median loan to be a 12-day \$250 loan with fees ranging from \$44 to \$109. When such fees are annualized, they work out to be 535% to 1,321% respectively. Even credit cards, which have seen so much media attention lately, have a typical annualized interest rate of 36% for cash advances.



Photo: Taber Andrew Bain

The high service fees of payday loans and the often tenuous financial situation of many borrowers may turn a one-time borrower into a repeat customer. When a customer receives their instant cash (minus service fees), the loan centre will deduct funds owed from the customer's account after their employer pay cheque is issued. However, if there are insufficient funds in the account, the borrower will be charged NSF fees by *both* their bank and the payday loan centre. This will ultimately result in the borrower utilizing additional loans to cover charges from previous loans, which reduces their total take-home pay and increases the likelihood of an additional NSF fee. This is known as a *debt trap*.

(Continued on page 6)



## Government of AB Pay Day Loans Regulations<sup>1</sup>

- Max. cost of borrowing at \$23 per \$100 borrowed (including interest and fees charged as condition of loan)
- prohibit 'rollover' loans which allowed consumers to pay off previous payday loans at an extra cost;
- 2-day cooling off period during which time consumers can return the money and cancel the loan without incurring any costs;
- prohibit 'discounting' (the practice of putting some fees into the amount of the loan, making it harder to determine the true cost, which can result in consumers walking away with less than they intended to borrow);
- Prohibit lenders from requiring, requesting or accepting information that gives them access to the borrower's bank account, except for pre-authorized repayments;
- disclosure provisions require lenders to prominently post information in their stores explaining the cost of borrowing;
- payday lenders must use plain-language contracts; and
- payday lenders must be licensed by the provincial government.

<sup>1</sup> "Alberta government protects payday loan consumers." Government of Alberta, June 2009. <http://t.co/uQvCFXI>.





Visit our YouTube Channel to view past Lunch and Learn talks and speeches made by the ESPC.

<http://www.youtube.com/edmontonspc>



Visit our events photostream at [www.flickr.com/photos/edmontonsocialplanning](http://www.flickr.com/photos/edmontonsocialplanning).

### **Wanted: Enthusiastic Board Members**

The ESPC is seeking new board members!

Are you passionate about the type of work the Council does? Are you interested in helping set the vision and direction for the organization?

**Volunteer as a member of our Board of Directors!**

For more information, go to: [edmontonsocialplanning.ca](http://edmontonsocialplanning.ca) > **About Us** > **Board** > for more information.

## **Deal Or No Deal, *cont'd from page 5***

While payday loan centres can be seen in virtually every neighborhood with a strip mall or main street, they are disproportionately represented in low-income neighborhoods. A quick trip down Stony Plain Road between 149<sup>th</sup> and 163<sup>rd</sup> Street will give you the opportunity to frequent almost one dozen businesses offering pay day loans. This strip of Stony Plain Road – often noted informally as a low-income neighborhood – comprises part of the Britannia-Youngstown, Canora, Glenwood and West Jasper Place neighborhoods. These four communities have a median household income ranging between \$26,700, to \$30,700, well below Edmonton's median household income of \$46,698 (all numbers based on 2001 Census).

A 2007 study of payday loans and income in Winnipeg concluded that that location of such institutions corresponded with inner-city and

poorer suburban neighborhoods in comparison to higher-income suburban neighborhoods. These businesses were found disproportionately in areas with lower median incomes, higher incidences of low-income, lower education levels and areas with greater numbers of visible minorities and Aboriginal peoples. Such a trend results in payday loan centres becoming part of the economic fabric of low-income neighborhoods, effectively reducing incomes through predatory service fees. Supplanting traditional banks for loans and credit, payday loan centres can reap massive profit margins off people in the least position to provide them.

While payday loan centres may call themselves your friend, for many, they serve only to increase poverty and reduce financial stability in already troubled communities.

## **Meet the ESPC Board of Directors**

### **Kimberly Poong**



Kimberly Poong graduated from the University of Alberta with a Bachelor of Science in Nursing degree. Over the last several years, she has worked in various health care settings including hospitals and in the community. Most recently she was a Nurse Educator for Streetworks at Boyle Street Community Services. While working in the inner-city, Kimberly found her passion to advocate for health needs of the marginalized. She has also served on the Alberta Community Council on HIV Board of Directors. Currently Kimberly is a Clinical Research Coordinator for the University of Alberta Liver Transplant Program.

Kimberly is also completing her MBA with a specialization in Public Management at the Faculty of Business, University of Alberta. In the future, she hopes to blend her compassion for the inner-city with policy development and administration related to health care.

If she is not busy with work or school you can find Kimberly clicking 'random' on Wiki for fun, listening to the emergency radio world broadcasts, downloading apps, reading local Urbanspoon reviews, watching documentaries or spending time with her Shar-Pei puppy - Tofu.

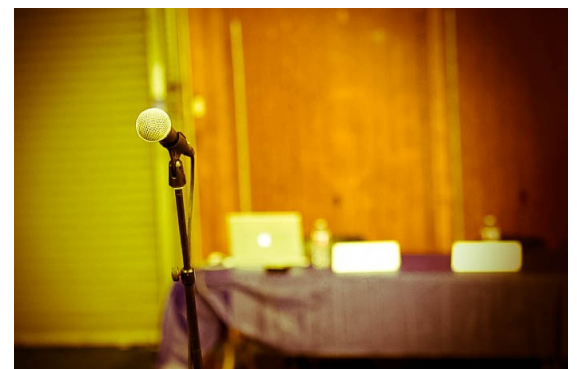
## **Annual General Meeting**

**May 18, 2011 5:30PM**

Unitarian Church of Edmonton  
10804 - 119 Street NW

Guest Speaker:  
Margaretha Ebbers,  
Edmonton Public School Board

*Event Open to All - Silent Auction*



# Finances of a Struggling Student

By Kory Varlen, Grant MacEwan Social Work Practicum Student

Having made the decision to return to school in 2009, and still convalescing from a viral infection that had paralyzed my left vocal chord, I was thrilled to find that Alberta Employment and Immigration was funding two year diploma programs in Edmonton. I was accepted into the Social Work program at Grant MacEwan in early Spring of 2009 and eagerly looked forward to beginning my new life as a mature student that September. Having just returned from living for over a decade in Ecuador, I knew the value of living simply and frugally. I thought I had living economically down to a science and was proud of how well I could budget. ESL teachers living in 3rd world countries are not that well paid. My financial management skills were sharp but they were to become razor ready in ways that I could never have imagined thanks to 'Learner Income Support' benefits. And just a quick note before I launch into the numbers, don't get me wrong, I was delighted to be a recipient of this program and the government of Alberta's social policies for full employment through educational opportunities. I guess I just never knew how little I was going to have to live on and manage to stay warm at the same time.

So let's get down to the numbers. As a full-time student I live on \$834.00 a month which, broken into Alberta Works categories, allocates for a Core Shelter Benefit (Code 1130) of \$323.00 and a Core Essential Benefit (Code 1430) of \$511.00. At the time of processing my application, I remember asking the counsellor how anyone could live on these paltry sums. She just rolled her eyes and sadly said, "I know, isn't it terrible." I asked her where she thought I was going to find a place to live for \$323.00 that wasn't a rat infested hole (actually I said something more along the lines of "Where do you think I can find dignified accommodation for that price?"). I could see that the "how", "where" and "why" questions weren't going anywhere, so I thanked her and hoped that she could find a little more money for me somewhere in the system. She told me she would try. That was June. By August, my award came through but the numbers hadn't changed. Meanwhile, in July I had secured a shared apartment arrangement in Millwoods at an outstanding

bargain - \$575.00 (not including utilities).

After rent there was only \$259.00 left in the kitty. My \$511.00 allocation had, after paying the rent, been reduced by half. For clarity, the Alberta Works Core Essential (Code 1430) allocation is for: food, clothing, household needs (including furniture, appliances and household supplies), personal needs, installation and use of a telephone, laundry and transportation (costs associated with owning a vehicle). I'd like to meet anyone who can stretch \$259.00 to cover the items in this category. I've tried and failed hundreds of times in the past 19 months. If it weren't for the kindness of friends, neighbours, strangers, 3 bursary awards, 2 scholarships and my VISA card, I don't know what I would have done.



Photo: Winter Hare

I suppose Alberta Works expects me to find a part-time job or, as one speaker from Alberta Works who came out to address our Social Work class last year said, "Go out and trap hares if you're hungry." He really said that. I have arthritis in both my feet now and I can't do that. But what I can do is study and earn the highest levels of knowledge that I can in a field that I have chosen to dedicate the rest of my life to serving. The two year diploma program for social work at Grant MacEwan is a demanding curriculum and one to which I have dedicated myself, heart and soul. If at times I don't have the clothes that I would like to wear or the food in the fridge that I desire to eat, it's only a temporary situation. For now, I'm warm, the heat is on and there's always plenty of hot water. At \$575.00 a month, such comforts are a bargain.



## My Monthly Essentials (\$)

Rent	575.00
Food <sup>1</sup>	240.00
Electricity	35.00
Personal Hygiene	30.00
Clothing	50.00
Entertainment <sup>2</sup>	20.00
Shaw Package <sup>3</sup>	103.00
<b>Core Essential Total Expenses</b>	<b>1053.00</b>

## Monthly Communication Costs If Bought Separately (\$)

Cellular Calls and Texts	20.00
Basic Digital TV	36.95
TV Box Rental	5.00
TV Box Rental Tax	2.60
High Speed Internet	47.00
Modem Rental	5.00
Modem Rental Tax	2.60
<b>Total</b>	<b>119.15</b>

- 1 \$8.00 per day
- 2 One outing per month
- 3 Includes land line phone, digital TV, and internet with wireless modem



**"Lack of Income means you don't get by; lack of assets mean you don't get ahead,"**  
Ray Boshara, The New America Foundation, *New York Times*, (September 29, 2002)

## Financial Literacy

- The ability to make **informed judgements and effective decisions** about the wise use and management of money
- A bridge between social and economic wellbeing
- Gives participants a strong sense of hope

Financial Literacy Also Includes:

### Financial knowledge and understanding:

Ability to make sense of and manipulate money in its different forms, uses, and functions, including the ability to deal with everyday financial matters and make the right choices for one's own needs.

### Financial skills and competence:

The ability to apply knowledge and understanding across a broad range of contexts including both predictable and unexpected situations and also including the ability to manage and resolve any financial problems or opportunities.

### Financial Responsibility:

The ability to appreciate the wider impact of financial decisions on personal circumstances, the family, the broader community, and to understand rights, responsibilities, and sources of advice and guidance.

# Make Tax Time Pay

By Iris Moreno, Volunteer Writer



Governments provide funding to establish and sustain income support programs, inform people of its existence, and help navigate the application procedures. At the same time, many people living on low income are busy trying to survive and may find little time to research the available qualified subsidies and to fully understand the tax system. In the early 2000s, Alberta Employment and Immigration (AE&I) became concerned about lower-than-expected uptake rates (34 percent) for establishing Alberta Child Health Benefit (ACHB) (this program provides an annual \$265.00).



In 2005, AE&I along with Vibrant Communities Edmonton's developed the Make Tax Time Pay program (MTTP) as its first and flagship initiative under the family economic supports pillar of its strategy. This program communicates the message that filling in tax forms can have a positive outcome: more money into peoples' pockets.<sup>1</sup>

MTTP is a volunteer-based program that provides low income individuals and families with free income tax preparation and information regarding applications for government benefits and subsidies including: Goods and Services Tax Credit (GST), Canada Child Tax Benefit, City of Edmonton Leisure Access Pass, Child care subsidies, Alberta Child Health Benefit, Alberta Adult Health Benefit, information on Registered Education Savings Plans grants and information on seniors benefits. This program operates out of community sites throughout Edmonton.<sup>2</sup>

In 2008, Vibrant Communities Edmonton (VCE) designed MTTP with a view to transfer its operations to a suitable partner organization once it proved its value to the community. After completing a leadership and operations review, it concluded that the time was right to find another home for the initiative - E4C, a charitable human services organization. In 2009 E4C was able to build on MTTP's successes with no discernible problems or concerns. By 2010, E4C had 259 volunteers located at 22 program sites that operate every March and April. Tax returns were filed by 4,176 families and individuals who expected to claim more than \$1.1 million in tax refunds and applied for more than 1,300 benefits and subsidies. MTTP is an effective response to the problem of inadequate time to navigate the tax system or strengthen financial literacy.

MTTP is associated with Canada Revenue Agency's Community Volunteer Income Tax Program (CVITP).<sup>3</sup> CVITP was introduced in 1971 to help individuals who were not able to complete their income tax and benefit returns on their own. It was intended to ensure all citizens had equal access to the tax system.

People with lower income must complete their income tax returns in order to receive government benefits and subsidies, which can decrease the costs associated with health care, child care and recreation activities for service users. Most of the MTTP clients are eligible for money back from the government, putting much needed dollars into the family budget.

To complete a tax return, certain documents are needed for assessment.

- T4, or T4A slips – income, or pension statements
- T5007 slips – social assistance income statement
- T5 slips – investment/interest income statement
- T2202A slips – tuition, education, textbook amount
- Notice of assessment – 2009 tax year
- Piece of government issued identification
- RC62 slip - Universal Child Care Benefit



## Make Tax Time Pay, *cont'd from page 8*



- Social Insurance Number for the client, spouse and children
- RRSP contribution slips
- Medical and dental expenses for you, your spouse and children
- Bus passes and bus pass receipts
- Child care receipts, name and address of licensed daycare
- Receipts for children's fitness programs that include cardio activities such as dance, hockey, football, etc.
- Receipts for moving expenses (ONLY if you moved 40 km minimum to be closer to your new school or work)
- Receipts for charitable donations
- Bank account number for direct deposit of tax return

To complete benefits/subsidies applications:

- Alberta Personal Health Cards for you, your spouse and your children
- Photocopy of utility bill with your name and current address
- Photocopy of your landed immigrant papers
- Photocopy of last Notice of Assessment (2009 tax year)

For more information, contact:

### Make Tax Time Pay

Phone: (780) 424-5408

Fax: (780) 424-1201

Email: [mttp@e4calberta.org](mailto:mttp@e4calberta.org)

9321 Jasper Avenue

Edmonton AB T5H 3T7

### Notes:

1 *Make Tax Time Pay*. E4C, March 2011. <http://www.e4calberta.org/maketaxtimepay.html>.

2 *IBID*.

3 Canada Revenue Agency. Community Volunteer Income Tax Program (CVITP). Government of Canada, February 2011. <http://www.cra-arc.gc.ca/tx/ndvds/vlntr/menu-eng.html>.



## Financial Asset Building

- Inclusive and breaks the cycle of poverty
- Allows incentives for low to modest income citizens to accumulate assets
- Promotes a greater awareness of the value of financial asset building
- A comprehensive poverty reduction strategy involves a combination of:
  - Safety nets to help offset the impact of low income
    - > Income Safety Nets: Subsidized child care, government financial assistance and health and dental benefits, emergency assistance, child tax benefits
    - > Personal Savings: allows for necessities, emergency funds, education opportunities
  - Springboard components to create new opportunities for asset building success in the long term
    - > Home Ownership: security, leverage, choices
    - > Business creation: development funds, training, tools

Financial Asset Building also includes:

- Learning new ways to save so you can keep more of your money
- Learning what benefits exist so you can get more money
- Learning how to use different matched savings programs to increase your financial assets

For more information, visit Financial Plus Collaborative: [www.financial-plus.org](http://www.financial-plus.org).

## Meet the ESPC Staff



### Suzy Gullacher

I was born and raised in Winnipeg, Manitoba. I joined the labour force at the ripe age of 12 selling vegetables out the back of a 1/4 ton truck and have been going since. My career started in the fast food industry and moved to the service industry by 1986. I have worked as a waitress/bartender in some of the most executive clubs in Winnipeg, primarily the Winnipeg Winter Club.

I met my husband in 1990. Our first daughter was born in 1991. We bought a house in the spring of 1993 in Moose Jaw, SK, after my husband obtained his first posting message as air force IE tech. That fall we got married and have been together since. In Moose Jaw, after my second

daughter was born, I went back to school and obtained 3 diplomas and 1 certificate. So the list is: Business Certificate, Human Resource Diploma, Administrative Diploma, and Marketing Diploma.

In late summer/early fall of 2004 we were posted to Edmonton, AB where I have been gaining experience in the administrative field. I have worked as an administrator, a recruiter and executive assistant...and now I'm here! So I say "Hello" to you all and it is my pleasure to meet you!



## Measures of Low Income in Canada

### Market Basket Measure:

This absolute measure costs out at a regional level a necessary basket of goods and services including food, shelter, clothing and transportation. The reference case is based on a family of four with multipliers for other household sizes. The MBM is based on after-tax disposable income and assumes family has received all government transfers to which it is legally entitled.

### Low Income Cut-offs:

This relative measure is based on a low income household paying 20 percentage points more on the essentials of food, shelter and clothing compared to an average household of the same size based on 1992 spending patterns. LICO lines are adjusted for household and community size. LICO lines are provided on both a before-tax and after-tax basis. In calculating annual income, LICO also assumes households have received all eligible transfers.

### Low Income Measure:

This relative measure is used by international organizations such as the OECD, and is most useful for making comparisons between countries. Falling below the LIM line means a household has an income 50% or more below the median household income. The reference case is a family of four but the LIM can be adjusted for household size. LIM lines are provided on a market income, before-tax and after-tax basis.

# Issue Update: The Market Basket Measure - Rebased or Debased?

By John Kolkman, ESPC Research Coordinator

By now, most readers of FACTivist likely know that Canada has no official poverty line. Statistics Canada is always reminding us of this. But that doesn't mean Canada has any shortage of measures of low income serving as de facto poverty lines.

The Market Basket Measure (MBM) is the most recent addition to these measures of low income. The MBM was developed in the late 1990s by the federal and provincial governments to be a better measure of low income. Existing measures such as the Low Income Cut-off (LICO) and the Low Income Measure have been criticized because they are based not on actual living costs but rather on how low income Canadians fare relative to other Canadians. By contrast, the Market Basket Measure would be set at a level reflecting the actual cost of a modest, basic standard of living (see side-bar for more details on the different measures).

Initially many social research organizations including the ESPC were skeptical of this new measure. There was an understandable concern that the MBM would be set barely above starvation levels to downplay the extent and depth of poverty in Canada. To the surprise of some, the federal government consulted quite widely - not only with the provinces but also with community organizations - before setting the household income levels for the MBM. When the initial MBM levels were determined in 2000 the

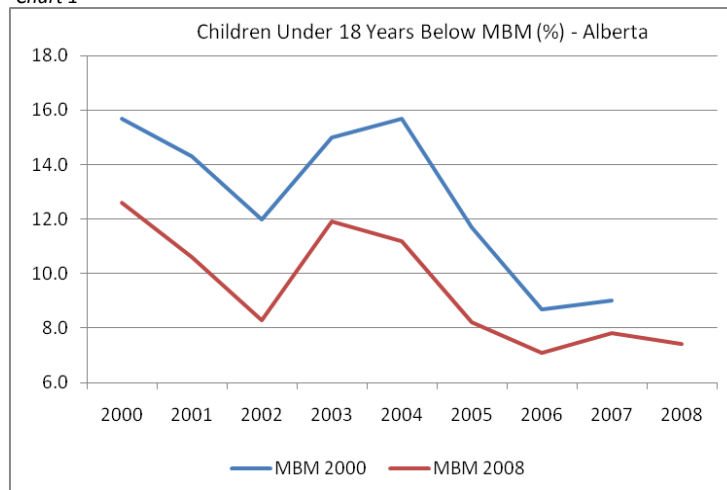
income levels for a family of four were actually slightly higher than for the most widely used low income measure - the Low Income Cut-off measured on an after-tax basis.

Social policy organizations including the Edmonton Social Planning Council began to urge provincial governments to base income support levels on the low income measure they had helped design. Suddenly, it was the provinces and the federal government that began losing interest in the MBM.

Canada's national statistical agency was also slow to get on side with the MBM. In its annual surveys on *Income in Canada*, Statistics Canada continued using the LICO instead. The federal government separately reported MBM data only sporadically.

That's why the federal government's quiet release of a report last June called *First Comprehensive Review of the Market Basket Measure of Low Income Final Report* came as a surprise to many who follow social policy and low income issues closely. While the report may have been comprehensive, it certainly was not consultative. It resulted from closed door discussions between two federal Ministries with input from officials from provincial and territorial governments. Public input was restricted to a single session with five hand-picked experts from outside of government.

Chart 1



## Issue Update, *cont'd from page 10*

On June 17, 2010 Statistics Canada released its annual survey on Income in Canada for the year 2008. For the first time, the report included the MBM and LIM as well as the LICO measures of low income. A day later, Statistics Canada made public the comprehensive MBM review with a new set of low income lines based on rebasing from 2000 levels to 2008 levels.

The impact of the MBM rebasing was fairly dramatic. As shown in *Chart 1*, the percentage of Alberta children living below the Market Basket Measure dropped by about 15% as a direct result. Similar reductions in low income rates resulted for households without children. When a low income measure is rebased all of the prior years' data is adjusted as well.

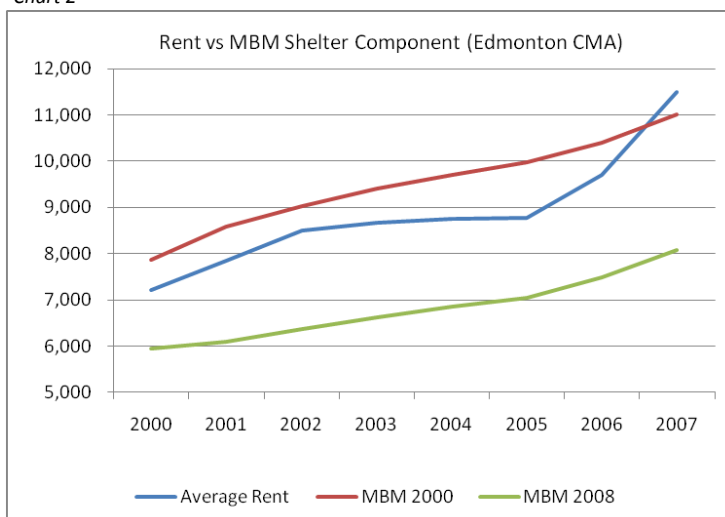
The main reason the MBM rebasing resulted in fewer Albertans living in poverty was because of changes made to the shelter component. For the reference family of four living in metro Edmonton, the shelter component which covers rent plus utilities dropped from \$11,015 (MBM 2000) to \$8,070 (MBM 2008) per year. The impact changes made in the MBM shelter component are then compared to the average yearly rent (not including utilities) for a typical two bedroom apartment in metro Edmonton as tracked annually by the Canada Mortgage and Housing Corporation (See *Chart 2*).

The MBM's shelter component was rebased by a combination of two factors: weighting the formula more strongly toward a family of four having a two rather than three bedroom apartment; and assuming that some low income families owned rather than rented their accommodation. Consideration was also given to further adjusting the shelter component to account for families living in rent geared to income (RGI) accommodation. However, the 2008 rebasing did not account for RGI though this might be incorporated in the future.

The rebasing of the MBM matters because the most widely used measure of low income (LICO) is becoming more useless with each passing year. The LICO has not been rebased since 1992 and is based on household spending patterns in that year. Statistics Canada has made it clear it has no intention of ever rebasing the LICO. This means the low income data generated using LICO will gradually become less reliable.

One hopes that the rebasing of the Market Basket Measure is motivated by simply redefining who meets the definition of being low income. Nevertheless, this is a part of a disturbing pattern by the federal government of closed-door decision making in the social policy area, not unlike the decision last summer to end the mandatory long-form census.

Chart 2



Michael Hatfield, Wendy Pyper, and Burton Gustajtis. *First Comprehensive Review of the Market Measure of Low Income*. Government of Canada- Human Resources and Skills Development Canada: June 2010.

### Cutting Through the Fog

Why is it so hard to make sense of poverty measures?

Richard Shillington and John Stapleton

May 2010

METCALF FOUNDATION

Richard Shillington and John Stapleton. *Cutting Through the Fog: Why is it so hard to make sense of poverty measures?* Metcalf Foundation: May 2010.




# Director's Message: Financial Literacy


By Susan Morrissey, ESPC Executive Director


Whether you call in money management, budgeting or financial literacy, it all comes down to one thing. Having tools and knowledge at hand to make responsible financial decisions is important to us all. I am pleased to see that we focused this edition of the *fACTivist* on financial literacy, especially as it relates to individuals living on low income. There are a number of programs and services available to help individuals gain the knowledge they need to help manage their incomes. When you are on a fixed income, trying to feed, clothe and keep a roof over your head while providing for your children can seem like a daunting task. It is good to see that there are programs and organizations working to help individual gain the skills to make ends meet.


As with our other editions, you will also read about some of the other activities ESPC staff have been involved with and some upcoming events. I would encourage you to log on to our website to learn more.


## About the Edmonton Social Planning Council


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### our VISION

A healthy, just and inclusive community.

### our MISSION

The Edmonton Social Planning Council provides leadership to the community and its organizations in addressing social issues and effecting changes to social policy.

### by BECOMING A MEMBER, you will:

- support our efforts to remain on the forefront in dealing with social issues
- make it possible for us to distribute our materials freely and widely to all
- receive our newsletters, fact sheets and other publications
- be eligible to vote at ESPC AGMs and have a say in the direction of the organization
- be eligible to serve on the board of directors

Visit [www.edmontonsocialplanning.ca](http://www.edmontonsocialplanning.ca) > **Support Us** > **Become a Member** for more information.



The screenshot shows the website's navigation menu on the left and the 'Individual Membership Form' on the right. The menu includes links to Home, About Us, Our Work, Support Us, Become a Board Member, Become a Member (highlighted with a mouse cursor), Volunteer, Donate, Resource Library & Links, Community Resources, News, and Issue Brief Blog. The form on the right has a header with the council's logo and name. Below the header, there is a 'Member Type' dropdown menu, followed by input fields for NAME, ORGANIZATION, POSITION, ADDRESS, CITY/TOWN, and PROVINCE. Each input field has a blue star icon to its right, indicating required fields.