Source: Financial Consumer Agency of Canada

Financial well-being in Canada: What is it? & why is it important?

What is financial well-being?

*"Financial well-being is being able to meet all one's current commitments and needs comfortably and having the financial resilience to maintain this in the future." **Elaine Kempson, PhD**, University of Bristol.*

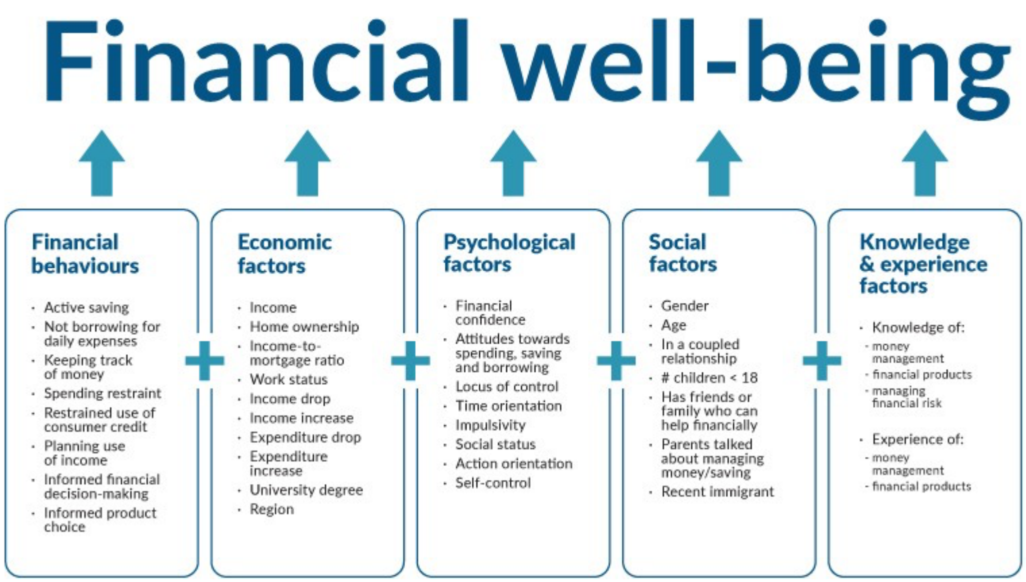
But it is not only about income. It is also about having control over your finances, being able to absorb a financial setback, being on track to meet your financial goals, and—perhaps most of all—having the financial freedom to make choices that allow you to enjoy life.

Generally, people who have high levels of financial well-being are not stressed about money and are able to cope with unexpected expenses. In contrast, people with low levels of financial well-being have difficulty meeting their financial commitments and do not have much money in reserve for emergencies. Better financial well-being is associated with less stress and greater mental and physical health.

The Financial Consumer Agency of Canada (FCAC) participated in a multi-country initiative that sought to measure financial well-being. FCAC conducted this survey to understand and describe the realities of Canadians across the financial well-being spectrum and help policy-makers, practitioners and Canadians themselves achieve better financial well-being. This is in keeping with the Agency's ongoing work to monitor trends and emerging issues that affect Canadians and their finances.

Previous research has found that certain behaviours and economic factors are the key drivers of financial well-being. These, in turn, are driven by psychological influences (such as impulsivity, self-control, locus of control, time orientation, action orientation, and attitudes toward spending, saving and borrowing).

Categories of factors relating to financial well-being



Why is it important?

The recent financial well-being in Canada Survey results from the [Financial Consumer Agency of Canada](#) sheds light on some key messages, results and conclusions for us to answer this question.

Key messages

- Many Canadians are doing reasonably well financially
- Income is important, but so are behaviours

- Financial well-being has a stronger relation to behaviours than to economic factors
- Canadians who actively save have higher levels of financial well-being than those with similar incomes who don't
- Canadians who avoid borrowing to meet daily expenses have higher levels of financial well-being than those who borrow regularly, regardless of income
- Financial confidence and attitudes toward spending, saving and borrowing are important
- For people with less financial well-being, financial confidence and feeling in control of the future are strongly related to financial well-being
- Generally, older Canadians who make positive financial choices and have the benefit of experience have the highest levels of financial well-being

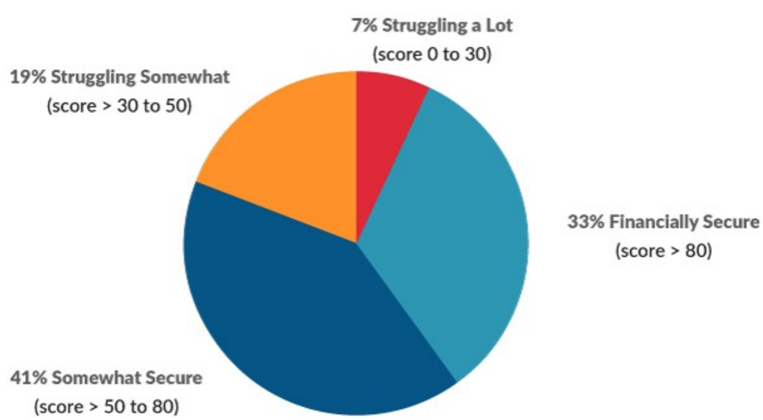
Results

Most Canadians are doing reasonably well financially.

To assess Canadians' overall financial well-being, we calculated a Financial Well-Being Score out of 100 for each survey respondent. The average score was 66.

Looking at the distribution of scores, we can see that three quarters (74%) of Canadians had a score of greater than 50. As we explain below, Canadians who scored above 50 are considered either Financially Secure (if they scored over 80) or Somewhat financially secure (if they scored 51 to 80).

We can also see that about one quarter of Canadians (26%) had Financial Well-Being Scores of less than 50. These Canadians are considered to be Struggling somewhat (if they scored 31 to 50) or Struggling a lot (if they scored 30 or less) with their finances.



Conclusion

Financial behaviours, such as saving and borrowing, were more strongly related to financial well-being than elements such as income, employment status and home ownership. The results of our analyses show that these behaviours have positive effects even when demographic elements (such as number of dependent children) and economic elements (such as income) are taken into account. This is encouraging news for Canadians who wish to improve their financial well-being, because for some, it may be more possible to change these behaviours than to increase their income significantly or change their employment status.

The survey results indicate that psychological factors are also strongly related to financial well-being. In particular, Canadians who were financially confident and preferred saving to spending and borrowing tended to have higher financial well-being.

Knowledge of financial management was a strong predictor of the financial well-being of Canadians in the Financially Secure group. This suggests that efforts to improve the financial well-being of individuals who are already doing quite well might be best focused on increasing their knowledge of how to plan spending against income as well as their knowledge of savings products, consumer loans and credit cards.

Financial well-being in Canada full report [PDF - 6.7MB]

Savings, budgeting and knowledge of financial products are some of the key important factors towards improving ones financial well-being. Below are some very good resources for the Jamat to get us there!

For a comprehensive learning program that provides information, tools and resources to help you manage your Individual and Business finances, visit the Financial Well-Being resources and gain the confidence you need to make better financial decisions.

Financial Well-Being resources:

- Understanding Your Finances - Comprehensive learning programs and resources to build a strong financial future
- KOFE - **K**nowledge **o**f **F**inancial **E**ducation - Credit Counselling and Debt Management