

A woman with long dark hair and glasses is sitting at a desk, looking at a laptop. The laptop screen is covered in colorful stickers. In the background, a young child is sitting at the same desk, also looking at the laptop. The scene is set in a home office or study area with a wooden desk and a small potted plant on the left.

Seymour Financial Resilience Index™

Improved financial resilience for many Canadian households thanks to swift Government and FI Covid-19 support and consumer and financial behaviours

June 2020 Index Release Report

Created by Eloise Duncan, CEO and Founder, Seymour Management Consulting Inc. and the Seymour Consulting Team



About Us

Seymour Management Consulting Inc. is a Canadian financial services consulting firm founded in 2009.

We are the leading independent authority on financial health in Canada and members of the C.D Howe Institute.

Through our team of experts and partners, and by applying the Seymour Financial Resilience Index ™, we deliver measurement, research and analytics, strategic consulting and collaborative innovation.

Core Purpose

Our core purpose is to help measurably improve Canadians' financial resilience and well-being, by collaborating with Financial Institutions, Government and committed institutions to better support the financial resilience of their customers, employees and target populations at scale.

Vision

Our vision is for financially healthy, resilient Canadians.

We recognize the connection between the financial health and resilience of households and the overall resilience and well-being of individuals, families, businesses and our economy.

Services

Measurement, research and analytics

Advisory services & consulting

Collaborative innovation

Definitions

There are three inter-related constructs that together form part of the over-arching construct of **consumer financial well-being**. We have developed these in line with our framework, developed over many years and validated with the input of financial health experts, academics, financial services professionals, consumer and collaborative partners.

Financial Resilience is defined as a *person or household's ability to get through financial financial stressors, shocks and financial hardship as a result of unplanned life events*. The opposite of this is **Financial Vulnerability** is defined as a person or household's reduced ability to bounce back from financial stressors, shocks or set-backs as a result of unplanned life events.

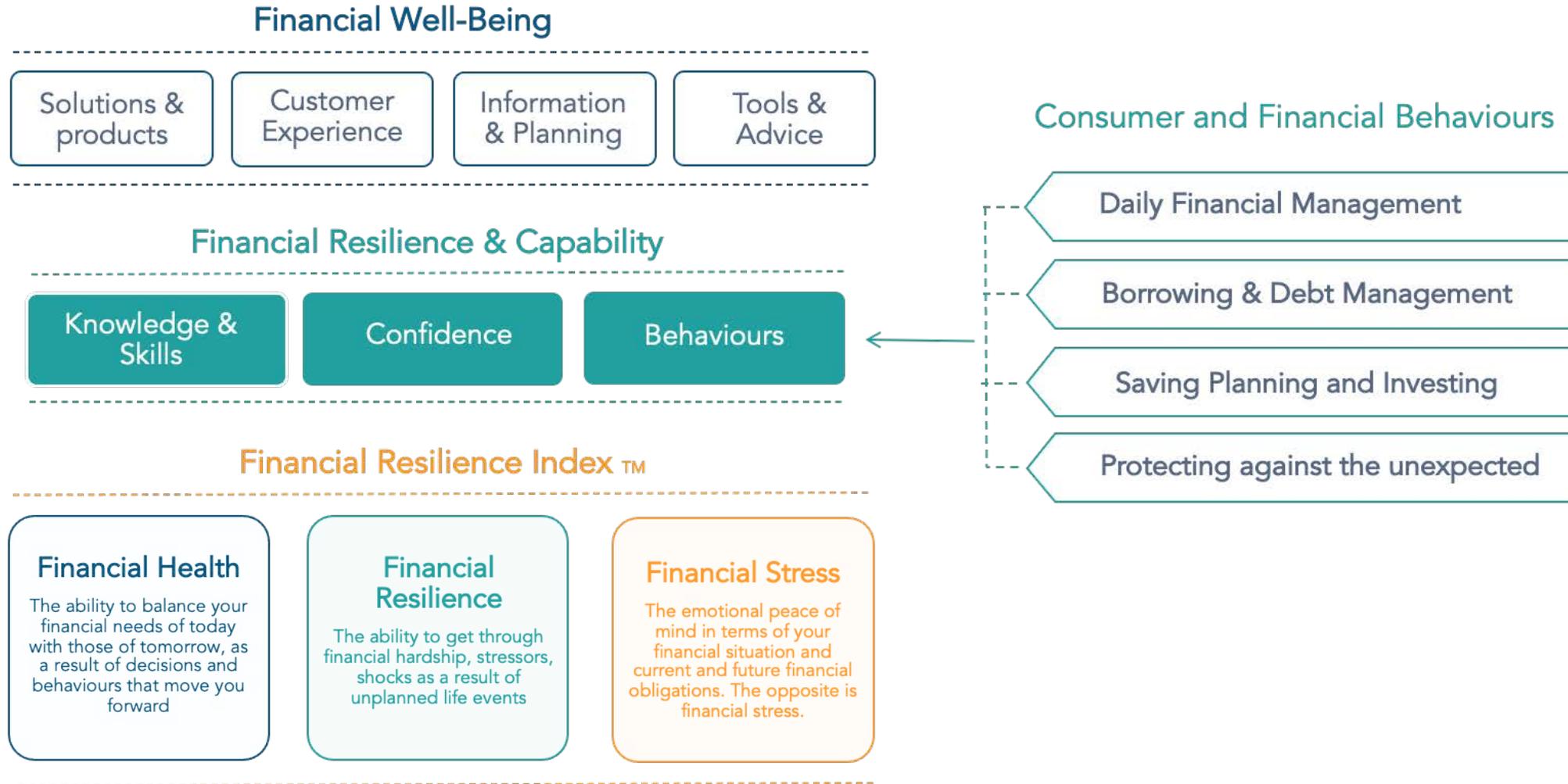
Financial Health is defined as as person or household's *ability to balance their financial needs of today with those of tomorrow*. Through our Financial Well-Being studies and Index, here we measure multiple **consumer and financial behaviours**, such as the extent to which households plan ahead for upcoming expenses, draw down on savings or manage their debt.

Financial Wellness is about a person's *peace of mind in terms of their financial situation and current and future financial obligations*. The opposite is financial stress. Through the FHI studies and Index, we measure multiple financial stressors, debt stressors and capture challenges (such as housing affordability, income volatility, job loss or other life events) from that may impact financial stress and wellness. Here we explore connections between financial stress and overall personal well-being. We also measure the extent to which Canadian Financial Institutions are helping to improve their customers' financial wellness.



The Index was created in line with our Framework

Created in 2016 to shape the Financial Well-Being studies, indicators and Seymour Financial Resilience Index™



The Financial Well-Being Studies (2017 – 2021) – complementing the Index

Canada's first and most robust longitudinal, national study of Canadians' financial health, wellness and resilience.



Canada's most robust national, independent investigation into consumer financial health, resilience and wellness – and the linkage between financial health and overall personal well-being. The study also measures the extent to which tier one banks help to improve the financial wellness of their customers.

The Financial Well-Being study is now conducted every four months as of 2020, in February, June and October of each year.

The study allows for additional dips, boost samples and customized analysis and modelling, plus measurement and tracking of the financial health, resilience and well-being of Canadians and bank and other organizations' customers at the national, provincial, segment household levels.

Feb 2021; Feb, June and October 2020; 2019, 2018, 2017

Online survey with large sample sizes between c. 3000 and 5000 adult Canadians for most studies.

Primary or joint financial decision makers, aged 18 to 70 years old.

Recruited through the Angus Reid Forum, data is weighted to be representative of the population by province, gender, age and household income. All design and analysis is led by Seymour Consulting.

The Seymour Financial Resilience Index™

WHAT THE INDEX MEASURES

Financial resilience: i.e. household's ability to get through financial hardship, stressors and shocks as a result of unplanned life events. The Index measures and tracks this for Canadian households across nine behavioural, sentiment and resilience indicators: at the individual household, segment, national and provincial levels.



Financial Health

The ability to balance your financial needs of today with those of tomorrow as a result of decisions and behaviours that move you forward.

Financial Resilience

The ability to get through financial stressors, shocks and financial hardship as a result of unplanned life events.

Financial Stress

Emotional peace of mind in terms of our financial situation, and current and future financial obligations. The opposite is financial stress.

Seymour Financial Resilience Index™ Release

The national mean financial resilience score for Canada has increased to 55.58.



[1] The Mean Canada Financial Resilience score based on the June Index is 55.58, up from 49.58 from the February Index baseline (pre Covid-19 affecting Canada). The national score for Canada includes the province of Quebec. Excluding Quebec, the Canada mean financial resilience score for Canada in June 2020 is 54.68. As of June 2020 (and for all future Index releases) households' financial resilience is tracked at the national level (including Quebec) plus provincial, segment and individual household levels.

The Seymour Financial Resilience Index™ is a regression model with nine indicators, building on four years of longitudinal data from the independent, longitudinal national Financial Well-Being studies. The June 2020 Financial Well-Being study has a sample size of 4,989 Canadians aged 18-70. MOE of +/- 1.4% and 95% confidence interval across all provinces. Data is weighted to be representative of Canadian population based on household income, gender, age and province, and respondents recruited through the Angus Reid Forum.

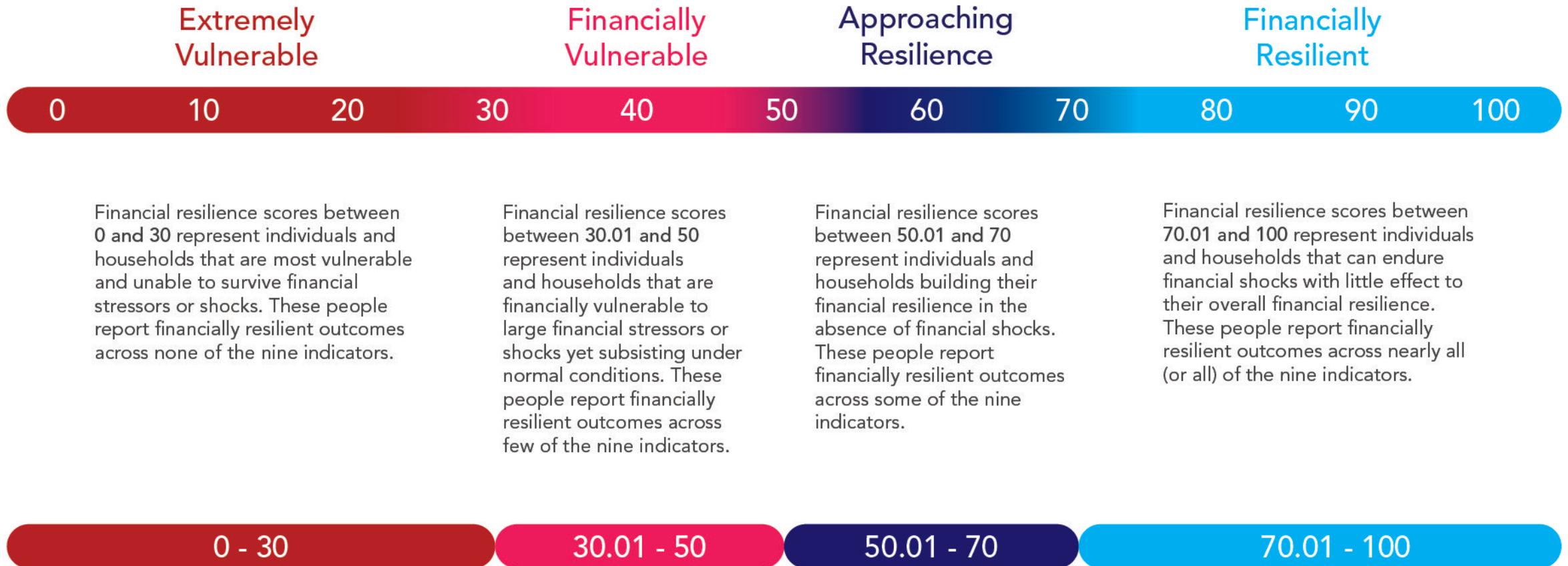
Seymour Financial Resilience Index™ Indicators



Source: Seymour Financial Resilience Index™. © 2021 Seymour Management Consulting Inc. All Rights Reserved..

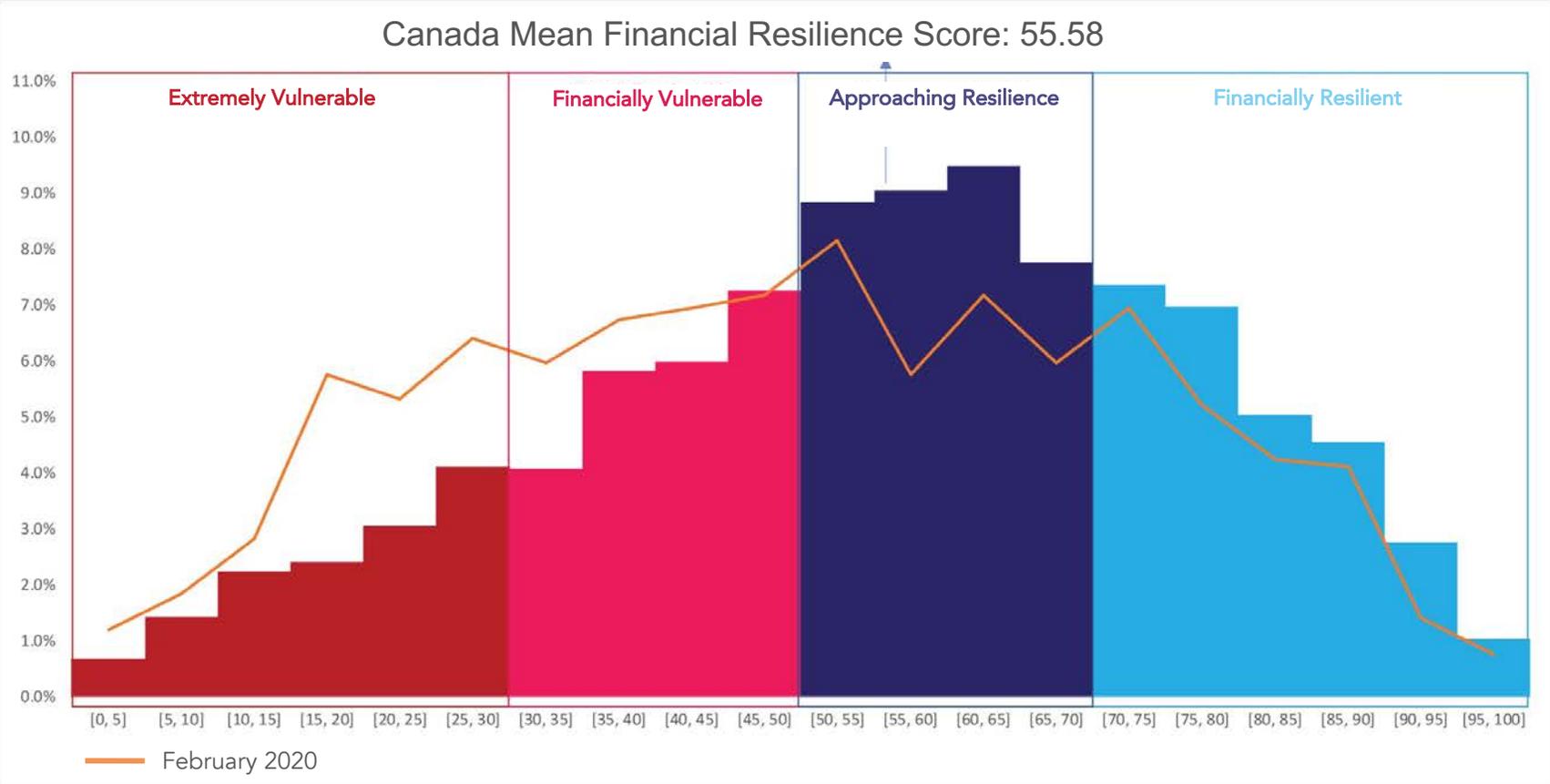
Seymour Financial Resilience Index™

Index scoring



Changes in the Index Distribution

For the June 2020 Index versus the February 2020 Index.



As of June 2020 (and for all future Index releases) financial resilience is measured at the national level (including Quebec), provincial, segment and individual household levels. The June 2020 Financial Well-Being study has a sample size of 4989 Canadians across all provinces including Quebec. Source: Seymour Financial Resilience Index™. © 2020 Seymour Management Consulting Inc. All Rights Reserved.

Financial Resilience Segments: based on the June 2020 Index



3.61 million

These individuals and households are most vulnerable and unable to survive financial stressors or shocks.



5.99 million

These individuals or households are financially vulnerable to large financial stressors or shocks yet subsisting under normal conditions.



9.06 million

These individuals and households are building their financial resilience in the absence of financial shocks.



7.15 million

These individuals and households can endure financial shocks with little effect to their overall financial resilience.

(1) Based on a population of 25.81 million Canadians aged 18 years old to 70 years old (July 2019) Source: Statistics Canada

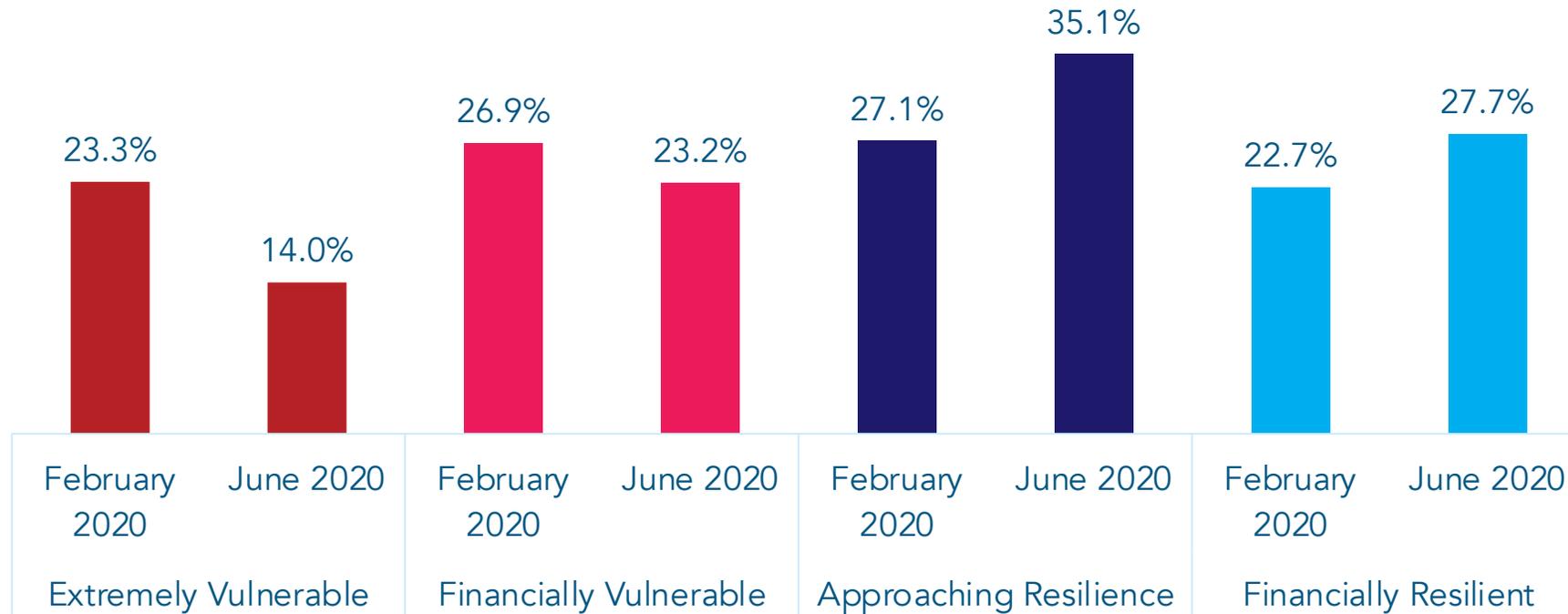
The June Seymour Financial Resilience Index™ highlights that 2.4 million less households are now scored in the 'Extremely Vulnerable' financial resilience segment at the national level, compared to the February 2020 Index while 1.29 million more households are 'Financially Resilient'. The June index marks a decline in 'Financially Vulnerable' households by 0.96 million and a 2.07 million increase in households 'Approaching Resilience'. While initial expectations were tilted towards lower financial resilience due to the financial stressor and unprecedented economic shock of Covid-19, household financial resilience improved - largely thanks to the immense and timely support from the Federal government programs and payment deferrals from Financial Institutions, combined with reduced commuting and non-discretionary spending.

1] Based on a population of 25.81 million Canadians aged 18 years old to 70 years old (July 2019) Source: Statistics Canada. Quebec population is included in the Seymour Financial Resilience Index™ as of June 2020. Source: Seymour Financial Resilience Index™. © 2020 Seymour Management Consulting Inc. All Rights Reserved.

Financial resilience increased across all four financial resilience segments, thanks in part to Government supports and Financial Institution relief programs.

% of Canadians each financial resilience segments [1]

February 2020 versus June 2020 Index data

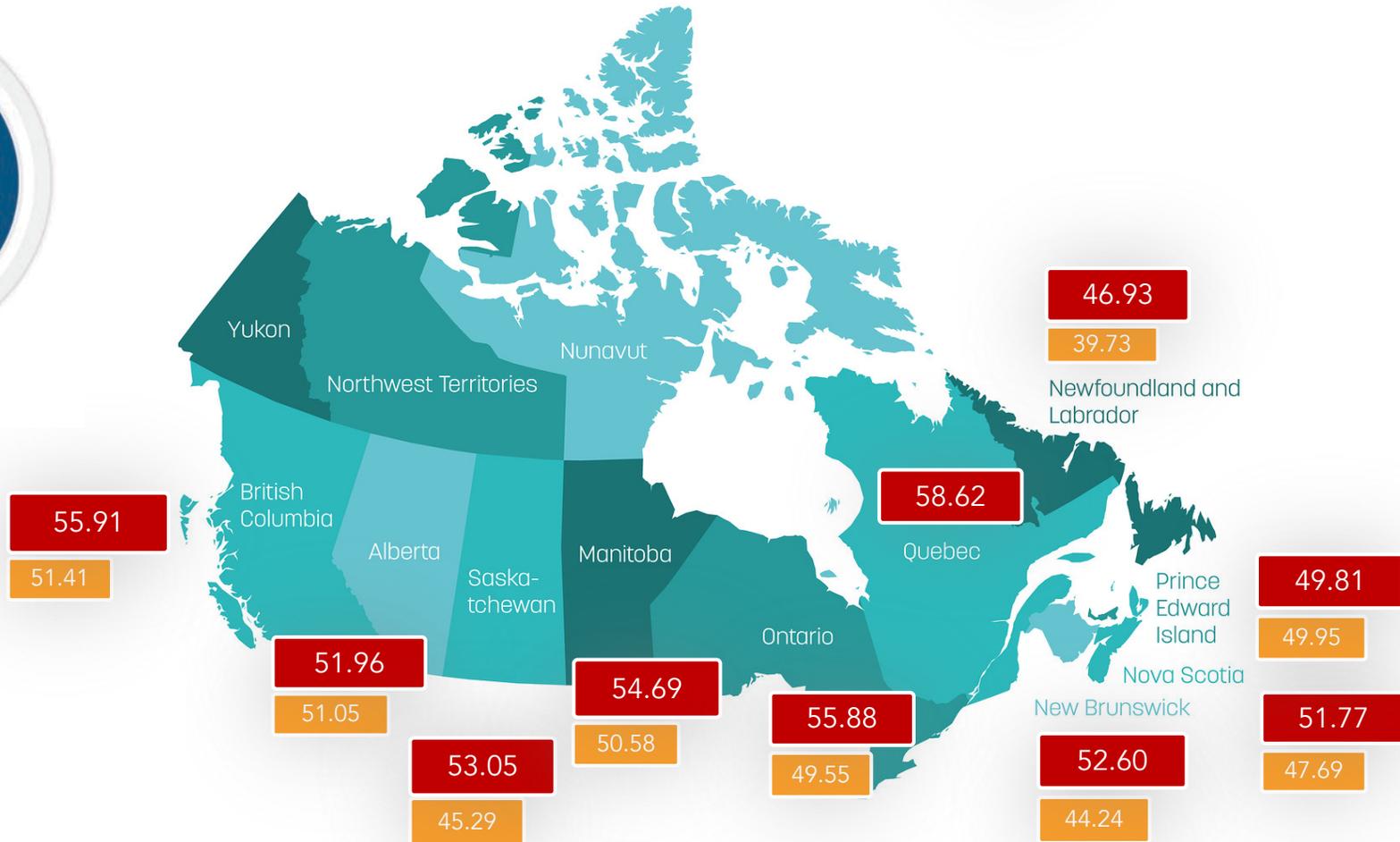


[1] The June Index highlights the change in the % of Canadians in each financial resilience segment, compared to the Index baseline in February 2020. Quebec was not included in the February 2020 FHI study sample. Based on the population of 25.81 million Canadians aged 18-70 years old (July 2019). Source: Statistics Canada. Quebec population is included in the Seymour Financial Resilience Index TM as of June 2020 for all Index releases, with data available including and excluding Quebec. Source: Seymour Financial Resilience Index TM. © 2020 Seymour Management Consulting Inc. All Rights Reserved.

Mean Financial Resilience Scores by Province

Seymour Financial Resilience Index™

- Mean Financial Resilience Score by Province (June 2020)
- Mean Financial Resilience Score by Province (Feb 2020)
- Canada Mean Financial Resilience Score = 55.58 (June 2020)

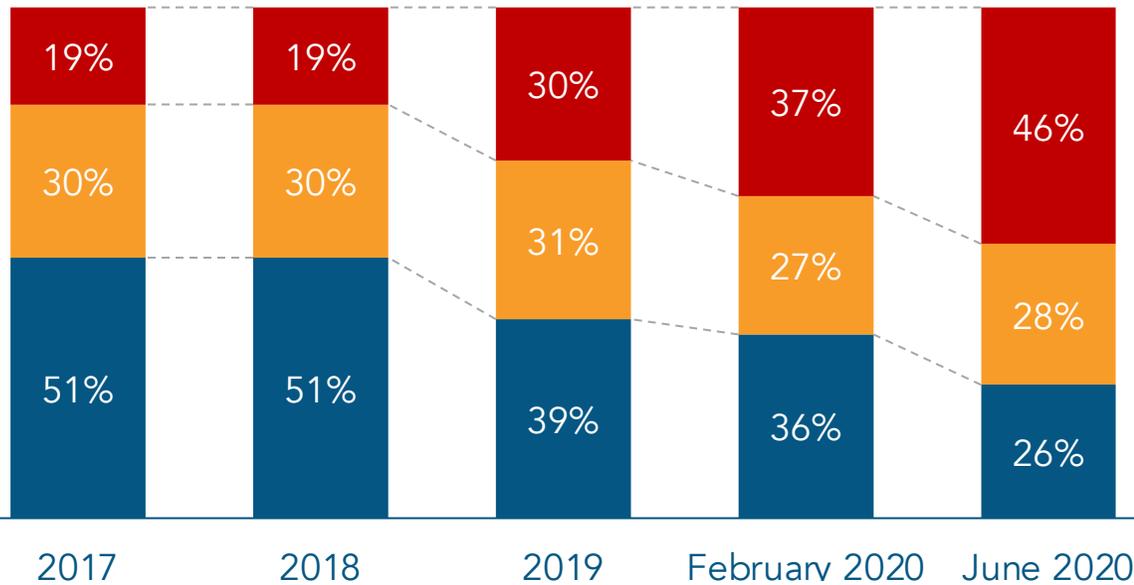


[1] Note: the mean financial resilience score for provinces with smaller sample sizes (NL, PEI, NB and NS) needs to be taken into consideration when comparing to the June 2020 Index benchmark scores. Source: Seymour Financial Resilience Index™. © 2020 Seymour Management Consulting Inc. All Rights Reserved.

There has been a significant increase in Canadians spending a little or less than their monthly household income based on the June Financial Well-Being study, compared to previous years. Liquid savings buffers have also increased as a result of this and financial supports.

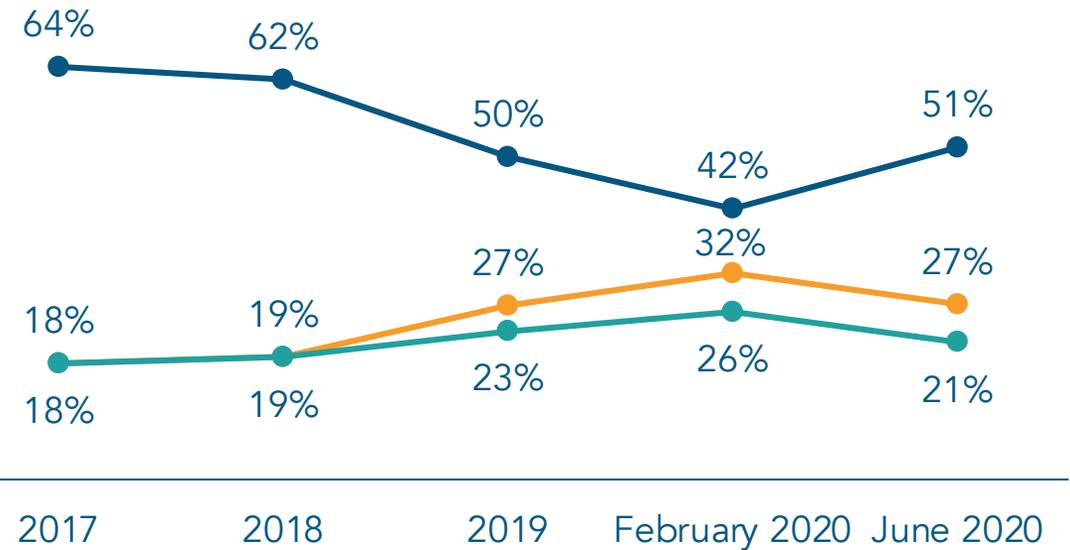
Over the past 12 months, relative to household's income, description of household's total spending over the same period: 2017 - 2020

■ Spending was a little/much less than income



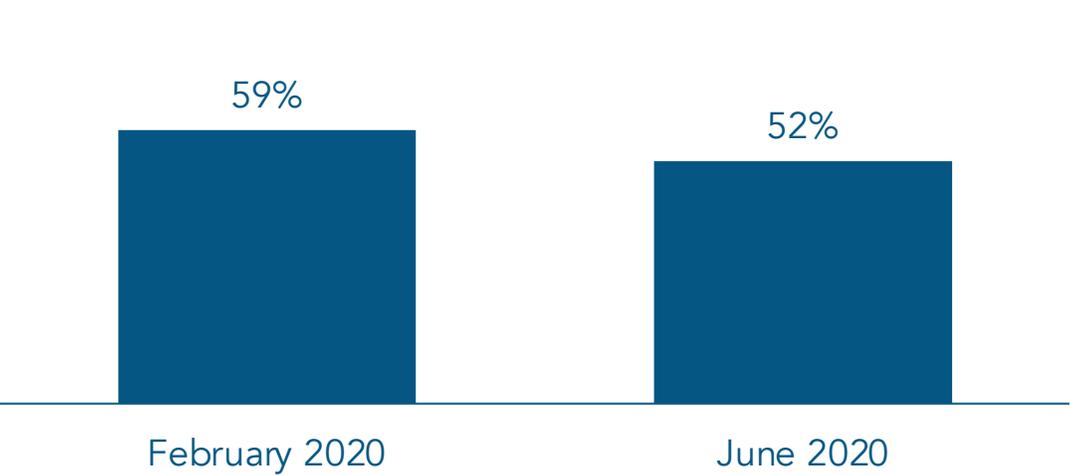
Liquid savings buffers: 2017-2020

● 3 months or more ● 1-2 months

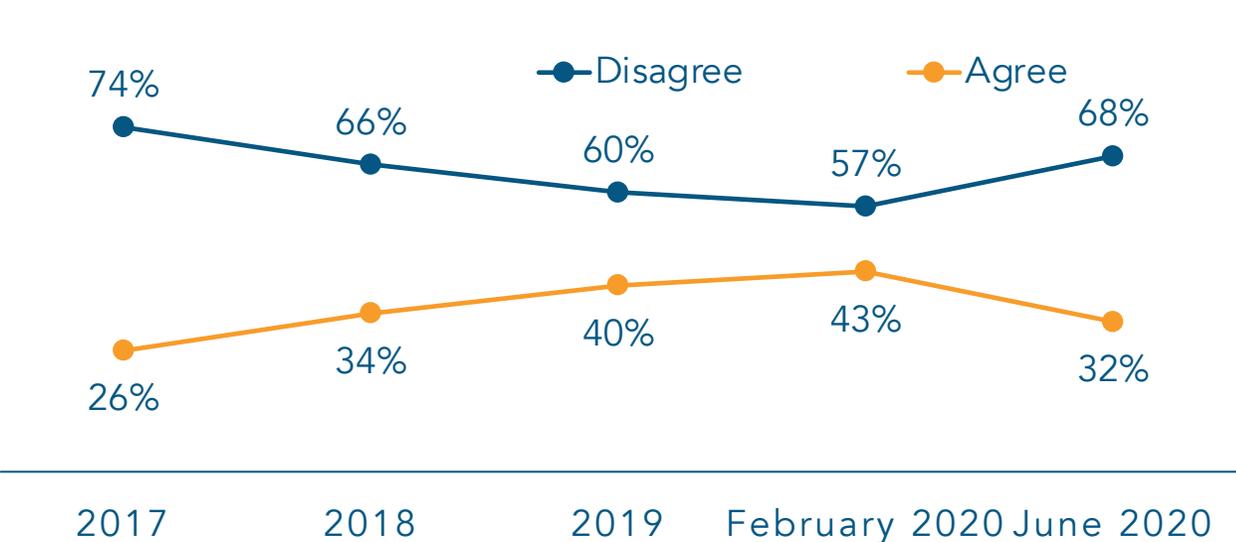


Household debt levels remains un-manageable for many Canadians, yet as a result of Covid-19, borrowing for everyday expenses is on a reverse trend.

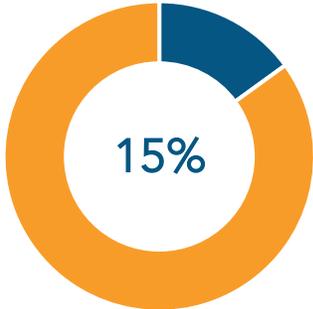
Percentage of Canadians who feel they have a bit more or far more debt than is manageable (February 2020 vs June 2020)



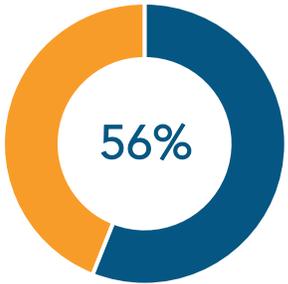
% Canadians who have increased their borrowing to help pay for everyday expenses (2017 to February 2020 and June 2020)



Canadian households that have taken steps to reduce or consolidate their debt as a result of Covid-19 (June 2020)



Canadians who report living pay-cheque to pay-cheque (June 2020)

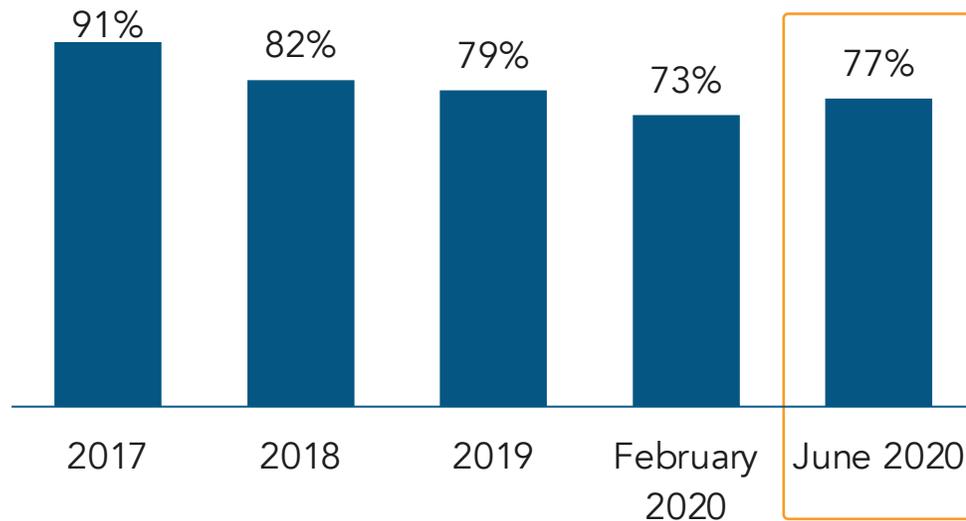


This is down from 61% in February 2020

Source: Seymour Financial Resilience Index TM and June and February 2020, 2019, 2018 and 2017 Financial Well-Being studies. © 2020 Seymour Management Consulting Inc. All Rights Reserved.

Yet many Canadians have challenged financial resilience, underneath their credit scores.

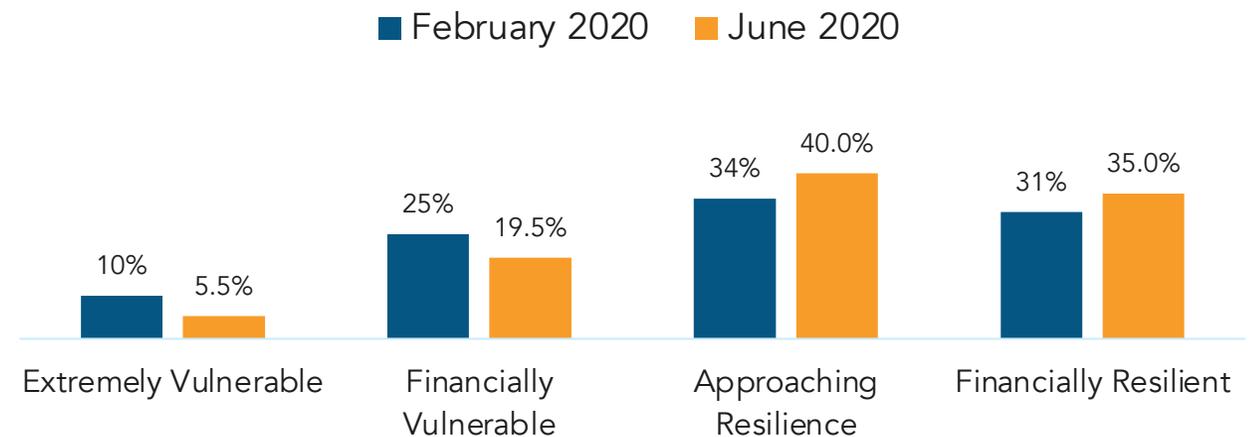
% of Canadians who self-report their credit score to be "excellent, very good or good" based on the Financial Well-Being studies: 2017 to 2020.



Source: June and February 2020, 2019, 2018 and 2017 Financial Well-Being studies.

% of Canadians who report their credit scores to be "excellent, very good or good" mapped against Seymour Financial Resilience Index™ segments

based on February 2020 and June 2020 financial resilience index: for Canadians at the national level.

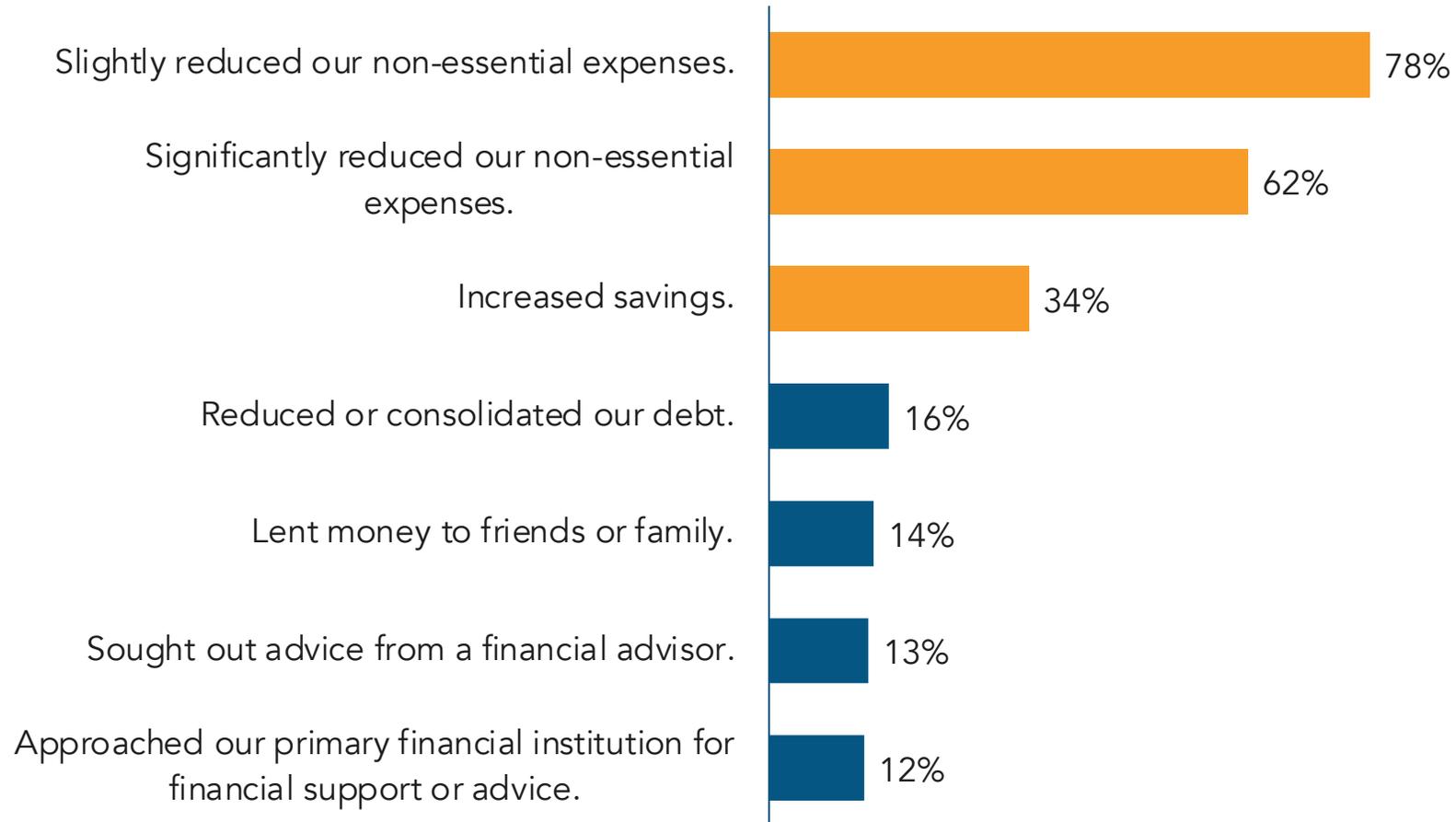


Source: Seymour Financial Resilience Index™. © 2020 Seymour Management Consulting Inc. All Rights Reserved.

Traditional credit scoring models reward loan and bill payment behaviours, leaving the ability to withstand financial stressors and shocks from unplanned events unchecked. The financial resilience score and model can augment/ complement a person's credit score and provide a new lens on an individual or household's financial resilience: including as it relates to people's daily financial management, saving, planning and investing, debt and credit and protection. The financial resilience score tracks resilience for non-borrowers, and people typically excluded from credit scoring (e.g. new immigrants, students or spouses without credit history).

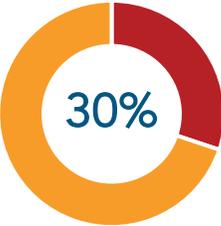
We track many changes in consumer and financial behaviours through the Index. Not surprisingly, Canadians have tightened their belts and/or incurred reduced discretionary expenses as a result of the pandemic, including compared to 2017 – 2020 trended data.

As a result of the Covid-19 pandemic my household has:



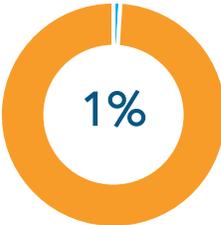
The Index™ highlights how social capital has an impact, and Canadians have provided or accessed social capital to help get through financial hardship in recent months.

Canadians who have borrowed money from family or close friends since Covid-19 affected the economy to help get through financial hardship



30%

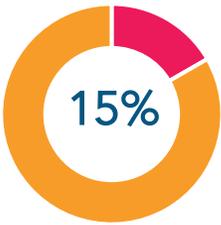
Extremely Vulnerable



1%

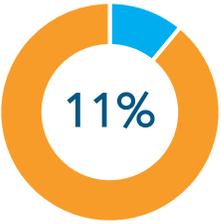
Financially Resilient

Canadians that have lent money to family or friends since Covid-19 affected the economy – to provide bridge support for their financial resilience.



15%

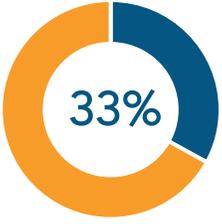
Financially Vulnerable



11%

Financially Resilient

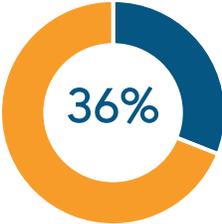
June 2020 Reponses: Do you have social capital?
Yes: I have someone and would turn to them for financial support



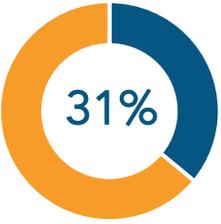
33%

No: I don't have anyone like this, I can only rely on myself.

"Yes, but": I have someone but would not ask them for financial support



36%

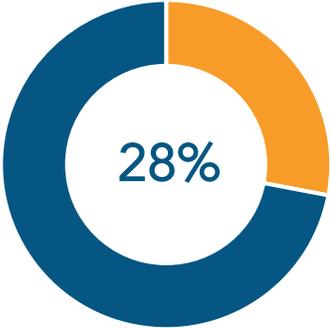


31%

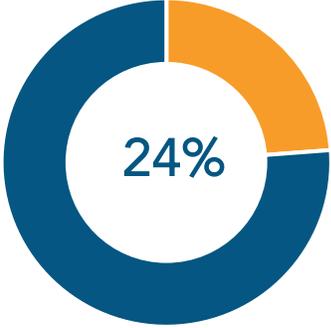
Social capital is a unique indicator included within the Index. More 'Extremely Vulnerable' Canadians (based on the June Index) have not surprisingly borrowed money/ accessed their social capital to get through recent times of financial hardship caused by Covid-19 impacts. Similarly, 11% and 15% of 'Financially Resilient' and 'Financially Vulnerable' Canadians have 'done good' by lending money to close family or friends facing financial hardship as a result of the pandemic.

Canadians who have suffered from reduced/ lost work as a result of the pandemic have been cushioned by Canadian Government and FI financial support and relief.

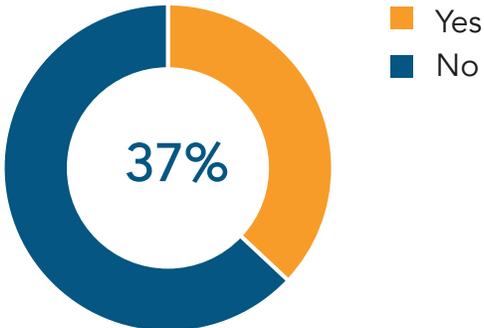
Somebody in the household has lost their job as a result of the economic shock of Covid-19



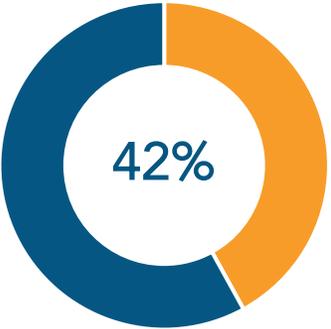
Canadians reporting their household monthly income has been reduced by more than 25% as a result of Covid-19



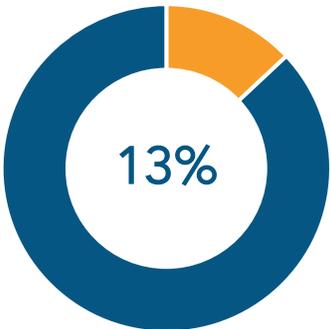
Canadians reporting their household has received Government financial relief since the pandemic started (1)



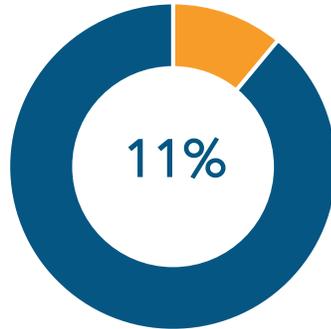
Canadians who somewhat or completely agree the pandemic has caused their household significant financial hardship



Homeowners with a mortgage who report having taken FIs up on a "skip a mortgage payment" offer

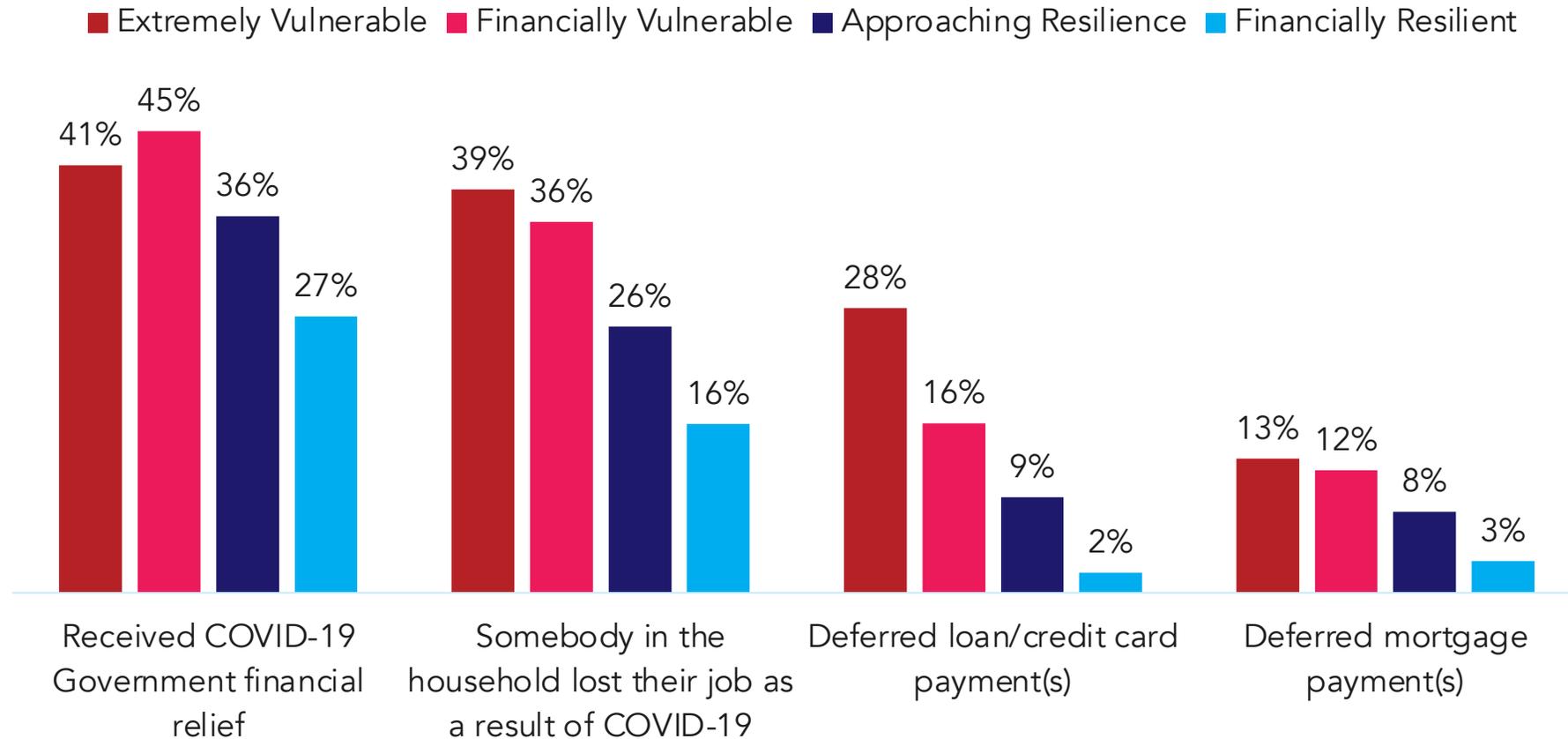


Canadians who report having taken up programs from their FIs for 'skip a loan' or credit card repayment



[1] Government benefits include CERB, CEWS, Indigenous Community Support Fund and/or provincial employment relief or other financial relief. Source: Seymour Financial Resilience Index TM. © 2020 Seymour Management Consulting Inc. All Rights Reserved.

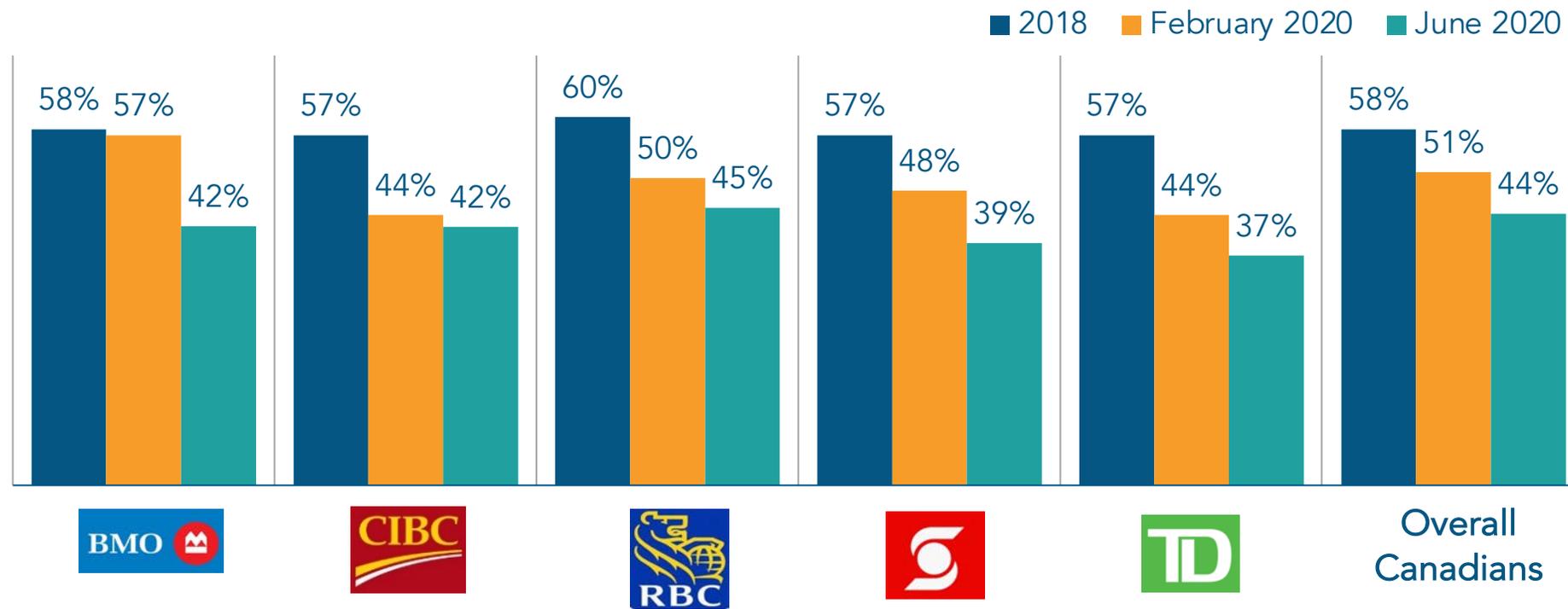
The Index highlights opportunities for more targeted support by Government and FIs as part of their medium to longer-term support strategies. Less people may need support than is currently being provided - taking away support that could be given to more vulnerable segments.



[1] Government Covid-19 financial relief includes EI, CERB, CEWS, Indigenous Community Support Fund or provincial employment relief) since the pandemic started.
Source: Seymour Financial Resilience Index TM. © 2020 Seymour Management Consulting Inc. All Rights Reserved.

FIs have made many investments for financial relief for their customers facing financial hardship since March - and to help improve their customers' financial wellness. Yet, despite actions to support clients and provide relief, bank customers still give their FIs a mediocre grade for helping to improve their financial wellness.

% of Canadians who rate their primary bank Financial Institution [FI] FI as 'Good' to 'Excellent' in helping to improve their financial wellness (7 or more out of 10) – 2018 and 2020

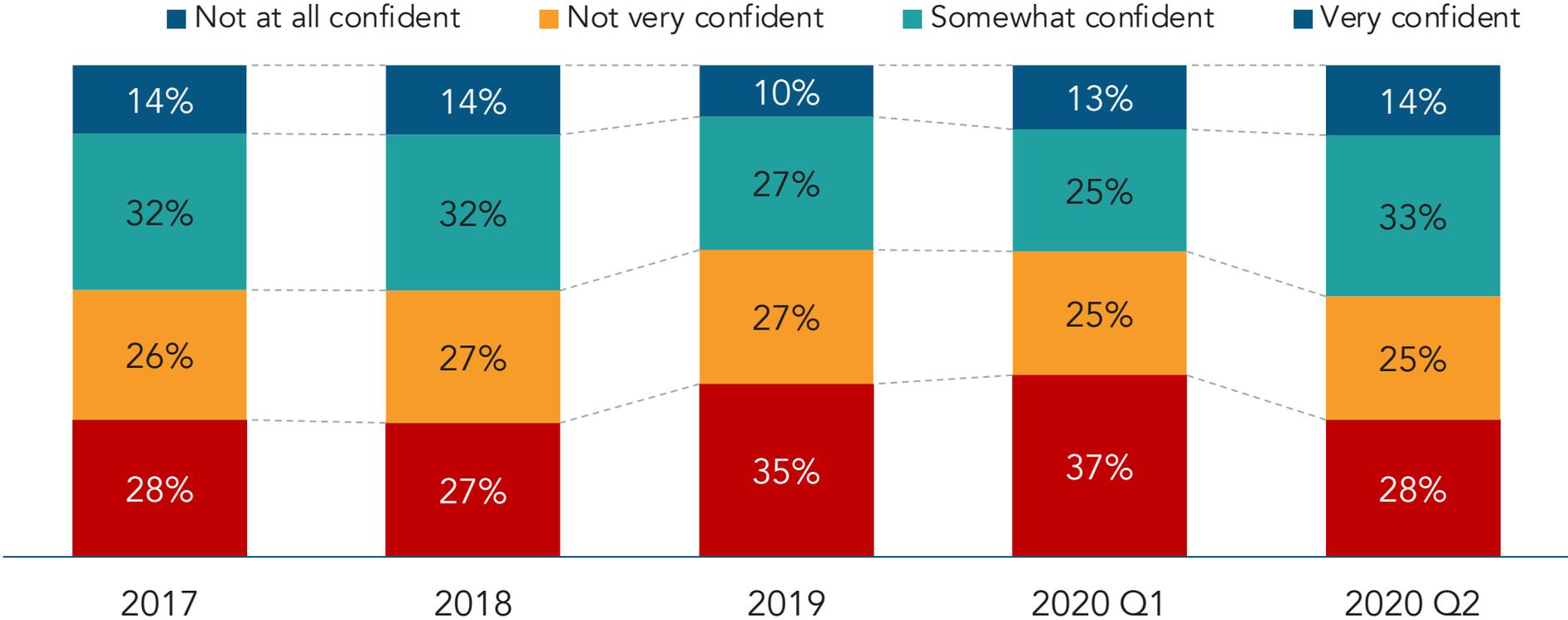


Source: 2018 and 2020 Financial Well-Being studies. Financial wellness FI support and business benefits can be tracked by FI and for their customers' overall and by resilience segment.
 Source: Seymour Financial Resilience Index TM. © 2020 Seymour Management Consulting Inc. All Rights Reserved.

Appendices

Our data has shown a deterioration in Canadians' confidence in their ability to get through financial hardship over 4-years: influencing the development of the Financial Resilience Index™

Confidence in being able to get through through periods of financial hardship resulting from unplanned events, financial stressors and shocks.



Source: 2020, 2019, 2018 and 2017 Financial Well-Being studies. © Seymour Management Consulting Inc. All Rights Reserved.

Confidence in being able to get through through periods of financial hardship resulting from unplanned events, financial stressors and shocks has improved in June 2020, thanks in part to swift and helpful Government Covid-19 support and financial relief for customers facing financial hardship by banks, credit unions and other financial institutions and organizations (such as utility companies.)

Methodology and Index Development



The Index was developed through an iterative process to regress and evaluate over 30 potential indicators against self-reported “financial resilience” or “financial stress” measures using the multiple linear regression technique. In the end, nine variables were determined to account for 54 percent of the variance in the financial resilience construct. In social sciences, a R-squared of 0.54 is considered to be a strong model.

The regression model was validated against 2017, 2018 and 2019 survey data, which revealed consistency in results, represented both by a strong R-squared as well as similar weights of the independent variables as predictors of financial resilience (note: weightings for the model are based on their overall contribution to the dependent variable in the model and are not equal).

Based on 2017 and 2018 data, six out of the nine index model independent variables were available, and in the 2019 data 7 of the independent variables were available. All 9 variables including the composite variable are available based on the 2020 data for February 2020.

Bringing visibility, measurement and understanding on the financial resilience (and vulnerability) of individuals and households, also in context of their wider financial well-being.

Financial stress and impact on my personal well-being
Money worries is making me losing sleep at night, fight with my wife and be less productive at work.

Debt stress, debt load manageability and borrowing/ credit/ repayment behaviours
While I pay my bills and credit card minimum balance on time every month (and my credit score is good), I don't seem to get ahead. I'm struggling with reducing my household debt load, and often rely on credit for everyday expenses.

Stress over current and future financial obligations
I would never tell my bank account manager, but I'm stressed over my current and future financial obligations: including for my business.

Financial vulnerability & hardship
As my spouse lost her job as a result of Covid-19, our finances/ financial resilience has been impacted temporarily. We also have extra expenses with needing to care for my mother. But we are thankful for the CERB and "skip a mortgage" payment offer from my FI. I know those benefits are not going to last forever though.



We're building up our liquid savings buffer slowly: as a result of living and working from home and taking advantage of CERB and CERW from government.

Consumer spending and daily financial management:

Before Covid-19 affected our economy, the increased cost living (relative to my income) meant I was regularly spending more than my household income every month, with little left over for any savings. Since, we've cut down spending significantly now, we're now starting to build up an emergency savings, to help us get through any other future 'shocks' or unplanned events.

Life Events have an impact
Challenges with my small business as a result of Covid-19 impacts have created costs and challenges that I didn't account for. But getting re-married last year and blending finances has helped to improve my financial health and resilience compared to two years ago.

Social Capital: I have my uncle that I could rely on for financial advice or support in times of need, but I wouldn't turn to him. Money's private.

The connection between financial well-being and overall personal well-being

Measured through the Financial Well-Being studies since 2017, with this work inspired by the Gallup-Sharecare Well-Being Index.

Emotional well-being

67% of Canadians agree money worries cause them emotional stress in June 2020, compared to 65% in February 2020 Q1 and from 47% of Canadians in 2017.

Productivity at work

36% in June 2020 report that money worries impacts their productivity of performance at work, compared to 38% in Feb 2020 (prior to Covid-19 affecting Canadians).

Marriages/ relationships

It is no secret money is the #1 cause of fights. 37% in Canadians report money worries cause money fights with their spouse or partner, similar to 38% in February 2020. This is a slight increase from 33% in 2017.



Mental health and wellness

49% in 2020 Q2 lose sleep because of money worries, compared to 51% in 2020 Q1 and 42% in 2017.

Physical health

43% in of Canadians in June 2020 reported money worries makes them feel physically unwell, a decrease from 48% in February 2020 (48%), compared to 36% of Canadians reporting the negative impact on their physical health in 2017.

Feeling connected to others/ isolation

47% of Canadians, or nearly 1 in 2, reported in June 2020 that money worries cause them to feel isolated, a slight decrease from February 2020 at 51%.

More details on the Index and its applications outlined in our Index Release Report.

Updated July 2020

Seymour Financial Resilience Index™ Release

The Index that measures financial resilience in Canada across nine behavioural, sentiment and resilience indicators



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