Financial Planning:
A Pathway to Improved
Financial Resilience

Summary Findings to Complement
Financial Resilience Institute's Full Report

July 2023

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Financial Resilience Institute is a non-profit society dedicated to improving the financial resilience and well-being of all Canadians and global citizens, including in particular those who are financially vulnerable or underserved. It is the leading independent authority on financial resilience and financial well-being in Canada and measures household financial resilience through its Index.

This report was commissioned by FP Canada and IQPF to produce independent analytics against the Institute's Financial Resilience Index model on Canadians working with a financial planner, with all analytics and the report created by Financial Resilience Institute. For questions specifically regarding this document, please contact the author listed above.

Disclaimer

This document references the title 'financial advisor'. We recognize in Quebec the use of this title is prohibited by regulation. In reading this section, 'financial advisor' should instead be read and understood as referring to a representative or professional who is authorized to provide advice, products and services.

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Executive Summary

Financial Resilience Institute is a non-profit organization and the leading independent authority on financial resilience and financial well-being in Canada. The Institute has leveraged its Financial Resilience Index model and conducted analytics in February 2023 to explore and validate if there is an association between people working with a financial planner and improved financial resilience and financial well-being [1]. This report has been commissioned by FP Canada and the Institut québécois de planification financière (IQPF) and is being published for policymakers and those with a stake in the financial resilience and well-being of Canadians. This summary complements the full report published by the Institute in July 2023.

The Institute's peer-reviewed Financial Resilience Index model measures household financial resilience, defined as a household's ability to get through financial hardship, stressors and shocks as a result of unplanned life events. The financial resilience of Canadians is measured at the national, provincial, segment and individual household level three times a year across nine behavioural, sentiment and resilience indicators [1].

The Financial Resilience Index model and reports published since 2017 confirm that financial vulnerability is a mainstream issue, spanning all household income demographics. Having a high salary does not translate to high financial resilience.

In the 'Planning for Resilience' Report published in January 2023 by StrategyCorp Institute of Public Policy and Economy, commissioned by FP Canada with support from the IQPF and Eloise Duncan of Financial Resilience Institute as a key report contributor, we provided framing on household financial resilience, the importance of planning ahead financially and provided data-driven insights on the potential impacts of Canadians working with a financial planner on improved household financial resilience.

The key objectives of this study—leveraging the Institute's Financial Resilience Index model and February 2023 Financial Well-Being study [2] with a boost sample of people working with a financial planner—was to investigate and demonstrate whether there is an association between:

- Canadians working with a financial planner and improved financial resilience (based on their financial resilience score);
- Canadians working with a financial planner and reduced financial stress and/or improved financial well-being; and
- Canadians not only having a financial plan, but adhering to their financial plan, and improved financial resilience and financial well-being.

Four key findings emerged from this study:

1. Planning ahead financially measurably contributes to financial resilience.
2. There is an association between working with a financial planner and improved financial resilience, with households working with a financial planner having a mean financial resilience score of 59.6 compared to a mean score of 48.1 for those not working with a financial planner as of February 2023.
3. People working with a financial planner and adhering to their financial plan have lower levels of financial stress.
4. Adhering to a financial plan has a positive impact on a household's financial resilience and financial wellness.

[1] The Seymour Financial Resilience Index™ has a pre- pandemic baseline of February 2020 and builds on over seven years of longitudinal financial well-being studies data for Canada. The Index has been peer reviewed by Statistics Canada, UN-PRB, C.D. Howe Institute, Haver Analytics and other leading organizations. Households are scored from 0 to 100 based on the nine indicators. 'Extremely Vulnerable' households have a financial resilience score of 0 to 30; 'Financially Vulnerable' a score of 30.01 to 50, 'Approaching Resilience' a score of 50.01 to 70 and 'Financially Resilient' a score of 70.01 to 100.
More details on the Index development and methodology are provided in the full report and here.

[2] The Financial Well-Being studies (2017 to 2023) data is based on online survey data with a representative sample of the population by household income, age, province and gender. This report is based on the February 2023 Financial Well-Being study and Index analytics with a total sample size of 5010 adult Canadians including 1340 respondents that report working with a financial planner.

The results of the study show the impact of households planning ahead financially and of financial planning on improved household financial resilience, across all income demographic groups. The results also show the potential value of financial planning as a way to improve Canadians' financial resilience. There is an opportunity to ensure more Canadians have access to professional financial planning to build their financial resilience and ultimately, help them achieve well-being.

Why Financial Resilience Matters

In an uncertain world where Canadians regularly experience unplanned life events, financial stressors and shocks, financial resilience is critical for overall resilience and well-being. It is key to individuals' ability to manage and recover from negative financial events.

Financial resilience can enable an individual to continue making mortgage and credit card payments despite dealing with an unexpected expense or financial 'shock'. It can also minimize individuals' reliance on government financial assistance during challenging times. This in turn can help reduce costs for governments by potentially limiting the levels of financial support needed to be deployed to support households facing personal or widespread economic downturns.

As people improve their financial resilience and reduce their financial vulnerability, moving upward from Financial Resilience Institute's 'Extremely Vulnerable' and 'Financially Vulnerable' financial resilience segments to the 'Approaching Resilience' and 'Financially Resilient' segments, they can become more capable of managing financial stressors and shocks, and facing life's challenges. Ultimately, a healthy, financially resilient economy starts with financially resilient individuals.

Connecting individual financial health and resilience to family financial well-being, small business financial health and resilient, thriving communities

Framing ‘Financial Planner’ for the Purposes of this Report

For the purposes of this research, the Financial Well-Being study asked if survey respondents are currently working with a financial planner as a generic term, with these professionals not necessarily holding a specific financial planning credential, but rather engaging in the practice of financial planning generally.

There are many terms around ‘financial planners’ and ‘financial advisors’ and some households may think of these terms inter-changeably. Within the boosted sample implemented by Financial Resilience Institute, it should be noted there may be some respondents who have engaged with a financial advisor (or independent financial advisor), rather than a financial planner per se, and are included in the study sample.

More information on the objectives of the study, methodology and sample size are in the appendices.

Key Themes

Planning ahead financially measurably contributes to improved financial resilience

There is an association between working with a financial planner and improved financial resilience

People working with a financial planner and adhering to their financial plan have lower levels of financial stress

Adhering to a financial plan has a positive impact on a household’s financial resilience and financial wellness

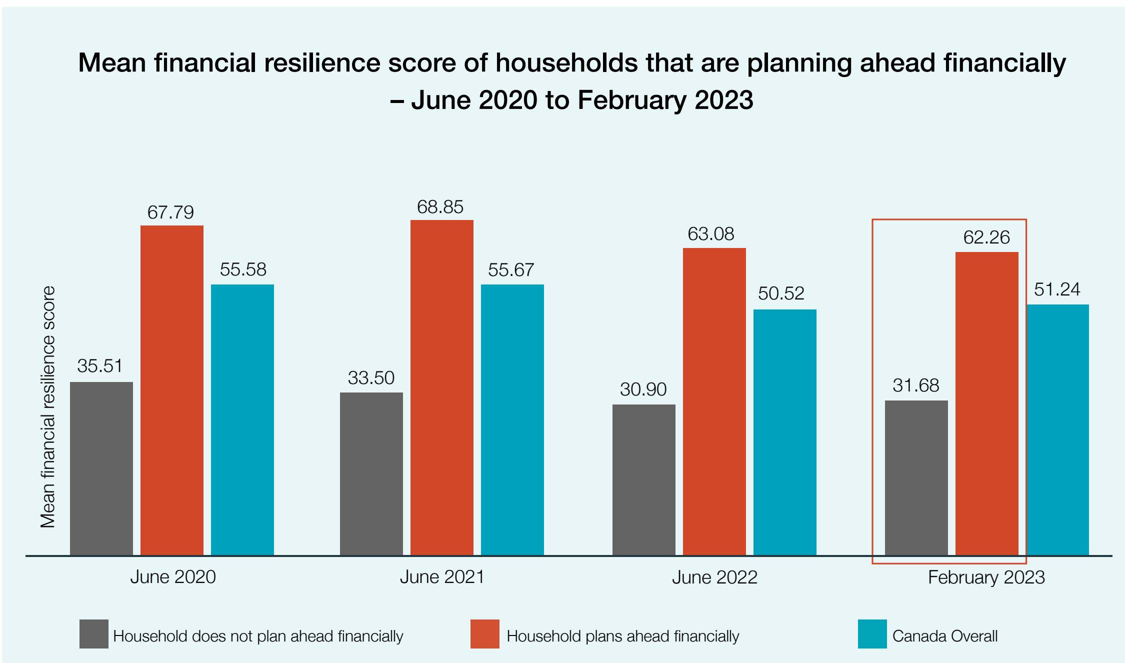
Summary Findings

Key Finding #1 Planning ahead financially measurably contributes to improved household financial resilience

There is a clear association between people planning ahead financially and improved household financial resilience.

Planning ahead financially for upcoming or unexpected expenses or to save for long-term goals contributes to one's financial resilience.

50.7% of Canadians report they plan financially for upcoming or unexpected expenses or to save for long-term goals as of February 2023, with this number, like in previous years, being based on Financial Resilience Institute's longitudinal data. Households that plan ahead financially have a mean financial resilience score of 62.26 as of February 2023 – with nearly double the mean score of Canadians not planning ahead financially (31.68) and significantly more than the mean financial resilience score of Canadians generally at 51.25 as of February 2023.



Source: Seymour Financial Resilience Index™

Based on the February 2023 Seymour Financial Resilience Index™ 37% of households that plan ahead financially for upcoming expenses or to save for long-term goals are scored 'Financially Resilient' compared to just 2% of households that do not plan ahead financially.

As of February 2023, 49% of households that do not plan ahead financially are ‘Extremely Vulnerable’ and 37% are ‘Financially Vulnerable’ compared to 18% and 30% of Canadians overall (whether they plan ahead financially or not). In contrast, only 5% of households that are planning ahead financially are ‘Extremely Vulnerable’ and only 20% are ‘Financially Vulnerable’.

Households that do not plan ahead financially experience more financial challenges across many indicators tracked by Financial Resilience Institute. For example, 98% of these households are not ‘Financially Resilient’ and 84% are living pay cheque to pay cheque.

Only 24% of households that do not plan ahead financially are confident in their ability to meet their short-term savings goals compared to 72% of households that are planning ahead financially, and 82% are stressed they won’t have sufficient savings for retirement, compared to 60% of households that plan ahead financially.

Planning ahead financially also improves financial well-being across all income categories.

Financial Resilience Institute’s data and analytics validates that planning ahead financially for upcoming expenses or to save for long-term goals has a measurable positive impact on Canadians’ financial resilience and financial well-being - regardless of whether people are working with a financial planner—across all household demographics.

40% of Canadians who plan ahead financially have higher levels of financial well-being (7 or more out of 10) compared to 16% of households that do not plan ahead financially as of February 2023 [1].

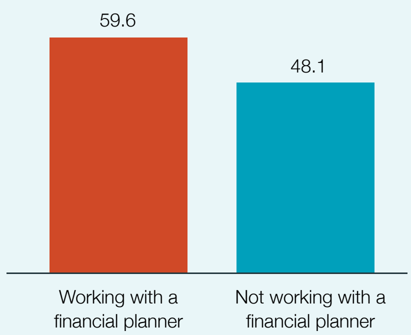
21% of Canadians with a household income under $25,000 that are planning ahead financially have high levels of financial well-being, with this being the case for 38% of households with household income of $50,000 to $99,999 and 55% of households with household income over $100,000 as of February 2023.

[1] Survey respondents rate their level of financial well-being on a scale of 1 to 10, with people rating their financial well-being highly as those who rated it 7 or more out of 10.

Key Finding #2 There is an association between people working with a financial planner and improved household financial resilience

Analytics against the Institute's Financial Resilience Index model validates that there is a meaningful association between households who report working with a financial planner and improved household financial resilience, across all income demographic groups. Households that work with a financial planner have a mean financial resilience score of 59.6 compared to a mean score of 48.1 for those not working with a financial planner as of February 2023.

Mean financial resilience score of households working with a financial planner versus not working with a financial planner as of February 2023

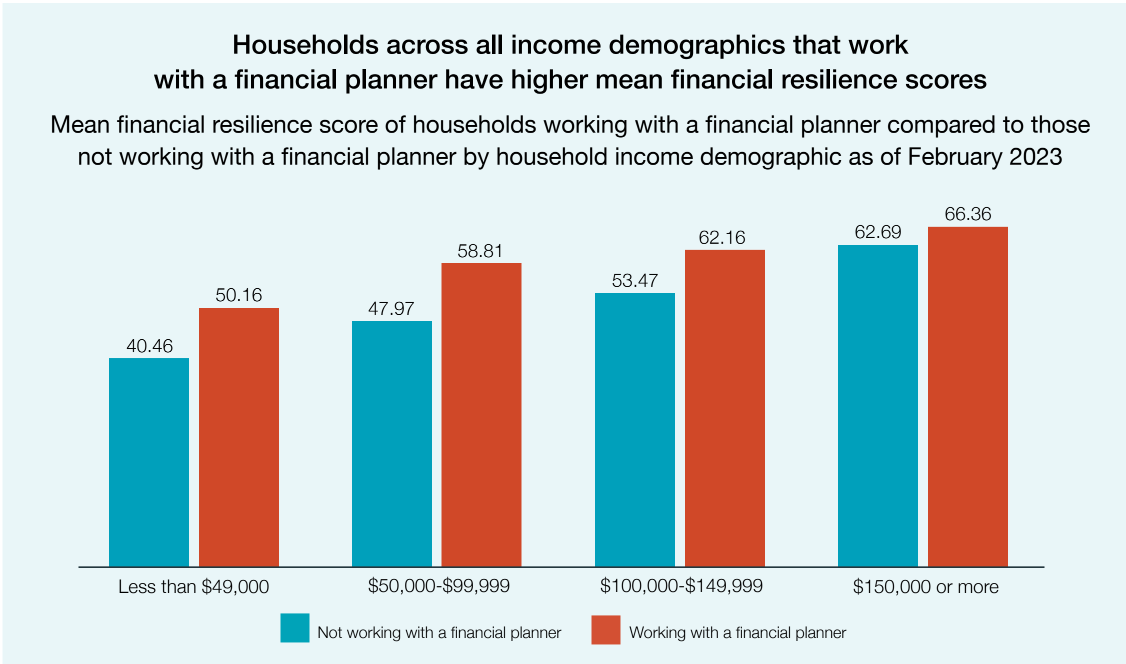


T-test analysis conducted by Financial Resilience Institute shows a significant difference in the mean financial resilience score of Canadians working with a financial planner and those who are not, regardless of household income. Analytics highlight there is an association between working with a financial planner and improved household financial resilience [1].

Source: Seymour Financial Resilience Index™

[1] T-test analysis is a statistical method to determine if there is a statistical difference between the means of two groups of data. This analysis was conducted to exclude any effect of household income as a variable on household financial resilience.

Canadians working with a financial planner have higher mean financial resilience scores compared to those not working with a financial planner across all household income demographics, highlighting the value of working with a financial planner for households that may have lower household incomes as well as higher household incomes.

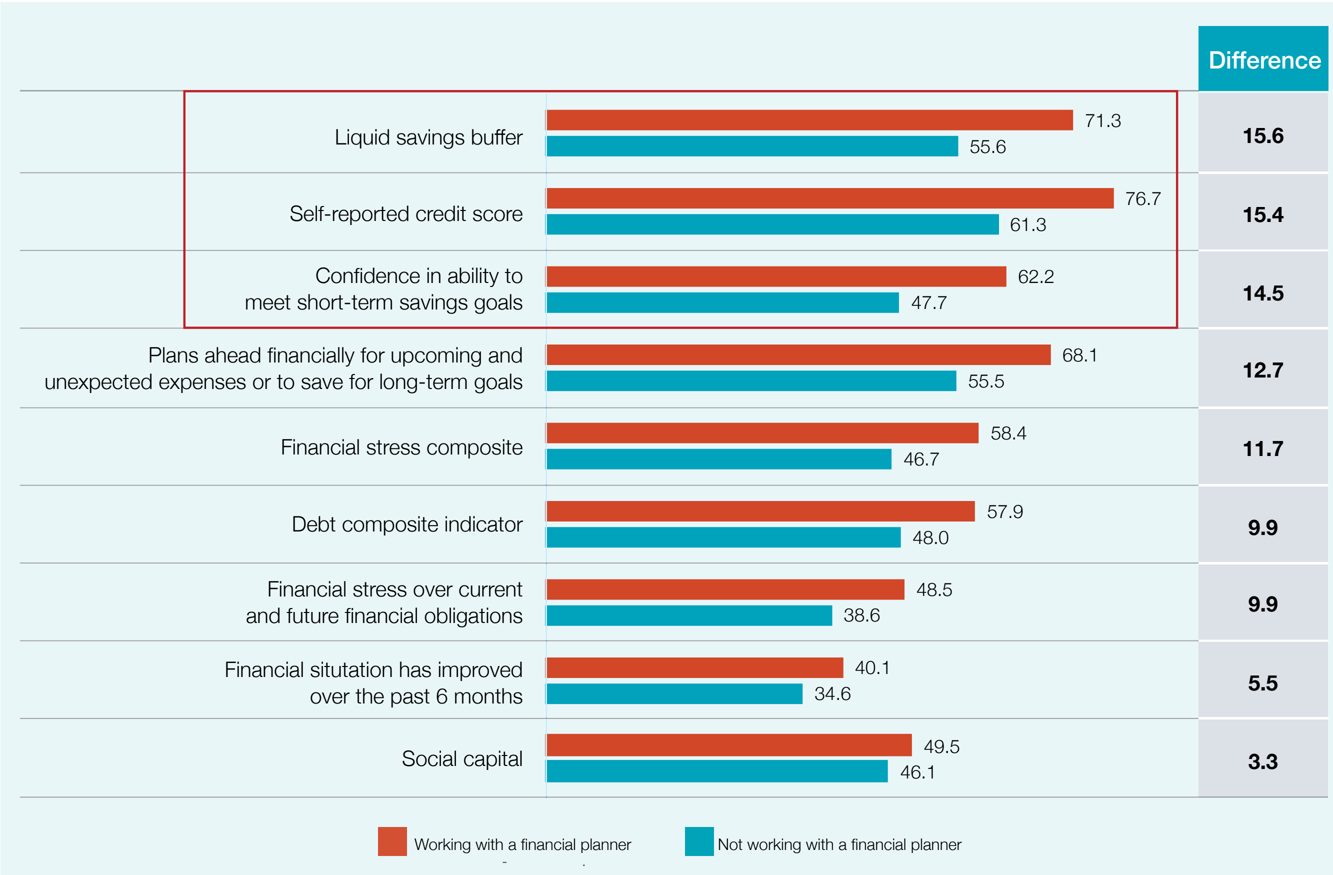


Source: Seymour Financial Resilience Index™

Households with a household income under $49,999 that work with a financial planner have a mean financial resilience score of 50.16, just under 10 points higher than those not working with a financial planner. Similarly, households with a household income between $50,000 and $99,999 that work with a financial planner have a mean financial resilience score of 58.81, compared to a score of 47.97 for those with the same household income that are not working with a financial planner. There are also improved financial resilience scores for households with higher household incomes working with a financial planner, as evidenced through the Institute's Index analytics.

Households working with a financial planner have higher financial resilience, and score meaningfully higher across seven of the nine Seymour Financial Resilience Index™ indicators compared to people not working with a financial planner. In particular, the top three indicators where these households have higher Index scores are the liquid savings buffer indicator, reported credit score and confidence in ability to meet one's short-term savings goals.

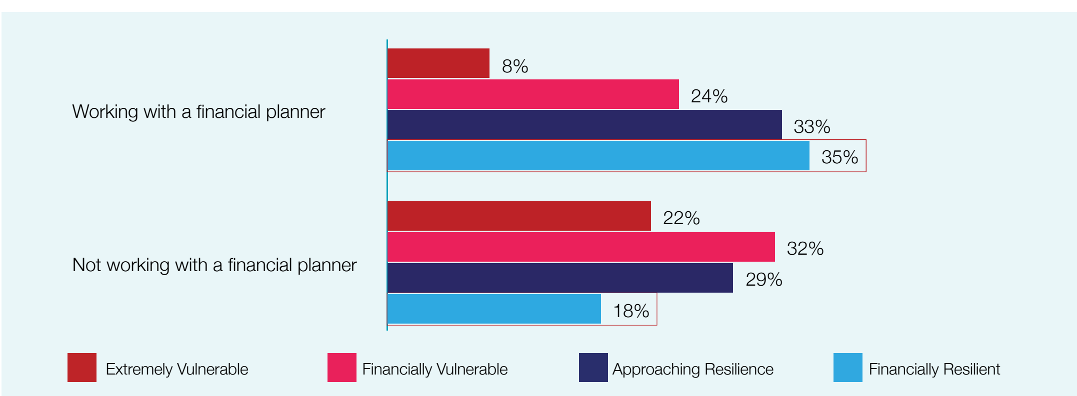
Canadians working with a financial planner score meaningfully higher across seven of the nine Financial Resilience Index model indicators compared to those not working with a financial planner



Source: Seymour Financial Resilience Index™

35% of households working with a financial planner are 'Financially Resilient' (with a mean financial resilience score of 70.01 to 100) compared to just 18% of households that are not working with a financial planner, based on the February 2023 Seymour Financial Resilience Index™. Significantly more households not working with a financial planner are 'Extremely Vulnerable' (22%) or 'Financially Vulnerable' (32%) compared to their counterparts working with a financial planner.

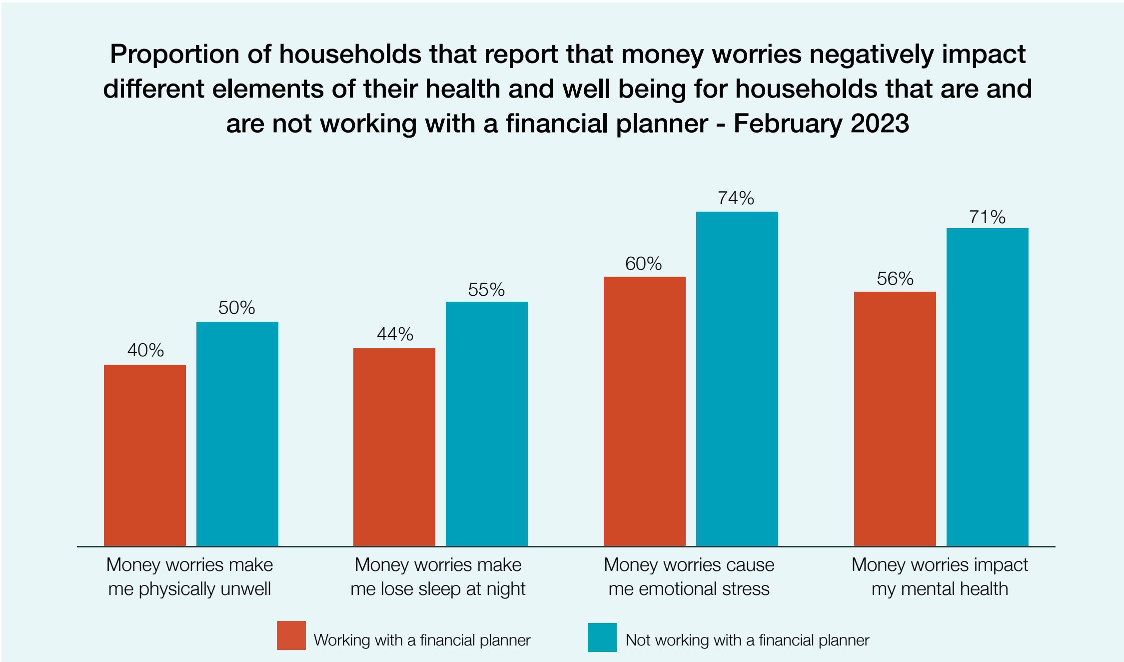
Distribution of households working with a financial planner versus not working with a financial planner by financial resilience segment - February 2023



Source: Seymour Financial Resilience Index™

Key Finding #3 More people who work with a financial planner have higher levels of financial well-being and reduced levels of financial stress

There is an association between people working with a financial planner and reduced levels of financial stress, in turn impacting physical health, emotional health and other well-being dimensions. More people who are working with a financial planner also have higher levels of financial well-being.



Source: Seymour Financial Resilience Index™

Indeed, 72% of Canadians that are currently working with a financial planner rate their financial well-being to be good to excellent (7 or more out of 10) compared to 48% of households that are not working with a financial planner as of February 2023. 67% of households working with a financial planner report that having a financial plan has helped to improve their financial wellness over the past 12 months. 81% of ‘Financially Resilient’ households report that having a financial plan has helped to improve their financial wellness over the past 12 months.

Key Finding #4 Having and adhering to a financial plan has a positive impact on a household's financial resilience and financial wellness

73% of households with a financial planner have had their planner develop a financial plan with them, with those with a plan having a higher mean financial resilience score of 62.0 as of February 2023 compared to those not having a financial plan having a score of 53.0.

65% of households working with a financial planner report that adhering to their financial plan has helped to improve their financial resilience over the past 12 months. Many more households having and adhering to a financial plan are ‘Financially Resilient’ (48%) or ‘Approaching Resilience’ (36%) compared to more financially vulnerable households. 66% of households currently working with a financial planner have adhered to their financial plan, with those who have adhered to their plan having a mean financial resilience score that is significantly higher (at 67.3) compared to those who have not adhered to their financial plan.

67% of households working with a financial planner said that having a financial plan has helped to improve their financial wellness over the past 12 months.

Conclusion

The Institute's Financial Resilience Index model and reports published since 2017 confirm that financial vulnerability is a mainstream issue, spanning all household income demographics. Having a high salary does not translate to high financial resilience. This study validates that there is a meaningful association between people working with a financial planner and improved household financial resilience. There is also an association between people having a financial plan, adhering to it, and improved household financial resilience and financial wellness.

Key takeaways:

- Planning ahead financially for upcoming and unexpected expenses and to save for long-term goals positively contributes to improved financial resilience, with this being a key indicator of the Seymour Financial Resilience Index™.
- Working with a financial planner also contributes to improved household financial resilience across all household income demographics.
- Households with lower household incomes that work with a financial planner have higher mean financial resilience scores compared to their counterparts with the same household income that do not work with a financial planner, with households working with a financial planner having a mean financial resilience score of 59.6 compared to a mean score of 48.1 for those not working with a financial planner as of February 2023.
- Data from this research indicates that collaborating with a financial planner and engaging in proactive planning can contribute to improved financial resilience. For example, financial planners can help individuals navigate financial challenges, influence, and support them to plan ahead financially and create and/or adhere to their financial plan. This can also support their financial well-being.

This study shows the potential of financial planning as a way to improve Canadians' financial resilience. Facilitating access to professional financial planning advice among Canadians who are not engaging with financial planners today can help households as they work to build healthy financial behaviours and skills and the confidence they need to navigate financial challenges in life. This can not only benefit individuals, but the Canadian economy as a whole, as a resilient economy is strengthened by financially resilient individuals.

Overall, this study and the Institute's Index underscores opportunities for policymakers, financial institutions, financial planners and other stakeholders to help more Canadians to plan ahead financially and maintain and/or improve their financial resilience. This can have a positive measurable impact not only on the financial resilience and financial well-being of individuals and families, but also on their overall health and well-being.

Appendices

Background and Context for the Study

Building on this report, Financial Resilience Institute has leveraged its Financial Resilience Index model to shine a light on the extent to which planning ahead financially, working with a financial planner and/or having a financial plan and adhering to it, has a measurable impact on households' financial resilience, their financial wellness and financial well-being. This study, commissioned by FP Canada and IQPF, is being published as a complement and to build on the January 2023 'Planning for Resilience' Report.

The peer-reviewed Seymour Financial Resilience Index™ measures household financial resilience: i.e., a household's ability to get through financial hardship, stressors and shocks as a result of unplanned life events. The Seymour Financial Resilience Index™ measures and tracks household financial resilience across nine behavioural, sentiment and resilience indicators. Measurement and tracking is conducted at the national, provincial, segment and individual household levels in Canada. Tracking is conducted every four months, with the Index having a pre-pandemic baseline of February 2020. Households from all household income demographics are represented across all financial resilience segments.

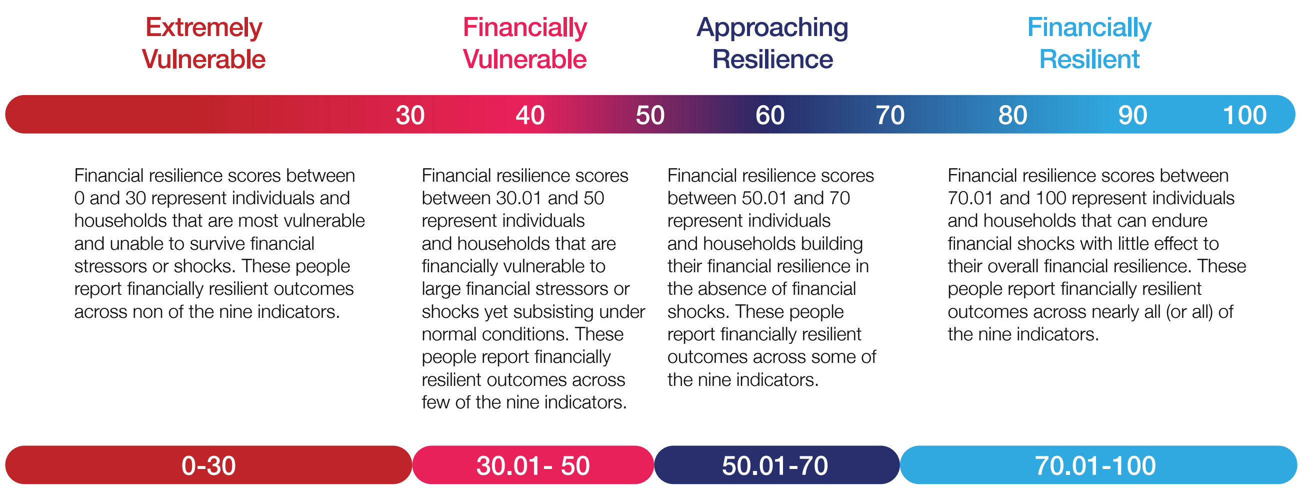
Index analytics are based on a robust sample size of 5010 adult Canadian primary or joint financial decision makers based on the February 2023 Financial Well-Being study launched by Financial Resilience Institute, a complementary instrument to its Index, with this sample including a boost sample of 1,340 Canadians who report they are working with a financial planner. The Financial Well-Being studies are Canada's most robust national, independent investigations into the financial health and financial well-being of Canadians, and the linkages between financial health and overall personal well-being. The studies provide independent tracking on the extent to which tier one bank customers rate their primary Financial Institution for helping to improve their financial wellness over the past year, for clients overall and those who are more financially vulnerable based on the Index. Financial inclusion and 'access to financial help' gaps and other aspects are also tracked through the instrument.

Methodology and Sample Size

The Financial Well-Being studies data is based on online survey data with survey respondent recruitment through the Angus Reid Forum and all design and analytics conducted by Financial Resilience Institute. The study has a representative sample of the population by household income, age, province, and gender. The total sample includes 1,340 households who report they are currently working with a financial planner.

Household financial resilience depends on nine indicators encompassing behavior, sentiment, and resilience. Canadians exhibit higher levels of financial resilience when they engage in healthy financial behaviors, possess social capital, and experience lower financial stress, irrespective of their household income. That said, some of the demographics for survey respondents working with a financial planner should be noted and do have some impact on more of these households being more financially resilient [1].

The Seymour Financial Resilience Index™ Scoring Model



Source: Seymour Financial Resilience Index™

Based on the nine indicators, households are scored from 0 to 100 in terms of their household's financial resilience. 'Extremely Vulnerable' households have a financial resilience score of 0 to 30, 'Financially Vulnerable' a score of 30.01 to 50, 'Approaching Resilience' a score of 50.01 to 70 and 'Financially Resilient' households have a score from 70.01 to 100. Weightings for the index indicators are not equal.

[1] 42% of survey respondents who report working with a financial planner have a household income over $100,000: significantly more than 32% of Canadian survey respondents overall. Notably, 32% of households working with a financial planner report being homeowners without a mortgage: significantly more than 19% of Canadians survey respondents overall. More households working with a financial planner are Baby Boomers (45%) compared to Canadians overall (31%). These demographic factors do provide some advantage for this population, as the Index validates that, for example, homeowners without a mortgage have a higher mean financial resilience score compared to mortgage holders or renters.

Study Objectives

There were three key objectives for the study:

1. **Conduct research and evaluate if there is an association between working with a financial planner and improved household financial resilience, levering the Institute's Financial Resilience Index model:**

   Through a boost sample of people working with a financial planner, Financial Resilience Institute analyzed against its Index model if there was an association between:

   - Engagement with a financial planner to help them plan financially and improved household financial resilience, as indicated by an increase in the financial resilience score and/or
   - Adherence to a financial plan over the past 12 months and improved household financial resilience, as measured by the financial resilience score (from a behavioral perspective).

2. **Conduct research analytics to test if people working with a financial planner and/or adhering to a financial plan over the past 12 months had:**

   - Reduced financial stress impacting various aspects of their health and well-being (physical health, mental health and emotional stress) and
   - Reduced stress surrounding whether their household will have sufficient savings for retirement.

3. **Independently measure the extent to which households working with financial planners report that:**

   - Having a financial plan has contributed to the improvement of their financial wellness over the past 12 months, and
   - Adhering to the financial plan has aided in enhancing their financial resilience over the past 12 months.

Financial Resilience Institute

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