

Successful money management, successful settlement, successful nation

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Thank you very much for inviting me to speak to you today on a subject I think about a great deal. Mastering dollars and cents is a competency that we all need to possess.

I remember my own steep learning curve on learning the essentials on dollars and cents when I first came to Canada in the early 80s. Almost from the day we arrived, we were confronted with the issue of willingly taking on debt by subscribing to a credit card. I have a fairly puritanical streak in me which was affronted by this notion of “buy now, pay a bit more later.” Yet everywhere I went I was asked for my credit card. I stood firm against this for a full year; but then finally I had to give in as I realized that a credit card in Canada is much more than about credit. It serves as an accepted and legitimate proxy for identity, solvency and, possibly, respectability in Canada.

Next, I was confronted with the entirely new experience of filing a tax return, this yearly ritual that Canadians, many with great excitement as I found out later, participated in. Coming from a country where everything to do with bureaucracy, especially financial bureaucracy, is a nightmare, it was indeed a great example of the efficiency of public service. But more importantly, it was an incredibly hands-on way of learning some of the Canadian values embedded in the tax code.

We arrived in Canada during particularly difficult times. Maybe there are some people in the room who still remember when interest rates were a whopping 14% and that mortgages were being sold at 18%. In addition, we were asked everywhere for a magical dust that we could not buy for love or money – Canadian work experience. We were not alone of course in this experience and joined the many hundreds of immigrants – doctors, lawyers, engineers – who were in the same boat. Many of our friends started to work in factories, others by default started small businesses as an alternative to employment. And so we became aware of a whole new set of competencies as small business owners – sales tax, rental leases, employment contracts, insurance etc. Needless to say, many of these businesses failed, including the one we started, because there were so many essentials we did not know, and possibly because our hearts were not in it.

Every day, we make a complex array of financial decisions – from choosing a bank, to finding a mortgage to managing consumer debt to taking out student loans, signing the rental lease for the first apartment, negotiating a service contract, buying life insurance, sending remittances back home. Compared to people who are born in Canada or whose families are Canadian, many newcomers have a natural diffidence and lack of confidence in making financial decisions about products, services, vendors and advisors. As a result, they are more vulnerable than others to fall prey to bad and sometimes downright unethical products and services. There is a lot to learn and sadly few opportunities to do so.

I think this audience will agree with me that if we want newcomers to succeed, to be good players, then we need to share with them the written and unwritten rules of engagement.

But first I want to share with you a few well known and maybe a few lesser known facts with you.

Firstly, there is good news

- Canadians generally have positive attitudes towards immigrants and immigration, in fact among the most positive in the world.
- None of the major political parties expose anti-immigrant views. All support high levels of immigration. Ethnic votes are courted. No politician that hopes to survive will explicitly put out anti-immigrant views.
- Multiculturalism ranks just behind hockey and the RCMP as a valued Canadian symbol.
- Over the longer term, the key indicators that immigrants are doing well are positive – home ownership, intermarriage, citizenship, success of immigrant children in school, success off the charts.
- We have a solid legislative framework that sets the stage for this positive climate – Canadian Charter of Rights and Freedoms, multiculturalism policy, citizenship act, articulated array of settlement programs.
- And there are some marvelous innovations primarily from the local scene – Toronto Public Library has reinvented itself to meet the needs of immigrants, CBC Radio has redefined itself as the voice of Toronto.

But there is bad news as well. The natural patterns of yesterday are being replaced with some disturbing trends.

- Before the 1980, immigrants would quickly (within 10 years) have incomes that exceeded the Canadian-born. Their children's education and earnings would also exceed other Canadians.
- More recent immigrants have a different trajectory. Fully 61% of working age newcomers have completed university – but they have lower employment rates, they are more likely to work part time than full time, they are more likely to work in hospitality and food services industries. Immigrant women seem to be particularly vulnerable, their unemployment is double that of women in Ontario overall.
- Four in ten recent immigrants earn less than \$ 10,000.
- Only four in ten skilled immigrants are able to find work in the field of training and education, others face declining choices in how to fend for themselves.
- Yet immigrants don't come to Canada without resources either. 50% of skilled immigrants have savings that exceed \$15,000 and 50% in the business economic category have savings that exceed \$100,000.
- There is no single way of describing immigrants – they are as diverse as the languages they speak.
- This diversity is seen first hand in our cities like Toronto and Vancouver. Immigration has fuelled population growth, and it has also increased the demand for housing, resulting in an incredible growth in the 905 and urban sprawl.
- Toronto is one the most diverse cities in the world, yet places of power and privilege seem to be reserved for the old elite – look at our leaders in the city, whether they are on Bay Street, Queen's Park, City Councils or even the leaders of our charities and foundations, most are the face of Old Canada.
- But the really bad news seems to be hidden from the public. Few people know that we have embarked on a massively flawed experiment in immigration, bringing in temporary foreign workers at an enormous scale, the numbers equaling that of total landed immigrants last year. Temporary foreign workers have limited rights and protections, variable rights and access to

permanency and are only able to work for designated employers. Sadly we seem to be going down the world class failure of the Gastarbeiter experiment in parts of Europe.

So if there is a single narrative in immigration that has endured, it is this: Welcome to Canada. Work hard but beware, it maybe your children who will succeed.

How do we change this narrative, how do we compress and collapse natural and unnatural time frames so that we can achieve success faster, quicker better – that is our mantra at Maytree.

Certainly, financial literacy is a tool that is not yet mainstream in the lexicon of integration and settlement. You don't see it reflected in the service mix of service providers, and yet financial decisions are made by immigrants very quickly. For instance, within two days of arriving, they will decide where to bank, and like other Canadians, once they have made their choice, they are unlikely to change. Immigrants are also more vulnerable to consumer fraud for many reasons. In the first year of arrival, they will make very important financial decisions at a time in their lives when they need to turn over every penny carefully. Because of the lack of formal employment opportunities, many will default to entrepreneurship, sink family and community capital into ventures that may be ill advised, or ill financed or ill conceived.

Canada certainly seems to have come late to this idea that financial literacy is one more tool in the toolkit of integration. But we can take lessons from other places in the world that are enjoying success.

Let me travel the world with you a little to bring you the most interesting ideas on how different cities across the world are somewhat ahead of us and how easy it is to borrow, replicate and adapt from success. (You can find these and other example on Maytree's Cities of Migration website at www.citiesofmigration.ca.)

From Durham, North Carolina comes this simple smart idea (<http://citiesofmigration.ca/financing-a-future-the-latino-community-credit-union/lang/en/>).

North Carolina has fastest growing Latino immigrant population in the United States. More than half of this community speaks English poorly and over three-quarters of them do not have bank accounts. In part this is the result of a lack of documentation, an inherent distrust of banks and language issues. The result is that as a community, they are regularly overcharged for services such as loans, cashing a check or obtaining a money order. A lack of banking infrastructure also makes long-term financial planning essentially impossible.

The Latino Community Credit Union (LCCU) was founded to address the financial needs and knowledge shortfalls of this growing immigrant community.

It provides services to immigrants who have not previously held bank accounts or had been otherwise excluded from the US financial system. All the employees are bicultural and bilingual in English and Spanish. Most are immigrants themselves and are trained to help first time banking customers navigate the system and its requirements. All forms and policies are available in English and Spanish. The credit union works with trusted community organizations such as churches and community centres to market their offerings.

It also provides financial education on essential topics such as how to manage accounts, taxes, how to save money, develop a budget, and how to build credit. Approximately 2,000 people per year now attend these classes at work sites, churches and local community organizations.

My next story comes again from the US, this time from Chicago with an idea that enables religious Muslims to be part of the great North American dream of home ownership (<http://citiesofmigration.ca/muslims-and-mortgages-american-home-ownership-through-islamic-financing/lang/en/>). Home ownership, we know, is a significant benchmark in integration. It has long been linked to helping immigrant groups feel more invested in their community. Until recently, Muslims who wanted to buy a home had to save hundreds of thousands of dollars to purchase it outright, get loans from family and friends or put aside their religious beliefs which don't allow for interest payments and so prevent them from taking out a conventional mortgage.

Prior to 1997, no bank or bank branch in the United States offered formal Islamic financing that was both publicly approved by a U.S. regulatory agency and sanctioned by a board of Islamic scholars. Instead, American Muslims looking for an alternative to a conventional mortgage could try and turn to self-help groups that pooled money from investors and placed it in a revolving fund that bought homes and leased them to Muslim families.

So Chicago's Federal Reserve Bank stepped in to provide a systemic solution to this problem. It created several Islam-friendly lending programs, and started to offer creative loans that comply with the laws against receiving interest by creating joint-owner partnerships or charging lease fees in place of interest.

In London England, a social enterprise organization called Fair Finance offers a range of services to low income people, many who do not have a bank account. Fair Finance provides emergency credit at a fair rate to individuals who work in migrant heavy industries such as catering and taxis and is actively helping prevent the financially vulnerable from being further exploited. (<http://citiesofmigration.ca/banking-on-affordable-credit/lang/en/>).

Here in Canada, Maytree has played a small role in addressing one of the most significant issues – access to credit for those who do not have a credit history, who may not have a work reference, or money in the bank. We set out to convince major financial institutions that the human capital inherent within immigrants and their drive and search for a better life were in fact a proxy for money in the bank. We assumed the risk of building the case, providing microloans to close to 160 individuals with loans ranging from \$2,000 - \$5,000 for the purposes of upgrading licensing and training for employment. 75 % of these were gainfully employed, 73 have already paid off their loans, and we are fully convinced that the default rate, if any, will be very minimal. We are delighted to have “inherited” this project to the RBC with a pilot in Toronto. (<http://maytree.com/grants/immigrant-employment-loan-program>).

From our backyard in Toronto comes a brilliant idea that Maytree is proud to support. But first some background.

We all know that education, in particular post secondary education is a huge predictor for success. We also know that post-secondary education is becoming more and more expensive. So it is no wonder that children from low-income families are less likely than their more affluent counterparts to attend post-secondary education, even when their parents put a high value on education and even when their grades are equally high.

One solution is of course education savings. The federal government has developed a number of tools as part of the Canada Education Savings Program to encourage saving for education. These include:

- The Registered Education Savings Plan;
- The Canada Education Savings Grant; and
- The Canada Learning Bond - a contribution by the federal government into the RESP of a low-income child. An initial grant of \$500 is followed by an additional \$100 per year, to a maximum of \$2,000. Technically this is free money.

The problem is that many low-income families don't know these programs and instruments exist. They have limited access to accurate information about them. There are few resources available in languages other than English and French, and the information that is available is often difficult to understand. Unfortunately, banks do not actively promote their RESP products, so many low-income families are attracted to the more aggressively marketed group plans offered by scholarship trusts. Group plans, typically, require regular contributions and charge significant enrolment fees. Contributions can be lost if families are unable to meet ongoing plan requirements.

Enter SmartSAVER (<http://www.smartsaver.org>), a new project conceived of by the Omega Foundation. SmartSAVER helps low-income families save for their children's post-secondary education by promoting greater use of Registered Education Savings Plans and the Canada Learning Bond.

With the help of public, private and community partners, SmartSAVER reaches families in their own environments in their own languages. It is doing this by:

- Marketing RESP's for low-income families through ethnic media and social networking;
- Engaging community organizations to promote enrolment in the Canada Learning Bond;
- Working with government to connect families with the enrolment supports they need;
- Providing multi-media, multi-lingual web information resources to help families understand and access RESP benefits at www.smartsaver.org.

At the same time, SmartSAVER makes it easier for low-income families to find and start an RESP that suits their needs by:

- Creating easy-to-use RESP product information geared to low-income consumers;
- Working with financial institutions to overcome process barriers to RESP participation;
- Working with government to explore opportunities for automatic enrolment.

What do these good ideas have in common, even though they come from places as removed from each other as Durham, Chicago, London and Toronto.

- First, integration is a two way street – just as immigrants change, so do public institutions. Think of the Federal Reserve Bank in Chicago.
- Second, all actors are integration actors – the loan officer, the employer, the business down the street. Integration is not a sole source industry – it is everyone's business. Yours and mine. The credit union and the church, the employer and the government.
- Third, there is no one way of thinking of an immigrant. No one group is exactly like the other. Given a wide spectrum of background, culture, motivations, life experiences, newcomers cannot be characterized as a single-need group. And therefore solutions cannot simply come from any one organization. As the Task Force on Financial Literacy pointed out:

Financial education is a matter of shared responsibility. No single organization will be the solution. It will take all of us – governments, the private sector, nonprofits, schools, parents and individuals – working together to make an impact.

- Finally, I would suggest that the time has come to emancipate and update our notion of what is the settlement toolbox. Not just language and job search, not just housing and health, not just school and university, but also banking and loans, interest and credit.

So - successful money management, successful settlement, successful nation!