

April 29, 2010

Mr. Donald Stewart
Chairperson
Task Force on Financial Literacy
255 Albert Street, 11th Floor
Ottawa, ON K1A 0G5



By E-mail and Regular Mail

Dear Mr. Stewart,

On behalf of the over 340,000 members of the National Union of Public and General Employees, let me start by thanking you for the opportunity to share our perspective on the issue of financial literacy and the economy with the Task Force. Our union has been keenly interested in educating consumers and specifically with the discussions surrounding the economic recovery over the last several years since the global financial crash.

For Canadians who have been laid off from one of the hundreds of thousands of jobs lost in this country, managing finances is certainly top-of-mind.

For the young people searching for a decent paying job in order to save enough money for next year's rising tuition, debt is certainly an issue.

For seniors, who, after working long and hard and saving responsibly, are heading into retirement with less money in their RRSPs or are being forced to work even longer to afford to retire, the issue of how to live day-to-day on less and less, is causing many sleepless nights.

We appreciate that the issue of financial literacy is an important topic. Literacy training and education programs, in general, are a valuable support mechanism to all Canadians who require assistance. Although, at this time, we would argue that specifically targeting financial literacy is not the most pressing concern for even those Canadians who could benefit from more education in this area.

Over the last year, our union has toured the country specifically to discuss the issue of personal finances, debt management and the country's economic recovery with our members and the public. The message we heard, loud and clear, was that Canadians are seeking leadership on many more urgent issues than financial literacy.

First of all, let me begin by stating our concern with the overall tone of the Task Force's consultation document and the parameters that have been established for your group. This consultation has such a narrow scope that it could

potentially ignore many of the underlying issues influencing people's ability to participate and engage in the financial system.

The consultation document identifies how a financially literate society benefits the overall economy by "promoting self-sufficiency and financial independence" but does little in the way of suggesting how the federal government or the financial industry can make concrete steps to ensure this is achieved. We know that Canadians are working harder than ever to earn a decent living or to find creative ways to build a retirement foundation; the last thing they need is a stern lecture about going back to school for a refresher on which investment portfolio to choose.

This focus misses the mark completely. Canadians need assistance in areas that improve their overall financial well being.

The federal government has had multiple opportunities to make concrete changes to Canadians' ability to save and manage their finances when the government examined the credit card industry. Instead of tackling the biggest problem - high interest rates - the Minister of Finance chose to address smaller issues such as increasing the size of the font on the credit card bills and creating a mandatory explanation of the length of time it would take the user to pay off his or her balance. The government did provide some minimal relief when it mandated that companies start applying payments to the purchases with the highest credit rates rather than the lowest, as was the previous practice. But why stop there? Canadians could be saving thousands of dollars every month with lower, manageable interest rates.

During the last two years, Canadians have suffered through one of the worst recessions ever. We have witnessed the Bank of Canada lower the interest rate on which major banks borrow money but Canadians from coast to coast have seen no relief on their own bills.

In 2007, Finance Minister Flaherty also suggested the government would "take on the banks" by examining the Automated Teller Machine fees being collected. While ATM fees only account for a portion of the banks' massive profits, they potentially add up to a considerable amount for individual users for withdrawing their own money. After several months of media flattery, the Minister refused to get involved.

Time and time again, the government has opportunities to help Canadians get ahead and each time it takes the path of least resistance, leaving Canadians to fend for themselves.

We encourage this Task Force to report back on the real findings and concerns of Canadians and to delve deeper into the issues rather than beginning and ending with discussions on financial literacy.

Long-term job strategy Investment

Hundreds of thousands of Canadians have been left jobless after being laid off or terminated from industries that are failing. Companies like Nortel continue to seek bankruptcy protection and allow creditors to run to the front of the line for payments but leave the employees who are owed for their years of service at the back of the line penniless. Is it a wonder that more and more families are living on credit, have difficulty making ends meet or cannot put aside savings each month?

We encourage the Task Force to come back with real recommendations like long-term investment in jobs rather than one-time only stimulus funding simply in bricks and mortar.

Regulation of industry

The Task Force's consultation document often refers to the financial industry and its products as confusing and complicated. While this is very true, and as in the cellular industry fairly deliberate, it is not just that people are ill-equipped to sort through the maze of marketing and investment rhetoric.

When Canadians are finally able to put some money aside for the future, they see their funds eaten away by fees everywhere they turn. For those who have managed to save through RRSPs, the investment management and transaction fees diminish their overall savings. Taking a firmer hand in limiting what kind of rates and fees can be charged by an industry that even during the worst recession still made incredible profits would certainly help Canadians manage their finances better.

To truly make a difference in people's lives, we must strengthen the regulatory system governing banks and financial institutions that are responsible for managing the retirement savings of millions of Canadians. We cannot have investment banks taking people's savings to use to live the high life. We cannot allow so-called experts to lecture the public to "invest, invest, invest" only to shrug their shoulders when the market collapses. Either stop calling them experts or put some regulations in place to prevent it from happening again. And we certainly shouldn't be blaming those who did invest for investing poorly and sending them to remedial school to tell you why they did not see the bust coming!

Invest in and improve universal support systems

Rather than forcing Canadians to decipher the myriad of financial products on the market, it would make far more sense to invest in the country's pension system which has already proved its worth. This system provides the most cost effective administration for a plan of its scale. With the national scope, the public benefits from highly skilled investment staff focused on a singular plan to ensure a well diversified portfolio. It provides for a transparent system of savings and

investment which allows Canadians to plan for their senior years. Providing improvements to this well-established program will allow Canadians to invest in a less risky financial option and save more securely.

These are but a few suggestions. We appreciate that the Task Force wants to enable Canadians to make better decisions with their finances. We hope that all members will keep in mind the underlying issues preventing Canadians from making "better decisions". It is not necessarily financial illiteracy that stands in the way of saving more or investing more wisely. It is deciding between spending those dollars on rent or groceries or prescription drugs that stands in the way. Canadians need to start believing that the organizations, companies and institutions out there taking their money are serving their best interest.

As a country, we need a strategy to invest in the creation of long-term jobs with adequate salaries and benefits to help families get to the place where saving money is an option. We need a strategy where the public no longer sees a government looking out for the best interests of profit-focused corporations rather than its own citizens. We need action to provide concrete solutions to encourage Canadians to build their future rather than be lectured about why they are not doing it faster, better and smarter.

Sincerely,

A handwritten signature in black ink, appearing to be 'James Clancy', with a long horizontal line extending to the right.

James Clancy
President