

Higher learning

By Wendy Cuthbert | Friday December 1, 2017

Here are some steps you can take to raise the level of financial literacy among your clients

The state of financial literacy in Canada is a good news/bad news story. According to a study by the Organization for Economic Co-operation and Development (OECD) published this past July, Canada is tied with Norway for second place in financial literacy among the G20 countries, plus the Netherlands and Norway. France took first place.

But don't break out the champagne because these results are nothing to celebrate.

Canada's second-place score was 14.9 out of 21, below the passing grade of 15 set by the OECD's International Network on Financial Education (INFE), which created the questions used in the study.

Those questions cover three categories: knowledge, attitude and behaviour. Canadians scored highest in behaviour (which examines key skills such as budgeting and saving), surpassing the minimum target score in this category and bumping up our overall average. We didn't score well in the other categories.

The OECD study also revealed a gender gap in financial literacy among Canadians. The study found that 72% of Canadian men surveyed achieved the minimum target financial knowledge score vs just 50% of women.

Jane Rooney, Canada's financial literacy leader with the **Financial Consumer Agency of Canada**, admits that Canada's financial literacy rate needs to improve. "There still are some challenges," she says.

When examining Canada's results in the OECD/INFE financial literacy study, every piece of good news is offset by equally bad news. Half of Canadians have a budget in place; two-thirds are saving for retirement; and two-thirds are keeping up with bills and payments.

But, as Rooney points out, the flip side of these results is troubling: half of Canadian households *don't* have a budget, one-third are *not* saving for the future and one-third are struggling to keep up.

Financial advisors have long recognized that financially literate clients are the most engaged clients and the most successful investors.

"If [clients] have a better understanding of their financial plan, they're more likely to stick to it, plain and simple," says Rob McClelland, vice president, senior advisor and branch co-owner with **McClelland Financial Group** in Thornhill, Ont., which operates under the banner of Toronto-based Assante Capital Management Ltd.

McClelland's firm began helping clients become more comfortable with financial matters about three years ago, when he and his team began hosting events focused on financial literacy and education for clients.

The annual event, which McClelland calls McClelland University, is a half-day gathering held at a local golf club in early spring. Between 120 and 150 clients and prospects attend to listen to presentations from five or six speakers, including lifestyle gurus and financial specialists. McClelland's most recent event featured an Olympic medallist, an expert on cybersecurity and an investor behaviour specialist.

McClelland's firm also hosts monthly lunch-and-learn events, which usually cover financial matters and occasionally explore lifestyle topics such as travel and gardening. In addition, McClelland's six advisors present an annual "fireside chat" during which the advisors sit in front of their audience (with a fake fire behind them) and answer questions.

Since McClelland's firm shifted its focus toward strengthening relationships with existing clients, from its former strategy of buying books of business and prospecting for new clients, client turnover has dropped considerably, McClelland says.

"The trust level has gone way up," he says, adding that the revised approach has led to a bigger share of wallet. "Client accounts that once were elsewhere have come over." And the referrals that come to the firm are solid, he adds, with a sign-up rate close to 70%.

The latest research from *AbsoluteEngagement.com* of Toronto indicates that there is indeed a connection between how knowledgeable a client feels and the likelihood that he or she will provide a referral.

"The more comfortable and confident clients are in understanding their investments," says Julie Littlechild, founder of Absolute Engagement, "the more likely they will refer you to others."

According to Absolute Engagement's study, which surveyed high net-worth clients in the U.S., 44% of clients who referred their advisor in the past year reported "very high" investment knowledge. That figure dropped to 14% for those who did not refer.

"What we're seeing," Littlechild says, "is that even though someone relies on [an advisor] for advice, when they feel a greater level of confidence, their level of engagement and their level of referrals are just going to be higher."

Cecilia Tsang, advisor with *Rogers Group Financial Advisors Ltd.* in Vancouver, says sharing information is the only way to help clients build confidence.

"The more they understand, the more connected they are to what they're doing with you," she says.

Tsang sends her clients a monthly newsletter called Tips and Tidbits, which typically includes anecdotes from her own educational pursuits or conversations she has had. Small, palatable "bites" of information tend to work best, she says.

Tsang also sets aside a minimum of 90 minutes for each client meeting. She assumes a coaching/teaching role, which, she says, helps solidify her value to her clients. "[Clients] are more likely to appreciate the scope of what [you] do for them," when you assume this role, she says.

Terry Rempel, financial advisor with *Bluestone Financial Corp.* in St. Catharines, Ont., who has been an advisor since 1985, says clients began making the shift to involvement from passivity in the late 1990s. He compares that trend with the way doctor/patient relationships have evolved.

Patients no longer accept a prescription with no questions asked, he says. And that's a good thing.

"You not only want to talk about being a long-term patient/investor," Rempel says, "but you want clients to be able to [stay invested for the long term]."

Rempel began hosting monthly seminars for his clients almost 20 years ago. At that time, there was a lot of ground to cover, he says. There was much concern - and misinformation - about the meltdown of technology stocks, fears over Y2K and an investment landscape that was changing dramatically.

"That's when we were really getting active in getting close to our clients," Rempel says, "and making sure they had a lot of information to work with."

Nowadays, Rempel's firm, which includes his wife and business partner, Patty Rempel, takes a multi-pronged approach to client education. The firm provides information to clients through breakfast seminars, memos, social media and regular phone calls and meetings. Helping clients become more knowledgeable about the mechanics of investing and how that fits into the client's well-being is a passion for the Rempels.

Karin Mizgala, co-founder and CEO of Vancouver-based *Money Coaches Canada Inc. (MCC)*, also is passionate about client literacy. The predecessor business she co-founded in 2006 focused exclusively on coaching women with their finances. Now, MCC works with a variety of clients.

Advisors need to keep in mind that although financial concepts and strategies might light up the brains of industry insiders, not everyone gets the same rush, Mizgala says. An advisor's job, she notes, is to demystify finance by showing a client how a financial concept affects that client's life.

"Money is just a tool to be in service of our lives and happiness," Mizgala says.

Here are some tips to keep in mind when helping clients gain more confidence in dealing with financial matters:

- **Hone your teaching skills.** Tsang points out that very few among us are natural-born educators. Having spent much of her young working life tutoring her peers, Tsang understands the importance of running through concepts with friends before introducing them to clients.

"The more you teach, the more of an expert you become," she says.

- **Begin with the person, not the product.** Although you may wish to share the latest innovation in actively managed ETF strategies, beginning with the client and his or her goals is always best, Mizgala says. "[Client education] is not about sharing technical knowledge," she says.

Begin by taking the time to find out what makes your client tick. "Tap into what's meaningful for each client," she says, "and help solidify habits with small successes."

- **Tailor information to the client.** Pay attention to what clients actually want in financial literacy, Mizgala says.

If, for example, your clients are not interested in the mechanics of investing, translate the investment process into a series of decisions that will move clients forward with their plan. "[Teaching financial concepts] is not about cramming in more information," she says. "It's about helping clients improve their [financial] muscle."

- **Allow for human nature.** Learn some concepts of behavioural economics when dealing with clients who struggle with financial literacy, Mizgala says. The diet industry has taught us about the age-old struggle between immediate gratification and discipline. Reinforce your role as coach by offering encouragement to clients who are struggling to stay on track.

- **Avoid self promotion.** McClelland's firm used to spend a few minutes at each event promoting the firm, but that strategy was dropped quickly, McClelland says. A commitment purely to client education is a powerful message.

ONLINE RESOURCES

To supplement your client-education efforts, take advantage of some of the many resources that are dedicated to improving financial literacy.

Here are just a few:

- **Canada.ca/money** (www.canada.ca/money)

This resource, which is part of the federal government's umbrella website, provides information and tools designed to help Canadians manage their money, including information on debt management, investments, retirement planning and fraud prevention.

- **Get Smarter About Money** (www.getsmarteraboutmoney.ca)

This website, run by the Ontario Securities Commission, includes tools and guides for financial planning and investing. The website is rich with useful calculators to help users understand issues such as debt, education saving and portfolio benchmarks.

- **Carrot Rewards** (www.carrotrewards.ca)

This mobile app, available in British Columbia, Ontario and Newfoundland and Labrador, was developed by the Financial Consumer Agency of Canada to motivate Canadians to develop good financial habits. For each phase of budgeting that users "pass," they receive rewards from popular loyalty programs such as Petro-Points and Aeroplan. The goal is to change users' behaviour so they make sensible financial decisions.

- **Money Matters** (<https://abcmoneymatters.ca>)

This website, developed by ABC Life Literacy Canada, a Toronto-based non-profit, with support from Toronto-Dominion Bank, offers self-directed programs and provides materials for organizations interested in holding literacy workshops.

- ***My Money Smarts*** (www.mymoneysmarts.ca)

This website, developed by the Financial Advisors Association of Canada (a.k.a. Advocis), features articles and interactive activities for consumers.

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