

EMPLOYERS URGED TO BEWARE OF THE RISKS OF FINANCIAL ADVICE TO STAFF

By Jennifer Paterson

Once Canadians have graduated from high school or post-secondary education, there isn't really a formal environment that supports and facilitates group learning around issues like managing money. But many employers are stepping into the void to assist employees with financial literacy.



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“Employers don’t want to provide financial education for fear it’s perceived as advice.”



29%
of Canadians surveyed say they struggle with bills and payments

46%
have a budget
93%
of those who have a budget always or usually stay within it

Source: The 2014 Canadian financial capability survey published by the Financial Consumer Agency of Canada in November 2015

In the current environment of high debt and low retirement savings, there’s an obvious need for programs to address the issue. Employers, however, must be careful of the fine line between what constitutes financial education and what falls under the umbrella of advice.

Financial education in the workplace typically takes the form of printed materials, online resources or in-person workshops for employees to learn about their workplace financial benefits or other financial topics, such as debt management. Only certified financial advisors and planners can provide financial advice, which often includes the analysis of a specific financial situation. Record keepers of pension plans include financial education options as part of their standard offering. They often include access to financial planners as well.

Employers, though, can’t give out any advice, which creates a bit of a barrier around financial literacy in the workplace, says Frank Wiginton, chief executive officer of Employee Financial Well-Being, a company based in Oakville, Ont.

“Employers don’t want to provide financial

education for fear it’s perceived as advice. If a company really wants to help their employees deal with the issues they face when it comes to everything from pensions to payroll to debt, they are best to bring in a third party and have a contract that ensures any recommendation or advice that third party gives out is not representative of the company to avoid liability.”

Cases in point

McMaster University’s employee financial education programs highlight the link between how financially prepared employees feel and how healthy, engaged and productive they are in the workplace, a correlation that has surfaced in many reports and surveys.

For example, a survey published by Workplace Options in April 2016 found 88 per cent of employees are stressed or worried on some level about their personal financial situation. Another survey, published by SecondSight in 2014, found 73 per cent of employees felt more positively about their employer when they received financial education in the workplace.

McMaster University’s offering includes access to an employee and family assistance program; one-on-one financial consultations with an expert; and pre-retirement planning with a counsellor. Last year, the university also introduced a full-day retirement planning program. “It helps employees build a clearer vision of retirement, determine how much they need to achieve that vision and shows them where the money will come from to fund their retirement lifestyle,” says Deb Garland, program manager for engagement and wellness at McMaster.

The university is working on a second program that provides more general financial information, such as budgeting and debt resolution, for employees. It’s also aware that, as an employer, it isn’t able to provide financial advice, says Garland.

“Ensuring our employees trusted the information and didn’t feel they were receiving a sales pitch was an important factor in our decision,” she says, noting the university decided to use a third party. “Some organizations say they are providing education, but there is the fine line. . . . They have to make sure they don’t steer people into their other line of work.”

BMO Financial Group’s focus on financial literacy is twofold, according to Kelly Harper, the bank’s director of customer experience learning. First, as an employer in the financial services sector,

A LOOK AT CANADA’S FINANCIAL LITERACY STRATEGY

The focus on financial literacy took an upswing in 2014 when Canada’s first financial literacy leader, Jane Rooney, met with stakeholders and held consultations across the country as part of efforts to develop a national strategy.

The national strategy for financial literacy aims to mobilize the public, private and non-profit sectors to strengthen Canadians’ financial literacy and help them achieve several goals: managing money and debt wisely; planning and saving for the future; and preventing and protecting against fraud and financial abuse.

Actions under the second goal – planning and saving for the future – are aimed at boosting Canadians’ awareness and understanding of existing government and workplace benefits such as savings programs they may be eligible for.

“The strategy is now live and publicly available,” says Rooney.

“The next phase is about implementation. We’re working towards identifying the very specific demographic groups. I’m meeting with organizations that have delivery channels [and] programs that reach Canadians directly and raising awareness about these three goals.”

Rooney’s own organization, the Financial Consumer Agency of Canada, has delivered financial workshops for its employees. The workshops don’t provide advice. Instead, they provide information and then the call to action is for employees to seek out a financial professional, says Rooney, who’s encouraging her federal government counterparts to offer programs as well.

“We wanted to wade through and act as that filter and trusted voice and to take people through what the process is for many of these financial experiences.”

it aims to make sure its own staff are financially confident; and secondly, from a brand perspective, it knows that if its employees are financially knowledgeable, they'll also be more confident about how their role connects to the end customer.

In 2013, the organization conducted a financial literacy survey among its employees and then used the findings to develop a pilot financial literacy program followed by a full rollout in 2014.

“We wanted to create an experience that wasn't intimidating and wasn't about making everyone an expert but was really about helping people make better choices and feel confident to go into the bank and have conversations,” says Harper.

“We started with budgeting as one of those core financial behaviours that is a cornerstone and we also now have debt management, savings, my first mortgage, my next mortgage and investing.”

The online program is all about financial concepts and knowledge rather than products, according to Harper. “While we do encourage employees to make an appointment with an investment specialist if they want, it really acts as a portal to bring information that's already out there, combined with our own information, and packaging it in a way that really helps employees mine through it all. We wanted to wade through and act as that filter and trusted voice and to take people through what the process is for many of these financial experiences.”

The fine line between financial education and advice

Determining the line between financial education and financial advice is an issue that Mary Picard, a partner at Dentons Canada LLP, hears a lot about from employers. But, she adds, there are no legal guidelines differentiating between the two. “What we are clear on, though, is what the pension and financial market

66%
of respondents are financially preparing for their retirement

60%
don't know how much they need to save for retirement

Source: The 2014 Canadian financial capability survey published by the Financial Consumer Agency of Canada in November 2015



PW ILLUSTRATION/CETTY

“My constant refrain to employers is: Don't do it ... because of the legal risk.”



57%
of respondents are saving through a workplace pension

31%
believe their main source of income in retirement will be their workplace pension

Source: The 2014 Canadian financial capability survey published by the Financial Consumer Agency of Canada in November 2015

regulators think employers should do if they get a service provider to give investment advice,” says Picard.


The guidelines for capital accumulation plans, published in 2004, say a plan sponsor can choose to make investment information available to its employees but note that, “where applicable, a CAP sponsor should periodically review service providers with whom the CAP sponsor has an arrangement or to whom the CAP sponsor has referred CAP members to help them make investment decisions.”

Despite the clear language in the decade-old guidelines, Picard has seen very little arise in terms of best practices for reviewing a service provider that gives investment advice. “My constant refrain to employers is: Don't do it, don't do it, don't do it . . . because of the legal risk,” she says.

Gary Rabbior, president of the Canadian Foundation of Economic Education, reiterates that the distinction between financial education and advice is an important one, noting that part of a program's

success lies in making sure the participants know the difference.

“One of the most important things around financial education and literacy is trust,” he says. “If people have any reason to be suspicious or question the motives, it really has a dramatic impact on peoples' willingness to be involved in it. There is, at least to my perception, a trust in the employer in what it can provide, so the question becomes who you're bringing in to do the job and what their backgrounds and abilities are.

“There are a number of organizations that are recognizing that the workplace is one of the last untapped bastions of potential. Once you're out of school, there are few environments where people are gathering and where you can do some education — the workplace is one of them.” 

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APPOINTMENT NOTICE



DAVE JONES,
Vice-President,
Business Development,
Group Benefits

Sun Life Financial is pleased to announce the appointment of Dave Jones as Vice-President of Business Development for Group Benefits, effective August 1, 2016.

Over his 13 years with Sun Life Financial, Dave has worked closely with our clients and advisors to further their business and group benefits plan goals as Vice-President Market Development and most recently as Vice-President, Group Life and Disability. He will continue that focus in his new role, with a deep understanding of our business and the needs of our clients and advisors.

Dave holds a Bachelor of Commerce from Queen's University and an MBA from the Rotman School of Management, University of Toronto.

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Invesco Institutional welcomes Paul Malizia



Paul Malizia

Michael Peck, Senior Vice President of Institutional Investments at Invesco Canada, is pleased to announce the appointment of **Paul Malizia**, CFA, as **Vice President, Consultant Relations**. In this role, Paul is responsible for establishing and maintaining relationships with investment consulting firms across Canada.

Paul began his investment career in 1994 as an investment consultant with Mercer in Toronto. He then joined Manulife Financial as an assistant vice president, investment management services, before becoming a senior vice president and partner at Aon Hewitt.

Paul earned a BSc degree from the University of Toronto and an MBA from the Schulich School of Business at York University. He is a CFA charterholder and a member of the Association for Canadian Pension Management and the International Foundation of Employee Benefit Plans.

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