

OPINION

As household debt reaches precarious levels, Canadians need to take control of their financial lives

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One study suggests financial stress is costing the Canadian workplace \$16-billion in lost productivity, in part from employee absenteeism.

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of Canada.

There is an urgency that not many Canadians talk about: the need to gain financial control of their lives.

Why? For a start, for one-third of Canadians, a comfortable retirement may be out of reach, and the financial challenges can even be more pressing – with many living paycheque to paycheque. Household debt has also reached precarious levels, leaving many Canadians vulnerable should interest rates start to rise.

This is having a corrosive effect on our economy and is also causing emotional distress among Canadians. One study suggests financial stress is costing the Canadian workplace \$16-billion in lost productivity, in part from employee absenteeism.

Clearly, the capacity to make smart decisions about personal finance is a critical skill for everyone. But new and emerging challenges underscore why we must promote and expand financial education programs.

Consider some of the realities confronting Canadians today. Rising tuition costs may discourage some from making one of the most important investments in their lives: their education. Changing labour markets are making it harder for Canadians to create stable and secure income streams to save for the future.

And while consumers have more financial-services providers to choose from, the overabundance of products and services can make financial decisions more complex than before.

Fortunately, many educators and governments across Canada are finding ways to integrate such programs into school curriculum. For instance, in Ontario, Grade 10 students are now required to develop a financial plan to fund their first year after graduation. High schools across Quebec have added a mandatory course in financial literacy to give students the information they need to make sound decisions about their money.

Those are good steps, but there's a pressing need to engage and encourage all Canadians to gain financial control of their lives in real time and over time.

As public institutions that have the financial expertise and broad reach within their communities – especially among young adults – universities need to be part of this effort.

A recent initiative launched by the Desautels Faculty of Management at McGill University in Montreal, The Globe and Mail and Royal Bank of Canada aims to do just that by making a financial literacy program available to the widest possible number of Canadians. It's free, it's online, it's bilingual, it's taught by McGill professors and it will help Canadians better understand their personal finances and the implications of the decisions they make.

This includes gaining greater insights into the psychological biases people have toward their finances, in particular how they can lead to irrational investment decisions. For instance, some people hold on to poor-performing investments because they do not want to acknowledge bad decisions they have made with their money.

Recent RBC research has found that a person's emotions can affect how they save, spend, pay their bills and choose to manage their debt. Some people even have a difficult time spending money because of irrational fears of running out.

We believe further exploration on how emotional and social factors can influence and inform important financial decisions would benefit all Canadians.

This can begin by encouraging open and honest conversations about our relationship with money. It's an important way we can keep financial literacy top-of-mind with Canadians, and build the kind of financial security we all want, and our economy needs.

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