



Confidence is Key

Financial Literacy & Sufficiency Report 2021



Introduction	3
Profile of Respondents	4
Topline Results: How Financially Literate Are We?	5
Financial Concerns	6
Financial Habits & Beliefs	7
Geographic Breakdown	8
Research Methodology	10
Author Bio	11
About Zolo	11



Over the last decade, completed studies attempted to capture the assumptions and practices we have regarding money management. The intersection of what we assume we know and what we actually do with our money is the measure of our financial literacy.

Financial literacy is the ability to understand and effectively use various financial skills, including personal financial management, budgeting, and investing.

Financial literacy is the foundation of your relationship with money, and it is a lifelong journey of learning.

These studies show that the earlier you start learning and practicing money management, the better off you will be in earning, saving, spending and investing money.

In short, education is the key to success when it comes to money.

Unfortunately, Canada still does not have a national financial literacy program. While individual school districts have made great strides in introducing or incorporating financial literacy into their curriculum, there remains no universal or unified curriculum.

To add to the body of knowledge that supports the need for a national curriculum for financial literacy, Zolo conducted its first Financial Literacy & Financial Sufficiency 2020. We repeated this survey in 2021- sadly, with similar results.

In the 2021 survey, 1,392 respondents from across the country were asked a series of questions to measure their confidence and to track their actions regarding money. They were also tested on their financial knowledge, using a 60+ question quiz that included true/false statements and agree/disagree and select the “right response” questions.

Of the 1,392 respondents:

- 90% self-reported their overall financial knowledge as
 - “knowledgeable” (51%) or
 - “very knowledgeable” (39%);
- 69.5% report they are good at keeping track of money;
- 66% report they are good at making ends meet;
- 83% believe they have a clear idea on what financial products they need.

In comparison, in 2020, the 6,551 respondents that were surveyed reported:

- 70% felt confident about their overall financial knowledge;
- 82% report they are good at keeping track of money;
- 79% report they are good at making ends meet;
- 76% believe they have a clear idea on what financial products they need.

The most notable difference from year to year is the overall general increase in confidence the most Canadians felt about their financial situation and their ability to tackle money matters. This is excellent news, given the importance financial confidence has in helping elevate and increase financial literacy among Canadians. For example, in a 2016 report for the Financial Consumer Agency of Canada showed that:

“Financial confidence is a better predictor than financial knowledge when it comes to outcomes associated with day-to-day money and debt management.”

As Canadians head into an uncertain future, the concept of financial literacy is more important than ever.

2021 Survey: Financial Literacy & Financial Sufficiency



Geographically, Canada is made up of 10 provinces and three territories. It's landmass extends from the Atlantic to the Pacific and northward into the Arctic Ocean—a span that covers almost 10-million square kilometres (3.86-million square miles). This makes Canada the world's second-largest country by total land mass.

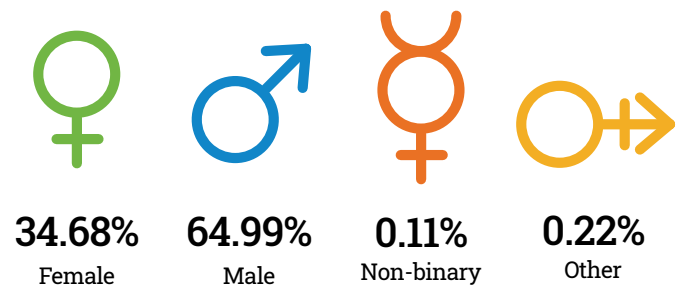
As of 2020, there were 38.01 million residents living in this nation with an annual population growth rate of 1.1% and a life expectancy of 82.05 years.

The Gross National Income (GNI), per Canadian resident, was \$53,677 in 2020. (Based on \$43,440 USD GNI for 2020 and using the USD to CDN exchange rate of 1.24.) The GNI is calculated by dividing the dollar value of the country's final income in a given year by its population that year.

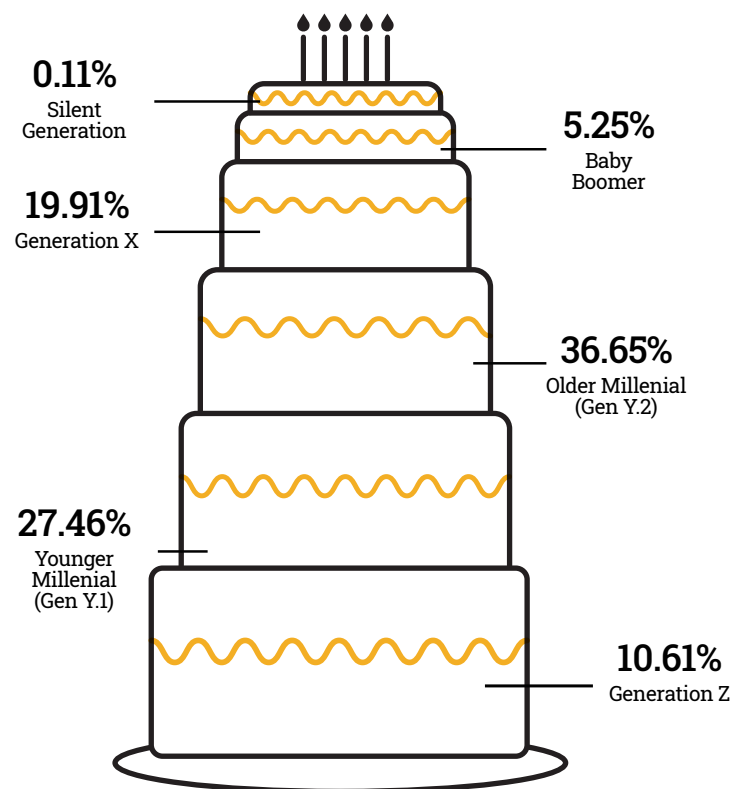
Between September 28 to October 10, 2021, Zolo undertook a nationwide online survey to assess the confidence, knowledge and practical application of their money management skills.

The online survey asked 1,392 respondents from across Canada various opinion, self-report and knowledge-based questions to measure financial knowledge, confidence and skills all of which are integral to financial literacy.

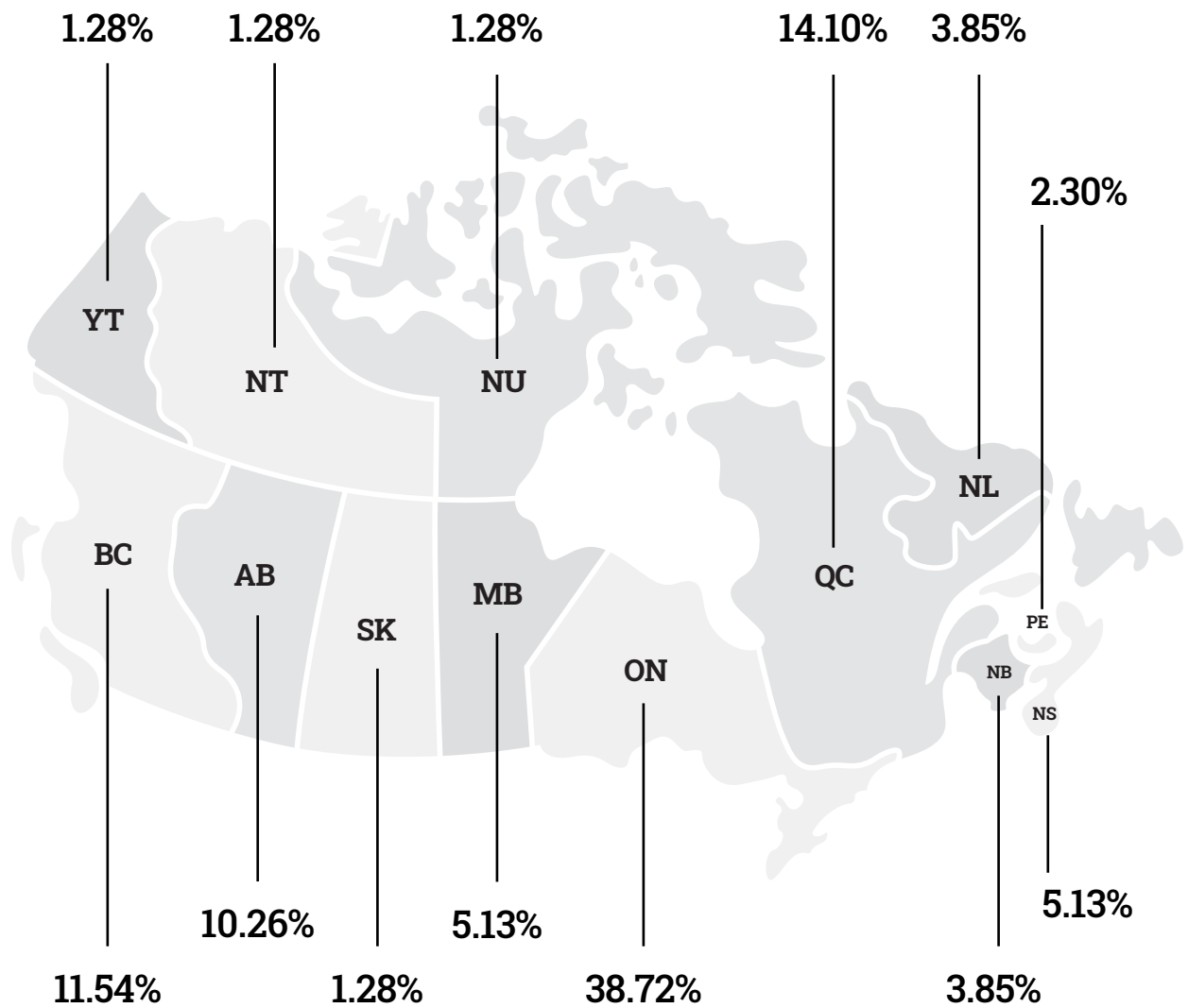
Gender



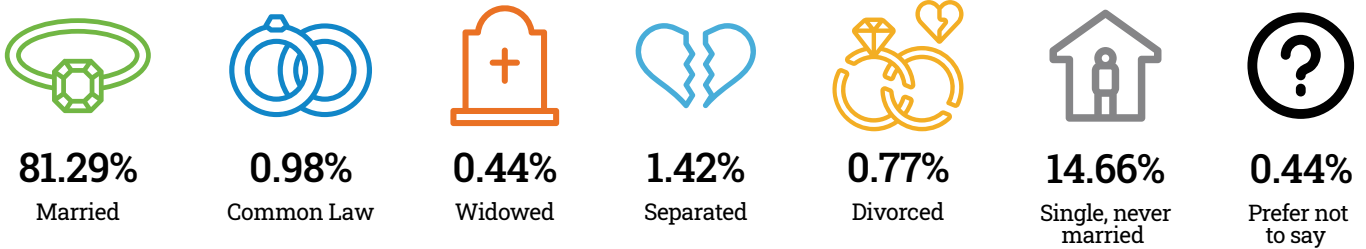
Age



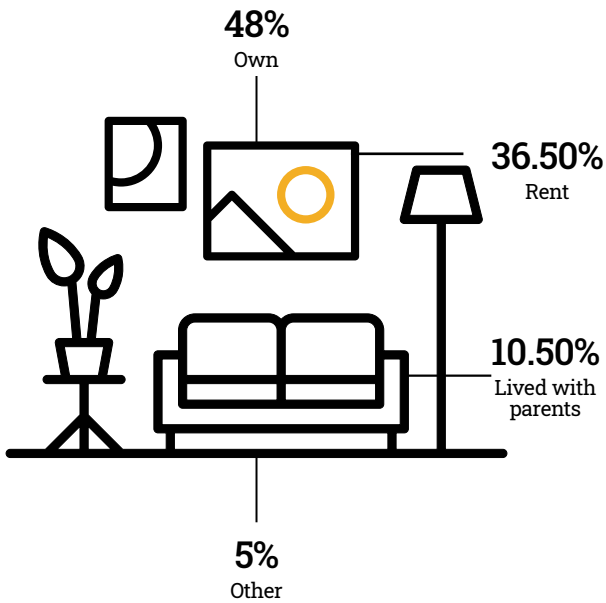
Geographical location



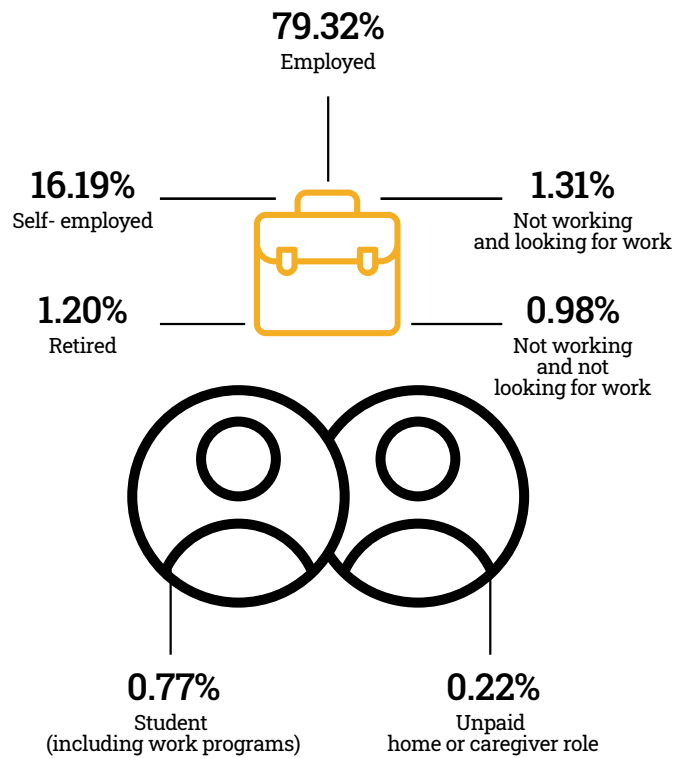
Marital Status



Current Living Arrangement



Employment



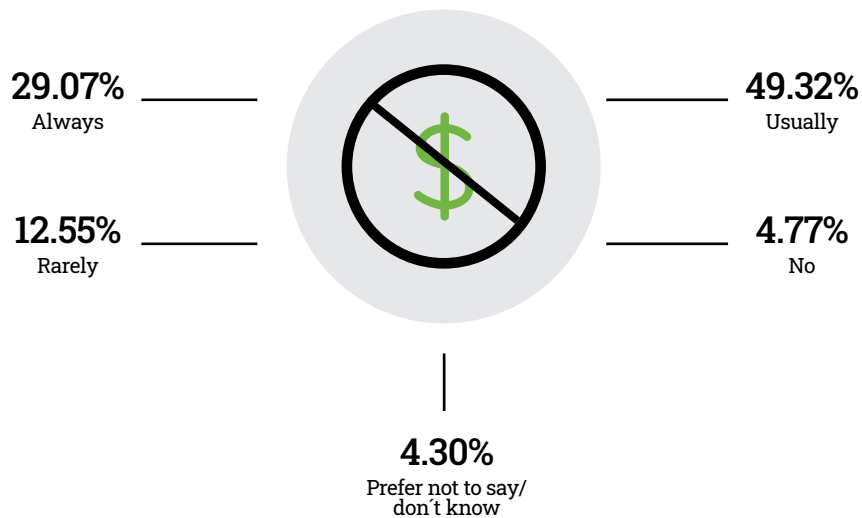
Budget

Do you have a household budget?



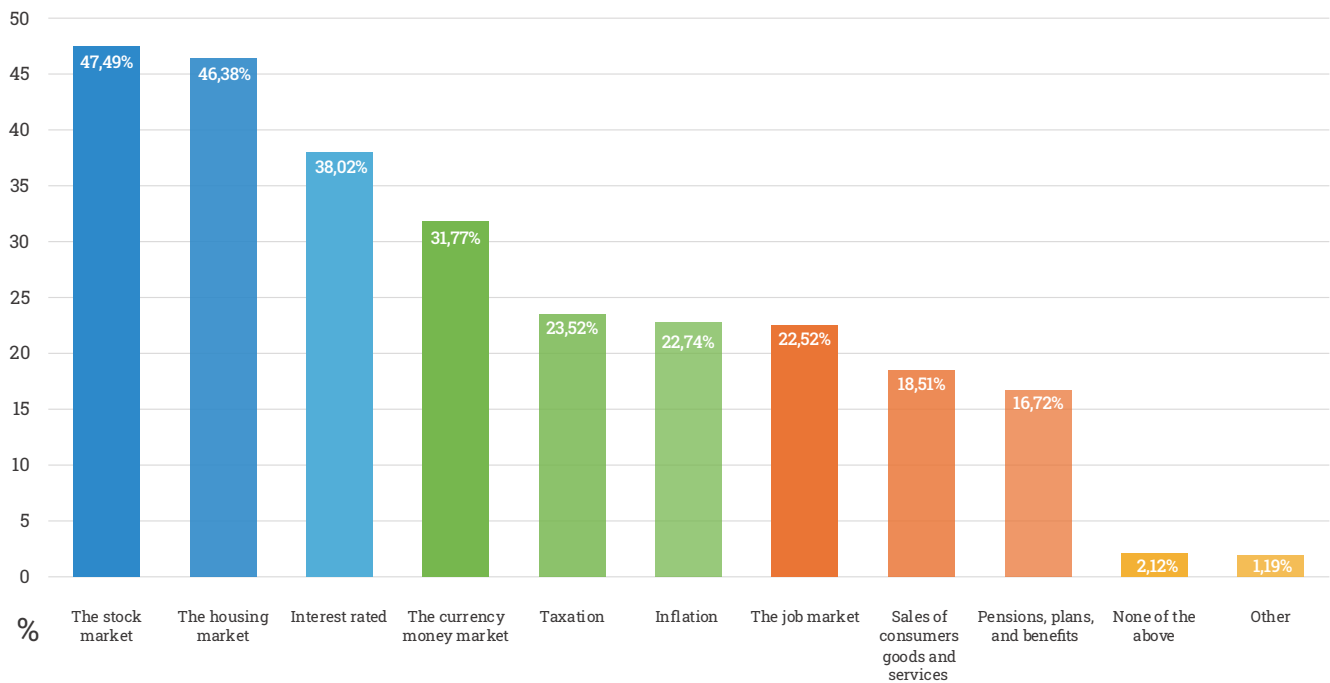
Stay within budget?

How often do you stay within your budget?



What do you monitor and how?

What finance related topics do you keep up-to-date on?

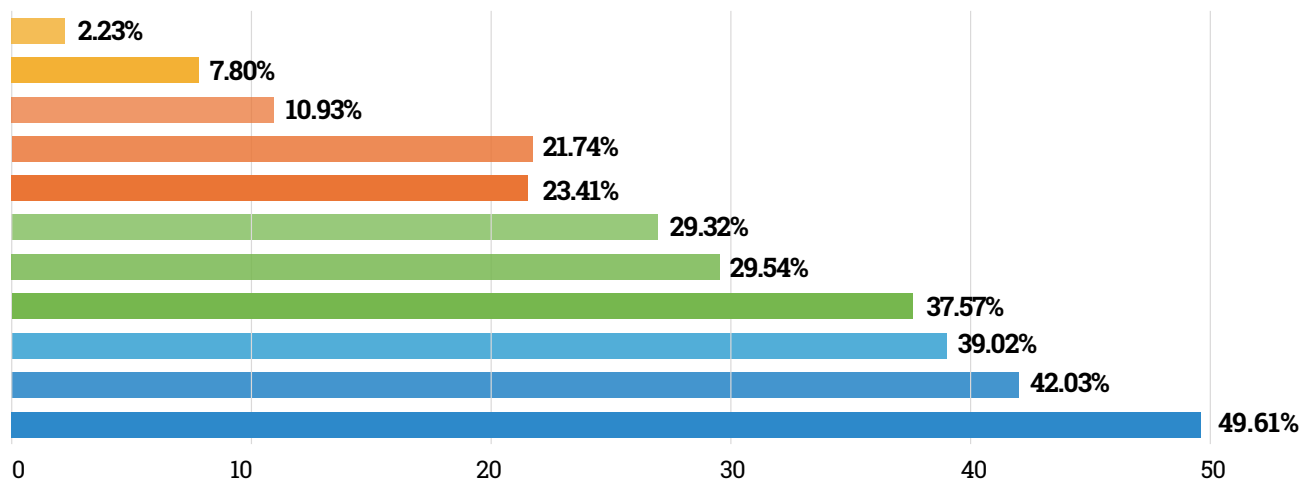


- The stock market
- The housing market
- Interest rated
- The currency money market
- Taxation
- Inflation
- The job market
- Sales of consumers goods and services
- Pensions, plans, and benefits
- None of the above
- Other



What do you monitor and how?

How do you tend to monitor these finance-related topics?



- Other
- Financial Advisor
- Online personal finance blogger
- Online business and finance website
- Radio and television business and financial programming
- Online new site
- Current events magazine (Maclean's, Actualité, Times, Newsweek)
- Internet (email, Web, text messaging, newsfeeds, etc.)
- Financial magazines (Forbes, The economist, Les Affaires, ROB)
- Newspapers
- Financial/Business pages in newspapers

Canadians feel confident about the basics, but quiz scores show otherwise

Managing your money can seem complicated, but a surprising number of people are pretty comfortable with it—at least according to a recent financial confidence survey conducted by Zolo Homepage.

Tracking financial confidence, knowledge, and the application of money management skills is essential. Poor money management can lead to severe budget crunches and current and future lifestyle consequences.

This year's Financial Literacy & Sufficiency Report again highlighted significant gaps between how Canadians view their financial knowledge and rate their money management confidence and what we know.

Using a 60+ question quiz that included true/false statements, agree/disagree statements and select the 'right response' questions, respondents were tested on integral components to financial literacy. In general, the questions focused on:

- Definitions of basic concepts or terms, such as "What is a credit card?"
- True or false statements that tested key financial concepts, such as "You need to be licensed to buy stocks. T/F?"
- Agree or disagree questions to assess knowledge, such as "Should you pay down your largest debt first? "Yes/No/Don't know"
- As well as 'pick the best answer' questions, such as "A credit report is...(a) A list of financial assets and liabilities (b) A monthly credit card statement (c) A loan and bill payment history (d) A credit line with a financial institution (e) Don't know"

"Overall Canadians failed this basic financial literacy test, with an average score of 44%."

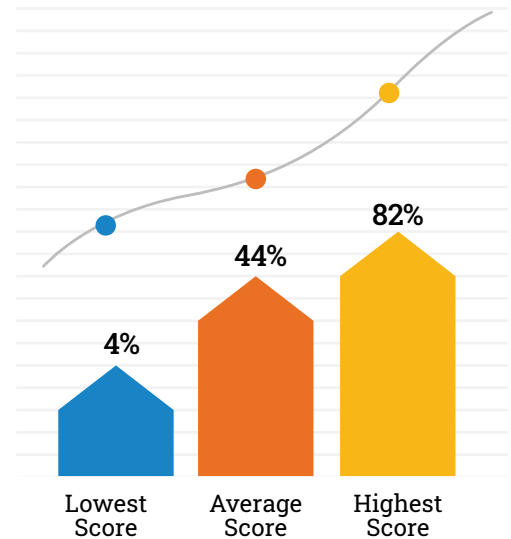
Canadians feel confident about the basics, but quiz scores show otherwise



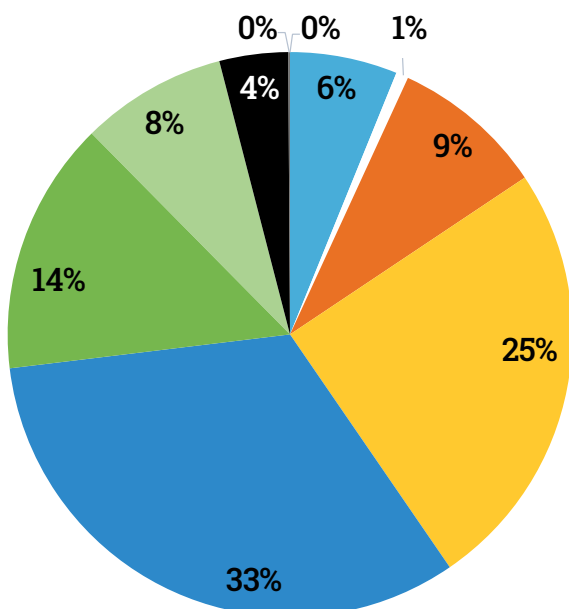
The survey on financial literacy provided insight into the areas where we were most confident and knowledgeable, along with areas where more education is required.

For instance, only 3% of respondents correctly defined a credit card, and only 6% of respondents knew that conventional fixed-rate mortgages are charged interest semi-annually in Canada. However, 91% of respondents correctly identified the behaviours that would hurt your credit rating, and another 88% understood the importance of a household budget.

Overall Quiz Summary



% of respondents in percent block



Score percent block

- 0-10%
- 11-20%
- 21-30%
- 31-40%
- 41-50%
- 51-60%
- 61-70%
- 71-80%
- 81-91%
- 91-100%

Canadians feel confident about the basics, but quiz scores show otherwise



10 Hardest Questions	Percent of respondents with the correct answer	Answer
What is a credit card?	3%	A convinient way to pay for a good service with money you currently have
How often is mortgage interest cahrged on a fixed-rate mortgage?	6%	Semi-annually (2x per year)
What is the single biggest NEGATIVE impact on your credit score?	18%	Missing a payment
If interest rates rise, what will typically happen to bond pieces? Rise, fall, stay the same, or is there no relationship?	20%	Fall
How often is credit card interest calculated?	21%	Daily
What has the single biggest POSITIVE impact oon your credit score? (Pick the answer you think is best)	26%	Payment history (for all your expenses/bills)
True or false: It is safer to use a credit card than a debit (bank) card	28%	True
True or false: When you buy a home with a down payment that is less than 20% and you pay mortgage default insurance (PMI), this insurance will pay your debt if you default on the mortgage loan	29%	False
Should you pay down your largest debts first?	30%	No
A credit report is...?	38%	A loan and bill payment history

Canadians feel confident about the basics, but quiz scores show otherwise



10 Easiest Questions	Percent of respondents with the correct answer	Answer
Which of the following can hurt your credit rating?	91%	Making late payments on loans and debts
True or false : A budget is one of the most important things you can do to manage your finances.	88%	True
True or False: Ideally, your emergency fund should have at least 6 month's worth of expenses.	84%	True
Suppose you have \$100 in a saving account earning 2% interest each year. After five years, how much would you have?	82%	More than \$102
True or False: It's ok to skip a loan, mortgage, credit-card or store-card payment now and then as long as you eventually pay it.	79%	False
What is the best way to help lower the total cost of buying a home (regardless of current mortgage rates)?	78%	Making a larger down payment at the time of purchase
What is compound interest?	78%	When you pay (or earn) interest upon interest
True or False: You need to be licensed to buy stocks?	75%	False
True or Flase: A 15-year mortgage typically requires higher monthly payments than a 25 year mortgage but the total interest over the life of the loan will be less.	71%	True

2021 Financial Literacy: Top Line Results



This year, almost 1400 respondents from across the country, were asked a series of questions to measure their confidence and to track their actions when it came to money. They were also tested on their financial knowledge, using a 60+ question quiz that included true/false statements, as well as agree/disagree and select the right response questions.

The results show:



90%

2021

rated their financial knowledge to be 'good or very good'



70%

2020

rated their financial knowledge to be 'good or very good'

2021: Key results:

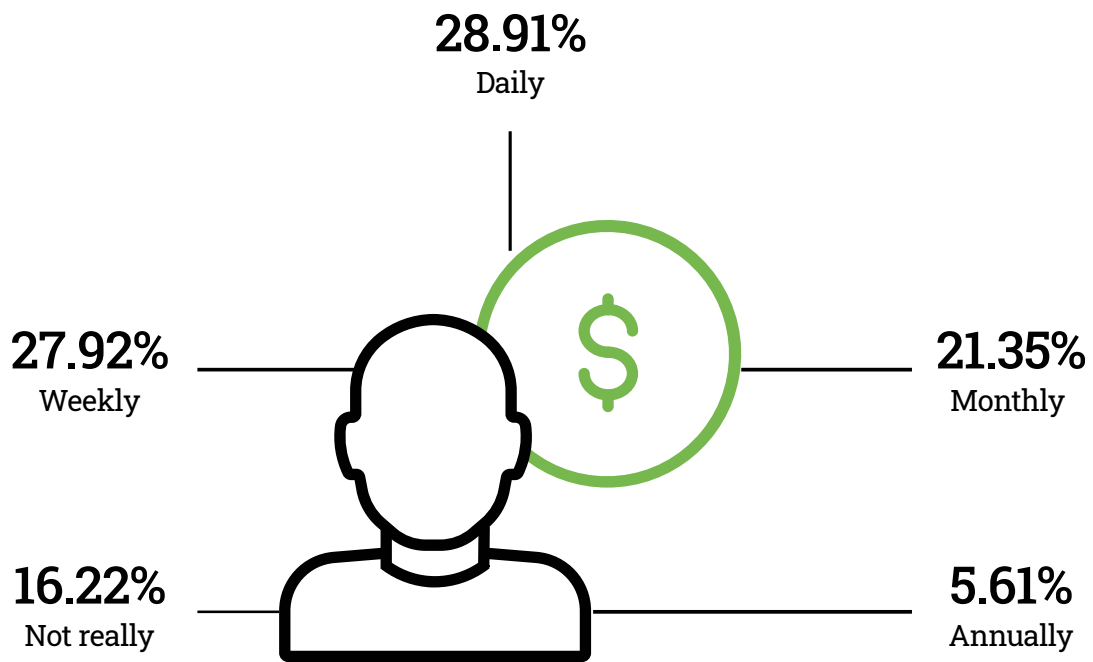
- 76% said they'd run out of money in **90 days or less** if they lost their job today
- 90% kept a household budget
- Only 38% "always" stayed within that budget
- 4% either didn't have or didn't know if they had an emergency fund
- 22% reported a "health issue" was the single largest impediment to saving in 2021 (while 19% reported an "inability to find appropriate work" and 18% cited the "economic downturn")

2020: Key results:

- 78% said they'd run out of money in **90 days or less** if they lost their job today;
- 87% kept a household budget
- Only 29% "always" stayed within that budget
- 9% either didn't have or didn't know if they had an emergency fund
- 6% reported that "economic downturn" was the single largest impediment to saving in 2020 (while 17% reported a "health issue" and 13% cited an "inability to find appropriate work")

The results of this year's report show that more than half of Canadians consider money to be a concern, while less than 1 in 5 don't really worry about money throughout the year.

At present, how often is money a concern?



Financial concerns

With so many moving parts that impact our financial wellness, it's no surprise that many Canadians continued to feel the pinch over the last year. Still, it was a bit of a surprise to learn that more respondents reported seeking out financial assistance in 2021 (56%), compared to 42% in 2020.

Our ability to meet our financial obligations also suffered in 2021, although this perceived difficulty was similar to how we felt and behaved in 2020.

45%

reported being behind on two or more consecutive months in paying their rent or mortgage

45%

were behind on two or more consecutive months in making a loan payment

47%

reported being behind on two or more consecutive months in paying their

47%

were behind on two or more consecutive months in making a loan payment;



2021

76%

said they'd run out of money in 90 days or less if they lost their job

54%

reported being behind on two or more consecutive months in paying a bill



2020

78%

said they'd run out of money in 90 days or less if they lost their job

55%

reported being behind on two or more consecutive months in paying a bill

Given the uncertainty of today's economic markets, it appears our financial beliefs and money habits are more important than ever.

To put a fine point on this, most Canadians now realize that it's virtually impossible to secure a comfortable retirement without saving and investing without an employer-sponsored pension plan. Yet, the headwinds to saving and investing can be significant given the impact of other financial decisions we must make, including whether or not to buy a home. It's never been more clear: Money management, financial decision-making and lifestyle goals do not exist in a vacuum

To help, a great deal of focus has been placed on increasing the availability of financial knowledge. As a component of financial literacy money knowledge gives us the ability to understand the money tools available to us. When knowledge is given the opportunity for practical use, we then stretch our money management muscles and gain the confidence necessary to take bigger decisions and create better choices.

In this way, all aspects of financial education are essential, including learning how to use credit, understanding the benefits and impact of debt, appreciating the value of insurance and good health and the critical need to build on the basics, like budgeting and the power of compound interest.

A cause for celebration is how confident Canadians felt about their financial knowledge in 2021.



90%

2021
rated their financial knowledge to be 'good or very good'



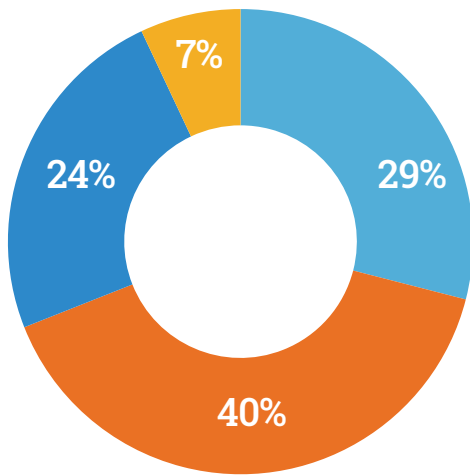
70%

2020
rated their financial knowledge to be 'good or very good'

“Keeping track of money”

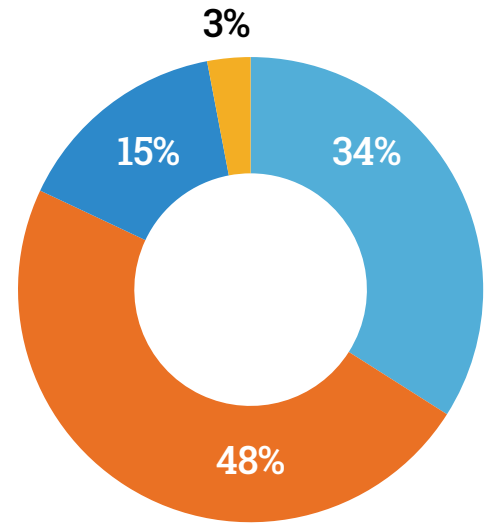


2021:



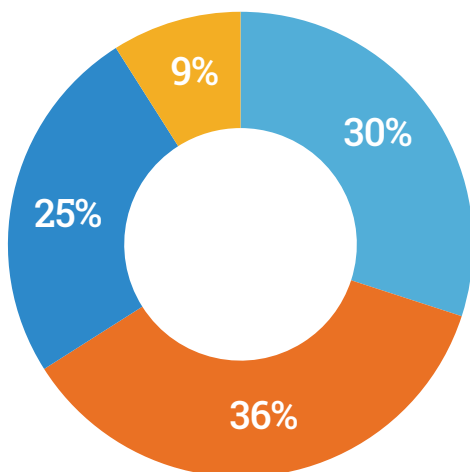
- Very good
- Good
- Fairly good
- Not very good

2020:



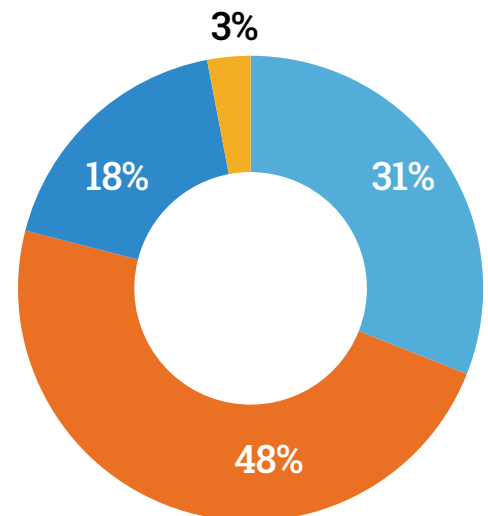
“Making ends meet”

2021:



- Very good
- Good
- Fairly good
- Not very good

2020:

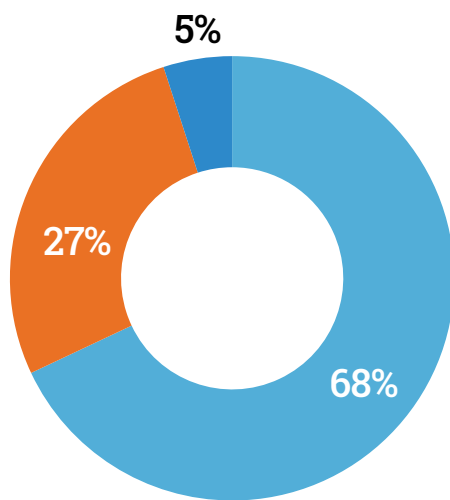


The good news is that we appear to be more confident about selecting suitable investments to help grow our overall net worth. This year, 83% of respondents agreed with the statement. “I know enough about investments to choose ones that are suitable to my circumstances”.

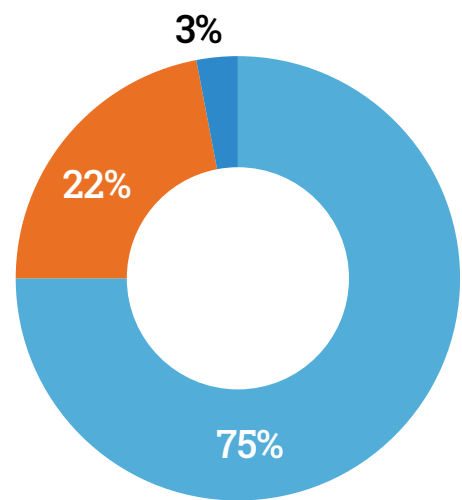
It turns out, most of us are still communicating with our spouses about these critical financial decisions. But unfortunately, the overall percentage of Canadians willing to discuss financial decisions with a spouse dropped in 2021 compared to last year.

“I always consult my family/spouse before making any important financial decisions.”

2021:



2020:



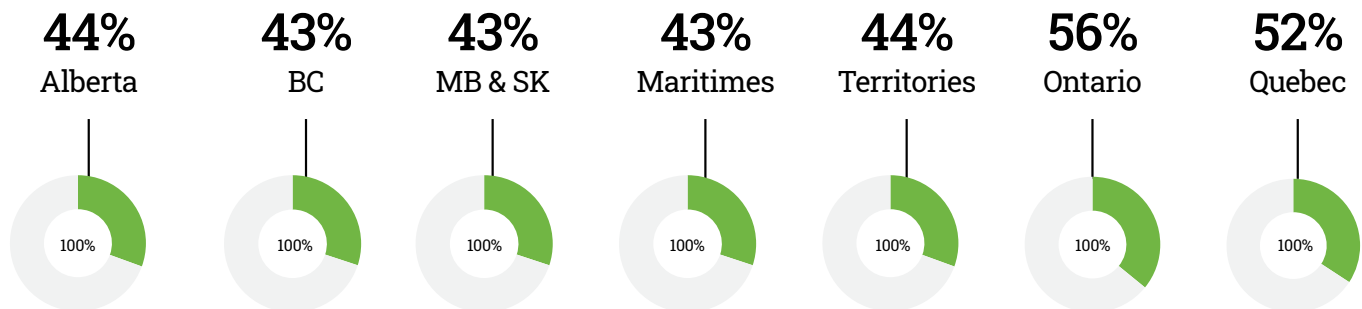
- Agree
- Disagree
- Don't know

Geographic differences in 2021



It turns out there are distinct differences in financial literacy, confidence and the application of tools, depending on where you live in Canada.

For instance, while the quiz score national average was 44%, residents in Ontario and Quebec came out with higher average scores at 52% and 56% , respectively



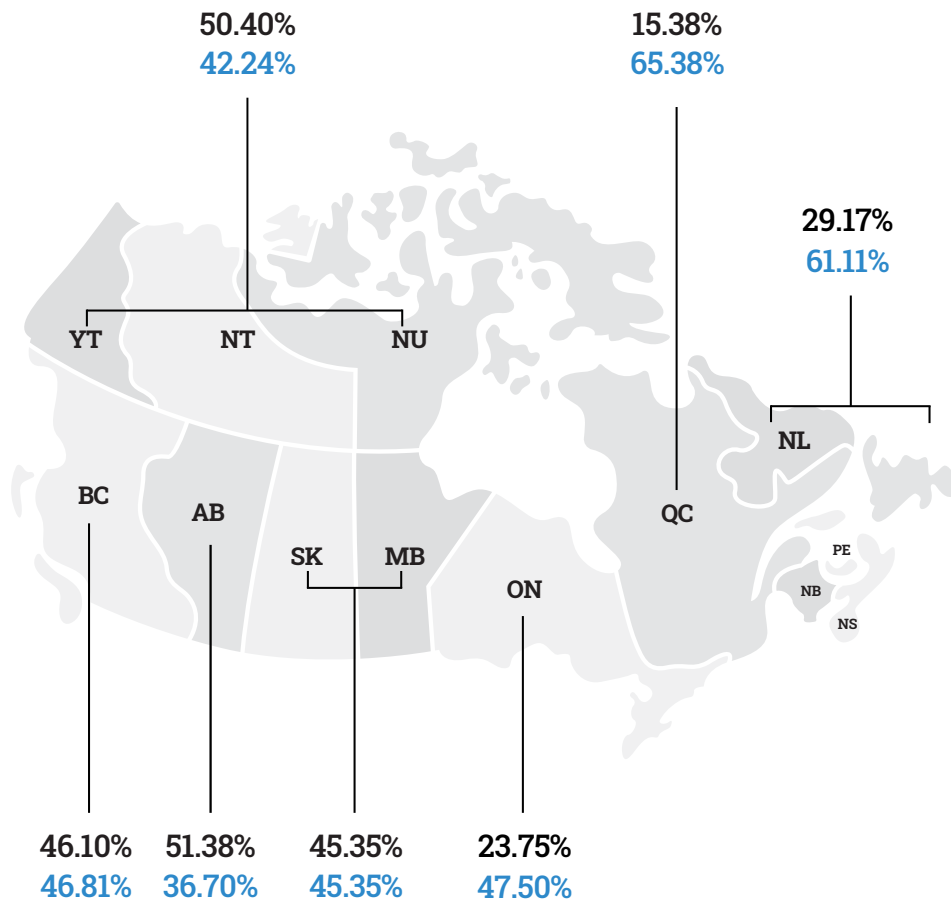
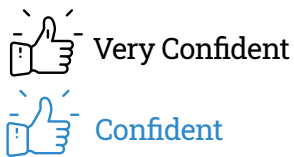
82% BC
Highest Quiz score

4% Maritimes
Lowest Quiz score

Geographic differences in 2021

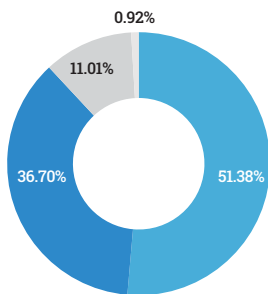
There were also distinct regional differences in our levels of confidence and knowledge on financial matters.

On a national level, 39% of Canadians felt “very” confident about their “level of financial knowledge” and another 51% felt confident. However, on a regional level, this confidence varied dramatically.

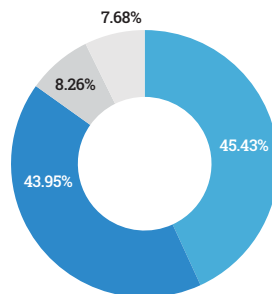


“Keeping track of money”

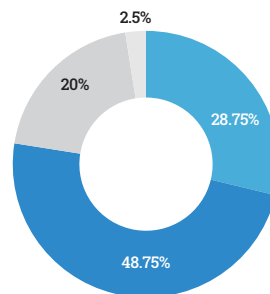
Regional differences were also present when it came to assessing our confidence in managing our finances.



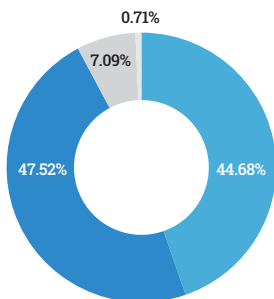
Alberta



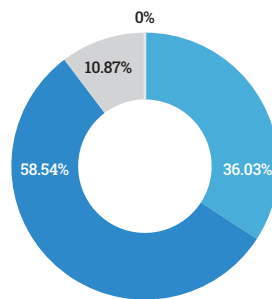
Territories
(NWT, Yukon, Nunavut)



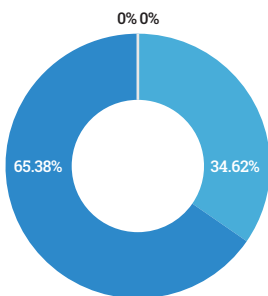
Ontario



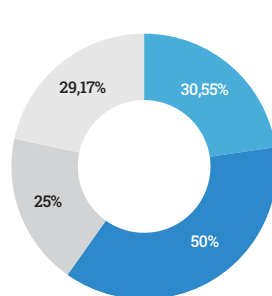
British
Columbia



SK & MB




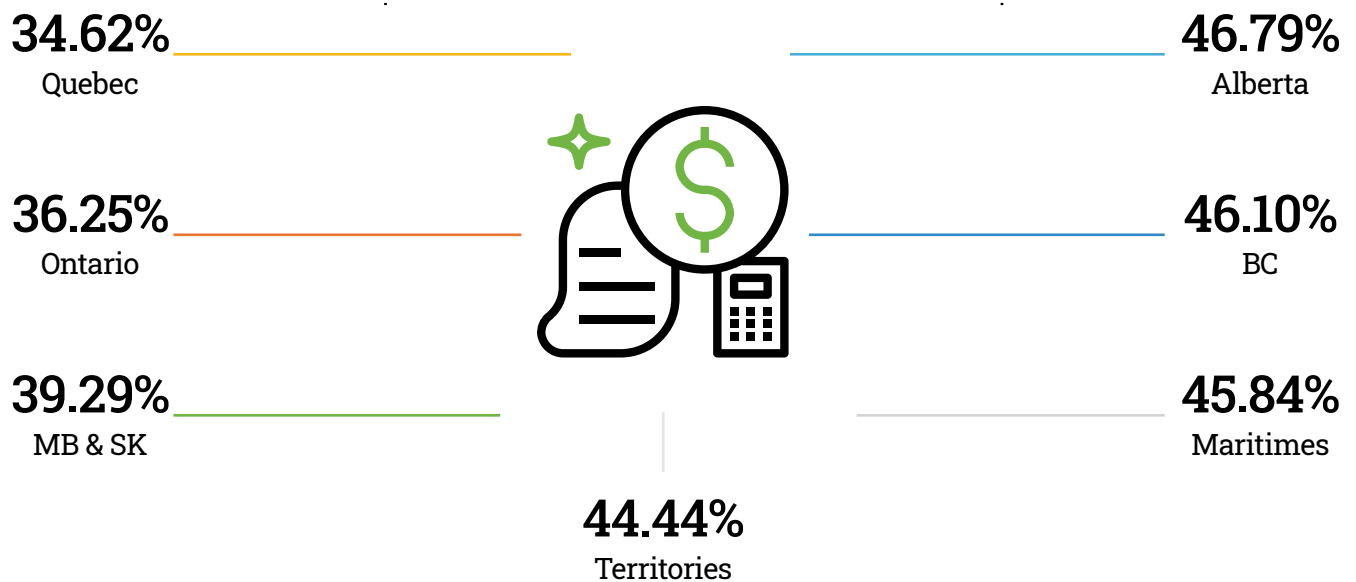
Quebec



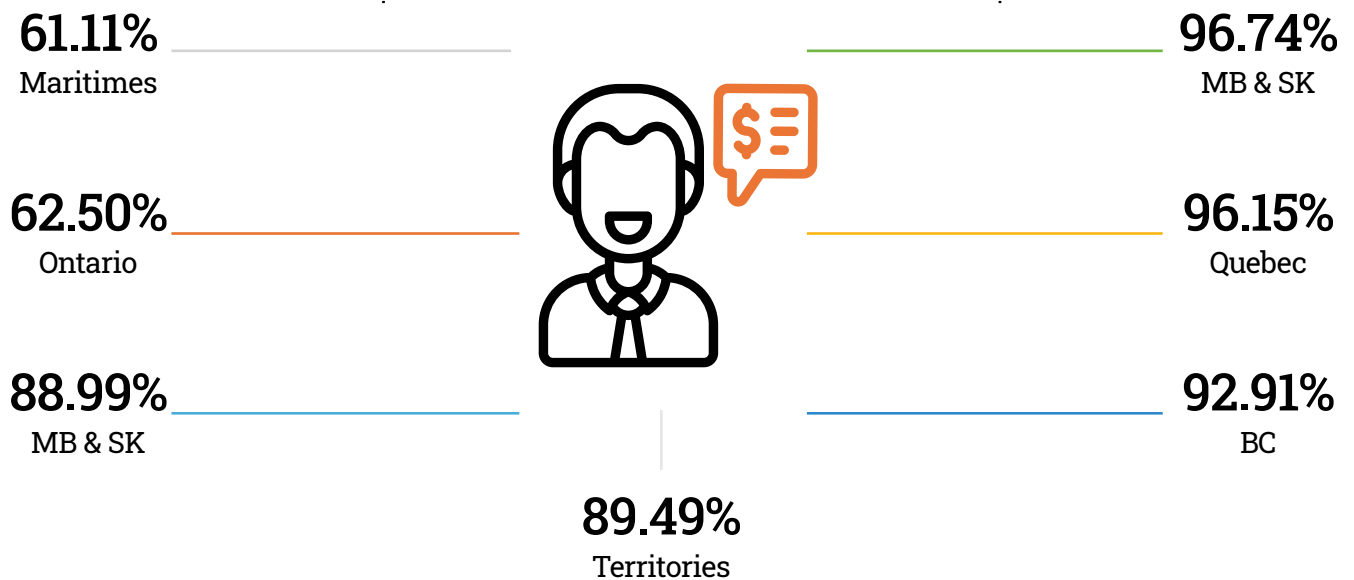
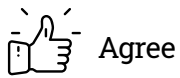
Maritimes

“Making ends and meet”

 Very Good



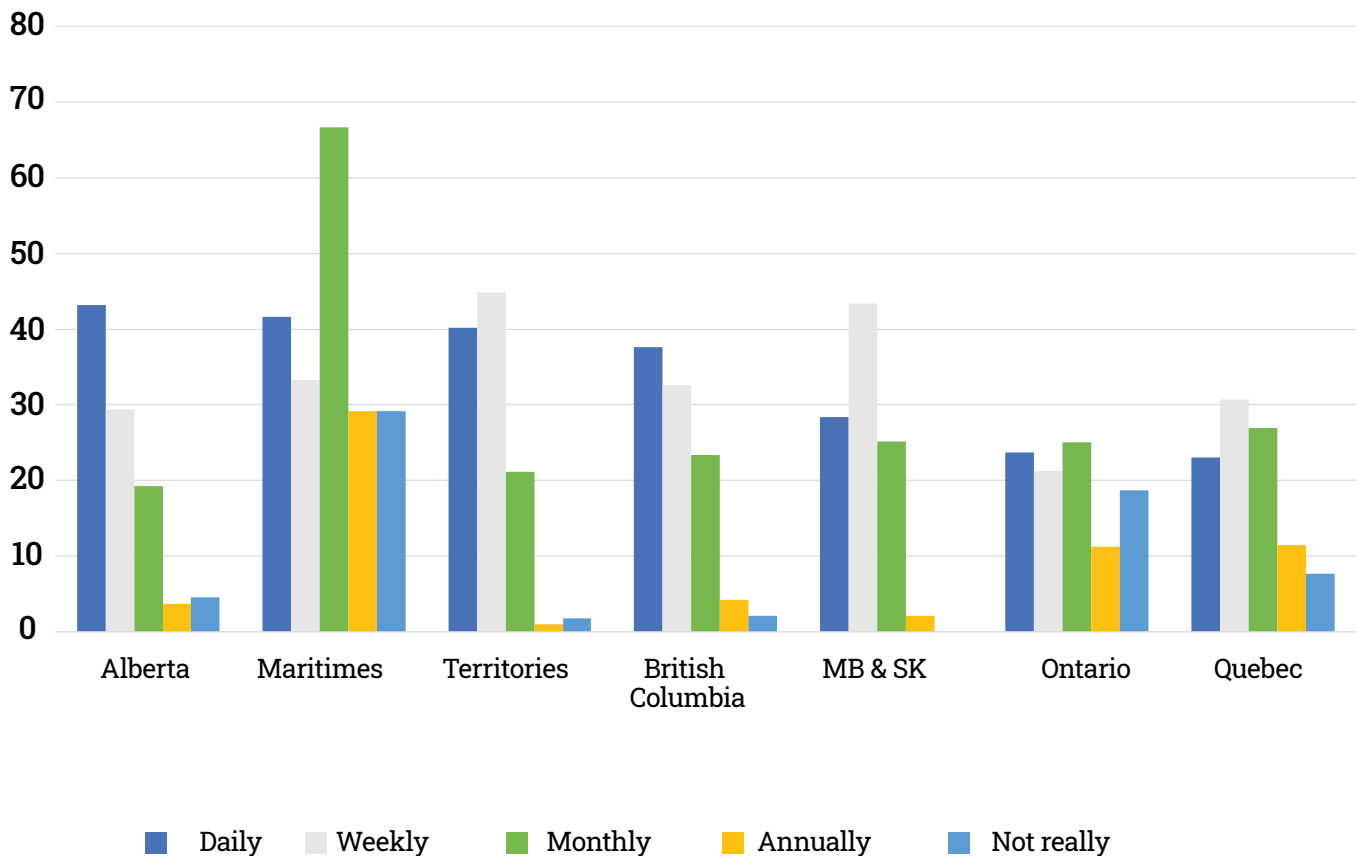
“ I enjoy dealing with financial matters”



Financial concerns and worries

Regional differences also highlighted how different our money concerns were based on where we live.

While more than half of Canadians reported daily, weekly, monthly or annual money concerns on a national level, the level and frequency of these concerns differed by region.





The increased access and prevalence of financial education is helping more Canadians become knowledgeable and grow their confidence when it comes to managing their financial lives.

While confidence is key, more needs to be done to help elevate the national standards regarding financial education and successful execution.

Ideally, basic financial literacy concepts would be taught in high school (although earlier is even better, according to a University of Minnesota study). Studies show that teaching financial concepts to kids and young adults directly impacts students' ability to make wise financial decisions. Plus, students who have some personal finance classes under their belts are much more likely to save money successfully, budget wisely and invest smarter.

“To increase financial literacy, we need to develop and strengthen our money management skills.”

Despite a greater awareness of the importance of financial literacy, virtually every province continues to omit formal, standardized lessons on financial literacy topics. Until widespread change happens, the onus is on us to educate ourselves (and our children).



The survey data used for the Confidence is Key: Financial Literacy & Sufficiency report was collected through an online SurveyMonkey survey between September 28 to October 10, 2021.

The online survey asked 1,392 respondents from across Canada a variety of opinion, self-report and knowledge-based questions to measure financial knowledge, confidence and skills—all of which are integral to financial literacy.

The estimated margin of error is +/- 2.64 percentage points, with 95% confidence.



Report prepared by:

Romana King

Romana King is an award-winning personal finance columnist and Director of Content at Zolo, one of the most popular online real estate companies in Canada. For over two decades, she's advised homebuyers, sellers and investors on how to make strategic, smart real estate decisions.

Her new book, *House Poor No More: 9 Steps that Grow the Value of Your Home and Net Worth* comes out in November 2021. For more information, go to: www.zolo.ca/house-poor-no-more

About Zolo

Zolo is one of Canada's most popular national real estate marketplaces. Each month, over 10 million home shoppers use Zolo to level up the way they buy, sell, rent, finance, and learn about real estate. Canadians gain an advantage with faster listings, real-time market insights, and more enjoyable digital experience, all while working with Zolo real estate and mortgage professionals.

For more details about Zolo, visit our [About us page](#).

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