Prosper Canada

2022 Ontario Budget proposal

Recommendation

Provide MCCSS with $5.25M – $8M in new funding over 3 years to enable:

- **delivery of financial help services to 72,900-85,800 Ontarians** with low/moderate incomes
- **integration of financial help into Ontario Works in 3 cities** to improve client outcomes
- **delivery of online financial self-help tools and education to 72,600-105,000 Ontarians.**

Prosper Canada will provide $5.25M in matching corporate and philanthropic investment (**$3.5M** secured to date).

Summary (see Appendix 1 for details)

Option 1: Invest $1.75M annually over 3 years ($5.25M total) to enable Prosper Canada and partners to:

- **Deliver financial coaching/counselling, tax filing, and benefit navigation services** to **72,900+** low/moderate-income Ontarians
- **Connect 59,400+ low/moderate-income Ontarians to an estimated $230M+ in new income** – approximately **$150M+** (**65%** from federal sources) through tax and benefit assistance
- **Pilot integration of financial help into Ontario Works (OW) with 3 municipal providers** (Ottawa, Thunder Bay, and Toronto) to help more clients achieve life stabilization outcomes
- **Equip 47 municipal OW providers and MCCSS ODSP staff with tools and 900+ OW/ODSP staff with training** to help build financial help into OW/ODSP service delivery
- **Maintain and promote online financial self-help tools to reach 72,600+ Ontarians.**

Option 2 (add-on to Option 1): Invest a further $2.74M over 3 years ($8M total) to:

- **Expand financial help services to reach 12,300+ more low/moderate-income Ontarians** in the most under-served catchment areas and rural and remote communities
- **Connect 9,900+ more Ontarians to a projected $38M+ in new income** – approximately **$25M+** (**65%**) from federal sources
- **Resource non-profit Financial Empowerment Champions (FECs) to support 3 OW integration pilots where necessary** to ensure adequate service capacity
- **Train 1,000+ community service providers province-wide** to screen and refer clients to financial help services and/or provide light-touch financial help services directly

- **Expand digital financial self-help tools and their promotion to reach 32,400+ more Ontarians** with financial education, tax filing, and benefit navigation support.

Benefits of proposed investment

- ✓ **Sustained/expanded financial help services that measurably improve financial capability and outcomes for 72,900-85,000 financially struggling Ontarians**, including seniors, people with disabilities, and low-wage workers.

- ✓ **72,600-105,000 low/moderate-income Ontarians take independent action to improve their financial literacy and health** through information, tools, and resources they have accessed on our financial self-help portal.

- ✓ **Flow of projected $150M to $175M in federal benefits to Ontario households**, a large portion of which might otherwise go unclaimed by households unable to tax file or navigate benefit systems successfully on their own.

- ✓ **Improved local economies as more low/moderate-income people access new income that they spend locally**, and more generally rebuild their financial health and participate in the economic recovery.

- ✓ **Pilot-tested models for building financial help into Ontario Works to measurably improve client outcomes,** and tools and training that enable all OW providers to pursue similar integration.

- ✓ **Enhanced reach and impact from $5.25M in matching investments** secured by Prosper Canada.

Context

MCCSS invested $7,632,451 to pilot financial help services for low- and moderate-income Ontarians from January 2017 to March 2021 **–** financial education, financial coaching/problem-solving, tax filing and benefit help, basic banking support, and help opening RESPs.

Services were delivered by 9 non-profit Financial Empowerment Champion (FEC) organizations in 6 Ontario cities, with Prosper Canada providing training, community of practice, and project monitoring, administration, financial management, and reporting.

MCCSS's investment enabled FECs to help 124,754 low/moderate-income Ontarians to build their financial capability and health in the following ways:

- Connecting 106,475 individuals to $472M in new income through tax-filing and benefit help (approximately $307M[1] from federal benefits)

- Providing **23,447** unique individuals with one-on-one financial coaching/problem-solving
- Delivering financial education to **14,493** individuals
- Helping low-income families open RESPs for **1,521** children
- Training **3,670** community service providers to provide financial education or other financial empowerment supports and referrals
- Mobilizing **2,585** tax clinic volunteers.

MCCSS renewed funding ($1.75M) for 1 year (2021-22) in response to urgent demand for these services in the pandemic and positive independent evaluations it commissioned that showed a need for the services and that they measurably improved client financial outcomes and supported the government's social assistance reforms and Poverty Reduction Strategy.

Financial help services in Q1 and Q2 2021-22 have enabled 15,221 low/moderate-income Ontarians to build their financial capability and health and of these, **13,990** were connected to **$54M** in new income.

Prosper Canada has launched a new financial self-help site, yourtrove.org, to enable more low/moderate-income Ontarians to take independent action to build their financial literacy and health. More than **6,200** Ontarians have already made use of this site since its launch in September.

Investment rationale

The number of lower-income households has ballooned over the pandemic. In June 2021, **26.1%** of households reported lower incomes (under $25,000 or, for multi-person households, under $50,000). This represents **6.75 million** households – up from **4.6 million** in 2018.[2]

Lower-income households have been particularly hard hit financially by the pandemic. In June 2021, **68%** reported barriers impacting their ability to earn money, **65%** that the pandemic has reduced their financial security, and **40%** that they were unable to meet basic expenses.[3]

Affected households have been working hard to financially bridge the pandemic – reducing non-essential expenses (**71%**), drawing down savings (**51%**), improving their financial literacy (**40%**), finding new ways to earn money (**38%**), and moving to cut costs (**19%**).[4] **43%** increased borrowing to pay everyday expenses and **36%** deferred mortgage, rent, or utility payments.[5]

Despite these efforts, more lower-income households are experiencing financial hardship and deteriorating financial health. **65%** reported financial hardship due to the pandemic, versus **55%** in June 2020.[6] **53%** reported month-to-month income volatility (associated with much lower financial health[7]), up from **39%** in 2018.[8] **42%** had a liquid savings buffer of **<3** weeks compared to **35%** in 2018 and **40%** reported that their household is unable to meet their essential expenses, versus **30%** in June 2020.[9]

The resulting financial stress is hurting people's health, work, and families. Lower-income households reported that money worries are impacting their mental health (**77%**), physical health (**60%**), productivity/performance at work (**53%**), and causing fights with their partner or spouse (**40%**).[10]

These households do not have access to the financial services they need. **69%** of lower-income households rate their primary financial institution as 'poor to fair' in helping them to improve their financial wellness, and **63%** completely/somewhat agree that they do not trust their primary financial institution enough to share their stresses or challenges.[11]

Many vulnerable Ontarians need help to tax file, navigate benefits, and rebuild their financial stability, due to language, literacy, numeracy, digital, disability, cognitive, mental health, and systemic barriers.[12] Currently, **1 in 5** low-income households do not tax file, leaving more than **$2B** in income unclaimed annually[13] that could help build their financial stability and health. Many households also have no access to affordable, quality financial help when problems hit.[14]

Without hands-on help, many people with lower incomes struggle to access income for basic needs. Their resulting financial instability creates material hardship for them and puts greater pressure on publicly funded welfare, healthcare, shelter, and social support services – human and economic costs that could be prevented through more timely access to financial help.

The Government of Ontario has led the way in Canada when it comes to filling this critical market gap. Its investment to date has measurably helped more than **124,000** financially struggling Ontarians to improve their financial capability and health, and Ontario is poised to become the first province in Canada to integrate financial literacy and help into its social assistance system.

Ontario's 9 Financial Empowerment Champions are uniquely positioned to help financially struggling households in this critical moment. They are the only organizations fully equipped to help struggling households to access urgently needed income and put in place budgets, saving and debt management plans, and longer-term action plans to rebuild their financial health.

Innovations in virtual service delivery, new online tools, and our financial self-help portal, Trove, mean we can serve more Ontarians, more cost-effectively. With modest new funds, we can extend services to reach more underserved, rural and remote communities and undertake more promotion and outreach to equip more Ontarians with the tools to take independent action to improve their financial health.

Evidence shows that financial empowerment interventions actively advance OW stability supports goals – a liveable income,[15,16] stable and secure housing,[17,18,19] physical and mental health,[20,21,22] access to community and social support,[23,24] and financial resilience.[25,26]

Without financial help, lower-income households struggling with reduced incomes, depleted savings, and growing debt will remain a drag on Ontario's economic recovery, as evidence tell us they will choose to pay down debts and build emergency savings at the expense of consumption needed to restore economic growth.[27] Pre-pandemic, **50%** of low-income households were indebted and spent **31%** of their income servicing their debt on average.[28] As of June 2021, **41%** of lower-income households report somewhat/very unmanageable debt.[29]

Proposed budget

OPTION 1	Maintain current funding and service reach			
Project component	**Year 1**	**Year 2**	**Year 3**	**Total**
Transfers to FEC organizations (77%) $150K/org./year to 9 orgs.	$1,350,000	$1,350,000	$1,350,000	**$4,050,000**
Prosper Canada staff (14%) Salaries & benefits for approx. 3 FTE[1]	$238,692	$238,692	$238,692	**$716,076**
Project costs (7%) Data systems, promotion, graphic design, travel/convenings, translation, web development, online platform licenses, and HST[2]	$120,898	$120,898	$120,898	**$362,694**
Administration and overhead (2%) Approx. 10% of staff & project costs[3]	$40,410	$40,410	$40,410	**$121,230**
TOTAL	**$1,750,000**	**$1,750,000**	**$1,750,000**	**$5,250,000**

OPTION 2	Sustain services and expand to underserved communities			
Project component	**Year 1**	**Year 2**	**Year 3**	**Total**
Transfers to FEC organizations (51%) $150K/org./year to 9 orgs.	$1,350,000	$1,350,000	$1,350,000	**$4,050,000**
Expanded FEC capacity (18%) -For underserved OW catchments, including rural and remote communities -To meet client demand in 3 OW pilots	$600,000	$435,000	$435,000	**$1,470,000**
Prosper Canada staff (17%) Salaries & benefits for approx. 5.5 FTE[1]	$462,695	$462,695	$462,695	**$1,388,085**

OPTION 2	Sustain services and expand to underserved communities			
Project component	**Year 1**	**Year 2**	**Year 3**	**Total**
Project costs (11%) Data systems, expanded promotion, graphic design, travel/convenings, translation, web development, training delivery, online platform licenses, and HST[2]	$282,695	$282,695	$282,695	**$848,085**
Administration & Overhead (3%) Approx. 10% of staff and project costs[3]	$79,300	$79,300	$79,300	**$237,900**
TOTAL	**$2,774,690**	**$2,609,690**	**$2,609,690**	**$7,994,070**

Notes

1. 3 FTE / 5.5 FTE is expected combined days of effort across all teams. Includes statutory and other benefits at 18% of salary.
2. Ontario HST at 3.94% after charity rebates.
3. We have used a 10% *pro rata* estimate as a baseline for the contribution of this project toward organizational overhead and administration costs required to run this program effectively (e.g., office lease, IT equipment/maintenance, general office supplies, and typical administrative costs (accounting fees, banking fees, office insurance, etc.), based on average overhead/administration requirements across our programs.

APPENDIX 1
Detailed investment options

Option 1: Maintain current funding and service reach

Ontario government provides $5.25M in new funding to MCCSS over 3 years at the current funding level of $1.75M per year to maintain the current level of financial help service delivery in Ontario. This will enable us to:

✓ **Continue to support Ontario Financial Empowerment Champions**

- **Fund and coordinate 9 current Ontario Financial Empowerment Champion (FEC) organizations across the province** at $150K per FEC per year to meet current delivery targets of 24,300+ clients per year, enabling them to deliver tax filing, benefit navigation, and financial coaching/problem-solving services to 72,900+ Ontarians over the life of the project.

- **Animate an online Ontario FEC Community of Practice to promote peer-to-peer knowledge exchange, continuous service improvement, and innovation.** Using our online platform, as well as bi-monthly virtual meetings, Prosper Canada will work with FECs to highlight successes, resolve issues, share learning, profile service improvement and innovations, and host presentations from relevant subject-matter experts.

- **Enable Prosper Canada to provide overall** project management, activity/outcome monitoring and evaluation, financial management, and administration and to coordinate quarterly compliance and reporting to MCCSS.

- **Ensure that vital financial empowerment services are sustained beyond March 2022 as Prosper Canada and FECs continue to seek other sources of funding** to sustain/expand these services.

✓ **Continue providing tailored digital tools and resources that enable Ontarians to take independent action to improve their financial health**

- **Promote and maintain our digital financial self-help site, Trove, and digital tools tailored for people with lower incomes**, including our RDSP Calculator for people with disabilities and My Money in Canada for newcomers and others seeking to learn more about money matters in Canada.

- **Deliver free online financial self-help education to 72,600+ Ontarians.** The pandemic has increased the population of vulnerable Ontarians, a significant proportion of whom are interested in and capable of taking independent action to improve their financial literacy and health, if provided with quality information, tools, and resources relevant to their needs. **Trove** provides a curated selection of tools and resources and the option, if needed, for users to connect to community organizations that can help them. Financial help organizations, including OW offices, are keen to access easy-to-use tools and resources they can use to help their clients address financial challenges. Our online tools have been positively received and can fulfill this need.

- **Use Google ads, social media, and search engine optimization to promote a consumer version of our new Benefit Wayfinder tool** (to be launched July 2022). This bilingual, plain language tool will help people to identify federal and provincial benefits they are eligible for but not getting and provide information on how to access them and a directory of places they can go for help tax filing and applying if they need it. The Benefit Wayfinder will also include a disability benefits microsite.

  Note: This option does not include resources to develop new tools and resources, and promotion will be largely funded from other Prosper Canada projects, with only a small additional incremental amount through this proposal for more promotion.

✓ **Continue integration of financial empowerment into Ontario Works (OW)**

- **Continue FE integration into OW services in 3 communities – Ottawa, Toronto, and Thunder Bay.** All 3 participating OW providers have successfully developed service blueprints for integrating and/or enhancing existing integrated financial empowerment help service(s), to advance OW stability supports goals. Funding will enable us to continue this integration work and evaluate their results. All 3 OW providers have expressed a strong desire to move forward with this integration work, with support from Prosper Canada and relevant FECs. Continued funding will enable Prosper Canada to provide this support. OW staff in other communities have also expressed a strong interest in these pilots and opportunities to connect with pilot OW providers to learn from their experience. Funding would allow Prosper Canada to establish and animate a municipal OW Community of Practice to enable this knowledge exchange.

- **Engage 47 OW municipal providers (managers and frontline) more broadly to promote and build their capacity to integrate financial help services** into their OW services. This will include active engagement through articles, conference presentations, and direct communications to interested OW providers, as well as training.

- **Train 900+ municipal OW managers and frontline staff** (300+ per year) to provide financial help to clients, through our new Financial Foundations course offered annually. This course will equip OW service providers to have money conversations with clients, refer clients to local tax filing help, discuss benefits, and use our *Benefit Wayfinder* tool with clients to help them access more income. We expect we would be able to train

300+ OW practitioners annually. These trainings can also be opened up to MCCSS *Ontario Disability Support Program (ODSP)* staff if there is interest.

Option 2: Sustain services and expand reach to underserved communities

Ontario government invests an additional **$2.75M** over **3** years for a total of **$8M** to expand current services to underserved OW catchments, including rural and remote communities and promote self-help tools and resources to reach more Ontarians. More specifically, this funding will enable Prosper Canada and FEC partners to:

- ✓ **Deliver all services outlined in Option 1** and associated project monitoring and evaluation, project management, financial management, administration, and reporting.

- ✓ **Expand financial help service reach in 3 underserved MCCSS catchment areas.**

  - **Expand services to reach an additional 12,300+ Ontarians in 3 MCCSS catchment areas underserved by Ontario FEC organizations** – West Region (Hamilton and Niagara), Central Region (Peel and York Regions), and East Region (Peterborough/Kawarthas through Kingston). **$945K** would be provided over **3** years to FEC organizations in these catchments to enable them to establish referral partnerships with organizations in target communities and service additional clients, leveraging new virtual service models. Should an FEC not be able to take on this expanded role, we would identify another lead organization within the catchment area to provide basic financial empowerment services with Prosper Canada support. Virtual service models will also enable all FECs to expand service catchments to include more rural and remote communities.

  - **Expand the Ontario Community of Practice to more organizations (beyond Ontario FEC organizations)**, including those helping to fill service delivery gaps in the three target catchments, as well as others providing financial empowerment screening, referrals, and light touch services.

  - ✓ **Enhance digital tools and their promotion to increase take-up by Ontarians**

    - **Maintain, update, and enhance our Trove financial self-help website** to provide users with a more features and an enhanced user experience. This would include conducting a user experience audit and targeted improvements to address identified gaps and other improvement opportunities.

    - **Invest more resources to increase digital promotion, social media promotion, and marketing of digital tools** to reach **32,400+** more Ontarians. Active marketing is critical to achieve widespread uptake of online tools and resources. Additional resources will enable us to reach Ontarians directly through online ads and social media. More critically, they will enable us to engage and build partnerships with more Ontario networks, associations, municipal service providers, and frontline organizations that result in them promoting tools to their service users and/or using them in their own service delivery. Resources would be used in part to fund a dedicated part-time (0.75 FTE) staff member to undertake outreach to target organizations, develop partnerships, provide online demonstrations, manage inquiries from prospective partners, and support integration of tools in **3** OW integration pilots.

✓ **Expand FEC service capacity to support Ontario Works (OW) integration pilots**

- **Additional resources to FECs supporting OW pilots will ensure they have the capacity to serve OW clients referred to them.** FECs in the pilot communities (Toronto, Ottawa, and Thunder Bay) typically already have service waiting lists. Dedicated incremental funding (**$75K** per municipality in Year 1, decreasing to **$50K** per municipality in Year 2 and Year 3) will enable them to add more service capacity and provide more hands-on training and support to participating OW service providers in the critical first year of the pilots.

✓ **Build Financial Empowerment capacity of more community organizations**

- **Additional resources will enable Prosper Canada to deliver Financial Educator training courses to 12 cohorts per year to reach 1,000+ frontline staff over 3 years.** This will enable more non-profit and municipal service providers to screen, refer, and deliver light-tough financial help services to the people they support. Funding would allow us to dedicate Prosper Canada staff and resources required to deliver this level of training.

- **Expand our Ontario Community of Practice beyond the current membership of Ontario FEC organizations to include more frontline community organizations**. Participating organizations would build financial empowerment capacity through peer-to-peer problem-solving and knowledge exchange with respect to client needs, effective practices, and service improvements and innovation.

Notes

[1] Based on analysis of new incomes accessed through 14 national and Ontario pilots over 5 years, an estimated 65% of new tax credit and benefit income accessed by service users comes from federal government sources.
[2] Duncan E. and Koci K. (2021). The financial resilience and financial well-being of Canadians with low incomes: Insights and analysis to support the financial empowerment sector. Toronto: Seymour Management Consulting Inc. Available from: https://prospercanada.org/News-Media/Media-Releases/New-study-shows-low-income-Canadians-fighting-for.aspx.
[3] *Ibid.*
[4] *Ibid.*
[5] *Ibid.*
[6] *Ibid.*
[7] See: Ipsos (2017). Millions of Canadians impacted by income volatility: TD. Available from: https://www.ipsos.com/sites/default/files/2017-05/7645-pr.pdf
[8] Duncan and Koci (2021).
[9] *Ibid.*
[10] *Ibid.*
[11] *Ibid.*
[12] See:

- Bajwa U. (2019). Income tax filing and benefits take-up: Challenges and opportunities for Canadians living on low income. Toronto: Prosper Canada. Available from: http://prospercanada.org/getattachment/b0a3599b-1b10-4580-bd2f-9887f5165edb/Income-tax-filing-and-benefits-take-up.aspx
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[13] Robson J. and Schwartz S. (2020). Who doesn't file a tax return? A portrait of non-filers. *Canadian Public Policy* vol. 46 no. 3, pp. 323-339. Available from: https://www.utpjournals.press/doi/full/10.3138/cpp.2019-063. This paper identifies a $1.7B annual gap in take-up of a subset of key federal benefits. This amount does not consider other federal benefits and tax credits or the hundreds of additional provincial/territorial income benefits and in-kind services and supports – many of which are also accessed by tax filing or require tax filing to establish eligibility. On this basis, we have conservatively estimated a take-up gap of $2+ billion annually – income that could dramatically help low/moderate-income households.
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[16] The Financial Clinic. Boosting Workforce Development: Improving Workforce Outcomes through the Integration of Financial Security Strategies. 2019 Oct. Available from: https://change-machine.org/app/uploads/2019/10/Boosting-Workforce-Development-FINAL-The-Financial-Clinic.pdf
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[18] Robson J. The case for financial literacy: Assessing the effects of financial literacy interventions for low income and vulnerable groups in Canada. Toronto: Prosper Canada (formerly Social and Enterprise Development Innovations (SEDI)) and the Canadian Centre for Financial Literacy; 2012, pp. 23-24. Available from: https://prospercanada.org/CMSPages/GetFile.aspx?guid=bd2fbe0e-9647-4377-9df6-8cfe3c0cc9f9

[19] Atkinson and Greer, 2015.
[20] *Ibid.*
[21] Center for Financial Security. Financial coaching: Review of existing research. Issue Brief 2015-10.1. Madison: University of Wisconsin-Madison Center for Financial Security; 2015. Available from: https://fyi.extension.wisc.edu/financialcoaching/files/2015/10/FinancialCoaching_10.1.pdf
[22] Citizens' Advice. Impact report 2020/21. London: Citizens' Advice; 2021, pp. 4-14. Available from: https://www.citizensadvice.org.uk/about-us/about-us1/impact-of-citizens-advice-service/all-our-impact/.
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https://www.citizensadvice.org.uk/Global/Public/Impact/Impact%20report%202018%20%e2%80%93%20D4.pdf
[23] For instance, by expanding "coordinated access" of services, integrating financial empowerment together with other services in the community.
[24] Prosper Canada. Benefits Screening Tool—Phase 2: Final Report. 2019 Jul. Available from: https://prospercanada.org/getattachment/fe2ae3d2-9cba-429c-8572-7edce8ed81b8/Results-of-the-Benefits-Screening-Tool-project.aspx
[25] Grist and Plat, 2018.
[26] Center for Financial Security, 2015.
[27] See:

- Lombardi M., Mohanty M., and Shim I. (2017). The real effects of household debt in the short and long run. *BIS Working Papers* no. 607, Jan. 2017. Basel: Bank for International Settlements. Available from: https://www.bis.org/publ/work607.pdf
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