



CHARTER OF ESSENTIAL SKILLS FOR FINANCIAL WELL-BEING

Table of Contents

Background

1. Identifying useful sources of information and knowing how to consult them	6
2. Making financial decisions based on the external environment	7
3. Managing your assets and your income	8
4. Managing your expenses and your debts	9
5. Recognizing potential risks, measuring their impact and making choices to mitigate them	10

Background

As part of the Québec Financial Education Strategy, key stakeholders in financial education worked together to establish a charter of essential skills for financial well-being. This charter offers specialists in the field an inventory of the essential skills that consumers should acquire. A partner that develops a new financial education tool aimed at consumers might want to know which skills are the most important skills to teach. These types of tools are not meant to be static and final; they are meant to evolve, meaning that skills may be added or removed over time, as needed.

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For each skill, the Charter of essential skills for financial well-being presents at least one example of a “leaving the nest” life event. We would like to thank the following individuals for helping to create this inventory:

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1. Identifying useful sources of information and knowing how to consult them

	Primary skill	Details of skill	Examples related to leaving the nest
A	Consult various sources of information with a critical mind.	Determine which are credible, impartial sources of information and which are not.	Recognize that advertising does not always provide all the information you need about a product or service in order to make an informed decision. Recognize also that information available on-line is not always accurate. When purchasing goods or services, be able to ask for assistance from appropriate professionals, for example, an investment representative, a mortgage broker, a notary, a building inspector, etc.
B	Identify professionals you can turn to for help, as well as the organizations that govern them.	Recognize your limits and the need to consult a professional, if necessary.	Make sure the professionals are registered with recognized organizations, for example, the <i>Organisme d'autoréglementation du courtage immobilier du Québec</i> (OACIQ), the <i>Chambre des notaires</i> , the <i>Autorité des marchés financiers</i> , etc.
Identify professionals you can turn to as well as the organizations that represent them, and make sure these professionals are certified.		For more independent advice, ask for assistance from or the opinion of competent persons whose remuneration is not based on products sold. Otherwise, seek advice from different professionals and compare. Make sure you understand how the professional is being remunerated, for example, a lump sum, professional fees, a salary or on commission. Make sure you have access to products that meet your needs. Be sure to get good references and to compare prices.	
Determine how the professional is remunerated.		Do not let yourself be impressed. When you do business with just one financial institution, you may receive more advice on the products sold by this financial institution. However, a competitor may have products that could also be suitable for you. Note that some of the advice given to you might also be to the advantage of the person giving it.	
Estimate the cost of consulting the professional.		Individuals about to leave the nest might want to buy a car, rent or buy an apartment, manage their finances, avoid financial fraud, etc.	
Identify which products the professional is authorized to sell and not authorized to sell.			
Review the recommendations received with a critical mind.			
Ask questions so you have all the information you need.			
Go over the professional's explanations and decide whether their recommendation is suitable.			

2. Making financial decisions based on the external environment

	Primary skill	Details of skill	Examples related to leaving the nest
A	Explain the impact of laws, regulations and legal documents on financial decisions.	Describe your rights and obligations and those of the other parties involved.	Only sign contracts that meet your needs. Carefully fill out the official documents, as needed, for example, to rent or buy an apartment or a car, investing, etc. Some tax credits can be changed quickly, and this might have an impact on your personal finances.
		Distinguish between and understand different types of contracts and what's involved with each one.	
		Explain how changes to laws can influence your personal finances.	
B	Know the legal recourses applicable and the corresponding organizations.	Describe how the justice system works, in general.	Distinguish between legal assistance and legal insurance. If need be, describe existing recourses and how to use them, for example, a complaint examination department, mediation, Small Claims Court, etc.
		File a personal finances complaint.	
C	Recognize the impact of the economy on your own financial situation.	Anticipate the consequences of a change in economic variables (interest rate, exchange rate, inflation, etc.) and make sure you have the resources to deal with them.	If interest rates rise, could this have an impact on student debts?
D	Understand the impact of current and future political decisions on social programs and on other tax measures applicable to your personal financial situation.	Go over government programs (municipal, provincial and federal) and their potential impact on your financial situation.	Look into tax programs for new workers and check out the eligibility requirements. For example: tax credits for new graduates working in a remote resource region, tax-deductible moving expenses in certain cases, etc.
		Explain how political changes can influence your personal finances.	
		Identify the tax implications of your decisions.	
E	Consider how technology contributes to financial products and services every day, and how this technology has evolved over time.	Recognize the technological changes impacting financial products and services.	As necessary, be able to use new financial products or services appropriately or contact a professional who can assist you.

3. Managing your assets and your income

	Primary skill	Details of skill	Examples related to leaving the nest
A	Explain the basic principles of managing your assets and income.	Check your pay slip and make sure it does not contain any errors.	The current expenses fund (working capital) is used to pay for your living expenses without having to borrow, for example, paying your taxes, taking vacations, buying new eyeglasses, etc. The emergency fund is used only for unexpected situations that can require a significant disbursement, for example, replacing a broken washing machine, losing your job or becoming disabled.
		Chose a financial institution after comparing a few.	
		Set up a current expenses fund (working capital).	
		Define the relationship between risk and return.	
		Recognize certain tax-related products that make it easier to save.	
B	Develop and apply a savings and investment strategy based on your investment goals and investor profile, and monitor the strategy.	Set specific, measurable, achievable, relevant and time-bound financial goals based on your budget.	Understand that to save, you have to spend less than what you earn. Make a plan, for example, for every \$100 earned, put away \$10 to help with moving into an apartment. Set a maximum current expenses amount that takes into account variables such as ability to repay, budget, etc.
		Determine the maximum amount for each investment (asset allocation) based on your needs, wants and future goals as well as your investor profile.	
		Choose the types of savings and investment products that are suited to your needs by identifying the advantages and inconveniences of each.	
		Record your assets and income on a regular basis.	
		Identify ways of increasing your income, as needed.	
		Be able to cast a critical eye on your income tax return.	

4. Managing your expenses and your debts

	Primary skill	Details of skill	Examples related to leaving the nest
A	Apply the basic principles for making consumer choices that meet your needs.	Differentiate between payment methods, such as debit cards, credit cards, gift cards, cheques, etc., and their features.	Evaluate what it will cost to leave the nest, in particular, taking applicable taxes into account. Be able to properly plan for these costs and how you will finance them (not paying high interest rates needlessly, taking advantage of reward programs, etc.).
		Keep track of the amounts being deducted from your chequing account and make sure there are no errors.	
		Understand how credit works and how interest is calculated.	
		Roughly calculate any reduction offered on a purchase.	
		Estimate the taxes on goods and services purchased so as not to underestimate the price and the amount you need to save.	
		Estimate the value of a product or service.	
		Record your expenses (or household expenses) on a regular basis.	
		Plan for major, recurring expenses.	
B	Make consumer choices and measure their financial impact.	Define your needs and wants.	Anticipate the impact of life changes on your personal finances and consumer habits. For example, paying for electricity, heating, insurance, groceries, hot water, clothing, travel expenses, etc.
		Examine your lifestyle and make conscious, informed decisions based on your priorities, choices, values and anticipated life changes.	
		Compare the price and features of different products and services based on your needs, your values, etc.	Recognize that emotions can play a role in certain choices, sometimes in a way that is not to your advantage. Be able to act accordingly. Negotiate for the best possible price. Choose between staying in an apartment and buying a home.
		Purchase goods and services using the basic tips for saving money.	
		Before purchasing goods or services, determine whether this expense will lead to other expenses in the future.	
		Take into account the opportunity cost for choosing among different options (e.g. deciding not to purchase an item).	Determine whether ownership is divided or undivided and know its impacts.
		Recognize the advantages of postponing your purchase of certain goods and services in order to save or find other solutions.	
C	Manage your debt.	Compare the interest, term and other condition for different debts in order to choose an option that corresponds to your needs.	Avoiding excessive debt in order to pay for all the moving and subsequent costs. For example, avoid buying furniture you can't afford by charging it on a high-interest credit card as a long-term solution.
		Define a strategy that lets you pay off your debts on time; if necessary, reduce your debt load.	
		Identify the warning signs of debt overload and correct the situation, as needed.	

5. Recognizing potential risks, measuring their impact and making choices to mitigate them

	Primary skill	Details of skill	Examples related to leaving the nest
A	Know and apply the basic principles for dealing with risk.	Explain the importance of protecting your cash assets in order to avoid loss or theft.	Protect your cash assets by depositing them into an account, for instance. Build up an emergency fund. Maintain a fund representing three months of expenses. Understand that the cost of insurance depends on the risk of making a claim and the replacement cost.
		Explain in general how insurance works (basic principles).	
		Explain the need for an emergency fund.	
B	Determine your coverage needs (for losses).	Identify and measure potential risks.	Calculate the minimum income required to maintain an acceptable lifestyle in the event of disability or job loss, for example, to continue to pay your rent or mortgage. Compare these numbers with those for social programs available in the event of disability or job loss. Make sure you have enough resources to deal with the loss or make sure you have adequate home insurance (coverage, deductibles, riders, etc.). Avoid purchasing too much home insurance.
		Determine your coverage needs and ask for assistance, as required.	
		Recognize the financial consequences of civil liability.	
C	Identify the tools required to limit, avoid or deal with risk.	Determine which insurance coverage is essential and which is not.	Choose from among different insurance products, for example, disability insurance, loan balance insurance, critical illness insurance, life insurance and credit insurance. Set up a system where you keep warranty and insurance papers as well as receipts for big ticket items. If need be, keep records for tax purposes, such as moving expense receipts.
		Evaluate and choose the coverage required based on your needs.	
		Know how to file a claim with an insurer.	
		Determine who will inherit your property and take steps accordingly.	
		Recognize financial crime, in particular fraud and theft.	
		Adopt safe practices to minimize the risk of fraud.	