Millennials' money woes reveal need for greater financial education in schools: TD Economics

Toronto – Moving the dial on Canadians' ability to manage their finances requires greater focus on financial education within our school system.

Nearly 60% of Canadians have inadequate knowledge over how much they need to save in order to maintain their standard of living in retirement, according to the most recent Financial Capability Survey from Statistics Canada. Furthermore, a full one-third of Canadians are not preparing for retirement at all, either through an employer-provided plan or on their own. This comes at a time when Canada's millennial generation is carrying debt levels in excess of those who went before them.

In a report released today, TD Economics provides recommendations to help better prepare individuals to make important financial decisions throughout their lives. These include building up financial education throughout the kindergarten to grade 12 curriculum.

"Financial education should be incorporated in elementary grades and competencies built up year after year, as they are with basic numeracy and literacy," writes report author and TD Chief Economist Beata Caranci. "In later grades, these can be expanded upon with applied courses that cover budgeting and more specific financial and economic concepts."

Other recommendations in the report include the implementation of regular, cross-country assessments to measure young people's progress in financial literacy, as well as investments to develop the financial capability of teachers so that they have the confidence and training to build these skills in young learners.

Placing greater focus on financial education in classrooms through such measures can help close societal gaps, ensuring that younger individuals whose own parents lack financial capability still acquire these foundational skills.

The TD Economics report, "Financial literacy: Millennials are a wake-up call to build a strong foundation," focusses on the particular need for millennials to improve their ability to manage their finances. Though they are Canada's most educated generation, most young people do not know how much they need to save for retirement. "The mere presence of a university degree is not a catch-all safeguard," says Caranci. "Even within the university educated population we see a dispersion of results in financial literacy that may be perpetuating cycles of low-income households."

Nowhere is the need for greater financial literacy more pressing than among millennials. Even before leaving secondary school, young people have bank accounts, debit cards and smart phones that give them access to financial products with the mere touch of a button. What's more, today's economic environment with its low interest rates, high home prices and a decline in employer pension plans calls for individuals to rethink traditional principles around borrowing and saving.

"Closing knowledge gaps around financial literacy at an earlier age can help to ensure that the financial system serves the needs of all Canadians," writes Caranci. "While provincial and territorial governments are responsible for delivering education, the goal of more in-depth knowledge and regional consistency in financial literacy is a national imperative."