Supporting Workplace Financial Wellness in Canada: Understanding the Difference Between Guidance and Advice

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According to the *FP Canada 2025 Financial Stress Index,* more than half of Canadians have experienced a negative impact on their life due to financial stress—and financial stress is impacting the work performance of a growing number of Canadians (close to 20% of survey respondents).[1] The bottom-line impact for employers? According to the latest (2019) data from the Financial Consumer Agency of Canada, lost productivity due to financial stress at work costs an estimated $1,000 per employee annually.[2]

In response, many organizations have expanded their workplace programs to offer financial wellness education and support. However, a critical distinction has emerged: the difference between providing financial *guidance* and delivering financial *advice*. This article explores why that distinction matters and how plan sponsors and employers can navigate it.

Why the Distinction Matters

Canadian sponsors of capital accumulation plans (CAPs) are encouraged to observe CAP Guideline No. 3.[3] The recently refreshed guideline emphasizes a stronger focus on member education, communication and member outcomes. It encourages CAP sponsors to engage members through ongoing education with a focus on enhancing member decisions and outcomes. The guideline is not legislatively mandated, but courts may consider the guideline as the generally accepted best practice.

AT A GLANCE

- Canadian sponsors of capital accumulation plans (CAPs) observe CAP Guideline No. 3, which encourages CAP sponsors to engage members through ongoing education with a focus on enhancing member decisions and outcomes.
- The primary aim of *financial guidance* is to inform and guide employee financial decisions. *Financial advice,* on the other hand, involves specific recommendations tailored to an individual's personal financial situation.
- Employers and plan sponsors can use a variety of models to deliver workplace financial wellness solutions to employees and plan members, including internal human resources or member specialists, third-party financial wellness providers, and online tools and calculators.

With respect to investment or financial planning advice, the guideline stipulates that CAP sponsors should ensure that third-party advisors are properly qualified, clearly disclose their compensation (including any compensation received by the advisor) and manage any potential conflicts of interest. This helps to ensure that the advisors are not only qualified but also align with the CAP sponsor's commitment to transparency. If the CAP sponsor does not engage a service provider to provide direct advice, it may consider offering resources to help members find qualified financial advisors.

As financial wellness education for employees and plan members has become more common, it has evolved to include more personalized and targeted communications, resources and tools. The most direct and explicit example is providing financial advice to plan members. Whether giving or providing access to advice, employers and plan sponsors should ensure that internal practices and those of their service providers align with the recommended practices outlined in the CAP Guidelines. If member misunderstanding or misinterpretation (e.g., pension elections, investment allocations) lead to poor decisions with negative outcomes, plan sponsors and their service providers could be exposed to legal risks.

Definitions and Core Distinctions

Many tools are available for providing financial wellness support at work, including those focused on education and guidance or advice. It is important to define and draw distinctions, however, between what counts as financial guidance and what counts as advice.

Financial guidance is educational in nature. Its primary aim is to inform and guide. As a result, its scope is based on principles and delivered in a way that empowers decision making without directing it.

Financial advice involves personalized directives tailored to an individual's financial situation. It makes specific recommendations and often requires continuous follow-up to assess and evaluate the outcomes of those recommendations and to determine whether adjustments are necessary as new information becomes available. As a result of this more highly personalized approach, the provider of advice should be licensed or credentialed as a financial advice professional, such as a Certified Financial Planner (CFP®). Credentialed financial professionals are trained to understand the needs, goals and obligations of individuals. They must meet minimum levels of continuous education to demonstrate their ability to update their knowledge and keep current. They must also abide by rules of conduct.

The table above summarizes key differences between the two approaches.

TABLE

Financial Guidance and Financial Advice: Key Differences

Element	Financial Guidance	Financial Advice
Personalization	General with some customization	Highly tailored
Actionable recommendation	Directional	Specific
Regulatory oversight	Limited	Often required
Liability risk	Lower	Higher

Applying the Distinction

Two common situations for plan members provide context: (1) choosing investment options for their employer-sponsored CAP and (2) turning retirement savings into retirement income.

Choosing Investment Options in a CAP

Workplace retirement plans play a significant role in providing a portion of retirement income for plan members. CAP sponsors design the plan, establish the criteria for members to join, provide investment choices, make contributions for and collect contributions from plan members, as well as provide plan member communication and education.

One of the major tasks for plan members is managing the money being contributed into their accounts by reviewing and selecting among the available investment options. To arrive at an optimal decision, plan members should review the communications from the plan sponsor and take advantage of any education provided. Ultimately, members need to determine how involved they want to be in managing their investments, and this determination will guide them in selecting the most appropriate investment options. For example, many plans offer a choice: Members can custom build their portfolio from the available investment options—typically individual funds—or they can select a prebuilt portfolio solution. The industry often describes the choice as *let me do it* (selecting individual funds) or *do it for me* (prebuilt portfolios, such as target-date funds (TDFs)).

Providing Guidance

This approach centers on providing members with investment options as well as the tools and reference material they need to build their own portfolio by selecting individual funds based on a preferred asset allocation.

The choice to custom-build a portfolio could be suitable for plan members who have investment knowledge and, investment experience and are keen to adhere to the monitoring, maintenance and oversight required. This approach also allows those with additional external savings to create a portfolio that works for their overall savings goals.

Choosing to custom-build a portfolio by selecting individual funds requires plan members to determine their investor profile. Members can do so by completing an investment risk assessment and matching their investor profile to a target asset mix. Plan members can then review the available investment options, including historical fund performance. Plan members can then take the suggested asset mix based on their risk assessment, find the fund(s) or select from a grouping of funds that align with the mix, and create their own portfolio.

Plan members who prefer the do-it-for-me option simply need to identify their ideal retirement date and choose the TDF that matches the closest (or as many plans are set up today, do nothing and they will be defaulted to the fund that aligns with their expected retirement date). TDFs apply regular rebalancing, and they also reallocate investments toward more conservative investments as the target date approaches. This option is most suitable for plan members who, while not heavily involved in managing their individual investment allocation, want to know that their money is being managed with expert oversight.

Providing Advice

This approach begins the same as providing guidance with the distinction that the process culminates in a recommendation for the plan member. With this approach, a financial representative will direct the plan member who wants to custom-build their portfolio where to invest their money (and which specific funds to use).

Turning Pension Savings Into Retirement Income

The transition from work to life after work is characterized by a number of changes that often require many decisions: how people spend their time and who they spend it with, health and levels of physical activity, home or location, and—most relevant to this article—how income is received.

During working years, plan members may receive most of their income from one source—their employer. In retirement, it is not uncommon to receive retirement income from half a dozen or more sources, including government retirement benefits (Canada/Québec Pension Plan (CPP/QPP) and Old Age Security (OAS)); personal savings and investments; home equity; earned income from part-time work; and, of course, workplace retirement benefits. In some instances, plan members can choose to receive their workplace retirement benefits as a guaranteed lifetime income or as a lump-sum payment that they will need to manage. Financial wellness support is crucial at this stage.

Providing Guidance

This approach leans on education and a thorough explanation of the pros and cons of each option to allow the plan member to determine which option would be a best fit for their specific situation and objectives. Usually, case study examples or defining goals, objectives and possible outcomes helps the member decide which option they prefer.

Examples of a member who chooses guaranteed lifetime income may include one who:

- Is in good, reasonable health with an expected normal or longer-than-average life expectancy

- Has little experience with or desire to make investment decisions
- Has a low tolerance for risk and variation in their income during retirement
- Prefers longevity and income protection for themselves and for their spouse over the desire to provide an inheritance to beneficiaries with their retirement savings.

Conversely, examples of a plan member who chooses a lump-sum payment may include one who:

- Is in poor health or anticipates a lower life expectancy
- Has investment experience and is comfortable making investment decisions now and for the foreseeable future
- Prefers income flexibility over the security of guaranteed income
- Can withstand income and market uncertainty and volatility
- Wants to create estate value that can be passed to beneficiaries.

Providing Advice

This approach involves a careful evaluation of all considerations described in the guidance approach but goes a step further in making a final recommendation for the plan member's course of action. If the recommendation is to achieve guaranteed lifetime income, the member may receive advice on which products to choose and the actual placement of that business. If a lump-sum payment is the best choice, the plan member may also be advised on where and how to invest the money.

Delivery Models and Compliance Considerations

Employers and plan sponsors can employ a variety of models to deliver workplace financial wellness solutions to employees and plan members. Depending on internal resources and capabilities, financial wellness can be delivered by internal human resources or member specialists. Sponsors without in-house resources, or even with internal resources, can turn to third-party financial wellness providers. Third-party providers may be a preferred option if employees and plan members are reluctant to share too much personal information with their employer and can provide safeguards from the employer providing information, guidance and advice. Online tools and calculators are another delivery option to consider. They can be used as a standalone or in conjunction with other delivery methods.

Internal HR or Member Specialists

In-house resources have the advantage of familiarity with the organization and the rules, features and benefits of the retirement plan. In-house resources can be very effective in providing information and education during onboarding, plan enrollment, termination and retirement. However, the familiarity can create a risk that plan members will see the guidance as advice, especially when plan members need to make decisions. Plan sponsors can mitigate this risk with scripts, training and clear disclaimers.

Third-Party Financial Wellness Providers

When internal resources are not available or the employer wishes to have more of a distinction between itself as a plan sponsor and financial wellness provider, then third-party providers should be considered. Employers and plan sponsors should evaluate providers based on their ability to deliver a workplace financial wellness program that aligns with their objectives and can be delivered using existing or newly developed communication channels. The provider should also be a fit with the employer's culture and its approach on financial guidance vs. advice. Another important consideration is the potential for conflicts of interest, which can occur if the provider sells financial products and services as part of its business operations. Ideally, the provider is unbiased and solely focused on employees' financial well-being and not on selling products or services. Employers and plan sponsors should also ensure that they review and understand the terms of their agreement with any third-party providers.

Interactive Technology

There are many advantages to using interactive financial wellness tools and calculators, either as the sole delivery method for workplace financial wellness initiatives or as a complementary component. They are one of the best ways of providing a consistent experience across all employee groups at scale and, therefore, at generally acceptable costs. The best tools deliver exceptional user experience with intuitive onboarding and seamless integration. They should offer robust and sophisticated modeling that factors in a wide range of economic outcomes for more accurate financial projections and deliver a comprehensive financial planning journey covering everything from goal setting and budgeting to retirement planning and decumulation as well as financial education. Disclosures and disclaimers are important for setting clear user expectations and drawing distinctions between guidance and advice.

Best Practices for Employers and Plan Sponsors

The need for workplace financial wellness support is clear, well-established and growing every day. The type of support that employers and plan sponsors choose to provide will likely depend on a combination of organizational goals, budget, and employee or plan member needs and location. Whether the support is designed to provide guidance, advice or both, employers and sponsors should consider the following questions to mitigate potential risk and maximize effectiveness.

Is the scope and purpose of the financial wellness program well-defined?

Clearly defined scope and purpose form the essential framework for any successful financial wellness program. In addition to setting clear expectations for participants and service providers, guiding decision making and streamlining appropriate resource allocation, this step is critical to establishing essential boundaries between guidance and advice.

Have you clearly communicated the boundaries (i.e., guidance vs. advice) to internal staff and provided appropriate training? Have you communicated to your employees/plan members that the program is intended to provide guidance and not advice?

Much like the recommendations under CAP Guideline No. 3, documentation and clear communication can lessen the potential for program drift or overreach and increase positive member outcomes. Internal staff play a vital role in the operation of a financial wellness program. They must be provided with the training and support they need to deliver it effectively and in alignment with the purpose.

Are third-party providers credentialed and unbiased?

When partnering with a third-party provider, credentials and the provider's motivation are important factors. Whether for guidance or advice, a third-party provider should understand how to teach adults, help assess employee or plan member needs, know how to work with the plan sponsor to develop and measure program objectives and success factors, and be able to deliver a program that works with the organization's communication channels and approach.

When it comes to providing advice, however, it is especially important that they be both credentialed and unbiased. CFPs and other accredited financial professionals are held to strict standards of professional responsibility and continuing education requirements. Hiring an accredited professional ensures that employees and plan members are getting expert advice from regulated professionals.

However, while any qualified CFP or other accredited financial professional can provide financial advice, "qualified" should be about more than simply having the right designation. An unbiased perspective is critical to delivering advice that's focused solely on the needs of the person seeking that advice. To reduce the potential for bias, providers should not directly sell services or products, such as investment or insurance products, that are typically associated with financial institutions. It is important that sponsors rigorously understand how providers are being compensated for the services they are offering, including any nondirect forms of compen-

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sation related to the guidance and/or advice they provide. It is also important that sponsors review the terms of their agreements with providers to ensure that they understand the services to be delivered and any potential plan sponsor liability.

Conclusion

According to a recent PwC financial wellness survey, the percentage of employees who have used the financial services that their employers offer has increased from 51% to 68% from 2012 to 2023.[4] That is both significant and reflective of the current financial reality for many.

Both financial guidance and advice can play essential roles in supporting financial well-being. The key lies in delivering each responsibly—within defined scope and with proper safeguards as well as the appropriate level of expertise. Establishing clear frameworks, training internal teams, and partnering with unbiased and credentialed providers can help employers and plan sponsors meet the growing demand for financial wellness support while achieving organization goals and managing risks effectively. BQ

Endnotes

1. *FP Canada 2025 Financial Stress Index*. www.fpcanada.ca/2025-financial-stress-index.
2. Financial Consumer Agency of Canada. "Infographic: calculating the cost of employee financial stress on productivity." www.canada.ca/en/financial-consumer-agency/services/financial-wellness-work/resources/infographic-cost.html.
3. Canadian Association of Pension Supervisory Authorities (CAPSA), Guideline No. 3. Guideline for Capital Accumulation Plans. www.capsa-acor.org/Documents/View/2099.
4. "PwC's 2023 Employee Financial Wellness Survey." www.pwc.com/us/en/services/consulting/business-transformation/library/employee-financial-wellness-survey.html.