Tailoring Bankruptcy Insolvency Education to Ensure Solvency Literacy

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This position article proposes that bankruptcy counseling and education should be tailored so that bankrupts and consumer debtors can attain solvency literacy*, a new construct developed for this initiative. They need to (a) handle their financial affairs* during *the insolvency process while (b) concurrently striving for a fresh start, rehabilitation (financial health), and reduced recidivism* after *discharge. Each of the Canadian and American insolvency education and counseling curricula is described with attendant discussions of financial education (literacy), consumer education (literacy), and credit education (literacy). Intending to keep bankruptcy insolvency education relevant and effective, a specially tailored curriculum is tendered for consideration. The curriculum represents a hybrid of consumer, financial, and credit education. It is relevant to immediate, situation-specific financial needs anticipating that people can strive for more generic consumer and financial literacy after they have attained solvency literacy.*

Keywords: bankruptcy, counseling, financial literacy, insolvency education and curriculum, solvency literacy

Both Canadian and American bankruptcy legislation mandate counseling and education in attempts to rehabilitate debtors, provide a fresh start, and reduce recidivism (refiling) (Industry Canada, 2013; Kilborn, 2017; Office of the Superintendent of Bankruptcy [OSB], 2018a, 2018b; Thorne & Porter, 2011). There is a growing consensus that the content of the counseling sessions (Canada) and mandatory courses (United States) must meet the *immediate* needs of bankrupts and consumer debtors (consumer proposal) (Industry Canada, 2013; Loonin, Rao, & SoRelle, 2007). People need to (a) handle their financial affairs *during* the insolvency process while concurrently (b) learning or reactivating financial skills to minimize financial distress immediately *after* discharge and decrease instances of subsequent refiling years later.

This position article proposes that the nature of this intermediate learning should lead to *solvency literacy,* which differs from consumer, financial, and credit literacy achieved with respective forms of education. After distinguishing among these three types of literacies (with an attendant discussion of consumer, financial, and credit education), and as a preamble to proposing a bankruptcy insolvency education curriculum tailored to meet bankrupt and consumer debtors' immediate needs, each of the Canadian and American insolvency education and counseling curricula is described. The new curriculum presented in this article advances the bankruptcy education and financial counseling body of knowledge and contributes to the ongoing evolution of insolvency education.

Consumer, Financial, Credit, and Solvency Literacy

This section distinguishes among consumer, financial, credit, and solvency literacy. The latter construct was created for this curricular initiative, tendered as a sister literacy with *literate* meaning educated about, instructed in, and knowledgeable of a particular topic. Literacy is crucial to the acquisition of essential living skills that enable people to address the challenges they face in their daily lives (United Nations, 2002). In this case, it is the challenges people face when they find themselves insolvent (i.e., insufficient monies to pay bills when due) and have petitioned for bankruptcy protection or a consumer proposal.

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Consumer Literacy

Consumer literacy includes, but is a larger construct than, financial literacy (McGregor, 2018). Consumer literacy relates to the ability to accomplish consumption-related tasks within a market context (Adkins & Ozanne, 2005). Literacies are socially situated (Willett, 2015). Consumer literacy is no exception. It is a social practice embedded in market encounters (Ozanne, Adkins, & Sandlin, 2005) that entail being able to understand power. Consumer-literate people have the potential for agency in the marketplace wherein they can negotiate and speak up for their rights while cognizant of their responsibilities (Ozanne et al., 2005).

Consumer literacy also entails engagement in the marketplace. Engaged consumers see themselves in a perpetual partnership with the marketplace and society rather than just transaction-specific relationships (Himmelweit, 2015). People who are not consumer literate (i.e., they are illiterate about their roles in the marketplace) face the gambit of negative impacts of less-than-desirable consumer-related decisions (a conclusion or resolution reached after consideration) and choices (decide on a course of action from among alternatives).

Financial Literacy

“Financial literacy is defined as being educated about money and finance, with a special focus on an individual’s [everyday] personal finances [and issues]. Being financially literate enables people to make smarter money management decisions that lead directly to a financially secure future” (O’Connel, 2019, para. 8). People who are financially literate can manage their personal financial matters in an efficient manner and make appropriate decisions about earnings and income, budgeting, insurance, credit, real estate, taxes, savings and investments, retirement, and estate planning. They are proficient in the application of key financial principles and concepts and have knowledge of and are able to apply skills for managing income flow and expenses. They understand how capitalism, money, and credit work, are able to set financial goals, and can manage internal and external challenges to their finances (Kenton, 2019; O’Connel, 2019; U.S. Department of the Treasury, 2008).

As a form of being literate, financial literacy is confined to managing *personal* finances to ensure *individual* financial well-being (Organization for Economic Cooperation and Development [OECD], 2011). This skill affects financial health (i.e., the state of one’s personal financial situation) (Kagan, 2017). Financially literate people are more likely to be financially healthy because they are better prepared to balance their financial needs for today with those of tomorrow and get through times of financial hardship. They are financially resilient in that they can weather unforeseen life events, financial stressors, and shocks. An unhealthy financial situation can manifest in many forms including the inability to manage credit and ensuing debt with available income (i.e., insolvency) (Duncan & Lo, 2018).

Credit Literacy

Credit literacy was recently defined as helping people become more aware of how credit works in general so they can make better *financial* decisions (not just credit-related decisions). It helps people to better appreciate the consequences of developing bad credit thereby enhancing their financial well-being (Experian, 2019). This newer, broad definition of credit literacy differs from the narrower prevailing idea that credit literacy means knowing how to interpret a credit report and score and improve one’s credit rating (Jones & Johnson, 2005), although this is a valuable skill set. A 2013 survey revealed that two thirds of people do not review their credit report (Harris Interactive, 2013), meaning they remain unaware of their credit profile thereby making it easier to abuse credit and accumulate debt.

For clarification, Mandell (2002) believed that “financial literacy (the foundation) is not the same as credit literacy (the specific)” (p. 165). Agreeing that they are not the same, Jones (2006) asserted that “credit literacy is an essential part of overall financial literacy” (p. 28). Mandell (2002) suggested that people’s lack of credit literacy (i.e., a poor understanding of the workings of credit) is more worrisome than their lack of personal financial literacy in general. Being illiterate in the workings of credit and one’s own credit situation undermines financial stability and opens the door to insolvency.

Solvency Literacy

The term *solvency literacy* was coined for this initiative appreciating that others may have different ideas for what to call this new construct or if it is even warranted. A January 2020 Boolean Google search using this term yielded zero results. Being literate in *solvency* means knowing how to

build up assets that are in excess of liabilities thereby avoiding *insolvency* (i.e., insufficient money to pay debts when due). Like consumer and financial literacy, solvency literacy is situational and contextual. It pertains to how to remain solvent *after* discharge. It depends especially on credit literacy, which seems to be a lynchpin of solvency. Relative to full-fledged financial or consumer literacy, solvency literacy best addresses the intent of insolvency counseling and education—rehabilitation, fresh start, and reduced recidivism.

Recidivism Rates. To elaborate, rehabilitate is Latin *rehabilitare*, "make able" (Harper, 2019). It means to restore to a former condition with training and education, in this case some degree of financial health (McGregor & Berry, 1995). In contrast, recidivism is Latin *recidere*, "fall back, to reoffend" (Anderson, 2014). Recidivism rates (i.e., repeat filings relative to previous filings) in both Canada and the United States are increasing with 10% considered the historical norm (Telfer, 2014).

In Canada, the 2012 repeat rate was 21.5% (up 16% over the previous 5 years) with repeat filings occurring 7 years after discharge (Industry Canada, 2013). Using the same OSB data base, Allen and Basiri (2016) reported a lower (3.6%) repeat rate within 5 years of discharge. This discrepancy (3.6% for 5 years vs. 21.5% for 7 years) suggests that people run into deeper trouble beyond 5 years after discharge. The same trend seems to be unfolding in the United States where the recidivism rate for 2012 was 16% (no time frame specified) (American Bankruptcy Institute [ABI], 2013). Conversely, the United States Courts (2017) reported a 40% recidivism rate (called prior filings) for people filing within the previous 8 years.

Note that it is possible that a person who files for bankruptcy or a consumer proposal may be dismissed and not receive a discharge (i.e., still owe debts). This dismissal can affect recidivism for two reasons. Specifically, people are left with the debt and/or they may not have been able to avail or complete the mandatory counseling or financial education course, meaning their chance to learn about preventative financial management may have been cut short.

Contemporary Canadian and American Insolvency Curricula

To ensure rehabilitation and reduced recidivism, both Canada and the United States have mandatory insolvency education and counseling entrenched in their federal bankruptcy legislation. The Canadian *Bankruptcy and Insolvency Act* (BIA) is administered by the OSB. Per the U.S. *Bankruptcy Code*, "the procedural aspects of the bankruptcy process are governed by the Federal Rules of Bankruptcy Procedure (often called the 'Bankruptcy Rules') and local rules of each bankruptcy court" (United States Courts, 2011, p. 5).

Canadian Insolvency Education

In Canada, *after* people legally declare bankruptcy or enter into a consumer proposal, they have to complete two counseling sessions in order to receive automatic discharge within 9 months. The first session, called *Consumer and Credit Education*, provides advice on "money management, spending and shopping habits, warning signs of financial difficulties, and obtaining and using credit" (OSB, 2018a, p. 20). No further details about what these constitute are provided in Directive 1R4 (the fourth version of the original counseling Directive 1R from 1992) (see Consumer and Corporate Affairs Canada [CCAC], 1992).

The second session, called *Identification of Roadblocks to Solvency and Rehabilitation*, is intended to determine both budgetary and non-budgetary causes of insolvency and barriers to regaining financial health. This session entails Licensed Insolvency Trustees (LITs) or similarly accredited credit counselors (a) assisting people in understanding their money management, budgeting and consumption strengths, weaknesses, habits, and behaviors; (b) identifying any non-budgetary causes of financial difficulties (e.g., employment, marital, family, addiction); (c) increasing awareness of resources that can help people gain and maintain economic stability; and (d) while working with bankrupts and consumer debtors, developing a financial plan of action that may include referrals for non-budgetary issues (OSB, 2018a, 2018b).

The Canadian approach may change. The OSB (2018a) recently announced the pending renewal of the BIA, which would include "the implementation of a modernized and enhanced insolvency counseling curriculum and delivery

model" (p. 1). The proposed changes include completing online self-learning modules *after* declaring bankruptcy but *before* attending the two in-person counseling sessions whose focus remain unchanged. The OSB also proposes monitoring and assessing the outcomes of insolvency counseling to inform future curricular and delivery improvements (OSB, 2017). The revised curriculum and on-line delivery platform recently went live (personal communication, OSB, March 9, 2020).

American Insolvency Education

In the United States, people must complete a credit *counseling* course *before* formally filing for bankruptcy and a financial *education* course *before* discharge. The former is intended to counsel and help people to realize the benefits of working out a payment plan with creditors outside of court instead of filing for bankruptcy. In this course, the counselor reviews alternative strategies to get debt under control (e.g., debt management, payment plans, budgeting). If the government-approved counseling agency prepares a budget based on the consumer's current financial situation, it has to be filed should the consumer petition for bankruptcy (O'Neill, 2019). Upon completion of the course (which may be online), consumers are required to speak with a certified counselor who reviews key points covered in the course, gathers any additional information, and responds to any questions or concerns. People are issued a certificate of course completion (good for 180 days) that allows them to proceed with the bankruptcy process *should* they choose to do so (Wiener, Holtje, Winter, & Cantone, 2006).

Once people formally petition for bankruptcy, they have to complete a pre-discharge financial management education course intended to help them to avoid future financial distress (Lupica, Jimenez, Greiner, & Sandefur, 2013). This course must teach (a) budget development (including goal setting and monetary tracking and monitoring); (b) money management; (c) wise and responsible credit use (types, credit reporting, warning signs); and (d) consumer information (assistance, protection, additional resources) (Kilborn, 2017; Loonin et al., 2007). Because the Executive Office of the U.S. Trustee "provides only sparse curricular goals" (Thorne & Porter, 2011, p. 200), organizations and firms offering this course have substantial leeway to vary the content (Kilborn, 2017; Thorne & Porter, 2011).

Immediate Needs of Bankrupts and Consumer Debtors

The premise of this position artcle is that bankruptcy counseling sessions and courses need to ensure that the contents meet the *immediate* needs of bankrupts and consumer debtors (Industry Canada, 2013; Loonin et al., 2007). As noted, people need to (a) handle their financial affairs *during* the insolvency process while concurrently (b) learning or reactivating financial skills to minimize financial distress *after* discharge. This position article proposes that financial education (financial literacy) and credit education (credit literacy) are too narrow and consumer education (consumer literacy) is too broad for what bankrupts and consumer debtors need. A tailored reconceptualization of bankruptcy insolvency education is required, one that deals with a major contributor to insolvency—financial mismanagement. To clarify, this article does not assume that existing curricula fail to address financial management; rather, it assumes that the proposed solvency literacy curriculum *must* address financial management.

Financial Mismanagement

People petition and file for bankruptcy protection for several reasons with the main culprit being *financial mismanagement*. The Cambridge Dictionary (2014) defined *mismanagement* as management that, intentional or not, is characterized as "wrong, bad, careless, inefficient or incompetent." Respectively, wrong financial decisions are incorrect (not in accordance with standards) or made in error (mistakes). Bad decisions are of low quality or harmful (serious). People may make financial management decisions without due care and consideration of potentially harmful outcomes and consequences. Inefficient financial decisions happen when people fail to make the best use of or access all available resources. And the people making financial decisions may lack necessary information, skills, knowledge, or experience (i.e., they are financially incompetent) (Anderson, 2014). As a result, mismanagement can compromise people's financial standing and health as well as their economic stability.

To be fair, "most people do not intentionally set out to mismanage their finances" (Osunbayo, 2013, para. 8). That said, Osunbayo (2013) identified several ways financial mismanagement *can* come about. These include (a) living without a budget, using a poorly constructed budget or having one and not following it; (b) lacking financial focus,

direction, or control and having no or misplaced priorities; (c) living beyond one's means or being forced to use credit to make ends meet; (d) and addictions. Other causes include (e) unwise or ill-planned familial or household distribution of responsibilities for managing income flow and expenses; and (f) neglecting to acknowledge, anticipate, take steps to or successfully mitigate economic circumstances beyond one's control that impact income sources, flows (e.g., timing), and stockpiles (e.g., savings and investments).

In Canada, while completing their statement of affairs when filing for bankruptcy or a consumer proposal, people can (and often do) identify more than one cause for financial difficulty. Data indicate that, among several factors that can occur concurrently, people often identify financial mismanagement (62%) as well as unemployment and insufficient or loss of income (38%). For clarification, bankrupts tend not to use the term *mismanagement*; instead, it is a "catchall phrase" used by the OSB to reflect a "collection of factors" (OSB, personal communications, February 22, 2018, and March 6, 2019). In addition to mismanagement, events often happen that send things over the brink (e.g., divorce or separation, illness, health complications, or unexpected circumstances such as a house fire or major car or home repair) (Bankruptcy Canada, 2017, 2019).

In the United States, instead of mismanagement per se, people often identify medical costs as the most common cause of personal insolvency and the need for bankruptcy protection. A decade ago, researchers claimed that "62.1% of all bankruptcies were medical" (Himmelstein, Thorne, Warren, & Woolhandler, 2009, p. 741). However, McArdle (2018) has recently faulted Himmelstein et al.'s (2009) data collection method, which involved looking at the presence of medical bills in a bankruptcy filing. McArdle (2018) drew attention to a recent *event* study that started with people experiencing an illness and then determined how many declared bankruptcy *after* they became ill. The authors of this event study (see Dobkin, Finkelstein, Kluender, & Notowidigdo, 2018) challenged Himmelstein et al.'s (2009) longstanding 62.1% statistic by reporting that only 4% of all bankruptcies were caused by a medical event.

But, and this is a big but, Dobkin et al. (2018) then judged the 4% statistic to be deceiving because people often experienced a drop in income or loss of employment *after* they or someone else becomes ill (i.e., too sick to work or had to leave work to care for someone). Dobkin et al. (2018) surmised that the financial strain leading to bankruptcy was likely due to *financial mismanagement* in that people had insufficient savings or emergency funds to carry them through a lengthy illness. In this respect, the American causes of bankruptcy mirror those in Canada—financial mismanagement and compromised income.

This line of reasoning supports the supposition that if people could manage to strategically plan for eventualities (expected and unexpected) they would be better able to achieve financial management prowess and address financial challenges that arise. They would also gain *consumer agency* to make wiser choices with what they have (Ozanne et al., 2005). This assumption is tempered by the influence of human nature, economic pressures in a complex economy, profit-seeking sales practices, misleading and fraudulent business practices, and the sheer seductive power of consumerism and materialism.

Realistically speaking, a solvency literacy course would be most appropriate for people who have declared bankruptcy because of financial mismanagement and compromised income. In truth, there is no easy answer for how to address systemic and contextual reasons for insolvency, which can include an inadequate social safety net, inadequate or misguided public policy, persistent unemployment and under employment, natural disasters, prolonged or unexpected disabilities, and overwhelming and protracted medical expenses due to inadequate healthcare (personal and state). Indeed, Pace and Lown (2016) recently asserted that increased bankruptcy filings in the United States reflect the precarious financial situation of America's middle class, a pervasive systemic problem. No amount of education can fully mitigate the fallout from these contextual factors, but a curriculum designed to empower people with *solvency literacy* can take some of the bite out of this scenario.

Practice Gap

Mismanagement of finances intimates that *during* the bankruptcy or proposal process, people need education about how to better *manage* their finances in the short term (i.e., solvency literacy) so they can have a foundation for becoming financially and consumer literate in the long term. But this may not be happening in existing government-mandated courses. To illustrate, after judging the 60 courses

offered in Massachusetts as too generic, Loonin et al. (2007) recommended additional topics to meet bankrupts' immediate needs. These included (a) getting back on their financial feet, (b) handling the aftermath and immediate consequences of bankruptcy, (c) ensuring credit reports are updated and current, (d) fielding aggressive credit card offers, and (e) avoiding future defaults. They also concluded that, given bankrupts' *immediate* needs, the courses left out important information (usually about credit) and/or focused too much on irrelevant information (e.g., taxes, investments, mutual funds, and all manner of insurance).

In Canada, mandatory counseling has been deemed successful in providing information and educating bankrupts and consumer debtors on sound financial management practices so they can avoid future instances of mismanaging their finances (Industry Canada, 2013). However, the same government audit acknowledged that "despite the best efforts of trustees and counsellors to tailor the information to meet debtor *needs* [people may require] advice and assistance that is [sic] . . . more streamlined than what is currently being offered" (Industry Canada, 2013, p. 13).

Presence of Consumer, Financial, and Credit Education in Existing Insolvency Education

Canadian and American rhetoric about respective mandatory counseling sessions and courses routinely refers to consumer, financial, and credit education, often conflating the terms. This conflation can be problematic because these types of education are either too broad or too narrow in scope for bankrupts and consumer debtors' *immediate* needs—solvency literacy. This article develops the position that tailored bankruptcy insolvency education is required to help people meet the situation-specific needs that arise during short-term bankruptcy and long-term payback plans (i.e., proposals). By judiciously selecting concepts from consumer, financial, and credit education, it is possible to conceptualize a unique approach to bankruptcy insolvency education that meets these contextual needs and strives for *solvency literacy*.

To develop this position, each of these three forms of education is briefly described followed with a discussion of how and if each is reflected in current insolvency education or sessions in Canada and the United States. The main point is that the latter's contents are misrepresented if labeled as consumer, financial, or credit education because these each serve a different purpose (see Table 1). What people really *need* is solvency education and literacy with other forms of money and consumer-related literacy education coming later.

Consumer Education

Consumer education is related to the specific interests and needs of people acting in their consumer role (Stevenson & Walker, 1942). They need both (a) consumer-related information that can be converted to knowledge and (b) the skills with which to act. Such education potentially empowers people to make consumer decisions that are (a) more informed (i.e., based on a sound understanding of the facts), (b) more confident (i.e., made with certainty), and (c) more responsible (i.e., accountable for their actions to themselves and others) (Consumer Council for Northern Ireland, 2000).

In that spirit, Bannister and Monsma (1982, p. 5) defined consumer education as "the process of gaining the knowledge and skills needed in managing consumer resources and taking actions to influence the factors which affect consumer decisions." From a broader perspective, Wells and Atherton (1998) again defined consumer education as a *process* "of gaining skills, knowledge and understanding" but these were to serve a higher purpose, that being "for living in a consumer society [in order to] make full use of the range of consumer opportunities present in today's complex marketplace" (p. 15). Bannister and Monsma (1982) further explained that comprehensive consumer education comprises three overarching concepts: (a) decision-making (shaped by external and personal factors); (b) resource management (financial planning, purchasing, and conservation); and (c) citizen participation (consumer protection [rights, responsibilities, laws, assistance] and advocacy).

When compared to Bannister and Monsma's (1982) conceptualization, the Canadian mandatory counseling Directive 1R4 (OSB, 2018b) focuses on aspects of consumer education related to managing finances and making financial-related decisions but not on external systemic influences on consumer decisionmaking nor responsible consumer behavior and citizenship. The *Consumer and Credit Education* session of the Directive is concerned with (a) individual decision-making (goal setting and accessing resources) and (b) resource management. The latter includes financial

TABLE 1. Comparing Consumer, Financial, Credit, and Bankruptcy Insolvency Education

Consumer Education *Consumer Literacy*	**Financial Education** *Financial Literacy*	**Credit Education** *Credit Literacy*	**Bankruptcy Insolvency Education** *Solvency Literacy*
Knowledge, skills, understandings, behaviors, attitudes, and values required to live in a consumer society and effectively make "consumer" decisions	Financial knowledge, understanding, skills, behaviors, attitudes, and values enabling people to make effective personal "financial"decisions	Knowledge about how to obtain and responsibly use credit	Knowledge about how to handle financial affairs during the insolvency process while concurrently learning or reactivating financial knowledge and skills to avoid future insolvency

planning factors pertaining to obtaining financial resources, creating a spending plan, borrowing, and purchasing goods and services. The second session is intended to assist people in understanding the strengths, weaknesses, habits, and behaviors evident in their money management, budgeting, and consumption that can influence solvency (OSB, 2018b).

The American courses follow a similar pattern. The *credit counseling* course (to qualify for bankruptcy) narrowly focuses on a spending plan (budgeting and debt management) as a tool to quantify the present financial situation and generate viable debt management alternatives in lieu of bankruptcy. The pre-discharge course (called *financial education*) has a somewhat broader mandate. It concerns goal setting, spending plans, borrowing, and consumer resources, assistance, and protection (i.e., aspects of citizen participation) (Kilborn, 2017). Neither nation's curriculum reflects the full gambit of comprehensive consumer education envisioned by Bannister and Monsma (1982) with the first Canadian session imprecisely called *consumer education*.

Financial Education

The goal of financial education is to "help people acquire knowledge and skills that support informed financial decision-making and lead to overall financial well-being" (Consumer Financial Protection Bureau [CFPB], 2015, p. 1). Financial education has also been described "as an antidote to limited individual financial capabilities" (Hastings, Madrian, & Skimmyhorn, 2013, p. 348). The OECD (2011, 2013) proposed that financial education is intended to help learners to gain the competencies necessary to be financially literate*,* which is not the same thing as consumer literate (McGregor, 2018) let alone solvency literate. Referring to OECD's work, McGregor (2018, p. 606) explained that this financial education curriculum should include "(a) money and transactions; (b) planning and managing finances (saving and spending; credit and debt; financial decision-making); (c) risk and rewards; and (d) the financial landscape (consumer rights and responsibilities, and understanding the wider financial, economic, and social system)."

The second American course is about financial management education (Lupica et al., 2013), but it excludes content about risks and rewards and the broader financial landscape as recommended by the OECD (2011, 2013). The Canadian counseling sessions follow the same pattern. A fairly recent Industry Canada (2013) audit of the Canadian approach concluded that "it is not realistic to expect that two counselling sessions can cover all areas of financial education" (p. 16). This judgment feels unfounded given that Directive 1R4 makes no reference to financial education referring instead to consumer and credit education (OSB, 2018a, p. 20).

Credit Education

Credit is defined as obtaining goods and services before payment based on trust that payment will be forthcoming (Anderson, 2014) from *future* income (Bannister & Monsma, 1982; CFPB, 2015). Scholarly definitions of credit education are scarce; the term is usually used without clarifying its meaning. Credit industry vendors have attempted to define it or at least establish what it deals with (i.e., its scope). To illustrate, the *MBNA* affinity credit card (a division of the Canadian Toronto-Dominion Bank) viewed credit education as encompassing an understanding of credit, managing credit, finding the right card by

matching it to wants, tackling debt, and understanding credit reports (MBNA, 2018). CUETS Financial (2018) (which provides *MasterCard* to Canadian credit unions) conceived credit education as accessing credit responsibly (borrowing), managing the resultant responsibility of owing money, and being aware of the warning signs of financial distress.

The American-based *Discover* credit card's webpage viewed credit education as dealing with credit card selection, maxing out, pre-approvals, prime rates, and mark-up fees (Discovercom, 2018). In addition to using credit wisely and knowing how to deal with credit ratings and scores, American Consumer Credit Counseling (2019) conceived credit education as comprising credit card protection (including identity theft), stolen cards, redressing charges made by someone else, and the ins and outs of cosigning. Taken together, this industry-generated collection of topics paints a fairly comprehensive picture of what constitutes education about credit so people can become credit literate.

The first Canadian counseling session is actually called *Consumer and Credit Education.* However, under that heading, only two credit education topics are specified: "obtaining and using credit" and "warning signs of financial difficulties" (OSB, 2018a, p. 20). Mirroring Canada, the U.S. course on financial management education must, by law, contain information about wise and responsible credit use (i.e., types, credit reporting, warning signs) (Kilborn, 2017). Although both countries do address credit education, they do not appear to reflect its full gambit relative to how the credit industry understands it. These "sparse curricular goals" and their ambiguity (i.e., uncertainty about what is to be achieved) have been recognized as problematic (Thorne & Porter, 2011, p. 200; see also Loonin et al., 2007).

Tailored Bankruptcy Insolvency Education Curriculum

With an appreciation of how conceptually rich each of financial, consumer, and credit education *can* be, it is fair to say there is insufficient time to provide *comprehensive* consumer and financial education for bankrupts and consumer debtors in a 2–3 hour course, and credit education is not enough to achieve solvency literacy. To meet immediate needs, bankruptcy insolvency education needs to be a hybrid of consumer, financial, and credit education. At this specific point in their "financial life," bankrupts and consumer debtors *need* to be able to handle their financial affairs *during* the insolvency process (albeit influenced by non-budgetary concerns) while concurrently learning or reactivating financial skills and knowledge to minimize financial distress *after* discharge (rehabilitation), ensure financial health, reduce recidivism, and get a fresh start.

Meeting these needs is a double-edged sword. Bankrupts and consumer debtors need to learn how to (a) cope in the short term while concurrently learning how to (b) adapt for the long term and avoid repeat filings. To that end, insolvency education should especially help insolvent bankrupts and consumer debtors to cope with (a) limited money, (b) no credit, and (c) shifting expenses as they learn to estimate their expenditure patterns and income flow—that is, life *during* bankruptcy or a proposal (as well as immediately afterwards). This will require *practical* budgeting in that the budget reflects financial adjustments that are feasible and effective in the person's real circumstances. Such a budget is adapted for their immediate demands and makes sense given the situation they are temporarily experiencing. An impractical budget would not be useful for dealing with the ordinary affairs of insolvent people in their current situation.

Life *after* bankruptcy or a consumer proposal partially depends on what people have learned *during* the insolvency process. They will need this information and skill set once they enter the world with a cleaner financial slate (i.e., fresh start) and reduced financial distress. Although part of Canadian bankruptcy rhetoric (Industry Canada, 2013), a fresh start is actually a legal concept embedded in Chapter 7 of the American Bankruptcy Code ("Fresh start," 2016). The intent of education during the bankruptcy insolvency process is to provide a fresh start, which means starting over without prejudice (i.e., it cannot be used as the last word, precedence, or evidence). A fresh start happens by providing coping and preventive skills to minimize the chances of obtaining too much or the wrong kind of credit and defaulting on payment obligations in the future. This learning generates the "keys to a financially successful life after insolvency" by preparing people to improve or at least stabilize their financial situation and financial health by drawing on their newly gained solvency literacy.

Synopsis of Core Elements

Table 2 profiles recommended *rudimentary* content for tailored bankruptcy insolvency education. It reflects the aforementioned hybrid principle wherein the content is a combination of select elements of consumer, financial, and credit education. Rudimentary means undeveloped and limited to basic principles (Anderson, 2014), which is a realistic characterization of the proposed curriculum content. Some bankruptcy trustees or specially licensed and sanctioned counselors may opt for *fundamental* coverage, which means serving as the foundation (i.e., the load-bearing parts of a structure). This means that the rudimentary (underdeveloped) concepts in Table 2 could be reinforced so that they *become* fundamental. Both countries appreciate that service providers have leeway in substantially varying the contents. That said, at the minimum, the course must contain an orientation to the insolvency process that focuses on the legal responsibilities and expectations of all parties (Industry Canada, 2013; Thorne & Porter, 2011).

The following paragraphs serve as a supportive narrative for Table 2. Foremost, beyond the orientation to the bankruptcy or consumer proposal process, this education needs to address the broad topic of *credit* because being unable to meet credit obligations is the crux of insolvency. Lenders give their own money (principal) to consumers trusting them to repay it with interest (rent). If the consumer is late with the rent or principal, this trust relationship can become strained. Because it is a legal, contractual arrangement, lenders can hold consumers responsible for honoring the agreement (Credit Canada, 2019). The complexities of this legal and relational arrangement may be the *very essence* of solvency literacy.

To ensure they have sufficient money to both service their debts and meet other monetary obligations, bankrupts, and consumer debtors need to learn about practical *budgeting* and *money management* both dependent on a well-organized and up-to-date *record keeping system.* This system helps them track, analyze, and adjust expenses and income ahead of time and on the fly as they are learning about and becoming familiar with their new, temporarily limited, financial landscape.

The process of *budgeting* involves estimating *income* and *expenditures* (expenses) for a set period of time. The challenge is to become proficient at the process of *estimation* defined as making approximate calculations using incomplete information (i.e., best guesses, Hoffer, 2018). *Money management* (different from budgeting) means efficiently regulating the use of available financial resources in their many forms (e.g., salary, wages, tips, commissions, rental income, dividends, even credit). Inefficient management of money means people fail to make the best of their money leading to financial mismanagement (a key trigger for insolvency).

For day-to-day living, *money management* especially refers to both judiciously *shopping* for and *spending* money on basic goods and services like housing, food, clothing, health, utilities, communication, transportation, *and* debt repayment. ”Good” money management (i.e., being in charge and control of where individual and household money goes) demands an appreciation for the *shopping behaviors* (looking for goods and services) and *spending habits* (parting with one’s money to buy them) of all family or household members.

Behaviors and habits deeply influence what is bought, where, why, by whom, and how it is paid for. People cannot effectively manage their money unless they know how and why they spend it (i.e., the psychology of spending). By association, this aspect of the course may edge into non-budgetary causes of bankruptcy and could benefit from theoretical insights from behavioral economics. Behavioral economics studies how people’s economic decisions are affected by psychological, emotional, social, cultural, and cognitive factors (Lin, 2011).

Spending decisions require a further appreciation for both *needs* (essential) and *wants* (desirable) each informed by *values* (important). *Prioritizing* involves deciding how important one thing is relative to other things that have to be achieved or completed; most people cannot do nor have it all—they have to put one thing before another. Staying focused and prioritizing things requires information about goal setting, strategizing, and tactics. Respectively, a *goal* is a desired result or outcome worth working for. *Setting goals* refers to deciding on a particular desired result and establishing a time frame and resources for achieving it. *Strategizing* involves forming a long-term plan for achieving these goals. *Tactics* are steps taken to make on-the-fly adjustments when circumstances change while striving to operationalize the strategy, achieve the goal(s), and stay on budget.

TABLE 2. Proposed Rudimentary Elements of Tailored Bankruptcy Insolvency Education

Credit Usage	• Use someone else's money (lender) with the promise to repay them with interest (rent; deemed creditworthy) in appreciation of obligations to a legal contract with the creditor (lender) • Cognizant of consequences of overspending using credit, delinquencies (lateness), and default • Knowledge of types and costs of credit • Borrow responsibly • Redress credit records and scores
Budgeting	• Estimate income (degrees of predictability) and expenditures (three types) for a set period of time using approximate calculations based on incomplete information (and ideally a record keeping system) • Appreciate that budgeting is a cycle repeated over a set period of time (usually monthly) • Use tactics (on-the-fly adjustments to changing circumstances that are threatening the plan) • Evaluate success of effectively aligning income with expenses and dealing with imbalances (i.e., surplus and deficit)
Money Management	• Efficiently regulate the use of available financial resources in their many forms (e.g., wages, salary, tips, commission, even credit) • Be in charge and control of where the money goes (i.e., manager) • Allocate monies to savings for future exigencies • Assess and manage some risks thereby protecting financial stability and improving financial health
Shopping and Spending	• Be aware of their shopping behaviors involved in finding goods and services • Be aware of their spending habits pertaining to allocating money to pay for them • Appreciate that people cannot "manage their money" unless they know how and why they spend it (psychology of spending) • Acknowledge that excessive use of credit to support their behaviors and habits is directly tied to insolvency
Record Keeping	• Create an accurate picture of their own financial situation • Collect diverse records to help them successfully move through the budget cycle (i.e., planning, discussing, approving, and analyzing the budget) for each budget period (i.e., when the budget is applied)
Goal Setting	• Prioritize needs (essential) and wants (desired; both informed by values) • Decide on desired results (goals) and the means and time frame to achieve them • Link goals to budget and differentiate among short, medium, and long-term goals and attendant achievement strategies and tactics

Scope and Sequence. The organization of Table 2 and the preceding narrative reflect the suggested *sequence* (i.e., ordering) of this proposed curriculum appreciating that some people may want to change things around. Unfortunately, the development of the curriculum's *scope* and depth is beyond this article. Scope (breadth) means the extent of a topic or subject matter that is dealt with and considered relevant. Depth refers to the complexity and comprehensiveness of the recommended content. Respectively, this refers to what to teach at what level of detail. A fully developed scope and sequence would both respect learners' needs and meet established content standards (North Dakota Department of Public Instruction, 2000). In this case, this would entail intentionally picked (with justification) concepts from consumer, financial, and credit education *relative* to what people need *during* bankruptcy or a proposal (a payback plan) and immediately after discharge to ensure they can become solvency literate.

As a caveat, future efforts to actualize this proposed curriculum may want to heed what debtors themselves want to learn during these educational sessions. Xiao, Sorhaindo, and Garman (2006) reported that credit counseling clients

were more concerned about budgeting and debt management than savings and investments. Similarly, credit counseling clients in another study also prioritized budgeting and credit management (Bailey, Sorhaindo, & Garman, 2003). These results imply a "hierarchical nature" to debtors' needs while bankrupt (Lyons, White, & Howard, 2008, p. 6) providing further support for the solvency literacy construct.

Discussion and Conclusions

In summary, when strengthened with situation-specific skills, processes, and competencies (see Table 2), the majority of bankrupts and consumer debtors should be able to minimize future financial distress, increase their financial health (rehabilitation), get a fresh start, and mitigate recidivism; that is, gain solvency literacy. If they cannot stay solvent, the cycle begins again. As noted, two key factors that people identified as their reason for filing for bankruptcy or entering into a consumer proposal (i.e., a payback plan) were (a) financial mismanagement (especially credit abuse) and (b) loss of income, employment, or both (i.e., interruption to money flow and stockpile ability) often in concert with other emergencies (e.g., health, natural disaster).

For future *success at solvency*, people will need to gain knowledge and skills that let them understand and prioritize their needs and wants so they can set goals and strategize about and better estimate and manage (allocate) income flow, expenditures, and resources. Using a self-determined, practical budget that realistically reflects current (likely fluctuating) income flows, they should be better able to wisely shop and spend within their means and avoid running into situations where the excessive use of someone else's money (credit) is needed.

The curriculum set out in Table 2 respects Industry Canada (2013) and Loonin et al.'s (2007) assertion that insolvency education does not need to include information about taxes, insurance, retirement, investing, and mortgages (see also Xiao et al., 2006). The focus instead is on how to successfully "live in the insolvency moment" so people can move forward post-discharge with enough *rudimentary* knowledge to ensure solvency literacy. Once back on their financial feet, ideally with a fresh start, people can then avail themselves of *foundational* education about the more comprehensive concepts of financial planning and consumer education as envisioned by Bannister and Monsma (1982).

This is where consumer education and full-fledged financial education really come into play with their focus on decisionmaking, managing all manner of resources, and participating responsibly as citizens in the marketplace while fully cognizant of the bigger economic picture and dominant market instruments including credit. Appreciating that a 2–3 hour course will not change anyone's long-term financial situation (i.e., it is not a panacea), financial coaching is a logical follow up to solvency education. This would enable consumers to avail themselves of sustained encouragement, gain help monitoring their financial situation, and benefit from guidance for dealing with unexpected expenses (Delgadillo & Britt, 2015; Lyons et al., 2008) perhaps avoiding or at least delaying repeat filings.

In effect, once people gain *solvency literacy* through tailored bankruptcy insolvency education they can then strive for the more inclusive financial and consumer literacy. Thus empowered, people should experience lower recidivism and increased financial health (rehabilitation), the core goals of Canadian and American bankruptcy legislation. Solvency literacy matters. Hoyes (2014) estimated that one in six Canadians will become bankrupt over the next 30 years. The same scenario holds for the United States. Richter (2017) concluded that "the hangover from eight years of ultra-low interest rates: a mountain of debt" (para. 10), along with current increases in interest rates, means "it's likely that the trend of rising bankruptcies will continue" (para. 6).

Given these stark projections, it is imperative that bankruptcy insolvency education is kept fresh, relevant, and effective with one strategy being a focus on meeting the immediate needs of bankrupts and consumer debtors through *solvency literacy* education. Given that financial education is positively associated with financial capability (Xiao & O'Neill, 2016) it stands to reason that solvency education will correlate positively with solvency literacy. The approach described herein is offered as a point of debate, dialogue, and conversation among bankruptcy scholars, practitioners, and government actors. It serves as a benchmark for future curricular initiatives and bankruptcy education reform.

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