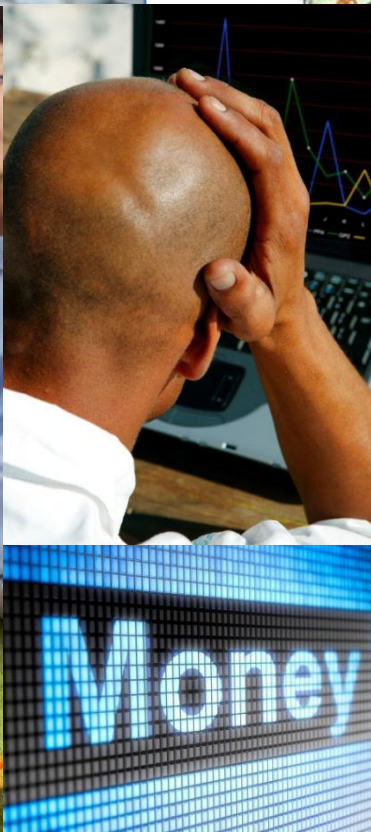


# Advancing National Strategies for **Financial Education**

**A Joint Publication by  
Russia's G20 Presidency  
and the OECD**





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## MESSAGE FROM RUSSIA'S G20 PRESIDENCY



Most financial literacy surveys conducted worldwide, including in G20 countries show that a majority of the population do not have sufficient knowledge to understand even basic financial products and the risks associated with the products. A majority of individuals do not plan for the future and fail to make effective decisions to manage their finances. As the global crisis has shown, this can have a negative impact on financial and economic stability as well as on individuals' or households' wellbeing, especially among low-income groups.

The financial crisis also triggered demand for financial literacy programmes around the world as well as more comprehensive strategic approaches aimed at wider access to financial products, and increased awareness as well as improved financial literacy and financial consumer protection. We believe financial education supported by effective consumer protection, while not being a panacea, can lessen the magnitude of future crises by enabling individuals to effectively use financial products and services and to make sound choices to protect themselves and fruitfully participate in financial and economic activities. Such measures can also help in promoting economic recovery and growth, supporting small and medium enterprises, boosting the creation of new jobs as well as decreasing poverty.

The Russian Government has adopted a long-term strategy to strengthen the financial sector. It includes measures to improve access to financial services of broad segments of the population, and to promote financial consumer protection and financial literacy. With the support of the World Bank, the Ministry of Finance launched in 2011 a comprehensive five-year nationwide financial literacy and financial education programme. Russia has also taken concrete actions to promote financial literacy internationally. The Russian Government funded the Financial Literacy Trust Fund in co-operation with the World Bank and the Organisation for Economic Co-operation and Development

(OECD) in order to support international research to measure financial literacy, assess the effectiveness of different approaches to financial education; and disseminate best practices and lessons learned. The final output of this work has recently been presented to the G20 in the framework of the Russia's Presidency.

In continuation of our joint international efforts in this area, I am also pleased to present to you the G20 Publication on National Strategies for Financial Education, prepared in co-operation with the OECD and devoted to the review of G20 and non-G20 countries' experiences of developing and implementing national strategies in this sphere. I would like to thank all countries and organisations that have contributed to this publication. I would also like to express my sincere gratitude to the OECD for the preparation of this publication and for their constant efforts and leadership in this area.

I hope that this publication will be useful to both the countries that are in process of developing their own national strategies as we currently are in Russia, as well as to those that wish to improve the effectiveness of their current strategies.

We believe that High-level Principles on National Strategies for Financial Education, developed by the OECD and endorsed by the G20 Leaders in 2012, together with the rich body of experiences and recommendations included in this publication are all very important steps forward which can help us to support financial stability, inclusive development and individual and households' wellbeing.



Anton Siluanov  
Minister of Finance  
Russian Federation

## MESSAGE FROM THE OECD SECRETARY-GENERAL



Improving financial literacy has become an essential means towards greater economic, social and financial inclusion and an integral part of financial reform to prevent future crises. In all countries alike, evidence points to worrying low levels of financial awareness, knowledge, attitudes and competencies of large segments of the population. This is especially the case for vulnerable consumers who recently gained access to financial products, as well as for youth, women, migrants and low income groups. Thus, effective financial education can equip our citizens with the skills to take advantage of available financial services and to better assess the (financial) risks they confront. Financial education is also critical to restore trust and confidence in the financial system, promote financial stability and provide the necessary public backing to financial reforms. This is why we welcome the strong leadership and the emphasis the Russian G20 Presidency has put on this issue, and their support to OECD contributions in this field.

G20 Leaders have highlighted the importance of financial education and literacy and committed themselves to take action to further advance effective policies. In particular, they endorsed in June 2012 the High-level Principles on National Strategies for Financial Education developed by the OECD and its International Network for Financial Education (INFE). These Principles support the development of nationally co-ordinated and tailored approaches to financial education.

The Principles and the follow up actions undertaken by G20, OECD and partner countries are leading to better integration of financial education in national policies, to more effective programmes and enhanced financial reforms. Even though there is no one-size-fits-all model for such strategies, they all seek to better assess the population's needs for financial literacy, organise stakeholders' actions around agreed priority objectives, and harness available resources and expertise. In this context, efficiency is an important goal in the design and implementation of National Strategies for Financial Education.

This publication “Advancing National Strategies for Financial Education” is the fruit of the co-operation between the G20 Russia Presidency and the OECD, with the enthusiastic participation of G20 members and invited economies. Key outputs of this report include among others the need to:

- Establish clearer financial education mandates, objectives and resources for relevant public institutions;
- Assess populations’ s needs for financial literacy and develop internationally comparable evidence;
- Strengthen the involvement of education systems and ministries of education in financial education through national consultation, dedicated partnership and international dialogue; and,
- Develop core competencies on financial literacy for adults and youth to better define financial education objectives; define quality standards as well as guidelines on the involvement of private and civil sector in financial education.

The Russian Ministry of Finance has been key for the development of more efficient financial education policies, through the Russian/World Bank/OECD Trust Fund for Financial Literacy and Education. We have been honoured to be at the forefront of the international efforts in this domain for a long time. We first launched a dedicated project on financial education in 2002 and have since spearheaded the efforts for the establishment of policy instruments on financial education. Since 2008, the OECD’s extensive activities in this area are developed through the INFE, which currently gathers more than 240 public institutions from 107 countries as well as relevant international organisations.

This publication is an important reference for policy makers worldwide. I believe it will contribute to further enhance the financial education agenda and promote its integration in the broader financial reform. Ultimately, it should benefit individuals and households faced with the challenges and opportunities created by today’s financial markets.



Angel Gurría  
Secretary-General  
Organisation for Economic Co-operation and Development

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## EXECUTIVE SUMMARY

**In a growing number of countries, the long-term implications of low levels of financial literacy among the majority of the population are prompting governments to take action.** Improved access to basic financial products – including bank accounts, credit and saving products – for a rising middle class in emerging economies, the increasing sophistication of the financial landscape and products while public and occupational welfare benefits are shrinking in most developed countries have shed light on the importance of consumers’ financial decisions. Nevertheless, consumers around the world and in particular vulnerable groups display limited knowledge and understanding of financial products and concepts. They also have difficulty making long-term informed financial decisions and selecting financial products that match their needs. This may have negative consequences not only on individuals’ and households’ future financial well-being, but also on the long-term stability of financial and economic systems. To respond to these concerns and support consumers’ financial empowerment, governments and relevant stakeholders in many countries have established financial education initiatives as a complement to financial consumer protection and regulatory reforms, as well as policies aimed at reinforcing financial access.

**Especially since the financial crisis, a growing number of governments have engaged in the development of dedicated national strategies.** These aim to enhance financial education efficiency through nationally co-ordinated and tailored efforts. The national strategies are particularly designed to provide adapted and resource-effective solutions to the financial literacy needs of individuals, including the most vulnerable. They have been adopted either as stand-alone public policies, or in combination with financial inclusion and/or consumer protection approaches.

**At present, 45 countries at different income levels are well-advanced in the design or implementation of a national strategy for financial education;** and another widening group of countries is considering developing one.

**Global and regional forums such as the G20 and the Asia Pacific Economic Co-operation (APEC) have acknowledged the relevance of these national endeavours to support financial stability and inclusive development.** At their Summit in June 2012, G20 Leaders endorsed the High-level Principles on National Strategies for Financial Education developed by the OECD and its International Network on Financial Education (INFE). In February 2013, G20 Finance Ministers and Central Bank Governors further confirmed their interest in these policies and called for the OECD, under the aegis of the Russia’s G20 presidency, to prepare a progress report on the development of national strategies.

**Responding to the G20 call, this publication brings together the experiences of G20 and invited countries in advancing national strategies for financial education.** It includes contributions by 21 G20 members and invited countries (*Argentina, Australia, Brazil, Canada, People’s Republic of China, France, India, Indonesia, Italy, Japan, Korea, Mexico, the Netherlands, the Russian Federation, Saudi Arabia, Singapore, South Africa, Spain, Turkey, the United Kingdom and United States*) as well as the European Union. An introductory chapter drafted by the OECD highlights the main features of countries’ experiences and in particular the rationale for the development of national strategies, their status in the countries covered in this publication, their main objectives and their

founding elements. It also points to the different governing structures established to design and implement national strategies, the role of stakeholders, and their main implementation directions and challenges. It also stresses possible areas for further policy action.

**At the G20 level, the development of national strategies for financial education is relatively widespread.** About half of the countries covered in this publication have already developed and implemented a national strategy. These are: Australia, Brazil, Japan, the Netherlands, Singapore, South Africa, Spain, the United Kingdom and the United States. Another group of countries is well advanced in the process of designing one; notably Canada, India, Indonesia, Korea, Mexico, Russia, and Turkey. Finally, Argentina, China, France, Italy and Saudi Arabia already display relevant financial education initiatives that can support the development of a national strategy.

**There is no one-size-fits-all model for the development of a national strategy.** In fact, the main objective is for it to be tailored to the population's needs and countries' circumstances (including the maturity of the financial system as well as the regulatory and market conduct framework). Accordingly, in some (emerging) countries, the main objective of the national strategy for financial education is to support financial inclusion efforts (*e.g.* in India, Indonesia, and Mexico), while in most others the strategy is more generally aimed at financially empowering consumers and helping them to address the challenges of the evolving financial and socio-economic landscape.

**A National Strategy for Financial Education is defined as a nationally co-ordinated approach to financial education that consists of an adapted framework or programme** [OECD/INFE High-level Principles on National Strategies for Financial Education (2012)], which:

- Recognises the importance of financial education – including possibly through legislation – and defines its meaning and scope at the national level in relation to identified national needs and gaps;
- Involves the co-operation of different stakeholders as well as the identification of a national leader or co-ordinating body/council;
- Establishes a roadmap to achieve specific and predetermined objectives within a set period of time; and
- Provides guidance to be applied by individual programmes in order to efficiently and appropriately contribute to the National strategy.

**Following this overarching framework, most countries covered in this publication have already taken steps to establish the foundation of a national strategy.** These include data collection through the establishment of a baseline financial literacy survey (undertaken at least in 15 countries); the mapping of existing initiatives, stakeholders and replicable good practices at the national level; and the definition of the common objectives and a policy focus of the strategy.

**A minority of national strategies (seven) have been or are being evaluated.** Such evaluations generally involve the development of a second financial literacy survey three to seven years after the first baseline. The exercises may be accompanied by the development of simple indicators of consumers' financial behaviours used on a regular (often annual) basis. With a view to reassessing key priorities and refining delivery mechanisms, evaluations are often complemented by qualitative surveys of participants/households and interviews of stakeholders involved in the design and implementation of the strategy.

**Although national strategies are aimed at addressing the needs of the general public, they also often define key target audiences.** Youth is a priority target of an overwhelming majority of existing national strategies. A range of other vulnerable groups are also often identified, depending on national circumstances (including women, migrants, entrepreneurs, workers, low-income citizens as well as elderly segments of the population). Some countries are also refining their approaches to target audiences through a risk-based approach or the identification of key life stages and teachable moments in individuals' lives.

**National strategies are often spearheaded by a national leader at least in their early phase of development.** In most cases, the leader is either the Ministry of Finance, the Central Bank, a financial regulatory or supervisory authority, a co-ordinating body or – in a minority of cases – a public institution specifically in charge of financial education at the national level.

**Dedicated governance mechanisms and bodies to develop and/or implement the national strategy are also established in most countries with a national strategy.** The format of these structures depends on existing political or institutional mandates and on the public institutions active at the time of design. They often involve the creation of formal co-ordination mechanisms and high-level committees composed of the main stakeholders. In some countries, the body or co-ordination mechanism in charge of designing and developing the strategy is also different from the body established to implement it.

**Most countries also consider various ways to best integrate relevant private and civil stakeholders in the development and especially the implementation phase of their national strategy.** In some cases, the financial sector supports the national financial education efforts through either mandatory or voluntary funding of public initiatives or through direct involvement in financial education programmes. A small number of countries have also started to develop dedicated codes of conduct on the involvement of the private and other stakeholders in financial education, as well as quality standards for the provision of financial education.

**The design and implementation of national strategies is in general supported by a mixture of public and private resources.** Private resources are increasingly sought to secure the sustainability of financial education strategies and their implementation.

**The implementation of financial education strategies and programmes involves the use of a wide range of delivery methods.** These aim to reach the whole population and target audiences depending on countries' circumstances and the population's preference. Almost all countries with a national strategy seek to introduce some form of financial education in schools as a way to reach the population at a young age. Most countries also develop dedicated interactive websites on financial matters, which in some cases also allows them to provide detailed advice to consumers.

**Rigorous evaluation of individual financial education programmes is still relatively scarce.** More and encouraging evidence on the effectiveness of well-designed financial education initiatives is now available, however, in particular thanks to the work developed under the Russian Trust Fund on financial literacy and education.

### **Suggested priority areas for further policy action**

This publication as well as the ongoing work developed by the OECD and its INFE confirms the importance that G20 and non-G20 economies alike attach to the development of national strategies to ensure co-ordinated, tailored and efficient provision of financial education to the population and in particular to vulnerable groups. It also highlights a series of challenges related to the implementation

and evaluation of strategies and programmes as well as the sharing of responsibilities between various public and private stakeholders. More generally, it points to the need to integrate these strategies in the global financial reform agenda in a consistent way.

No country or institution has all the answers, and a lot depends on the needs of the population and countries' circumstances. Nonetheless, G20 economies, the OECD and its INFE membership, as well as other international organisations can play an important role in addressing some of the identified challenges. This can include, where deemed, relevant to:

- **Strengthen the efficiency and sustainability of financial education policies and strategies by:**
  - Continuing to develop and report evidence on financial literacy and efficient financial education delivery using available international tools supported by G20 governments (tools developed by the OECD/INFE and World Bank [2013] and PISA Financial Literacy);
  - Harnessing the role of private and civil stakeholders and earmarking long-term resources to successfully implement national strategies;
  - Securing the quality of financial education delivery through the development of core competencies and high-quality standards for the provision of financial education;
  - Developing a policy handbook to facilitate the implementation of National Strategies for Financial Education through the OECD/INFE; and
  - Reinforcing international and regional dialogue on financial education (including through the peer review process) through the OECD/INFE membership and regional platforms, as well developing dialogues with private, civil and academic communities to identify further effective and innovative implementation solutions.
  
- **Further integrate financial education, consumer protection and inclusion policies nationally and internationally to bolster their overall impact by:**
  - Encouraging closer co-operation at the national level between regulators and other stakeholders in charge of respectively financial access, financial consumer protection and financial education;
  - Supporting international co-operation and dialogue between these three areas through the Global Partnership for Financial Inclusion, as well as relevant international organisations (*i.e.* OECD/INFE, World Bank Group, Alliance for Financial Inclusion, G20/OECD Task Force on Financial Consumer Protection); and
  - Harnessing research into behavioural aspects (including available research on health behaviour) and the impact of different (and innovative) delivery tools to refine financial consumer protection and financial access approaches as well as the design of financial education initiatives, and tailor them to the target audiences' needs, abilities and preferences.

## *Chapter 1*

# **OECD: Advancing National Strategies for Financial Education Rationale, Global Policy Trends and Way Forward**

Governments worldwide (45 to date) have increasingly established National Strategies for Financial Education to address the financial literacy needs of their citizens. The acknowledgement of the importance of financial literacy as a life skill for the 21<sup>st</sup> century, of its role as a complement to financial inclusion and consumer protection policies and of its contribution to financial stability has led many public and non-public institutions to develop financial education initiatives. Based on an assessment of the population's needs, national strategies are particularly designed to harness relevant existing resources as well as to tailor and co-ordinate existing programmes from a variety of stakeholders with a view to enhancing financial education efficiency. This chapter summarises the experiences of G20 countries and invited countries and addresses some of the challenges they face. It also includes suggestions for further policy action.

The chapter was prepared by Ms. Flore-Anne Messy, Senior Policy Analyst, OECD, and Executive Secretary of the OECD International Network on Financial Education (INFE), and by Mr. Andrea Grifoni, Policy Analyst, OECD.

## Introduction: Strengthening financial education efficiency – the development of national strategies

### *Growing importance of individuals' financial decisions*

**The importance of financial education has increased over the past decade, including as a complement to financial consumer protection and inclusion with a view to supporting financial stability and individuals' financial well-being.** Financial literacy in particular has come to be acknowledged as an essential life skill for individuals as a result of financial market developments and demographic, economic and policy changes.

**In a growing number of countries, larger shares of the population have access to basic transaction products than in the past.** At the global level, the number of new deposit accounts created in commercial banks increased from 2005 to 2010, with about 30-50 new accounts per 1000 adults every year in 2008-2010 (Ardic et al., 2012). Moreover, consumers enjoy greater access to a variety of credit and savings instruments provided by different entities, from on-line banks and brokerage firms to community-based groups.

**At the same time, financial markets have become more sophisticated and new products are offered to retail consumers.** Deregulation of financial markets and the reduction in costs determined by developments in information technology and telecommunications have resulted in a proliferation of new financial products tailored to meet very specific market needs. Even simple products such as savings accounts are now offered in a variety of forms and with different characteristics. This increase in the sophistication of products and in the offer means that relatively straightforward products might become complex to the average consumer, as they often require an understanding of financial concepts such as debt maturity, durations, pay-out options and other options. In both developed and emerging economies, facilitated access to a range of credit options by formal and non-formal institutions have led to worrisome overindebtedness levels among parts of the population. In emerging economies, the new middle classes are often first-time investors and need the instruments to navigate financial markets and products.

**Individuals across the globe and living in different economic, financial and social environments have to take more responsibility for their future financial well-being and protection.** In developed and emerging economies, changes in public and occupational welfare arrangements – e.g. a shift from defined benefit to defined contribution pensions – while life expectancy is rising, led an increasing number of workers to assume more (financial) responsibility. This is particularly true with respect to planning for their retirement, but also to financing long-term health care needs, insuring the impact of more frequent natural catastrophes and financing children's education. In most countries, the persistent difficult economic situation and instable job market also mean that individuals and their families must plan for their immediate and long-term future and in particular for unexpected life events (include income loss).

**These evolutions, as well as the sophistication, interdependence and globalisation of financial and economic systems, make individuals' financial decisions and behaviour ever more important at the micro and macro levels.** These choices are relatively complex and time-consuming, however; they can prove challenging even for relatively financially shrewd individuals and can overwhelm those with little or no financial literacy.

### *Low levels of financial literacy worldwide*

**Against these developments, surveys conducted by international organisations and by national authorities indicate that most individuals are ill-equipped to take advantage of new financial opportunities and responsibilities (OECD/INFE, 2013a; the World Bank, 2013b).** On average, individuals and households display some basic financial knowledge. An understanding of important

financial concepts such as compound interest and risk diversification is however lacking amongst sizeable proportions of the population in every country (OECD/INFE, 2013a; World Bank, 2013b). Surveys conducted nationally (e.g. in the United States [FINRA 2009, 2013]) also demonstrate that consumers tend to overestimate their financial knowledge, making them unaware of their needs for education. In emerging economies especially, the level of financial culture and awareness of available existing financial products is at best partial (Atkinson and Messy, 2012; Monticone and Messy, 2012; García, Grifoni, López and Mejía, 2013). Worldwide, individuals also tend to display limited financial skills. While sizeable shares of the population across different countries appear to be relatively good at short-term money management, other behavioural aspects are more problematic. These include the lack of active and long-term savings in formal financial products, excessive reliance on credit (including to make ends meet), and difficulties in choosing adequate financial products, as well as in taking informed financial decisions.

**These results also mask wide variations between and within countries, especially across prominent socio-demographic characteristics, including gender** (OECD, 2013a forthcoming). International and national surveys reveal that specific groups find it particularly hard to deal with money matters and display lower levels of financial literacy. These groups can differ depending on national circumstances but generally include youth (in almost all countries), women (in a majority of countries, with a few exceptions), recently financially included individuals and migrants, as well as the elderly.

### *Financial education as a policy response*

**To address these concerns and especially low levels of financial literacy, governments have started establishing financial education policies either in a standalone fashion or as a complement to financial consumer protection and/or financial inclusion measures.** Financial education is meant to empower individuals in the financial marketplace and allow them to better manage personal and household finances and resources. This applies to countries with different levels of economic development, to the emerging or consolidating middle classes, as well as to the poor and the financially excluded.

**The definition of financial education developed by the OECD in 2005 and endorsed by G20 leaders in 2012 is used in a majority of countries to refer to:**

*“the process by which financial consumers/investors improve their understanding of financial products, concepts and risks and, through information, instruction and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being.”* (OECD, 2005a).

**As such, financial education is a process that covers and takes into account the varying needs of individuals in different socio-economic contexts.** Financial literacy that is the outcome of this process is defined as a combination of financial awareness, knowledge, skills, attitude and behaviours necessary to make sound financial decisions and ultimately achieve financial well-being (OECD/INFE, 2012). Financial literacy can be described through several stages depending on individual/household, financial, economic and social contexts. It can start with very basic notions, such as awareness of the characteristics and use of available financial products, progressing to more advanced ones, which deal with the knowledge of financial concepts and of the development of skills and attitudes for the management of personal finance in the short and long term. Ultimately, all stages of financial literacy encompass positive behavioural change for individuals and households.

**Effective financial education can be beneficial for individuals, but also for policy and for private stakeholders.** Financial education can support financial inclusion policies by making consumers more

aware of available financial services and more confident about using them. It is also instrumental in enabling consumers to compare financial products and make effective use and choices of these products, but also in promoting long-term saving and sound planning for retirement as well as for wiser use of credit. As such, financial education can contribute to the development of financial systems and markets as well as to the promotion of more transparent competition amongst financial providers. In most countries, financial education is also considered as the first line of defence and protection for consumers of financial products as a complement to appropriate regulatory measures.

**Considering these potential benefits, financial education is identified as a key pillar of financial reform and a complement to market conduct and prudential regulation.** Such recognition has notably led to the development of a wide range of financial education initiatives by public authorities, regulators and various other private and civil stakeholders over the past years<sup>1</sup>.

**Nonetheless, as the amount of attention and resources spent on financial education has increased, so has the importance of ensuring the efficiency and relevance of these programmes and their long-term impact.** At the same time, governments have realised that given the long-term nature of financial education policies and their cross-sectoral nature involving governments, financial and educational authorities, it was necessary to establish frameworks for effective design and delivery. Thus countries have started establishing co-ordinated and tailored strategies to achieve these efficiency goals and to avoid duplication of resources and efforts while ensuring the participation of all relevant stakeholders.

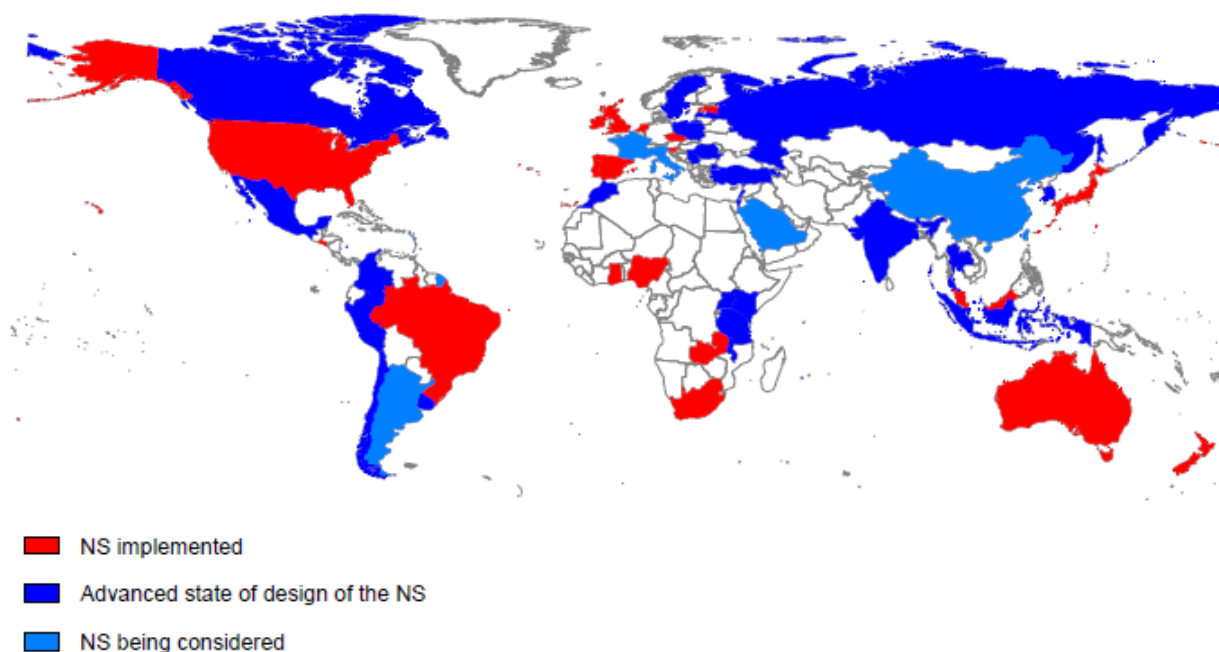
## **National Strategies for Financial Education: evolution, definition and rationale**

### ***A widespread policy solution***

**National strategies for financial education are increasingly being put into place by policy makers worldwide to address the financial literacy needs of their populations. Currently, 45 countries, both developed and emerging, have implemented or are designing such a strategy.** This policy trend began in the early 2000s mostly in developed economies (including, Japan, the Netherlands, New Zealand, Singapore, the United Kingdom and the United States) and spread in the aftermath of the financial crisis (OECD/INFE, 2009). The OECD and its International Network for Financial Education (INFE)<sup>2</sup> recognised early the importance of national strategies and established an Expert Subgroup in 2010 to monitor their status, survey available experience, identify good practices and draw policy conclusions. The number of national strategies has increased in particular over the past three years: surveys conducted by the OECD/INFE found 26 countries having designed or implemented a strategy in 2011 (Grifoni and Messy, 2012). These countries numbered 45 in 2013, and the landscape is evolving fast.

**Several factors have contributed to the recent boom in the number of national strategies.** The persistent difficult financial and economic situation acted as a catalyst for policy makers' attention to the need for financial education, and to the increasing relevance of the international policy dialogue on these policies. A number of countries (Australia, the Netherlands, New Zealand, the United Kingdom and the United States) also started to evaluate these co-ordinated policies, showing positive impacts on target populations. The attention of global fora such as the G20, and of regional fora and associations such as Asia Pacific Economic Co-operation (APEC), the Association of South East Asian Nations (ASEAN), the Association of Latin American and Caribbean Central Banks (CEMLA), the Southern African Development Community (SADC) and the European Union (EU), shed further light on the relevance and importance of these policies for financial stability and inclusive development. The wide OECD/INFE membership (107 countries) and its dedicated work over the past years have also greatly contributed to the promotion of national strategies worldwide.

**Figure 1.1 National Strategies for Financial Education as of September 2013**



**Table 1.1 Status of National Strategies**

National Strategy	Number	Countries
Countries that have implemented a National Strategy	20 <b>(7 G20)</b>	<b>Australia, Brazil,</b> Czech Republic, El Salvador, Estonia, Ghana, Ireland, <b>Japan,</b> Malaysia, Netherlands, New Zealand, Nigeria, Portugal, Singapore, Slovenia, <b>South Africa, Spain, United Kingdom, United States,</b> Zambia
Countries that are at an advanced state of design of their National Strategy	25 <b>(7 G20)</b>	Armenia, <b>Canada,</b> Chile, Colombia, <b>India, Indonesia,</b> Israel, Kenya, <b>Korea,</b> Latvia, Lebanon, <b>Mexico,</b> Malawi, Morocco, Peru, Poland, Romania, <b>Russian Federation,</b> Serbia, Sweden, Tanzania, Thailand, <b>Turkey,</b> Uganda, Uruguay
Countries that are considering the design of a National Strategy	<b>5 (all G20)</b>	<b>Argentina, China, France, Italy, Saudi Arabia</b>

**National strategies have been designed in countries with different economic and social conditions and with varying levels of financial market development** (see map in figure 1.1). Financial education policies are also high on G20 governments' agendas. National strategies have been implemented in seven G20 members, with seven members currently designing one or waiting for final approval on a strategy document and ready to move to implementation. In countries with no national strategy, a debate is often ongoing on its possible design or its inclusion as a complement to wider policy endeavours (including financial and social inclusion as well as financial reform).

## *Definition*

**A national strategy for financial education is “a nationally co-ordinated approach to financial education that consists of an adapted framework or programme, which:**

- Recognises the importance of financial education -- including possibly through legislation -- and defines its meaning and scope at the national level in relation to identified national needs and gaps;
- Involves the co-operation of different stakeholders as well as the identification of a national leader or co-ordinating body/council;
- Establishes a roadmap to achieve specific and predetermined objectives within a set period of time; and
- Provides guidance to be applied by individual programmes in order to efficiently and appropriately contribute to the national strategy.” (OECD/INFE, 2012, see also Box 1.1)

**There is no one-size-fits-all model or process for the development of a national strategy.** Countries might begin the design of a national strategy when relevant programmes are already implemented, or might design a strategy with the need to address specific policy priorities or as a complement to existing government initiatives. It is, however, possible to identify the main components of these strategies and the steps that most governments have addressed in their design, development, and implementation.

### **Box 1.1 The OECD/INFE High-level Principles on National Strategies for Financial Education**

The High-Level Principles\* acknowledge that national circumstances must be fully taken into account in deciding over the scope of the strategy, its sequence of implementation, and whether financial education should be addressed as part of wider frameworks aimed at increasing financial inclusion or consumer protection. The High-level Principles centre on five sections, each addressing specific steps in the preparation and implementation of such endeavours:

- Definition, scope and purpose
- Preparation of the National Strategy: defining its scope and purpose through assessment, mapping and consultation
- Governance mechanism and the role of main stakeholders in the National Strategy
- Roadmap of the National Strategy: key priorities, target audiences, impact assessment and resource
- Implementation of the National Strategy: delivery mechanisms and evaluation of programmes.

\* The High-level Principles (OECD/INFE, 2012) were developed by the OECD/INFE following a thorough consultative process within the INFE. They were endorsed by the 107 member countries of the INFE as well as OECD bodies in charge of financial education. The Principles were also endorsed by G20 leaders at the Los Cabos Summit in June 2012 (G20 Leaders Declaration, 2012). Asia Pacific Economic Co-operation (APEC) Ministers of Finance also recognised the importance of the High-level Principles, and welcomed their development and implementation (APEC, August 2012).

## *A response to populations’ needs and related policy concerns*

**G20 members and non-members have first developed national strategies for financial education, to counter the negative impact on individuals and households of recent financial and economic**

**trends.** The rapid development of the financial services industry, the increasing complexity of available products, and the observation of the financial losses incurred by consumers in the context of the financial crisis are some general incentives underpinning national strategies in G20 member and non-member economies. Governments also stress the need to improve financial well-being and enable individuals to better navigate a rapidly evolving financial services industry by being more self-reliant and knowledgeable. In addition, national strategies are explicitly meant to rationalise existing initiatives and ensure a better use of resources.

**Beyond the reasons cited above, countries have adopted financial education policies for nation-specific reasons and needs.** These include in particular:

- **Addressing specific policy priorities, such as credit, debt and/or pensions/saving issues.** This usually follows evidence emerging from nationwide financial literacy measurement exercises or periodic households' surveys, of worrisome figures such as alarming household savings/consumption rates (Brazil) and savings/debt ratios (Canada) or excessive credit exposure (South Africa, Spain). Specific policy priorities can also be identified following major reforms of the financial sector or of the public welfare system, as is often the case with pensions and retirement benefits (the Netherlands).
- **Complementing financial inclusion policies.** Financial inclusion policies that focus solely on the supply side (increased availability of access points and range of products) cannot guarantee effective use of financial services and as such can hinder the impact of financial inclusion policies. Governments that place financial inclusion among the top policy priorities have often complemented supply side policies with demand side policies including financial education measures (India, Indonesia and Mexico).

#### **Establishing the foundation of a national strategy: collect evidence and identify available resources**

**Establishing the foundation of the national strategy is crucial to robustly prepare its development and implementation.** The strategy is typically aimed at providing evidence on the population's needs and at securing public stakeholders' support for the initiatives. It can also help identifying relevant non-public sector partners that can assist public authorities in the implementation of parts of the strategy. This phase also serves to increase the levels of collaboration between concerned stakeholders, from both the public and private sectors, and can be used to achieve buy-in and commitment. The development of national strategies therefore usually involves the assessment of the population's financial literacy level, the mapping of existing initiatives, the consultation with relevant stakeholders and appropriate communication.

#### ***More refined and cross-comparable evidence of financial literacy needs***

**Assessing the population's level of financial literacy serves different purposes.** It initially creates a baseline against which to measure future progress, and it helps to identify specific gaps in financial literacy levels as well as policy areas that need particular attention. It is also a useful tool to define specific target groups. Such assessment is generally performed through the national measurement of financial literacy. But it can also draw information from consumer complaints filed with financial ombudsmen, surveys of providers of financial education programmes, or opinion polls and financial market surveys. A significant number of countries covered in this report have used combinations of these methods to identify the financial literacy levels of their population (see Table 1.2).

**The number of countries for which national data on financial literacy is available has risen in recent years.** In total, dedicated national measurement of financial literacy has been undertaken (in some

cases more than once) in at least **15 countries** covered in this publication and 14 G20 countries: **Australia, Brazil, Canada, Indonesia, Japan, Korea, Mexico**, the Netherlands, **Russia, Saudi Arabia**, Singapore, **South Africa, Turkey, the United Kingdom and the United States**.

**In addition, notably thanks to the international tools to measure financial literacy developed in the context of the Russian Trust Fund on Financial Literacy and Education** (OECD/INFE, 2013a and 2013b; World Bank, 2013b), these data are increasingly cross-comparable. With respect to countries covered in this publication, data are available or will be available for:

- Indonesia, Japan (\*) Korea, South Africa and the United Kingdom, which have used in full or in part(\*) the OECD/INFE survey instrument; as well as the Netherlands, which is planning to use it in future iteration of its national survey;
- Mexico and Russia, which have used a combination of the World Bank and OECD/INFE methodology; and
- Turkey, which has used both methodologies separately.

**The introduction of a financial literacy option in the OECD Programme for International Student Assessment (PISA) in 2012 will also allow volunteering countries to establish a baseline survey of the financial literacy levels of 15-year-old students for their country.** The results of this assessment, to be released in June 2014, will also provide a first international overview of the financial literacy needs of young people as they are about to reach adulthood and make their first important financial decisions. Amongst the countries covered in this publication:

- In 2012, Australia, China (Shanghai), France, Italy, Russia, Spain, and the United States participated in the PISA Financial literacy option,
- In 2015, Brazil, Canada (some provinces), the Netherlands and the United Kingdom (England) will join the second PISA financial literacy exercise.

These are welcome developments, as evidence collected can offer unique insights allowing a clear identification of knowledge, attitudes and behaviour of consumers and as such can better highlight gaps and priority areas for public action. The availability of cross-comparable data for adults and young people (although still fairly limited) will allow the identification of refined effective practices that can be replicated in other settings.

### *Mapping of existing financial education initiatives at the country level*

**The mapping and review of existing initiatives in the field of financial education is another essential step to prepare a national strategy.** Such a review usually focuses domestically on the stakeholders providing financial education and on their programmes. It also encompasses other countries' examples and relevant instruments developed at the international level. Stakeholders active in financial education can be either public authorities already developing sectoral programmes (in securities, insurance or pensions, for example) or not-for-profit and private-sector organisations that might have developed independent programmes. The programmes identified, and their evaluation, can also function as a useful brainstorming exercise, shed light on the main problems being addressed at the national level, and even lead to the incorporation of certain programmes and actors within the national strategy.

**In different ways, 13 G20 members and two invited economies have performed official mapping exercises.** In some cases, the authorities responsible for the national strategy have a longstanding

engagement in financial education, and as such might already be familiar with major players and stakeholders, having developed an important knowledge base or even established a committee for continuous interaction with stakeholders (as in Canada and South Africa). In other cases, the mapping can either be conducted through request for information on websites (Brazil) or carried out by an independent organisation (*e.g.* in Mexico and South Korea).

### *A variety of consultation mechanisms to launch the national strategy*

**The development of consultation mechanism(s) during the preparatory phase of the national strategy is also important.** These might add to the mapping exercise and help to identify relevant stakeholders. More importantly, such consultations have been undertaken to unite stakeholders around common objectives, gauge their views on draft strategy documents and/or discuss the programmes to be implemented in the framework of the strategy.

#### **Various consultation mechanisms have been activated by countries covered in this publication:**

- **Wide consultation campaigns** with a variety of stakeholders have been undertaken in a few countries to establish the main priority(ies) of the national strategy (*e.g.* Canada);
- **Draft national strategy documents have also been released** for public consultation on websites (India, United Kingdom), or have been peer-reviewed by other countries in the context of the OECD/INFE (India). Some countries also engage in official consultation processes, limited to public institutions (United States) or open to the private sector and civil society (Brazil).
- **Committees and consultative platforms have been/are established or existing ones have been harnessed** (*e.g.* the External Stakeholder Advisory Committee of the Financial Consumer Agency of Canada; the Financial Stability and Development Council in India). These are usually open to both the public and private sectors, such as the National Consumer Financial Education Committee (NCFEC) convened by the South African Treasury, or the Financial Education Group created by the Financial Services Commission in Korea. In other examples, committees were established only between public sector institutions, which were later opened to private sector and civil society representatives (as in Brazil, where the National Committee on Financial Education, CONEF, was preceded by a COREMEC-created Working Group to prepare the first draft of the national strategy).
- Some of these consultative structures have become permanent features of the national strategy (*e.g.* in Brazil, Canada, Korea, the Netherlands and South Africa).

**Table 1.2 National Strategies in G20 members and invited economies: status and preparation\***

	National Strategy	Assessment	Mapping
ARGENTINA	Being considered	Opinion surveys conducted by the National Securities Commission	NA
AUSTRALIA	Yes, being revised (2011, 2013)	National survey of financial Literacy (ANZ Surveys 2003, 2005, 2008, 2011); PISA Fin Lit 2012, PISA Fin Lit 2015	Financial Literacy Stock Take Survey in the context of the national strategy revision
BRAZIL	Yes, implemented (2010)	National survey of financial Literacy (2008); PISA Fin Lit 2015	Call for initiatives on the national strategy public website. Review of what done by public authorities.
CANADA	Advanced design	National survey of financial Literacy (2009); PISA Fin Lit 2015 (some Provinces)	FCAC External Stakeholders Advisory Committee; national conferences; organisation of the Financial literacy month
CHINA	Being considered	Financial consumer surveys, analysis of consumer complaints; PISA Fin Lit 2012 (Shanghai)	Review of initiatives undertaken by public financial authorities
FRANCE	Being considered	Financial consumer surveys (2012); PISA Fin Lit 2012	NA
INDIA	Advanced design	Planned (OECD/INFE survey)	During the design of the national strategy roadmap
INDONESIA	Advanced design	National survey of financial Literacy (2006, 2012, OECD/INFE)	Survey conducted by Bank Indonesia in 2012 that covers for evaluation of target group and improvement of financial education programme
ITALY	Being considered	Survey on Household Income and Wealth (biannual) and consumer surveys; PISA Fin Lit 2012, PISA Fin Lit 2015	NA
JAPAN	Yes, being revised (2005, 2007, 2013)	National survey of financial Literacy (2012, OECD/INFE survey – Knowledge questions)	Conducted by the Central Council for Financial Services Information
KOREA	Advanced design	National surveys of financial Literacy (2011, OECD/INFE survey) and surveys targeting students	Research paper assigned to independent authority (Korea Development Institute)
MEXICO	Advanced design	National survey of financial Literacy (2012, World Bank + OECD/INFE knowledge questions)	Mapping conducted by independent organisation; conducted by a dedicated working group of the Financial Education Committee
THE NETHERLANDS	Yes, being revised	National surveys of financial Literacy (2007, 2008, and planned OECD/INFE survey); PISA Fin Lit 2015	Conducted by specialised research firms in legal/regulation, consumer affairs, and school education

	National Strategy	Assessment	Mapping
RUSSIA	Advanced design	National surveys of financial literacy (2012-3, WB + OECD/INFE Survey); Consumer Finance Survey (2013) PISA Fin Lit 2012, PISA Fin Lit 2015.	NA
SINGAPORE	Yes, being revised (2003)	National survey of financial Literacy (2005)	NA
SPAIN	Yes, implemented (2008, 2013)	Survey of households finance (2002, 2005, 2008, 2011); PISA Fin Lit 2012, PISA Fin Lit 2015	Research conducted by national strategy authorities
SOUTH AFRICA	Yes, being revised (2001, 2013)	National survey of financial Literacy (2011, OECD/INFE survey)	National Consumer Financial Education Committee already in place within the Treasury
TURKEY	Advanced design	National survey of financial Literacy (2012, WB survey; 2013, OECD/INFE Survey)	Identification of stakeholders by the Committee drafting the national strategy
UNITED KINGDOM	Yes, being revised (2003/06, 2013)	National survey of financial Literacy (2010, OECD/INFE survey, 2013); PISA Fin Lit 2015 (England)	Call for evidence on MAS website
UNITED STATES	Yes, being revised (2006, 2011, 2013)	Surveys conducted by not-for-profit organisations nationwide and on students (FINRA 2009, 2012); PISA Fin Lit 2012, PISA Fin Lit 2015	"Calls to Action" for the Financial Literacy Commission's members, consumers, industry, non-profits and other stakeholders

\* PISA Fin Lit: Financial Literacy Option of the OECD Programme for International Student Assessment (OECD, 2013).  
OECD/INFE Survey (OECD/INFE 2013a).

NA – Not available.

World Bank Survey of Financial Capability in Low- and Middle-Income Countries (World Bank, 2013).

For additional information on individual countries, see following chapters.

### Importance of leadership, clear governing mechanisms and stakeholders' roles (*see also Table 1.3*)

**National strategies for financial education are in most cases initiated (and sometimes developed and implemented) by public institutions that have national leadership in these areas.** These are usually the Ministry of Finance, the Central Bank, or supervisory/regulatory authorities. In a few cases, a dedicated body (*e.g.* in the UK) or a co-ordinating body (Brazil) is in charge of financial education at the national level. Such leaders usually either have a statutory mandate for financial education (Australian Securities and Investments Commission, Financial Consumer Agency of Canada, the Financial Services Board in South Africa, the Capital Markets Board in Turkey) or are given an explicit one in the context of financial markets reforms. For example, in the United Kingdom, the Financial Services Act paved the way for the creation of the Money Advice Service. The leader might also have financial education among its implicit responsibilities (often the case of central banks) or have nationally recognised experience in developing financial education programmes (for example the Dutch and Mexican Ministries of Finance).

**Where a single authority is leading the national strategy, a dedicated governing body or mechanisms have also often been established to manage and/or monitor the strategy development and/or implementation.** Such specific structures are set up to take account the long-term nature of most strategies and the need to involve a variety of stakeholders. They not only allow cross-sectoral co-ordination and an effective sharing of responsibility among different authorities and stakeholders, they also

highlight the support to the national strategy and as such can increase its visibility. In some cases, different structures have been created for the design and implementation of the national strategy (e.g. in Brazil). These high-level bodies often create ad hoc working groups in charge of specific elements of the strategy (as in Brazil, Mexico, the Netherlands, the United States), focused both on the process – such as the evaluation of programmes – and on the content – such as financial education in schools. They also develop legal co-ordination and feedback mechanisms with other public bodies and institutions (e.g. in Brazil).

**These bodies have been established through different modalities, depending on existing structures and the countries’ context.** In some cases, the bodies have been established by existing high-level co-ordinating committees with responsibility for financial market development or oversight. These committees are often headed by the Ministry of Finance, such as the Financial Stability and Development Council in India or the National Committee for the Regulation and Oversight of Financial, Capital, Insurance, Pension Funds and Capitalisation Markets (COREMEC) in Brazil. A similar body, the Financial Stability Committee in Turkey, headed by the Deputy-Prime Minister, has identified a member institution (the Capital Markets Board) as leading the national strategy implementation and has kept responsibility for its oversight and co-ordination. In other cases, new bodies dedicated to financial education issues have been created by government decree or by the leading institution of the national strategy, in particular the Ministry of Finance. This is the case for the Financial Education Council in Korea, the Committee for Financial Education (CEF) in Mexico and the National Consumer Financial Education Committee (NCFEC) in South Africa.

**Table 1.3 Leading authorities and co-ordinating bodies in countries with a fully fledged national strategy**

<p>AUSTRALIA</p>	<p><b><u>Leading authority:</u></b>  <b>Australian Securities and Investments Commission (ASIC)</b>  <i>Responsibilities:</i> Among statutory objectives is “ensure confident and informed investors and financial consumers”. Since 2008 ASIC has been entrusted by the Government with overall responsibility for financial literacy in Australia.</p> <p><b><u>Advisory body:</u></b>  ASIC is supported by the <b>Australian Financial Literacy Board:</b> a non-statutory body that provides strategic advice to government and ASIC on financial literacy issues (existed prior to the implementation of the strategy).  <i>Membership:</i> Respected leaders from the business, education and community sectors who volunteer their services and expertise. Members are appointed by the Assistant Treasurer and Minister for Financial Services and Superannuation.</p>
<p>BRAZIL</p>	<p><b><u>Development body: design</u></b>  Committee for the Regulation and Oversight of Financial, Capital, Insurance, Pension Funds and Capitalisation Markets (COREMEC), through a dedicated Working Group.  <i>Membership:</i> Central Bank of Brazil, Brazil’s Securities and Exchange Commission (CVM), Brazil’s National Superintendence for Pension Funds (PREVIC), Brazil’s Superintendence of Private Insurance (SUSEP).</p> <p><b><u>Leading authority and co-ordinating body: monitoring and oversight of implementation</u></b>  <b>National Committee on Financial Education (CONEF)</b>  <i>Membership:</i> A Deputy-Governor of the Central Bank; President of the Securities and Exchange Commission of Brazil (CVM); Superintendent-Director of Brazil’s National Superintendence for Pension Funds (PREVIC); Superintendent of Brazil’s Superintendence of Private Insurance (SUSEP); Executive-secretary of the Ministry of Education (MEC); Executive-secretary of the Ministry of Finance (MF); Executive-secretary of the Ministry of</p>

	<p>Social Security (MPAS); Executive-secretary of the Ministry of Justice (MJ); Four representatives of civil society: ANBIMA , BM&amp;FBOVESPA , FEBRABAN , and CNSEG.</p> <p><i>Responsibilities:</i> defines plans, programmes, actions, and coordinates ENEF's implementation</p> <p><i>Sub-committees:</i> Pedagogic Support Group; Monitoring and Fiscal Committee; Permanent Commission.</p> <p><b><u>Implementing bodies:</u></b></p> <p><b>CONEF members</b></p> <p><b>Association of Financial Education in Brazil (AEF- Brasil)</b></p> <p><i>Membership:</i> Associations representing banking (FEBRABAN), insurance (CNSEG), and capital market (ANBIMA) institutions, plus the exchange BM&amp;FBOVESPA</p> <p><i>Responsibilities:</i> in partnership with CONEF it is responsible for conceiving, planning, structuring, developing, implementing and administering national strategy initiatives.</p>
CANADA	<p><b><u>Leading authority and leader:</u></b></p> <p><b>Financial Literacy Leader</b> (to be appointed)</p> <p>Advised by the <b>FCAC External Stakeholder Advisory Committee</b></p> <p><i>Membership:</i> drawn from sectors engaged in financial education</p> <p><i>Responsibilities:</i> advise the Leader on the implementation plan. Its members will act as champions within the sectors they represent, ensuring a coordinated approach and alignment with the broad objectives.</p>
INDIA	<p><b><u>Co-ordinating and leading body – development and implementation phase:</u></b></p> <p><b>Financial Stability and Development Council (FSDC)</b> chaired by the Union Finance Minister, Government of India, with heads of all financial sector regulators as members.</p> <p><b>FSDC Technical Group on Financial Inclusion and Financial Literacy:</b> headed by the Deputy Governor of the Reserve Bank of India (RBI) and includes representatives from all financial sector regulatory authorities and Ministry of Finance, Government of India. This group co-ordinates the efforts of the financial sector regulators in the field of financial education</p> <p><b><u>Implementation body:</u></b></p> <p><b>National Centre for Financial Education (NCFE):</b> an institute specially created with participation and resources from all financial sector regulators which will report to the FSDC Technical Group. A Core Committee has been constituted for focused and regular interaction with all stakeholders, for faster implementation of the national strategy.</p>
INDONESIA	<p>Co-ordination among <b>Bank Indonesia, the Financial Markets Authority (OJK), the Ministry of Education and Culture</b> and the <b>Ministry of Manpower and Transmigration.</b></p>
JAPAN	<p><b><u>Leading and coordinating authorities:</u></b></p> <p><b>Financial Services Authority (JFSA)</b> and <b>Bank of Japan</b> (through the Central Council for Financial Services Information, the CCFSI)</p> <p><i>Membership of the CCFSI:</i> representatives of financial and economic organisations, media, consumer groups, etc., experts, and the Deputy Governor of the Bank of Japan, with the director-generals of related authorities, including the FSA, and the executive director of the Bank of Japan taking part as advisers (Secretariat of the CCFSI: Public Relations</p>

	Department, Bank of Japan).
KOREA	<p><b><u>Leading authority:</u></b>  <b>Financial Service Commission</b></p> <p><b><u>Co-ordinating body:</u></b>  <b>Financial Education Council</b></p> <p><i>Membership:</i> Vice-Chairman of the Financial Services Commission as Chair, public organisations (Financial Supervisory Service, Korea Deposit Insurance Corporation, Credit Counselling &amp; Recovery Service), 7 financial sector groups (Korea Federation of Banks, Korea Financial Investment Association, General Insurance Association of Korea, Korea Life Insurance Association, Credit Finance Association of Korea, Korea Federation of Saving Banks, National Credit Union Federation of Korea), private organisations (Korea Council for Investor Education, Financial Quotient Council, Korea Investors' Protection Foundation).</p> <p><i>Main responsibilities:</i> a non-standing body, will co-ordinate all authorities involved in financial education and co-ordinate basic policy directions for feasible financial education, examine how financial education is provided by each institution and continue to upgrade the Financial Education Activation Plan. It also examines the current status of financial education in Korea and presents policies on how to build the infrastructure by drawing up guidelines necessary for national financial education</p>
MEXICO	<p><b><u>Leading authority:</u></b>  <b>Ministry of Finance and Public Credit</b></p> <p><b><u>Co-ordinating body:</u></b>  <b>The Committee for Financial Education (CEF)</b></p> <p><i>Membership:</i> chaired by the ministry of finance and composed of financial authorities, development banks, financial public institutions, other public entities and private and social sector institutions.</p> <p><i>Responsibilities:</i> aligning the financial education efforts of public and private institutions</p> <p><i>Sub-committees:</i> Measurement and evaluation, Mapping of financial education, Financial education for financial inclusion</p>
THE NETHERLANDS	<p><b><u>Leading authority :</u></b>  <b>Ministry of Finance</b></p> <p><b><u>Co-ordinating body :</u></b>  <b>Money Wise Platform</b></p> <p><i>Membership:</i> H.M. Queen Maxima of the Netherlands as Honorary Chair.</p> <p>Sub-Committees: Programme Board</p> <p><i>Membership:</i> Ministry of Social Affairs, Education, Authority for Financial Markets, Financial Advisors' Association, Pension Federation, University of Tilburg, Consumentenbond (non-profit organization which promotes consumer protection), Ministry of Education Culture and Science.</p> <p><i>Responsibilities:</i> provides strategic advice to the Steering Group</p> <p>Steering Group</p> <p><i>Membership:</i> chaired by the Ministry of Finance, Banking Association, Insurers' Association, Central Bank, National Institute for Family Finance Information (Nibud)</p> <p><i>Responsibilities:</i> Leads the National Strategy</p>

	<p>Programme Office</p> <p>Part of the Ministry of Finance (Financial Markets Directorate), it executes the National Strategy</p> <p>Expert Groups formed on an ad-hoc basis.</p>
RUSSIAN FEDERATION	<p><b><u>Leading authority:</u></b></p> <p><b>Ministry of Finance</b></p> <p><b><u>Supervisory and coordinating body :</u></b></p> <p><b>The Interagency Project Commission (IAPC)</b></p> <p><i>Membership:</i> created by the Ministry of Finance and chaired by the Deputy Minister of Finance. Members also include the Central Bank, the ministry of Education, the Ministry of Economic Development, the Consumer Protection Agency.</p> <p><i>Responsibilities:</i> it supervises the overall project implementation and provides strategic oversight of the implementation of specific project activities</p> <p>A Working group of the Ministry of Finance provides operational management support.</p> <p>The International Expert Board provides expertise and support to the IAPC.</p>
SINGAPORE	<p><b><u>Leading authority:</u></b></p> <p><b>Financial Education Steering Committee (FESC)</b></p> <p><i>Membership:</i> Monetary Authority of Singapore (MAS) as Chair, Ministry of Education, Ministry of Health, Ministry of Manpower, Ministry of Social and Family Development, Central Provident Fund Board, National Library Board, People's Association.</p> <p><i>Responsibilities:</i> Leads the MoneySENSE national financial education programme</p>
SPAIN	<p><b><u>Leading authorities:</u></b></p> <p><b>Bank of Spain, National Commission for Capital Markets (CNMV), Ministry of Economy and Competitiveness</b></p> <p><b><u>Co-ordinating body :</u></b></p> <p><b>Working Group</b></p> <p><i>Membership:</i> Bank of Spain, National Commission for Capital Markets, Ministry of Economy and Competitiveness (through the Directorate General of Insurance and Pensions Funds and the General Secretary of the Treasury and Financial Policy).</p>
SOUTH AFRICA	<p><b><u>Leading implementing authorities:</u></b></p> <p><b>National Treasury</b></p> <p><b>Financial Services Board (FSB),</b> also acts as Secretariat to the NCFEC</p> <p><b><u>Co-ordinating body:</u></b></p> <p><b>National Consumer Financial Education Committee (NCFEC)</b></p> <p><i>Membership:</i> all regulators (National Credit Regulator, South African Reserve Bank, Financial Services Board, National Consumer Commission), Government Departments (Trade and Industry, National Treasury, Ministry of Education, Provincial Consumer Affairs Offices Forum), Consumer representatives, Ombudsmen Offices, Industry Bodies and Associations.</p> <p><i>Main responsibilities:</i> convened by National Treasury for the purposes of coordinating financial education initiatives and jointly finalising the national policy and crafting national strategy</p>

TURKEY	<p><b><u>Leading authority:</u></b>  <b>The Capital Markets Board (CMB)</b>  <i>Responsibilities:</i> co-ordinates implementation</p> <p><b><u>Co-ordinating body:</u></b>  <b>Financial Stability Committee</b>  <i>Membership:</i> Deputy Prime Minister for Economic and Financial Affairs as Chair, Undersecretary of Treasury, Governor of Central Bank of The Republic of Turkey, Chairman of Banking Regulation and Supervision Agency, Chairman of Capital Markets Board of Turkey, Chairman of Savings Deposit Insurance Fund  <i>Responsibilities:</i> Supervises the strategy on financial education, which is implemented under the co-ordination of the Capital Markets Board of Turkey, and the strategy on financial consumer protection implemented by the Banking Regulation and Supervision Agency.</p>
UNITED KINGDOM	<p><b><u>Leading authority:</u></b>  <b>Money Advice Service (MAS)</b>  An independent body created by the UK Government.  <i>Responsibilities:</i> to enhance the nation's financial capability and provide generic and unbiased financial advice.</p>
UNITED STATES	<p><b><u>Co-ordinating body :</u></b>  <b>Financial Literacy and Education Commission (FLEC)</b>  <i>Membership:</i> Secretary of the Treasury as Chair, Director of the Consumer Financial Protection Bureau as Vice-Chair. The White House, Department of Treasury, Department of Education (ED), Department of Agriculture (USDA), Department of Health and Human Services (HHS), Department of Housing and Urban Development (HUD), Department of Labor (DOL), Department of Defense (DoD), Consumer Financial Protection Bureau (CFPB), Board of Governors of the Federal Reserve System (FRB), Securities and Exchange Commission (SEC), Commodity Futures Trading Commission (CFTC), Federal Trade Commission (FTC), Office of the Comptroller of the Currency (OCC), Federal Deposit Insurance Corporation (FDIC), National Credit Union Administration (NCUA), Veterans Affairs (VA), General Services Administration (GSA), Small Business Administration (SBA), Social Security Administration (SSA), Office of Personnel Management (OPM), Federal Emergency Management Agency (FEMA).  <i>Responsibilities:</i> develop the national strategy and co-ordinate resources and activities among the Commission's member agencies.  <i>Sub-committees:</i> Children and Youth Committee, Post-secondary Education Committee, Early Career/Planning for Retirement Committee, Research and Evaluation Subcommittee.</p>

### Private and civil sectors: partners in the development of national strategies

**Private and other stakeholders have an important role to play in financial education, and their involvement in the development and especially the implementation phase is considered in most existing national strategies.** The private sector in particular often contributes to specific aspects of the strategy, either by providing in-kind resources and advice or dedicated financial support, or by becoming an implementing partner.

The analysis conducted by the OECD/INFE identified five modalities of involvement of the private sector in the activities carried out by public authorities in financial education, notably in the context of national strategies. These are:

- **Mandatory provision of financial education:** the private sector, *e.g.* private financial institutions, must spend a defined amount of resources on financial education programmes for their clients or the community. In South Africa, the recently approved Financial Sector Code mandates that financial institutions should spend a share of their after-tax profits on consumer education initiatives (0.25% in 2012, 0.3% in 2013 and 0.4% from 2014 onwards).
- **Levies on the financial industry:** statutory levies on the financial services sector can be applied by the national regulator or supervisory authority. This is the case in the United Kingdom, where the Money Advice Service is funded by a statutory levy raised by the UK Financial Conduct Authority (FCA).
- **Certification and accreditation systems:** a public authority can give quality marks or formally accredit a not-public institution for its financial education activities.
- **Collaboration in the development and implementation of financial education policies and programmes:** stakeholders from the private sector are involved directly in the design and implementation of the national strategy framework or of specific programmes. In Brazil, financial industry associations participated in the national strategy design and are responsible for its implementation under the monitoring of public authorities (through the National Association for Financial Education (ABEF) constituted *ad hoc*). In the Netherlands, the national strategy is spearheaded by the Ministry of Finance but is developed and implemented by the broader platform Money Wise, involving the private sector and civil society. Finally, in Singapore the national strategy is spearheaded by public authorities and is implemented in close co-operation with financial industry associations.
- **Voluntary private-sector support:** industry associations, specific financial institutions or resourceful NGOs can decide to sponsor the national strategy or specific projects.

**Alongside these co-ordinated initiatives, the private and the not-for-profit sectors also often implement financial education initiatives following non-co-ordinated approaches.** In a majority of countries, financial institutions and the private sector still develop their own financial education activities with little co-ordination with the national framework.

**The involvement of the private sector in the provision of financial education can give rise to possible conflicts of interest with their commercial activities.** Countries have started addressing these issues through various means. Some countries have invited all private-sector institutions to create an association of public interest in charge of implementing the strategy under the aegis of a public co-ordinating committee (such as in Brazil). Others have developed strategic partnerships with private-sector associations (banking industry/insurance/capital markets association) in order to dilute the interests of each individual financial institution (*e.g.* Korea, Singapore, South Africa and Turkey). A few countries have also developed codes of conduct on the involvement of the private sector in financial education<sup>3</sup> (for example, South Africa developed Charter Implementation Guidelines for the activities that the mandatory financial education activities conducted by the financial sector).

### Tailored roadmaps to effectively implement national strategies

**The roadmap of a national strategy is often the result of the co-operation between the government and interested stakeholders.** It sets policy priorities as well as related short- and long-term objectives, identifies target audiences and establishes methods for the overall impact assessment of the strategy. Roadmaps also highlight the vision behind the national strategy and its guiding principles. Finally, they can also identify appropriate resources for the national strategy.

## *Objectives and policy priorities*

**Countries define the objectives of their national strategies in different ways, and some use a combination of these approaches:**

- Most countries point to policy areas and/or target groups they would like to reach out to in particular, according to the financial education needs of the country (see above “More refined and cross-comparable evidence”). In this case, the roadmap might focus on retirement planning, credit, savings and household debt, or identify priority groups such as youth (in school), the unemployed, the underserved population or retirees.
- Others mention agreed methods for the identification of future priorities: from risk-based approaches where objectives are defined based on the analysis of household debt savings and investment ratios (*e.g.*, in South Africa), to life cycle approaches that seek to address the financial literacy needs of individuals and households in critical moments of their financial life.
- A last group focuses on operational goals or guiding principles. These can emphasise the need to create a platform where different stakeholders can effectively work together to achieve common objectives or to effectively establish an administrative system for the implementation of financial education public policies.

## *Target groups*

**Most governments target the entire population through their national strategies but also identify key priority audiences.** Youth is a priority for an overwhelming majority of existing national strategies. A range of other vulnerable groups is also often identified depending on national circumstances. These include women (*e.g.* in Brazil, India, Indonesia, Saudi Arabia and Turkey), migrants (*e.g.* in Canada, Indonesia and Mexico), entrepreneurs (*e.g.* in Brazil, India, Indonesia, the Netherlands, Saudi Arabia and Spain), workers, low-income citizens and the elderly (*e.g.* Brazil, Canada, China, Korea, Turkey and the United States).

**The definition of target groups can be very specific, with age-defined groups,** such as the adult population, subdivided among categories chosen on the basis of the employment or family status or chosen because they display special needs. For instance, the Indian strategy specifically mentions disabled groups and the Mexican one, immigrants to the United States; China also plans to focus on the rural population; and Brazil and Mexico also target welfare recipients.

**Countries can also use a life-stages approach,** by which individuals and households are targeted at defining moments of their financial life, in order to address a specific financial education need. These stages can cover saving for university, getting married, buying a house, divorcing, having children, or becoming unemployed. This approach informs the actions of the national strategy in many countries, and is or will be explicitly adopted in Korea, the Netherlands and the United Kingdom.

**Countries have identified specific segments of the population in a number of ways.** Vulnerable or high-priority groups can be selected on the basis of the results of national financial literacy surveys. They might also be identified on the basis of other relevant political initiatives (such as financial inclusion or financial consumer protection, if these public policies have already defined priority groups).

### *National strategies' assessments are still limited but progressing*

**Governments implementing national strategies for financial education must understand the overall impact of the strategy.** This is essential to identify and address potential shortcomings in the delivery of programmes, to understand which target audiences have benefitted most and which need increased resources, and to fine-tune the content and if needed the roadmap of the strategy. The importance of this process is increasingly being recognised in national strategies' official roadmaps (for example in the Netherlands, Spain, South Africa, Turkey and the United States) with, in some cases, the elaboration of comprehensive processes for monitoring and evaluating progress and results, as in the Netherlands.

**Seven countries covered in this publication are reviewing their national strategies for financial education** using a combination of qualitative and quantitative methods. These are Australia, Japan, the Netherlands, Singapore, South Africa, the United Kingdom and the United States.

**The quantitative component is usually undertaken through repeated national surveys of financial literacy.** Thanks to the longevity of some national strategies (over 10 years), a group of countries has already been able to measure progress against a baseline created with the first national measurement of financial literacy (Australia, Japan, the Netherlands, the United Kingdom and the United States). In some cases, governments indicate within roadmaps that nationally representative surveys are to be repeated at regular intervals (three to seven years on average).

**Some governments are also moving to the development of additional qualitative measures, such as financial attitudes/behaviour and knowledge indexes** (e.g. Netherlands, South Africa and the United Kingdom). This is made possible by the increasing volume of data available to the institutions implementing national strategies and by the analysis that the OECD/INFE and the World Bank conduct at the international level.

**Qualitative assessment can include consultation with implementing partners, as well as the evaluation of the resources used in key programmes** (such as pedagogic material) **and of the impact assessment of specific programmes.** This information can be used to understand behavioural change among defined target audiences. Important qualitative information can also be gathered by analysing consumers' complaints, and by seeking participants' feedback on specific outputs of the strategy such as events and programmes.

### *A mixture of public and private resources*

**National strategies are the result of collaborative efforts on the part of several institutions within each economy.** As such, the budget dedicated to these policies is often a combination of the general, financial education, or communication budget of the institutions involved. At least in the early phase of the national strategy, budgetary and human resources come primarily from the public authorities.

**Given the potential benefits of financial education, as well as shrinking public budgets, the contribution of the private sector is increasingly being sought.** In some cases, funding can come from levies on the financial services sector (South Africa, the United Kingdom), either in the form of a fixed percentage of after-tax profits, or through the collection of parts of the fines imposed on the financial services industry by supervisory authorities and market conduct regulators. The private sector can also provide voluntary contribution to support the implantation of part or all of the national strategy and in some cases provide in-kind contributions (see also above "The private and civil sector: partner in design and implementation" above).

## A variety of delivery channels to address different target groups' preferences

**The implementation components of national strategies for financial education vary according to the general objectives, the specific policy priorities, the target groups and the funding available.** The number of programmes and their target audiences are identified on the basis of the measurement results as well as of qualitative information coming from focus groups, through the use of a life-stage approach or according to government priorities (notably in the case of major public policy reforms).

**The most commonly used delivery tools are the following:**

- **One of the major components of almost all national strategies is the introduction of financial education in schools.** This is attributable to the advantages of this type of provision: outreach to an entire generation before adulthood in a context conducive to learning and changing habits, the potential positive spill-over effects on parents as well as the community, and cost-effectiveness. Almost all countries covered in this publication have introduced some form of financial education in schools (see also OECD, 2013 forthcoming).
- **Most countries implementing a national strategy have developed dedicated public websites to disseminate information and provide educational resources to the general population.** Australia, the Netherlands, Singapore, Spain and the United Kingdom have developed over time national strategy websites that have become the reference in their countries. Most of these websites are interactive and adapted to various target audiences. Some of them also provide detailed financial directions adapted to users' needs.
- **A very wide range of other channels have been increasingly used.** These include, for instance:
  - wide awareness campaigns on financial matters in general (or specific issues *e.g.* pension reforms) using a variety of media (*e.g.* television, radio, the press, billboards);
  - special events and contests, annual financial awareness and literacy (or saving) days or weeks as well as the establishment of dedicated museums;
  - workplace programmes for adults; and
  - training the trainers' programmes deployed for their multiplier effects across different groups of the population.
- **Stakeholders are also seeking to harness available technologies** such as mobile phones and the Internet using apps and social media to reach target groups. Various forms of education (including the introduction of a financial component in TV shows) are also used in a number of countries.

## Limited but growing evidence of what works

**The evaluation of financial education programmes is crucial to understanding which programmes are effective, to identifying areas for improvement and to supporting the efficient use of resources.** Evaluation evidence is particularly relevant for national strategies, as it can help policy makers both identify the most efficient programmes during mapping exercises and support future funding decisions. Furthermore, when robust evaluation evidence can be generalised to a wider population, it becomes possible to predict the overall impact of a programme on a much larger scale. Evaluation can thus provide sound evidence to better define future policy targets and delivery tools.

**Evaluation of programmes is still limited, but is steadily increasing.** Thanks notably to the instruments developed in the context of the Russian Trust Fund for Financial Literacy and Education (OECD/INFE, 2013c; World Bank, 2013a), more national strategies now include evaluation of programmes as an essential component of roadmap and programme design. It has also been possible to gather encouraging evidence on the positive effects of well-designed financial education programmes in a variety of settings and on different target audiences (as in Brazil, Italy and Spain for the pilot programme in schools).

### **Suggested priority areas for further action**

This publication, as well as the ongoing work developed by the OECD and INFE, confirms the importance that G20 and non-G20 economies attach to the development of national strategies to ensure co-ordinated, tailored and efficient provision of financial education to the population and in particular to vulnerable groups. It also highlights a series of challenges related to the implementation and evaluation of strategies and programmes as well as to the sharing of responsibilities between various public and private stakeholders. More generally, it points to the need to integrate these strategies consistently in the global financial reform agenda.

No country or institution has all the answers, and much depends on the needs of the population and countries' circumstances. However, G20 economies, the OECD and its INFE membership, as well as other relevant international organisations, can have a role to play in addressing some of the identified challenges. This can include, where deemed relevant, to:

- **Strengthen the efficiency and sustainability of financial education policies and strategies by:**
  - Continuing to develop evidence on financial literacy levels and efficient financial education provision using available international tools already supported by G20 governments (*i.e.* tools developed by the OECD/INFE [2013b, 2013c], and World Bank [2013a, 2013b] and PISA Financial literacy [OECD, 2013]). This could include:
    - Development of baseline (where relevant) and regular national surveys of population's financial literacy (including identification of the needs of more vulnerable groups *e.g.* youth, women, migrants, entrepreneurs, the elderly) integrating international methodologies to allow international comparison;
    - Development of an international database on financial literacy for youth and adults based on PISA and countries' data collection by the OECD/INFE; and
    - Systematic evaluation of relevant, innovative financial education initiatives and reporting of results nationally and to international organisations such as the OECD/INFE to improve the national and global knowledge on most effective financial education provision.
  - Harnessing the role of stakeholders and earmarking long-term resources to successfully implement national strategies. This could include:
    - Establishing clearer financial education mandates, objectives and resources for relevant public bodies and/or governing mechanisms in countries;

- Strengthening the involvement of education systems and ministries of education in financial education through national consultation, dedicated partnership and international dialogue (including through the OECD/INFE); and
  - Clarifying the role and involvement of private and civil (NGOs) stakeholders through the development of international and national guidelines by the OECD/INFE.
  - Strengthening the quality of financial education delivery through the development of international/national:
    - Core competencies on financial literacy for adults and youth to better define financial education objectives; and
    - Quality standards for financial education provision (possibly including awards and contests).
  - Developing a policy handbook to facilitate the implementation of national strategies through the OECD/INFE.
  - Reinforcing international and regional dialogue on financial education (including through peer review process) through the OECD/INFE membership and regional platforms as well developing dialogue with private, civil and academic communities to identify further effective and innovative implementation solutions.
- **Further integrate financial education, consumer protection and inclusion policies nationally and internationally to bolster their overall impact by:**
- Encouraging closer co-operation at the national level between regulators and other stakeholders in charge of financial access, financial consumer protection policies and financial education;
  - Supporting international co-operation and dialogue between these three areas through the Global Partnership for Financial Inclusion, as well as relevant international organisations and forums (*i.e.* OECD/INFE, World Bank Group, Alliance for Financial Inclusion, G20/OECD Task Force on Financial Consumer Protection); and
  - Harnessing research into behavioural aspects (including available research in health behaviour and marketing studies) and the impact of different (and innovative) delivery tools to refine financial consumer protection and financial access approaches, as well as the design of financial education initiatives, and tailor them to target audiences' needs, abilities and preferences.

## NOTES

- <sup>1</sup> For a database of existing financial education initiatives worldwide, please see the OECD International Gateway on Financial Education: [www.financial-education.org](http://www.financial-education.org)
- <sup>2</sup> The OECD created the International Network for Financial Education in 2008. It now gathers 107 countries and over 240 public institutions (such as central banks, ministries of finance and education, financial supervisory authorities), as well as international organisations and supranational authorities as Associate Members (Alliance for Financial Inclusion, European Commission, European Insurance and Occupational Pensions Authority, European Securities and Markets Authority, International Labour Organisation, International Monetary Fund, Development Bank of Latin America, the World Bank).
- <sup>3</sup> Given the importance of these issues for governments worldwide, the OECD/INFE is currently developing International Guidelines for the Involvement of Private and Other Non-public Stakeholders in Financial Education, to be finalised in 2014.

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## *Chapter 2*

# **Argentina: Financial Education Initiatives to Promote Social Inclusion**

This chapter is the submission of the Government of Argentina.

## Introduction

Argentina currently does not have a national strategy for financial education, but an increasing number of far-reaching programmes have been implemented to give citizens the chance to increase their financial literacy levels, in the context of an expansion of their civil rights. The public authorities have until now focused more on social inclusion and, with respect to financial markets, on financial inclusion.

Indeed, during the past few years social inclusion has been one of the Argentine government's top priorities. Public policies are geared towards fostering favourable conditions for the most disadvantaged by enabling low-wage workers, youth and elderly people to participate in a socially fair society.

Financial inclusion is of interest owing to its significant implications for financial stability and its relation to economic growth and welfare. To this end, it covers expanding access and fostering the use of formal financial services, increasing the supply and diversity of financial products, taking advantage of new technology and innovation for the design of adequate products and promoting greater demand for these services<sup>1</sup>.

Access to and use of banking services, called bankarization, is growing quickly but still needs further development. Deposits and loans represent around 20% and 14% of GDP, respectively. The Central Bank of Argentina (BCRA) has been taking steps towards greater bankarization, primarily by boosting and ensuring the access of the whole community to financial services and products. In addition, several policies have been enacted with a view to increasing education and consumer protection, key strategies that promote effective and efficient financial inclusion.

The aim is to give people tools to enhance saving and investment, as well as access to alternate means of payment, loans and other financial products. As such, it was necessary to offer a greater, innovative and more varied number of products in line with the needs of different sectors of the community.

In this context, financial education is a critical element of financial inclusion. It is a crucial instrument to develop initiative aimed at enhancing consumers' financial knowledge and their ability to assess risks and make informed decisions, as well as promoting the health of the market. "Financial Education has always been important for consumers in helping them budget and manage their income, save and invest efficiently, and avoid becoming victims of fraud. Financial markets became increasingly sophisticated and households assume more responsibilities and risk for financial decisions, especially in the field of retirement savings. Financially educated individuals are necessary to ensure sufficient levels of investor and consumer protection as well as the smooth functioning, not only of financial markets, but of the economy as a whole"<sup>2</sup>.

Several governmental institutions have organised initiatives to protect and include people in the formal financial market while protecting and facilitating a proper access to it. Financial education is an important step in this regard. Promoting financial literacy should encompass two main objectives: increasing participation in the financial system, and empowering people to make better use of their financial access while increasing their protection.

In this context, regulators play a central role to empower consumers, promote financial stability and make financial markets work effectively. There is a need to put into place programmes to raise the level of knowledge about financial contracts and institutions and to enable low-income households to make informed use of financial products, insurance and pensions.

In line with these aims, the Argentine government has been promoting financial education and literacy in order to contribute to critical and participatory citizenship through programmes that promote financial inclusion and socially relevant economic knowledge as a civil right.

In 2012, the government took a big step towards a more inclusive financial system by passing a new capital market bill, Law 26.831, with financial inclusion at its core. This law reflects the view that the active participation of the state in regulating capital markets is crucial to ensure everyone can gain access to the market, not just a few players. Thus, the objectives and principles that should guide the interpretation of this law are to:

- a) Promote participation in the capital market by small investors, trade unions, associations and chambers of commerce, professional organisations and all public savings institutions, favouring especially the mechanisms that promote domestic savings and channelling these into productive development;
- b) Strengthen mechanisms for protection and prevention of abuse of small investors;
- c) Promote access to capital markets for small and medium enterprises; and
- d) Promote the creation of a federally integrated capital market.

The law promotes creating a more financially inclusive capital market, while protecting not only small investors but consumers as a whole. It is a step further in increasing financial inclusion.

Regarding financial literacy specifically, the two most relevant institutions for the regulation and control of financial markets, the BCRA and the National Securities Commission (CNV) have implemented two diverse strategies to enhance financial education and literacy, as follows:

### **Programme of Financial and Economic Literacy (PAEF) of the Central Bank**

The BCRA has implemented this programme since 2006. The Ministry of Education has declared it of educational interest (Resolution 320/07), and it has been recognised by institutions such as FLACSO<sup>3</sup> and UNESCO, including by the latter with a special mention for “Best practices in policies and programmes for youth in Latin America and the Caribbean”.

The PAEF has as objective to contribute to critical and participatory citizenship by promoting financial inclusion and the appropriation of socially relevant economic knowledge as part of the expansion of civil rights.

#### ***Why was the programme created?***

By contributing to education, we contribute to the welfare of society, individuals and institutions. It was found that the knowledge level of children, youth and some adults on the economic and financial system was minimal, and this was detrimental to the exercise of their rights and opportunities.

#### ***Why talk about literacy?***

This concept is historically linked to teaching how to read and write. Today it extends to new topics that are necessary for people to be full members of society. In this sense the PAEF reflects the

broad definition of literacy while promoting knowledge, skills and attitudes that allow people to better understand the world.

Financial literacy is not limited to inducing “financially responsible” conduct but is considered an additional element on the road to strengthening citizens’ rights.

### ***Strategies carried out through the PAEF***

The PAEF’s diverse actions and strategies cover the formal<sup>4</sup> and informal educational spheres. The programme’s main activities are:

- a) Courses on “economic didactics”, oriented to high-school teachers.

This course trains teachers to develop an active knowledge of the economy. They meet in four days’ worth of face-to face workshops, for 40 lecture hours. It is offered in accordance with the provincial ministries of education, which not only authorise the teachers to take the course but also grant them extra points and official certification for the training. Since the programme began, the courses have been given to 1,156 teachers in 27 cities. The objective is to gradually reach all provinces, starting with their capitals.

- b) Project “Central Bank goes to school”

This project consists of half-day visits to schools by educators that develop knowledge, including through edu-tainment games. It has already reached 1.000 schools and 83.000 students. (These schools are in the City of Buenos Aires, Greater Buenos Aires, and the provinces of Catamarca, Córdoba, Corrientes, Chaco, Entre Ríos, Formosa, Jujuy, La Rioja, Misiones, Tucumán, Salta, San Juan, San Luis, Santiago del Estero and Santa Fe.)

- c) Competitions

Competitions at elementary and high schools have been carried out, with the objective of generating a way for students to investigate and learn more about Argentinean economic history. More than 17,000 students around the country have participated.

- d) Informal education at fairs and large events

The PAEF has a presence at fairs and large events where content linked to financial inclusion is presented to stimulate the public and awaken interest in basic financial instruments (*e.g.* ATM use, free account availability, benefits of electronic payments, bill security characteristics). The main activities are interactive games and the sharing of materials. This project has participated in the International Book Fair for six consecutive years, at the Child and Youth Book Fair in the Science, Technology, and Art Park *Tecnopolis* and at the Night of the Museums.

- e) A Web page to educate and inform the public ([www.bancocentraleduca.bcra.gov.ar/](http://www.bancocentraleduca.bcra.gov.ar/))

This Web page provides information and resources for the educational system, designed especially for youth (interactive games and material to download). It also contains a section for teachers (where downloads of different materials and planning tools are available, as well as the application for visits or the “Didactic economics” course). It offers a map of the contents of the programme intended for teachers.

## **Other initiatives of the Central Bank**

Besides the PAEF, the Central Bank has a website designed for bank customers: [www.clientebancario.bcra.gov.ar/](http://www.clientebancario.bcra.gov.ar/)

The “Bank Customer Portal” was created to help people understand the different aspects of the Argentine financial system in order to strengthen the relationship between citizens and financial institutions. It aims to help all who use some form of banking or financial services, increase retail banking, explain issues clearly and promote transparency and credibility of the financial system.

The site has a section on training, listing seminars and courses and where the University of BCRA can be found.

[www.clientebancario.bcra.gov.ar/bcraeduca/bcraeduca.htm](http://www.clientebancario.bcra.gov.ar/bcraeduca/bcraeduca.htm)

## **CNV Financial Education Programme**

The CNV is an autonomous entity with jurisdiction throughout the Republic of Argentina, whose primary mission is to control and supervise public offerings. The agency’s goal is to ensure transparency in the capital markets, the correct formation of prices and the protection of the investing public. In addition, the CNV develops specific financial education programmes. It participates in conferences nationally and internationally to give the public greater knowledge of the capital markets.

The CNV’s programme of financial education and literacy has grown over the years. It started with the incorporation onto the CNV website of a link to financial education materials. Given the need to keep consumers informed of financial product risks, the CNV has strengthened its outreach.

### ***CNV financial education***

The CNV understands that financial education is the process by which people improve their understanding of financial products and indeed finance in general, developing the necessary skills and confidence to be aware of risks and opportunities and to make decisions that will improve their living standards. Financial education complements measures taken to give consumers access to information, protection and adequate guidance. The sum of these policies helps train consumers to make wise decisions at each stage of life.

### **Why does the CNV promote financial education?**

A strategy of financial education about the capital markets should be designed, developed and monitored by an independent authority. This entity should have adequate knowledge and resources. This is why the CNV has a role. Of course, private-sector participation is important, but there is a distinction between advice with a commercial aim (as a private entity might have) and advice tailored to educate for consumer protection.

### ***What has the CNV done to promote financial education?***

During the last several years the CNV has developed various initiatives. National seminars have invited not only professionals and students, but also companies not currently operating in the financial market. As mentioned above, the CNV’s website has a section with financial education content.

[www.cnv.gob.ar/educacionBursatil/index.asp?Lang=0](http://www.cnv.gob.ar/educacionBursatil/index.asp?Lang=0)

The content includes a financial glossary and explanations about the diverse financial products, the CNV's role, institutions that are part of the capital market, agents authorised to operate, and regulations and resolutions. It must be mentioned that this content is expressed in a technical vocabulary addressed to financial professionals.

The CNV sees a window of opportunity to continue strengthening its initiatives in financial education. The capital markets play a key role in economy, acting as an intermediary between savings and investment. In this sense, there is a link between the capital markets and the country's economic growth.

During the last few years the CNV has conducted two opinion surveys to measure not only what are the limitations to a more developed capital market in Argentina, but also to determine which the programmes should be strengthened.

The results of these surveys conveyed that, 73.2% of respondents have never evaluated using the capital markets as an alternative to invest their savings. The most prevalent reason is that they do not have sufficient (or any) information on how the market works (44.3%). The main destinations of savings, the survey shows, are capital goods and property.

On the other hand, the results showed that, regarding investments, the main factor driving them is safety and not profits. Forty-three percent of investors consider property to be the most profitable investment, while only 9% say that stocks and fixed-rent products are the most profitable.

On the other hand and most notably, respondents indicated not knowing what the capital markets are. Some 70.3% mentioned not having any knowledge of the capital markets. Only 7.9% had made an investment in these markets at least once. Regarding how people obtain their investment information, 39.6% said that it was through the media (television, newspapers and radio), 33.4% by personalised advice (banks, advisors) and 21.8% via the Internet.

Having conducted this survey and understanding the complexity of the markets and the lack of knowledge of potential consumers/investors, the CNV launched several initiatives. It prepared a complex and unified work programme on financial education, which will be conducted through direct and indirect channels.

#### *Direct channels*

- a) A web page was created to teach the largest possible number of people about investment and financing. The site was launched in two stages. First, the *investment education* section was implemented; second, the page will educate on *financing*. [www.invertir.gob.ar](http://www.invertir.gob.ar)

The site includes information about the CNV's activities and functions and about how the capital markets are formed and function. It contains explanations about all financial instruments and general information on courses and seminars.

As mentioned above, this site's objective is to educate on investing and finance. Its contents are divided between basic and advanced levels of knowledge. The contents are separated by people's stages of life: students, new couples, young parents, professionals and entrepreneurs, and retired.

The site started with content related to investing. The basic level imparts general information on starting to invest, a knowledge test and video training for investors. The advanced level

offers a guide to investing, ways to interpret companies' economic and financial indicators, and technical analysis. It also lists documents and other publications.

- b) Advertising is another direct channel. The main goal is to give information on the capital markets, how they work, what they represent and how to access them, and to give people elements to protect themselves from fraud.
- c) E-learning courses, videos and Twitter are another channel. The courses and videos will be posted on the site [invertir.gov.ar](http://invertir.gov.ar) and on YouTube. Through Twitter the courses and seminars can be disseminated to a larger population.
- d) The CNV will be hosting seminars, not only on investing but probably also on finance. It will develop and participate in conferences and seminars about the market as a channel of funding, especially for the SME sector. The CNV will organise these in conjunction with other educational or market institutions, universities, chambers of commerce, and the like.

*Indirect channels:*

- a) The CNV will host face-to-face courses for journalists, public officers, legislators and SMEs, whose main topic will be basic corporate finance and capital market products.
- b) Courses for secondary teachers could be designed on basic issues of the economy and capital markets, the CNV's role and functions, and financial tools as calculation tools to apply in the markets.
- c) The CNV also works through indirect channels, with entities such as universities (to provide courses and/or the inclusion of capital-market subjects), the Ministry of Education (to coordinate courses in secondary schools) and financial intermediaries (whereby they will be required to provide information and materials on the services and products provided).

In these multiple ways, Argentine government is making great efforts to foster financial inclusion through every possible means. At the core of these initiatives is promoting financial education and literacy, and thus contributing to the exercise of critical and participative citizenship through programmes that promote financial inclusion and the appropriation of economic knowledge as a part of civil rights.

## NOTES

- 1 From the G20 Issue Note on Financial Inclusion (February, 2012 Mexico City).
- 2 OECD (2005) “Recommendation on Principles and Good Practices for Financial Education and Awareness.”
- 3 The Latin American School of Social Sciences (FLACSO) was founded in 1957 by the initiative of UNESCO. FLACSO was created as an international, inter-governmental, regional and autonomous body comprised of Latin American and Caribbean countries.
- 4 In Argentina, the body responsible of executing and supervising formal education is the Ministry of Education.

## *Chapter 3*

# **Australia: Reviewing Progress under Australia's National Financial Literacy Strategy**

This chapter is a submission of the Government of Australia.  
It was prepared by the Australian Securities and Investments Commission (ASIC).

*“Australia has been a long-time advocate of promoting the importance of financial literacy in helping families and individuals secure their financial well-being. Our National Financial Literacy Strategy recognises the importance of access to independent and unbiased information and tools for all Australians, as well as the importance of young people learning how to handle money from an early age.”*

Hon Bernie Ripoll, MP, Australian Government Parliamentary  
Secretary to the Treasurer

### **Definition, scope and purpose**

In Australia, financial education work nationally is guided by the principles of Australia’s National Financial Literacy Strategy, a collaborative multi-agency strategy coordinated by the Australian Securities and Investments Commission (ASIC).

The National Financial Literacy Strategy was released in March 2011<sup>1</sup>, and provides a framework for many agencies and organisations to work in partnership to develop and deliver initiatives to improve the financial literacy of all Australians.

When the National Strategy was released, ASIC stated that it would be publicly reviewed and consulted on two years after its release.

Thus during 2013 ASIC is leading a review of Australia's National Financial Literacy Strategy, to take stock of progress and develop a framework for action that addresses the key priorities over 2014-2016. The consultation process for this review was launched at a Forum in late April 2013 involving other government agencies, the community and business sectors and includes a national stocktake survey and submissions from interested parties. It is expected that a refreshed Strategy will be released early next year.

### ***Rationale for the development of the 2011 National Strategy***

The 2011 Strategy was developed to promote a national and coordinated approach to improving the financial well-being of all Australians, and to provide a framework for many agencies and organisations working in partnership.

It was prepared in the knowledge that improving financial literacy skills can have significant benefits for everyone, whatever their age or income; and that good financial literacy skills help individuals and families to make the most of opportunities, meet their goals and secure their financial well-being, and contribute to the economic health of society.

Yet it also recognises that improving financial literacy is a complex and long-term behavioural change initiative, which requires commitment and collaboration across the many sectors involved with financial literacy.

Australia's National Financial Literacy Strategy has four core elements or pillars:

- a) using educational pathways to build financial literacy for all Australians;
- b) providing Australians with trusted and independent information, tools and ongoing support;
- c) recognising the limits of education and information, and developing additional innovative solutions to drive improved financial wellbeing and behavioural change; and
- d) working in partnership and promoting best practice.

### ***Definition***

In Australia the term 'financial literacy' is used and is generally defined as 'The ability to make informed judgements and to take effective decisions regarding the use and management of money'.

This definition acknowledges that financial literacy means more than just understanding how things work. It also encompasses making good choices and applying them.

Note that Australia's National Financial Literacy Strategy acknowledged that the UK term 'financial capability' perhaps better expresses the concept of acting on knowledge gained; but 'financial literacy' is a term well embedded in Australia and to change that language was at the time considered to be counterproductive.

The 2011 Strategy included a commitment to review the definition used. The review consultation process will give stakeholders the opportunity to feed back on the most useful definition of financial literacy.

### **Preparation**

#### ***Assessment of main needs and key policy priorities***

Australia's National Financial Literacy Strategy was prepared in consultation with key financial literacy partners and stakeholders, and after conducting considerable research into what Australians know and don't know about money matters and what they do and don't do.

In particular, it was informed by a stocktake of available research about financial literacy and behavioural change<sup>2</sup>:

Key findings of the research included that:

- a) Australians have differing attitudes to financial matters and varying levels of financial knowledge;
- b) knowledge alone is not enough. People don't always act in their own best interests (*e.g.* by not engaging at all or by making 'bad' decisions) and their financial decisions appear to be

hampered by core behavioural biases, such as those canvassed in behavioural economics (also known as behavioural finance); and

- c) best-practice principles for financial literacy interventions and evaluations are still developing, and it is widely recognised that both are inherently difficult.

### ***Mapping of stakeholders involved in financial education***

While there was consultation with key financial literacy partners, ASIC did not conduct an exhaustive mapping exercise before the development of the National Financial Literacy Strategy released in 2011. As noted above, however, the Strategy was informed by a stocktake of available research about financial literacy and behavioural change.

It is worth noting that as part of the consultation process being undertaken during 2013, ASIC is conducting a financial literacy stocktake survey which will collect information about financial literacy programmes currently in place across Australia.

### ***Mass communication campaigns on launching of the National Strategy***

The Strategy was launched on 15 March 2011 at a media and community event attended by the then Assistant Treasurer, Bill Shorten, the then Parliamentary Secretary to the Treasurer, David Bradbury, Chairman of the Australian Government Financial Literacy Board Paul Clitheroe and then ASIC Chairman Tony D'Aloisio<sup>3</sup>.

### **Governance mechanisms and role of stakeholders**

Australia's National Financial Literacy Strategy is promoted and supported by the Australian Government Financial Literacy Board, a non-statutory body that provides strategic advice to government and ASIC on financial literacy issues.

Members are drawn from across the business, education and community sectors. They volunteer their services and use their experience and networks to advocate the importance of financial literacy and promote many of the initiatives summarised below.

Harnessing the support of high profile advocates such as the Board members is critical to creating momentum for financial literacy activities and sustaining that momentum over the long term.

### ***Role and responsibilities of main stakeholders***

In Australia the responsibility for developing and delivering financial literacy programmes is shared between stakeholders. That is, the business, community, government and education sectors all have an interest in developing, implementing, or supporting financial literacy initiatives.

Since 2008, ASIC has been the Australian Government agency with overall responsibility for financial literacy in Australia. This sits well with the first of ASIC's three strategic priorities: ensuring 'confident and informed investors and financial consumers'.

ASIC is therefore responsible for development of the National Financial Literacy Strategy, but the Strategy is a collaborative multi-agency strategy and is reliant on partnerships between many agencies and organisations.

## Roadmap

### *Mission/vision statement, objectives*

Australia's National Financial Literacy Strategy is founded upon the following core principles:

- Inclusiveness - reaching all Australians, particularly those most in need and future generations of consumers and investors;
- Engagement - helping all Australians appreciate the importance of financial literacy and that small things done regularly make a real difference;
- Diversity - delivering learning that recognises the different ways people learn and allows all Australians to participate;
- Knowledge and empowerment - giving all Australians access to information, tools and ongoing support systems;
- Improving outcomes - recognising that information alone is not always enough and using additional mechanisms to achieve better outcomes;
- Partnerships - mapping and building on existing foundations to fill gaps and ensure all sectors and agencies work co-operatively; and
- Measurement - evaluating our work to know what is and is not effective and learning from and sharing these evaluations.

The Strategy also explicitly acknowledges that simply providing information, even if it improves knowledge, is unlikely to change most people's behaviour; and that those working on financial literacy initiatives must identify and adopt techniques that maximise the probability of behavioural change.

To do this, Australia's financial literacy resources and campaigns are based on social marketing and behavioural change principles, and research about which messages and delivery channels work best for which audience.

The strategies used in Australia to maximise the appeal and effectiveness of our financial literacy information include the following:

- a) Tailor and target all messages and materials to ensure they address the needs of particular target groups
- b) Have clear, simple calls to action
- c) Consumer-test messages and materials to ensure they resonate clearly with target audiences
- d) Work with and coordinate efforts of stakeholders to maximise distribution of messages and minimise duplication and information overload
- e) Make messages available in a range of formats and channels to cater to diverse information needs and preferences

- f) Meet the information needs of people at specific or unplanned life events, or when they have a particular financial or investment decision to make
- g) Provide practical tools and resources that allow people to test their understanding of finance and investment concepts
- h) Provide means for consumers to commit to their goals and receive prompts, tips, encouragement and reinforcement
- i) Evaluate campaigns and programmes and use the results of the evaluation for continuous improvement.

See Annex 3.A1 for a map of the 2011 Strategy.

### ***Main policy priorities and target audiences***

Australia's National Financial Literacy Strategy acknowledges that when allocating financial literacy resources, it is vital that agencies consider:

- what will create broad based generational improvements;
- which groups in society most need assistance; and
- what issues cause the greatest problems.

Thus the first pillar of the Strategy - 'Using educational pathways to build financial literacy for all Australians' - focuses on financial literacy for three key formal education sectors: schools, tertiary education (including vocational education and universities) and adult and community education.

While effective integration of financial education into schools is the cornerstone to bringing about long-term generational change in knowledge, attitudes, values and behaviours, the Strategy recognises that learning is not confined to childhood or the classroom, but takes place throughout life and requires targeted approaches that match content, learning styles and delivery channels to difference audience needs such as youth in transition.

The national education portal for the first pillar of the Strategy is the MoneySmart Teaching website: [www.teaching.moneysmart.gov.au](http://www.teaching.moneysmart.gov.au)

The second pillar of the Strategy - 'providing Australians with trusted and independent information, tools and ongoing support' highlights that financial literacy information is important for the general population, but particularly so for:

- the groups that need particular assistance *i.e.* those found to have the lowest levels of financial literacy; and
- anyone experiencing a specific or unplanned event that impacts on their financial situation, such as buying a house or car, having a baby, getting divorced, being retrenched or retiring.

For these reasons, the key consumer information-related priorities for ASIC under the 2011 Strategy were:

- a) a new consumer website;
- b) a campaign using the theme *Investing between the flags*, to help retail investors make better decisions;
- c) a focus on assisting people to make good retirement income choices, including a guide to planning for retirement and a focus on quality of financial retirement advice;
- d) an education campaign about credit, following the transfer of responsibility for credit regulation to the Commonwealth Government; and
- e) helping Australians, especially those who suffered as a result of the recent financial crisis, deal with budgeting, credit and debt issues.

The general consumer website which supports the second pillar is the MoneySmart website: [www.moneysmart.gov.au](http://www.moneysmart.gov.au).

### ***Monitoring and evaluation of the National Strategy***

While it is very important to evaluate financial literacy initiatives and measure their impact, such evaluation is inherently difficult because financial literacy programmes are not the only factor that influence behaviour, and few programmes have the resources to do systematic ‘before and after testing’.

However, ASIC uses both qualitative and quantitative measures to assess the impact of its financial literacy work under the National Strategy.

For example:

ASIC's MoneySmart Teaching work in schools, which addresses the first pillar of the Strategy, is being independently, externally evaluated for the period 2011-June 2013.

The evaluation will assess the quality of the resources developed, the effectiveness of the MoneySmart Teaching implementation strategy and the overall outcomes achieved by the programme nationally from both a qualitative and quantitative perspective. The Evaluation Report is due for completion by December 2013.

ASIC also regularly surveys Internet users to measure their awareness of its MoneySmart website, whether they find it useful and whether people have taken action to understand and/or improve their finances as a result of using the site.

This tracking research shows that 89% of people who visited the MoneySmart website October 2010 to January 2012 said they had taken action on their finances as a result of visiting the site.<sup>4</sup> The top five reported actions were keeping a closer eye on spending, shopping around for a better deal, preparing or updating a budget, increasing the amount of money saved and becoming more alert about avoiding scams.

Other quantitative measures include the number of people who visit MoneySmart, the number of subscribers to the MoneySmart monthly e-newsletter, the number of publications distributed, the number of teachers who receive professional training and the number of schools participating in the pilot MoneySmart schools programme.

In the area of financial education in schools, ASIC (in partnership with the Australian Department of Education, Employment and Workplace Relations) is supporting Australia's participation in the financial literacy component of the OECD's Programme for International Student Assessment (PISA). The first PISA 2012 financial literacy report will be released in June 2014. The 2015 PISA test will be reported in 2017.

The PISA results will allow for international comparisons on financial literacy levels and financial behaviours of young people aged 15 years. They may be able to serve as a benchmark to measure impact of school education programmes and inform future strategic development in the school education sector.

On a population-wide basis the ANZ's 'Survey of Adult financial literacy in Australia'<sup>5</sup> provides an excellent benchmark measure every three years. The fourth survey in this series was released in late 2011. For the first time, this latest survey compared peoples' subjective, self-rated financial literacy levels against their assessed financial literacy levels. It also explored a number of behavioural indicators of financial literacy and their associations with various characteristics such as age, education, household circumstances, financial knowledge, numeracy and financial attitudes.

### ***Timeline for implementation and evaluation***

As noted earlier, when the National Strategy was released in 2011, it included a commitment that it would be publicly reviewed and consulted on two years after its release. During 2013, ASIC is leading a review of the Strategy, to take stock of progress and develop a framework for action that addresses the key priorities over 2014-2016.

### **Implementation**

ASIC and its partner agencies have made considerable progress since the Strategy was launched in March 2011, with numerous initiatives under way in each area of work<sup>6</sup>.

Below is a summary of the main delivery mechanisms used by ASIC to implement the Strategy, and progress under each one.

### ***Using educational pathways to build financial literacy***

ASIC and others successfully lobbied for financial literacy to be included in the new Australian Curriculum that is being phased in over the next few years. This ensures it is a core component of learning rather than a discretionary 'add-on' that competes with other priorities.

The first phase covers financial literacy within the Mathematics, English and Science disciplines for students from Foundation to Year 10. Another phase will see consumer and financial literacy as a core component of a new Economics and Business subject that will be compulsory for students from Year 5 to Year 8 (upper primary to lower secondary school).

Other areas of the Australian Curriculum that will be developed by ASIC's MoneySmart Teaching programme with consumer and financial literacy as a context for learning will be: Physical Education and Health, Enterprise and Technology, and Work Studies and Geography. ASIC will also develop discrete approaches to consumer and financial literacy for students with special needs and Indigenous students.

A key document in the development of consumer and financial literacy curriculum resources in all Key Learning Areas and aligned to the Australian Curriculum is Australia's National Consumer and Financial Literacy Framework.

This document, endorsed by the Ministerial Council for Education, Early Childhood Development and Youth Affairs (MCEECDYA) in 2011, sets out an agreed national approach to integrating consumer and financial literacy in the compulsory years of schooling from Foundation to Year 10. It provides a rationale for consumer and financial education in Australian schools, describes essential consumer and financial capabilities that will support lifelong learning, and provides guidance on how consumer and financial education may be structured to support a progression of learning from Foundation to Year 10. ASIC was the lead agency in the revision of this framework document in 2011<sup>7</sup>.

### *MoneySmart Teaching*

The MoneySmart Teaching strategy is the primary mechanism for provision of consumer and financial literacy education to young people in schools and tertiary education across the business and community sectors. It is one of the ways that ASIC implements the fourth pillar of the Strategy - 'Working in partnership and promoting best practice'.

A National Reference Group comprising representatives of all Australian state and territory education departments, non-government school sectors and key stakeholder organisations was established to guide the development of the MoneySmart Teaching programme and resources.

ASIC worked with Australian state and territory education authorities to deliver the 'MoneySmart Teaching' programme across Australia. The programme uses a 'train the trainer' model, giving teachers the knowledge, skills, strategies and teaching materials to bring together the two priorities of implementing the Australian Curriculum and improving consumer and financial literacy education. By July 2013 the programme aims to have delivered face-to-face professional learning to more than 6,000 teachers in Australian primary and secondary schools.

The primary and secondary professional learning packages are supported by online resources for teaching and learning and materials to help parents give their children sound financial education from an early age. MoneySmart Teaching aims to teach young people how to understand the language of money and manage their finances by spending, saving, donating and investing wisely.

ASIC's MoneySmart Teaching website ([www.teaching.moneysmart.gov.au](http://www.teaching.moneysmart.gov.au)) provides a wide range of resources linked to the Australian Curriculum, to support educators and parents. There is also a monthly personal learning programme for teachers called 'Financial Health for teachers'.

All these resources include videos and digital activities to help teachers integrate financial literacy into the classroom, as well as online professional learning modules for primary and secondary teachers, with expert interviews, case studies and scenarios.

Schools in Australia can become 'MoneySmart Schools' when they make a policy decision to embed consumer and financial literacy into their curriculum. The MoneySmart Teaching professional learning is aligned to the National Professional Standards for Teachers developed by the Australian Institute for Teaching and School Leadership, and the professional learning may count towards the requirements for teacher accreditation and renewal of teacher registration.

### *Financial literacy in vocational education and training*

ASIC is also promoting financial literacy skills for students in vocational education and training, by developing two MoneySmart competencies that will be trialled by apprentices, in partnership with the Australian Taxation Office, Innovation and Business Skills Australia (the Australian national skills council for the financial services industry) and Group Training Australia.

*Be MoneySmart* is an apprentice trade Certificate III level competency, comprising a financial health check, money management, personal tax, insurance and superannuation *Being MoneySmart in Business* is a licensing Certificate IV level competency that will cover establishing a small business, being a contractor, business planning, managing business finance and compliance. Both will be freely available as self-assessing online modules.

### ***Providing Australians with trusted and independent information, tools and ongoing support***

As noted earlier, research tells us there are widely differing levels of financial knowledge across the Australian population, and people have different preferences about how and from whom they want to receive information. So Australian efforts to promote financial literacy have attempted to respond to these differences.

#### *ASIC's MoneySmart website*

ASIC's MoneySmart website ([www.moneysmart.gov.au](http://www.moneysmart.gov.au)) is a key plank of the National Financial Literacy Strategy.

It was launched in March 2011, and has over 400 pages of content, with information available in 26 languages. There are 26 free, independent and high quality calculators and tools, including mobile calculators in a smart phone app, as well as video content and print publications.

Average daily visits to MoneySmart continue to grow – in the last six months of 2012 reaching an average of 13,900 people each day.

MoneySmart also features over 70 publications that can be ordered for free or downloaded from the website. Around 25,000 printed publications are distributed per month, both to organisations and individual consumers. There are publications on credit, debt, investing, superannuation and retirement, as well as less common products such as bonds and debentures.

#### *Outreach work*

To make sure its resources reach the broader community, ASIC also has a consumer education outreach team that works in partnership with community organisations, consumer advocates and other government agencies to deliver community education to consumers on issues most relevant to them, and provide support to intermediaries that work with those consumers.

The outreach team also delivers education and training in regional areas, in particular to intermediaries who use ASIC's resources in their work.

For example in 2011 ASIC ran a campaign on mortgage health, encouraging people to take action if experiencing mortgage stress. In March 2012 the team launched the Money Management Kit, a suite of translated online and printed resources originally developed for settlement workers supporting newly-arrived Australians, and now used more widely by intermediaries in the community sector. In

June 2013 the MoneySmart Rookie resource will be launched. This resource targets first time, real-life events for youth in transition aged 15-25 years.

ASIC also has a specific Indigenous outreach programme, which supports Indigenous people in understanding and making decisions about financial services. This team liaises with Australia's Indigenous community, looks into their complaints about financial services issues and promotes resources for Indigenous Australians about topics such as managing money, banking and credit, insurance, superannuation and scams.

### ***Developing additional innovative solutions to drive behavioural change***

The Strategy also recognises that financial literacy is not just about increasing knowledge of money matters and financial products, but importantly also about helping and empowering people to take action to achieve greater financial well-being. The end goal is behavioural change, and the Strategy acknowledges that it must look beyond education and information provision.

#### *Interactive, action-oriented tools*

The MoneySmart website provides personalised money guidance tools designed to engage people and motivate them to act. The calculators are highly interactive and personalised so as to maximise return visits. They help people set goals, act on the guidance they receive and stick with their plan over time. Users can log in and save and retrieve their results for many of the calculators, including the budget planner, savings goal calculator, mortgage switching calculator and retirement planner. That encourages repeat use and adherence to an ongoing programme of money management.

In August 2012 the MoneySmart team released an interactive 'money health check' that helps people identify the areas where their finances are not in order, and lets them take away and print out the top five actions they should take to address these areas. MoneySmart's calculators are also progressively being upgraded so they will all work on mobile tablets.

#### *Other regulatory responses*

Australia's National Financial Literacy Strategy also acknowledges that education programmes alone are not sufficient to change people's behaviour. Additional complementary strategies are needed, especially in a financial market characterised by increasingly innovative, complex and high-risk products.

Thus ASIC's work includes, for example, issuing guidance about advertising of financial products and services and proactive monitoring of misleading or deceptive advertising. ASIC has also begun to enter the debate about the suitability of certain products for retail investors, and whether it is appropriate that particular complex products can be freely sold to all.

### ***Working in partnership***

As noted earlier, partnerships are at the core of Australia's financial literacy approach. There are many agencies and organisations working hard to improve financial literacy levels in Australia; and the Strategy relies on effective partnerships and coordination between them.

ASIC's MoneySmart Teaching strategy and implementation is entirely dependent on co-operative and collaborative partnerships with national and state and territory education departments, state

departments of fair trading, government, catholic and independent schools, teachers, parents, business and community groups.

Some other key initiatives ASIC has used to promote effective partnerships are outlined below.

#### *MoneySmart Week*

Australia's first annual MoneySmart Week was held in September 2012. It was a collaborative event involving over 100 industry, community and government organisations. It was coordinated by a non-profit company established by the Australian Government Financial Literacy Board and involved teams of volunteers working on different aspects of the initiative. A key objective of the Week was to promote partnerships between government, community organisations and the corporate sector. There were 160 events conducted during MoneySmart Week, including webinars, presentations, financial quizzes, workplace seminars, online competitions for school students and the MoneySmart Week Awards, which were presented to a wide range of organisations for advancing Australians' financial literacy across categories such as research, schools, workplaces and the community.<sup>8</sup>

#### *Financial Literacy Community of Practice*

Since 2009, ASIC has hosted monthly video meetings of the Financial Literacy Community of Practice (CoP), which promotes dialogue, partnerships and information exchange between those involved in financial literacy work. The CoP has over 400 external participants from Australia and New Zealand, of whom around 100 attend each month. Speakers and topics are varied and cover issues such as Indigenous financial literacy, money issues affecting the most vulnerable sectors of the community, current international and Australian research work and results of programmes run by various agencies. Participants include community, education, financial services and government sector representatives from across Australia and New Zealand.

#### *Partnerships in outreach work*

ASIC's outreach teams work in partnership with numerous agencies and organisations to develop and promote their resources – for example, a current outreach project for youth, about financial literacy at 'first time' events (such as moving out of home, buying a car or mobile phone, first job, etc) is being delivered together with partners including the Australian Youth Mentoring Network, the Australian Automobile Association, the Department of Innovation, the ADF Financial Services Consumer Council, the Foundation for Young Australians and DEEWR's Youth Attainment and Transition Branch.

#### *Supporting programmes and materials used within other government agencies*

Examples of other recent or ongoing partnerships include:

- ASIC's work with the Australian Defence Force Financial Services Consumer Council, whereby ASIC has helped the Council develop a range of financial literacy resources in print and online;
- an investor education programme, *'Investing between the flags'*, offered in 2011 in partnership with the Australian Department of Human Services' Centrelink Financial Information Service officers, targeted at beginner investors and covering the basics of how to invest. Programme resources included web content on MoneySmart, a print booklet and a face-to-face seminar.

### *International partnerships*

ASIC represents Australia on the Organisation for Economic Co-operation and Development (OECD) International Network for Financial Education (INFE), a policy forum for governments to exchange views, experiences and research and develop tools to promote and implement strategies for financial education. ASIC participates in INFE working groups and provides input to INFE policy positions on issues such as financial inclusion, financial education in schools and delivery and measurement of education programmes.

ASIC is also represented on the new Committee on Retail Investors of the International Organization of Securities Commissions (IOSCO) which was formed in May 2013. This Committee will:

- serve as a forum to share experiences and develop policy approaches on investor education and financial literacy; and
- help the IOSCO Board take retail investors' perspectives into account in prioritizing, coordinating and driving IOSCO's work on investor protection, promoting investor confidence and investor education

As noted earlier, ASIC also supports the Programme for International Student Assessment (PISA) and represents Australia on the OECD PISA working group to develop the Financial Literacy Assessment option, which will establish the first international benchmark of the level of financial literacy and financial behaviours of students when they finish the compulsory Australian school curriculum.

### **Additional information**

Relevant links summarised below.

<http://www.financialliteracy.gov.au/>

<https://www.moneySMART.gov.au/>

<http://teaching.moneySMART.gov.au/>

## NOTES

- 1 The Strategy and underlying research are available at: [www.financialliteracy.gov.au](http://www.financialliteracy.gov.au) See in particular: [www.financialliteracy.gov.au/media/218312/national-financial-literacy-strategy.pdf](http://www.financialliteracy.gov.au/media/218312/national-financial-literacy-strategy.pdf)
- 2 See [www.financialliteracy.gov.au/media/218309/financial-literacy-and-behavioural-change.pdf](http://www.financialliteracy.gov.au/media/218309/financial-literacy-and-behavioural-change.pdf)
- 3 For details of the launch of the National Financial Literacy Strategy, see the ASIC media release at: [www.asic.gov.au/asic/asic.nsf/byheadline/MR+11-49+moneysmart.gov.au+-+simple+guidance+you+can+trust?openDocument](http://www.asic.gov.au/asic/asic.nsf/byheadline/MR+11-49+moneysmart.gov.au+-+simple+guidance+you+can+trust?openDocument) and the MoneySmart website at: <https://www.moneysmart.gov.au/about-us/moneysmart-launch>
- 4 Sweeney Research, *Awareness and usage of MoneySmart website: Quantitative research report*, Report 22488, September 2012, <https://www.moneysmart.gov.au/media/405257/moneysmart-website-awareness-report-aug-2012.pdf>.
- 5 ANZ (2011) *Adult financial literacy in Australia*, ANZ Banking Group, Melbourne at [www.anz.com.au/about-us/corporate-responsibility/cr-library/](http://www.anz.com.au/about-us/corporate-responsibility/cr-library/)
- 6 For a schedule of programmes and initiatives across a range of sectors in Australia including community, Indigenous, government and workplaces, see <http://www.financialliteracy.gov.au/other-programs-and-resources>
- 7 See: [www.mceecdya.edu.au/verve/\\_resources/National\\_Consumer\\_Financial\\_Literacy\\_Framework\\_FINAL.pdf](http://www.mceecdya.edu.au/verve/_resources/National_Consumer_Financial_Literacy_Framework_FINAL.pdf)
- 8 See the MoneySmart Week 2012 Executive Report at [www.moneysmartweek.org.au/about-moneysmart-week/results-from-2012](http://www.moneysmartweek.org.au/about-moneysmart-week/results-from-2012).

## ANNEX 3.A1 – MAP OF AUSTRALIA'S 2011 NATIONAL FINANCIAL LITERACY STRATEGY

Vision			
To enhance the financial well-being of all Australians by improving financial literacy levels			
Underpinning principles			
<p><b>Inclusiveness</b>—reach all Australians, particularly those most in need and future generations of consumers and investors</p> <p><b>Engagement</b>—help all Australians appreciate the importance of financial literacy and that small things done regularly make a real difference</p> <p><b>Diversity</b>—deliver learning that recognises the different ways people learn and allows all Australians to participate</p> <p><b>Knowledge and empowerment</b>—give all Australians access to independent and reliable information, tools and ongoing support</p> <p><b>Improving outcomes</b>—recognise that information alone is not always enough and use additional mechanisms to achieve better outcomes</p> <p><b>Partnerships</b>—map and build on existing foundations to fill gaps and ensure all sectors and agencies work co-operatively</p> <p><b>Measurement</b>—evaluate our work to know what is and isn't effective, and learn from and share these evaluations</p>			
How we will do this			
Education	Information and ongoing support	Achieving behavioural change	Coordination and the long haul
<p>Integrate and embed financial literacy into the Australian Curriculum</p> <p>Ensure sustainability of school programmes through strategic partnerships with education stakeholders, professional learning for teachers and access to high-quality resources</p> <p>Increase the take-up of financial literacy options in further education, especially VET and teacher pre-service education</p> <p>Expand the take-up of financial literacy training in the workplace, especially for small business</p> <p>Work with relevant government agencies, the community sector and others to deliver financial literacy programmes to adults, with a focus on those most in need and on issues and products causing the greatest problems</p>	<p>Create a continuum from engagement, to knowledge, to skills, to support, to action</p> <p>Understand people's information needs and learning preferences and design tools and materials to match them</p> <p>Develop a new interactive ASIC website that equips people for action and gives ongoing support</p> <p>Recognise the ongoing need to engage with non-web-based materials</p> <p>Develop resources relevant to and designed to reach people at key 'teachable moments'</p>	<p>Understand why consumers behave as they do - learn from behavioural economists and social marketing experts</p> <p>Apply this knowledge to the design of financial literacy programmes</p> <p>Recognise that more than educational solutions are needed if better outcomes are to be achieved</p> <p>Influence public policy and product design settings to maximise outcomes that promote financial wellbeing</p> <p>Give Australians access to personalised money guidance and direct them to product comparison services</p> <p>Work with FaHCSIA and financial counsellors to assist in the development of an online diagnostic tool for people with debt problems</p>	<p>Identify and foster partnerships with sectors best placed to design, fund, deliver and measure initiatives</p> <p>Build on and establish new mechanisms to improve coordination, knowledge sharing and networking</p> <p>Contribute to international work on best-practice evaluation mechanisms for financial literacy - including the OECD's trial testing of financial literacy through the Programme for International Student Assessment (PISA) in 2012</p> <p>Apply appropriate measures for each initiative</p> <p>Measure and track overall Australian financial literacy rates.</p>



## *Chapter 4*

### **Brazil: Implementing the National Strategy**

This chapter was submitted by the government of Brazil.  
It was prepared by the Financial Education Department of the Central Bank of Brazil, with the contribution of the members of the National Committee on Financial Education (CONEF).

*“Financial education, in providing elements so that consumers can make informed decisions, contributes significantly to the efficiency and soundness of the financial system, the reduction of social inequalities, and the strengthening of citizenship. By emphasizing the young and the most vulnerable, Brazil’s National Strategy for Financial Education is in the right path to achieve these goals.”*

Luiz Edson Feltrim, Deputy Governor for Institutional Relations and Citizenship, Central Bank of Brazil, and President of the National Committee for Financial Education (CONEF)

#### **Definition, scope and purpose<sup>1</sup>**

##### ***Status of the National Strategy for Financial Education***

In Brazil, COREMEC<sup>2,3</sup>, the Committee for the Regulation and Oversight of Financial, Capital, Insurance, Pension Funds and Capitalisation Markets, brings together the four regulators of Sistema Financeiro Nacional (SFN), Brazil’s National Financial System:

- Banco Central do Brasil (BCB), Central Bank of Brazil
- Comissão de Valores Mobiliários (CVM), Brazil’s Securities and Exchange Commission
- Superintendência Nacional de Previdência Complementar (PREVIC), Brazil’s National Superintendence for Pension Funds
- Superintendência de Seguros Privados (SUSEP), Brazil’s Superintendence of Private Insurance

With the aim of proposing Brazil’s national strategy for financial education, COREMEC constituted, in 2007, a working group<sup>4</sup> (henceforth referred to as “COREMEC Working Group”). This group proposed, in 2009, a draft version of Estratégia Nacional de Educação Financeira (ENEF), Brazil’s national strategy for financial education. The draft<sup>5</sup> was validated by the four regulators that compose COREMEC and, in December 2010, Presidential Decree no. 7.397<sup>6</sup> formally established ENEF. The Decree also created the Comitê Nacional de Educação Financeira<sup>7</sup> (CONEF), Brazil’s National Committee on Financial Education. ENEF is currently in the implementation phase.

### ***Rationale for the development of ENEF***

In Brazil, recent economic evolution and its prospect of continuity, with social inclusion, contributed to driving development both to increase GDP as well as to modify income composition and distribution<sup>8</sup>. In this context, several challenges, listed below, called for a joint structured response by State and society.

Social and economic aspects have changed greatly in the last few years: From 2002 to 2007 middle class expanded from 32% to 47% of total population, embracing 23.5 million people more. Additionally, extreme poverty reduced from nearly 12% to 5% of the population from 1992 to 2007, a decrease of nearly 60%. At the same time, disparity in income distribution in Brazil, traditionally high, has undergone significant changes. Between 1993 and 2007, according to the Instituto de Pesquisa Econômica Aplicada<sup>9</sup> (IPEA), income inequality<sup>10</sup> declined from 0.604 to 0.556, indicating migration of wealth among Brazilians.

Demographic aspects also changed significantly: Life expectancy at birth increased from 51 years in 1950 to almost 73 in 2008. If increases in longevity keep this pace, Brazilians' life expectancy soon will be 81 years. Similarly, the population aged 40 or more increased significantly (4.2%) over 2006, and the younger (0-14 years) decreased 0.7% in the same period<sup>11</sup>. This demographic shift requires adjustments in regulation of social security and retirement plans.

These changes in demographic, social, and economic dimensions will impact consumption, savings, and investments standards. Credit, for instance, between 2002 and 2008 increased from 22% to nearly 40% of GDP, a percentage still small compared to other countries, but fast-growing.

The growing demand of consumers and investors for financial products and services also reached other sectors of the financial system, such as capital markets, pension funds, insurance and capitalisation, which became popular. Thus, an increasing range of financial products (loans, savings, investments, insurance and pension plans) offered to consumers brought them more responsibility for their choices. This complexity makes decisions more difficult, since it is necessary to compare features of each option to make conscious choices. Even among quite similar products, there may be significant differences in risk, profitability, costs, deadlines, monitoring rights, participation and information.

Furthermore, during the 1970s, 1980s and part of the 1990s, inflation was very high in Brazil. Prices were adjusted regularly based on past inflation. This inflation memory leads citizens to consume immediately in the expectation that prices will increase quickly.

Finally, as a national survey pointed out (to be detailed ahead), financial literacy is low: People do not plan their spending in the long run, take too long to prepare financially for retirement, are not fully aware of risks and of instruments for their protection, face difficulties in making decisions regarding loans and investments, and are vulnerable to fraud.

Therefore, a national strategy for financial education is extremely necessary and welcome to face this reality.

### ***Scope of ENEF***

As a strategy nationally coordinated to empower consumers, policies on financial education, financial inclusion, and consumer protection have been established. Such policies are synergistic and complementary to each other. As seen above, ENEF was established by a Presidential Decree. Another

Decree<sup>12</sup>, in 2013, established the Plano Nacional de Consumo e Cidadania (PLANDEC), a national plan for consumption and citizenship. Financial inclusion is addressed by Parceria Nacional para Inclusão Financeira<sup>13</sup> (PNIF), which represents a high-level commitment to promote adequate financial inclusion in Brazil. The partnership's Action Plan to Strengthen the Institutional Environment establishes 8 priority actions to be implemented until 2014. Such actions focus on assessment, regulation, financial literacy and transparency, and are consistent with G20's Principles for Innovative Financial Inclusion. Moreover, they are in line with the goals Central Bank of Brazil had committed to pursue at the Maya Declaration – the Alliance for Financial Inclusion (AFI) network commitment to financial inclusion.

ENEF focuses on developing and implementing programmes for three audiences: children, youth, and adults.

Children and youth will be reached primarily by programmes to be developed in elementary and high schools, under the guidance of the Ministry of Education (MEC) and collaboration with state and municipal departments of education<sup>14</sup>.

Adults will be reached by programmes that envisage partnerships with public and private agents capable of multiplying the effect of ENEF's actions. Actions will include web portals, lectures, publications and handbooks, seminars, regional meetings, competitions, call centres, advertising campaigns, courses, TV shows, tradeshow, cultural spaces, and others. Some of these actions will be detailed in the next sections.

### ***Definition of financial education***

ENEF is inspired by the concept of financial education defined by OECD in 2005, adapted to Brazilian reality: “the process by which individuals and societies improve their understanding of financial products, concepts and risks and, through information, formation and clear orientation, develop the values and skills needed to become more aware of risks and opportunities to make informed choices, to know where to search for help, and take other effective actions to improve their financial well-being, contributing consistently to form responsible individuals and societies committed to the future”.

### **Preparation**

#### ***Assessment of main needs and key policy priorities***

Initially, three major sources were considered to assess ENEF's main needs: a nationwide financial literacy survey, experiences from other countries, and consumer data collected from the Consumer Support Desk of the Central Bank of Brazil.

The results of the nationwide financial literacy survey<sup>15</sup> confirmed regulators' earlier impressions that the level of financial literacy of the population is low. This survey found that 36% of respondents report having spendthrift style and only 31% regularly save for retirement. It is also observed that an increasing share of family income has been allocated to consumption, which makes current savings rates too low. The survey polled 1,809 people with different income and educational levels in six state capitals<sup>16</sup>. The objective of the survey was to evaluate the degree of financial literacy of the population, detailing the various issues related to household budgeting, spending and savings habits, relationship with financial system's institutions, knowledge and perception of different financial products and means of payment, and addressing forms of savings, credit, investment, pension plans,

insurance and capitalisation. Citizens' knowledge about regulatory agencies in the financial system was also investigated. The survey results will be used as a baseline for future comparisons.

Given the size and population of the country, the survey was planned to be done in three steps. Initially, a review was made to identify previous similar initiatives, and thus guide item formulation and avoid mistakes and overlaps. Then, 8 focus groups were conducted, divided according to age and with limited income range. Finally, a survey was conducted, with 1,809 respondents. Samples were weighted by location and income group.

Experiences from other countries, such as the United States, United Kingdom, Spain, Australia and New Zealand were also considered. The review of these international experiences showed the need to educate citizens financially is widely acknowledged. The popularisation of financial education stems from the perception of its relevance in society, due to factors such as increasing complexity and variety of financial products, increase in life expectancy, and changes in income composition and distribution.

Additionally, consumer data were collected from Central Bank's Consumer Support Desk, which serves half a million users per year, roughly split in 50% information requests and 50% complaints.

The results collected from these three major sources were classified into nine themes: financial planning, economics, financial services, credit and interest, investment and saving, social security, insurance, capitalisation, and consumer protection.

For each theme, results were used to describe current scenarios and pointed out the major challenges to be faced in financially educating the population. The results helped to develop a content matrix and an action plan to guide financial education in schools for children and the youth and another action plan to guide financial education for adults.

### ***Mapping of stakeholders and existing initiatives***

The four regulators of Brazil's national financial system, BCB, CVM, PREVIC, and SUSEP, are major stakeholders in the financial education scenario and, as such, organised the mapping of other stakeholders. Each regulator identified its own initiatives in the area. Most of these initiatives became sectorial programmes of each regulator (described in more detail in the last section of this document) after ENEF was established.

As the civil society as a whole is the ultimate stakeholder, other stakeholders were mapped, such as educational public institutions at federal, state and municipal levels; public institutions linked to the nine themes mentioned above (financial planning, economics...); and institutions in each regulator's jurisdiction, that is, financial, capital, insurance, pension plans and capitalisation markets.

A call for initiatives has been issued, and anyone could describe them in ENEF's website *Vida & Dinheiro*<sup>17</sup> (Life & Money). ENEF's guidelines, such as educational actions free of charge for target audiences and prevalence of public interest, were used to identify best practices in financial education. These criteria excluded a significant number of initiatives due to potential conflict of interests.

The major finding of the mapping was that there were many initiatives in those nine subjects, but they were not coordinated with each other. Initiatives were carried by private and public sectors, and NGOs. Regulators and professional bodies carried out some of the best.

### ***Consultation process***

The stakeholder consultation process initially involved public authorities part of COREMEC (BCB, PREVIC, CVM, SUSEP), in 2006 and 2007. In a second step, COREMEC invited the Ministries of Finance<sup>18</sup> (MF), Education<sup>19</sup> (MEC), Justice<sup>20</sup> (MJ), and Social Welfare<sup>21</sup> (MPAS). These ministries would, later, become members of CONEF. As a next step, COREMEC began permanent and continuous consultations with other public and private actors: state and municipal authorities (CONSED<sup>22</sup>, UNDIME<sup>23</sup>, State Education Departments), and private class associations. The consultation process also extended to experts (in pedagogy, economic psychology, didactics, communication) so that they could propose guidelines for elementary, middle and high school.

The consultation process resulted in the delineation of ENEF in the form of a Master Plan containing descriptions of scenarios, challenges, a roadmap, and a governance proposal. Annexes to the Master Plan contain the nationwide financial literacy survey, the inventory of financial education initiatives gathered at the Vida & Dinheiro website, a collection of international experiences, and the “Guidelines for Financial Education in Schools”. The “Guidelines for Financial Education for Adults” were approved and added to this set of documents in February 2013.

### ***Launching ENEF***

ENEF was publicly launched in August 2011 in a press conference held by CONEF’s President and members. In 2009 and 2010, a pilot project<sup>24</sup> of financial education in high schools was implemented, and an impact evaluation was conducted in partnership with the World Bank in the framework of the Russian Trust Fund on Financial Literacy and Education. Then, in June 2012, another press conference was held to announce the results of this impact evaluation.

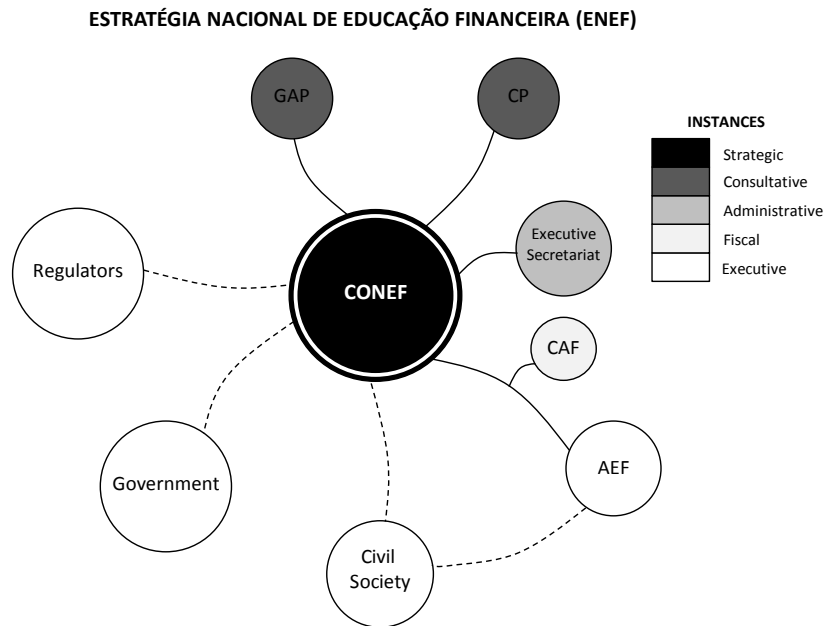
## **Governance mechanisms and role of stakeholders**

### ***Governance mechanisms***

ENEF has a centralised coordination and decentralised execution mechanisms. Brazil’s large territorial extension and cultural diversity, with cultural and linguistic differences across the country, require establishing partnerships both nationwide and with local collaborators, who are familiar with the peculiarities of each community. Such structure also conciliates the need for integrating government and non-government entities, preserving the autonomy of financial system regulators, as well as that of other participants, to develop their own educational programmes. Rather than a top-down public policy, ENEF is closer to a network configuration.

The role of the major stakeholders within ENEF’s governance and implementation is described below, and ENEF’s structure is depicted in Figure 4.1.

**Figure 4.1 Brazil ENEF's Structure**



**CONEF- National Committee on Financial Education**

- Deputy-Governor of the Central Bank
- President of the Securities and Exchange Commission
- Superintendent-Director National Superintendence for Pension Funds
- Superintendent of Superintendence of Private Insurance
- Executive-secretary of the Ministry of Education
- Executive-secretary of the Ministry of Finance
- Executive-secretary of the Ministry of Social Security
- Executive-secretary of the Ministry of Justice
- Representatives of civil society - 2011-2014 - ANBIMA, BM&FBOVESPA, FEBRABAN, and CNSEG

**GAP - Pedagogic Support Group**

- Ministry of Education, as President
- Central Bank
- Securities and Exchange Commission
- Ministry of Finance
- Superintendence of Private Insurance
- National Superintendence for Pension Funds
- National Council of Education
- Federal Educational Institutions (up to 5)
- CONSED
- UNDIME

**CP – Permanent Commission**

- 12 effective members, representing each of CONEF's participants

**Executive Secretariat**

- Central Bank's Financial Education Department

**AEF - Association of Financial Education in Brazil**

- ANBIMA
- BM&FBOVESPA
- CNSEG
- FEBRABAN

**CAF – Monitoring and Fiscal Committee**

- Central Bank
- Securities and Exchange Commission
- National Superintendence for Pension Funds
- Superintendence of Private Insurance
- Ministry of Finance

**Sectorial Programmes**

**Regulators**

- Central Bank
- Securities and Exchange Commission
- National Superintendence for Pension Funds
- Superintendence of Private Insurance

**Government**

- Ministry of Education
- Ministry of Finance
- Ministry of Justice
- Ministry of Social Development
- Ministry of Social Security

**Civil Society**

- ANBIMA
- BM&FBOVESPA
- CNSEG
- FEBRABAN

### *Comitê Nacional de Educação Financeira (CONEF)*

CONEF is responsible for ENEF's strategic governance. CONEF defines plans, programmes, actions, and coordinates ENEF's implementation<sup>25</sup>. Members are designated by act of the Minister of Finance. Decree no. 7.397 determines its composition:

- A Deputy-Governor of the Central Bank of Brazil
- President of the Securities and Exchange Commission of Brazil (CVM)
- Superintendent-Director of Brazil's National Superintendence for Pension Funds (PREVIC)
- Superintendent of Brazil's Superintendence of Private Insurance (SUSEP)
- Executive-secretary of the Ministry of Education (MEC)
- Executive-secretary of the Ministry of Finance (MF)
- Executive-secretary of the Ministry of Social Security (MPAS)
- Executive-secretary of the Ministry of Justice (MJ)
- Four representatives of civil society: ANBIMA<sup>26</sup>, BM&FBOVESPA<sup>27</sup>, FEBRABAN<sup>28</sup>, and CNSEG<sup>29</sup>

Decree no. 7.397 also specifies CONEF's competencies:

- To define ENEF's plans, programmes, and actions
- To coordinate ENEF's implementation
- To establish guidelines and objectives for planning, financing, implementing, evaluating and revising ENEF
- To create working groups with expertise to provide technical support
- To approve its own bylaws

As determined in CONEF's bylaws, the four representatives of civil society must be chosen among (i) self-regulatory bodies recognised by one of the four financial sector regulators; (ii) class associations from financial, capital, insurance, or pension markets; and (iii) consumer protection organisations. These representatives have a renewable 3-year mandate.

With the aim of ensuring constant alignment between the policies and guidelines of COREMEC and CONEF, the Presidency of these committees shall observe the rotation system among COREMEC members<sup>30</sup>, plus the Ministry of Finance in CONEF. The Central Bank of Brazil, besides serving as CONEF's Executive Secretariat (see below) also serves as CONEF's legal advisors by means of its Office of the General Counsel.

### *Grupo de Apoio Pedagógico<sup>31</sup> (GAP)*

GAP is a consultative instance to CONEF. It provides pedagogic guidance to all ENEF's actions. GAP has also been established by Decree no. 7.397, and its members represent:

- The Ministry of Education (MEC)
- The Central Bank of Brazil

- Securities and Exchange Commission of Brazil (CVM)
- Brazil's National Superintendence for Pension Funds (PREVIC)
- Brazil's Superintendence of Private Insurance (SUSEP)
- National Council of Education<sup>32</sup> (CNE)
- Up to 5 federal educational institutions appointed by MEC
- National Council of State Secretaries of Education (CONSED) and the National Union of Municipal Secretaries of Education (UNDIME), by invitation

The Ministry of Education (presides over GAP and also serves as its Executive Secretariat.

*Comissão Permanente (Permanent Commission, CP)*

CP is a consultative instance to CONEF. CP assists CONEF technically, proposing rules, parameters and guidelines for ENEF's plans, programmes, and actions. It also advises CONEF with recommendations for partnerships, branding, financial literacy assessments, ENEF's website, and others. Members are designated by act of CONEF's President. A CONEF Deliberation<sup>33</sup> specifies its composition and tasks. It is composed by representatives of the same 12 institutions members of CONEF, and its coordination follows CONEF's presidency rotation scheme.

*Secretaria-Executiva do CONEF (Executive Secretariat)*

Secretaria-Executiva is an administrative instance to CONEF. It provides support and resources to CONEF's actions. Decree no. 7.397 assigns this role permanently to the Central Bank of Brazil and its Financial Education Department, subordinated to the Deputy-Governor for Institutional Relations and Citizenship, acts as CONEF's Executive Secretariat.

*Associação de Educação Financeira do Brasil<sup>34</sup> (Association of Financial Education in Brazil , AEF-Brasil)*

AEF-Brasil is an executive instance in ENEF. AEF-Brasil, through of a Partnership Agreement with CONEF, is responsible for conceiving, planning, structuring, developing, implementing, and administering ENEF's initiatives. It was founded by ANBIMA, FEBRABAN, CNSEG, and BM&FBOVESPA. AEF-Brasil is a non-profit, specific purpose entity, not subordinated to the structure of any Ministry in order to ensure balanced management among markets and interested sectors. The utilisation of a private entity best meets ENEF's goals since it allows raising funds from other private entities interested in promoting financial literacy of the population, without precluding the transfer of public resources for project funding. Although maintained by the four founders mentioned above, funds for projects must be raised from other sources. Additionally, AEF-Brasil shall obtain the status of organisation of civil society of public interest (OSCIP<sup>35</sup>), in accordance with Law no. 9.790<sup>36</sup>. Entities with OSCIP status have a privileged collaboration with the public sector to achieve goals of social nature, such as education, while enabling effective control of results.

The Partnership Agreement with CONEF is valid for 5 years, and may be renewed. According to this Agreement, CONEF will present its guidelines annually to AEF-Brasil. In response, AEF-Brasil will submit, until every September, its annual Work Plan to CONEF's approval. AEF-Brasil's responsibilities listed above encompass raising funds for ENEF projects, and developing content and

social technologies<sup>37</sup> aimed at the general public. Furthermore, AEF-Brasil should ensure centralisation of information on each programme or action implemented by the different ENEF partners, allowing CONEF to have consolidated diagnostic and monitoring reports with the results obtained by private and public sectors. The entity may also be responsible for directly implementing financial education actions and programmes, prioritizing actions in accordance with the guidelines established by CONEF.

#### *Comitê de Acompanhamento e Fiscalização (Monitoring and Fiscal Committee, CAF)*

CAF is a monitoring and fiscal instance to CONEF. CAF exclusively monitors the Partnership Agreement between CONEF and AEF-Brasil, reporting to CONEF regularly every year. It may issue alerts to AEF-Brasil and CONEF if there is a breach in any provision of the Agreement or in AEF-Brasil's annual Work Plan. In that case, it may also determine corrective actions. It is formed by 5 effective members appointed by BCB, CVM, PREVIC, SUSEP (the four regulators), plus the Ministry of Finance. A CONEF Deliberation<sup>38</sup> established CAF and its functioning rules.

#### *Sectorial Programmes*

In addition to the actions coordinated by CONEF, each of the 4 financial regulators, 4 ministries and 4 civil society entities represented therein maintain their own sectorial financial education programmes aligned with ENEF. These programmes are detailed in a later section of this document.

With stakeholders' concerted actions, this entire governance structure described above shall consistently:

- promote and encourage partnerships with private and public agents, especially with those who can multiply and leverage information-formation-orientation actions;
- analyse projects and contents proposals of potential partners;
- support teaching and to manage repositories of materials and of information;
- manage ENEF's website;
- develop content that can be disseminated;
- form multipliers for the many actions within ENEF;
- promote the strategy;
- develop and implement indicators to evaluate the effectiveness of undertaken actions;
- produce reports and documents relating to ENEF's activities; and
- develop other activities that concur to ENEF's goals.

### **Roadmap**

#### *ENEF's Guidelines and Objectives*

ENEF incorporates the growing importance of financial education in the current context of Brazil. It launches a permanent State policy on financial education, calling for joint action, public and private, through centralised management and decentralised execution.

Centralised management aims to ensure methodological consistency between programmes and actions, avoiding the use of financial education as a marketing tool or as disguised sale of products and financial services. Decentralised activities and projects, on the other hand, seek to give effectiveness to ENEF, considering the continental dimensions of the territory and the existence of different levels of government (federal, state and municipalities).

As mentioned earlier, ENEF's guidelines have been defined in a multi stakeholder consultation process. They are:

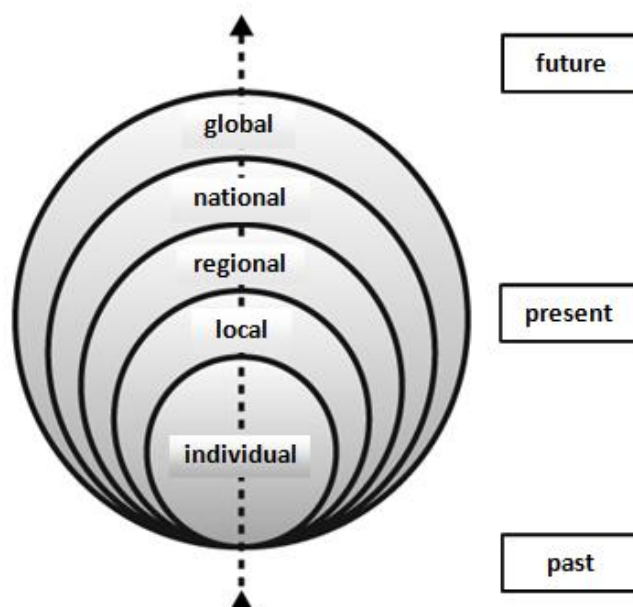
- ENEF is a permanent and nationwide policy
- Attendance to ENEF's actions shall be free of charge for target audiences
- Public interest must prevail in all actions
- Programmes, projects, and actions employ the information-formation-orientation approach
- ENEF's management is centralised, actions are decentralised
- ENEF's plans and actions shall be periodically and permanently evaluated and revised
- Partnerships with public and private institutions are fostered

Accordingly, ENEF aims to achieve the following objectives, also defined in the consultation process:

- To promote and foster a culture of financial education in the country.
- To broaden the understanding of citizens in order to make informed choices regarding the management of their resources.
- To contribute to the efficiency and soundness of financial, capital, insurance, and pension funds markets.

As previously described, the implementation of the strategy will be undertaken, to a large extent, in the framework of the partnership between CONEF and AEF-Brasil. In AEF-Brasil's 2013-2014 Work Plan, submitted to and approved by CONEF, investment needed for 2013-15 is estimated in US\$ 4.3 million, which shall be attracted from public and private sponsors, mostly the latter. As a result, it is expected that 8,000 teachers, 218,000 students, 2,300 public schools and 6,000 adults will be reached; and three new social and educational technologies will be developed.

Figure 4.2 Spatial and temporal dimensions of Financial Education in the Brazilian National Strategy



### *Main policy priorities*

ENEF's goals and competencies have been defined based on spatial and temporal dimensions<sup>39</sup>.

The spatial dimension encompasses financial education concepts based on the impact of individual actions on the social context, and on the consequences of these actions on economic and financial conditions of those same individuals. The spatial dimension is organised in fields of social coverage, from the more restricted - individual - to the wider - global.

In the temporal dimension, the concepts are discussed based on the notion that decisions taken in the present affect the future. The spaces are crossed by the temporal dimension, which connects past, present and future, in a chain of inter-relationships. This chain makes possible to perceive the present not only as a result of decisions made in the past, but as the time when certain initiatives are taken, and the results and consequences of these initiatives – positive and negative – will be collected in the future.

Figure 4.2 illustrates how the levels of the spatial dimension are related between themselves and with the temporal dimension that runs through.

As mentioned in the preparation section of this document, the nationwide financial literacy survey contributed to the identification of 9 themes<sup>40</sup> around which to build ENEF. Based on these 9 themes the working group derived and prioritised goals, competencies and related concepts. They are shown in Table 4.1. More than one competency may be related to one goal, and one concept may be related to more than one competency, and vice-versa. Competencies 1 to 4 are mostly related to the spatial dimension (SD), whereas competencies 5 to 7 are mostly related to the temporal dimension (TD). This goal-competency-concept framework is utilised to support the design of actions for all target audiences.

**Table 4.1 Brazil ENEF's goals, competencies and related concepts**

Goal	Competency	Concepts
1. To train for citizenship (SD)	1. Exercising rights and duties in an ethical and responsible manner	Citizenship Responsible consumption (conscious and sustainable)
2. To educate for consumption and savings (SD)	2. Making financial decisions socially and environmentally responsible	Revenues and expenditures/budgeting  Reserves (savings) and investment  Credit
	3. Applying revenue and expenditures understanding in maintaining one's financial balance	
	4. Harmonizing wants and needs, reflecting on one's own habits of consumption and savings	
	5. Relying on the formal financial system for the usage of financial services and products	
3. To offer concepts and tools for autonomous decision making based on attitude change (SD)	6. Evaluating offers and making autonomous financial decisions in accordance with the actual needs	Autonomy
4. To form disseminators and/or multipliers in FE (SD)	7. Acting as a disseminator of knowledge and practices in FE	Dissemination and/or multiplication
5. To develop a culture of prevention and protection (TD)	8. Relying on mechanisms of prevention and protection of short, medium and long term	Prevention
		Protection
6. To provide tools for planning in the short, medium and long terms (TD)	9. Elaborating financial plans for the short, medium and long terms	Planning
7. To provide the possibility of improving one's own situation (TD)	10. Analysing alternatives to overcome economic difficulties	Change in life conditions

<sup>1</sup> SD – Spatial dimension

<sup>2</sup> TD – Temporal dimension

### ***Target audiences***

Youth and children shall be targeted first. Subsequently, according to vulnerability and urgency criteria, adults, divided into (i) women assisted by Bolsa Família, Brazil's conditional fund-transfer programme, and (ii) retirees, these latter highly susceptible to over-indebtedness.

### ***Youth and children***

The document "Guidelines for Financial Education in Schools"<sup>41</sup>, one of ENEF's Master Plan annexes, serve as a methodological common thread for all the programmes reported here.

## FE Programme in Schools – High Schools

According to the 2011 School Census, there were about 8.4 million students enrolled in high school, which is approximately 81% of the population<sup>42</sup> aged 15 to 17 years that should ideally be enrolled in this level of basic education.

The pedagogic model was designed to offer young people information and guidelines that contribute (i) to build a solid financial thinking, and (ii) to develop autonomous and healthy behaviours, allowing them to be the protagonists of their own story, with full capacity to decide and plan for what they want for themselves, family and social groups to which they belong.

Financial Education is offered with a cross-curricular approach, and it is treated as a cross-cutting theme, incorporating Didactic Situations<sup>43</sup> (DSs) that dialogue with many knowledge areas and that take as starting points day-to-day situations relevant to the students and society. One set of books (teacher, student, exercises) was produced for each year of high school, totalising three sets.

A pilot project has been implemented using that material, and its impact was assessed (see report below in the Implementation section). It is estimated<sup>44</sup> that US\$ 1 million will be invested in the next two years in this programme, having it implemented in 1,000 schools, with 3,000 teachers trained and 45,000 students reached.

Further dissemination of this programme will be driven by strategies that enable the scalability of educational materials in public and private schools. Schools will be able to join the programme through a virtual platform that will be created for this purpose. In order to have access to this platform, schools must sign a Partnership Contract, committing to deploy the programme to students. Materials and sets of tools, such as textbooks, for various development levels will be made available. Additionally, video lessons will provide training for teachers, all integrated in a virtual educational community that will allow teachers and students to share experiences.

## FE Programme in Schools – Elementary Schools

The introduction of financial education must also cover elementary school. For this, it is necessary to think of activities and teaching methodologies aligned to that curriculum. There must be “linkage between schooling, work and social practices”, as preached in the *Diretrizes Curriculares Nacionais da Educação Básica* (DCNEB), Brazil’s National Curriculum Guidelines for Basic Education.

The educational project aimed to this school level was designed to contribute with (i) creating FE thinking since the early years of elementary school, (ii) building links among knowledge areas (and not among formal contents), and (iii) improving student performance in Portuguese and Mathematics, as these disciplines are considered critical by all educational assessments in Brazil. Thus, a proposal built and validated by representatives of educational and financial sectors, including the Ministry of Education, UNDIME and CONSED, resulted in nine books, one for each school year. From 1<sup>st</sup> to 4<sup>th</sup> year, thematic projects were adopted; for the 5<sup>th</sup> and 6<sup>th</sup>, structured stories with practical activities in real-life context; and, for the final years, students’ autonomous capacity is encouraged with playful activities involving negotiation and co-operation.

A pilot project will be implemented<sup>45</sup> in 2013/14 in 820 schools spread over 5 regions, reaching 7,380 teachers, 4,100 classes and 164,000 students, requiring investments of US\$ 2.1 million.

## *Financial Education for Adults*

As seen above, the first segments of adult population that will be addressed are women assisted by Bolsa Família, Brazil's conditional fund-transfer programme, followed by retirees. Developing financial education products for the adult audience is challenging since old values and habits are deeply rooted. Besides, unlike children and young people, adults are not inserted in a regular learning system. In order to support programme development for these audiences, similarly to the approach adopted in schools, GAP prepared the "Guidelines for Financial Education for Adults"<sup>46</sup>.

### Women beneficiaries of Bolsa Família

Recent global research reinforces the importance of women's role in the family context, suggesting that household financial management is seen as a new social role for this public. In Brazil, nearly 13 million households<sup>47</sup> were covered by Bolsa Família in 2010, which accounts for almost a quarter of the population with the lowest per capita income. Women are responsible for 92.5% of withdrawals from this programme, according to 2010 data from the Ministério do Desenvolvimento Social e Combate à Fome<sup>48</sup> (MDS), Brazil's Ministry for Social Development and Fight against Hunger. Women in poverty or extreme poverty may play a substantial role in improving life conditions of their descendents. Another characteristic of these families is the instability of their participation in the labour market, which is aggravated by their low levels of education. This results in income instability, reinforcing the need for financial education.

For this group of adults, the goal is to develop technologies that contribute to domestic budget management and life planning, acquiring competencies and vision to plan for the long term.

### Retirees

The INSS<sup>49</sup> 2010 report<sup>50</sup> identifies retirees as major borrowers, especially through payroll loans, and finds that many of them are over-indebted. This audience is also characterised by low levels of education and from family pressures to take loans since they have a secure income.

Thus, for retirees the goal is to develop social technologies to reduce over-indebtedness, providing tools for them to protect themselves mostly against payroll loans.

For both groups, women beneficiaries of Bolsa Família and retirees, CONEF established a specific partnership<sup>51</sup> with the Ministry of Social Development. The new social technologies developed for them shall be replicated throughout Brazil. This project<sup>52</sup> aims to involve 2,700 women and 2,700 retirees with incomes less than two times the minimum wage. Social technology development and implementation of a pilot project<sup>53</sup> will take 18 months, and require US\$ 1 million.

### ***Mapping national initiatives on financial education***

Information about financial education initiatives has already been collected in the Vida & Dinheiro website. Institutions were invited to describe their actions in the call for initiatives mentioned previously. This mapping, instead, will proactively search for these initiatives, and raise in-depth information about them, about existing educational tools, in public and private institutions. Results will be made available in the Vida & Dinheiro website, and will be utilised for developing certification procedures. This project<sup>54</sup> is expected to last 9 months, starting in the first semester of 2013, and to consume US\$ 100,000.

## ***Monitoring and Evaluating ENEF***

In order to assess ENEF's performance, a monitoring and evaluation system is yet to be developed. Such system must cover both specific actions and the ENEF as a whole. It must be continuous and comprehensive, and will require several evaluations at different moments.

The following items are to be considered in designing the evaluation system:

- To specify clearly the results and objectives to be achieved in the short, medium and long term.
- To select indicators for monitoring and evaluating both implementation and results. These indicators should be clear, adequately measuring results, be available for reasonable cost and be subject to be independently validated.
- To establish a baseline, *i.e.*, to measure the status of the indicators before implementing the action or programme.
- To establish deadlines for achieving goals and targets.
- To collect data and calculate indicators often in order to assess whether goals are being achieved. These measures must be stable in time and space so that they can be compared.
- To analyse the results to check if goals and targets are being met, even checking whether resources are being handled efficiently.
- To plan corrective actions so that goals and targets are achieved.

Impact evaluation should also be conducted, aimed at measuring if the change in indicators has actually been caused by the implemented project. Accordingly, treatment and control groups of students that participated in the pilot project in high schools (see below for more details) will be followed-up in the long term for savings, indebtedness, and default rates.

AEF-Brasil, supported by the GAP, will coordinate the development and implementation of the evaluation system. AEF-Brasil should rely on successful methods of evaluation and models used in other financial education programmes in the world, so that it may be possible, in the future, to compare the evolution of financial education in Brazil with the programmes of other countries. The national research conducted in 2008 must be leveraged and perfected in order to draw a baseline representative of our society. Lessons learnt in the impact evaluation of the pilot project in schools will provide useful insights.

## **Implementation**

A pilot project has been implemented in schools aiming to assess the adequacy of the material produced for high schools. It included 891 volunteering schools, trained 1,200 teachers, and reached nearly 27,000 students aged 14-17. From May 2010 to December 2011, schools were divided into matched control and treatment groups. The materials were applied to the treatment group. Table 4.2 shows the distribution of schools and students by federation unit and by control and treatment groups.

Implementation was monitored quantitatively (monthly reports by multipliers) and qualitatively (meetings at schools).

### ***Impact Evaluation of the Pilot Project***

As part of the pilot project implemented in high schools, students' financial literacy was evaluated before and after the application of the material. The impact evaluation was made in partnership with the World Bank and conducted by CAEd<sup>55</sup> in the framework of the Russian Trust Fund on Financial Literacy and Education. To date, this is World Bank's largest study of its kind, and the full results will be published in the near future. Preliminary results are presented here. Appropriate methodological procedures have been adopted to ensure validity of results.

Questionnaires have been applied to students (two questionnaires), teachers, and parents or legal guardians.

**Table 4.2 Amount of schools and students in the Brazilian pilot project**

Federative Unit	Schools			Students		
	Control group	Treatment group	Total (Control + Treatment)	Control Group	Treatment Group	Total (Control + Treatment)
Ceará	60	62	122	1,959	2,012	3,971
Distrito Federal	32	32	64	1,112	1,105	2,217
Minas Gerais	15	14	29	371	360	731
Rio de Janeiro	136	134	270	3,752	3,513	7,265
Sao Paulo	192	180	372	6,037	5,741	11,778
Tocantins	17	17	34	514	505	1,019
<b>Total</b>	<b>452</b>	<b>439</b>	<b>891</b>	<b>13,745</b>	<b>13,236</b>	<b>26,981</b>

For students, the instruments were designed to produce measures on:

- Financial literacy;
- Financial autonomy; and
- Intention to save.

Baseline tests were taken in August 2010, with follow-up in November 2010. Qualitative monitoring showed that before the programme teachers had little interest on and little awareness of the theme, suspected that the programme was mandatory by government, feared work overload, and feared they were not technically prepared. After Module I, teachers were aware of the importance and urgent need of the theme, disputed to take part in the programme, and had multiple ideas to work with the families.

Students, before programme, had little interest on the theme, little or no expenditure control, held no values on financial affairs, and were eager to consume immediately. After Module I, students were excited, interested and participated actively in lessons; saved money; had higher consideration of small amounts; and exchanged financial experiences among peers.

Based on the test, an index of financial proficiency ranging from 0 to 100 was calculated for the students. At baseline, the average score for control and treatment groups was 50. In the follow-up survey, financial proficiency was significantly higher in the treatment group (60) than in the control group (56). Additionally, self-reported knowledge about interest rates, loans and financing, insurance, income tax, and minimum payment for credit card bills were over 10% higher in the treatment group than in the control group.

Attitudes and behaviour have also shown differences between treatment and control groups. Financial autonomy<sup>56</sup> increased in treatment group by 2 points compared to control's group score of 49 points. Intention to save (measurements based on the Ajzen and Fishbein's (1973<sup>57</sup>, 1980<sup>58</sup>) Theory of Reasoned Action) in treatment group was 5% higher than in control. Also, intention reflected in actual saving behaviour since the treatment group saved 10% more than the control one. Additionally, greater fractions of treatment group made monthly list of expenses, negotiated forms of payment, and searched for similar models or brands before buying, and a smaller fraction shopped in instalments.

Thus, the financial education Programme increased students' financial knowledge, led to improvements in financial attitudes, and changed participants' financial behaviour, so that students in the treatment group are more likely to engage in savvier financial behaviours, talk to their families about financial matters, and help with organising household budget.

### **Additional information**

In addition to their activities in CONEF, financial regulators, ministries, some associations of supervised institutions, and a supervised institution also run sectorial programmes with specific goals and target audiences. A brief description of these programmes is provided below.

#### ***Sectorial Programmes – SFN Regulators***

##### ***Banco Central do Brasil –(Central Bank of Brazil, BCB)***

Driven by the growing importance of financial education, financial inclusion, and consumer relations in the national agenda, in 2012 the Central Bank designated a Deputy-Governor to build a new area to handle these issues. Thus, under the direction of the Deputy-Governor for Institutional Relations and Citizenship, three departments were created: the Financial Education Dept., to conduct financial education and Financial Inclusion subjects; the Institutional Relations Dept., to deal with citizens' questions, and complaints; and the Communication Dept., to manage BCB communication with society.

*BC Cidadania* (Banco Central Citizenship) is BCB's financial education programme<sup>59</sup>. With activities started as early as 2003, it focuses on allowing individuals to acquire skills to sound decision-making regarding personal finance. The programme's fields of action are money usage, encouraging savings and responsible use of credit, promoting behaviour change based on personal finance best practices, and citizens' relationship with the national financial system.

The website offers the *Calculadora do Cidadão* (Citizen's Calculator), which is very useful for many financial calculations and has a friendly interface. Android and iOS versions are available for download. Also, a series of animated videos is being produced. Each video will address a specific subject, selected from BCB's customer service FAQs, in clear, direct language tailored for the low-income population. The institution also maintains channels on YouTube<sup>60</sup> and Twitter<sup>61</sup>.

In order to extend its reach, the Central Bank has partnered (i) with the National Consumer Office (SENACON<sup>62</sup>) for mutual training and information sharing; (ii) with Brazilian Service of Support for Micro and Small Enterprises (SEBRAE<sup>63</sup>) for training individual, micro and small entrepreneurs; (iii) with Expo Money, a private organisation which organises tradeshow on FE and investments; and (iv) with ESAF<sup>64</sup> to build an online version of BCB's personal finance management course. Taking advantage of teachable moments is a key factor in these partnerships, since the audiences reached are eager for knowledge.

#### *Comissão de Valores Mobiliários – CVM*

The Securities and Exchange Commission of Brazil carries the programme *Educação do Investidor* (Investor Education). It involves actions carried out within *Programa de Orientação e Defesa do Consumidor*<sup>65</sup> (PRODIN) since 1998. There are specific initiatives for (i) investors in general, as the *Portal do Investidor*<sup>66</sup>, which has a friendly environment for children, four online courses, the Investor Meetings (open events, held in different cities, with talks aimed at expanding the knowledge of citizens and at disseminating capital markets), educational publications (investor-oriented books and guides); (ii) specific groups, such as public officials and their families; (iii) college students, as a monographs contest, in partnership with the market, and the *Circuito Universitário*, a circuit of lectures at universities; (iv) consumers of financial services (educational publications with Senacon); (v) judges (courses and seminars), among others.

CVM also launched an educational channel (CVMEducacional) on Facebook, Twitter and YouTube. The programme also includes actions of entities representative of the capital market recognised by CVM, carried on either on their own initiative or through CVM's Advisory Committee on Education. This Committee offers, since 2006, the Press Award for journalists, and the Programme TOP (Teachers Training), an update on capital markets for university professors. In 2013, the Committee released the book “*Mercado de Valores Mobiliários Brasileiro*” (Brazilian Securities Market). This book may be freely printed and distributed, and may be used as background material for teachers and students.

#### *Superintendência Nacional de Previdência Complementar – PREVIC*

Financial education actions of the National Superintendence for Pension Funds aim to incentivise private pension funds to develop their own financial education projects, with the purpose of increasing the financial skills of their employees, active participants, pensioners, and beneficiaries. This strategy proved quite satisfactory and the number of participants in benefit plans of entities that hold financial education projects increased from 276,705 in 2010 to 1,604,189 in 2013.

Financial education actions may focus on (i) participants and beneficiaries, (ii) sponsors, and (iii) private pension entities. Actions to participants and beneficiaries include those that aim to provide information on investment profiles, preparation for retirement, increases in contributions, and adhesion campaigns. With sponsors actions are aimed at integration, training multipliers, and fostering adhesion to the system. The actions for private pension entities encompass aspects of governance, such as training, accountability, strategic planning, and officers' certification. Targeted audiences are reached via internet, newspapers, magazines, and social networks.

PREVIC also annually holds two financial education seminars focusing on the exhibition of best practices identified in the projects presented by the private pension funds. For the next edition, the 8<sup>th</sup>, subjects covered will be increases in contributions, indebtedness surveys, retirement preparation, transparency and accountability, investment profiles, and officer training. Additionally, in 2013 PREVIC plans to expand the reach of those seminars with the Pension Funds National Week, which

will take financial education to universities, unions, and companies. A survey based on OECD's Measuring Financial Literacy questionnaire is also planned<sup>67</sup>.

It is noteworthy that organisations representing participants and sponsors, such as ABRAPP<sup>68</sup> and ANAPAR<sup>69</sup>, besides performing financial education actions, have been actively reinforcing the incentives outlined by PREVIC to foster the culture of preparing for retirement.

### ***Sectorial Programmes - Government***

#### *Ministério da Fazenda – MF*

The Ministry of Finance, by means of ESAF, coordinates *the Programa Nacional de Educação Fiscal*<sup>70</sup> (PNEF). Created in 2002, eight years before ENEF was made official, the programme aims to develop citizens' awareness of their rights and duties and to enable them to participate in the allocation of public resources, encouraging social control for the effective exercise of citizenship.

At the federal level, the programme partners are the House of Representatives, the Ministries of Education and of Social Welfare, the General Comptroller's Office, the Federal Budget Secretariat, Brazilian Federal Revenue Service, and the National Treasury Secretariat. At state and municipality levels, the Departments of Education and of Treasury participate in the programme.

PNEF has focused its activities in the elementary and high schools, training teachers to disseminate the contents of fiscal citizenship. More recently, public servants, university students and the organised society, especially the directors of public policies and community leaders, have become priority target audiences as well.

#### *Ministério da Previdência Social – MPAS*

The financial education actions of the Ministry of Social Welfare are directed at two audiences: the population insured through the General Social Security Regimen (RGPS), and pension funds' members.

Through the *Programa de Educação Previdenciária*<sup>71</sup> (Pension Education Programme, PEP), the INSS seeks to reach the economically active population and more than 24 million insured retirees.

PEP offers specific information about rights and access conditions to RGPS benefits, as it inserts guidelines about financial planning. Information is offered in three distinct ways:

- Face-to-face actions in more than 5,000 municipalities
- Distance learning courses
- Partnerships with other government agencies at all three federation levels

Participants of pension funds, about 3.2 million, receive information through financial education programmes held by the supervised entities themselves. These programmes are overseen and encouraged by the regulatory and supervisory bodies. The programmes deal with notions concerning rights, personal budget, as well as preparing for retirement.

*Secretaria Nacional do Consumidor*<sup>72</sup> – (National Consumer Office, Senacon)

SENACON represents the Ministry of Justice in CONEF, with the aims of: (i) ensuring that consumers' perspective is always presented and discussed by the Committee (ii) making consumer protection a permanent practice in the programmes developed within ENEF. Beyond ENEF, Senacon also develops, by means of the *Escola Nacional de Defesa do Consumidor* (National School of Consumer Protection, ENDC) specific actions for financial education, such as debates, lectures and thematic workshops. In 2013, ENDC expects to launch its first Financial Education Programme with courses open to society, to be offered both face-to-face as in distance learning.

*Ministério do Desenvolvimento Social*<sup>73</sup> – (Ministry of Social Development, MDS)

The Ministry of Social Development has created a booklet<sup>74</sup> specifically designed for families that benefit from Bolsa Família and who have a bank account. The publication, in accessible language, presents elementary notions for planning and managing household finances.

CONF and MDS have established a working group<sup>75</sup> with the aim of obtaining technical support to propose actions to educate the population in poverty and extreme poverty, mostly families assisted by Bolsa Família, regarding financial and pension matters. This working group shall present proposals in the second semester of 2013.

### ***Sectorial Programmes – Civil Society***

*Associação Brasileira das Entidades dos Mercados Financeiro e de Capitais – ANBIMA*

Brazilian Financial and Capital Markets Association represents more than 340 institutions, among commercial, multiple and investment banks, asset managers, brokers, securities dealers and investment advisers. The main purpose of ANBIMA is to strengthen the capital market as a tool for long-term financing of the Brazilian economy. With a legacy of four decades of commitment to the sustainable development of these markets, the Association built a model of innovative activity in the industry, performing activities of representation, voluntary and private regulation, education, supervision and product supply.

Reference in the financial and capital markets, ANBIMA has an area dedicated exclusively to education, focusing on segment-related issues. With the credibility of a faculty that combines academic rigor and business vision, it offers executive MBAs, specialisation, preparation for the CFA exam, and online extension.

*BM&FBovespa*

BM&FBovespa, the major Brazilian stock exchange, understands the importance of financial education for making informed decisions regarding investments and the use of money. For this reason, BM&FBOVESPA has strongly supported ENEF since 2007.

In addition to this support, BM&FBovespa's website has a section with educational materials such as courses, videos, and simulators. A free face-to-face course on personal finance management is tailored to different target audiences, such as college students, adult family members, adult women, teens, or the elderly.

There are also options for those who are willing to improve one's investment capabilities, such as stock market and government bonds in the basic level; macroeconomics, fundamental analysis, risk

management for stock portfolios, stock market or derivatives taxation, options market in the intermediate level; and the BM&FBovespa Educational Institute<sup>76</sup> offers specialisation courses, certificates for market professionals, and online MBAs, face-to-face or online.

A video channel<sup>77</sup> provides access to educational videos and to events promoted by BM&FBovespa.

### *Febraban*

The institution maintains the portal *Meu Bolso em Dia*<sup>78</sup> (my pocket up-to-date). The portal has both informative pages as well as interactive activities. It offers detailed information on every bank-related subject. From the history of money appearance to explanations of complex financial instruments, there is information on credit modalities, investments, treasury bonds, foreign exchange, and others. In addition, there is clear guidance about day-to-day banking operations, such as checks, debit and credit cards, banking fees, money transfers, salary accounts, student accounts, and others. Step-by-step instructions are given on financial planning, budget control, how to shop wisely, how to prioritise and settle liabilities, how to avoid defaulting, and others.

Free tools are also provided: Jimbo, a household budgeting software; calculators for comparing car fuelling options; tests for assessing shopping capabilities, money management capabilities, investment profiles, secure internet usage, and more.

Finally, the *Caravana Meu Bolso em Dia*<sup>79</sup> is a round-the-country series of open events, with artistic performances and FE activities for families, plus age-specific contests and games. The initiative may be followed in Facebook, Twitter, and Instagram.

### *CNSEG*

The portal *Tudo sobre Seguros*<sup>80</sup> (All about insurance), maintained by *Escola Nacional de Seguros* (National School of Insurance), provides information about insurance, supplementary private pension, and capitalisation. The portal informs consumers about market and products functioning. The target audiences are individuals, companies and media seeking information about insurance. The site is non-profit and aims to be a reference in Brazil on the topics treated there. More specifically, it seeks to inform and educate consumers and thus contribute to the development of the domestic insurance market. The portal is very important given the known complexity of insurance contracts and insufficient knowledge about them by the general public, leading to known problems of information asymmetry and conflicts between participants – policyholders, insurers, and intermediaries. In view of this, the portal not only offers a wide range of products in the insurance market, as each product is described and explained in detail and in a language accessible to the consumer. The portal also provides analysis and financial indicators and covers the topics of the moment of the insurance industry. The portal has been in operation since 2010 and has achieved strong growth in visits. In 2012, there were almost 700,000 hits and in 2013 it is expected to surpass the first million hits.

## List of Acronyms

AEF-Brasil	Associação de Educação Financeira do Brasil (Association of Financial Education in Brazil)
ANBIMA	Associação Brasileira das Entidades dos Mercados Financeiro e de Capitais (Brazilian Financial and Capital Markets Association)
BCB	Banco Central do Brasil (Central Bank of Brazil)
BM&FBOVESPA	Brazil's major stock exchange
Bolsa Família	Brazil's conditional fund-transfer programme
CAF	Comitê de Acompanhamento e Fiscalização (Monitoring and Inspection Committee)
CNE	Conselho Nacional de Educação (National Council of Education)
CNSEG	Confederação Nacional das Empresas de Seguros Gerais, Previdência Privada e Vida, Saúde Suplementar e Capitalização (Brazilian Insurance Confederation)
CONEF	Comitê Nacional de Educação Financeira (National Committee on Financial Education)
CONSED	Conselho Nacional de Secretários de Educação (National Council of State Secretaries of Education)
COREMEC	Comitê de Regulação e Fiscalização dos Mercados Financeiro, de Capitais, de Seguros, de Previdência e Capitalização (Committee for the Regulation and Oversight of Financial, Capital, Insurance, Pension Funds and Capitalisation Markets)
COREMEC Working Group	Group constituted by COREMEC in 2007 with the aim of proposing ENEF
CP	Comissão Permanente (CONEF's Permanent Commission)
CVM	Comissão de Valores Mobiliários (Securities and Exchange Commission of Brazil)
DCNEB	Diretrizes Curriculares Nacionais da Educação Básica (National Curriculum Guidelines for Basic Education)
ENEF	Estratégia Nacional de Educação Financeira (National Strategy for Financial Education)
ESAF	Escola Superior de Administração Fazendária (School of Fiscal Administration)
FE	Financial Education

FEBRABAN	Federação Brasileira de Bancos (Brazilian Federation of Banks)
GAP	Grupo de Apoio Pedagógico (Pedagogical Support Group)
INSS	Instituto Nacional do Seguro Social (National Institute of Social Security)
IPEA	Instituto de Pesquisa Econômica Aplicada (Institute of Applied Economic Research)
MEC	Ministério da Educação (Ministry of Education)
MF	Ministério da Fazenda (Ministry of Finance)
MJ	Ministério da Justiça (Ministry of Justice)
MPAS	Ministério da Previdência Social (Ministry of Social Welfare)
OSCIP	Organização da Sociedade Civil de Interesse Público (Organisation of civil society of Public Interest)
PLANDEC	Plano Nacional de Consumo e Cidadania (National Plan for Consumption and Citizenship)
PNEF	Programa Nacional de Educação Fiscal (National Programme for Fiscal Education)
PNIF	Parceria Nacional para Inclusão Financeira (National Partnership for Financial Inclusion)
PREVIC	Superintendência Nacional de Previdência Complementar (Brazil's National Superintendence for Pension Funds)
SD	Situações Didáticas (Didactic Situations)
SEBRAE	Serviço Brasileiro de Apoio às Micro e Pequenas Empresas (Brazilian Service of Support for Micro and Small Enterprises)
SENACON	Secretaria Nacional do Consumidor (National Consumer Office), subordinated to the Ministry of Justice
SFN	Sistema Financeiro Nacional (National Financial System)
SUSEP	Superintendência de Seguros Privados (Brazil's Superintendence of Private Insurance)
UNDIME	União Nacional dos Dirigentes Municipais de Educação (National Union of Municipal Secretaries of Education)

## NOTES

- 1 This chapter was prepared by the Financial Education Department of the Central Bank of Brazil, with the contribution of the members of the National Committee on Financial Education (CONEF) with the aim of providing guidance on the National Strategy for Financial Education in Brazil. For the sake of consistency, the report followed the main suggested headings based on the OECD/INFE High level Principles on National Strategies for Financial Education, which were approved by G20 Leaders in Los Cabos in 2012 : (I) Definition, Scope And Purpose; (II) Preparation; (III) Governance Mechanisms and Role of Stakeholders; (IV) Roadmap; (V) Implementation; and (VI) Additional Information. The report draws from other ENEF-related documents, such as Decrees, Deliberations, Ordinances, ENEF's Master Plan and its annexes, and others. Source is indicated when available. We acknowledge the contributions of all stakeholders involved in building ENEF.
- 2 Comitê de Regulação e Fiscalização dos Mercados Financeiro, de Capitais, de Seguros, de Previdência e Capitalização (Committee for the Regulation and Oversight of Financial, Capital, Insurance, Pension Funds and Capitalisation Markets)
- 3 For the sake of ease of reading, a list of acronyms is provided at the end of this document.
- 4 COREMEC Deliberation no. 3, 6 July 2007
- 5 The draft contained many documents that, with adjustments, later became part of ENEF: a Master Plan, and annexes containing a Nationwide Survey on Financial Literacy, an Inventory of Financial Education Initiatives, a review of international initiatives, Guidelines for Financial Education in High Schools, and an inventory of financial education actions maintained by the SFN regulators.
- 6 [www.planalto.gov.br/ccivil\\_03/\\_Ato2007-2010/2010/Decreto/D7397.htm](http://www.planalto.gov.br/ccivil_03/_Ato2007-2010/2010/Decreto/D7397.htm)
- 7 National Committee on Financial Education
- 8 Neri, M. C.; Carvalhaes, L. "Miséria e a Nova Classe Média na Década da Igualdade" (Extreme Poverty and the New Middle Class in the Decade of Equality). Rio de Janeiro: FGV/IBRE, CPS, 2008.
- 9 Institute of Applied Economic Research
- 10 Measured by the Gini index, which ranges from 1 (largest inequality) to 0 (income equality).
- 11 Pesquisa Nacional por Amostra de Domicílios (PNAD), 2007 (National Household Sample Survey)
- 12 Presidential Decree no. 7.693, 15 March 2013 ([www.planalto.gov.br/ccivil\\_03/\\_Ato2011-2014/2013/Decreto/D7963.htm](http://www.planalto.gov.br/ccivil_03/_Ato2011-2014/2013/Decreto/D7963.htm))
- 13 National Partnership for Financial Inclusion
- 14 Brazil is a federative republic, formed by 26 States and the Federal District (Brasília), referred to as federative units. Municipalities are more than 5500 in 2013. Federative units and municipalities have important responsibilities in the educational area.
- 15 The survey, in partnership with BM&FBovespa, was conducted in October 2008 by Data Popular ([www.datapopular.com.br](http://www.datapopular.com.br)), a social research organisation.
- 16 Porto Alegre, São Paulo, Rio de Janeiro, Brasília, Salvador and Recife

- 17 [www.vidaedinheiro.gov.br](http://www.vidaedinheiro.gov.br)
- 18 MF – Ministério da Fazenda (Ministry of Finance)
- 19 MEC – Ministério da Educação (Ministry of Education)
- 20 MJ – Ministério da Justiça (Ministry of Justice)
- 21 MPAS – Ministério da Previdência Social (Ministry of Social Welfare)
- 22 CONSED – Conselho Nacional de Secretários de Educação (National Council of State Secretaries of Education)
- 23 UNDIME – União Nacional dos Dirigentes Municipais de Educação (National Union of Municipal Secretaries of Education)
- 24 This pilot project is further detailed in the Implementation section of this paper.
- 25 As defined in Presidential Decree no. 7.397, 22 December 2010
- 26 ANBIMA – Associação Brasileira das Entidades dos Mercados Financeiro e de Capitais (Brazilian Financial and Capital Markets Association)
- 27 BM&FBOVESPA – Brazil’s major stock exchange
- 28 FEBRABAN – Federação Brasileira de Bancos (Brazilian Federation of Banks)
- 29 CNSEG - Confederação Nacional das Empresas de Seguros Gerais, Previdência Privada e Vida, Saúde Suplementar e Capitalização (Brazilian Insurance Confederation)
- 30 The Ministry of Finance seats in CONEF but not in COREMEC.
- 31 Pedagogic Support Group
- 32 Conselho Nacional de Educação
- 33 CONEF Deliberation no. 4, 26 May 2011
- 34 Association of Financial Education in Brazil
- 35 Organização da Sociedade Civil de Interesse Público (OSCIP), Organisation of Civil Society of Public Interest
- 36 Law no. 9.790, 23 March 1999
- 37 Dagnino, R., Cruvinel, B. F., and Novaes, H. T. Tecnologia Social, uma estratégia para o desenvolvimento - Rede de Tecnologia Social (Social Technology, a Development Strategy – Social Technology Network). 2010. UNICAMP- SP
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- 40 Financial planning, economics, financial services, credit and interest, investment and saving, social security, insurance, capitalisation, and consumer protection
- 41 The “Guidelines for Financial Education in Schools” are part of ENEF’s documents that started to be produced in the COREMEC Working Group.
- 42 Nearly 10.4 million youths, as of the 2010 National Census
- 43 Didactic Situation is a set of actions and activities that help students to develop the skills to deal with the many and varied everyday situations.
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- 45 As stated in AEF-Brasil’s Work Plan 2013/2014
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- 50 Regulatory Instruction INSS/DC no. 110/2010, and Regulatory Instruction INSS/DC no. 117/2010.
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- 52 As stated in AEF-Brasil’s Work Plan 2013/2014
- 53 *Ibid.*
- 54 *Ibid.*
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- 62 Secretaria Nacional do Consumidor (National Consumer Office), subordinated to the Ministry of Justice
- 63 Serviço Brasileiro de Apoio às Micro e Pequenas Empresas (Brazilian Service of Support for Micro and Small Enterprises)
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## *Chapter 5*

### **Canada: Towards a National Strategy**

This chapter is a submission of the government of Canada.  
It was prepared by Mr. Roger Dowdall, Senior Advisor, Financial Consumer Agency of  
Canada/Agence de la consommation en matière financière du Canada.

*“Financial literacy means having the knowledge, skills and confidence to make responsible financial decisions. The earlier in life people start educating themselves about financial literacy, the better equipped they will be when faced with life’s important financial decisions”*

Kevin Sorenson, Minister of State (Finance), Canada

## **Definition, scope and purpose**

### ***Status of National Strategy***

The Government of Canada has identified enhancing the financial literacy of Canadians as a priority, and much work has been done to establish a solid foundation for a National Strategy on financial education. The National Strategy is currently in the late drafting stages and will be finalised and implemented by the Financial Literacy Leader, once appointed.

### ***Rationale for development of the National Strategy***

Since the Financial Consumer Agency of Canada (FCAC) was established in 2001, financial education has been an integral component of its legislative

. In carrying out this mandate, FCAC conducted a survey in 2006 which identified gaps in Canadians’ knowledge of their rights and their understanding of issues related to financial services. In that survey, 41% of participants acknowledged a need for further education.

Since then, several broad trends have highlighted a need to enhance consumers’ financial knowledge and skills.

- In recent years, the range of financial products in the marketplace, and their complexity, has grown rapidly. In addition, the availability of some financial services from non-traditional - and in some cases unregulated - providers has made the landscape more challenging for consumers to understand and evaluate their options.
- Research conducted by Statistics Canada has consistently shown a pattern of growth in household debt and a decrease in savings rates.
- Many Canadians saw the value of their retirement savings decrease significantly during the recent financial crisis.
- Canadians will need to assume greater responsibility for savings towards and planning for their retirement years, given the decline in the percentage of Canadians covered by

workplace pensions. Among those employers that have workplace pensions, there has been a shift towards defined contributions plans.

These factors highlighted the fact that many Canadians would benefit from education to help them make sound decisions that would contribute to their financial well-being.

The Government of Canada appointed a Task Force on Financial Literacy in 2009, and its 2011 final report has provided the basis for the National Strategy on financial literacy. A key Task Force recommendation was the designation of a national Financial Literacy Leader who will collaborate with stakeholders involved in financial education and coordinate activities among participants, so as to minimise duplication and maximise impact and effectiveness.

### *Scope of the National Strategy*

The National Strategy will provide a framework for FCAC to work with other stakeholders to coordinate efforts to improve the financial literacy of Canadians. Sub-strategies will focus on certain vulnerable populations, as identified through the 2009 Canadian Financial Capability Survey as well as the Task Force on Financial Literacy's research and broad consultations.

The National Strategy will be based on five priorities outlined in the Task Force's final report:

#### *Shared Responsibility*

The mission of strengthening the financial literacy of Canadians is shared among many stakeholders. It will require the combined efforts of individuals, families, governments, educators, financial services providers, employers, labour organisations, businesses and voluntary organisations.

#### *Leadership and Coordination*

The appointment of a national Financial Literacy Leader will maintain momentum to implement the National Strategy, provide a home for continuing research and innovation, and ensure that a collaborative framework is maintained.

#### *Lifelong Learning*

Financial literacy is an essential skill acquired through lifelong learning. The delivery of financial literacy programmes must take into account key life events that bring the need for financial knowledge and skills into focus.

#### *Delivery and Promotion*

A single-source website will be a fundamental channel through which FCAC and stakeholders will seek to reach and engage Canadians so that they become aware of and participate in targeted initiatives of benefit to them.

#### *Accountability*

Ongoing programme evaluation will be an integral part of the National Strategy. Progress on the initiatives outlined in the National Strategy will be reported to Parliament and Canadians through FCAC's Annual Reports, as will the impact of these initiatives on strengthening the financial literacy of Canadians.

The National Strategy will complement consumer protection measures adopted by both the federal government and the provinces and territories within their jurisdictions. It will highlight these measures as appropriate in activities aiming to enhance consumers' personal financial management skills and their awareness of their rights and responsibilities relating to financial matters.

### ***Definition of financial education***

Financial education includes all programmes and activities aiming to enhance financial literacy.

In its report, the Task Force defined financial literacy as “having the knowledge, skills and confidence to make responsible financial decisions”.

### **Preparation**

#### ***Assessment of main needs and key policy priorities***

The preparation of the draft National Strategy has been guided by the APEC Ministers of Finance Policy Statement on Financial Literacy and Education as well as the framework provided by the OECD/INFE High-level Principles on National Strategies for Financial Education. The Agency also reviewed the national strategies of several INFE member countries that had developed them previously. The draft Strategy reflects the Government of Canada's commitment to improving financial literacy as a policy priority.

Among the key sources that have informed the process of developing the National Strategy are the following:

- ***2009 Canadian Financial Capability Survey (CFCS)*** – The CFCS was an extensive survey of 15,000 Canadians' financial knowledge and behaviours. The survey has been a key resource in helping to identify areas of focus and priority target population segments.
- ***Task Force on Financial Literacy Report*** – Following its creation in 2009, the Task Force undertook the most extensive consultations to date on enhancing the financial literacy of Canadians. Its report includes 30 recommendations which reflect the input of a wide range of stakeholders. The National Strategy encompasses many of these recommendations.

In addition, information from a range of other sources has been taken into account. These include:

- a series of research papers prepared for the Task Force on Financial Literacy;
- consumer inquiries and complaints received by FCAC;
- data from Statistics Canada and the Bank of Canada on household debt rates and savings rates;
- input from FCAC's External Stakeholder Advisory Committee (a body comprised of private, public and voluntary sector representatives); and
- input from the federal government's Interdepartmental Committee on Financial Literacy.

### ***Mapping of Stakeholders and Financial Education Resources***

FCAC has considerable knowledge of stakeholders in financial education matters and the resources they offer through its engagement with these parties since its inception in 2001. Through ongoing liaison and outreach with contacts in the public, private and voluntary sectors, areas of focus and expertise among the stakeholder community have been identified. Other channels through which stakeholders have been identified include:

- organisations participating in Financial Literacy Month and submitting information to FCAC for inclusion in the web portal supporting this event;
- parties participating in the broad consultations conducted by the Task Force on Financial Literacy
- FCAC’s External Stakeholder Advisory Committee;
- the federal government’s Interdepartmental Committee on Financial Literacy, which includes representatives from 15 departments and agencies whose programmes and initiatives may provide opportunities to contribute to enhancing Canadians’ awareness and understanding of personal finance matters;
- participants in three national conferences on financial literacy, the most recent in 2011; and
- stakeholders such as community-based organisations that have requested FCAC educational materials for use in their financial education programmes.

Building on this knowledge base, FCAC has undertaken three processes to identify and map stakeholders and the financial education programmes or resources they offer.

#### **a) Resources for Children**

In 2012, FCAC conducted an extensive environmental scan to identify financial learning resources appropriate for children in Canada and abroad and to identify gaps. The initial information gathering process identified more than 500 resources, of which more than one third were offered by Canadian entities. Resources were assessed as substantial or unsubstantial based on criteria including quality, age coverage and fundamental consistency with key learning objectives for children’s financial education.

Two assessment approaches were used to evaluate the substantial resources. First, they were mapped against a hybrid learning framework comprised of financial education topics and learning outcomes used in international financial education programmes for children. The learning framework was developed by referencing the frameworks in Australia, New Zealand, the United Kingdom and the United States, and it was informed by the best practices for financial education programmes identified by OECD/INFE. Secondly, a literature review was conducted to supplement information on best practices for a successful financial education programme.

#### **b) Financial Education Web Portal**

In its final report, the Task Force on Financial Literacy recommended that “the Government of Canada create, maintain, continuously upgrade and promote a single source website for

financial literacy in an effort to increase public awareness about, and ease of access to, information”. In the draft National Strategy, FCAC has identified the web portal as a priority initiative. The planned portal will segment resources using various criteria, such as target audience/age group, topic or scope, format or delivery channel, and location, thereby enabling users to search and identify resources appropriate to their situations.

Research to identify resources and map them according to these criteria is in progress.

c) Mapping of FCAC Programme to School Curricula

FCAC has undertaken a review of provincial and territorial curricula to identify courses that integrate elements of financial education. Following this review, FCAC has mapped its own financial literacy programme for children and youth to the curricula of courses offered in each province and territory. The aim of this project is to identify opportunities for educators to align financial education objectives with other learning outcomes for their curricula.

### ***Consultation Process***

The draft National Strategy draws directly on the recommendations of the Task Force on Financial Literacy, which are founded on its extensive consultation process.

In 2010, the Task Force published a consultation document entitled *Leveraging Excellence: Charting a Course of Action to Strengthen Financial Literacy in Canada* and invited stakeholders to comment on a series of questions included in the document. More than 300 written submissions were received, as well as comments from 125 contributors to an online forum. In addition, the Task Force held meetings in 14 communities throughout Canada, at which it heard 175 presentations. Participants included representatives from academia, consumer groups, credit-counselling firms, educators, financial service providers, government agencies, labour organisations, literacy organisations, not-for-profit community organisations and individuals.

Additional consultation is planned when the Financial Literacy Leader is appointed and the strategy is finalised and moves towards the implementation phase to ensure all participating sectors agree on the implementation plan to improve the financial literacy of Canadians. Key channels for stakeholder consultation will include:

- FCAC’s External Stakeholder Advisory Committee

A process to broaden participation in this committee will be initiated, so that its membership includes all sectors engaged in the advancement of financial literacy in Canada. Members will play an important role in leading and reporting on sectoral initiatives, so as to ensure a coordinated approach to achieving progress on the objectives.

- Round Tables

Supporting the theme of Shared Responsibility, the National Strategy provides for a series of Round Tables for the sectors that can play important roles in financial education. It is anticipated that participants in each Round Table will set out an action plan for the sector to support the overall strategy and contribute to its objectives.

- Federal Interdepartmental Committee on Financial Literacy

The Interdepartmental Committee serves a forum through which federal government departments and agencies can identify opportunities to contribute to the National Strategy, identify needs and opportunities for collaboration, and coordinate complementary activities.

These channels will provide for ongoing consultation and collaboration with stakeholders to review the implementation plan periodically and make adjustments if warranted.

An official launch of the strategy will occur later in 2013 once the Financial Literacy Leader has been appointed. As the launch approaches, ongoing collaboration with stakeholders will ensure alignment of messages and broaden reach to maximise the impact of communications. In this regard, Financial Literacy Month in November 2013 will serve as a focal point, as a wide range of stakeholders have participated in this event for the past two years.

The planned financial literacy web portal will also serve as a key channel for communicating with stakeholders active in the field of financial education as well as Canadians who are seeking resources to help them enhance their own financial knowledge, skills and confidence.

### **Governance mechanisms and the role of stakeholders**

The Financial Literacy Leader will spearhead the implementation of the National Strategy and will report to the Minister of Finance, and ultimately to Parliament, through the Commissioner of FCAC.

A restructured External Stakeholder Advisory Committee (ESAC) with members drawn from sectors engaged in financial education will advise the Leader on the implementation plan. Its members will act as champions within the sectors they represent, ensuring a coordinated approach and alignment with the broad objectives.

The sectoral Round Tables proposed in the Strategy will provide input to implementation plans within the sector and will identify specific ways in which the sector can contribute to the objectives. ESAC members will serve as liaisons between the Round Tables and the Financial Literacy Leader.

### **Roadmap**

The draft National Strategy has been shaped by the following framework:

- **Vision:** To enhance the financial well-being of Canadians.
- **Mission:** The national effort will work toward strengthening the financial literacy of Canadians, by increasing their knowledge, skills and confidence to make responsible financial decisions. This will be achieved through education, collaboration, partnerships and sharing.
- **Main Policy Priorities:** Priority areas of focus are household debt, savings rates, retirement planning, and rights and responsibilities of financial consumers.
- **Target groups:** Through collaboration with stakeholders, the National Strategy will aim to strengthen the financial literacy of the general population. Sub-strategies will be developed to address some specific target groups, including seniors, aboriginals, youth and newcomers to Canada.

- **Monitoring and Evaluation:** The 2009 Canadian Financial Capability Survey (CFCS) results serve as a baseline for monitoring the state of financial literacy in Canada. A follow-up CFCS is planned for 2014-15. It is anticipated that measuring progress through conducting the CFCS at five-year intervals will continue.

In addition, the federal government is currently working with the provinces to participate in the 2015 Programme for International Student Assessment (PISA) financial literacy assessment that will be administered to 15-year-old students. As provinces and territories have primary responsibility for education in Canada, the federal government's role will be to coordinate this initiative at the national level and to provide a liaison between the PISA team and the participating provinces and territories. Results will provide a baseline to assess the impact of initiatives targeting children and youth in the years ahead.

FCAC has also developed an evaluation framework for financial literacy programmes and is currently conducting a pilot project with six delivery partner organisations (three universities and three non-governmental organisations) to assess outcomes of its Financial Basics workshop for post-secondary students and young adults. The programme, launched in 2010, is a hands-on workshop to help participants learn how to make a budget, manage expenses, understand credit and debt management, save for the future and protect themselves from fraud.

More than 1,000 people completed a questionnaire to assess their financial knowledge, attitudes and behaviour prior to participating in the programme. A second questionnaire will be administered to participants six months after they complete the programme, and responses will be analysed to determine outcomes of the programme and its effectiveness in enhancing participants' financial literacy and practices. Following the pilot project, this framework will be made widely available in early 2014. The framework supplements ongoing evaluation of FCAC programmes by educators.

- **Resources:** The federal government has allocated funding in the amount of \$5 million CAN annually to support the Financial Literacy Leader in carrying out FCAC's recently expanded financial literacy mandate:

“to collaborate and coordinate its activities with stakeholders to contribute to and support initiatives to strengthen the financial literacy of Canadians.”

In addition to this allocation, other federal departments administer grants and contributions programmes which may provide funding for projects proposed mainly by community-based organisations and the voluntary sector. As an example, the New Horizons Programme for Seniors, administered by Human Resources and Skills Development Canada, has provided grants to a number of community organisations for projects aiming to increase awareness and prevent financial abuse of seniors. Similarly, an Industry Canada programme provides grants for research by consumer organisations, including projects that study financial issues impacting consumers.

Other stakeholders in the field of financial education also allocate resources to their initiatives or to support related programmes. In this regard, a number of federal and provincial governments are currently working on financial literacy curricula. Several private-sector organisations and their industry associations, most notably those in the financial sector, also offer financial resources or provide funding for initiatives of

community-based organisations. Other opportunities to connect the private and voluntary sectors are being explored.

## Implementation

The implementation plan for the National Strategy will provide for both broad initiatives aiming to enhance the financial literacy of Canadians generally, and activities targeting more specific segments of the populations, such as seniors, youth, aboriginals and newcomers to Canada. Given the broad range of participating stakeholders, the implementation plan will provide flexibility with regard to the delivery channels and approach that they adopt for their activities.

In keeping with its new mandate to collaborate and coordinate activities with stakeholders, a priority initiative for FCAC is the development and implementation of a **single source website** for financial literacy. This website will enable Canadians to identify resources that address the specific area of financial education that they are seeking at that time; in this regard, a self-assessment tool will help direct users to the most relevant areas of focus. In addition, the website will allow stakeholder organisations active in financial education to identify existing resources that could complement or support their programmes.

FCAC will continue its strategy of providing multiple ways through which consumers can access its own resources for the broad population on its website. A redesign of the **FCAC website** to be launched in the summer of 2013 will facilitate navigation by financial topic (for example, budgeting and money management, mortgages) or by life event (for example, Starting Your First Job, Planning Your Retirement, Dealing with Debt). Four new life events will be added to the website by early 2014.

- **Social media** are now an important channel through which FCAC promotes financial education and related resources, particularly to youth. FCAC is active on Twitter and Facebook and has a number of videos on YouTube. Many financial education stakeholders also promote the resources of FCAC and other organisations through these channels.
- **Schools and post-secondary educational institutions** are vital to the success of financial education for youth. Provincial and territorial governments are at different stages, with some having established the parameters for financial education within their curricula and others in the process of doing so. As this work advances, FCAC will review its programme for secondary school students, *The City*, which has been approved as a resource in all provinces and territories, to ensure it remains relevant. A network of teacher champions across the country provides an important channel for understanding the needs of teachers and students and updating this programme accordingly.
- For some priority target audiences, such as seniors, aboriginals and newcomers, **community-based organisations** will be a key delivery channel. Experience to date has shown that these organisations are well positioned to engage these audiences, understand their specific needs, and deliver services to them. FCAC and other stakeholders will make available core resources, which the community-based organisations may adapt if necessary to meet the needs of their audiences.
- A new approach being explored for the implementation plan is the **delivery of financial education in the workplace**. A pilot project with the Centre for Entrepreneurship and Development is under way to support financial education through workshops in the workplace. FCAC's recently launched programme for adult learners, Your Financial Toolkit,

is the primary resource for this pilot project. Going forward, the implementation plan will include a focus on identifying partners for workplace education.

Other approaches and delivery channels will be explored with stakeholders during consultation on the implementation plan and the Round Table discussions.

### **Additional information**

Development of Canada's National Strategy has relied extensively on the following reports:

- [Canadians and their Money: Building a Brighter Financial Future](#) (Report of the Task Force on Financial Literacy)
- 2009 Canadian Financial Capability Survey Results
- [Understanding Financial Capability in Canada: Analysis of the Canadian Financial Capability Survey](#)

## *Chapter 6*

### **People's Republic of China: Financial Education Initiatives in Preparation of a National Strategy**

This chapter is a submission of the Government of the People's Republic of China.  
It was prepared by the People's Bank of China.

## **Definition, scope and purpose**

### ***Status of the National Strategy for Financial Education***

With the onset of the most recent global financial crisis, China started to consider designing a national strategy for financial education. The national strategy is currently under development.

### ***Rationale for the development of the National Strategy***

With the rapid development of the financial services industry, financial products are becoming more complex and various financial risks are shifting to consumers. Financial regulation alone cannot adequately protect consumers, thus financial education has become an important complement to market regulation. Financial education can improve consumer empowerment and risk awareness, enable more preventive and proactive measures in maintaining financial stability, prevent the accumulation of systemic financial risks, and reduce the transmission and spread of risks.

One of the main reasons for the global financial crisis was consumers' lack of a basic understanding of increasingly complex financial products. Financial education can improve consumers' understanding of financial products and services. Enhancing consumers' capacities has therefore become a long-term policy priority. Financial literacy helps consumers make rational choices in buying and using financial products and services, which enhances the effectiveness of the entire market.

In recent years, the Chinese government has recognised the importance of financial education. The relevant ministries have invested substantial effort and resources to carry out financial education programmes. Nevertheless, there is a problem of overlapping programmes and investment of resources. Thus it is necessary to develop a national strategy to use resources more efficiently and improve the effectiveness of financial education.

### ***Scope of the National Strategy***

The national strategy is closely related to consumer protection. It not only focuses on financial knowledge, it is also dedicated to enabling consumers to gain a better understanding of financial products and services, accurately assess risks, make informed judgements and make rational decisions on investment and consumption.

### ***Definition of financial education***

In China, financial education refers to the long-term programme aiming to help consumers improve their understanding of financial concepts and products, and enhance their knowledge and risk awareness. It also seeks to enlarge the scope of financial services.

## **Preparation of the National Strategy**

### ***Assessment of main needs***

In order to study and assess consumers' main needs, the relevant ministries have actively communicated with consumer protection organisations, industrial associations and financial institutions. They have collected extensive information, notably through consumer surveys, financial market surveys and an analysis of consumer complaints. In addition, Shanghai participated in the

OECD PISA Financial Literacy Option in 2012, to assess the financial literacy levels of the high school students in Shanghai

### ***Existing stakeholders' initiatives and resources***

In recent years, the People's Bank of China (PBC) has established the Financial Consumer Protection Bureau (FCPB), the China Banking Regulatory Commission (CBRC) has set up the Banking Consumer Protection Bureau (BCPB), the China Securities Regulatory Commission (CSRC) has established the Investor Protection Bureau (IPB), and the China Insurance Regulatory Commission (CIRC) has set up the Insurance Consumer Protection Bureau (ICPB). These entities have carried out financial education according to their respective duties and have produced positive results.

#### *The PBC*

First, the PBC has taken a number of effective measures to enhance financial literacy through public education programmes. The PBC has disseminated knowledge ranging from financial laws regulations and policies to financial services, by holding "Financial Knowledge Awareness Month", hosting lectures and knowledge contests, putting advertisements on television, writing columns in the press and opening financial museums free of charge for the public.

Second, the PBC has promulgated a series of themed financial education programmes. It disseminated anti-counterfeit currency knowledge by printing brochures and creating a website on currency security. The PBC has also launched programmes entitled "Credit Information Day", "Credit Knowledge Awareness Week", "Anti-Money Laundering Awareness Month", "Anti-Money Laundering Knowledge Contest" and "Financial Knowledge in the Community". It also offers training on payment and settlements, and programmes on credit-card security for rural residents.

Third, the PBC has compiled and published books on financial literacy such as "Citizens' Reading on Financial Knowledge" and "Financial Knowledge in the Community" and has distributed these to the public for free. Through distributing the books in communities, schools and rural areas, the PBC has guided the public to understand and use financial knowledge. Moreover, the Bank publishes a financial literacy column on its website, which helps the public to understand credit card payment, anti-counterfeit measures, the treasury, credit information and anti-money laundering policies.

#### *The CBRC*

The CBRC has specified requirements for financial education in its regulatory targets: it should improve the public's understanding of financial products and services in the modern banking industry and enable people to identify financial risks through education and information disclosure. Accordingly, the CBRC has a wide range of systematic, ongoing education campaigns to enable consumers to make independent judgements and protect their own interests.

First, the CBRC led and encouraged the banking industry to establish the concept of a *public education service*. It established a public education service area, provided free financial literacy materials, opened a hotline for the public, built a network of education services, and issued risk warnings on using cards safely and being alert to the risks of illegal financial activities. Through a variety of means such as brochures, videos, short messages and on-site consultations, the Commission organised and launched the "National Banking Public Education Day". It also carried out "Combating Illegal Fund-raising Awareness Month", which guided the public to improve risk identification so as to curb illegal fund-raising at the source.

Second, the CBRC implemented different financial education programmes for different groups.

- It carried out a programme for thousands of migrant workers in order to enhance their ability to guard against financial risks.
- It prompted the relevant institutions in Beijing and Shanghai to complete financial planning textbooks for primary and secondary schools, and introduced step by step financial knowledge to the classroom.
- It introduced bank consumer education at universities, including banking services and financial literacy.
- It carried out a programme called “Send Financial Knowledge to the Countryside”, prompting rural youth to promote knowledge in the west and rural areas.
- It hosted knowledge contests on consumer protection within the banking industry in order to improve bankers’ social responsibility and service orientation.
- It carried out outreach activities on financial services for small and micro enterprises, and helped these enterprises and other businesses understand and use financial services in the banking system.

Third, the CBRC expanded its audience by working with the media. It began publishing financial education columns in newspapers, magazines and websites, thereby explaining financial products and services such as credit cards, wealth management services and electronic banking, as well as helping the public to establish objective financial management and reasonable consumption. Co-operating with the professional media, the Commission also hosted financial knowledge contests for the aviation and other specific industries, and helped improve mature consumer groups’ financial literacy.

### *The CSRC*

In terms of use of financial institutions’ services, investors in the capital markets have the attributes of financial consumers. However, investors can have the identity of shareholders, creditors and others; the legal relationship involves not only financial institutions, but also listed companies and intermediary service agencies. Therefore, investor education has a wider scope, covering not only investors’ financial education, but also education on the rights and obligations of investors as shareholders of listed companies or creditors. Compared with a general financial education, investor education addresses a more complex situation and contains a more extensive content.

In view of the special nature of Chinese investors in the capital market, the CSRC has explored the mechanism of financial education for investors and has provided innovative solutions, creating a healthy investment culture, enhancing investors’ abilities to protect them and developing sophisticated investor groups.

First, it strengthened direct communication with investors, listened to voices in the market and understood the latest developments among investors. It held fora for investors and financial institutions to establish a communication platform. By collecting investors’ opinions, the CSRC analyses the latest market developments and investors’ demands, which are then used to guide its practical work.

Second, the CSRC took the initiative to disseminate sound information among the public and acted quickly to resolve problems. It responded to investors' common concerns. These concerns were sent to the relevant government agencies or financial institutions for in-depth study and solutions.

Third, the CSRC organised units in its system to carry out themed programmes on investor protection in order to foster rational investment behaviours and culture, and it urged businesses to serve and reward investors actively. It invited small and medium-sized investors to pay on-site visits to listed companies and gave them a chance to talk with the companies' executives. It also organised training for securities and futures institutions to improve their service to and awareness of investors.

Fourth, the CSRC prompted the media to play a more important role and to produce and deliver various investor education products, which promoted the dissemination of knowledge and advocated a healthy investment culture. It published an investor education series with manuals such as "Q&A on Investors' 50 Focal Concerns". It also produced and broadcast public-service advertisements and animated films, as well as risk warning catch phrases about the securities and futures markets.

Fifth, the CSRC has actively incorporated investor education into the national education system. Shanghai has been chosen as the first pilot ground. The Shanghai securities regulatory bureau and the Shanghai stock exchange have started to co-operate with the local education departments. A new textbook has been published, and the next step is to carry out pilot programmes for delivering financial education classes.

Last, the CSRC has carried out research on investors' eligibility system. It has analysed the main problems in the investor eligibility system and made suggestions accordingly. Regulatory requirements on investor eligibility have been sorted out, and the CSRC published a work manual in conjunction with the Securities Industry Association.

### *The CIRC*

First, the CIRC devised the education system for insurance consumers. Regulatory authorities, industry associations and insurance agencies have a clear division of responsibilities. Through close co-operation and co-ordination, they have introduced insurance knowledge into classrooms, rural areas, communities, offices and enterprises.

Second, the CIRC has expanded channels for enhancing insurance literacy. Websites, micro blogs, radios, newspapers and other media have been used to promote knowledge on insurance by opening a large auditorium online, introducing an official micro blog called "Corner of Insurance Knowledge for Consumers" and running insurance-related public-service advertisements.

Third, the CIRC has strengthened information disclosure and risk warnings. The insurance consumer complaints are announced to the public each quarter. On the official website of the industry association, insurance clauses and premium rates are disclosed, and users are given free and easy access to information on all insurance products. As for key problems that concern the public on the protection of their rights and interests, the CIRC releases consumer risk warnings in a timely manner.

Fourth, the CIRC has carried out educational programmes targeting different groups. Every year on the "3.15" international consumer protection day, the CIRC organises nationwide literacy activities to disseminate insurance knowledge through lectures, an information desk and brochures. Billboards on insurance-related knowledge were set up in some communities, and insurance practitioners regularly provide on-site consultations in communities. Insurance institutions are encouraged to send liaison staff to some rural areas, providing risk warnings and insurance knowledge in a timely manner.

and bringing insurance-related education to the doorsteps of rural residents. In some areas an essay writing contest called “I Grow up with Insurance Happily”, targeting primary and secondary school students, has been held for eight consecutive years to incorporate insurance knowledge into daily education. In some places, local newspapers and magazines dedicate a column to insurance-related knowledge, and TV programmes on insurance have also been broadcast.

### *Financial institutions*

Under the guidance of the regulatory authorities, financial institutions have hosted a range of lively educational activities.

The Industrial and Commercial Bank of China took the lead to formally establish the Consumer Protection Office in March 2012, making it the first commercial bank with a full-time arm dedicated to consumer protection. In order to strike a balance between the rights and interests of banks and of consumers, the ICBC reviewed agreements on financial products and their relevant institutional arrangements, and carried out publicity and education campaigns on these products and services, as well as on rights-protection mechanisms for consumers. Thus far the Bank has carried out a comprehensive campaign entitled “Financial Literacy for Ten Thousand Miles” and completed the preparation of “the Financial Consumer Information Manual”. The China Construction Bank was established under the product innovation and management department in March 2013. Its Consumer Protection Department is responsible for integrated management and external co-ordination of the full line of consumer protection. It is also responsible for promoting consumer protection within the bank and promoting financial education and literacy.

Since its inception, the China Galaxy Securities Company has conducted various investor education activities. These are in line with the themes of "reward investors positively" and "rational investment, long-term investment". Many themed activities have been promulgated by writing a column, assisting public education animations, hosting on-site visits to listed corporations, opening an investors' school, and sponsoring public advertising and commercials. The traditional means of communication and new media such as websites and micro-blogs are combined effectively.

The China Life Insurance Company Limited organised a team of staff from customer service centres, the Ministry of Supervision and the company's sales team to hold face-to-face communication with community residents. In order to promote a culture of integrity, the company has provided consumers with free promotional materials such as “Insurance Law” and “Insurance Guide”.

### *Other organisations*

The banking association, the securities association, the insurance associations and other industry self-disciplinary organisations guide member institutions by developing consumer financial education guidelines to develop specific work plans to ensure they make effective education efforts. Work has been done to foster good faith in the industry, by urging member institutions undertake their due diligence and making assessments and inspections of member institutions' information disclosure and good faith behaviour.

The Chinese Financial Education Development Foundation has carried out public financial literacy education in rural areas and has made efforts to promote financial education, research and innovation. To encourage the development of the financial industry and to improve the quality of financial practitioners, it has held various training courses and has significantly improved the management of financial institutions.

Some elementary, middle and high schools have pilot programmes on incorporating financial education into daily learning. Different methods have been used to promote financial knowledge and to improve financial literacy.

## **Governance mechanisms and the role of the main stakeholders**

### ***Governance mechanisms***

In order to guide and promote financial education and enhance the co-ordination among different government sectors, it is necessary to develop a national strategy for financial education. This will ensure that related departments undertake their respective responsibilities, establish a strategic framework, set the overall goals, formulate laws and regulations, and co-ordinate and promote financial educational activities for all relevant parties. These measures will ensure the sustained and effective implementation of the national strategy.

### ***Role and responsibilities of the main stakeholders in the development and implementation of the National Strategy***

As mandated by their respective responsibilities, the PBC, CBRC, CSRC and CIRC design financial education plans. They set goals and priorities, organise outreach programmes, assess the results of education programmes, and co-ordinate cross-market and cross-industry educational activities for consumers.

The self-disciplinary organisations of each industry are responsible for clarifying their members' obligations in financial education for consumers, devising the overall guidelines, leading their members to make specific plans and supervising the effective implementation of educational activities.

Financial institutions are responsible for making specific plans for consumer education, taking an active role in the activities held by governments or industry associations as well as designing, developing and organising such activities combined with their respective business features.

The grassroots government agencies, such as the Community Residents' Committee and Village Committees, are in charge of contacting government agencies, financial institutions, universities and so on, and disseminating financial knowledge to communities and rural areas periodically via door-to-door service.

For their part, non-profit organisations can fully play their role as an independent third party, and continuously promote the development and technological innovation of financial education.

In addition, the Ministry of Education could consider incorporating financial education into the national curriculum. The Ministry of Finance could conduct research on setting standards and quotas for the required investment in financial education in each sector, increasing the input into each one gradually.

## **Roadmap of the National Strategy**

### ***Objectives and mission***

#### *Objectives*

The goal is to construct a financial education system that benefits all people, provide abundant resources to meet the growing demand for financial education, enhance financial risk awareness and people's ability to protect themselves, guide consumers to make wise financial decisions, and create a healthy environment for the harmonious development of financial institutions and consumers.

#### *Mission*

The mission is to identify the guiding principles and strategic directions of financial education; draw up the implementation principles and evaluation criteria of this education; enhance the harmonisation of research and practice; and further establish and improve the financial education organisation, content, implementation, security and evaluation.

### ***Main policy priorities***

- a) To conduct a national financial capability survey and design an education plan accordingly.

To carry out a nationwide survey on financial knowledge, attitudes and behaviour of all people (especially disadvantaged groups), analyse the typical problems in the complaint database, investigate and research the financial abilities that people already have, ascertain gaps in financial knowledge and develop clear solutions and a reasonable implementation plan.

- b) To provide tailor-made financial education for different groups with appropriate focuses.

Opinions will be extensively solicited to customise the content and methods of financial education for people in different regions, classes and age groups. The programmes should be consistent, practical and targeted, and each item should relate to economic and financial activities, as well as to people's daily life.

- c) To protect disadvantaged groups and enhance financial availability.

This priority should fully take into consideration the urban-rural and regional gaps in economic growth and financial literacy; develop preferential policies for small enterprises and disadvantaged groups such as the poor in remote areas, migrant labour, women, and people with disabilities; and launch targeted education to expand the scope of the access to financial services.

### ***Target audiences***

To help the public master appropriate financial knowledge, the content and focus of education should be tailored to groups based on age, level of knowledge, the need for financial learning and so on.

### ***Monitoring and evaluation of the National Strategy***

Evaluation criteria for the effectiveness of financial education should be drawn up. They should follow a multi-tier indicator system including indices on knowledge, skills and attitudes and behavioural change. Evaluation and comparison will be implemented periodically.

### ***Resources available for the development of the National Strategy***

The PBC, CBRC, CSRC, CIRC and their branches, as well as local governments' finance offices, can earmark dedicated resources from their budgets; financial institutions and enterprises can raise special funds from their corporate social responsibility plans and community welfare activities; and community groups and non-government organisations can acquire private capital through voluntary donations and fundraising to launch financial literacy programmes and activities.

## **Implementation of the National Strategy**

### ***Main delivery mechanisms***

- a) Carry out various financial education programmes targeting different groups.

First, financial education programmes should be addressed to the youth, under the theme “planning for the future reasonably, establishing correct concepts of wealth management”. Given the youth’s tendencies towards overdraft and credit-based consumption, universities and financial institutions should volunteer to provide training and help young people establish a proper budget management.

Second, activities with the theme “financial knowledge in the community, financial knowledge in rural areas” should be rolled out to the elderly and rural residents. Considering these groups’ low educational level and lack of financial knowledge, professionals should familiarise them with bank cards, automatic teller machines and fundamental concepts.

Third, the staff of enterprises and institutions should follow programmes with the theme “financial knowledge in the enterprises, financial knowledge in the institutions”.

- b) Provide financial advisory services

A platform should be built for active financial education, making full use of toll-free telephone numbers and websites to provide advice to the public. Financial institutions should be encouraged to host educational activities for consumers and should be urged to publicise the basic financial knowledge. Co-operation with the media can be strengthened, making use of newspapers, the radio, television and networks to develop long-term financial education activities.

### ***Evaluation of specific programmes***

In order to maximise the benefits of financial education programmes in the most effective ways, evaluation will identify the most suitable transmission mechanism and policy measures. Objective evaluation indicators will be established considering the realistic needs, project costs, and micro and macro effects, by using both qualitative and quantitative analysis to create a standardised and effective assessment system. This system will periodically evaluate the achievements of various financial education programmes to compare the effectiveness of different programmes in the same year and assess the overall effectiveness of financial education over different years.



## *Chapter 7*

### **France: Financial Education Initiatives to Support Policy Reform**

This chapter is a submission of the Government of France.  
It was prepared and coordinated by the Bank of France.

*“In order to implement financial reforms in an effective and lasting manner, they must be accepted and, above all, understood by the public”*

Christan Noyer, Governor of the Bank of France.

### **Prospects for the implementation of a National Strategy for financial education in France**

The implementation of a National Strategy for Financial Education in France is currently being discussed with the object of bringing together all the initiatives being conducted in this area.

The importance of financial education was given particular emphasis by the work of the *Conférence nationale contre la pauvreté et pour l'inclusion sociale* (National Conference Against Poverty and for Social Inclusion, which took place on 10 and 11 December 2012 and during which Pierre Moscovici, Minister for the Economy and Finance, and Benoit Hamon, Minister Delegate attached to the Minister for the Economy and Finance with responsibility for the Social and Co-operative Economy and Consumer Affairs, co-chaired a workshop on banking inclusion and combating over-indebtedness.

The working party given the task of preparing this workshop, which was chaired by François Soulage, Head of an important NGO active on social policies (*Secours Catholique de France*) brought together representatives of all the relevant stakeholders (public authorities, Bank of France, Caisse des Dépôts et Consignations, credit institutions, family and consumer associations, associations against exclusion, Institut pour l'éducation financière du public). The workshop gave special emphasis to the importance of financial education in facilitating banking inclusion and averting over-indebtedness<sup>1</sup>.

On the basis of the work by the National Conference, the French Government adopted on 21 January 2013 a multi-year plan against poverty and in favour of social inclusion<sup>2</sup>, which stresses in particular that “it is necessary to promote financial education and the understanding of banking tools nationwide so as to give everyone the minimum amount of information needed to make the best possible use of a bank account, means of payment and credit”.

To this end, the multi-year plan provides for the creation of a specific working party under the aegis of the *Comité Consultatif du Secteur Financier* (Consultative Committee of the Financial Sector, CCSF).

### **Rationale**

#### ***Gaps in financial literacy***

Steps to improve financial education in France are based first of all on the numerous surveys and polls showing both that French people's economic knowledge could be improved and, also, that they themselves feel and express the need to acquire a better understanding of the workings of the economy and of what is at stake. The 2012 Bank of France/TNS Sofres<sup>3</sup> survey on the level of economic

knowledge among the French showed, for example, that there were big gaps in their financial knowledge and their ability to perform simple financial calculations. Less than one person in two, for example, realises that €1 000 invested at 2% per year produces a capital sum of approximately €1 040 after two years. According to the 2011 Crédoc<sup>4</sup> survey, only one person in four managed to find the correct definition of a bond in a list of three possible answers.

Generally speaking, the public seems to be put off by the abstract and complex way in which economic issues are presented, and by the impression that the specialists are never in agreement. While information about the economy is readily available, it often seems to be not very intelligible and/or attractive and to need deciphering. No less than 60 % of French people disagree with the statement that economic information is intelligible (Bank of France/TNS Sofres, 2012). This dissatisfaction is especially marked among managers and the higher professional categories.

### ***A strong desire for better understanding***

Alongside this questioning, there is a desire to acquire (rather than be a victim of) information, and the realisation that gaining a better understanding of the workings of the economy is nowadays essential. To a significant extent, adults stress how much they hope that young people and children will be better equipped than they are in this area. Of the people polled by the Crédoc, 79% would like to learn more about finance during their school years, while 77% are receptive to the idea of taking an in-firm training course.

All the talk about globalisation and the impact of the recent financial and economic crises have served only to strengthen this feeling and the general public's articulation of these needs.

## **Existing measures in support of financial education**

### ***Ministry of Education***

At the beginning of the 2010 school year, the Ministry of Education reformed the way economics was taught in secondary schools, making the subject compulsory rather than optional for 15/16 year old students (*seconde* class) of the general and scientific tracks of French high-schools.

Previously, only 43 % of students took economic and social sciences (SES) at *seconde* level, but now all students will have to choose between two types of economics course:

- a) The course on exploring the economic and social sciences aims to give all students the basic economic and sociological literacy that is vital for any citizen wishing to understand the workings of the economy and of the society he/she lives in;
- b) The course on exploring the “basic principles of economics and management” aims to provide students with some notional points of reference and analytical tools enabling them to think in a structured manner about some of the big issues in economics and management. Amongst other topics, the official programme<sup>5</sup> contains the study of basic credit mechanisms, the object being to illustrate the cost of a personal loan and the risks that borrowing involves<sup>6</sup>.

### ***Bank of France***

Under the terms of a public service contract it has with the State<sup>7</sup>, the Bank of France is open to and provides information for private individuals:

- concerned by a procedure for handling the over-indebtedness of natural persons or seeking information on such a mechanism, the secretariat services of which are provided by the Bank of France (article L331-1 of the Code de la consommation);
- wishing to exercise a right of access to the files managed by the Bank of France (the central database on cheques, the national database on irregular cheques and the national database on household credit repayment incidents);
- wishing to make use of the “right to a bank account” procedure, implementation of which is the responsibility of the Bank of France;
- interested in general questions relating, in the main, to banking practices and operations.

Another of the Bank of France’s objectives, which it has had for several years, is to enhance people’s understanding of economic issues. It makes its publications and audiovisual material on monetary policy or the euro widely available to secondary school professors of economics. Being deliberately educational, these products are also accessible to the general public.

With its objective being price stability and one of its missions being financial stability, the Bank of France knows, as do all central banks, that the policies put in place are more effective when economic players appreciate what is involved. More generally, improving the public’s information about economic issues is also part and parcel of a central bank’s duty of transparency, while making that information accessible to as many people as possible is part of its responsibility to society.

With its wealth of expertise in communication and financial information, the Bank of France stepped up its measures in favour of economic and financial education for the benefit of teachers, school students and the general public in 2012.

The Bank of France has designed teaching material aimed at the general public and regularly organises workshops and conferences for different school audiences (middle school and secondary school students, advanced vocational training certificate –BTS), and also for groups of older people or for French or foreign universities. For this it uses suitably adapted brochures, multiple-choice questionnaires and video programmes. Bank of France professionals give concrete and interactive presentations on the big economic issues and on the Bank’s main economic and financial missions, making them accessible to the public. Almost 2 000 visitors have attended these events. Most of these events have been held in the reception area of the Bank in Paris and have been very much appreciated by participants.

Where BTS students are concerned, the workshops seek to tackle topics linked to school programmes in an entertaining way: personal loans and over-indebtedness, the euro and the Eurosystem’s monetary policy.

Numerous schemes have also been organised throughout the network, with provision being made for some 500 middle-school students and the involvement of tutors or training instructors in the regions accompanying students with apprenticeship and professional training contracts.

The Bank of France has signed and implemented academic partnership agreements.

The said agreements involve providing for and supporting young people from disadvantaged areas. This commitment resulted in:

- methodological support sessions for students in the last two years of school;
- the renewal of the patronage provided by volunteer staff on behalf of these same students;
- the presentation of economic topics and/or Bank missions in the form of teaching workshops;
- the participation of Bank professionals in juries providing preparation for the oral tests that high school pupils or students have to take;
- taking BTS students from partner establishments on work and training courses.

Given the success of this partnership, a new partnership agreement on youth training was negotiated with the *Rectorat* (school board administration) and signed on 20 June 2012 between the Bank of France and the Educational authorities responsible for the Paris region. This new academic agreement is an illustration of the Bank's commitment with respect to corporate social responsibility, especially as regards:

- strengthening economic and financial education,
- contributing to equality of opportunity and promoting diversity,
- developing civic responsibility schemes which promote the integration of young people in working life.

### ***Cité de l'Économie et de la Monnaie (City of Economy and Money)***

To ensure the longevity of these measures, the Bank of France has launched an educational project that is both ambitious and socially aware. It involves the creation of a place that is dedicated entirely to the teaching of economics, money and finance: the *Cité de l'Économie et de la Monnaie* (CEM). The CEM's permanent exhibition area will cover 2400 m<sup>2</sup>.

Aimed first and foremost at the general public, and especially young people, the CEM will set out to explain economic, monetary and financial mechanisms by means, primarily, of interactive and recreational presentations. Approximately 100 000 visitors are expected every year, of which nearly half will be made up of groups and schoolchildren.

To house the CEM, a modern, lively and collaborative workspace is to be created in a unique historic monument which was for a long time a branch of the *Bank of France*: the *Hôtel Gaillard* in Paris. The project was launched by means of an architectural/museology competition held in 2010. The CEM is expected to open in the second half of 2015.

The Bank of France is financing the project in its entirety and its strong involvement in both its implementation and, at a later stage, its management, is a guarantee both of the project's essential scientific rigour and of the necessary impartiality of the content available to visitors. That said, the project has, from the outset, been designed and carried out with the full collaboration of numerous bodies from outside the bank:

- The CEM's Science Council brings together experts from a number of different fields<sup>8</sup>. One of the project's main thrusts is scientific neutrality: the objective will not be to force home a

single vision of the economy but, whenever possible, to address issues and ideas discussed by economists and in society.

- The Bank of France is already working closely with the major players in the field of economics teaching in France. The Ministry of Education has, for example, appointed a number of professors to take part in drawing up the content of the future CEM.
- A long-term co-operation agreement has been signed with Universcience - the *Cité des sciences et de l'industrie de Paris* (City of Sciences and of Industry, one of the main popular science museums in Europe). The two partners will be working together to organise joint exhibitions aimed at furthering the way the general public – and young people in particular - understand the economy.
- An agreement has also been signed with the *Institut pour l'éducation financière du public* (IEFP) (see also below), the main objective being to work together on educational tools and measures relating to personal finance.
- Agreements signed with the *Bibliothèque Nationale de France* (French National Library) and the *Monnaie de Paris* (Paris Mint) provide for the loan to the CEM of numismatic collector items. The said items, which will supplement those from the Bank of France collection, will help to lead various sections of the public towards notions of saving.
- Internationally, as a member of the Eurosystem, the Bank of France networks with numerous European Union central bank museums. It has entered into a partnership agreement with one of the most recent economic and monetary museums, the *Museo Interactivo de Economía* (Interactive Museum of the Economy, MIDE), set up by the Central Bank of Mexico, and also with several of the American Federal Reserve's central bank museums.

The CEM will have its own internet site which is intended to be a genuine economics teaching portal: professors and other visitors will be able to prepare their visit and then take it further. Internet surfers will have the opportunity to discover a number of educational activities and the general public will benefit from links to partners and other players involved in the teaching of economics.

By going into [www.citedeleconomie.fr](http://www.citedeleconomie.fr), it is already possible to see how the project is progressing and to look at a great many educational resources including: video games, bibliographies, teacher files, parts of collections. Also, as part of the above-mentioned partnership agreement with the *Cité des sciences*, a major temporary exhibition (1000 m<sup>2</sup>) has just opened at the *Cité des sciences* (“*L'économie: krach, boom, mue?*” up until 5 January 2014<sup>9</sup>) in partnership with the Bank of France and the *Cité de l'Économie et de la Monnaie* project.

### ***The supervisory authorities***

The *Autorité de contrôle prudentiel* (prudential supervisory authority, ACP), the *Autorité des marchés financiers* (financial markets authority, AMF) and the Bank of France together launched, on 18 December 2012, a new version of their shared site *Assurance Banque Épargne Info Service* ([www.abe-infoservice.fr](http://www.abe-infoservice.fr)) with the object of providing the general public with a more modern and user-friendly way of accessing information on insurance, banking, credit and savings questions.

The first version of the site became operational in 2010, when the first ACP-AMF hub was set up, and redirected surfers towards the information on the Internet sites of the three partner institutions. In 2012, the ACP, the AMF and the Bank of France decided to adapt the site to meet the needs of the

general public and changed it into a genuinely consumer-oriented site. Using the teams from all three institutions, the graphics have been completely redesigned and the contents of the site altered and enhanced so as to better meet the expectations of both private individuals and independent professionals (very small enterprises, the self-employed, the professions). In addition, the complete redesign of the ABE IS site has made for better referencing, increased visibility and easier access to information on the web.

Thanks to its new and more intuitive ergonomics, the new site informs and guides the web surfers by giving them concrete information and practical advice on procedures and contractual relations in the following areas:

- insurance contracts (home, car, life, health, etc.);
- bank accounts, means of payment, credit and regulated interest rate passbook accounts (livret A, PEL...);
- stock market investments and collective savings products (OPCVM, French acronym for Undertakings for Collective Investment in Transferable Securities, and others), listed companies, the functioning of the financial markets, etc.

Under the different headings, the public can also find:

- practical advice and information on the various authorised products (insurance, bank accounts, collective savings products ...);
- information on authorised financial services providers;
- warnings about the cases of misconduct by certain establishments and companies;
- access to forms for passing on information that clients might wish to bring to the attention of the competent bodies (ACP or AMF). In addition, the site channels requests towards the appropriate authorities, in particular the mediators.

### ***The Comité consultatif du secteur financier (CCSF)***

The task of the *Comité consultatif du secteur financier* (financial sector advisory committee, CCSF) is to examine questions concerning the relations between credit institutions, investment companies and insurance undertakings on the one hand, and their respective clients on the other, and to suggest whatever measures may be appropriate in this area (Article L. 614-1 of the *Code monétaire et financier* (monetary and financial code). The CCSF ensures that all stakeholders are represented: credit institutions, investment companies, insurance undertakings, general agents and insurance brokers, family and consumer associations, associations combating exclusion, etc.

Since its creation in 2004, the CCSF has looked in great detail at the challenges presented by financial education. This is why it provides regular updates on the measures and trials conducted by various public or private bodies in order to provide the public with financial information. The bodies in question were asked to give the CCSF details of their targets and means of action: the *Codice* (Council for the Diffusion of Economic Culture) in 2006, the IEFP in 2006 and 2009, the Bank of France in 2009, the FBF and the FFSA in 2010.

The CCSF has also been behind the production of information leaflets on the questions that need to be asked before subscribing for a savings, life insurance or pension product (2006), on payment by direct debit (2008) and, more recently, the preparation of three glossaries on the main terms used in connection with everyday banking transactions, insurance and savings and financial investments (2010).

More recently, the CCSF was asked by the government to set up a working party to “promote financial education and an understanding of banking instruments nationwide so as to provide everyone with the minimum amount of knowledge needed to make proper use of a bank account, means of payment and credit.” (Multi-year plan against poverty and in support of social inclusion, January 2013).

### ***The Agence française de développement (French Development Agency, AFD)***

The AFD has introduced specific measures in favour of migrants, these relating to the question of sending money abroad.

At the request of the *Comité interministériel pour la coopération internationale et le développement* (Interministerial Committee for International Co-operation and Development, CICID), meeting on 18 June 2006, the AFD set up in November 2007 the *Observatoire des coûts d’envoi d’argent à l’étranger* (Observatory on the cost of transferring money abroad) via the following Internet site [www.envoidargent.org](http://www.envoidargent.org) or [www.envoidargent.fr](http://www.envoidargent.fr). The main aim of the website is to encourage cost transparency and a better understanding of transfer arrangements. The site has just received certification from the World Bank.

This instrument is aimed mainly at diaspora members who regularly send money to their families still in the country of origin. It allows them to compare the cost of sending money to 26 different countries, and also to estimate the delays in the services provided by transfer establishments, depending on the nature and details of the said transfers.

The site [www.envoidargent.fr](http://www.envoidargent.fr) has evolved since 2008 so that it is now a genuine instrument with which to inform migrants and increase their awareness. Apart from the cost of remittances, the website provides Internet surfers with comprehensive information on what the financial institutions (banks, transfer operators, other authorised establishments) offer diaspora members in terms of financial and savings products and investment financing, and also on measures taken by the State, NGOs, territorial authorities, foundations etc. The site has some 300 000 visitors per year.

### ***The Institut pour l’éducation financière du public (IEFP)***

The IEFP is an independent public interest association set up in 2006. The bulk of its backing comes from the *Autorité des Marchés Financiers*, the *Fédération bancaire française* (French Banking Federation), the Bank of France and the Ministry of Education (the IEFP is approved by the Ministry).

Its governing board brings together private and public players from very different fields: saver or consumer associations, journalists, representatives of financial institutions, the Ministry of Education, universities and trade unions.

Its Internet site [www.lafinancepourtous.com](http://www.lafinancepourtous.com) showcases what it offers the general public. The educational site on money and finance is reliable, practical and lively, boasting numerous interactive tools; it also contains a deciphering corner where everyone can find the keys to a better understanding of their financial environment and the financial dimension of news about the economy.

Having first identified four target groups among the public (young people attending school, consumers of financial products and services, those working in business and vulnerable people), the IEFP has moved forward in these four directions.

The IEFP, which now enjoys the support and approval of the Ministry of Education, is developing educational modules that can be accessed free of charge on its web site, and organises conferences and competitions in the classroom.

Thanks to its dynamic editorial policy, the IEFP has signed publishing partnerships with a number of banking networks which have commissioned some very accessible booklets that have been widely distributed, mini training sessions in their branches and educational material for their web sites.

The IEFP also offers in-firm training (on the budget or saving)

Where vulnerable people are concerned, it has designed an educational guide to help social workers and runs training courses for managers of consumer associations.

### ***The Agence nouvelle des solidarités actives (New Agency for Active Solidarity)***

The *Agence nouvelle des solidarités actives (ANSA)* is a not-for-profit association set up in January 2006. Its object is to implement local-level, experimental and innovative schemes to combat poverty and exclusion, in collaboration with the public authorities, associations and businesses.

In 2011, the ANSA launched a social experiment in the financial education field. The scheme, which lasts for two years, involves giving training modules to 200 young people in occupational training and then comparing how their behaviour alters by comparison with that of 200 other young people who did not have the modules. An independent assessment of the experiment will be carried out by the *Centre de recherché pour l'étude et l'observation des conditions de vie* (Research Centre for the study and observation of living conditions, Crédoc).

The said experiment is part of the European project on "Social innovation and mutual learning on Micro-Saving in Europe" which brings together four structures in Belgium, the United Kingdom, Hungary and France and was selected by the European Commission in the framework of the Progress programme's call for proposals (VP/2010/007). This call for proposals is part of the European Union's strategy for 2020, which is strongly slanted towards promoting social innovation as a new response to social needs.

The experiment involves all the stakeholders (almost 26 associative partners, banking and institutional establishments, etc.<sup>10</sup>).

### ***The Fédération Bancaire Française (French Banking Federation)***

In addition to the numerous schemes run by credit institutions individually, the *Fédération Bancaire Française* (FBF) plays an important role where financial education is concerned in France.

The FBF's main educational programme *Les clés de la banque* (The keys of the bank), has now been running for 10 years and attracts a wide audience which is growing by some 10% every year.

It is based on a triptych made up of:

- An Internet portal [www.lesclesdelabanque.com](http://www.lesclesdelabanque.com), which gives access to 3 sites aimed, respectively, at private individuals, entrepreneurs and social actors (a total of 2 million visits to the Internet portal in 2011, of which 1,6 million concerned the private individuals site, 400.000 the entrepreneurs site and 50.000 the social actors site).
- Documents available in electronic or paper form, which are made available to the general public and the social actors free of charge and which contain, in particular, a collection of 60 mini-guides and 50 standard letters (one million mini-guides distributed in 2011, including both the paper versions and those downloaded from the site). The mini-guides, which are particularly useful to vulnerable sectors of the population (the FICP, the AERAS agreement, 10 tips on managing one's account, over-indebtedness, micro-credit, the right to an account, managing one's debts, how to settle a dispute with one's bank, seizure and an account balance privileged from seizure).
- A centre for processing requests received by post, e-mail or telephone which informs and guides consumers (4 000 contacts handled in 2011).

With respect, more especially, to the [lesclesdelabanque.com](http://www.lesclesdelabanque.com) Internet portal, modernisation work was carried out during 2012, with all parts of the site made more accessible so that web surfers with a handicap – visual in particular – and also those with reading difficulties are able to consult (and listen to) all the media available. More than 1 500 pages were in fact rewritten, incorporating W3C accessibility standards.

The site, aimed at private individuals, deals with bank account, means of payment, savings and loans and also tackles, inter alia, over-indebtedness, management of the family budget, the AERAS agreement, the right to an account and many other issues. Using clear and simple language, it enables everyone to understand everyday banking and so make the right choices and head off difficulties as far ahead as possible.

The Entrepreneurs site is particularly suited to micro-entrepreneurs and, more generally, those seeking to set up, recover and manage their firm.

The Social Actors site has also been extensively modified to take better account of the needs expressed by social workers. It now uses an approach by major subject (the bank account, means of payment, the budget, micro-credit ...), in each case offering the full range of information, training and animation media. It must be remembered that this particular site is the only one of its type. Being designed to convey information to those who may be the best placed to pass it on to vulnerable members of the public, it is nowadays being used by social workers from a wide variety of structures.

The second of the FBF's educational programmes, *La banque, ma banque et moi* (The bank, my bank, and I), is conveyed by banking professionals to secondary school students, targeting 1400 students.

### ***The Association Finances et Pédagogie (Finance and Pedagogy)***

Set up in 1957 by the *Caisses d'Epargne* (Savings banks), *Finances & Pédagogie* is an association which sets out to enhance the general public's awareness and understanding of money matters.

As a recognised partner in the world of education and the social economy, *Finances & Pédagogie* also collaborates with public and private sector enterprises as a provider of training. The association sets up collective courses on money issues. They are divided up by subject and using a learning

approach based on support and prevention. It is aimed primarily at young people in education, those in receipt of measures put in place by the social economy and territorial authorities, and company employees via occupational training.

## NOTES

- 1 Report by the working party [http://www.social-sante.gouv.fr/IMG/pdf/Rapport\\_de\\_Monsieur\\_Francois\\_Soulage\\_-\\_acces\\_aux\\_services\\_bancaires\\_et\\_lutte\\_contre\\_le\\_surendettement.pdf](http://www.social-sante.gouv.fr/IMG/pdf/Rapport_de_Monsieur_Francois_Soulage_-_acces_aux_services_bancaires_et_lutte_contre_le_surendettement.pdf)
- 2 [http://www.gouvernement.fr/sites/default/files/dossier\\_de\\_presses/dp-pauvrete\\_0.pdf](http://www.gouvernement.fr/sites/default/files/dossier_de_presses/dp-pauvrete_0.pdf)
- 3 [http://www.banque-france.fr/fileadmin/user\\_upload/banque\\_de\\_france/publications/BDF190\\_12\\_Francais\\_et\\_economie.pdf](http://www.banque-france.fr/fileadmin/user_upload/banque_de_france/publications/BDF190_12_Francais_et_economie.pdf)
- 4 [http://www.credoc.fr/pdf/Sou/La\\_culture\\_financiere\\_des\\_Francais\\_2011.pdf](http://www.credoc.fr/pdf/Sou/La_culture_financiere_des_Francais_2011.pdf)
- 5 [http://media.education.gouv.fr/file/special\\_4/73/7/economie\\_gestion\\_143737.pdf](http://media.education.gouv.fr/file/special_4/73/7/economie_gestion_143737.pdf)
- 6 The content of the programmes was reviewed on the basis of the report given to the Ministry of Education in July 2008 by Roger Guesnerie, a professor at the Collège de France. His report advocated making greater use of the fundamentals and separating economics and sociology in the context of the SES.
- 7 [http://www.banque-france.fr/fileadmin/user\\_upload/banque\\_de\\_france/La\\_Banque\\_de\\_France/contrat-service-public-fevrier-2012.pdf](http://www.banque-france.fr/fileadmin/user_upload/banque_de_france/La_Banque_de_France/contrat-service-public-fevrier-2012.pdf)
- 8 See its members: [http://www.citedeconomie.fr/IMG/pdf/CEM-DossierPresse\\_VF.pdf](http://www.citedeconomie.fr/IMG/pdf/CEM-DossierPresse_VF.pdf)
- 9 <http://www.citedeconomie.fr/L-economie-Krach-boom-mue>
- 10 Main financial backers: the Direction générale de la cohésion sociale (Ministère des Solidarités et de la Cohésion sociale - DGCS) and the Finances et Pédagogie association.
  - Other financial partners: the Banque de France, the Fédération Bancaire Française, BNP Paribas and the Fondation Cetelem pour l'éducation budgétaire, the Confédération Nationale du Crédit Mutuel, the Crédit Coopératif, the Fédération Nationale des Caisses d'Épargne, HSBC, the Société Générale, the Banque Postale and the Crédit Municipal de Paris.
  - Institutional and associative partners: the Ministère de l'Éducation nationale, the Caisse des Dépôts, the Conseil Régional d'Ile de France, the representative chambers: Assemblée des Chambres Françaises de Commerce et d'Industrie (ACFCI) and Assemblée Permanente des Chambres de Métiers et de l'Artisanat (APCMA), the Fédération Nationale des associations Crésus, the Institut pour l'Éducation Financière du Public (IEFP), Secours Catholique.
  - Operational partners: the five CFA partners, throughout France, and the *Finances et Pédagogie* trainers.



## *Chapter 8*

### **India: a National Strategy for Financial Education Integrated in the Financial Inclusion Agenda**

This chapter is a submission of the government of India.  
It was prepared by the Reserve Bank of India (RBI), the Securities and Exchange Board of India (SEBI), the Insurance Regulatory and Development Authority (IRDA), the Pension Fund Regulatory and Development Authority (PFRDA) and the Forward Market Commission (FMC).

*“Financial literacy, and education, plays a crucial role in financial inclusion, inclusive growth and sustainable prosperity.”*

President of India, Shri Pranab Mukherjee

*“Financial literacy and financial inclusion are integral to each other and are important because they are integral to attacking poverty. They are two elements of an integral strategy; while financial inclusion provides access, financial literacy provides awareness”.*

Dr. D. Subbarao, Governor, Reserve Bank of India

*"Financial literacy has significant relevance for financial inclusion and consumer protection. Without financial literacy, we cannot expect to make major headway in either financial inclusion or consumer protection."*

Dr. K.C. Chakrabarty, Deputy Governor, Reserve Bank of India, and Vice-Chair of the OECD International Network on Financial Education

### **Definition, scope and purpose**

#### ***Status of the National Strategy for Financial Education***

A top-level institutional structure was created in India in 2011 as a Technical Group to focus exclusively on Financial Inclusion and Financial Literacy, under the aegis of the Financial Stability and Development Council (FSDC). The FSDC is chaired by the Ministry of Finance, with heads of all financial sector regulators as members. The Technical Group on Financial Inclusion and Financial Literacy is headed by the Deputy Governor of the Reserve Bank of India (RBI) and includes representatives from all financial sector regulatory authorities. This group co-ordinates the efforts of the financial sector regulators in the field of financial education. The draft National Strategy for Financial Education (NSFE) for India has been prepared under the guidance of this group in 2012-13.

The NSFE will be implemented in a time frame of five years. It will be implemented at different levels, first targeting the financially excluded population by providing basic financial education on fundamental tenets. At the second level, a sector-focused approach will target primarily financially included consumers. Four policy areas have been identified: banking, the securities market, insurance and retirement planning. At the third level, consumers will learn the features of various products available in the market.

The NSFE also plans to create a dedicated institutional structure whose main roles would be creating standard financial education material covering all identified policy areas, and developing and maintaining a website on finance, which will be a one-stop repository for all financial education activities. The standard financial literacy material will be made available in India's various regional languages to ensure a wide reach.

The strategy also calls for active involvement of individuals, financial sector regulators, educational institutions, NGOs, financial sector entities, multilateral international players and the government at both the central and state levels.

### ***Rationale for the National Strategy***

The first decade of the 21<sup>st</sup> century witnessed a universal recognition of the need to spread financial literacy. The concept of improving financial literacy as a national project has been expanding, and many countries are adopting a unified and co-ordinated strategy for financial education. India has a large financially excluded population, a fast-growing economy with a national focus on inclusive growth and an urgent need to develop a vibrant and stable financial system. These factors make it essential to quickly formulate and implement a national strategy for financial education. Also, since many stakeholders - including the central and state governments, financial regulators, financial institutions, civil society, educators and others - are involved in spreading financial literacy, a broad national strategy is necessary to ensure they work in tandem according to the strategy and not at cross-purposes. The NSFE will reap rich rewards, for example:

- a) *Financial education, inclusion and growth*: Financial education plays a pivotal role in making the demand side respond to the initiatives of supply-side interventions. Financial inclusion is one of the Indian government's top policy priorities. One of the most visible aspects of governance has been the agenda for social inclusion, of which financial inclusion is an integral part.
- b) *Knowledge and skills*: The increasing range and complexity of financial products has made it very difficult for an ordinary person to take informed decisions. Financial literacy develops confidence, knowledge and skills to manage financial products and services, giving individuals more control over their current and future financial well-being.
- c) *Freedom from exploitation*: Financial literacy helps protect society and individuals against exploitative schemes and exorbitant interest rates charged by moneylenders.
- d) *Avoidance of over-indebtedness*: Financial education will help consumers avoid over-indebtedness and make wise financial decisions.
- e) *The promotion of entrepreneurship*: Small entrepreneurs could benefit from financial education, which would improve their business sense and help them better understand financial products and markets, thereby improving their transactions.

- f) *Positive spill-over effects:* Financial education can have multiplier effects in the economy. A well-educated household will make regular savings, investing in appropriate channels and contributing to income generation. Individuals' financial well-being will in turn increase the welfare of society.
- g) *Shifting of pension responsibility from the state/corporations to individuals:* A financially educated person will be in a better position to assess his/her own requirements and put savings in appropriate schemes. This will reduce the strain on social programmes and pension plans, and foster a more resilient economy.
- h) *Behavioural change:* The proliferation of financial products has led to their indiscriminate use without people's realising their financial implications. "In fact, the recent global financial crisis has raised the question whether individuals' lack of financial knowledge led them to take out adjustable rate mortgages or incur credit card debt they could not afford." (Honourable Union Finance Minister, Shri Pranab Mukherjee). Thus, financial education can become an agent for behavioural change.
- i) *Deeper participation in the financial markets:* In India, savers need to be converted into investors. Greater participation by domestic retail investors in the securities market will yield dividends by increasing the depth of the securities market, reducing the dependence on foreign investors. Domestic savers will reap the benefits of corporate growth and reduce the strain on the government Treasury for investment in national infrastructure.

### ***Scope of the NSFE***

In India a majority of the population is financially excluded, coexisting with the financially included who invest in the capital markets and use sophisticated financial products. This situation calls for a tiered approach under the national strategy: to spread awareness about basic products in order to link new users to the formal financial sector, to educate existing users of financial products and services to make informed choices and to ensure consumer protection for all the users. Based on this trilogy of needs, the key components of the national strategy could be seen as a continuum of financial literacy, financial education and consumer protection.

The strategy envisages ways of creating awareness and educating consumers about access to financial services, the various types of products and their features; expanding skills to translate knowledge into responsible financial behaviour; and teaching consumers of financial services about their rights and obligations.

The strategy aims to establish initial contact with 500 million adults, teaching them about key savings, protection and investment-related products so that they are empowered to take prudent financial decisions. It also seeks to raise awareness of the available consumer-protection and grievances-redressal mechanisms. These measures will be undertaken by various stakeholders including NGOs and civil society through all available mass communication channels. The strategy envisages the active involvement of individuals, financial sector regulators, educational institutions, NGOs, financial sector entities, multilateral international players and the government at both the central and state levels.

### ***Definition of financial education***

The main components of financial education are understanding the key financial products one may need throughout one's life; understanding basic financial concepts; developing skills and

confidence to be aware of financial risks and opportunities and to benefit from them; making sound financial choices about saving, spending, insurance, investing; and managing debt throughout one's life.

## **Preparation**

### ***Assessment of main needs and policy priorities***

One reason for the large-scale financial exclusion in India is a lack of mass education about the products and services that formal financial institutions offer. Although the needs of the financially illiterate and excluded may be different from those of other countries where large sections of populations are financially included, a cursory look at the available international literature shows that the basic issues in financial education for those already included are not different in most countries. Thus an international study indicates the broad directions that India should take.

India has prepared its national strategy while simultaneously undertaking a review of international initiatives because it is starting its efforts after some other countries and thus can benefit from their experience. A preliminary look clearly shows the direction in which the country should proceed. Even in developed countries, the state of financial inclusion is far from satisfactory, financial knowledge quite limited and attitudes can be cavalier or too risk-averse.

Furthermore, extensive anecdotal material is available through the work carried out by, on the one hand, regulators such as the Reserve Bank of India, the Securities Exchange Board of India, the Insurance Regulatory and Development Authority, the Pension Fund Regulatory and Development Authority, Forward Markets Commission etc. and by NGOs and microfinance institutions on the other hand. For determining India's initial approach, these data banks are considered sufficient.

An outside agency will conduct a nationwide survey to assess the state of financial inclusion and financial literacy. Incremental progress can be assessed through reporting by market players to regulators. Indeed, an effort in this regard is underway across regulators through a sub-committee of the FSDC Technical Group.

### ***Stakeholders involved in financial education; initiatives and resources***

Indian financial sector regulators have taken various initiatives in financial literacy, some of which are listed below.

The Reserve Bank of India (RBI) has undertaken a project entitled "Project Financial Literacy" whose objective is to disseminate general banking concepts to target groups including schools and university students, women, the rural and urban poor, defence personnel and senior citizens. The project takes a multi-pronged approach and is implemented in two modules, one focusing on the economy, RBI and its activities and the other on general banking. The materials are distributed to English and other languages to the target audience with the help of banks, local governments, schools and universities through presentations, pamphlets, brochures, films and RBI's website.

Banks in India have been instructed to open Financial Literacy Centres (FLCs) to promote financial literacy on a mass scale via both indoor and outdoor activities. They are to conduct at least one outdoor financial literacy camp a month. In order to ensure consistency in the messages reaching excluded people during these camps, the RBI has prepared materials consisting of a Financial Literacy Guide, a Financial Diary and a set of 16 posters, to be used as the standard curriculum on financial products and services. Operational guidelines are also issued, which delineate how the camps should

be conducted so as to synchronise them with financial access, thus linking the financially excluded with the banking system. At the end of 2012, there were 658 FLCs operating throughout the country, which educated about 1.5 million people during the year.

The Securities Exchange Board of India (SEBI) has undertaken a nationwide financial education campaign covering target audiences, such as school students, university students, middle-income earners, executives, homemakers, retired personnel and self-help groups. For this purpose, SEBI has sent Resource Persons throughout India, who are trained on various aspects of finance and know about the financial markets. These SEBI-certified Resource Persons organise workshops for the target audiences on, for example, savings, investment, financial planning, banking, insurance and retirement planning. More than 7,200 workshops have been conducted in various states covering around 360,000 participants. SEBI also conducts investor education programmes across the country through investor associations, as well as regional seminars through stakeholders such as stock exchanges, depositories, mutual funds associations and merchant bankers' associations. The Board has a dedicated website for investor education, where study materials are available on financial markets and products and with a Frequently Asked Questions (FAQ) section. SEBI also publishes study materials in English and vernacular languages. Under the Visit SEBI programme, school and university students are encouraged to visit SEBI to understand its functioning. The Board has a SEBI Helpline in 14 languages: through a toll free number, investors can access information for redressal of their grievances and seek guidance on various issues. SEBI has also launched media campaign on multiple subjects.

Initiatives by the Insurance Regulatory and Development Authority (IRDA) in financial literacy include awareness programmes in the form of simple messages about the rights and duties of policyholders, channels available for dispute redressal, and more, which are disseminated through television, radio and the print media in various Indian languages. The IRDA has also published "Policyholder Handbooks" and even a comic-book series on insurance. It also conducts an annual seminar on policyholder protection and welfare, and sponsors seminars on insurance by consumer bodies. The Board conducted a nationwide survey on insurance knowledge levels with a view to improving its public awareness strategy.

Initiatives by the Pension Fund Regulatory and Development Authority (PFRDA) include pension-related topics, including an FAQ section on its website. NGOs have also been helped in taking pension services to the disadvantaged. Intermediaries known as aggregators have been appointed, who are directly responsible for pension awareness. Radio, television and the print media have also been used

### ***Consultation process***

The National Strategy has been prepared by a committee representing all of the country's financial regulators, and the draft strategy document was placed on the regulators' websites for wider public comments. The suggestions received have been incorporated into the national strategy. The document was also subjected to an international peer review through the OECD/International Network for Financial Education membership and Secretariat.

### ***Mass communication campaigns on launching the National Strategy***

*The strategy proposes to use various channels, depending upon the target group. Financial literacy efforts, to be launched across country, are expected to raise awareness of day-to-day finance through simple messages (see Box 8.1).*

### **Box 8.1 Main financial literacy messages in the Indian strategy**

- Why save?
- Why invest?
- Why insure?
- Why financial planning?
- Why will you need a regular stream of income post-working life – why pensions?
- Why save or invest regularly and consistently?
- Why insure fully?
- Why save with banks?
- Why borrow within limits?
- Why borrow from banks?
- What is the difference between saving and investment?
- Why borrow for income-generating purposes?
- Why repay loans?
- Why repay loans on time?
- Why do you need insurance?
- What is interest? How do moneylenders charge very high interest rates?
- Why and how can you evaluate the various products available?
- What are the dos and don'ts of investment?
- What are investors' rights and responsibilities?
- What mechanisms are available to redress grievances?

## **Governance mechanisms and the role of stakeholders**

### ***Governance mechanisms***

The institutional mechanism for implementing the policy will be through the Technical Group of the Sub-Committee of the Financial Stability Development Council (FSDC) on Financial Inclusion and Financial Literacy. This group shall be responsible for the overall supervision, periodic monitoring and implementation of the NSFE.

A national-level institute named the National Centre for Financial Education (NCFE) will be established as a specialised institute, which will report to the Technical Group. Representatives of the relevant regulators shall be members of the NCFE. All regulators shall provide funds and staff for the NSFE implementation. A Core Committee will be constituted for focused and regular interaction with all stakeholders, for faster implementation of the NSFE.

This committee will approve projects to be implemented by the NCFE and will consist of one senior officer from participating regulators, who will work under the guidance and direction of the Technical Group. A Project Implementation Team comprising one middle-level officer from every major stakeholder organisation will be set up and will work with the NCFE Project Team in providing, developing and finalising content related to their functional domain. The NCFE Project Team will be responsible for research, content development, website design, implementation and management.

## ***Role and responsibilities of the main stakeholders***

### ***Regulators***

Regulators will help the NCFE design content of the Basic Financial Literacy programmes, help NCFE in domain expertise by way of seconding experts for short durations and act as interlocutor and facilitator between NCFE and the regulated entities. They will use their resources to promulgate financial education, both basic financial literacy and sector-specific financial education, through various channels.

They will also create a Financial Education Cell or Department to set forth the content of the sector-specific education, which will be the source material both for NCFE and the commercial financial institutions. In areas where there is no active industry association, the regulators will develop the financial education content. They will also create clear guidelines for product development by commercial financial institutions and set the parameters for product education.

### ***Commercial financial institutions***

The role of commercial institutions is to understand that their most important contribution to financial education is through professional-level product education that will allow the consumer to make informed choices; part of the institutions' corporate social responsibility is to help industry associations spread both basic financial literacy and sector-specific financial education, based on the content developed by NCFE and sectoral regulator, respectively. They regularly report on their education activities to NCFE in prescribed formats.

### ***Self-help and other groups***

These groups may participate in financial education, basic and sector-specific, based on the content developed by NCFE and the sectoral regulator. They may regularly report on their education activities to NCFE in prescribed formats.

### ***Industry associations***

These associations develop sector-specific content within the framework defined by the sectoral regulator. The content is freely shared through a website. The associations use their resources to spread financial education, both basic and sector-specific, through various channels of their own accord and through the good offices of their members based on the content developed by NCFE. They regularly report on their education activities to NCFE in prescribed formats.

### ***Other authorities***

Other authorities such as education authorities, and agricultural and health extension services, may participate and extend their infrastructure for financial education. Their efforts are based on content developed by NCFE or the sectoral regulator.

## **Roadmap**

### ***Vision***

The vision of the National Strategy is to provide financial education to all Indians so that individuals, at their level of need, will understand the role of money in their life, the need and use of

savings, the advantages of using the formal financial sector, various ways to convert their savings into investments, protection through insurance and a realistic recognition of the attributes of these options.

### ***Mission***

The specific mission is to undertake a massive financial education campaign in order to help people manage money more effectively and achieve financial well-being by accessing appropriate financial products and services, through regulated entities with fair and transparent mechanisms for consumer protection and redressal of grievances. This will be accomplished through financial education throughout the life cycle of an individual, starting at the school level, to ensure financial inclusion.

The mission is to conduct a financial education campaign across the country for all sections of the population, along with awareness campaigns at different levels for existing and potential customers so as to improve their knowledge, understanding, skills and competence in managing money effectively; this will improve their financial status by helping them take informed decisions and will be accomplished through financial education throughout the life cycle.

### ***National Strategy goals***

The goals of the national strategy are to create awareness and educate consumers on access to financial services, the availability of various types of products and their features, as well as to translate knowledge into behaviour and to teach consumers their rights and responsibilities as users of financial products and services.

### ***Main policy priorities***

Financial education plays a vital role in making the demand side respond to the initiatives of supply-side interventions. Financial inclusion is one of the government's top policy priorities. One of the most visible aspects of governance has been the agenda of social inclusion, of which financial inclusion is an integral part.

### ***Timeline for implementation and evaluation***

The implementation of the strategy will have a time frame of five years. An action plan will be employed, as follows:

- a) Set up the structure as envisaged in the national strategy document.
- b) Establish initial contact with 500 million adults, educating them on key savings, protection and investment-related products so they are empowered to take prudent financial decisions.
- c) Incorporate basic financial education into school curricula up to the senior secondary level.
- d) Create awareness about the available consumer-protection and grievances-redressal mechanisms.
- e) Deliver financial education through trained persons in a format suitable to each target group, with content that has been developed by rigorous research.

- f) Undertake all of these measures through various stakeholders including NGOs and civil society and by using all mass communication channels.

### ***Resources available to implement the National Strategy***

The NCFE's annual Action Plan will be approved by the Technical Group of the Sub-Committee of the Financial Stability Development Council on Financial Inclusion and Financial Literacy. The Technical Group/Core Committee will provide the broad guidance/technical input for the NCFE's functioning.

All financial services regulators will advance funds to establish the NCFE and initiate its activities. The NCFE-related budgets will be approved by the Technical Group of the FSDC, which will oversee the organisation's functioning.

### ***Implementation***

Financial education will be imparted to target audiences, as listed below.

***School curriculum:*** Financial education is a vital life skill. Therefore, the educational system should equip students with these necessary life skills. For girls in particular, the school years could be the last opportunity for financial education. Thus the training should begin early and be integrated with the existing school curriculum. For example, arithmetic already has elements of financial education such as percentages, interest, compounding, discounting etc.; these elements should be presented in a modern setting that students and teachers can identify with. Similarly, moral-science courses could have content based on day-to-day financial transactions.

***Social marketing:*** Social marketing initiatives will use dedicated financial education websites, the print media, radio and television, social networking websites like *Facebook* and *Twitter*, books and magazines in cartoon format for young people.

***Human resources:*** The engagement of Resource Persons across the country for various target groups will be scaled up significantly in conducting financial literacy courses for large sections of the poor across country through rural branches and the offices of banks' lead district managers.

***Self-help and other groups:*** Since self-help groups are involved in the process of financial inclusion, they are a good medium for imparting financial literacy.

***Microfinance institutions:*** Many MFIs are running successful financial education programmes for their borrowers. These need to be dovetailed into the overall strategy for people in all areas.

***Help-lines:*** As a measure of customer service, financial sector regulators propose multilingual, toll-free help-lines whereby an investor/customer/client can get friendly assistance, support and guidance in case of difficulties.

***Other channels:*** Other established channels that will convey financial education messages are associations of consumers, investors, policyholders, depositors and any other entity engaged in financial education.

### ***Particular approaches to implementation***

The components of the national strategy are Basic Financial Education, Sector-focused Financial Education and Product Education. The basic education consists of the fundamental tenets of financial well-being, such as the importance and advantages of savings; the need to avoid unproductive loans that are beyond one's capacity to repay; borrowing within the formal financial sector; interest and the power of compounding' the time value of money; inflation; the need to insure; the role of major financial institutions such as ministries, regulators, banks, stock exchanges and insurance companies; and the relationship between risks and rewards.

The delivery modes can differ depending upon the learner. Children can best be reached through school curricula, employees can be reached through employers, homemakers through NGOs and so on. The content and method of presentation must also be tailored to the target groups. Many financially excluded rural people will have to be reached through the network of banks' rural branches and lead district managers of lead banks. It is important that the content be sector-neutral for general lessons in prudent financial behaviour.

Sector-Focused Financial Education is to be targeted largely to already financially included actual consumers. To begin with, four sectors have been identified: banking, the securities market, insurance and retirement planning. Sector-focused financial education must be product-neutral. This can be achieved by carefully designing the content. The risk of mis-selling and steps to ensure understanding of appropriate and suitable products and services is also relevant to sector-focused financial education.

Finally, when a consumer is buying a product, it is necessary that s/he be educated about the particular product being sold. Product education has to be neutral on the available options within that product range. In view of this, the best teacher would be the respective industry association. The more important part of product education lies with the source of the product: banks, insurance companies, mutual funds, stock exchanges, pension funds, commodity exchanges, and the like can take responsibility for educating buyers about the appropriateness of a product, its performance under various scenarios, and charge structure. Product education should be delivered primarily at the point of sale.

The role of the respective regulators will be to ensure that the product manufacturers give product education in general and at the point of sale in particular. Further, the regulators will have to ensure that the product education is comprehensive while being simple and accurate.

**Financial education for the illiterate:** Illiterate people are in the direst need. Being able to read is not necessary to become financially literate, as money has its own language; even illiterates understand the importance, value and uses of money. So that the illiterate will not pass under the radar, the traditional curriculum, methodology and delivery channels must be expanded and be innovative. Again, simple messages of financial prudence should be imparted, such as the importance of savings, borrowing within limits and using formal financial intermediaries. Adult education methods like role playing, charts, informal discussions, games, and audio-visual modes of communication would be ideal for this group.

**Financial education for the differently abled:** The differently abled account for nearly 10 percent of the Indian population, or approximately 100 million people. They are possibly the most marginalised section of society with respect to both access to, and information on, financial products. Hence, it is very important to recognise their right to financial education and devise a customised strategy for its content, delivery channels etc.

To conclude, the national strategy on financial education seeks to teach responsible attitudes, develop financial skills and the ability to properly assess risk in a transaction, build confidence to take wise decisions and create awareness of the available grievance-redressal mechanisms.

## *Chapter 9*

# **Indonesia: a National Strategy for Financial Education as a Pillar of Financial Inclusion**

This chapter is a submission of the Government of Indonesia.  
It was prepared by Bank Indonesia.

## Definition, scope and purpose

Banks play a vital role in the economy, especially in relation with the public as intermediary institutions and the front line of the payment system. In practice, such role of the banks is still hindered with problems, especially at the operational level. A reason for such is the inadequate knowledge and understanding of the public in banking. Indonesia's banking industry lacks an adequate, comprehensive, integrated and properly planned education programme to build public understanding of finance and banking in particular. The education of the public has become a pressing need and the financial institutions most frequently used by the public are banks. Therefore the current focus on public education is on the banking sector.

As an effort to overcome the need for public education, the Indonesian Banking Architecture (API) was launched on January 9<sup>th</sup>, 2004. It serves as a platform in the implementation of public education. In one of the pillars of the API, the actions for upholding for rights and responsibilities of banks and their customers is set out in the main programme of pillar 6, namely Improved protection and empowerment of consumers. In which it provides a platform for public education. The programme is divided into four priority areas (1) development of a customer complaints mechanism at banks; (2) establishment of a mediation agency; (3) development of transparency standards for bank product information; and (4) customer education.

With banks operating as business entities offering products and services to customer, public education in banking is vitally important in placing bank customers on an equal stand with banks regarding their rights and responsibilities in using banking services. The education is in essence the provision of knowledge and information for the public on banking functions and business and on the products and services offered by banks. In this regard, education is expected to facilitate adequate provision of information to the public. This education must therefore involve in depth planning and the participation of relevant stakeholders in the banking industry.

## Preparation

In 2006 Bank Indonesia started the financial literacy survey which was aimed to observe the level of literacy of Indonesia's general public. This survey was conducted to identify:

- a) The customer's knowledge and understanding of financial education, ranging from the value of money to the products and services of banks.
- b) The customer's level of trust towards products and services provided by banks, which covers the reasoning to become or not to become a bank customer, and the bank's efforts to make people willing to be bank customers.
- c) The customer's behaviours, ranging from the media used by the customers to seek information, and the factors affecting their decision to be a bank customer.
- d) Bank's perceptions toward its customer's knowledge of financial products.

From this survey, Bank Indonesia was able to identify potential gaps and the need to have nationwide financial education coordination. To accommodate such need, Bank Indonesia established a Working Group on public education in banking. The Working Group consists of representations from Bank Indonesia, banks (commercial banks, rural banks, Islamic banks) and bank associations.

During their course of work, the Working Group together with Bank Indonesia has developed the Blue Print for Public Education in Banking in 2007. This blue print contains a description regarding the vision, objectives, the education methods used, and the strategy to be implemented in medium and long-term basis for the financial education.

To create people's awareness regarding financial education, a national campaign is required to draw people's attention, thus it should start with a mass campaign. In 2008, following the release of the Blue Print on the Public Education in Banking, Bank Indonesia and the banking industry started the national campaign on financial education and proclaimed the year as the banking year.

The theme for the 2008 national campaign is "let's go to the bank". The national campaign was launched by the first lady of the Republic of Indonesia with the attendee of representations from Bank Indonesia and the banking industry. In 2009, Bank Indonesia also launched the "Whatever the product, remember 3Ps: Ensure Benefits, Understand the risk, Consider Costs" national campaign.

In 2010, to maintain the sound of the previous campaigns, the Working Group designed a national campaign to promote savings. The campaign is called "Tabunganku". Tabunganku is a savings product that was launched to meet the public's need in banking. Tabunganku also triggers banks to conduct financial education, by a closer approach to its potential customer.

As students are part of the targeted customer, financial education was conducted by visiting schools. During the visits, mini bank simulations were performed along with the installation of promotional posters. An icon was created to leave an attached feeling of the customers, so that they would remember the message conveyed by the campaign. All the contents in the national campaign, were carefully examined to make sure that the financial information contained is easy to understand and also easy to be implemented in daily lives.

### **Governance mechanisms**

The governance mechanism is a system which consists of Bank Indonesia and the Working Group on public education in banking. Bank Indonesia as leader of the national campaign continuously strive to further collaborate with potential stakeholders to enlarge the outreach of financial education. Banks actively participate in this campaign by including financial education as part of its commitments.

In the conduct of Bank Indonesia's role as the leader, Bank Indonesia periodically holds meetings with the Working Group to formulate the communication strategies in implementing financial education for financial literacy for the public. In the meetings, Bank Indonesia receives report and input from the Working Group. The information received by Bank Indonesia in the meetings then will be followed up with the arrangement of a policy to increase the public's financial inclusion, in particular for financial literacy.

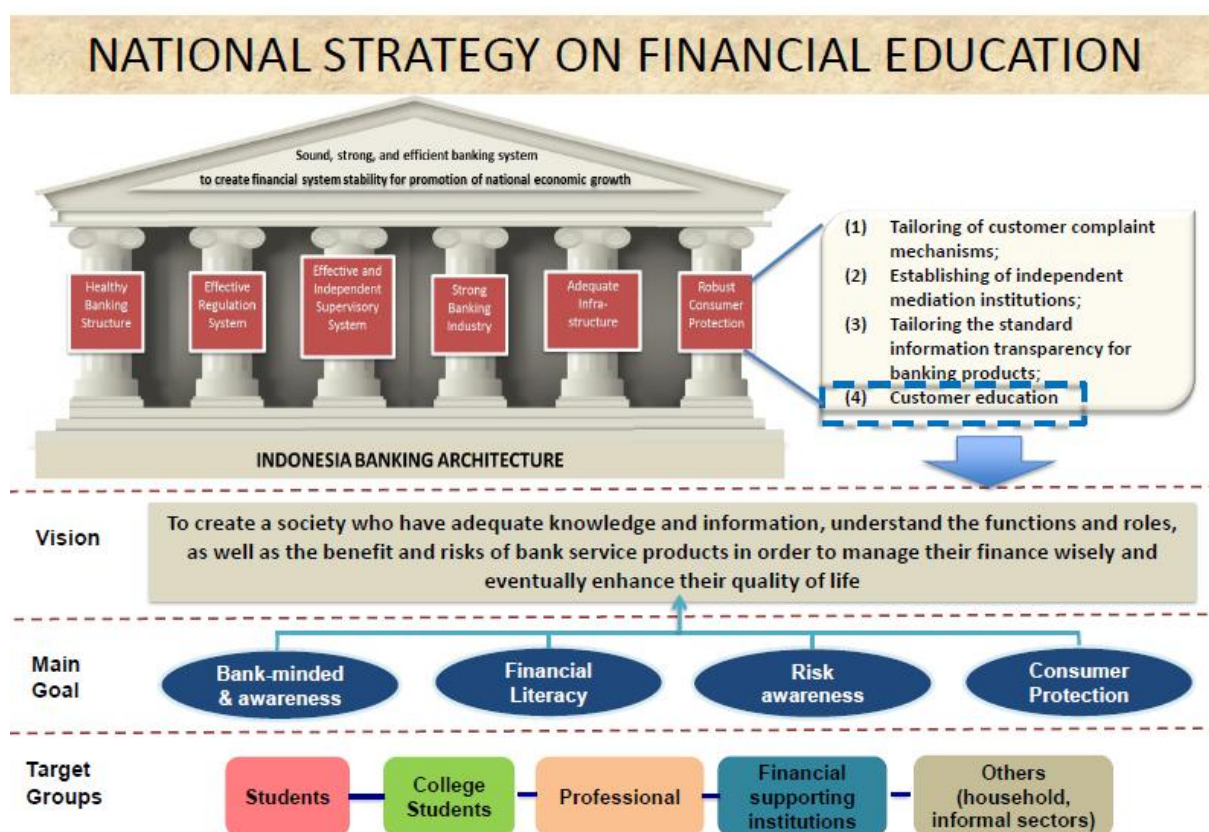
The policies issued by Bank Indonesia aims at building people's interest in banking (bank minded and awareness), increasing public awareness in banking products and services as well as awareness of rights and obligations of customers, increasing public awareness in prudential aspects of financial transactions (risk awareness) and increasing awareness of availability of complaints and dispute settlement mechanism to resolve problems with the banks.

Such policies are mandatory for the stakeholders to implement. This is when the role of the stakeholders becomes important. The stakeholders are the party at the implementing level of this policy. The success of the policy depends on the implementation conducted by the stakeholders.

In addition to the policy making role, Bank Indonesia also established co-operation agreements with the Ministry of Manpower and Transmigration of the Republic of Indonesia and the Ministry of Education and Culture of the Republic of Indonesia. The co-operation between Bank Indonesia and the Ministry of Manpower and Transmigration of the Republic of Indonesia is focused on the financial education for migrant workers. The workers are given among others knowledge related to savings, remittance, credit payment, small business loan. The workers are also given training sessions to practice the knowledge they have received. The goal is to provide knowledge and training to ease the worker's path to success. Meanwhile, the co-operation between Bank Indonesia and the Ministry of Education and Culture of the Republic of Indonesia focused on the implementation of financial education for elementary school students and junior high school students. Where Bank Indonesia provided knowledge among others regarding the teaching strategy of financial education in the Social Science Subject, preparing financial education module in extracurricular activities. Bank Indonesia also introduced 72 school as pilot project, provided a workshop on financial education module and training of trainers.

## Roadmap

Figure 9.1 Indonesian National Strategy: key elements



The vision of the Blue Print for Public Education in Banking is to bring about an adequately informed society with self confidence in understanding the roles, functions, benefits and risks of banking products and services. The hope is that the public will be capable of wisely managing their financial affairs for future improvements in their quality of life. Such vision is elaborated in four goals:

- a) Build bank mindedness and awareness in society;
- b) Build public understanding of banking products and services, and awareness of customer's rights and obligations;
- c) Build risk awareness in relation to financial transactions, and
- d) Broader dissemination of information on availability of the complaints and dispute resolution mechanism for resolving problems with banks.

For the programme to be properly implemented from the stage of materials development to the stage of the use of media to support operation of the programme, the preferred method is the target group approach, which is focused on specific social groups to receive education in banking. Five major social groups have been identified as targets for the education activities:

- a) School children;
- b) Students;
- c) Professionals;
- d) Economic institutions (including law enforcement and relevant government agencies);
- e) Other groups (including housewives, the informal sectors and so on).

To provide clarity of direction, the strategy for public education in banking applies three indicators of education:

- a) Improved awareness;
- b) Behavioural changes; and
- c) Bank-minded society.

The strategy is essential to guide programme implementation and ensure effectiveness and efficiency. Public education in banking is a sustained programme with a long time frame, and therefore the implementation must be grouped into short term programme (1-2 years) and long term programme (3-5 years) as appropriate to the situation and condition of the public and future developments in the banking industry.

### **Short-term strategy**

The scope of the short-term strategy includes the following:

- a) Education programme to build awareness of banking institutions, products and services, rights and responsibilities of customers, risk awareness in financial transactions and the complaints and dispute resolution mechanism;
- b) Education programme to build awareness of Islamic banking institutions, products and services in order to expand the market share of Islamic banking;

- c) Education programme to build awareness of the institutional presence of rural banks and strengthen their public image;
- d) Education programme for the general public on crimes involving the use of banking products and services to prevent harm or loss to the public;
- e) Education programme to improve understanding on the secure use of non-cash payment instruments.

Such programmes will be implemented as follows:

- a) Collaboration with the media in building public awareness of banking institutions and their products and services;
- b) Coordination of education programmes with relevant agencies/institutions;
- c) Education programmes implemented for influential target audiences within certain social groups, so that in the long run these groups take on a role as change implementers. One example of this is intellectuals, which are represented by teachers and academics;
- d) Education programme relying more on the role of the actors within the banking systems.

Accordingly, the education programmes developed for the short term strategy will focus more on providing the public with balanced information on areas that represent the most important problems in public interactions with the banks. For the public education to have greater impact, the strategy will involve promotion of a single theme for a certain period. This sole theme will guide banks in operating their education programmes. The extensive coverage of bank offices will help to expand the outreach of the education programme, with results reflecting greater efficiency and effectiveness.

### ***Long-term strategy***

The long-term strategy will be implemented as an extension of the short-term strategy, following a process of a review and corrections. The long term strategy will include improvements to the quality of existing education programmes taking account of the dynamics and complexity of banking products and services with the following scope:

- a) Expanded geographical coverage of education in collaboration with the media for building public awareness of banking institutions and their products and services;
- b) Expanded and intensified education programme through integration into school curriculum and improvements and updating to existing school curriculum materials concerning money and banks, making use of formal education channels from the primary school level to tertiary institutions;
- c) Expanded programme scope, target and geographical coverage in collaboration with formal and non formal stakeholder;
- d) Strengthening of public confidence in the functions roles and institutional presence of conventional and Islamic commercial banks and rural banks in support of the national economy;

- e) Improved public understanding of bank performance, enabling the public to exercise more astute judgement in their selection of banking activities.

The long-term strategy will therefore focus more on expanding the outreach of education with the use of information technology through various delivery channels which are available. This will require close co-operation with private institutions and relevant government agencies. The rapid development of banking products and services will also be accommodated in the long-term strategy. For example, education on the electronic banking and similar products and services which are now coming into popular use in the urban areas, will be further intensified to the village level.

The implementation of the short-term and long-term strategies will pave the way for wise management of financial affairs in the society and future improvement in quality of life.

## **Implementation**

Currently Bank Indonesia is in the implementation phase of financial education programme. Banks continue to conduct the financial education to its customers, while Bank Indonesia continues to create better collaboration with related government agencies such as the Financial Services Authority of Indonesia (*Otoritas Jasa Keuangan*, OJK) to enlarge the outreach of financial education.

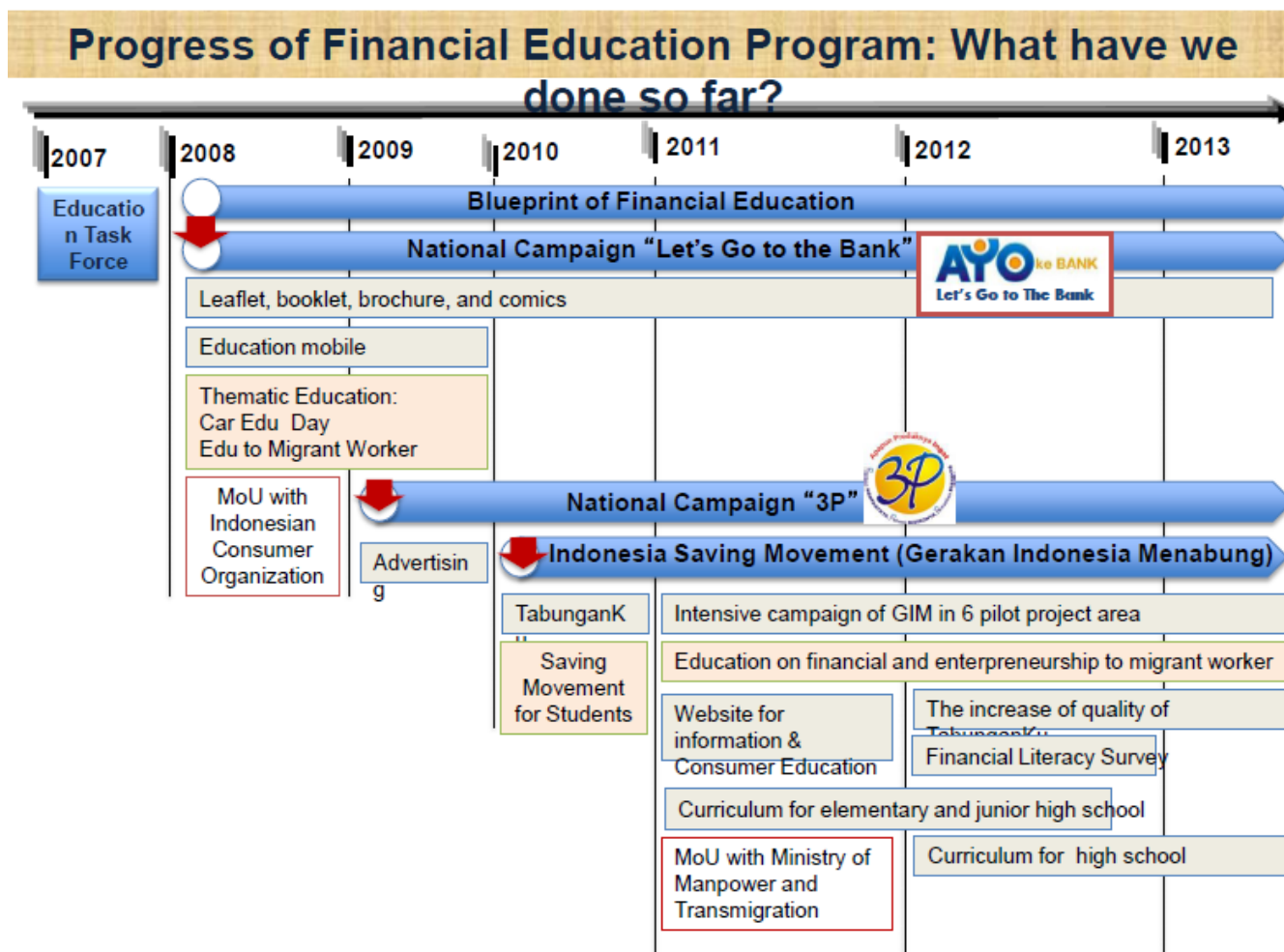
On the target groups of students, Bank Indonesia strives to include financial education as part of national curriculum. The result of the pilot project performed in several schools shows that financial education will be more effective and efficient as part of the curriculum. Bank Indonesia collaborates with experts to create syllabus and content of the financial education. Through an intensive discussion between Bank Indonesia and the Center for School Curriculum, the content then undergo a testing phase before it can be endorsed as the national curriculum.

To obtain the student's interest on financial education, its content must also be supported with learning tools, such as (1) a diary book to record daily transactions, simulation on several banking activities, (2) a smart card to create interactive games and to modify it with the insertion of materials related to financial education. For the financial planning content, Bank Indonesia will join together with financial planner experts to formulate a simple financial planning material for the students.

On the target group of migrant workers, Bank Indonesia has held several seminars on financial education for migrant workers. The feedback retrieved shows that the content on financial education was well accepted and the information can be easily understood and implemented by the migrant workers. However, as Bank Indonesia has limited resources for trainers, the outreach of this method has become limited. Bank Indonesia sees potential collaboration with the Ministry of Manpower and Transmigration of the Republic of Indonesia to enable financial education as part of the training materials that will be given to migrant workers prior to their departure abroad. Thus the challenge lies on how to create a training module and effective training design for the trainers.

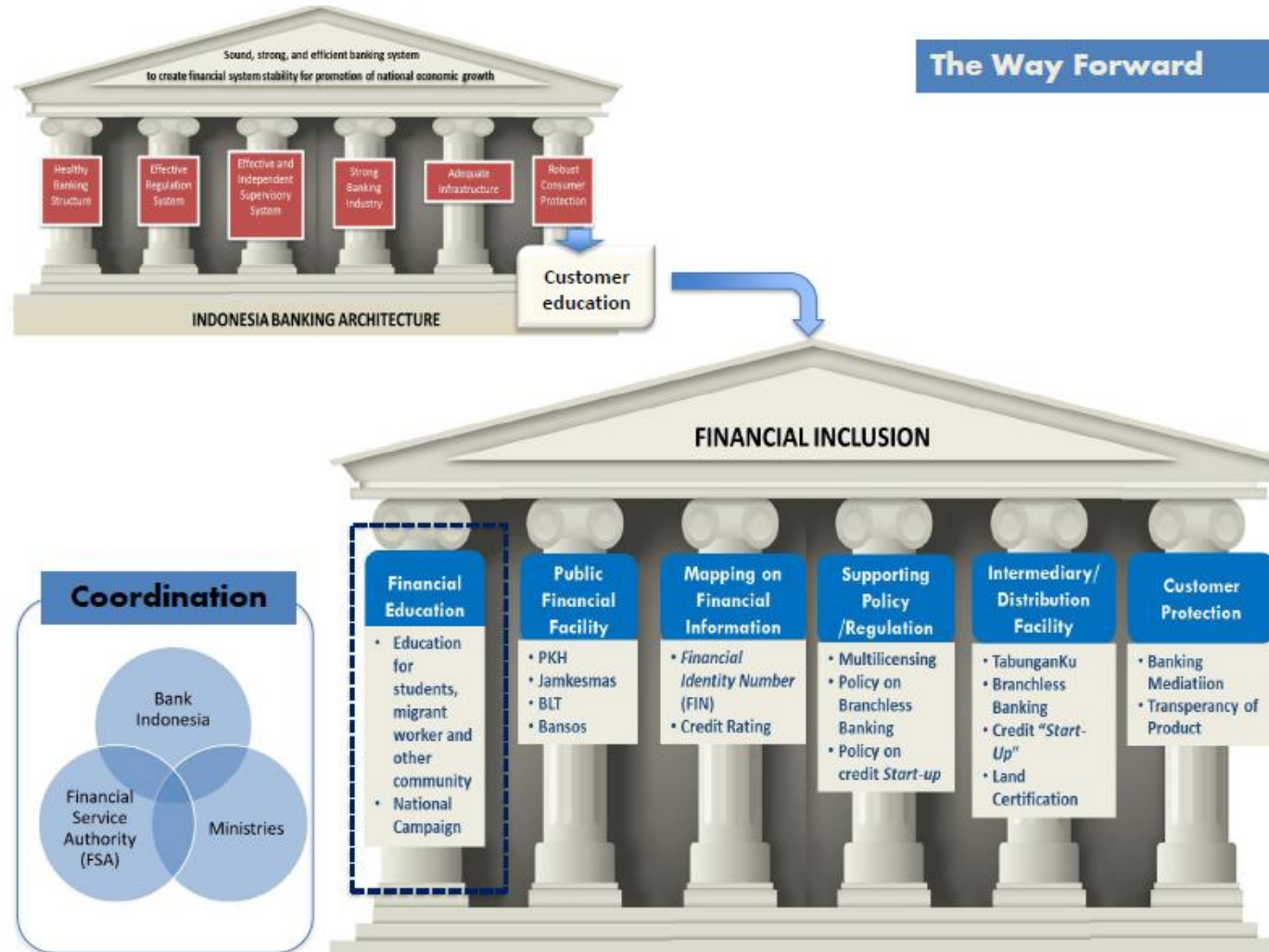
For the target group of special group, Bank Indonesia will start with Small Medium Enterprises (SMEs) by introducing financial planning concepts for the SMEs that uses banking products and services such as savings. The contents of each particular group were made by adjusting to the needs of the group. Therefore, before focusing in the special group, Bank Indonesia must better understand the specific need for information of this group.

Figure 9.2 Progress of the Indonesian financial education programme



*Challenges and way forward*

**Figure 9.3** The importance of financial education for financial inclusion in the Indonesian National Strategy



In 2012, Bank Indonesia together with Demographic Institute conducted a financial literacy survey. The survey was conducted based on OECD Recommendation and tools with few adjustments to reflect the characteristics from Indonesia. The survey shows that women tend to have better behaviour toward finance, but lacked of financial knowledge in comparison to men. This finding indicates that financial education should be targeted to women and SMEs as aligned with the G20 proposal in 2013.

The survey also shows that financial literacy is also influenced by access to financial services. For example, in Nusa Tenggara the financial literacy is quite low and the number of banks in that area is limited. Thus the success of financial education should also be supported with Bank Indonesia's efforts in other financial inclusion pillars. The National Strategy on Financial Education in its implementation phase will face great challenges, especially in the area of coordination and collaboration with the main relevant stakeholders.

## *Chapter 10*

### **Italy: Financial Education Initiatives to Support Financial Stability and Consumer Protection**

This chapter is a submission of the Government of Italy. It was prepared by the Bank of Italy.

*“While not a panacea, investing in financial education is an important means to perform our institutional duties: protecting savings, ensuring stability and promoting competition.”*

Governor of the Bank of Italy, Ignazio Visco

### **Definition, scope and purpose**

The Italian Supervisory authorities consider financial education an important element in the wider context of their responsibilities, although a national governance and a legal framework are still missing.

The need to strengthen banking, financial and insurance consumer protection in the face of more diversified and complex financial products, and to rebuild the trust in a better regulated financial system after the financial turmoil are the main drivers of the development of a national strategy on financial education in Italy.

The gradual shrinkage of public welfare resources, the launch of the supplementary private pension system, and the transformation of the few outstanding defined-benefit schemes to the defined-contribution regimes, all contribute to transfer financial responsibility away from the State towards individuals and households, thus requiring strengthened financial capabilities among the public at large. In this new context, a commitment by public bodies to improve awareness and planning skills for retirement has become essential, in particular for the young.

More recently, successive anti-tax evasion measures aiming at promoting the use of cash-alternative payment services, including a cap on cash payment of amounts equal to or above € 1000, will add to the case for diffused financial education, as it is likely to further boost bankarisation among the less educated layers of the population.

In this context, a national strategy would be important to help build a nation-wide commitment to raise financial education to the highest level in the national agenda, and support the design of policies to push it forward.

The development of a national strategy, based on national regulation, would allow relevant public institutions to strengthen co-operation, considering an adequate involvement of the private sector, and a rationalisation of the existing activities with the intent of reducing the overall costs and raise their efficiency.

For the time being, the Italian supervisory authorities, though on a different scale, undertake distinct financial education projects on a regular basis.

**The Bank of Italy** considers financial education as part of its responsibilities in the wider context of ensuring financial stability and consumer protection. Consumer protection is an integral and dedicated part of the actions of the Bank and is a very important aspect of banking supervision. A

consumer protection system includes competition, transparency regulation, alternative dispute resolution (ADR) and, last but not least, financial education. Without proper financial education, even good rules on transparency may not ensure effective consumer protection.

Financial education helps investors monitor intermediaries. *Educated* households, better acquainted with the notions of risk and return, compound interest and inflation, can better identify abuse and fraud as well as understand the real terms of what they are being offered.

Financial education can complement the supervisory action of the authorities in fostering competition. Financially literate households are less likely to believe that they have been cheated. Thus, financial education helps sustain confidence in the financial system and can have a beneficial effect on the stability of intermediaries. Indeed, the financial industry is likely to benefit from having more literate customers.

The Italian Insurance Supervisory Authority (IVASS) – whose President is the Director General of the Bank of Italy – considers policyholder education as a relevant and important activity of its mandate, as it is intended to complement the IVASS’ key objectives of policyholder protection and prudential supervision.

Education in the insurance sector presents specific challenges. Insurance business can be complex due to several factors, including the increasing variety and sophistication of insurance products, the peculiarity of insurance business, and the increasing heterogeneity of providers, ranging from conventional intermediaries (brokers, agents, direct selling) to non-traditional distributors (*e.g.* car dealers) and new selling channels (phone, cell, internet).

Despite the efforts made by IVASS to ensure clear pre-contractual and contractual documents, in some cases the parameters and actual coverage provided by insurance policies cannot be easily understood by non-professional customers (contracts’ conditions, ceilings, deductibles, exclusion, trigger for coverage, etc.).

Little experience of some of the long-term products offered, difficulties in understanding the policies’ features, lack of willingness to subscribe long-term coverage or coverage for relatively infrequent risks, lack of trust and confidence in insurance market players, are the main factors to be considered in setting up insurance education plans.

### **Definition of financial education**

Italy shares the definition of financial education proposed by the OECD in 2005 in its report on Improving Financial Literacy<sup>1</sup>, and, specifically, deems that “financial education provides policymakers with another tool for promoting economic growth, confidence, and stability”.

### **Assessment of key policy priorities, and existing initiatives and resources**

**The Bank of Italy** conducts a regular Survey on Household Income and Wealth (SHIW) on a two-year basis to gather information on income, savings, wealth and other socio-economic indicators of Italian families. Over the years, the scope of the survey has widened and now includes also some aspects of households’ economic and financial behaviour such as, for example, what payment methods are used.

The findings of the last two surveys show that, in Italy, the level of financial literacy is still low. Specifically, based on the 2008 survey, about one third of the population is unable to read a bank

statement, calculate changes in purchasing power, distinguish between different types of mortgage and evaluate the associated interest rate risk. More than half of Italian households do not understand the importance of investment diversification, and two thirds do not know the difference between shares and bonds in terms of risk. Less than one household out of three knows the main features of supplementary pension schemes. Two years later (2010) just over half of the respondents appeared to understand the advisability of investment diversification; 58.6 per cent could distinguish between different types of mortgage and thus evaluate the associated interest rate risk, 70 per cent even correctly calculated changes in buying power. Educational background has the closest correlation with financial skills. Individuals with no educational qualification had a correct response rate of only 26 per cent.

**The Supervisory Commission of Italian Pension Funds (COVIP)** conducted two sample surveys, in 2008 and in 2012 respectively, to check the knowledge and the awareness of pension matters among Italian workers. The results show that Italian workers are indeed aware that pension benefits ensured by the public, first pillar to the current workforce, will be significantly lower than those enjoyed so far by retirees. However, there is a low awareness of the potential long-term stability of the public pension system as per recent reforms, and still a low awareness of the fiscal incentives that should facilitate the participation in the supplementary pension plans.

With reference to the insurance market, **IVASS** uses consumer complaints data to assess the priorities in consumer protection, including insurance education needs. IVASS holds monthly meetings with consumers associations' representatives. They submit the main issues or consumers trends, including their analyses on insurance education needs or their own education initiatives.

In addition, in order to provide a front-line assistance to insurance service consumers, in 2012 IVASS established a free toll number for consumers assistance (Contact Center), which allows IVASS to get a first notice of recent developments in insurance business and emerging consumer protection issues.

However a comprehensive national survey on the financial literacy of the population, which the OECD/INFE High-level Principles on National Strategies for Financial Education identify as the best way to assess financial education needs and key policy priorities, has not yet been carried out.

In Italy, financial education activities have been gradually increasing over the years and have been organised by both public and private institutions. All the institutions involved in consumer protection activities have carried out basic educational programmes that explain the core competencies of their institutional activity. The private sector is also very active on this front: banks, foundations, trade associations, and consortia, all have implemented an educational activity of some sort.

Financial education is an important tool for the financial inclusion of the most disadvantaged social groups, such as the unemployed, low-income families, immigrants. In line with a recent EU Recommendation, the Italian Government has introduced rules requiring all banks to supply a basic bank account, with a number of basic services (including a debit card) and a transparent cost structure. The account is offered to consumers with basic financial needs at zero fees.

The Italian supervisory authorities carry out initiatives for the general public through their websites.

As to the information provided to the general public **the Bank of Italy's website** features a financial education section aimed at persons interested in developing their economic and financial knowledge and at those who, as savers and users of banking services, wish to enhance their financial

culture. The section provides information on the main banking issues and discusses banking, economic and financial matters in simple language. There is information on current accounts, mortgage lending, inflation and price stability, consumer credit, payment cards and also a basic financial glossary. In the website consumers can also find news, read about important events, and find a link to the main financial education projects of the European Central Bank.

In addition to this, the Bank of Italy publishes Practical Guides on to basic banking products. A Guide to current accounts and one to mortgage lending are already available, on the web site also. A Guide to consumer credit will be published shortly. The guides describe, with a clear and simple language, the main features of these popular products. As they have a practical approach, they respond to both transparency and financial education purposes.

The Bank of Italy wants to use the potential of the web as much as possible, in particular to reach new target groups (*i.e.* the disadvantaged): for the hearing impaired people the Bank of Italy is currently working on video educational material with subtitles and sign language translation; for the visually impaired we are preparing an audio book, while for the short-sighted the Bank of Italy is developing a special video presentation.

**The COVIP's website** also contains a Guide directed to the general public, focused on supplementary pensions. The Guide is periodically updated, and the publication of a Q&A section is also envisaged. COVIP is also considering how to use the social networks (Facebook, Twitter) in order to disseminate information on pension matters specially designed for the young.

On its **website, IVASS** provides information to the general public about consumer protection and insurance education. A specific section provides information on registered undertakings and intermediaries, new laws and press releases, frequently asked questions, a guide on how to file a complaint, the list of the complaints-handling functions and their contact details, a list of tips to help consumers to buy insurance contracts via internet.

IVASS is currently updating the interactive insurance education section on its website in order to:

- i) develop understanding on insurance by providing consumers with information on the main topics in a simple language, carefully tailored to the knowledge and the needs of the targeted audience;
- ii) raise the level of awareness among consumers about the potential risks they are exposed to and enhance the ability of choosing the best insurance product adhering to their needs;
- iii) improve the level of understanding of the basic mechanisms of insurance, the characteristics of the most popular products, as well as encourage consumers to understand the most complex or innovative products;
- iv) provide guidance on the availability of information, advice and help when needed.

### **The Bank of Italy carries out a financial education programme in schools.**

Italy considers schools as the most effective channel to deliver financial education. In 2007, based on a Memorandum of Understanding, the Bank of Italy and the Ministry of Education, University and Research (MIUR) started co-operating to run an experimental programme aimed at incorporating financial education into school curricula for all school levels, as a part of various subjects. The programme, inspired by OECD recommendations, is the first of its kind to be sponsored and conducted by public bodies and to be devoid of any marketing purposes.

Participation in the programme, which involves all schools nationwide, is voluntary. In particular teachers received training from central bank officials that they then passed along in the classroom. The programme's main topic is "money and transactions", an important matter that plays a major role in the market and that young people do deal with but know little about. As an aid for teachers and

students, the Bank of Italy has recently produced a collection of educational booklets on “Money and all the other payment methods” for the three different school levels (all available on the web site<sup>2</sup>).

In the school year 2012-2013 the Bank of Italy carried out the programme for the fifth time. The programme is continuing to expand, and the number of pupils is rising together with the number of classes: the pilot exercise involved 650 pupils (2008-2009); in the fourth edition about 23.000 students were involved and in 2012-2013 the estimate is about 50.000 students.

**A plus of the programme is the evaluation design.** In accordance with international recommendations, the Bank of Italy included a systematic assessment of the programme since the beginning: individual multiple choice tests were administered to pupils before and after classroom teaching on financial education. The knowledge acquisition was defined as the gain in scores or the difference in the percentage of correct answers between the post-classroom teaching testing session and the pre-classroom teaching testing session. The tests were differentiated by school level for both effort and duration<sup>3</sup>.

From the beginning, the test results have supported the hypothesis that the financial education programme is effective: at all school levels there was a significant increase in the percentage of correct answers in the post testing session. Since the programme has been running for years, some classes repeated the tests a number of times, making it possible to gauge knowledge retention, and to discover that notions acquired were retained, at least partly, over time. Finally, the empirical findings showed the existence of a gender gap in financial knowledge, which financial education programmes might be able to close. After the first 5 waves, the empirical evidence acquired via tests has been considered adequate and from the 2012-13 school year the tests have been suspended; on the other hand, teachers’ survey was enhanced.

Overall, the programme has succeeded in increasing students’ financial knowledge, even if the recipients are too young to make their own financial decisions. The evidence gathered is more than sufficient to demonstrate that classroom instruction is an effective channel for spreading financial knowledge among students.

**COVIP is also undertaking initiatives directed to students.** A competition was launched for the best idea to effectively communicate pension issues to the young. In addition, COVIP has taken part in various initiatives aimed at informing students about financial planning or about opportunities for higher education.

**IVASS** is also considering the possibility to expand its action on insurance education through school educational programmes.

### **Governance mechanisms and role of stakeholders**

A draft law, presently pending in the Italian Parliament, acknowledges the role of financial education as an important tool for enabling consumers to match their needs with adequate financial products and services, such as loans, savings instruments, retirement plans, and insurance products. The draft law contemplates the establishment of a specialised Committee for the design and coordination of financial education initiatives at the national level. The Committee includes the Ministry of Economy, the Ministry of Education, representatives of Supervisory Authorities dealing with consumer protection in the various sectors of the financial system, and also representatives of academia and consumers associations. The draft law confers upon the Committee the responsibility of developing a national strategy and bringing future and present initiatives in the area of financial education under a coherent framework.

The Committee will be in charge of coordinating the relevant private and public stakeholders, promote initiatives and projects on financial education, periodically assess their effectiveness and annually report to the Parliament on implementation progress.

In line with the priority that present initiatives assign to formal education, the draft law confers upon the Minister of Education the power to integrate financial education into the curricula of primary and secondary schools.

The OECD/INFE work on National Strategies of Financial Education<sup>4</sup> has provided and will provide extremely relevant and precious inputs and guidance in the drafting of the law and the strategy.

The participation of a number of qualified institutions, while essential, requires coordination so as to avoid potential duplications and achieve maximum efficiency. The current institutional debate is revolving around two possible options to achieve such coordination: a model of single handed guidance, under which one institution takes charge of promoting, connecting and coordinating the actions of the other bodies, constantly monitoring the evolution of the project so as to detect any potential flaw and timely adopt corrective actions; in alternative a joint supervisory body (steering group, committee, working group), whose members are influential and reliable, could be entrusted with the project's governance; it could direct the actions of the participating institutions and guarantee, in the face of public opinion, the quality of the initiatives.

## Roadmap

The educational initiatives aiming at increasing the level of citizens' financial education should supply them with adequate competencies to make appropriate economic and financial decisions. The underlying idea is that information and education can, together, induce a more careful and aware behaviour among consumers.

This, of course, requires a plurality of interventions taking into account both the characteristics and the needs of the different groups of consumers, which have to be carried out in the longer run. There are different target groups: children (*i.e.* first savings account), teenagers (savings account, first mobile), Youth (savings account; first credit card; first job; first car), adults (first house, pension savings, investments, vacations), seniors (mortgage loan, hobbies, vacations, pension savings).

Whoever decides to undertake financial education projects must take into account the challenges in reaching the targeted audience. This dictates the need to not only use the same language of the addressees, but also to understand when and where they are more receptive to the message (*i.e.* initiatives about personal pensions are more effective if conducted in the work place; initiatives on family planning should be offered to new parents when they are still in the hospital).

This is, of course, a resource-intensive strategy (*i.e.* it requires the presence of the experts on the premises) that could only involve a small part of the consumers belonging to the intended group (unless such initiatives can be promoted in every work place, every hospital, et cetera).

A viable alternative, which could guarantee a wider diffusion of the message, might be to provide consumers with informative material (*i.e.* through a website that is publicly known for its certified high-quality information).

A very important aspect to be taken into account is how to identify the funding sources. All the institutions that might benefit from more informed and financially aware citizens could be asked to fund the various initiatives. Potential alternatives are:

- Government: given the positive spillovers of improved financial literacy, the State (Government) could bear a part or all the costs. This option would ensure a stable and substantial amount of resources and signal the Government's commitment. The public support option, in addition, is appropriate given that the generated benefits are dispersed and already existing infrastructures (e.g. schools, mathematics teachers) can be efficiently exploited. Considering its nature of global and regional public good and the highly integrated European market, financial education should partly be funded through supranational resources (e.g. European Union).
- Firms/Intermediaries: on a voluntary basis. The strong point of this solution is its acceptability by market players as well as the large availability of expertise and resources of financial institutions, which can partially internalise the benefits through reputational returns and the enlargement of the set of potential clients. However, the private sector contribution to financial education needs to be overseen and guided to prevent and manage potential conflicts of interests. In addition the funding flow would not be steady and would depend on the number of intermediaries involved in the project.
- Firms/Intermediaries: on a compulsory basis. Technically, this could be presented as a Pigouvian tax that is a levy derived from the negative externalities produced by the markets. Up against this option there might be some resistance on the part of the market; the benefit of this solution rests with the stability of a high funding flow. Compulsory contribution also requires deciding the contributory rate that is coherent with the intervention needs.

## NOTES

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## *Chapter 11*

### **Japan: Future Directions of the National Strategy for Financial Education**

This chapter is a submission of the Government of Japan.  
It was prepared by the Bank of Japan and the Financial Services Agency of Japan.

*“Japan attaches importance to enhancing and strengthening financial education aiming to develop self-fulfilling consumers who act on their own judgment. Financial education is an integral part of consumer education. We will continue to press ahead with the initiatives for financial education to address the policy agenda referred to in ‘Report of Study Group on Financial Education’, in full co-operation with relevant ministries and agencies.”*

Ms. Aiko Shimajiri, Parliamentary Secretary of Cabinet Office

## **Introduction<sup>1</sup>**

Since the latest financial crisis, the importance of financial literacy<sup>2</sup> and improvement of consumers’ financial activities have been increasingly recognised and discussed in international fora like the OECD and the G20.<sup>3</sup> It is thus becoming increasingly important to enhance Japanese consumers’ financial literacy. Further promotion of financial education is considered essential.

Therefore, the Financial Services Agency (FSA) decided to review the status of Japan’s financial education and determine the future direction. In November 2012, the FSA established the Study Group on Financial Education within the Financial Research Centre, involving experts, relevant ministries/governmental offices and other organisations. The study group held seven meetings up to April 2013. This chapter shows the future course of action for financial education based on the discussions that behavioural aspects should be emphasised and that a common minimum level of financial literacy should be set and shared among related parties.

## **Significance/purpose of financial education**

### ***Financial literacy as a life skill***

No one in modern society can avoid involvement with financial matters, through products such as saving and investment products, mortgages, insurance products and so forth, depending on their life stages.

In light of this, Japan faces various problems, such as citizens with multiple debt and a growing number of households with no financial assets.<sup>4</sup> In order to become a financially independent, fully-fledged member of society and improve one’s quality of life, it is becoming increasingly important for people to acquire the knowledge and judgement skills to properly select and use financial products in accordance with their life plan, while managing their budget to cover unplanned expenditures and improve their income-expense ratio. It is also important to form a habit of preparing

for education, a house purchase, retirement and death, as well as for unexpected events such as illness and natural disasters.

Financial literacy as a life skill should result in a better understanding of various financial products, such as their risk and return. A sound asset-management approach will also lead to regular savings and a stable accumulation of wealth, including the appropriate purchase of insurance and borrowing when necessary.

### ***Financial literacy to encourage the provision of sound, high-quality financial products***

Recent de-regulation has enabled financial institutions to offer a wider range of financial products, the structure and risks of which have become increasingly complex and which, from the users' point of view, are often hard to understand. Although regulations require financial institutions to provide clear explanations in line with each individual's knowledge, experience and the level of assets owned (suitability requirements), effective consumer protection cannot be achieved solely through government regulations. Moreover, excessive regulation hinders innovation. Hence, it is important to improve individuals' financial literacy and behaviour in order to complement effectively government regulation.

The study group further noted that the ability of users of financial services to select their products will play an important role in improving the quality of the products. Japan maintains solid quality of products/services, particularly in the areas of automobiles and consumer electronics, also thanks to the high level of consumers' expectations regarding the quality of products, which constantly pushes product and service providers to offer better services. An improvement in users' financial literacy and a strengthened ability to select appropriate products will stimulate the design and sale of financial products of a higher quality and that better meet consumers' needs.

### ***Financial literacy encouraging the effective use of households' assets***

In theory, the diversification of investment products and the timing of investments should provide stable returns over the medium to long term. However, more than half of Japan's household financial assets - a total of some 1,500 trillion yen - are managed as cash and savings. This reflects not only the economic environment with continuous deflation in the past, but a lack of understanding about the benefits of diversified long-term investments.

Even in a deflationary trend, it is possible to generate solid and stable returns by diversifying investments in both domestic and overseas stocks and bonds, and through appropriate timing of such investments. In addition, it is possible to generate solid and stable returns through the diversified and long-term investment of household financial assets which, in addition, will become a source to finance growing sectors and thus ultimately contribute to the growth of Japan's national economy.<sup>5</sup>

In summary, the significance and purpose of financial education are as follows: to enable each Japanese citizen to achieve financial independence and lead a better life, and to contribute to the realisation of a fair and sustainable society by encouraging financial institutions to offer high-quality financial products and by effectively using household financial assets,<sup>6</sup> through improved financial literacy.

## **Current status of Japan's financial education**

In the Finance System Council's June 2000 report, "A New Framework for Finance to Facilitate the 21<sup>st</sup> Century", financial education was set as one of the key initiatives in discussions on the new framework in relation to the rules for financial services.

Thereafter, the FSA established the Financial Education Discussion Group in March 2005, before the lifting of the full deposit protection system. In June 2005, the working group issued its report, "Agenda for Finance and Economics Education", which outlined seven initiatives for immediate execution, including the effective use of "Counselling Offices for Financial Services Users" and the FSA-led symposium, now being implemented.

Against this background, various initiatives and programmes are being implemented separately by related authorities, including the FSA, the Central Council for Financial Services Information (Central Council<sup>7</sup>), local councils for financial services information, schools, local governments, financial industry groups, financial institutions, non-profit organisations, etc.

### ***Current status of financial education by the Central Council for Financial Services Information***

The Central Council for Savings Promotion was launched in 1952, and its name changed to the Central Council for Financial Services Information in 2001. The Central Council has been promoting financial education through a network encompassing a wide range of industries and in co-operation with local councils and other related organisations.

The Central Council is implementing initiatives to promote financial education for students, working adults and senior citizens. For example:

- In order to promote financial education effectively in schools, in co-operation with teachers, experts, and the government, the Central Council developed the "Financial Education Programme", which outlines a model for financial education at the elementary, junior high and high school levels, providing sample teaching plans.
- Further, in September 2012 the Central Council published the results of the "Financial Literacy Survey",<sup>8</sup> conducted to measure the nation's financial literacy by surveying attitudes and behaviour towards finance, as well as financial knowledge (with the use of the OECD/INFE survey financial knowledge questions).

### ***Current status of financial education for students***

Financial education at schools is provided through social studies, civics and home economics.

The Basic Education Act (1947) saw a full-scale revision in 2006. The revised act stipulated the objectives of education, including fostering a spirit of autonomy and independence, emphasising connections to a career and practical life and developing a mindset of active contribution to the building and development of society, etc.

Based on this, the government's course guidelines were revised for elementary/junior high schools (2008) and high schools (2009). The content of financial education was strengthened, despite limited teaching hours. The initiatives under the new guidelines were implemented at elementary, junior high and high schools in 2011, 2012 and 2013, respectively.

Under the revised guidelines, the requirement for social studies and civics include education covering the structure of a stock company, the structure and functions of direct/indirect finance, the de-regulation/globalisation of finance and changes in the financial environment.

The guidelines for home economics were revised to include “planning throughout one’s life”, with the new textbook outlining the importance of selecting financial products for the purpose of managing, not just saving. The textbook also gives guidance stating that asset management involves risks and that hence, it is necessary to diversify investment products based on the purpose and period of the investment under consideration.

In addition to the above, financial education is implemented in integrated studies classes at elementary, junior high and high schools in conjunction with activities at schools by financial industry groups and corporate social responsibility (CSR) activities by financial institutions.

### ***Current status of financial education for working adults and senior citizens***

#### *Efforts of financial industry groups and financial institutions*

Financial industry groups, such as the Japanese Bankers’ Association, Japan Securities Dealers’ Association, Investment Trusts Association Japan, Japan Institute of Life Insurance and the General Insurance Association of Japan offer a variety of opportunities for financial education. These include explanations of individual financial products (*e.g.* deposits, stocks, investment trusts and insurance), seminars/visiting lectures on asset management and for improvement of investment knowledge, and events to enhance awareness of investment/asset management. Each financial institution also offers opportunities such as seminars and visiting lectures.

Further, the Japan Association of Financial Planners offers various learning opportunities including the “Personal Finance Education Standard” which summarises necessary knowledge/skills by category, including savings/investments for students and working adults/senior citizens, seminars related to family budget management and life planning.

#### *Efforts of local governments (Consumer Affairs Centres, Community Centres, etc.)*

Consumer affairs centres are administrative agencies established in prefectures and municipalities to provide consultations, consumer education and consumer information services. Their activities focus on alerting consumers to multiple-debt problems and enhancing awareness to prevent damage from fraudulent sales or other crimes.

In addition, community centres - established to promote activities related to education, science and culture - offer lectures on finance, insurance, tax and consumer affairs. The number of finance-related lectures/participants remains small, however, compared with other courses such as child care, child rearing, nutrition and diet.<sup>9</sup>

#### *Investment education for participants in a defined contribution plan*

Whereas employees contribute to corporate-type defined contribution plans (DC), they give instructions on managing the assets and bear the performance risk. Hence, the Defined Contribution Pension Law requires employers to strive to give subscribers an investment education.<sup>10</sup> In reality, such teaching is mostly provided by plan administrators whom employers appoint,<sup>11</sup> and employers are required to offer re-training opportunities and continuing education to promote interest in the DC

system, as well as training upon implementation of a plan.<sup>12</sup> In addition, for individual DCs, the National Pension Fund Association is required to strive to deliver investment education.

#### *Efforts of citizens' groups*

In addition to the above, there is a range of groups, such as citizens' groups, across the country. These organisations, under the initiatives of homemakers and former bankers, independently provide opportunities to learn subjects such as the structure of financial products and approaches to life planning.

### **Future direction of financial education**

#### ***Level of financial literacy to be achieved***

##### *Financial literacy definition and emphasis on behavioural aspects*

As mentioned above, there is a wide range of educational activities encompassing the different phases of life, such as for students, working adults and senior citizens. Financial education in Japan tends to emphasise the acquisition of financial and economic knowledge, whereas in addition to the acquisition of knowledge, the OECD and countries such as the U.S. and the U.K. are focusing on attitudes and behavioural improvements such as sound family budget management, the use of life planning, and skills to select appropriate financial products.

According to the OECD/International Network on Financial Education's High-level Principles on National Strategies for Financial Education, not only governmental regulations, but also each individual's appropriate behaviour is essential for the continuous and robust development of a financial system. Thus, financial literacy is defined in this report to include the attitude and behaviour necessary to make sound financial decisions, as well as financial knowledge and skills.

As mentioned above, obtaining financial literacy as a life skill is one of the purposes of financial education in Japan. It is important, along with the knowledge acquisition, to foster people's ability to develop and adhere to a long-term life plan in order to manage family budgets and save for the future, to learn how to properly select financial products (insurance, loans, and wealth-building products) and to understand the need to solicit third-party advice<sup>13</sup> in advance.

Further, according to the Financial Literacy Survey (September 2012) conducted by the Central Council, a considerable number of people responded that they lacked funding for the future and that in the process of borrowing and managing funds, they did not make comparisons among financial institutions and financial products. Thus, financial education focusing on behavioural aspects seems essential.

##### *Focus on the minimum level of financial literacy that should be attained*

As mentioned above, various educational activities are made available by many entities. However, the opportunities and time for financial education can be quite limited at all stages of the lifecycle — for students, working adults and even senior citizens. Therefore, in order to efficiently and effectively promote financial education, one should focus first on achieving a minimum level of financial literacy, along with the enhancement of promotion organisations (to be discussed below).

Obviously, this is not to say that all entities should provide uniform financial education. However, it would be meaningful to summarise the minimum level of financial literacy that should be

attained, share it among the relevant parties and implement activities focusing on such minimum requirements.

Family budget management and life planning are the key drivers for people to achieve financial independence as full-fledged members of society. In addition, in order to use financial products, it is important to acquire the basic knowledge to execute transactions and appropriately select the products, taking into consideration existing financial and economic trends. Further, it is important to understand the basic points for each category, such as insurance, loans, credit and wealth-building products. Finally, it is essential to understand the need to obtain third-party advice.

In sum, the minimum level of financial literacy covers 15 items in the following four categories: (a) family budget management; (b) life planning; (c) financial knowledge, understanding of financial/economic circumstances, and selection/use of appropriate financial products; (d) appropriate use of outside expertise.

a) Family budget management

Item 1: Making a habit of proper income/expenditure management (eliminating debt and avoiding incurring into new debt)

The first step for each individual to achieve a life plan is to make a habit of appropriate income/expenditure management, assimilate an accurate understanding of the status of income and expenditure, keep control over unplanned expenditures and make efforts to improve the income/expenditure balance. Proper income/expenditure management is the starting point for achieving financial literacy.

b) Life planning

Item 2: Articulating life plans and understanding the need to secure the funds required

The life cycle under the lifetime-employment system, ranging from employment, marriage, childbirth and house purchase through to retirement, is generally accepted as a standard value. Values have become more diverse, however, and in order for each individual to achieve his or her future goals, it is necessary to develop a life plan and identify the life stages.

Also, based on such a plan, it is necessary to develop an attitude to borrow appropriately for education and housing; save money and manage assets by planning ahead and identifying the amount necessary for education, housing purchase and retirement; as well as buying insurance products and saving for contingencies.

Further, in order to select appropriate financial products, it is essential to categorise owned assets into three types based on the timing, purpose and necessary amount: “funds available any time”, “funds to be accumulated for the purposes of education and housing, etc.” and “funds for long-term investment” and then to choose financial products suitable for the characteristics of each.

- c) Understanding of financial knowledge and financial/economic circumstances, and selection/use of appropriate financial products

Knowledge of the basics of financial transactions<sup>14</sup>

Item 3: Making a habit of assuming a fundamentally careful attitude toward contracts

One problem of financial transactions in Japan is executing a transaction (contract) as recommended without fully understanding its details, and not noticing the deterioration in the performance or environment surrounding the financial product after the transaction because of leaving the monitoring to the seller.

In purchasing financial products, it is essential to confirm the details of contracts,<sup>15</sup> not make a purchase if one is unable to fully understand the contract and periodically review the circumstances surrounding the purchased products (the annual transaction report, etc.). These skills are essential to survive in the modern contract-oriented society - not merely the financial sector.

Item 4: Making a habit of confirming the reliability of information sources and contract counterparties

Owing to its specialisation and complexity, the financial sector tends to engender fraud. Assuming a certain number of malevolent people exist in the industry, it is important to check, before the execution of a contract, the credibility of the information provider and of the counterparty to the transaction. Whether such counterparty is at least registered with the FSA or other self-regulatory organisations can be confirmed by checking the sources such as websites of the FSA and other self-regulatory organisations.

Item 5: Understanding that Internet transactions are convenient but require different precautions than face-to-face transactions

The volume and convenience of transactions conducted through the Internet have increased dramatically in recent years. It is important to be aware that the risks are different than for face-to-face transactions, such as being unaware of a stolen PIN number and placing erroneous orders. Users should be careful not to use devices that are not secure when undertaking financial transactions.

Common to all categories of finance

Item 6: Understanding the key concepts constituting the foundations of financial education (interest [simple and compound], inflation, deflation, exchange rates, risk-return, etc.), and the selection/use of financial products suited to financial and economic circumstances

In order to select and use appropriate financial products, it is necessary to fully understand the key concepts such as interest (simple and compound),<sup>16</sup> inflation, deflation, exchange rates, and risk-return factors. In particular, the meaning of risk varies depending on the stages of selecting and using the products, so the ability to distinguish the meanings is essential.<sup>17</sup>

When selecting financial products, it is also important to have an adequate understanding of current financial and economic conditions, including inflation, deflation, and the trends in interest rates, exchange rates, and the stock market.<sup>18</sup>

Item 7: Ascertaining the actual cost (price) of a transaction

When selecting financial products, it is important to identify the actual cost (price) of a transaction. For example, in the case of obtaining a housing loan, the premium paid for the credit life insurance attached to the loan agreement should be added to the overall cost. In addition, investing in wealth-building products considering the average household's allowable risk, the long-term and stable return from these products is expected to be only a few percentage points and any fees or commissions associated with the transaction will have a significant impact on the returns. Thus, users should know the amount of fees and commissions in advance.

#### Insurance products

Item 8: Understanding which contingencies (death, illness, fire, etc.) one should seek insurance coverage for

Before purchasing insurance products, it is essential to consider carefully what risks require insurance coverage (potential loss and danger associated with death, illness, fire, earthquake, nursing care, etc.).

Item 9: Understanding the amount of economic security required should a covered contingency occur

When selecting insurance products in preparation for the materialisation of risks, it is necessary to determine the appropriate amount to be insured, taking into consideration other sources of funding that can be applied, such as social welfare, employee benefits and other savings.

#### Loans/credit

Item 10: Taking basic precautions when arranging a home loan

- ① Setting a reasonable loan limit and putting together a repayment plan
- ② Preparing for possible circumstances that could make repayment difficult

The total amount of a housing loan normally exceeds the household's annual income. Therefore, it is necessary to fully understand the importance of developing a repayment plan with a loan amount and repayment period that are reasonable and in line with the repayment ability.

Additionally, the repayment period of most housing loans is long, ranging from 10 to 35 years. It is essential to have a backup plan (selection of an interest rate in line with economic conditions, achievable repayment plan, etc.) in case of unforeseeable events such as increased interest payments attributable to changes in the financial and economic

environment or a deterioration in the repayment ability owing to reduced household income caused by unemployment, etc.

Item 11: Making a habit of avoiding needless use of credit cards and credit-card loans

Consumer finance (*e.g.*, card loans) and credit card products enable people to purchase products and services without cash. While these products are very convenient, users should be cautious, considering the risks of excessive use and the interest-bearing nature of card loans and the like.

Additionally, if repayments for loans and credit purchases are not satisfied as specified in the contract, this will be recorded by the relevant credit bureaus, which could make it hard to borrow in the future — not only from the provider of these loans or credit but also from other financial and lending institutions. Users of these products should be aware of the seriousness of such a situation.

#### Wealth-building products

Item 12: Understanding that seeking higher returns will entail assuming higher risks, while risk tolerance varies from person to person

In general, risks and returns are in a trade-off relationship. Thus, it is important to understand that higher returns come with higher risks, which should prompt people to be sceptical of an explanation such as “100% certain to generate such returns” or “there is no loss from this product” when looking at products expected to generate high returns.

On the other hand, users should be aware that there is no return if they try to avoid every possible risk. Knowing the risk-return trade-off is the starting point for understanding the target returns and risks in pursuing the stable accumulation of assets for the future.

Item 13: Understanding the effectiveness of diversification in wealth building (diversifying investment assets and investment start times)

While each financial product has its own risk (*i.e.* degree of uncertainty to generate returns), the reduction of risk and generation of stable returns are possible by diversifying investments in multiple financial products with different degrees of risk. This is the primary concept to keep in mind in pursuit of wealth building.

Additionally, the diversification of investment can take different forms. From “diversification of investment products”, whereby investments are in both domestic and foreign stocks/bonds, to “diversification of currency”, whereby investments are in currencies other than Japanese yen, such as the U.S. dollar, and “diversification of timing”, whereby investments are made gradually over time, not in a lump sum.

Further, even when investing in the same stocks or investment trusts, diversification of timing can be achieved by investing periodically at a fixed amount over the long term, thereby normalising the purchase price and avoiding purchases at the highest price. Good candidates in this category include “instalment” wealth-building products.

In relation to this, some members of the study group expressed the view that the Japanese version of Individual Saving Accounts (ISAs)<sup>19</sup>, to be introduced in January 2014, should be used as an incentive for instalment-type wealth-building.

Item 14: Understanding the effectiveness of long-term investments in building wealth

Compound interest is an effective way to accumulate wealth: reinvesting the interest and dividends for the current period into the next period and thereby yielding interest on the amount of interest and dividends for the current period in the next period.

In addition, long-term investments, in combination with the diversification of timing of investment, for example, will reduce foreign-exchange risks associated with an investment in foreign-currency-denominated assets. Furthermore, long-term investment functions effectively to avoid a large loss by selling at the bottom price in a panic, typically at the time of a financial crisis.<sup>20</sup>

d) Appropriate use of outside expertise

Item 15: Appropriately employing outside expertise when selecting and using financial products

The financial industry is highly specialised and complex, and when dealing with it individuals are often influenced by their psychological and emotional states. Therefore, even those with adequate financial literacy might not be able to fully protect themselves solely through their own knowledge and judgement. Having the capability to access appropriate information and advice services in advance - and understanding the necessity to seek third-party advice in selecting financial products - are critical elements of financial literacy.

*Establishment of standards for systemic educational content*

For the efficient and effective promotion of financial education, it is important to offer learning opportunities to systematically cover the above-mentioned minimum level of financial literacy for every stage of the life cycle: *i.e.* for students, working adults and senior citizens. Accordingly, when the responsible entities promote financial education, it is considered meaningful to establish detailed standards that organise and provide the educational content by age and category, in combination with the 15 items in four categories set out as the minimum necessary for financial literacy.

In Japan, the Central Council has developed a school-level standard, “Contents of Financial Education by Age Group” in the “Financial Education Programme”. Henceforth, the study group needs to establish a standard of educational content that provides learning goals for each generation, including working adults and senior citizens, in reference to the OECD’s “Financial Education for Youth and the Role of Schools”<sup>21</sup> and the Japan Association of Financial Planners’ “Personal Finance Education Standards.”

In this regard, the school levels should be divided into four categories: - elementary, junior high, high school and university students - and the working adults/senior citizens should have three categories: young working adults, general working adults and senior citizens. The content should include the items described below. The study group noted that it is preferable for university students to obtain the same financial literacy as young working adults given their lifestyle: increasingly involved

in opportunities to handle money, living alone, receiving income from part-time work and using credit cards and other loans.

#### 1. School-age

It is important to educate students in family budget management and the importance of life planning by the time they become working adults. It is also necessary to teach the fundamental information required for financial education (*e.g.*, interest - simple and compound -, inflation, deflation, exchange rates, risk-return, etc.). In particular, high school and university students should understand these items thoroughly in preparation for becoming working adults.

#### 2. Working adults and senior citizens

Working adults and senior citizens should understand, on their own, the true risks concerning financial products, obtain the minimum level of financial literacy, and develop the ability to make their own judgements in selecting financial products.

For example, young working adults have a greater need to increase their financial assets for the future, and it is appropriate to include moderately risky financial products in their investments. At the same time, it is necessary to teach them that appropriate financial behaviour differs among age groups. For example, senior citizens tend to own less-risky assets - although risk appetite varies among individuals.

Senior citizens, who probably did not receive sufficient financial education, are more likely to encounter problems and fraud. Therefore, they need to be wary of suspicious transactions, such as those offering excessively large returns, and make decisions carefully.<sup>22</sup>

### ***Recipients of financial education***

The recipients of financial education range from young children to senior citizens. Given limited resources, however, the study group must prioritise certain recipients depending on the circumstances.

As mentioned previously, the content of financial education in school education has been strengthened through the revision of government course guidelines, and it is important to sustain such efforts. At the same time, while there are number of educational activities implemented by various financial industry groups, financial institutions, etc., only a limited number of working adults and senior citizens are covered by such activities.

The number of households without financial assets is growing, and many senior citizens still lose money in fraudulent transactions. These facts demonstrate the necessity of financial literacy for working adults and senior citizens. Thus, financial education for working adults and senior citizens, who in general have limited opportunities for education, should be a priority for the time being. Also, financial education should be promoted carefully in consideration of that people's lifestyles have become more diverse and the typical lifestyle of the past - employment, marriage, childbirth, house purchase and retirement - is no longer as prevalent.

Beyond the above categories, the study group needs to ensure that the socially vulnerable and the low-income groups, who are likely to have difficulties in life planning, receive adequate financial education. Given that a large amount of information is now provided via the Internet, the study group should also pay attention to people who lack on-line access.

## *Approaches in each category*<sup>23</sup>

### *Students*

Elementary, junior and senior high schools

As discussed earlier, school-level financial education is provided within social studies, civics and home economics curricula. It is necessary to enhance financial education within home economics in terms of family budget management and life planning, particularly at the high school level before students start to work.

The government course guidelines and content of textbooks have been improved for home economics studies. Considering the limited number of teaching hours, however, it is important to develop and provide easier-to-use supplementary teaching materials/reference materials, such as classroom videos, and to increase the availability of training/symposia to enhance teachers' life-planning awareness and skills.

It is important to teach students the structure and functions of finance and to provide knowledge about financial and economic conditions, in addition to helping them develop life skills. Therefore, education should facilitate role-sharing and co-ordination among social studies, civics, and home economics teachers.

It should be noted that while financial industry groups and institutions are developing and providing good teaching materials, these are in use only in a limited number of schools. Thus, some study group members have expressed a need for effective use of good teaching materials.

Further, it is desirable to provide education for pre-school level children in preparation for such school-level education.

### *Universities*

It is also necessary to provide financial education systematically in universities. For example, some study group members pointed out the need for financial education in liberal studies.

### *Working adults and senior citizens*

Enhancement of Defined Contribution (DC) Plan education

Defined contribution plan education is considered a promising channel for financial education for working adults. In order to further enhance DC education, it is necessary to secure opportunities, especially for continuing education, and consider measures to enhance the content of such education without excessive demands on participants' time. DC education is likely to become a more effective ground for investment education.

Pursuing approaches through local governments

As mentioned above, the involvement of local governments (consumer affairs centres, community centres, etc.) has been limited to date. Local governments are public entities, however, separate from financial industry groups and individual financial institutions. Thus, the study group expects financial education through local governments to be improved and strengthened as a channel

for financial education for working adults and senior citizens, reflecting the unique features of each local area.<sup>24</sup>

The reasons for the limited involvement of local governments include a lack of co-ordination between related organisations and the unclear positioning of financial education under consumer education, in addition to constraints on budget and human resources. Therefore, it would be effective to position financial education in the “Basic Principles of Consumer Education” to be set by the government in accordance with the Act on Promotion of Consumer Education (enacted August 2012), and then to incorporate it into the “promotion plan” to be devised by local governments. This should encourage co-ordination among various entities. In addition, some members mentioned the possibility of including welfare-related entities as potential candidates for such co-ordination.

Furthermore, independent activities by citizens often lack continuity due to the reliance on a particular individual’s leadership. This increases the need for local governments’ continuing support.

#### Efforts of financial industry groups and financial institutions

Financial industry groups and institutions are important contributors. The study group expects their continued involvement. At the same time, the difficulty of drawing a clear distinction between efforts by these entities in terms of education and sales promotion has been pointed out. Therefore, when holding seminars, the entities should clarify whether the seminar is held for the purpose of financial education, providing the minimum level financial literacy discussed earlier, or primarily to sell products.

In addition to the above groups, financial industry groups and institutions should provide financial education targeting not only working adults but also new graduates; host seminars for social studies, civics, and home economics teachers; and develop and provide teaching materials based on their own expertise.

#### Providing preventive and impartial advice

While Japan’s post-event consulting on financial-transaction problems is becoming fairly strong, education to prevent problems is considered more important. In the U.K., for example, preventive advice, including life planning, is available; Japan should likewise enhance the provision of such advice. In this regard, the study group plans to widely disseminate a tool for self-examination of life plans, which is available on the website of the Central Council (*Shiruporuto*) as the first line of access for neutral advice, and to review and improve the content as necessary. Further, in addition to offering web-based advice, the study group should consider providing neutral advice by telephone or face to face over the medium term. For example, some members suggested establishing a system to provide preventive advice through a financial planner whose role was originally to provide advice, as well as a funding plan in line with an individual’s life plan, or through consumer affairs centres where a consultation system is already established.

In addition, some suggested a review of the measures to incentivise users and to inform users of the need to actively seek financial education.

#### *Development of human resources*

It is important to develop human resources for on-site teaching to ensure high-quality financial education. Thus, schoolteachers should have the requisite awareness and skills, which might be enhanced by the aid of the retirees from financial institution. It is important for teachers and trainers to

understand the minimum financial literacy (15 items noted above) and the standards for systematic education, possess on-site teaching skills, avoid any sales promotion, and be able to give advice from the user's position and maintain confidentiality.

#### *Improvements to the provision of information*

Given the large disparities in financial ability between suppliers (sellers of financial products) and users (buyers), the authorities should continue regulating the providers while improving users' financial literacy. In addition, neutral third-party information should be enhanced.

For example, in order for simple investment products appropriate for mid- to long-term asset building to be widely accepted, it is necessary to improve users' financial literacy and nurture their ability to independently select and use appropriate products. Further, in line with the introduction of a Japanese version of Individual Savings Accounts (ISAs) - individual investments and savings account with a favourable tax status -, the study group should require clearer disclosure of material information (fees, risks and returns) about the main investment trust products. At the same time, the study group should consider providing clear comparative information through neutral third parties.

#### ***Measures for promoting financial education***

##### a) Organisations

Independent providers should share the minimum-level of financial literacy to be achieved, secure the necessary budget and play their respective roles, thereby encouraging a more efficient and effective promotion of financial education.

To this end, the FSA and other relevant authorities need to play a more active role in promoting financial education. It would be advisable to establish a Committee for the Promotion of Financial Education, as a forum for promoting financial education by using the Central Council's network<sup>25</sup>.

The most important issue going forward is to realise the minimum financial literacy requirements (the 15 items), as summarised in this chapter, so that responsible organisations such as schools, local governments, financial industry groups, financial institutions and non-profits can use them easily, and then define and systematise what is to be learned at what age group.

At the same time, the study group will start reviewing the channels to provide information related to financial education. Namely, the group will promote the Central Council's website as the first access point on the Internet and link this site with the website of other related authorities and organisations, thus establishing a system in which users can easily access information.

In promoting the mutual linkage of websites, more specific and practical content should also be provided, such as comparative information provided by a neutral party on financial products including investment trusts. This will increase users' convenience while encouraging suppliers to offer better products. The study group will also consider providing neutral advice as well as setting up a contact point for people who cannot access the Internet easily, enabling them to obtain the same information available via telephone, etc.

Further, the study group will review the issues identified in this report in addition to the development and maintenance of human resources.

When implementing these tasks, it is important to ensure progress by following up among related parties through the forum Committee for the Promotion of Financial Education.

b) Regular measurements of effectiveness

It is also crucial to measure Japanese citizens' level of financial literacy regularly. In this regard, the Central Council's Financial Literacy Survey is highly effective, as follows:

- Although it is difficult to make a direct comparison of the various systems in different countries, the questions achieved a certain level of international comparison thanks to the use of part of the survey instrument developed by the OECD/INFE.
- In addition to the questions on basic knowledge such as interest rates and inflation, the survey includes questions about saving for the future, self-assessment of financial knowledge and judgement, the basis for decision-making about financial products/transactions and the method for obtaining financial information. Thus it covers issues related to behaviour and attitude as well as knowledge.

For the efficient and effective promotion of financial education in the future, the study group should continue using the survey, conducting reviews as necessary to measure the degree of penetration of financial education among Japanese nationals.

## Conclusion

More than 10 years have passed since the Finance System Council noted the importance of financial education in its 2000 report and since Japan started taking actions to enhance financial education. This education is a long-term process, requiring time to educate people on a range of issues including family budget management, life planning and behavioural matters such as using external information and making judgements when selecting appropriate financial products, in addition to basic financial and economic knowledge. Therefore, financial education policies and programmes should be promoted continuously in the medium to long term throughout the country.

Furthermore, as discussed in the report, improved financial literacy will produce better finance at large. Not only will the quality of people's lives be enhanced, but suppliers of financial products will be encouraged to provide better products and supply funds to growing industries via the promotion of mid- to long-term diversified investment and thus contribute to the overall growth of the national economy. The study group asks financial industry groups and financial institutions as suppliers of financial products to take into consideration the significance of improved financial literacy and to further contribute.

In 2012, the OECD and G20 again acknowledged the importance of financial education. By actively working on the issues identified in this chapter, the study group expects Japan's financial education to achieve one of the highest standards among OECD member countries.

The study group hopes that, based on this chapter, the relevant parties will co-ordinate activities, work together and continue promoting financial education efficiently and effectively, aiming to enhance the overall financial literacy of Japanese nationals.

## NOTES

- 1 Japan's National Strategies (NSs) used to be "Agenda for Finance and Economics Education" (2005) and "Financial Education Programme (2007)". Recently, the former, "Agenda for Finance and Economics Education." was updated by "Report of Study Group on Financial Education (2013)." Japan's NSs are hereby "Report of Study Group on Financial Education" and "Financial Education Program."
- 2 The definition of the term "financial literacy" in this chapter is the same as the OECD/International Network on Financial Education (INFE) definition in the "High-Level Principles on National Strategies for Financial Education (June 2012)": a combination of financial awareness, knowledge, skills, attitudes and behaviour necessary to make sound financial decisions and ultimately achieve individual financial well-being.
- 3 According to the OECD/INFE's "High-level Principles on National Strategies for Financial Education," for the promotion of financial education, the establishment of coordinated and tailored strategies at the national level has been widely considered to be one of the best means to achieve these efficiency goals while avoiding duplication of resources and efforts. Further, the June 2012 G20 Los Cabos Summit Communiqué stated the following: "On financial education, we endorse the OECD/International Network on Financial Education (INFE) High level Principles on National Strategies for Financial Education, and call on the OECD/INFE and the World Bank in co-operation with the GPFi to deliver further tools to promote financial education, with a progress report to the next Summit."
- 4 Based on the Central Council of Financial Services Information's "Survey of Household Finances" in 2012, households (households with two or more family members) without financial assets amounted to 26% of the total number of households.
- 5 The promotion of financial education is incorporated in the "emergency economic measures" (cabinet decision of January 11, 2013).
- 6 This concept is based on the following views addressed in the "Act on Promotion of Consumer Education" (August 2012)
  - Help preventing damage; at the same time help individuals to obtain the capability to act independently and rationally in order to protect or increase their own interests;
  - Help individuals recognising that their actions can affect current and future generations and social and economic conditions both in Japan and overseas, and to participate in the formation of a fair and sustainable society (consumer-oriented civil society).
- 7 The Central Council is an organisation consisting of the representatives of financial and economic organisations, the media, consumer groups, etc., experts, and the deputy governor of the Bank of Japan, with the director-generals of related authorities, including the FSA, and the executive director of the Bank of Japan taking part as advisers (Secretariat: Public Relations Department, Bank of Japan).
- 8 The survey was conducted on 10,000 individuals of 18 years of age or older to measure their knowledge and behaviour in relation to money and finance. Data received from 3,531 individuals was compiled and analysed.
- 9 According to survey by the Ministry of Education, Culture, Sports, Science and Technology (MEXT) on Social education activities, 20,858 lectures related to child-care, nursing children and upbringing were held with 800,564 participants, 19,730 lectures related to cooking, food and diet with 430,092 participants, while

271 lectures related to finance, insurance and tax were held with 9,161 participants, and 418 lectures related to consumer affairs with 33,008 participants in 2008.

- 10 Article 22, paragraph 1 of the Defined Contribution Pension Law stipulates that “Employers must endeavour to present fundamental materials regarding asset investment, and take other necessary measures that will be useful for those corporate pension plan subscribers, etc. of the corporate pension plan in effect to carry out the investment instructions as in paragraph 1 of Article 25.”
- 11 Plan administrators, mainly financial institutions, are specialised organisations that undertake the administration of a defined contribution plan. Their tasks include presentation of methods for asset management to plan participants, provision of information necessary to select a method of asset management, and management of participants’ attributes and performance (account management)
- 12 In August 2011, the law concerning providing support to secure income for the elderly through national and corporate pension funds made it clear the continuous implementation of investment education. Article 22, paragraph 2 of the Defined Contribution Pension Law stipulates that employers, when taking necessary measures to be useful for those corporate pension plan subscribers, should consider executing such measures with continuity, improving subscribers’ level of knowledge as per asset management, thereby enabling subscribers to use such opportunities effectively.
- 13 The term “advice” implies not only consultation on general matters, including life planning but also confirmation of the risks related to individual financial products, consultations in search of solutions for problems arising in relation to financial transactions, and counselling to overcome the habit of overspending.
- 14 The three items listed are important issues that have been incorporated in consumer education to date. Going forward, financial education should also include these as important issues.
- 15 It is also important to confirm in the contract whether cancellation is possible and if penalty fees are applicable upon cancellation.
- 16 According to the Central Council’s “Financial Literacy Survey (September 2012),” only 30% could answer the compound interest question correctly, while 80% of respondents answered the simple interest question correctly.
- 17 The term “risk” in the field of asset management generally refers to “the degree of uncertainty concerning returns (*i.e.*, return on investment obtained by dividing the total income generated by holding financial assets for a certain period by the amount of principal (loss on investment if negative).” For example, assuming a JPY1 million investment a certain financial product, between the cases below, the first one is regarded as “riskier” than the latter:
  - There is a possibility of gaining JPY200K, thereby the value of the investment will increase to JPY1.2 million in one year or decline to JPY800K (loss of JPY200K); and
  - The maximum gain is capped at JPY10K (value of the product is capped at JPY1.01 million), but the possibility of loss is limited and it is guaranteed that the value of the product will not go below JPY990K.

On the other hand, in the field of insurance, the term “risk” means potential loss and danger due to death, illness, fire, etc. Further, in everyday life, the term “risk” is used in negative sense, referring to the potential loss and danger as in insurance, which can make it difficult to understand the meaning of “risk” in asset management.

- 18 For example, in the case of loan products, if a variable interest rate is chosen, the burden of interest payment is expected to increase with the upward trend of interest rate, while in the case of fixed rate, the initial rate is set at a level higher than the variable rate. As such, it is also necessary to understand the financial and economic conditions.
- 19 Any individual of 20 years of age or older can open an account. When purchasing stocks and investment trusts with the maximum allowable investment at JPY1 million, the investment is tax free in terms of dividends/capital gains for five years. After the initial five years, the holder of the account can either maintain the investment by utilising an additional allowable amount under the existing ISA account and hold the investment free of tax, or transfer and maintain the investment in a regular account.
- 20 In relation to the financial crisis etc., going forward, it is important to enhance the contents of financial education and incorporate knowledge of behavioural economics, such as mass psychology.
- 21 To be published by the OECD in 2013 and also circulated at the G20 Finance Ministers and Central Banks Governors in July 2013.
- 22 According to the Central Council's Financial Literacy Survey (September 2012), senior citizens are more financially prepared than other age groups. However, the survey shows a low accuracy rate on questions testing for practical knowledge and a low level of interest in terms of information gathering, despite rating themselves highly for their knowledge and judgement.
- 23 Other than the activities described in this report, the study group expects the continuing active involvement of the Central Council and local councils, taking a neutral and fair position and supporting financial education in schools and financial education activities for working adults/senior citizens.
- 24 In the U.S., the President's Advisory Council on Financial Capability issued a paper, "Creating Financially Capable Community (March 2012)," asking the leaders of state and municipal governments to promote financial education.
- 25 The Committee for the Promotion of Financial Education was established in June 2013 and started discussing and implementing the tasks identified in the report.



## ANNEX 11.A1 – JAPAN: REPORT AND SUMMARY OF THE STUDY GROUP ON FINANCIAL EDUCATION

### Study Group on Financial Education – Report Summary

Significance/purpose of financial education – toward the realization of a fair and sustainable society

Financial literacy as a life skill	Financial literacy to encourage the provision of sound, high-quality financial products	Financial literacy encouraging the effective use of household financial assets in Japan
<ul style="list-style-type: none"> <li>➤ No one in modern society can avoid involvement with financial matters.</li> <li>➤ It is important to make life planning a habit and acquire the knowledge and judgment needed to appropriately select/use financial products in order to achieve financial independence and lead a better life as a member of society.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Government regulations alone can only go so far in achieving user protection; moreover, excessive regulation could hinder innovation by financial institutions.</li> <li>➤ As users improve their acumen in selecting financial products, better financial products can be expected to become prevalent.</li> </ul>	<ul style="list-style-type: none"> <li>➤ The majority of Japan's approximately 1500 trillion yen in household financial assets is held in cash and savings. One reason for this is inadequate understanding of the benefits of diversified, long-term investment.</li> <li>➤ If households are encouraged to engage in diversified, medium- to long-term investment, the effect would be to help make available to growth sectors a sustained supply of funds.</li> </ul>

#### [Future policy for financial education]

Various forms of financial education have been offered separately heretofore to students as well as to working adults and senior citizens. Future efforts should be pursued along the following lines consistently.

#### 1. Financial literacy that should be attained

##### (1) Emphasis on behavioral aspects

In addition to acquiring knowledge, emphasize behavioral aspects such as making a habit of sound family budget management/life planning, developing the discernment to properly select and use financial products, and making use of advice when necessary.

##### (2) Common minimum level of financial literacy to be attained

To efficiently and effectively advance financial education, the persons involved in such education should adhere to a common minimum level of financial literacy to be attained (15 items in 4 categories; see Reference).

##### (3) Establishment of standards for systemic educational content

Establish more detailed standards, formulated in a systematic fashion, for educational content by age and category.

#### 2. Recipients of financial education

- Strive to more firmly establish educational efforts in schools while placing greater focus on working adults and senior citizens.

#### 3. Approaches in each category

##### (1) Approaches designed for students

- ① Elementary, junior/senior high schools
  - Enhance teaching of family budget management/life planning in home economics classes in addition to social studies and civics classes
- ② Universities
  - Consider introducing financial education

##### (2) Approaches designed for working adults and senior citizens

- ① Improve investment education for people on defined contribution pension plans
  - Provide continuing investment education and improve its content
- ② Pursue approaches through local governments
  - Position financial education in the "basic principles of consumer education" to be set forth in future by the government in accordance with "the Act on Promotion of Consumer Education"
- ③ Encourage efforts by financial industry groups and each financial institutions
  - Active and continued efforts can be expected from these groups/institutions as important providers of such education
- ④ Provide preventive and impartial advice
  - Improve provision of preventive advice to avert problems of financial transactions

##### (3) Development of human resources for financial education

Foster the personnel needed to provide on-site teaching and ensure high-quality financial education

##### (4) Improvements to provision of information on financial products

Enhance the provision of information on financial products by impartial institutions

#### 4. Measures for promoting financial education

##### (1) Organizations for promoting financial education

- The Financial Services Agency and other relevant authorities need to play a more active role.
- To do so, a forum ("Council for the Promotion of Financial Education") will be organized to undertake efforts by utilizing the Central Council for Financial Services Information's network
- This Council will manage progress through an appropriate division of roles to ensure streamlined and seamless efforts

##### [Issues to be addressed]

- Embodying the minimum level of financial literacy that should be attained
- Organizing and systematizing the sequence of material to be taught by age group
- Mutually linking the websites of relevant authorities, organizations, etc., and building an easily and comprehensively accessible system for information provision

##### (2) Regular measurements of effectiveness

Utilize the Central Council for Financial Services Information's "Financial Literacy Survey" to measure progress in making financial education available

(Reference) Minimum level of financial literacy that should be attained (15 items in 4 categories)

<p><b>1. Family budget management</b></p> <p><b>Item 1</b> Making a habit of proper income/expenditure management (eliminating debts and staying in the black)</p> <p><b>2. Life planning</b></p> <p><b>Item 2</b> Articulating life plans and understanding the need to secure the funds required for life plans</p> <p><b>3. Understanding of financial knowledge and financial/economic circumstances, and selection/use of appropriate financial products</b></p> <p>[Knowledge of the basics of financial transactions]</p> <p><b>Item 3</b> Making a habit of assuming a fundamentally careful attitude toward contracts</p> <p><b>Item 4</b> Making a habit of confirming the reliability of information sources and contract counterparties</p> <p><b>Item 5</b> Understanding that Internet transactions are convenient but some precautions different from face-to-face transactions</p> <p>[Common to all categories of finance]</p> <p><b>Item 6</b> Understanding key concepts constituting the foundations of financial education (interest (simple interest, compound interest), inflation, deflation, exchange rates, risk-return, etc.), and the selection/use of financial products suited to financial and economic circumstances</p> <p><b>Item 7</b> Understanding the importance of ascertaining the actual cost (price) of a transaction</p>	<p>[Insurance products]</p> <p><b>Item 8</b> Understanding for which contingencies (death, illness, fire, etc.) one should seek insurance coverage</p> <p><b>Item 9</b> Understanding the amount of economic security required should a covered contingency occur</p> <p>[Loans/credit]</p> <p><b>Item 10</b> Understanding basic precautions when arranging a home loan</p> <p>① Importance of setting a reasonable loan limit and putting together a repayment plan</p> <p>② Importance of preparing for the possibility of circumstances that could make repayment difficult</p> <p><b>Item 11</b> Making a habit of avoiding thoughtless/reckless use of credit cards and credit card loans</p> <p>[Wealth-building products]</p> <p><b>Item 12</b> Understanding that seeking higher returns will entail assuming higher risks, although risk tolerance varies from person to person</p> <p><b>Item 13</b> Understanding the effectiveness of diversification in wealth building (diversifying investment assets and investment start times)</p> <p><b>Item 14</b> Understanding the effectiveness of long-term investments in building wealth</p> <p><b>4. Appropriate use of outside expertise</b></p> <p><b>Item 15</b> Understanding the importance of appropriately employing outside expertise when selecting/using financial products</p>
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## *Chapter 12*

### **Korea: Developing the Financial Education Activation Plan**

This chapter is a submission of the Government of Korea.

## Definition, Scope and Purpose

Korea is expected to complete its Financial Education Activation Plan in 2013; on the basis of this plan, financial education will be systematically implemented. Within the framework of this initiative, all financial training programmes are to be provided to every financial customer by the public and private sectors with a consistent and universal message, while they simultaneously support customised training sessions especially for the socially vulnerable.

### *Rationale for the development of the National Strategy*

Owing to a lack of knowledge about finance, some Korean customers have suffered financial losses. Typical examples include the credit-card crunch in 2003, the credit bubble collapse caused by household debt in 2008, investment losses derived from subordinated bonds issued by savings banks in 2011, etc. An information asymmetry between financial institutions and individual customers played an important role in causing losses to consumers, notably since more complex financial products were invented and diversified.

In a fast-changing financial environment, financial education is needed more than ever before. People have more options in selecting financial products than they did years ago. Moreover, Korea's sharp increase in the elderly population makes knowledge of the financial sector especially important.

To address issues in the current financial market, Korean public authorities/the government have agreed to establish a fair financial system and consumer protection, with a consensus that financial education should be provided as systematic and continuing education in order to boost financial literacy.

The competent authorities have long provided financial training programmes; however, these sessions were prepared by a separate organisation, resulting in unequal opportunities among learners. Thus, a national initiative for financial education has emerged for systematic and integrated learning, customised for the different life stages.

The concept that financial consumers should be protected is globally recognised. Thus, the Korean Financial Consumer Protection Law states that the government shall provide financial education to the public. Moreover, Korea will endeavour to promote financial education for organised and customised education to be a basis of Korean people's lives.

### *Scope of the National Strategy: focus on financial inclusion; consumer protection and empowerment*

The Financial Education Activation Plan focuses on empowering consumers and expanding financial inclusion.

Financial products are offered in savings, investment and loans, which require only simple knowledge of use. Small banks (including E-Post bank, Nonghyup, Credit Union) provide easy access to them in remote rural areas and traditional markets. However, a lack of understanding of the financial products and their risks often leads to investment failures or a downgrade of consumers' credit rating caused by excessive loans. To deal with these problems, it is important to enhance consumers' capabilities; this has become a focal point of the national strategy.

In addition, more emphasis has been placed on financial inclusion on government-supported microfinance products for those who lack information and who use loan-shark services.

### *Definition of financial education*

In Korea, financial education means that consumers receive training sessions, and various forms of information and consulting services, for better financial understanding of products, as well as their intrinsic risks and opportunities.

### **Preparation**

#### *Demand assessment and key policy priorities*

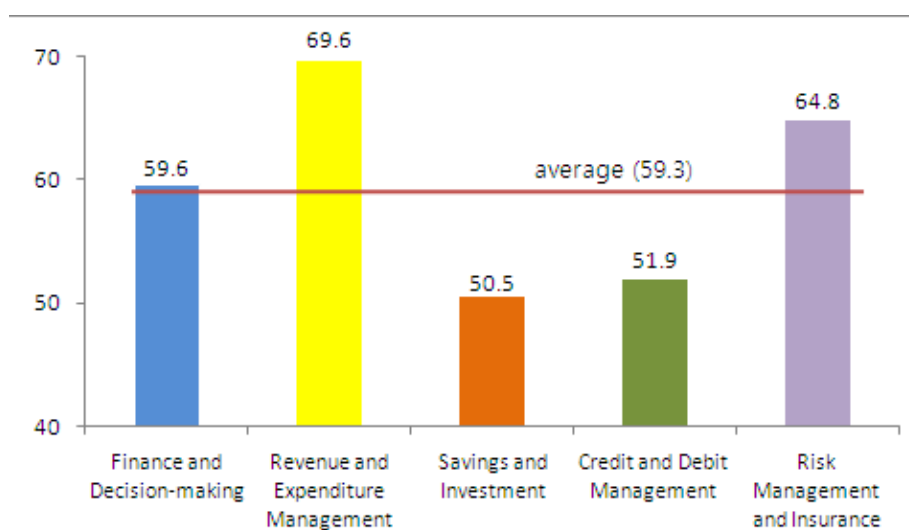
To find out how much financial education is needed, surveys targeting high-school students were conducted in 2009 and 2011, as was a survey targeting householders in 2011.

High-school students nationwide completed a questionnaire designed to measure a financial quotient prepared by the Financial Supervisory Service (FSS). Respondents' Financial Quotient (FQ) score in 2011 was 59.3, up 4.0 from 55.3 in 2009. This increase can be attributed to more frequent exposure to financial products like bankbooks and more attention given to finance after a series of global financial crises. The regional gap between large cities and small and medium-sized ones was not remarkable, at 60.3 in big cities and 59.0 in smaller ones. However, students in rural areas recorded a 48.2 FQ, significantly lower than the average.

FQ was measured in five categories. FQ was 59.6 in finance and decision-making, which shows an average understanding. It was 69.6 in revenue and expenditure management and 64.8 in risk management and insurance, which shows a fairly good understanding, while it was 50.5 in savings and investment and 51.9 in credit and debit management, indicating a relatively poor understanding.

63% of the respondents said that financial training programmes at school are insufficient, leading to a conclusion that more training sessions are needed. Moreover, considering comments that financial education programmes are more focused on terminology and concepts (41.1%) rather than practical content (6.4%), it was clear that demand for practical content has risen.

**Figure 12.1 Korean high-schools students: Financial Quotient by each category**



In 2011, the Financial Services Commission (FSC) conducted a financial literacy survey through face-to-face interviews of 1,200 households based on demographic factors including region, age, income level, occupation, educational level, etc. The questionnaire was designed to identify general conditions of people's financial life, their ability to balance revenue and expenditure, capacity to manage assets and understanding of finance. The FSC used financial education guidelines issued by the OECD to conduct the survey, and the number and content of the questions were set given Korea's current financial education status.

The results of the survey are as follows:

First, as financial literacy of Korean adults varies based on their income level, those with a higher income own more assets and thus are more empowered to use the financial markets because make more transactions.

Second, age and occupation are factors that determine financial literacy. The younger generation in their 20s and 30s tend to have better skills in managing their assets even though they have fewer assets than the elderly. White-collar professionals are more capable consumers, whereas self-employed people tend to be poor at acquiring financial information.

Third, the education level makes the biggest difference. Those with a post-graduate university education are extremely capable consumers in terms of asset and debt management and the selection of financial products, and they are actively involved in financial transactions.

The survey results indicate that low-income families need financial education more often. This is one reason that customised sessions factoring in age, occupation and education level are needed for different life stages.

### ***Mapping of stakeholders involved in financial education, existing initiatives and resources***

Korea reviewed its financial education programmes in general in a paper entitled "Long-term research for strengthening financial consumer literacy" written by the Korea Development Institute and endorsed by the FSC. The paper compared formal and informal financial education led by financial providers in Korea with a guideline on strategy for financial education provided by the US, the UK and the OECD.

The paper notes that financial knowledge is included in the curriculum at elementary, middle and high schools but that students are not learning enough about the importance of savings and credit-related transactions, financial knowledge in general, and practical aspects.

The report gives credit to the financial education standard for youth designed by the Korea Institute for Curriculum and Evaluation and endorsed by the FSS. Three kinds of textbooks for elementary, middle and high school students and three kinds of manuals for teachers have been produced based on this standard. Standardised textbooks published and distributed to schools for use set the framework for financial education for teenagers.

The National Assembly is paying attention to financial education for the younger generation. It holds a forum organised by the Sustainable Economy Research Group to improve teenagers' financial literacy. The Korean government is striving to address pending issues related to financial education and to provide more education programmes while overseeing the FSC-led Financial Education Council (FEC) composed of the competent authorities.

## ***Consultation process***

### ***Main outcomes***

The FSC established a Financial Education Group consisting of public organisations such as the FSS, Korea Deposit Insurance Corporation, Credit Counselling & Recovery Service, seven financial sector groups like the Korea Federation of Banks, and private organisations including the Korea Council for Investor Education, the Financial Quotient Council, and the Korea Investors' Protection Foundation. The group, which is convened between one and four times a year, discusses pending financial education issues and the smooth operation of financial education programmes.

Educational content and subjects were limited in accordance with the objectives of each organisation, addressing specific target groups or product category. This determined inequalities in the coverage and provision of financial education. Thus the Financial Education Activation Plan was established recognising that to deal with this inequality, financial education should take place at a national level. The FEC played a key role.

### ***Mass communication campaigns to carry out the National Strategy***

#### ***Main delivery channels, key messages and outcomes/evaluations***

On behalf of the FEC, the FSC is expected to announce in a press release the main contents of the Financial Education Activation Plan agreed by the Council. Besides this, details of the Plan will be made public on a website of the member institutions of the FEC and at the windows of financial institutions. Also, the national strategy and its vision will be posted on the Financial Education Integrated Portal, a website operated by the FEC launched in May 2013 ([www.금융e랑.kr](http://www.금융e랑.kr)).

## **Governance mechanisms and role of stakeholders**

### ***Governance mechanisms***

The FEC, a non-standing body, will co-ordinate basic policy directions for feasible financial education, examine how financial education is provided by each institution and continue to upgrade the Financial Education Activation Plan. The FSC provides working-level advice to the FEC, and the FSC vice-chair leads the FEC as Councillor.

The FSC examines the current status of financial education in Korea and presents policies on how to build the infrastructure by drawing up guidelines necessary for national financial education, playing a role as co-ordinator among the competent authorities.

The FSS develops a guideline according to the Financial Education Activation Plan and drafts standardised materials and programmes based on this guideline. In addition, it reviews the current status of instructors and conducts surveys on financial literacy; it also co-ordinates financial training programmes organised by financial institutions.

The Korea Deposit Insurance Corporation provides shop owners in traditional markets and senior citizens with door-to-door education services on critical financial topics such as deposit protection service, phishing schemes, and more.

The Credit Counselling & Recovery Service visits the military to give financial lectures to soldiers. College students can learn about the credit recovery system or the importance of credit

management in classes organised by the Credit Counselling & Recovery Service. It also provides people who go through credit recovery or credit guarantee assistance programmes, as well as young adults and college students who apply for loans, with compulsory online financial education.

The Financial Quotient Council provides segmented financial training programmes for different people in many formats, including musicals whose main audience are elementary, middle and high school students and their parents, along with training sessions for teachers.

The Korea Council for Investor Education strives to enhance people's awareness about the securities industry by training investors and holding asset management and stock investment competitions. It has also established a learning centre (the financial village) with practical exercises for different audiences.

Seven entities – such as associations of financial companies including the Korea Federation of Banks, the Korea Life Insurance Association, the General Insurance Association of Korea and the Credit Finance Association of Korea - provide financial resources to associations and affiliated financial institutions; they also offer objective and universal financial education based on guidelines and materials prepared by government-affiliated organisations.

## Roadmap

### *Mission, statement, vision, and objectives*

The Financial Education Activation Plan aims to empower consumers who have decision-making abilities and sound views on finance. Its objective is to improve the infrastructure for the provision of financial education (training teachers, developing incentives for adoption of financial literacy in curricula, etc), to enhance customised education programmes, to improve the level of the programmes and instructors, and to establish a follow-up management and evaluation system.

### *Main policy priorities*

The Korean government wishes to strengthen financial education programmes aimed at the prevention of financial damage to consumers and at financial inclusion, by heightening consumers' capabilities through the Financial Education Activation Plan.

First, the infrastructure for financial education shall be built.

In the short term, an integrated portal will give people easy access to information. In the medium term, the integrated portal will provide customised and life-cycle financial education information targeting adults.

The FEC, composed of public organisations, will be reformed. In the near term, the existing structure is to be revised for an enhanced role while in the medium and long term, a consultative body and a task force will be created including the government and all competent authorities.

In addition, an advisory group is to be formed with the participation of private-sector experts. In the short term, this group will help establish the national strategy and give advice through research; in the medium to long term, financial education will be unified in a single format with effective use of limited resources by adopting a guideline.

Second, customised financial education shall be strengthened.

In the medium and long term, in order to provide more educational programmes at school, regular financial classes and customised programmes considering the students' profiles will be increased. Customised life-cycle financial materials will also be developed targeting adults, as will financial lectures for instructors to promote standardised financial education.

Guidelines for retirees will be established to provide more training on both public and private pensions. These will proceed in consultation with the competent authorities in the medium and long terms.

Low-income families and credit defaulters who do not have access to private financial advice will receive financial consultation services and education from the public financial consulting system. The concept of this service specifically for the vulnerable is to be re-defined and a national infrastructure for financial advice will be built in the mid- to long-term. To educate the elderly, inmates, multi-cultural families and others, the local governments will sign up for co-operative agreements with financial education organisations.

Third, the level of the financial education programmes and instructors shall be elevated.

The grading system is to be adopted to score financial education programmes and content in order to maintain good quality, and financial resources will be maximised by sharing high-quality content and preventing the copying of this content. Universal training for instructors shall be developed, and the quality of instructors will be guaranteed through a certification system. Financial programmes will be taught by good instructors who are in an appropriate setting and are effectively managed.

Fourth, a follow-up management and evaluation system shall be established.

An evaluation system is to be developed with the participation of experts and working-level staff, producing high-quality programmes.

In the near term, a universal curriculum evaluation system will be developed while in the mid- to long-term, a system built on a basis of targeting groups and topics will be applied.

Until the concrete methodology for assessment is completed, the financial quotient of the youth and university students will be measured to monitor their performance.

*Timeline for implementation and evaluation*

**Table 12.1** Timeline for implementation and evaluation of Korea activation plan

Category	Policy priority	Target audience
<b>I. Establishment of the infrastructure</b>		
a. Creating an online portal	Short term	All individuals
b. Reforming the Financial Education Group	Short term	-
c. Forming research advisory group	Short term	All individuals
d. Making a guideline	Intermediate	All individuals
<b>II. Strengthening customised education</b>		
a. Enhancement of the level of financial education at school	Long term	Students, teachers
b. Provision of programmes for different life stages	Intermediate	Adults, seniors
c. Provision of public financial consulting service	Long term	Seniors
d. Provision of education programmes targeting the socially vulnerable and the elderly	Intermediate	Vulnerable groups Seniors
<b>III. Enhancing the level of programmes and instructors</b>		
a. Granting credit for good education programmes	Intermediate	All individuals
b. Training instructors and enhancing the quality of instructors	Short term	Instructors
<b>IV. Management of follow-up actions and establishment of evaluation system</b>		
a. Setting up universal assessment standards	Short term	All individuals
b. Setting up detailed assessment standards	Intermediate	All individuals

***Resources available for the development/implementation of the National Strategy***

Public resources are not yet available for the Financial Education Activation Plan. Initially, the education will progress with the funds, personal resources and materials of the FEC member institutions and with resources donated in the form of corporate social responsibility by financial institutions. That said, the FSC or FSS will secure a certain amount of funds to support related projects if required by the government.

In addition, financial institutions will place in training programmes their employees with expertise in the relevant field and those with an interest in financial education. An integrated financial education network consisting 41 financial providers was launched by the FSS and staff of FSS member institutions with expertise; they will be sent as instructors to some 300 schools nationwide.

Instructors will be effectively managed with strengthened supplementary education. For future programmes, social contributions by financial providers and financial education activities should be closely interrelated.

## Implementation

- Many delivery channels are used in financial education in Korea.

Major stakeholders (the competent authorities) have opened their own websites and posted a variety of information on financial education. One good example is the Financial Education Portal in the form of a gateway being developed by the FEC, and a website of the FSS's financial education centre ([edu.fss.or.kr](http://edu.fss.or.kr)).

- Door-to-door education is provided.

Elementary, middle and high school students participate in education programmes, as do college freshmen who are unfamiliar with credit management. Door-to-door service is provided in regions where vulnerable groups live, and financial consultants visit and deliver financial information to shops in traditional markets where owners cannot freely leave.

- Financial education and information are delivered through TV, radio and social network services.

The media organise campaigns to prevent financial losses, and scenes related to financial damage appear on TV dramas notably to alert homemakers to those risks. Videos produced with educational materials air through daily programmes and are posted on a financial education website.

- Financial education is provided in the form of edutainment.

In the learning centre, anyone can learn about finance using electronic devices such as the Galaxy Tap and can visit related agencies (*e.g.* FSS, Korea Exchange, finance-related broadcasting stations), taking part in education sessions. In addition, financial musicals mixing songs and story simplify complicated knowledge.

### *Particular approaches to implementation*

A close and co-operative relationship must be established with agencies or organisations that have relatively abundant personal information on the vulnerable, in order to educate them.

In Korea, there are various underprivileged groups such as low-income families, multi-cultural families, North Korean refugees, and soldiers. Their identification information can be accumulated and monitored by the competent authorities; for example, that of low-income or multi-cultural families can be managed by the local governments, North Korean refugees can be monitored by Settlement Support Office for Dislocated North Koreans and soldiers by the Military Service Headquarters. If the government co-operates with these organisations to provide financial education, the programmes will be of great help in preventing financial losses for these people.



## *Chapter 13*

# **Mexico: Developing a National Strategy for Financial Education to Support Financial Inclusion**

This chapter is a submission of the Government of Mexico.

*“The great challenge of our banking system is to lend more to accelerate growth in benefit of households and of small and medium businesses of the country.*

*The other major challenge is to increase financial inclusion. We need to increase the opportunities in order that more people have access to financial services and products of quality throughout bancarization. With this, we may foster a new culture of saving to raise productive investments and allow more Mexicans to realize their dreams and desires.”*

*Mr. Enrique Peña Nieto, President of Mexico.*

*“Authorities should work on policies and strategies to boost financial education and consumer protection of financial services as these are fundamental components which foster and facilitate financial inclusion.”*

*Dr. Fernando Aportela Rodríguez, Undersecretary of  
Finance and Public Credit*

### **Definition, scope and purpose**

The Mexican financial system that was rebuilt after the 1995 Mexican financial crisis is strong and healthy. The banking system is well-capitalised; there are more banks and new non-bank financial intermediaries offering a more diverse range of financial products and services; access to credit has increased, there are more insurance firms and services and a solid defined-contribution pension system was established. This is matched by a stronger regulatory and supervisory system and a financial consumer protection framework.

However, there are still many Mexicans that lack access to financial services or that do not use them. Notwithstanding the progress made in terms of financial inclusion, there are still 939 municipalities (38% of the total) without points of access to formal financial services. In terms of use, according to the National Survey of Financial Inclusion (ENIF) 44 per cent of the adults interviewed

do not use financial services (savings, credit, insurance, and pensions) offered by a formal financial services provider. For the Mexican Government it is a priority that formal financial services become available for every Mexican. Financial inclusion is a mean of improving the living standard of the population because it enables people to better manage their resources, face unexpected situations, and better generate income.

Financial inclusion is a multidimensional problem that consists of two components: access to financial services and use of financial services. Access is the most basic component of financial inclusion because if financial services are not available and accessible people cannot use them. However, sometimes even when financial services are accessible people do not use them, or not use them appropriately.

Regarding the access component, Mexico has made important progress in terms of infrastructure. In the last ten years, there has been an increase of approximately 172% more bank branches, 226% more ATMs and 510% more point of sale card transaction machines. Furthermore, with the introduction of the banking correspondent regime, the presence of branches and banking agents per 10 thousand adults has increased from 1.7 to 5.1 in December 2009 to April 2013. 65% of the municipalities in the country that concentrate 96% of the adult population have an access point to make a deposit or to withdraw cash<sup>1</sup>.

The use component of financial inclusion lags behind the access component. 44% of the population do not use a financial product offered by a formal financial services provider. Many people still prefer to save and take loans from informal sources such as family and friends, rather than using financial services providers<sup>2</sup>.

There are many factors that affect the use of formal financial services, but amongst the most important ones are the confidence and understanding that people have regarding how financial services and financial services providers work, and how they can contribute to their wellbeing. To build people's confidence, financial education and financial consumer protection are indispensable.

The Mexican government is certain that to achieve financial inclusion, financial education has to be promoted. On the one hand, the increased access to financial services requires that the population that did not use them understand how they work as well as their rights and obligations as responsible consumers. On the other, the financial education level of people that are already part of the formal financial system has to be improved to make the best use of these services and of their economic resources. For this reason, in Mexico financial education is both an end in itself and also part of broader efforts aiming to improve the level of financial inclusion.

There is not a national definition of what financial education is in Mexico; however, there is consensus amongst public and private entities that financial education goes far beyond providing information. Financial education is the understanding of concepts such as financial planning, risk, opportunity cost, interest rate, savings, credit, etc. It is also having the skills to apply these concepts and translate them into effective and appropriate use of financial services; and it is also changing people's attitudes towards the management of financial resources.

There is also a widespread recognition that financial education complements financial consumer protection, and that there is nothing more efficient for consumers empowerment than education.

The general recognition of the importance and benefits of financial education has led many public and private entities as well as organisations from the social sector to work on financial education initiatives. The range of actions on financial education is broad and it includes printed material

distributed to the general population, workshops, web pages, plays and exhibitions, etc. However, these efforts emerged in a context in which there was a lack of coordination amongst all the stakeholders.

The lack of coordination in financial education initiatives led financial authorities, under the leadership of the Ministry of Finance and Public Credit, to start working on the preparation and design of a National Strategy for Financial Education (NSFE) that has been conceived as a high level document to establish a framework of reference to organise the financial education policies and programmes implemented by relevant stakeholders.

## Preparation

### *Assessment*

In recent years, there have been numerous assessments, particularly opinion polls conducted by private intermediaries and by authorities that reflect some ideas/notions/views that people have towards financial services and the management of their resources, and that reveals that there is a need for financial education in Mexico.

In 2008 Banco Nacional de México (Banamex) and the National Autonomous University of Mexico (UNAM) conducted a Financial Culture Survey<sup>3</sup> to identify the level of knowledge and perception of the population about different savings and credit products, to have a better idea of the use or non-use of formal and informal financial services, and to measure habits and identify attitudes towards savings, expenses and credit. The survey showed that most interviewees do not have a medium or long term vision in issues related to their finances, that there is only an incipient culture of planning and controlling expenses, and that households' priorities concentrate on the satisfaction of basic needs (food, education and health).

In 2009 the Ministry of Finance and Public Credit conducted a National Survey of the Use of Financial Services<sup>4</sup>. 62% of the interviewees declared that they had no or little understanding about financial products and services. More than half of the interviewees (57%) were using formal financial services, but most of them (26%) were only using one (mainly a deposit account); only 13% of the non-users of formal financial services said that they would be interested in getting a financial product (47% mentioned a savings account). 54% of the non-users said that they had little or no confidence in financial services providers.

In 2011, the Mexican Association of Administrators of Retirement Savings (AMAFORE) conducted the survey "Savings and Future: How Mexicans Think?"<sup>5</sup> to know the current state of retirement savings culture. The survey found that 57% of the interviewees save; however, only 21% saves through formal mechanisms and only 6% said that they were saving for retirement. 72% of the people interviewed mentioned that they were not making plans for their retirement and that they preferred to solve current needs instead of thinking of the future. However, more than half of the interviewees also said that not having money for the future made them feel guilty.

The first institutional effort to have indicators related to access to financial services is the Financial Inclusion Report that is periodically published by the National Banking and Securities Commission (CNBV) and that was first undertaken in March 2010. This report maps the presence of formal financial intermediaries across the country; some of the indicators contained in the report are the number of branches and banking agents per 10,000 adults, the number of ATMs/POS (Point of Sale terminals) per 10,000 adults, and the percentage of adult population living in a municipality with at least one access point. Until now there have been four Financial Inclusion Reports issued<sup>6</sup>.

In 2012, in line with the priority given to financial inclusion and financial education, authorities carried out important measurement efforts regarding the use of financial services and financial capabilities.

The CNBV and the National Institute of Statistics and Geography conducted the first National Survey of Financial Inclusion (ENIF). The objectives of the survey were to know the characteristics of the users and non-users of formal and informal financial services, to identify the population that keeps records of their expenses, to provide information about the use of savings, credit, insurance, and retirement savings services and their access channels, and to identify barriers that limits the access and use of formal financial services. As a result, the ENIF is the best and most complete exercise that has been conducted to understand the reality of financial inclusion in Mexico, and its information provides the official metrics of the level of financial inclusion in the country.

The ENIF shows that 56% of the interviewees have at least one formal financial service. 36% save through a formal mechanism and 44% declare that they save through informal channels, being the most common saving at home. The main reason for not saving is the lack of income and the lack of interest in saving. The main objectives for having formal and informal savings are facing emergencies, personal expenses as well as health or education expenses.

With regards to credit, 33.7% of the people interviewed use an informal credit mechanism, the most common being a family loan; 28% use at least one formal credit product, the most common being department store credit cards and the least common mortgage and car loans. Only 22% of the interviewees use some kind of insurance, the most popular being life insurance. The reasons given for the lack of insurance are the cost, the low level of understanding of how they work or where they can be purchased. Meanwhile, 27.8% of the population has a retirement savings account.

Although the existence of banking agents has significantly expanded the banking infrastructure, less than one third of the adult population use a banking agent. The percentage of users of Internet Banking is much lower; only 5% of the population has Internet Banking, and only 2% mobile banking.

As previously mentioned, in 2012 a Financial Capabilities Survey was conducted<sup>7</sup>. This project was part of the Financial Capability Measurement component of the Russian Trust Fund on Financial Literacy and Education, and was implemented by the World Bank. The World Bank's counterparts in Mexico were the CNBV and the National Commission for the Protection and Defense of Users of Financial Services (CONDUSEF).

The project included two phases; the first qualitative phase consisted in the development of a questionnaire that was later implemented in a second (quantitative) phase. During the qualitative phase of the project four dimensions of financial capability were identified: a) daily management of resources (keep expenses under control), b) future planning, c) financial products used and how they are chosen, and d) information about financial products and services. The final questionnaire included questions on these four dimensions and also eight questions taken from the OECD/INFE Financial Literacy Measurement Survey<sup>8</sup> about knowledge of key financial concepts.

This survey will enable policy makers to identify the level of financial awareness, behaviours and skills among different groups of population, setting a benchmark for estimating some effects of financial education programmes in the following years.

The authorities' objective is to periodically conduct the ENIF and the Financial Capability Survey in order to measure the progress made in financial inclusion and financial education. Probably

a decision will need to be made to determine if it is feasible and convenient to merge both surveys for future exercises.

### ***Mapping of stakeholders***

Many public and private entities as well as civil society organisations have incorporated financial education in their activities. In 2009 the Savings Banks Foundation for International Co-operation - SBFIC (Finanzgruppe Sparkassenstiftung für international Kooperation, e.V.) conducted a mapping exercise of financial education initiatives and activities<sup>9</sup> in order to present a general vision of financial education in Mexico and the objectives, approaches and methodologies applied in different programmes.

This non-exhaustive mapping exercise served to identify relevant stakeholders from the public, private and social sectors, and to identify some key characteristics of their financial education initiatives. On the one hand, the analysis showed the important number of financial education initiatives that existed, and how they grew with respect to a previous analysis conducted in 2007. On the other hand, it showed that there was a lot of heterogeneity amongst the initiatives (for instance very robust and well-structured programmes vs. sporadic actions) and not much coordination amongst stakeholders. Other aspects identified were:

- Most financial education initiatives were being delivered through traditional channels, *i.e.* face-to-face workshops, printed materials, email or the Internet.
- Lack of evaluation of most of the initiatives.
- Need to set minimum standards for the contents and quality of the programmes.

In 2011, as one of its first tasks, the newly created Committee for Financial Education (CEF) carried out a stocktaking exercise to identify the financial education activities of its members (more information about the CEF below). The stocktaking exercise only included public organisations because those were the first ones to be incorporated in the CEF. Some of the findings of the 2009 SBFIC's analysis persisted, such as the use of traditional channels (printed materials (magazines, booklets, brochures), Internet, workshops), duplication of efforts, lack of evaluation of most of the initiatives, lack of common messages or common language used by the stakeholders, and lack of information of other stakeholders' initiatives.

However, it is important to note that:

- After 2009 there are more public organisations that have developed financial education initiatives.
- Many of these public organisations have developed educational material for children.
- The initiatives are being scaled up.

Amongst financial education initiatives there is one that has been successful in raising awareness. This is the National Financial Education Week that has been organised annually since 2008 by Condusef. This is an initiative in which public, private and social sector organisations during seven days carry out activities targeting different population groups throughout the country: children, youth, women, employees, entrepreneurs, pensioners, etc.

The National Financial Education Week has two main objectives; first, that people identify financial education as a tool to help them to better manage their finances and to know how financial services can help them to achieve their objectives, and second, that people know the range of financial education programmes and initiatives available.

In the latest National Financial Education Week there were 3 000 activities, representing 50 percent of the activities conducted in the previous four editions. This is a clear sign of the increasing interest from the population and stakeholders in the Financial Education Week.

Following this experience, the Ministry of Foreign Affairs since 2012, has organised two financial education weeks in its consulates in the United States and Canada, targeting Mexican immigrants. Mexican public organisations as well as public, private and social sector organisations from the United States and Canada have participated in this initiative, whose main objective is to contribute to the financial inclusion, financial education and consumer protection of this population.

### **Governance mechanisms and role of stakeholders**

As the mapping and stocktaking exercises showed, there are interest and resources dedicated to financial education from diverse players; however, more coordination amongst them was certainly needed. This problem was not exclusive to financial education but also to inclusion initiatives. There were no formal communication channels and coordination bodies to align these efforts. This is why in 2011, under the leadership of the Ministry of Finance and Public Credit two coordination entities were created, the National Council for Financial Inclusion (CONAIF) and the Committee for Financial Education (CEF). Both of them are chaired by the Ministry of Finance and Public Credit given its mandate to promote the healthy development of the Mexican financial system, and its role as sectoral coordinator of many of these bodies' members.

**Table 13.1 Characteristics of the Mexican coordination bodies for financial education and for financial inclusion**

<b>National Council for Financial Inclusion (CONAIF)</b>	<b>Committee for Financial Education (CEF)</b>
Constituted by presidential agreement	Set up by the Ministry of Finance and Public Credit
Integrated only by financial authorities	Integrated by financial authorities, development banks, financial public institutions, other public entities and private and social sector institutions
It was created as a coordination, advisory and consultation body, which objective is to propose measures to plan, formulate, implement, execute and follow up a National Policy for Financial Inclusion and its implementation strategy.	It was created as a coordination body for aligning the financial education efforts of public and private institutions
<p>Some of its tasks are:</p> <ul style="list-style-type: none"> <li>• To know, analyse and formulate financial inclusion proposals and give its opinion on their compliance</li> <li>• Propose criteria for the planning and execution of financial inclusion policies and programmes at the Federal, Regional, State and Municipal level</li> <li>• Determine medium and long term financial inclusion goals</li> <li>• Coordinate with the Committee for Financial Education, the actions and efforts regarding financial education</li> <li>• Propose general organisation schemes for the efficient attention, coordination, and organisation of financial inclusion activities of public and private organisations.</li> <li>• Establish mechanisms for sharing information amongst public entities that have financial inclusion programmes</li> </ul>	<p>Some of its tasks are:</p> <ul style="list-style-type: none"> <li>• Define the priorities of the financial education policy and formulate guidelines</li> <li>• Prepare the National Strategy for Financial Education</li> <li>• Identify new areas of work and relevant stakeholders, and propose new actions and programmes</li> <li>• Plan the activities of the National Financial Education Week</li> <li>• Carry out and update an stocktaking exercise of financial education materials and research documents and make them available to the population</li> <li>• Establish measurement methodologies and indicators of financial education and financial capabilities</li> <li>• Present its work plan to the National Council for Financial Inclusion</li> </ul>

CONAIF	CEF
<p style="text-align: center;"><b>Membership</b></p> <p>It is integrated by ten members from the following public entities:</p> <ul style="list-style-type: none"> <li>• Minister of Finance and Public Credit (chair)</li> <li>• Deputy Minister of Finance and Public Credit</li> <li>• Federal Government's Treasurer</li> <li>• Central Bank Governor</li> <li>• Central Bank Vice governor</li> <li>• President of the National Banking and Securities Commission</li> <li>• President of the National Insurance and Bonding Commission</li> <li>• President of the National Commission of the Retirement Savings System</li> <li>• President of National Commission for the Protection and Defense of the Users of Financial Services</li> <li>• Executive Secretary of the Institute for the Bank Savings Protection Institute</li> </ul>	<p style="text-align: center;"><b>Membership</b></p> <p>It has three kinds of membership</p> <p><u>Members (they have voice and vote)</u></p> <ul style="list-style-type: none"> <li>• Deputy Minister of Finance and Public Credit (Chair)</li> <li>• President of the National Banking and Securities Commission</li> <li>• President of the National Insurance and Bonding Commission</li> <li>• President of the National Commission of the Retirement Savings System</li> <li>• President of National Commission for the Protection and Defense of the Users of Financial Services</li> <li>• Central Bank</li> <li>• Ministry of Education</li> <li>• Executive Secretary of the Institute for the Bank Savings Protection Institute</li> <li>• Presidents of the Housing Institutes (Infonavit and Fovissste)</li> <li>• General Directors of five development banks (Nafin, FIRA, Financiera Rural, Sociedad Hipotecaria Federal, Bansefi)</li> </ul> <p><u>Permanent Invitees (have voice but no vote)</u></p> <ul style="list-style-type: none"> <li>• Financial sector associations</li> <li>• Ministry of Economy, Ministry of Foreign Affairs</li> <li>• Ministry of Social Development</li> </ul> <p><u>Invitees (have voice but no vote)</u></p> <p>Financial services institutions, civil associations, academic experts</p>
<p style="text-align: center;"><b>Organisation</b></p> <p>The Council can create, when considered necessary, working groups that will focus on elaborating financial inclusion proposals to present to the Council.</p> <p>Currently there are three working groups:</p> <ul style="list-style-type: none"> <li>• Financial inclusion measurement and indicators</li> <li>• New business models for financial inclusion</li> <li>• Consumer protection</li> </ul>	<p style="text-align: center;"><b>Organisation</b></p> <p>It can create working groups to execute the agreements of the Committee.</p> <p>Currently there are three working groups:</p> <ul style="list-style-type: none"> <li>• Measurement and evaluation</li> <li>• Mapping of financial education</li> <li>• Financial education for financial inclusion</li> </ul>

Despite their recent creation, these bodies have been able to build communication channels between stakeholders and have promoted the establishment of common work agendas; there is awareness that these coordination entities exist and they have become important spaces for discussion.

The CONAIF and CEF are coordinated in the tasks of financial education related to financial inclusion. The CEF has to collaborate with the CONAIF to promote the use of financial products and services amongst the population that is gaining access to financial products and services. For that reason, the CEF created a working group dedicated to financial education for financial inclusion that

has to accompany the actions of the CONAIF with a particular emphasis on remittances, savings, micro insurance and electronic transfers of welfare and subsidies programmes, as all these represent an entry point to financial products and services.

This working group is chaired by Bansefi which is a development bank dedicated to promoting financial services amongst the base of the pyramid. Bansefi has the experience of working with low income population that live in marginalised urban and rural areas. The Bank has developed especially designed financial education material, mainly for training trainers, so that it can be easily distributed where its target population lives.

The other two working groups of the CEF focus on measurement and evaluation, and on mapping and identifying financial education initiatives and best practices. The measurement group is chaired by Condusef, which together with the CNBV, worked with the World Bank in the financial capability measurement project. Based on the widespread lack of evaluation of financial education programmes, this group main task is to find effective ways of evaluating these programmes and to refine the financial capability survey.

The mapping group, chaired by the Ministry of Finance, conducted a stocktaking exercise that was the base to create a microsite hosted on the web page of the Ministry containing all the financial education materials from the members of the CEF. The objective is to provide the public with materials and information from different sources in just one place. The medium term objective is to transform this microsite in a very well structured financial education web site, containing high quality information from various sources and for various segments of the population, *i.e.*, financial services users or potential users (from different age groups), scholars, practitioners, researchers, financial services providers, etc.

In conducting its tasks the CEF is actively promoting the involvement of the relevant stakeholders and the creation of strategic alliances to maximise the resources and potentiate the results.

## Roadmap

The CEF has been working on the development of the National Strategy for Financial Education. The objective is to have a high-level document that can be a reference framework to guide financial education policies and actions in Mexico. The NSFE aims to be the umbrella under which different actions could be aligned in order to achieve common goals.

Throughout the development process of the NSFE, valuable inputs have been gathered such as the information from the ENIF and from the Financial Capabilities Survey that have helped the CEF to establish priorities. Moreover, the NSFE in different stages of development has been shared with relevant stakeholders, and their comments and suggestions have been included and have contributed to enriching it.

Although the final version of the NSEF has not yet been approved by the CEF, there is general agreement that its vision should be that the population in Mexico, according to their age and needs, understand, know how to use, and use in an informed and responsible way financial products like savings, credit and insurance as well as transactional channels, in order to optimise the management of their resources, improve their wellbeing and increase their development potential.

On the other hand, its mission should be to develop in the population knowledge, skills and attitudes that allow them to manage their resources, make adequate financial decisions throughout their lives, and use financial products and services to improve their financial wellbeing.

Amongst its objectives, the NSEF would include that the population according to their age:

- Know and understand basic economic and financial concepts, and acknowledge the importance of financial planning, the risks that they may face throughout life and the prominence of saving.
- Understand and use the information available about financial products and services to use them in an adequate way.
- Understand the risks and costs associated with financial services, and distinguish formal financial services from fraudulent schemes.
- Know and understand their rights and obligations as users of financial services.

The NSFE is not directed to a particular population group but there certainly are some priority groups that will be given special attention. These groups are:

- Children and youth: financial education must not be deferred until adulthood; children must know and understand basic financial concepts according to their age and must be aware of the importance of financial planning.
- Population targeted by financial inclusion programmes: this population will be defined by the CONAIF, but could be for instance the beneficiaries of welfare programmes, people living in marginalised rural areas, etc.

The strategy contemplates six action lines under which specific activities can be inserted:

- a) Creation of mechanisms of co-operation and coordination amongst stakeholders to develop and implement financial education programmes.

The CEF was created under this action line. However, it is important to develop further specific mechanisms, guidelines and rules for the interaction of the different stakeholders. It is also relevant to create a normative framework that promotes the exchange of experiences and material developed by different players.

- b) Development of programmes and policies based on the needs of the population.

It is necessary to raise awareness among the stakeholders on the importance of knowing the needs and understanding the characteristics of their target population when designing financial education programmes; not doing so could decrease the effectiveness of the programmes. In this regard, the role that the government can play gathering consumers or potential consumers' information and making it public is particularly relevant.

In the case of children, the basic school's curriculum must be revisited to ensure the development of the competencies that children need to become adults capable of managing their finances and responsible consumers of financial services.

c) Measurement and evaluation.

There is an urgent need to start measuring the results, effectiveness and impact of financial education programmes and initiatives. Today it is not a common practice for those entities that have financial education programmes to measure and evaluate their results. However, without evaluation it is impossible to determine if they are having the expected resources and if the resources allocated are being spent adequately.

Furthermore, it is crucial to give continuity to the survey on financial capability as a way to track the progress achieved and the results of the NSFEE.

d) Implementation of networks and channels for the distribution of information that enable the development of knowledge, capabilities and competencies amongst the population for a better management of their resources.

It is important that stakeholders use a common language and common messages in order to improve the population's level of recall. Moreover, it is very important to promote the use of alternative and adequate channels to reach population living in urban and rural areas with different socioeconomic levels. There is a need to identify, based on other countries' best practices and on behavioural economics research, which are the most adequate channels for reaching different segments of the population.

e) Support of financial education efforts with effective communication strategies.

There is a need to raise awareness of what financial education is so that people feel comfortable with it. A more aware population will be more receptive to the financial education programmes available.

f) Development of effective financial consumer protection tools that can accompany financial education initiatives.

Financial consumer protection and financial education efforts must be coordinated in order to maximise their expected results. For instance, practical tools that enable comparisons between products and financial services providers must be available for the population.

The NSFEE has been conceived as a long-term strategy (5 to 6 years) because changes in attitudes and capabilities are not achieved in a short period of time. An action plan with specific activities within each one of the action lines will be established and timeframe will be defined. For each one of the activities included in the plan the responsible stakeholders will be defined.

The CEF will follow up the action plan and prepare an annual report that will inform the progress of the plan. If its members consider that there is a need to adjust it given to particular circumstances they will be able to do so. The annual report will also be presented to the CONAIF.

## NOTES

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## *Chapter 14*

### **The Netherlands: Implementing and Evaluating the Money Wise Action Plan**

This chapter is a submission of the Government of the Netherlands.

*“Financial education is not a hype, it is a matter of endurance”.*

Her Majesty Queen Máxima of the Netherlands

*“The current crisis shows that financial education is necessary more than ever”.*

His Excellency Mr. De Jager, Former Minister of Finance of the Netherlands

### **Definition, scope and purpose**

#### ***Status of the National Strategy for Financial Education***

The National Strategy for Financial Education in the Netherlands was launched in June 2008 as the Money Wise Action Plan<sup>1</sup>.

The National Strategy for Financial Education in the Netherlands is currently in the *implementation* phase. The *evaluation* phase is carried out in parallel to the *implementation* phases. The table below contains an overview of milestones for the various phases:

**Table 14.1 Overview of the Netherlands' National Strategy milestones**

Phase	Start	End
<b>Preparation</b>	SEP 2006	MAR 2008
<b>Design / development</b>	JAN 2008	JUN 2008
<b>Implementation</b>	JUL 2008	N/A
<b>Evaluation</b>	JUL 2008	N/A

#### ***Rationale for the development of the National Strategy***

Low levels of financial competency have far-reaching consequences, both at a micro and a macro levels. People who are financially competent have control over their finances and make responsible choices when faced with questions such as: what sort of holiday can I pay for, which mortgage should I get, how much money can I and do I spend per month, shall I save or borrow, which risks do I insure and what do I need to do to ensure my retirement? Many people do not have sufficient skills in these areas. They do not have control over their expenditures, are unaware of financial risks and are hardly able to oversee the financial consequences of events such as unemployment, divorce, illness or accidents. Money is becoming more invisible, as coins and notes are rapidly being replaced by “plastic” and “digital” money.

At the same time, money is increasingly integrated into our daily lives and financial markets have become more sophisticated, which makes it more difficult for people to manage their household finances. Problematic debts are a realistic threat. It is primarily the responsibility of consumers themselves to manage their finances. However, since financial competency is an important condition for a healthy society, there is also the collective responsibility of the government, the financial sector, regulators and not-for-profit institutions to educate the general public. A better understanding of financial products and services contributes to closing the knowledge gap between consumers and service providers, which results in increased mutual understanding.

The ability to cope financially is a basic condition for being able to function independently in an increasingly complex society. The consumer has a responsibility to have his financial affairs in order, now and in the future. But the consumer is not the only one with a responsibility. This brought the Ministry of Finance to decide at the end of 2006 to develop a National Strategy for Financial Education. This platform joins the forces of some 40 partners from the financial sector, government, information and consumer organisations and academia to strengthen the consumer's position in the financial area. Each partner has joined on the basis of its own role and responsibility, and with a coordinating body in order to optimise impact and effectiveness. The aim is to improve consumer's financial knowledge and skills and to stimulate an active attitude so that consumers can make informed financial choices.

The following observations supported the need for a National Strategy (note that these observations were made before the breakout of the financial and economic crisis):

- Consumers are required to take more financial decisions. The responsibility for making financial decisions is shifted more and more towards individuals.
- The amount and complexity of financial products and financial questions is increasing.
- Consumers have limited motivation, interest and skills in financial matters, which leads to potential problems for individual households and for society as a whole.
- The number of households with problematic debts is increasing.
- Financial competencies for children are limited and financial skills are not taught in schools.
- Pension awareness is very low.
- The international attention for financial education is increasing.
- It is impossible and ineffective for government to regulate everything, and to prevent and solve all problems. Consumers have a large responsibility of their own to manage their finances. They need to be equipped with the proper tools in order to do this.

Box 14.1 contains some key figures for the levels of financial literacy in the Netherlands:

### **Box 14.1 Financial literacy in the Netherlands: evidence**

#### **Debt**

- About 250,000 households are in serious debt
- 15% of households regularly find it hard to pay their bills

#### **Young people**

- A third of young people are in danger of getting into debt
- Two-thirds say they find it difficult to manage money
- Schools do not teach how to manage money

#### **Financial resilience**

- 5.1 million households (41%) are unprepared for a significant drop in income, or for a major expense
- The risk of this happening is fairly high (through divorce, job loss, change of work, an accident or illness)

#### **Pensions**

- 72% of Dutch employees know nothing about pension schemes, including their own.

### ***Scope of the National Strategy***

Financial markets policy consists of two pillars: regulation and education. The third axis that is often mentioned in international documents – access to financial products and services – is not a great concern in the Dutch context.

In recent years, a lot of effort has been put into improving regulation of financial markets. It is equally important to invest in financial education, so that the current generation of young people grow up to be consumers who are capable of making responsible (financial) choices that pave the way to a healthy financial future for themselves and society as a whole. Financial education does not replace regulation. Regulating the behaviour of financial institutions in order to protect consumers and educating consumers to increase their financial competencies are two sides of the same coin, that mutually strengthen each other.

The National Strategy is based on studies and surveys commissioned by the Money Wise Platform. Besides research, agenda setting, knowledge sharing and a website, the National Strategy focuses on three programmes:

- a) The ‘finances in order’ programme aims to help consumers budget their household spending. One in five people in the Netherlands is at risk of getting into debt; 9% (approximately 1.1 million people) never have any money left at the end of the month. More than five million people (41% of the population of 18 and over) are unprepared for a sudden unexpected drop in their income, or a large, unexpected expense. So it is all the more important for them to

get their finances in order and to keep them that way. The Platform coordinates and manages various activities to help them, such as promoting an online household budget book and developing a debt prevention guide.

- b) The ‘providing for the future’ programme seeks to make people more aware of the various stages of life, and the need for long-term thinking. The Money Wise Platform has co-authored a variety of projects which are now being developed and implemented by the partners involved.
- c) The third programme targets young people at home, at school and with their friends. The aim is to teach children (up to the age of 12) and young people (from 12 to 18) how to manage money, so that they understand that there are limits to what they can spend, and that they will have to make choices.

## Preparation

### *Baseline studies*

In order to assess the main needs and key policy priorities, a number of research studies were carried out in the Netherlands. The two most important ones are briefly described below:

- A National Survey amongst adults, “Financial insight amongst the Dutch”<sup>2</sup>. In autumn 2007 Amsterdam-based Veldkamp Marktonderzoek BV presented a questionnaire on financial insight, financial behaviour and financial skills to 4,280 Dutch consumers aged 18 and older (a representative sample). Prior to this field research the scientific literature on financial skills was mapped out by the Institute for Applied Sociology (ITS) of Radboud University Nijmegen. A theoretical model of the concept “financial insight” was also developed and a draft questionnaire was drawn up. Discussion was also held with six consumer focus groups on their experiences with financial decision making. The report “Financial insight of the Dutch, Results of a Public Survey” builds on the aforementioned public survey and contains the analysis of the data gathered<sup>3</sup>. The questionnaire was based on the questionnaire developed in the United Kingdom, and adapted for the Dutch context.
- A National Survey amongst children and youth, “Financial understanding and behaviour of 8- to 18-year-olds in the Netherlands”<sup>4</sup>. In the first half of 2008 the ITS of the Radboud University Nijmegen distributed questionnaires involving financial understanding and financial conduct, to pupils aged between 8 and 18 years old. The data collection occurred via schools, in primary schools with separate questionnaires for pupils in years 5+6 and 7+8 and in secondary schools in forms 1+2, 3+4 and 5+6. The latter questionnaire was also distributed to students in the first years of intermediate vocational education. Data was analysed and reported for each of these five age categories. Development of financial understanding and financial conduct was also analysed over these five categories<sup>5</sup>.

Some of the main outcomes of these studies were:

- Good financial management is the most important factor in determining whether someone is a strong or weak consumer. Good financial management is: organising money matters, paying bills on time, saving instead of borrowing, not buying impulsively. This is true for low and high income groups.

- Saving is correlated with financial knowledge, education level and short term orientation. Saving is considered wise financial behaviour.
- Having oversight is an important factor for low and middle income groups. It is correlated with mental accounting.
- Consumers with strong financial behaviour have learned to deal with money matters at a young age (they learned this from their parents, received pocket money and had part time jobs).
- 41% of the population are not prepared for the financial impact of major life events (unemployment, divorce, accidents/illness).
- Children find it difficult to deal with money matters. One third of the children display risky financial behaviour (borrowing from friends, playing for money ...). Two thirds indicate that they find it difficult to deal with money.
- Financial behaviour of children is influenced by parents. After the age of 12, the influence of parents decreases and the influence of peers increases.
- Based on factors such as motivation, knowledge and competencies, consumers can be classified into seven clusters. These clusters help in setting up policies.

The reports of these research studies contain recommendations that were used as inputs for the National Strategy.

### ***Mapping of stakeholders and initiatives***

In addition to the two baseline studies mentioned in the previous paragraph, a number of mapping and inventory taking studies of existing policy instruments were carried out during the preparation phase of the National Strategy, among which:

- Inventory of existing regulation, fiscal instruments and infrastructures aimed at increasing financial reliance of consumers.
- Inventory of consumer information for financial products. Desk research and interviews to establish the availability of non-commercial sources of information on financial products.
- Inventory of debt prevention and budgeting tools and projects. A research study amongst (mainly) local government agencies to the extent to which they offer budgeting and debt prevention activities and programmes for their inhabitants. And the way in which the effectiveness of these activities and programmes are assessed.
- Inventory of financial education in the Dutch school system. This inventory taking exercise consisted of two sub-projects. Firstly, a study amongst teachers to establish the extent to which they contribute to developing financial competencies amongst children and youth. Secondly, a desk research mapping existing education methods to financial competencies.
- Inventory of international financial education programmes and initiatives.

These mapping exercises were executed by specialised (market) research firms in the respective areas.

The main conclusions of these exercises were:

- A lot of effort has been put into improving regulation aimed at financial service providers in recent years. The importance of financial competencies has been underemphasised.
- A large number of organisations provide (non-commercial) information on financial products. The vast majority of these information sources are product-driven and fail to meet consumer needs. Consumers have an information gap. There is a lack of coordination between initiatives.
- Budgeting programmes are often aimed at groups that already have problematic debts, and they are seldom evaluated for effectiveness. There are few programmes aimed at preventing problematic debts. Manly local governments have to reinvent the wheel in the development of such programmes.
- Learning to deal with money is not taught in schools, at least not on a structural basis.

The reports of these firms include recommendations that were used as inputs for the National Strategy. The mapping exercises also resulted in a list of organisations active in increasing financial competencies of consumers. Partnerships were established with 40 of those organisations, through a covenant.

### *Consultation process*

The key stakeholders were consulted during the creation of the National Strategy throughout the preparation and design phases. These stakeholders included government, financial services industry, academia, consumer organisations and NGOs.

- During the preparation phase, project groups were created consisting of representatives from the partner organisations. The project groups were in charge of executing the research and inventory taking processes. The reports of these studies included recommendations that were used as input into the design phase.
- During the design phase, key stakeholders were consulted on various occasions. A steering group consisting of ten key stakeholders and an academic guided the process. The design phase started with individual conversations with each of the key partners. The draft and final versions of the National Strategy were discussed and approved by the steering group.

The consultation led to a National Strategy with the following six strategic starting points:

- a) Household finances are the basis for all CentiQ programmes, projects and activities. All separate activities are placed in the broader perspective of the consumer's total household finances.
- b) The platform centres on the consumer. That means that all activities are aimed at strengthening the consumer's position in the financial domain by increasing awareness, knowledge, skills and motivation of the consumer. The focus is on aspects that contribute to strong financial behaviour. That is: financial management, saving, learning to deal with

money early on, providing for the future and – especially for the low and middle incomes – having an overview of one's finances. In this respect the platform focuses mainly on the financial risks faced by different groups of consumers, in particular in case of risky life events like job loss, divorce and serious accident/illness. Where possible a customised approach is delivered in specific topic-target group combinations.

- c) Prevention is better than correction. The platform wants to prevent as much as possible that people end up in financial trouble. That means: much attention to youth, strong emphasis on good financial management and timely coverage of risks that a consumer cannot cope with alone.
- d) Action is undertaken where efforts are already taking place. The platform does not want to reinvent the wheel. That is why the platform is making an overview of existing activities and instruments that have proven effective and ensuring that these are distributed better. Gaps in the offerings are filled and overlap is removed by better alignment. Systematic evaluation of activities provides insight into their effectiveness.
- e) The platform develops and disseminates easily accessible and practical resources which consumers can use to easily gain an overview of and insight into their finances. If necessary unorthodox instruments are developed for specific risk groups.
- f) The platform provides for a number of basic facilities for partner organisations, such as a 'body of knowledge', in which the know-how and expertise of the partner organisations regarding reaching difficult target groups and 'translating' complex information to a simple level is made accessible for all partners. Structural evaluation of activities creates a common database of 'best practices' in this area. The platform encourages knowledge sharing and exchanging best practises and lessons learned.

### ***Launch of the National Strategy***

The National Strategy was launched by the Minister of Finance in June 2008. The publicity of the launch was aimed at stakeholders and not the general public. Hence, no mass media were used. In order to gain attention from stakeholders (mainly financial services and politicians), the following dissemination methods were used:

- a) a press release; and,
- b) a letter to parliament by the Minister of Finance.

The main message was as follows:

A large portion of the population (42%) is not prepared for the financial consequences of important life events. People lack knowledge of financial products and the skills to make informed financial decisions. Today, 40 partners from the financial services industry, government, consumer organisations, academia and NGOs have launched the Money Wise Action Plan. They are committed to join forces in order to improve financial management of Dutch consumers.

## Governance mechanisms and role of stakeholders

### *Governance mechanisms*

The organisation of the Money Wise Platform as of January 2012 is depicted in the following diagram (the organisation was slightly adapted compared to the original organisation structure).

**Figure 14.1 Netherlands: Organisation of the Money Wise Platform (January 2012).**



- Her Majesty Queen Máxima of the Netherlands is Honorary Chair of the Money Wise Platform. She is also the UN Secretary-General's Special Advocate for Inclusive Finance for Development and Honorary Chair of the Global Partnership for Financial Inclusion of the G20. In these roles, Queen Máxima seeks to draw attention to the importance of learning about financial matters and how to deal with money, especially in the case of children and youth. She acts as special advisor to the partnership and talks to interested parties on ways of increasing financial self-sufficiency. The Queen is involved in the partnership's activities and, as Honorary Chair, underlines the importance of financial literacy and of working with partners to achieve it.
- The Programme Board provides strategic advice to the Steering Group and is comprised of the Ministry of Social Affairs, Ministry of Education, Authority for Financial Markets, Financial Advisors' Association, Pension Federation, University of Tilburg.
- The Steering Group leads the National Strategy. The steering group is chaired by the Ministry of Finance and comprised of the Banking Association, Insurers' Association, Central Bank and the National Institute for Family Finance Information (Nibud).
- The Programme Office executes the National Strategy. The programme office is part of the Ministry of Finance (Financial Markets Directorate).
- Expert Groups are formed on an ad hoc basis to address specific issues and topics. Currently there are expert groups for two core projects (National Pension3Day and National Money Week). The experts groups consist of experts from main stakeholders for the specific issue/topic.

The Ministry of Finance leads the National Strategy. This responsibility is formalised in the ministries' organisation structure: a division of the Financial Markets Directorate is dedicated to the platform. There is no legal mandate for the Ministry of Finance or the Money Wise Platform.

## ***Roles of stakeholders***

The National Strategy is based on joining forces between all parties involved in the financial education process. This includes national and local government, financial services industry, civil society, financial regulators, financial supervisors, consumer organisations, civil society, employers, schools, universities, et cetera. Each of those partners participates in the National Strategy from their own expertise.

Individual partners can participate in the National Strategy on a non-commercial basis in mainly two ways:

- a) by participating in the core projects defined in the National Strategy; and
- b) by taking part in knowledge sharing.

## **Roadmap**

### ***Mission and objective***

#### *Mission*

The Money Wise partners want to increase the financial insight and financial skills of consumers and promote informed financial decision making among consumers. By joining forces in the Money Wise platform partners want to better reach, inform and help consumers to become “money wise”.

#### *Objective*

Consumers have their financial management in order – now and for the long term. They are themselves active and/or have sought expert advice in order to reach well-considered financial decisions that contribute to achieving their personal goals.

### ***Main policy priorities***

In the National Strategy, four priorities are identified, for each of which has a dedicated programme has been set up.

- a) *Awareness and agenda setting.* Raise the interest of issues related to personal finance with stakeholders, media and consumers.
- b) *Finances on order.* Help consumers to get a better overview of the day-to-day financial situation, with special attention for saving and borrowing.
- c) *Learning to deal with money early on.* Increase financial competencies of children and youth, with special attention for financial education in schools.
- d) *Care for the future.* Increase consumers’ resilience.

The target audience of the Money Wise Platform is the general population. Within programmes and projects, specific target groups are selected, e.g.:

- Vulnerable groups

- People who have experienced a major life event
- Entrepreneurs
- Children and youth
- Employees

**Monitoring and evaluation of the National Strategy**

*Evaluation model*

The Money Wise Platform uses a comprehensive process for monitoring and evaluating progress and results. The following picture gives an overview of model that is used for monitoring and evaluation.

**Figure 14.2 Netherlands: Money Wise model for monitoring and evaluation**



Each of these levels is evaluated in different types of evaluations. Below is a summarised overview of these different types of evaluations.

- a) *Financial literacy monitors.* On the level of the general population, several research studies are carried out to monitor different aspects of financial literacy.
- The National Survey “Financial insight amongst the Dutch” served as a baseline for measuring the levels of financial literacy (knowledge, attitudes, skills and behaviour) amongst adults.
  - The National Survey amongst “Financial understanding and behaviour of 8- to 18-year-olds in the Netherlands” amongst children and youth.
  - The Financial Literacy Monitor is repeated on a yearly basis, and measures a subset of the Financial Insight baseline survey.
  - The Pension Awareness Monitor is repeated on a yearly basis, and focuses on pension related aspects of financial literacy.
  - The Child and Youth Monitor is repeated on a bi-yearly basis, and measures a subset of the baseline survey amongst youth.
  - The Netherlands will participate in the Financial Literacy exercise of PISA 2015. As a result of this, financial literacy amongst 15-year-olds will be measured, which will provide valuable input for policy.
  - Periodically, the Netherlands will take part in the benchmark organised by OECD. Either as part of the financial literacy monitor, or through a separate survey.
- b) *Process Evaluation.* Once every three or four years, a process evaluation is held to measure the effectiveness of the National Strategy. It looks at different aspects of the National Strategy, for example governance and effectiveness of individual programmes / projects.
- c) *Project Evaluation.* All projects that are part of the National Strategy are evaluated. For individual projects, measurements at levels 0, 1 and 2 in figure 14.2 above are performed. Different methods are used to perform these measurements, *e.g.* questionnaires, mystery shopping, face-to-face interviews and focus groups.

### *Lessons learned*

The evaluations have resulted in a large number of lessons learned. Provided below is a list of recommendations that may be useful for other countries considering to set up a National Strategy for Financial Education.

- *Coordinated approach.* It has become apparent that a coordinated approach can be effective, under the condition that there is strong leadership. The role of the honorary chair, the coordinating role of the Ministry of Finance and the collaboration of the industry have been essential to the results of the platform. As a result of the collective initiatives, financial education is now definitively on the agenda of stakeholders and media in the Netherlands. Per year, 1.2 million people visit the platform’s website in search of information on financial questions. The attention to financial education in schools is starting to have an effect on the financial behaviour of children. A recent study asked children what they do with their pocket money. It turns out that children have become more frugal. Only 14% of the interviewees immediately spend most of their money, compared to 26% in 2008.

- *Reuse best practises.* Look for organisations and initiatives that are available in the field of financial education. Prevent reinventing the wheel and focus on reusing and strengthening existing initiatives.
- *Join forces.* Projects like the National Money Week and the Pension3day enable partners to work together in such a way that their joint activities have a much larger impact than the efforts of each individual organisation.
- *Consider finding a figurehead.* A public figure with authority – through informal leadership – can help to raise public awareness and increase the sense of urgency with stakeholders.
- *Invest in children and youth.* Start education at a young age through parents, the school programme and youth communications, so that tomorrow's adults are more capable of managing their finances as adults.
- *Aim at knowledge, skills and behaviour.* Solely an increase of knowledge is insufficient to actually change behaviour. It is equally important to improve skills and to develop sound financial habits.
- *Measure.* Include a process for monitoring progress and impact assessment

#### *Way forward*

In 2013, it has been five years since the official launch of the National Strategy. The landscape has changed since then. Financial education is on the agenda. An economic crisis has occurred. These developments are the main reasons for a revision of the National Strategy. This revision will take place in 2013 and will take into account the results from the various evaluation studies mentioned in the previous section.

The multi-stakeholder approach has proven to be successful and can possibly be applied to additional areas, such as:

- *Entrepreneurship and financial education.* There is an overlap between financial and entrepreneurship education. The Ministry of Economic Affairs and the Ministry of Finance are joining forces to address these competencies more effectively, specifically in schools.
- *What does it mean for me?* In the years to come, a lot of laws and regulations will change, that will have a large impact on the financial situation of households. People have difficulty assessing the joint impact of all these changes, which results in inertia.
- *Pension awareness.* Additional efforts are required to improve pension awareness in the Netherlands. Especially given the light of pension reforms that are taking place.

In these and other areas, the Money Wise Platform is considering if the multi-stakeholder approach can be beneficial and these areas and whether they can be taken on board of the National Strategy.

#### **Resources**

The budget for the National Strategy is provided by:

- A structural yearly contribution from the Ministry of Finance
- A structural yearly contribution from the Bankers' Association
- A structural yearly contribution from the Insurers' Association
- A structural yearly contribution from the Central Bank
- A structural yearly contribution from a foundation
- Non-structural contributions from the Pension Federation
- Non-structural contributions from the Ministry of Social Affairs
- Other non-structural contributions from public and private entities

In addition, partners provide budgets to fund their own projects/activities as part of the National Strategy.

The budget for the National Strategy's central activities (*i.e.* excluding partners' own activities in this area) is between € 2.5 and € 3.5 million per year.

## Implementation

The Money Wise platform uses a wide range of delivery mechanisms to increase financial literacy. Delivery is done by (combinations of) partners of the platform. Depending on the project goals and target groups, delivery methods can vary. Before listing a number of delivery methods, two sample projects are briefly described below.

### *Sample projects*

#### *National Money Week*

A good example of the multi stakeholder approach is the National Money Week. The Week is organised for primary school children and brings together a high concentration of initiatives for lessons about dealing with money. During the week, a large number of schools, businesses, NGOs, broadcasting companies and local governments offer a programme of activities for children, such as guest lessons in schools, museum visits, theatre, teaching programmes, debates, newspapers in the class room, television programmes etc. The concentration of activities in one week leads to a lot of attention in media and in schools. An accompanying effect is that the participants of the National Money Week inspire and meet each other, originating further collaboration in the area of teaching financial education to children. The National Money Week has had a very positive impact on both children and participating organisations. During the second edition of the National Money Week – which took place in 2012 – between 40 and 50% of all primary schools actively participated, while 50% of the parents knew about the National Money Week.

#### *Pension3day*

A second interesting example is the Pension3day. In the Netherlands, many people lack basic understanding of pension schemes – including their own. They perceive pension as a complicated topic and they have the tendency to postpone looking at their retirement income. In an effort to join

forces between pension funds, government and employers, the Money Wise Platform organises the Pension3day, during which pension funds, employers, government, insurance companies and non-profit organisations stimulate people to look into their pension. In the first edition of the Pension3day in 2011, more than 100 different organisations throughout the country participated. In the second edition, the number of participating organisations more than doubled. Through their joint activities, 10% of the employees were reached; a quarter of whom actually became more pensions aware. Many employers used a pension lunch as an easily accessible way to inform their employees about their own pension.

### ***Delivery methods***

A range of methods is used to deliver financial education to the population. These methods include (but are not limited to):

- *Websites.* The platform's website ([www.wijzeringeldzaken.nl](http://www.wijzeringeldzaken.nl)) attracts approximately 1.2 million visitors per year. The website is centred on life events (such as studying, moving, changing jobs, retirement, marriage and retirement). The website provides information in an easy to understand and attractive way. However, the website goes beyond providing information. It makes this information actionable, e.g. by providing tools and checklists.
- *Social media.* Money Wise uses Facebook and YouTube to reach out to consumers. Twitter and LinkedIn are mainly used for the professional network.
- *Schools* are a very important channel for financial education. Predominantly during National Money Week, guest lessons by employees from the industry have proven to be a successful method of delivering financial literacy to school children.
- *Workplace.* People look at their employer for pension related information and guidance. Especially during the Pension3day, employees are reached through the workplace through seminars.
- *Webinars* are used as a low-cost, accessible way of answering questions. This type of mechanism has been used successfully in relation to pension.
- *Games* (both offline and online) are used, mainly to reach children.
- *Mass media* are mainly used to raise awareness. The Money Wise communication strategy focuses on free publicity, combined with paid advertisement on various media.

Life stages and teachable moments play an important role in the communication strategy of the Money Wise Platform. The website is organised around life events, and most mass media and free publicity activities are centred on one or more life events. Within specific projects and campaigns, audience segmentation takes place. Findings from behavioural economics are integrated into the programmes and projects within the scope of the National Strategy.

## NOTES

- 1 National Strategy, Money Wise and the Platform are used interchangeably.  
[http://www.wijzingeldzaken.nl/media/13188/summary\\_action\\_plan\\_wiser\\_in\\_money\\_matters.pdf](http://www.wijzingeldzaken.nl/media/13188/summary_action_plan_wiser_in_money_matters.pdf)
- 2 Financial insight amongst the Dutch  
[http://www.wijzingeldzaken.nl/media/13191/summary\\_financial\\_insight\\_among\\_the\\_dutch.pdf](http://www.wijzingeldzaken.nl/media/13191/summary_financial_insight_among_the_dutch.pdf)
- 3 The analyses were carried out by Professor G. Antonides, University of Wageningen, Professor W.F. van Raaij, and I.M. de Groot, University of Tilburg
- 4 Financial understanding and behaviour of 8- to 18-year-olds in the Netherlands  
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- 5 The analyses were carried out by Dr A. Claassen, Ms Dr J. Polman and H. Katteler of the ITS.

## *Chapter 15*

### **Russian Federation:**

### **Financial Education and Financial Literacy Project: on the way to a National Strategy**

This chapter is a submission of the Government of the Russian Federation.  
It was prepared by the Ministry of Finance of the Russian Federation.

*"As for financial education, this is... extremely important...At first glance, everything seems simple. But in fact it is difficult to achieve practical results because, we need teachers to be ready for this, we need it to be included in the school curriculum, and we need the professional teaching community to agree that this is a priority. But... this must be done. The most important thing is that we are honest with people, and give them the opportunity to choose one of the vast numbers of instruments and products available on the financial market, making them more self-reliant. As such, society as a whole will become much more modern and viable."*

Mr. Vladimir Putin, President of the Russian Federation

## **Introduction**

Russia is currently developing its National Strategy for Financial Education as part of the National Financial Education and Financial Literacy Project launched by the Russian Government with support from the World Bank in July 2011. The National Strategy will be developed by the end of 2014 and is expected to provide a vision and a common framework for the further development of financial literacy policies and programmes in Russia.

### ***Gaps in Financial Literacy***

Over the last decade, the Russian financial industry has expanded in parallel with economic growth and increasing incomes. This has led to the widespread availability of basic financial services, such as money transfers and bank deposits, saving accounts and credit cards. However, these developments have not been met by a financially aware and educated population.

The rapid growth of household lending over the last decade has been accompanied by an increase in the number of households having difficulties in understanding the risks and obligations they assumed or the full range of choices available; individuals also demonstrate low ability to “plan ahead” and save for retirement. In general, the population lacks basic financial literacy skills, confidence and awareness, and displays mistrust in the financial system. This has highlighted the need for enhanced financial consumer protection and financial education policies.

In Russia, the population demonstrates little ability to “plan ahead”. As a result, one third of the Russian adult population does not regularly plan for personal expenditures; and those who do plan, only do it on the short term (between one and six months). Only 9% plan for more than half a year ahead. In addition, more than half of financial consumers lack awareness of their legal rights as consumers of financial services. Over 60% of households are unaware of lenders' obligations to disclose the effective annual interest rate of a loan.

In addition, around 30% of Russians systematically exceed their monthly available income. The figure for low-income groups is even higher (40%). These disadvantaged groups also borrow money more often to cover their financing gaps. Only 23.8% of consumers of financial services compare alternatives before obtaining a credit. The majority of the population continues to maintain unrealistically high expectations relative to Government support for individual welfare. For example, up to 40% of survey respondents believe that the Government will compensate them for losses associated with personal investments. These expectations tend to discourage individuals and households to plan for the long term.

Russian financial consumers generally have limited trust in the financial sector. Among consumers who do not save, 9% indicate that their main reason for not saving is a “lack of trust in financial institutions.” Russian financial consumers also have little confidence that problems with financial institutions can be easily and fairly solved. Only 19% of consumers of financial services are confident about the just resolution of disputes with financial institutions. Consumers are also passive in defending their legal rights. 8% of consumers said that, over the past five years, they had received a financial service (generally a consumer credit) that did not meet their needs. They concluded that they had been deceived by the provider of the service. Yet more than 60 % of unsatisfied customers took no action. Only 4% complained to the financial institution and 3% submitted a report to the appropriate government authority.

Part of the Russian population however already demonstrates a certain level of financial awareness. Over 40% of households say that they compare the terms and conditions of a financial service before purchasing it - although 46% use a bank's reputation (and only 37% use the cost of credit) as the determining factor in choosing a bank for borrowing. Over 80% receive financial information from newspapers, magazines, and specialised TV shows. However, when making a financial decision, 51% of respondents first turn to their family and friends for advice and 36% look to the "consultants" providing the service.

At the same time, demand for financial education is high among Russians - the population is interested in learning how to protect themselves when dealing with financial institutions and how to identify and avoid fraudulent financial schemes. Three-quarters of households would like to receive financial education both to protect them financially and plan their financial future. Young people are especially interested in strategies to help plan for major purchases and mortgages. Older respondents would like to focus more on pensions.

### ***Policy background and rationale for the development of a National Strategy***

There is a strong case for co-ordinated public action in financial education. Current grass-roots financial education initiatives are largely targeting wealthy individuals and are uncoordinated. Public sector initiatives in financial education also need to improve their strategic coordination, identify effective practices, perform systematic impact evaluation, and provide and disseminate support as appropriate.

A recent increase in personal income in Russia triggered a range of grass-root private financial education initiatives addressing in particular individuals' investment decisions. The financial education initiatives promoted by the private sector primarily target the wealthier members of the population, are fee based and provide orientation and counselling in the area of individual investment behaviour for economically active adults. These programmes rarely cover topics recommended by the OECD for financial education like basic savings, debt management or insurance, elementary financial mathematics, and economics. Several programmes promote frequent assessment of the adequacy of future pensioners' public or private pension schemes. These also include a number of magazines and websites that focus on investment decisions and personal finance. Beyond these initiatives addressed to sophisticated consumers, a number of new initiatives seek to help people with more basic household financial planning. The Programme of Financial Culture ([www.gorodfinansov.ru](http://www.gorodfinansov.ru)) and the educational website ([www.azbukafinansov.ru](http://www.azbukafinansov.ru)), which provides valuable financial education materials, are relevant examples of this new trend.

The public sector has initiated several financial education programmes in the recent years: contests, financial fairs, elective classes, workshops, summer schools, etc. These initiatives are new, but they do not implement international good practices and lack formal impact evaluation. Their actual impact depends on the quality of the programme design, including the setting of clear educational goals, the right targeting, and the evaluation of the results, etc. Adequately trained trainers, organisation, design, and delivery of high-quality programmes are still limited.

A well-defined policy for financial literacy and financial education is particularly needed in order to establish programmes that meet international good practices in the field and ensure the coherence and quality of the programmes implemented by the public sector, NGOs, and financial institutions. A coherent financial education policy would also allow distinguishing between educational programmes, marketing programmes, and those programmes providing "commercial" financial advice.

In addition, the Russian Government recently adopted a long-term strategy to strengthen the financial sector, which includes provisions to expand access to financial services for a broader range of the population, and to promote consumer protection and financial education.

In this context, public financing for financial education is justified on the ground that it can be considered a public good: improved financial literacy is not only intended to enhance households' financial wellbeing; it is also expected to support increased level of savings, promote more responsible financial behaviour, and thereby facilitate the development of the financial sector. This development would be favoured by reduction in non-performing loans, an increase in households' bank deposits due to a higher propensity to save, a more careful selection of financial institutions, and reduction in the number of unreliable or fraudulent financial intermediaries.

### **National Financial Education and Financial Literacy Project: definition, scope and purpose**

Based on the best international practices and the OECD recommendations, the Russian government launched in 2011 a comprehensive five-year nationwide project to support financial education and consumer protection with US\$113 million funding. It is the first financial literacy programme in the world of such scale, innovation and complexity run in partnership with the World Bank. The project is aimed at strengthening and expanding ongoing financial education initiatives in Russia by coordinating and developing synergies among them.

## ***Definition***

Financial literacy is defined as the ability to make informed decisions about the use and management of individual financial resources. Financial education and consumer protection represent two sides of the same coin: financial education supplements the provision of information with instruction and advice, while financial consumer protection focuses on legislative and regulatory requirements (such as disclosure of any material information in a timely manner and strengthening the legal protection of consumers).

## ***Target groups***

First and foremost, the Project targets low income and vulnerable social groups as well as young people. In particular, the Project target groups include (i) schools and universities students and (ii) active and potential low- and middle-income users of financial services.

## ***The objectives and outcomes***

The ultimate general objective of the Project is to improve the financial literacy of Russian citizens, to promote Russian citizens' prudent financial behaviour, informed decisions and responsible attitude to personal finances as well as to improve efficiency of consumer protection in financial services.

The Project aims to provide individuals with the essential skills to improve their wellbeing and protect them. These skills include an understanding of the importance of having a financial cushion for unexpected events, of the basics about retirement and of the trade-off between risks and rewards when choosing financial products. In addition, the strategy is expected to raise awareness among low- and middle-income groups about available information and advice relative to a particular financial service, as well as about procedures to be undertaken and agencies to be contacted in case of a financial service dispute.

The Project supports in particular capacity building of institutional participants: federal, regional and local administrations, educational establishments, mass media, employers' organisations, NGOs involved in financial education, and the private sector.

The Project envisages strong and positive social outcomes in the long run, primarily among lower-income groups: more responsible financial behaviour and attitudes towards personal finances, and better use of financial services and redress mechanisms.

Financial education activities supported by the Project are also ultimately expected to contribute to strengthening the financial sector. The Project will in particular: (i) support activities to improve the regulation of the business conduct of financial institutions (particularly in the area of credit services); (ii) pilot the introduction of a financial ombudsman as an out-of-court mechanism for resolving consumer financial disputes; and (iii) support initiatives from the civil society through a "Fund of Good Ideas." These activities would contribute to improve public trust in the financial sector.

The following key performance indicators were developed for the overall evaluation of the Project:

- Share of target population understanding the basics about retirement;

- Share of target population understanding the trade-off between risk and rewards in choosing financial products;
- Share of target population understanding the importance of having a financial cushion for life emergency and crisis situations;
- Share of the active and potential low- and middle-income users of financial services confident in the just resolution of disputes with financial institutions; and,
- Share of the active low- and middle-income users of financial services who compare alternatives before obtaining a credit.

### Governance mechanisms

The Project has been implemented by the Ministry of Finance with supervision and coordination provided by the Interagency Project Commission (IAPC). The IAPC, created by the Ministry of Finance and chaired by the Deputy Minister of Finance, supervises the overall Project implementation and provides strategic oversight to the implementation of specific Project activities.

The Central Bank, the Ministry of Education, the Ministry of Economic Development and the Consumer Protection Agency representatives participate in the IAPC. A Project Working Group of the Ministry of Finance, comprising several Ministry departments, was established to operationally manage the project. The International Expert Board was established and made responsible for providing high-level expert support to the IAPC. A Project Implementation Unit provides the implementation support (including procurement and financial management processes) to the Ministry of Finance.

### Key priorities and Project description

To achieve its goals, the Project focuses on developing the longer-term National Financial Literacy Strategy, as well as increasing institutional and human resources capacity, improving the legislative framework, developing requirements for financial literacy programmes and undertaking thorough impact evaluation.

In order to reach the entire population, from youth to retired people, Russian authorities are also undertaking a large number of diverse activities including a public awareness campaign and tailored formal and informal educational programmes. However, highly trained specialists working on financial literacy are still lacking in Russia, especially outside of main urban centres. One of the most important and urgent tasks of the programme is, therefore, to build sustainable institutional and human capacity both in the public and private sectors.

Russian authorities already established 84 financial consumer protection and information centres - one in each region of the Russian Federation - under the responsibility of the Consumer Protection Agency; however they need urgent training of the personnel, creating data-base, technical and IT upgrade.

***Under the general objective, the Project is aimed at addressing the following tasks:***

- Development of a consistent and long-term vision of financial literacy and financial education goals among key stakeholders, at the federal and regional levels, on the basis of

the evaluation of the level of financial literacy and effects of pilot programmes, development and implementation of the mid-term National Financial Literacy Improvement Strategy;

- Development of sustainable institutional mechanisms to implement more efficient financial literacy programmes at the federal and regional levels with the participation of governmental authorities, educational establishments, non-governmental organisations and the financial sector;
- Human capacity building through train the trainers programmes at the federal and regional levels;
- Development, testing and dissemination (to the consumer) of education programmes and improved financial literacy instruments, through the institutions and channels of the formal and informal education systems, for school-age and university students, as well as adults;
- Establishment of effective and accessible information resources in the field of financial literacy and consumer protection in financial services, implementation of a large-scale information campaign;
- Support of a wide range of grass-root financial literacy initiatives selected on a competitive basis, improvement of financial education and consumer protection in the financial services;
- Strengthening the capacity of the government administrations and non-governmental sector in the area of financial consumer protection, including developing professional skills, improving disclosure policy and access to information for financial market participants and co-operation with private sector institutions;
- Development, testing and dissemination (to the consumer) of a wide range of information materials for consumer protection in the financial services; and,
- Establishment of a comprehensive large-scale assessment of the level of financial literacy and financial behaviour of the population and its monitoring.

***In view of the above tasks, the Project comprises the following pillars:***

**Pillar 1:** Development of a financial literacy strategy and monitoring and evaluation of financial literacy and consumer protection policies.

The objective of this pillar is to support the development of the National Financial Literacy Strategy, the establishment of the institutional and legislative framework for its implementation, and the development of a financial literacy and consumer protection monitoring and evaluation system. This component includes: the efficient operation of an Interagency Project Committee (IAPC); the establishment of the Expert Board and the provision of technical advice during project implementation; the development of a National Strategy; legal and analytical work in financial literacy and consumer protection; and an assessment of financial literacy levels and other surveys, as well as impact studies.

**Pillar 2:** Financial Literacy Capacity Building.

The objective is to support the building of institutional and human capacity to raise financial literacy in Russia at both federal and regional levels, and in both the public and private sectors. The component consists of: development of institutional capacity in financial education; training of teachers at all levels in the education system; creation of a national financial literacy portal; creation of Regional Centres for Financial Literacy and carrying out regional financial literacy development programmes.

**Pillar 3:** Development and implementation of education programmes and an information campaign to improve financial literacy.

The objective of this component is to improve financial literacy through the provision of a variety of educational programmes and information campaigns. This component includes: development and implementation of education materials and programmes to improve financial literacy; development and delivery of information campaign to improve financial literacy; and support of the grass root financial literacy initiatives.

**Pillar 4:** Strengthening the financial consumer protection framework.

The objective of this component is to strengthen the foundation of financial consumer protection by reinforcing the capacity of the existing Consumer Protection Service (CPS); enhancing civil society institutions and supporting initiatives in financial consumer protection; piloting the development of a financial ombudsman; and developing independent monitoring of financial consumer protection practices.

#### ***Educational programmes for different groups of the population***

As part of the preparation of the National strategy, core competences on financial literacy for school children and adults were developed in 2013. The system of competencies is being used to develop the educational and informational programmes in the area of financial literacy.

The different types of educational programmes and modules for students and adults at the work place have been developed and are currently being piloted within the project. These educational programmes include teaching materials and materials for students, electronic modules, games and tests. The analysis of students' and adults' needs combined with review of international approaches was used to design the structure and content of financial literacy courses covered in this project. The educational materials for school children starting from the elementary school will be developed and incorporated into the different subjects as well as used as separate elective courses.

#### ***Piloting in regions***

The size of Russia requires moving most outreach activities from Moscow to regions where they are most needed. Three regions, i.e. Kaliningrad, Tver and Volgograd, were selected during the project preparation stage. These regions have already piloted a dedicated and comprehensive regional programme in schools and universities and through the media, information centres, and – in coordination with regional administrations – NGOs. Thirteen more regions presented their regional comprehensive programmes with regional co-funding for selection. The main objectives of these regional programmes are to build institutional and human resource capacities on the regional level, establish a network of Regional Centres of Financial Literacy (RCFL), as well as to get the approval and implement educational and informational programmes and products developed under the Project at federal level. By the end of 2013, up to eight more regions will be selected on a competitive base.

### ***Innovative Fund of Good Ideas ([www.goodideasfund.ru](http://www.goodideasfund.ru))***

As many of the tasks are innovative and complex the Innovative Fund of Good Ideas with US\$10 million funding was launched in 2013. The main objective of this Fund is to support and expand the most efficient initiatives from NGO's, educational institutions, and private sector. The first round of the national competition is now underway. More than 70 proposals of financial literacy and consumer protection initiatives from all over the Russia were presented to the national competition.

#### **Phasing of the Project**

In order to achieve the Project Development objectives, the proposed Project will launch a large number of diverse and comprehensive activities. Many of these activities are innovative, with limited experience to guide their design and implementation. In this context, a phased method to implement the Project and develop the Strategy was adopted with a view to addressing its complexity, innovation and comprehensiveness.

During the first stage (first three years of implementation, 2011-14) the Project: (i) launches activities that can be quickly rolled out ("early wins"); (ii) focuses on the most urgent issues (e.g. consumer credit); (iii) supports pilots, which generate knowledge and "know-how"; and (iv) develops basic capacity for financial education and consumer protection. Specifically, during the first phase the Project:

- develops a National Financial Literacy Strategy,
- strengthens the legal framework for consumer protection in the banking and credit sector,
- builds basic capacity for financial literacy and consumer protection services delivery,
- develops monitoring and evaluation tools and establish baselines, and
- pilots various financial literacy initiatives and evaluate their efficiency.

The implementation of a national strategy for financial literacy implies the creation of a sustainable system of institutions engaged in financial education and public awareness programmes, strengthening financial consumer protection and the mechanisms of the evaluation and monitoring to assess the level of financial literacy and evaluate the effectiveness of measures undertaken to improve financial literacy.

During the second phase (the fourth and fifth year of implementation, 2015-16) the Project will scale up the activities that have proven to be successful during the first phase pilots. The specific duration of the phases will likely vary depending on the particular activities. Specifically, during the second phase, the Project is expected to:

- scale up improvements in the legal framework to strengthen financial consumer protection in additional sectors (*i.e.*, credit unions, microfinance, insurance, pension funds, etc.)
- improve and disseminate education programmes and consumer protection initiatives based on the lessons learnt from the pilots and information from monitoring and evaluation activities.

## Preparation of the National Strategy

The objective of the National Strategy for Financial Literacy development is to provide a nationally coordinated approach to financial education which consists of an adapted framework that:

- recognizes the importance of financial literacy and defines its meaning and scope at the national level;
- involves the cooperation of different stakeholders;
- establishes a roadmap to achieve specific and predetermined long-term objectives in relation to identified national needs and gaps within a medium - run (5-7 years); and,
- provides guidance to be applied by individual programmes in order to efficiently and appropriately contribute to a NS.

The National Strategy will be developed in co-operation with stakeholders. The strategy will also define forms and areas of state involvement, roles and responsibilities of each government agency involved, and mechanisms of involvement of non-government actors (including business associations, the professional community, the non-profit sector, etc).

The development and implementation of the national strategy is expected to:

- facilitate better interaction between consumers and financial institutions and thus increase the public's trust in such institutions and the services which they offer;
- support the formation of a foundation for a responsible and informed approach to personal finance management;
- raise the level of financial literacy;
- help form systems of accessible information resources covering the various aspects of financial education; and,
- foster the development of an effective regulatory and legislative foundation for financial consumer protection.

The preparation stage of the development of the National Strategy is based on the analysis of the international experience and local situation including current financial literacy initiatives, surveys to measure the level of the financial literacy of population, frameworks of the core competences, results of the piloting different educational and public information programmes and initiatives in regions and at the federal level. This also includes monitoring the project outcome indicators, evaluating individual financial education/consumer protection programmes, routine project progress monitoring, and supporting independent monitoring in the field of financial consumer protection.

The objectives of the monitoring and evaluation activities supported under the Project are:

- supporting evidence-based policy on financial education and consumer protection by building monitoring and evaluation tools and feedback mechanisms for policymakers and key actors;

- informing on project implementation by providing feedback on overall project progress and the effects of specific project interventions.

Monitoring the outcomes of the financial literacy and consumer protection Project will inform policymakers on the overall sector development and on progresses made towards the achievement of the project's objectives. Outcome indicators related to awareness, attitudes, perceptions, and basic financial arithmetic skills of the target population will be established through a specially designed national Financial Literacy Survey. By assessing needs and gaps this survey will support the development of National Strategy.

### ***The National baseline Survey***

The objective of the survey is to measure the current level and changes in attitudes, perceptions, behaviour, and basic financial arithmetic skills of the population, as well as consumer confidence in financial services. The Financial Literacy Survey is representative at the national level by main socio-demographic characteristics (age, gender, education, income group, etc.). The FLBS used stratified multistage random address sample (N=6000), making it representative for all Russians aged 18 and older. Regionally representative samples were obtained from two pilot regions (Kaliningrad and Volgograd oblasts) and two control group regions (Yaroslavl and Orenburg oblasts). All four samples (N=1500 each) were representative of respondents in each region aged 18 and older. Oversamples of schoolchildren and full-time students of universities and colleges were collected both for the all-Russian sample and for regional samples. The survey was conducted through face-to-face interviews.

Questionnaire design includes: managing money; planning ahead; making choices; financial knowledge and understanding; behavioural (psychological) and attitudes ; institutional variables; needs and interests of individuals in improving their level of financial literacy; channels for obtaining the information and trusted financial literacy providers; social and demographic profiles of individuals.

The first round of a National baseline survey has been conducted in 2012-13. The results will provide the first measure of Russians' level of financial literacy, setting a benchmark to be used in measuring future trends in this sphere. Two more rounds of the survey will be conducted during the Project implementation in 2014 and 2016.

Additionally, Russia took part in the OECD PISA Financial literacy survey devoted to the financial literacy of 15-year-old school students in 2012. The results will be announced in 2014 and used to inform the development of the National Strategy. They will also constitute a baseline for tracking progress as Russia is also participating in the second PISA financial literacy exercise in 2015

### ***Survey on Consumer Finance***

Another important survey which will be conducted for the first time is the Survey on Consumer Finance. Its goal is to gather detailed information on Russian households' finances and to also provide refined information on specific groups of households. It will help evaluating the effect of shocks, economic and social programmes, and institutional changes on the financial behaviours of Russian households. The collected information will inform policy decisions areas such as pension, housing, credit and finance, national programme on financial education, etc. The All-Russian Sample consists of 6000 households. The survey will be conducted in the form of face-to-face interviews with all the adult members of a household. Two rounds of a longitudinal (panel) study will be conducted in 2013 and 2015.

### ***Impact evaluation of the project and educational programmes***

Impact evaluation for the specific financial literacy/financial education/consumer protection will be carried out through a series of Impact Evaluation Surveys (IES). The IES will aim to identify, evaluate, and compare the effects of specific financial education/consumer protection programmes. They will determine the scaling up of the most effective initiatives, redesigning the regional programmes, fine-tuning the design of specific initiatives, etc. To assess the “net” effect of specific project interventions, IES will compare the results of the treatment (programme’s participants) and comparison (non-participants with similar characteristics) groups. The IES will be conducted separately for each type of financial education programme, including formal educational courses for school- aged college students, financial Olympiads, interactive games, pension toolkits, etc.

Routine project progress monitoring will provide information on direct project deliverables, such as the National Strategy, adoptions of amendments to the legislation aimed at strengthening financial consumer protection, etc. Support for independent monitoring in the field of financial consumer protection will contribute to increased transparency in the delivery of financial services to consumers.

### **NOTES**

- <sup>1</sup> The data is from the Financial Literacy Baseline Survey (FLBS), conducted by the Demoscop in 2012 as part of the FEFL Project and part of the presented figures is from the Diagnostic Survey commissioned by the World Bank as part of the preparation for the Russia Financial Literacy and Financial Education Project, undertaken by the NAFI in 2008.
- <sup>2</sup> Order of the Ministry of Finance No. 182, On Inter-Agency Commission for Preparation and Implementation of the Financial Education and Financial Literacy Project in the Russian Federation,” March 25, 2010.

## *Chapter 16*

### **Saudi Arabia:**

### **Designing a National Strategy for Financial Education**

This chapter is a submission of the Government of the Kingdom of Saudi Arabia.

## Introduction and background

A national strategy for financial education is currently being discussed in the Kingdom of Saudi Arabia (KSA) and will be further developed among relevant authorities.

The national strategy is expected to be a comprehensive and systematic approach to reinforcing the financial literacy of citizens and enterprises of the Kingdom of Saudi Arabia, particularly of those most in need, such as SMEs, youth and women. The main objective of the strategy is to create a financial education system aimed at increasing the level of financial literacy in KSA. Financial literacy empowers people to make informed and optimal decisions about their monetary matters suited to their current circumstances. The strategy will constitute a high-level framework, which will provide a clear direction for financial education in KSA. It will propose a timeframe of five years for development, implementation, monitoring and evaluation. It will create a co-ordinated approach to existing and future initiatives, helping to minimise duplication of effort. It will also establish a financial literacy baseline that will set the tone for future policy directions in this area.

The focus in this strategic framework is on:

- assessing the need for increased financial literacy; and
- proposing the creation of a national platform that will involve all stakeholders in the development of the strategy and oversee the implementation of an action plan within a designated timeframe.

The strategy complements the work that the Saudi Arabian Monetary Agency (SAMA) has been doing in the area of financial consumer protection, with the recent setting up of a Consumer Protection Department and the publication of ‘General Principles for Financial Consumer Protection’.

This draft strategy outlines in this chapter follows a number of conceptual measures taken in the area of financial consumer protection and education at international level. It is also based on the recommendations of international organisations such as the OECD, as well as on various country studies aimed at evaluating the effectiveness of their national financial education strategies.

The OECD defines ‘Financial literacy’ as “a combination of financial awareness, knowledge, skills, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial well-being. People achieve financial literacy through a process of financial education”

The OECD defines ‘Financial education’ as “the process by which financial consumers/investors improve their understanding of financial products, concepts and risks and, through information, instruction and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being” (OECD, 2005).

The Saudi financial system is expected to grow further and to gain prominence and efficiency in the coming years. The driving forces behind this progress will be both global and local. Local factors will include rapid population growth, diversification of the economy, growing consumer financial awareness, privatisation programmes, and the increasing role of the private sector.

In this context, financial education has become an important complement to market conduct and prudential regulation; and in turn, improving individuals' financial behaviour(s) has become a long-term policy priority. The countries that have developed more efficient financial education initiatives are those where a coherent national strategy has been established. It is therefore crucial for KSA authorities to develop a similar framework.

Saudi Arabia has a planning tradition that spans over 30 years. The Saudi government began a series of five-year plans that continues up until the current 'Ninth Development Plan (2010-2014)'. The formal planning process, which started in 1970, enabled the Saudi Government to make prudent decisions in the allocation and utilisation of its resources for economic development and the wellbeing of its citizens. Deliberate planning and careful implementation of a development programme with clearly defined objectives will support the achievement of the required economic transformation. The development and implementation of a 'National Strategy for Financial Education' will help the financial sector to contribute to the success of 'the Kingdom's national development plans', which give utmost priority to improvement of living standards and quality of life, and support moves towards a knowledge-based economy.

### **Vision, mission, goals, strategic action plans and key stakeholders**

#### ***Vision***

*More financially aware entrepreneurs and individuals who have the knowledge, skills and understanding to make confident, responsible and informed financial decisions.*

Achieving this vision will result in the enhanced personal financial well-being of Saudi people. This will also enable them to understand the benefits and risks of their financial decisions, depending on their individual needs.

At a basic level, it is simply about people functioning efficiently within a society. Financial literacy contributes to this vision as it gives people choices, helps to protect them from unexpected events, fraud and scams (such as Ponzi schemes), and enables them to have a voice as consumers and citizens. However, at an aggregate level, personal financial wellbeing contributes to the efficiency and prosperity of the national economy.

#### ***Mission and goals***

The goal of the KSA National Strategy will be to create a national framework that informs financial education policies and guides the activities of involved parties so that Saudi people progressively improve their financial literacy.

This mission supports the vision of achieving a more financially aware population. It supports harnessing existing knowledge and the experience and commitment of all stakeholders so that the implementation of financial education initiatives facilitates the enhancement of financial literacy of the Saudi people.

The strategy has been prepared with the following objectives:

- create a financial education system that increases the level of financial literacy in KSA;
- create awareness and educate consumers on how to make the best decisions to access and use financial products and services;

- help consumers (as well as providers of financial services) to understand their financial rights and responsibilities as users of financial services;
- contribute to the efficiency and resilience of financial markets; and
- provide a framework for stakeholders to work together in order to achieve the outcome of a financially literate population.

### ***Strategic action plan***

The National Strategy for Financial Education in Saudi Arabia will have a five year timeframe for development, implementation and optimisation. This timeframe will allow Saudi authorities to benefit from the tools being developed to evaluate the overall effectiveness of the strategy by the OECD/INFE, and from the experiences of the many countries that have begun implementation in recent years.

In particular, this five-year timeframe will allow Saudi authorities enough time to:

- discuss and set up an overall governance structure for the committee or task force that will have responsibility for further development and implementation of the strategy;
- conduct a nationwide survey that provides an initial benchmark for financial literacy in KSA;
- allow stakeholders to develop and implement individual initiatives as part of the overall strategy and action plan; and
- draw lessons from the results of measurement and evaluation exercise with a view to further refining the strategy.

### ***Stakeholders***

The following is an indicative list of public and private entities who may be invited to participate in the development and implementation of the strategy:

- financial consumers-resident in KSA;
- experts in financial matters in KSA;
- regulators and government agencies in KSA;
- licensed financial institutions;
- Saudi Stock Exchange (Tadawul);
- educational institutions;
- relevant Non-Governmental Organisations;
- media; and,

- international experts on financial education (*i.e.*, policy makers from other countries and advisors from international organisations) .

### Assessment of the need for financial education

One of the key determinants of the content of a national strategy is the identification of the financial education needs of the population. Saudi Arabia will assess the financial literacy needs of its population:

- through the review of international country experiences and best practices in the field of financial education as well as available academic research; and,
- thanks to the tools developed by international organisations in this domain: in particular, Saudi authorities could implement the assessment of the financial literacy needs based on existing international tools (including the OECD/INFE Financial Literacy Measurement Survey).

So far, the only measurement of financial literacy undertaken in the country was done by the private sector. The MasterCard Worldwide Index of Financial Literacy was conducted also in Saudi Arabia in September 2012. Results are encouraging in the regional context. While Egypt, with 69 index points, was ranked the top Middle East market with respect to the overall financial literacy index score, consumers in Saudi Arabia were ranked 2nd in the Middle East with a score of 62 index points in the MasterCard Worldwide Index of Financial Literacy. In their summary of the results, MasterCard commented that “consumers in Saudi Arabia have become financially more savvy over time”, with the survey now in its third time of completion since 2010.

The Index is based on a survey conducted between April 24, 2012 and June 10, 2012 with 11,376 respondents aged 18 – 64 in 25 countries. The survey polled consumers on three aspects of financial literacy including their basic money management skills, investment knowledge; and financial planning, in terms of budgeting, savings, and responsibility of credit usage.

KSA respondents displayed an average score of 64% on the Index’s financial planning component, and were particularly well prepared when it came to emergency and regular savings. The Kingdom’s financial planning scores were followed by basic money management (65%) and investment (54%).

### Mapping of existing initiatives

At present, there are many initiatives that have been taken by the public and private sector in KSA, which will facilitate the development of a national strategy to promote financial literacy. It is critical that local culture and Islamic finance practices are incorporated within the strategy together with the lessons learned by different initiatives and programmes to enhance the efficacy of future plans.

#### ***Recent launch of Riyali Programme***

Saudi Economic and Development Company (SEDCO), a Saudi wealth management company, has recently launched the ‘Riyali’ programme, in cooperation with Operation Hope (OH), a non-profit organisation. The ‘Riyali’ programme addresses the need to educate the Saudi population on financial literacy and empower people with the personal financial skills required to achieve a desirable standard of living. The first phase of this programme targets college students.

### ***Establishment of Banks Media Awareness Committee***

The Banks' Media Awareness Committee was founded at the end of 2006 for the purpose of raising banking awareness and promoting knowledge of the banking industry among all members of the community in various segments and categories in Saudi Arabia. Another object of the Committee was to raise the awareness level of the issues and developments relevant to the banking industry at local and global levels under the guidance of the Saudi Arabian Monetary Agency (SAMA). The Committee was composed of Heads of banks in Saudi Arabia.

### ***Recent launch of Irshad Programme***

This programme was launched recently by National Commercial Bank (NCB), with the objective to become the pioneer in initiating an awareness campaign on Lending Transparency.

NCB intends to position itself as a bank that cares about people's financial safety and educate the public on their financial security and prosperity. The campaign is largely being targeted at NCB customers.

### ***Initiatives taken by the Capital Markets Authority (CMA)***

The CMA has a long record of enhancing investor awareness and has issued many informational papers and undertaken many varied educational and awareness campaigns in the past. In 2012, the CMA launched an online video channel (CMATV) to broadcast clips on financial awareness and investor-oriented CMA programmes. Other recent initiatives by CMA include:

- publishing and distributing awareness booklets;
- awareness road shows and international fairs;
- Smart Investor Programme (for children and youth);
- school awareness visits; and
- organising and sponsoring training courses, symposia and seminars.

The 'Smart Investor Programme' sets out to transform the principles of sound financial practice and positive behaviours in financial literacy into interactive materials with target segments. The programme is aimed at children and youngsters in the age bracket of 5 – 14 years.

### ***Establishment of a Consumer Protection Department by SAMA***

SAMA has recently set up a Consumer Protection Department, with a view to promoting/devising:

- financial inclusion;
- market education and awareness;
- consumer protection policy; and
- a complaints policy and procedures.

The ‘Banking Consumer Protection Principles’ have been published in June 2013 and similar policy documents will soon be issued for insurance and finance companies.

These ‘Principles’ are adopted from the ‘G20 High-level Principles on Financial Consumer Protection Principles’ developed by the G20/OECD Financial Consumer Protection Taskforce. The Banking Consumer Protection Principles reflect the local market and environment for financial services. Implementation of the ‘Principles’ by financial institutions will result in enhanced disclosure and explanation of financial information, risks and benefits to consumers. A planned consumer protection website will provide additional education for consumers by way of ‘frequently asked questions’, comparisons of the features and charges for financial services and products as well as regular updates on frauds and scams.

The new Consumer Protection Department also has the responsibility to maintain a comprehensive database of banking complaints, which can be analyzed and used to improve the curriculum of financial education. The repository of complaints available with regulators internationally gives them insight of the areas where financial education would be able to improve consumer awareness of various products and also help in addressing gaps in consumer protection. KSA can make similar usage of the information available locally. Work is now progressing to implement similar databases for insurance and finance companies.

### **Policy Design**

The focus of KSA’s National Strategy for Financial Education should be on assessing and defining the financial literacy needs of citizens, deciding how best these needs can be met with educational and awareness initiatives and how the various interested parties can work together so that the strategy supports civil-society institutions active in financial consumer protection and financial education in advancing their developmental activities. This approach will be key to achieving the vision to “A more financially aware population who has the knowledge, skills and understanding to make confident, responsible and informed financial decisions”.

Experiences in other countries suggest that financial educational strategies typically cover basic financial concepts along with some customised initiatives intended for different sectors in society.

#### ***Basic financial education***

This component is to be targeted to certain citizens. Special focus should be given to:

- youth;
- women;
- low income persons; and,
- disadvantaged persons.

The basic financial education revolves around financial issues such as:

- financial planning;
- budget management;

- money management;
- credit and debt management
- Islamic financing and lending
- saving and investment;
- risk management;
- insurance;
- financial rights and responsibilities; and,
- Zakat<sup>1</sup> and taxation.

An attempt has to be made to convey these basic concepts to everyone especially to those who are financially excluded at present. However, the modes of delivery can be different depending upon who is the recipient. The content and method of presentation needs to be tailored according to the target groups.

### ***Customised financial education***

This component is to focus on:

- small and medium enterprises;
- personal banking consumers;
- insurance policyholders;
- users of microfinance;
- individuals dealing in equities or other securities;
- retirees; and
- people with home mortgages.

Customised financial education has to be product and service neutral. The content for the different sectors will need to be carefully designed also taking into account more advanced content, as it is being targeted to an audience who may be considered more financially mature, Content may as such include:

- risk management;
- risk-reward concept;
- avoiding being victim of misselling practices;
- financial calculations, *e.g.* APR calculations;

- margin trading;
- stock exchange mechanism;
- general insurance concepts;
- long-term savings;
- specifically designed financial products; and,
- insurance products specifically for SMEs.

Considering their specific expertise and mandate, each stakeholder can be responsible for designing the pedagogic materials and monitoring the implementation of objectives in their respective areas. For example, SAMA will be responsible for banking and insurance sector while CMA will be responsible for securities markets.

### ***Delivery channels***

There are many ways of getting messages through to people, including schools, the workplace or via the State benefits system. Sometimes personal contact is needed, and sometimes campaigns and materials can be ‘broadcast’ or delivered through electronic media. Using a variety of delivery mechanisms not only improves the chances of getting the message through, but also gives an opportunity to experiment and to learn which channels are most effective in different sets of circumstances. Examples of channels that can potentially be used include:

- SAMA website;
- other government websites;
- educational institutions;
- private sector programmes;
- mass media (social media, print media, TV and radio)
- financial institutions; and
- other stakeholders.

## **Implementation**

### ***Working committee***

In order to ensure the effective implementation of a coordinated series of financial education initiatives and to achieve fulfilment of objectives of the strategy, it is proposed to have an open platform for the involvement of stakeholders. The existing Working Group for Financial Education, under the leadership of the Ministry of Finance, already enables regular meetings of public authorities, the discussion and sharing of information, and initial co-ordination of activities under preparation.

This Working Group will be instrumental in the creation of a Working Committee. Under this new entity, it will be possible to add other members to the Working Group, especially members representing entities involved in financial education or other educational experts as well as financial consumer groups, such as SMEs, youth and women.

The ‘Working Committee’ will have the following responsibilities:

- sharing of information about existing financial education projects and conceptual materials on the national and international level;
- ensuring accessibility of such information to the general public as well as to professionals, promotion of active involvement of its members in awareness and specialised events – conferences, seminars, and workshops;
- coordination of the financial education projects on voluntary basis and contribution to the fulfilment of goals and principles set down in this strategy;
- exchange of experience on financial education projects;
- formulation of recommendations for executing activities resulting from this strategy for entities involved in the area of financial education; and
- formulation of recommendations for revising the Financial Literacy Standards as well as future updates of this strategy.

The ‘Working Committee’ may establish specialised working sub-groups for an execution of certain activities, if desired for an effective fulfilment of given goals.

### ***Evaluation of success***

The OECD definition of financial education makes it clear that the expected outcomes include behavioural change as well as better developed skills. Financial education programmes are seen as one important way of helping to change people’s attitudes and behaviour toward financial prudence in order to deal with financial pressures and make more effective decisions about their personal finances.

In 2005, the OECD ‘Recommendation on Principles and Good Practices for Financial Education and Awareness’ stressed the importance of planning, designing and conducting evaluation of financial education programmes within the broader national strategy framework. Furthermore, the development of methodologies to evaluate financial education programmes has been identified as a key priority by the OECD International Network of Financial Education (INFE).

The strategy in KSA will implement these international good practices and will incorporate continuous assessment and impact evaluation. KSA’s participation in financial literacy measurement studies will greatly help in benchmarking progress among peers at international level.

### **Conclusion**

The content of this chapter is a starting point towards designing a ‘National Strategy for Financial Education in KSA’ that will in its first phase:

- undertake the assessment of the financial literacy capabilities of the population and analyse its results to inform future policy actions; and,
- propose the establishment of a national framework with responsibility for the further development and implementation of the strategy.

It is internationally acknowledged that financial education is an important element in the achievement of economic and financial stability and complements market conduct and prudential regulation. A coherent strategy will support the objectives of the Kingdom's 'national development plans'.

A five-year timeframe is proposed to finalise this initial strategy and to achieve the objectives therein by fully implementing the agreed action plan. This strategy will also be informed by the several initiatives already being undertaken in the Kingdom. KSA has many financial education initiatives underway, both in the public and private sectors. The experiences of these initiatives will be valuable in further informing the strategy.

The educational components proposed will cover:

- basic financial education; and,
- customised financial education for specific segments.

Delivery of financial education initiatives can take place through various channels, depending on the message to be transmitted and the audience to be targeted.

For the long-term success of the strategy, it will be essential to have one central committee responsible for the overall programme, especially when evaluating the overall success of the different public and private sector initiatives.

## **NOTES**

1. Zakat is the practice of charitable giving by Muslims based on accumulated wealth, and is obligatory for all who are able to do so.



## *Chapter 17*

# **Singapore: Implementing the National Strategy for Financial Education - MoneySENSE**

This chapter is a submission of the government of Singapore.  
It was prepared by the Monetary Authority of Singapore (MAS).

## **Impetus for Financial Education**

MoneySENSE is the national financial education programme in Singapore. Launched in 2003, the programme aims to enable Singaporeans to become more self-reliant in their financial affairs. It does this by helping Singaporeans acquire the knowledge and skills to manage their day-to-day finances, make prudent investments, plan for their longer-term needs and exercise their rights as consumers of financial services. This, in turn, serves the twin objectives of helping Singaporeans to attain financial well-being and consumer protection.

## **Governance and stakeholders**

MoneySENSE is spearheaded by the Financial Education Steering Committee (FESC). The Monetary Authority of Singapore (MAS) chairs the FESC, which comprises representatives from several public sector agencies and government ministries, including the Ministry of Education (MOE), Ministry of Health (MOH), Ministry of Manpower (MOM), Ministry of Social and Family Development (MSF), Central Provident Fund Board (CPF<sup>1</sup>), National Library Board (NLB) and People's Association (PA)<sup>2</sup>. MAS also serves as the secretariat to the FESC.

The FESC is responsible for assessing and advising on strategies and approaches for financial education programmes, evaluating their effectiveness and allocating public funding for these efforts. The committee also serves to coordinate financial education-related initiatives run by the various FESC member agencies for the population segments under their purview. For example, the CPF<sup>1</sup> runs education initiatives to create better awareness and understanding of its various retirement and healthcare schemes. MOE has infused financial literacy concepts into the school curriculum for children of different age groups.

MoneySENSE also works closely with various associations and organisations<sup>3</sup> to further financial education outreach to the population. Volunteers and partners from industry associations, academia and consumer/investor organisations help financial education efforts by developing content, fielding speakers, logistics and administration support and other resources. To maintain public trust in MoneySENSE and its reputation as a source of unbiased financial education, volunteers from the financial industry are expected to present themselves as representatives of industry associations and are not allowed to promote particular financial institutions, products or services. MoneySENSE also works with community organisations to better understand the needs of different population segments so that they may be addressed through customised programmes.

## **Identifying needs and priorities**

To help MoneySENSE prioritise its work, a national financial literacy survey was conducted in 2005 to benchmark the level of financial literacy among Singaporeans. The survey aimed to: (i) understand what actions Singaporeans have taken to manage their finances; (ii) assess their level of knowledge about common financial products and services; (iii) gauge the attitudes of Singaporeans towards financial matters; (iv) identify areas where more consumer education is required; and (v) measure the level of awareness of MoneySENSE.

The survey revealed varying levels of financial literacy among Singaporeans, and prompted MoneySENSE to adopt a segmented approach with specific initiatives to address the financial education needs of different target groups.

## Developing the roadmap

Based on the survey findings, MoneySENSE initiatives were formulated with a focus on equipping Singaporeans with the basic knowledge and skills to perform four key activities in a prudent way:

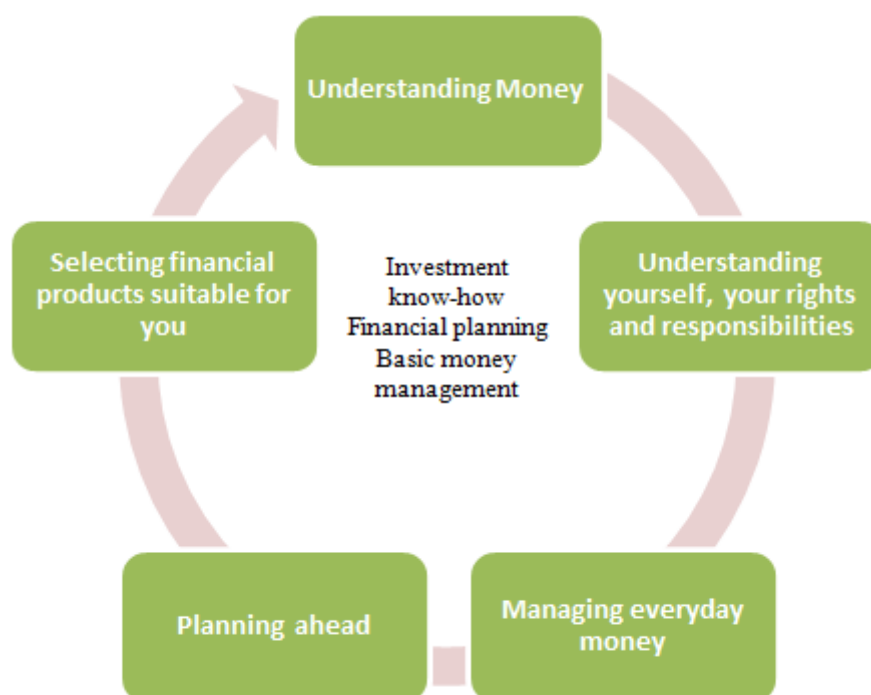
- Manage their cash flow and live within their means
- Buy a home that they can afford
- Be financially prepared should unforeseen events like accidents and illnesses occur (providing for themselves and their dependants' healthcare and other financial needs)
- Plan ahead and take steps to have sufficient income for life (including during retirement)

This involves developing the three tiers of financial literacy as follows:

- Tier I - Basic Money Management: This covers skills in budgeting and saving, as well as responsible use of credit.
- Tier II - Financial Planning: This aims to equip Singaporeans with the skills and knowledge to plan for their long-term financial needs.
- Tier III - Investment Know-how: This aims to impart knowledge about different investment products and skills for investing.

The MoneySENSE Core Financial Capabilities Framework identifies five core financial capabilities that build on and complement the three tiers of financial literacy. The capabilities aim to help individuals apply their knowledge and skills across the different tiers of financial literacy when making financial decisions.

**Figure 17.1 Singapore: The five financial capabilities identified by Money SENSE**



The five core financial capabilities are:

- Understanding money is about having the numeracy skills to evaluate the costs and benefits of options available. It is also about understanding how economic conditions can affect a person.
- Understanding yourself, your rights and responsibilities is about knowing how personal circumstances, like how much a person earns, his or her age, the number of children he or she has, affect his or her financial decisions. It is also important to know your rights and responsibilities as a consumer of financial products and services.
- Managing everyday money is about being able to budget, to live within one's means and to use credit facilities responsibly (*e.g.* for major items like buying a home).
- Planning ahead is about being able to put together a financial plan to help one manage one's resources (*e.g.* income, debt, savings and investments) prudently.
- Selecting financial products is about understanding the purpose, features, risks and costs of common financial products (*e.g.* debit and credit cards, loans, insurance, and investments), the key factors to consider and questions to ask before deciding whether to take up a product.

### **Implementing the Plan**

The MoneySENSE financial education programme is implemented through a three-pronged strategy.

Firstly, a broad-based outreach to generate interest and awareness. The aim is to create awareness of the need for financial prudence and to build up financial capabilities through financial education. It is also important to raise public awareness and familiarity with MoneySENSE as an objective, reliable and trustworthy source of basic financial education programmes, materials and information.

This is implemented through the use of mass media (*e.g.* TV and radio campaigns, media columns and info ads), large scale events (like public roadshows, carnivals and seminars), and the MoneySENSE website and Facebook page.

Secondly, a more targeted approach for selected groups such as working adults and students. Ongoing education outreach for these two important segments is mainly achieved through face-to-face programmes comprising workplace talks and workshops for working adults and enrichment programmes, competitions and quizzes for students. (See Box 17.1, Financial Education Initiatives for Students and Working Adults). Talks and workshops have also been customised for low income workers and their families. Outreach activities for other population segments are currently being developed in collaboration with various community organisations and interest groups.

The third approach is thematic outreach on particular issues and products, such as financial products that may be new or more complex to understand, complex transactions, financial trends and policies, and scam alerts. Examples of such outreach include sponsored or pitched media articles, TV or radio campaigns, and seminars and workshops which provide a more in-depth and interactive approach to guide consumers towards understanding financial products and assessing a product's suitability from the perspective of the consumer's own set of personal circumstances. Existing articles and guides on the MoneySENSE website are also highlighted and profiled when consumer trends surface a need to revisit or remind consumers about particular financial issues.

#### **Box 17.1 Financial education initiatives in Singapore**

##### **Financial Education Initiatives for Students**

Financial literacy is a life skill that one should cultivate from young. In Singapore, school-going children learn basic money management concepts like budgeting and differentiating between needs and wants through the infusion of such concepts in the school curriculum. Apart from maths, opportunities to explore such concepts and values with children are also made possible during humanities and social and character development lessons. Going forward, the Ministry of Education plans to introduce a new module entitled "Food & Consumer Education" for all lower secondary students in Singapore. The module encourages students to be health-conscious and discerning consumers. Students will learn about optimising their resources in terms of food, finance and time. The module will cover basic money management skills, including differentiating between needs and wants, living within one's means, and the importance of saving and budgeting.

Schools are also encouraged to organise or engage vendors to run enrichment activities such as financial education board game sessions, competitions, skits and workshops for students. MoneySENSE may support such activities through co-funding, facilitating speakers for talks or providing guidance with content development. At the tertiary level, MoneySENSE has also collaborated with industry associations to conduct talks as well as support the National University of Singapore Economics Society to hold the annual National Economics and Financial Management Quiz which is the highlight of a series of activities to encourage high school, polytechnic and junior college students to gain more interest in financial matters.

##### **Financial Education Initiatives for Working Adults**

Working adults form the majority of the resident population in Singapore. Most will have critical financial decisions to make at various points of their lives. It is important to reach working adults at these critical junctures with the information and guidance they need. How consumers like to receive educational financial information

shapes our outreach to them.

MoneySENSE has several guides and talks on topics ranging from money management, to buying a home and choosing suitable financial products. There are also guides to help consumers deal with common financial concerns at certain life events. The guides are made available through the MoneySENSE website and consumers are encouraged to make use of them as a basic and objective resource for their informational needs. At the same time, while many consumers like to learn in a classroom setting conducive for interactive and hands-on learning, the busy schedules of most Singaporeans may make this hard to achieve. To facilitate easier access to financial education for working adults, co-operation with employer organisations is developed to bring financial education directly to workers at the workplace. Talks on topics most meaningful for the organisation's staff may be selected and customised as required. Such talks are provided free of charge.

For working adults nearing retirement, MoneySENSE also works closely with the CPF, to bring talks to CPF members on saving and investing for retirement as well as on managing finances during retirement. The My Money Seminar series is another MoneySENSE collaboration to bring financial education on new or difficult to understand products. The seminar series aims to raise awareness amongst consumers about how to assess such products' features and risks when deciding whether they are suitable investments or tools to meet their own personal financial objectives and circumstances.

To further step-up our outreach efforts, MoneySENSE partnered Singapore Polytechnic to launch the MoneySENSE-Singapore Polytechnic Institute for Financial Literacy (IFL) in July 2012 as a dedicated effort to deliver financial education to the public. The IFL extends MoneySENSE financial education outreach at the workplace through talks or workshops on money management and financial planning. Modules cover areas such as identifying financial needs and goals, managing spending, saving and debt as well as buying insurance and basic investing. The IFL's initial focus is on the lower-to-middle-income segment of working adults. Financial education initiatives catering to the different population segments will also be rolled out over time.

#### **Financial Education Initiatives for Lower Income Households**

Another key target group that MoneySENSE seeks to reach out to are the less well-served or vulnerable segments. For lower income individuals, financial education content and delivery is customised to include simple, clear and practical examples and messages on how one can save money and how small changes can have an impact. Examples include ways to cut down on utilities bills, as well as how to draw up a budget, or how to manage the cost of food effectively without compromising nutrition. Participants are also shown how to avoid the debt trap, compute the cost of borrowing, including the actual cost of buying an item using a retail instalment plan.

Having to work through the calculations by themselves and seeing the resultant numbers can prove more impactful than simply receiving the information through a talk or lecture. Facilitators (often social workers) are also being trained to work alongside trainers to support and guide participants through problem-solving exercises.

MoneySENSE will continue to work closely with community organisations to ensure the content and pedagogy for financial education to the lower income segments are pitched appropriately.

To monitor the quality of the programmes and assess their effectiveness, participants' feedback is usually sought and analysed. In the case of programmes like seminars, workplace talks or enrichment programmes at schools, this is collated through feedback forms. The feedback forms tell us whether participants have found the talks and programmes informative, relevant and helpful. Feedback is also sought on the topics covered, quality of the speaker and materials used, as well as the length of programme. Such feedback as well as qualitative comments would help improve the delivery and effectiveness of MoneySENSE programmes.

In the case of TV, radio and media publication campaigns, the vendors undertake research to assess the effectiveness of each campaign. This can be through surveys, such as online surveys or auditorium surveys (post viewing) accompanied by focus group discussions. Participants' recall of key messages conveyed during a campaign may be tested. Where possible, we include questions on what consumers would do with the information received, *e.g.* whether they would now take this into

consideration when making a financial decision, change behaviour or stop or avoid a certain course of action.

Output indicators like total outreach, number of talks or workshops conducted are also collated and reviewed.

### Going forward

The MoneySENSE financial education programme will continue to be refined in light of evolving consumer financial capability gaps and educational needs. These developments are monitored in a number of ways:

- Ongoing engagement with the FESC and other public sector agencies, community organisations as well as investor, consumer and industry associations.
- Analysis of consumer complaints and feedback. These provide useful insights into the financial issues facing consumers, whether they pertain to insufficient awareness and understanding of specific products and services, transactions or schemes and/or other matters relating to consumers' personal financial well-being.
- Feedback from participants in various financial education initiatives, *e.g.* post event feedback collated or surveys conducted after TV, radio and media publication campaigns.
- Another National Financial Literacy Survey is being conducted in 2013 to assess the financial capability gaps to be addressed and how consumers in different segments prefer to receive financial education.

The aim is to enable Singaporeans to be more self-reliant in their financial affairs and encourage them to take active steps to enhance their financial well-being.

## NOTES

- 1 CPFBS is the administrator of the national pension fund scheme.
- 2 PA is a grassroots organisation with broad outreach to the community.
- 3 MoneySENSE partners include the Association of Banks in Singapore, Association of Financial Advisers (Singapore), Consumers Association of Singapore, Financial Planning Association of Singapore, General Insurance Association of Singapore, Insurance and Financial Practitioners Association of Singapore, Investment Management Association of Singapore, Life Insurance Association of Singapore and Singapore Exchange Ltd.



## *Chapter 18*

### **South Africa: Revising the National Strategy for Financial Consumer Education**

This chapter is the submission of the Government of South Africa. It was prepared by the National Treasury and the Financial Services Board of South Africa (FSB-SA)

*“Financial literacy can set the stage for the positive actions which are so important to wealth creation and preservation – actions such as careful consideration of costs of financial services, avoidance of scams and fraudulent schemes, knowledge and understanding of financial products and services, and saving for a rainy day and for the longer term, such as for retirement.”*

Mr. Nhlanhla Nene, Deputy Minister of Finance, South Africa

#### **Definition, scope and purpose**

##### ***Status of the National Strategy for Financial Education in South Africa***

The original National Strategy for Consumer Education, launched in 2001 under the auspices of the Financial Services Board (FSB-SA), was revised by the National Consumer Financial Education Committee (NCFEC), the membership of which comprises a wide spectrum of stakeholders. This revision is in line with South Africa’s national policy on consumer financial education. It is anticipated that the revised national consumer financial education strategy will be formally launched in the last quarter of 2013, although stakeholder financial institutions have already started implementation. South Africa’s consumer financial education strategy can be found at [www.fsb.co.za](http://www.fsb.co.za).

##### ***Rationale for the development of the National Strategy***

The importance of consumer financial education in the South African context lies in its potential to improve people’s financial well-being. The current financial sector environment has abundant and increasingly complex product offerings. This, combined with a growing range of financial challenges facing households at the macro- and micro-levels, implies that enhanced financial understanding and awareness by consumers is essential. Improved consumer financial education reduces information asymmetries and promotes market transparency, competition and efficiency. It also has the potential to increase access to and demand for financial products.

In South Africa, the consumer of financial services has, on average, limited resources and skills to understand the complexities of the financial sector. Compelling consumer issues, such as the inability to evaluate the appropriateness of financial products in relation to personal circumstances; predatory lending; high levels of consumer debt; low saving rates; the proliferation of pyramid schemes and financial scams; high product service and penalty fees; lack of accessible and comparable pricing information and limited knowledge of recourse mechanisms have added to the sense of urgency surrounding the need for consumer financial education.

In addition there are various structural issues that have contributed to the need for a national consumer financial education strategy in South Africa:

- a) a number of legislative interventions in consumer financial education that are not always co-ordinated or consistent; and
- b) current consumer financial education programmes, implemented by various stakeholders including financial institutions, are fragmented, lack focus and impact and do not make effective use of the limited resources available.

### ***Scope of the National Strategy***

#### *Four themes of consumer financial education policy*

To achieve its consumer financial education mission and objectives, South Africa's national policy is based on four key themes:

- a) Consumer financial education is part of a wider market conduct and consumer protection policy approach. It is not seen as a substitute for effective consumer protection and market conduct regulation. Instead it should be taken into account in the broader consumer protection and market conduct regulatory framework, including the regulation of financial information and advice.
- b) Consumer financial education policy provides a common focus and direction for a wide group of consumer education initiatives. The national policy and strategy will not attempt to replace existing consumer education interventions or even suggest less emphasis be placed on such interventions. Rather they aim to leverage current resources by encouraging their alignment with national policy and strategy. This policy theme is essential for implementation of the national strategy because it ensures that stakeholders remain responsible for the funding and governance of their individual consumer financial education initiatives while focussing such individual stakeholder initiatives on national priorities.
- c) Consumer financial education requires a multi-stakeholder, centrally co-ordinated approach. Consumer financial education is a shared responsibility among many stakeholders all of which have a powerful and legitimate role to play: government, schools, financial institutions, industry associations, employers, trade unions, community organisations, and NGOs. A multi-stakeholder and centrally coordinated body namely the national consumer financial education committee is required to secure the active involvement of all.
- d) A national consumer financial education strategy with risk-based priorities is essential. The consumer financial education policy should be accompanied by a broad public consumer financial education strategy and associated tools and programmes. Since the resources available for consumer financial education are finite, the national strategy should be risk-based i.e., it should focus on high-priority issues across two dimensions (1) target groups such as children, youth, pensioners and (2) financial life dimensions namely financial control, financial planning, product choice and financial knowledge.

### ***Definition of financial education***

South Africa subscribes to the OECD definition of financial education<sup>1</sup>, which is:

The process by which financial consumers/investors improve their understanding of financial products, concepts and risks and, through information, instruction and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being.

Thus, financial education is seen as a process of building *financial capability*, which is described as the knowledge and skills of consumers to understand their own financial circumstances and to be motivated to take action in this regard. This action includes planning ahead, finding and using financial information, knowing when to seek advice and making sure the advice is understood and acted upon, which leads to greater participation in the financial services market.

Financial capability is seen as a broader concept than *financial literacy*, which is people's ability to understand finance thereby allowing them to make informed and effective decisions through their understanding of finances. Financial capability encompasses participation by people in economic life that maximises life opportunities and enables them to lead fulfilling lives.

## Preparation

### *Assessment of main needs and key policy priorities*

The key policy priorities are to:

- Provide a framework (including a national committee and strategy) for collaboration and co-ordination of financial sector stakeholders in consumer financial education;
- Provide key performance indicators, data and measurement of consumer financial education programmes to determine whether policy and programme goals are being achieved; and
- Ultimately improve consumers' financial well-being by helping them to (1) understand financial management and products and thus take good decisions that are tailored to their personal circumstances (2) monitor the market conduct of financial institutions through their decisions and use of recourse facilities (3) face their ever-increasing responsibilities as a result of the growing complexity of financial products and the transfer of financial risk to consumers (4) know where to look for important information, objective advice or access to recourse facilities.

The major tool being used to identify consumer financial education needs are the results of the South African baseline financial literacy survey carried out in 2011/2012. The survey was a culmination of the OECD/International Network for Financial Education Financial Literacy Measurement exercise<sup>2</sup>. The needs are expressed in terms of target markets (e.g., pensioners, youth) across four dimensions (namely financial control, financial planning, choosing financial products and knowledge and understanding). Additional sources include national consumer financial statistics provided by regulators, ombudsmen, financial institutions, surveys carried out by universities and research agencies such as Finmark Trust, among others. The statistics are used to identify groups and individuals who are financially at-risk or otherwise vulnerable and in which dimension that financial vulnerability exists.

### ***Mapping of stakeholders involved in financial education, existing initiatives and resources***

The FSB-SA has collaborated with various regulatory bodies, industry associations, community structures, labour and private sector organisations for more than a decade to provide financial education programmes to consumers. These stakeholders are members of the National Consumer Financial Education Committee (NCFEC), which is convened by National Treasury for the purposes of coordinating financial education initiatives and jointly finalising the national policy and crafting national strategy. Stakeholders that were invited include:

- a) Industry bodies and associations
  - South African Insurance Association
  - Association for Savings and Investments, South Africa
  - Banking Association of South Africa
  - Institute for Retirement Funds
  - JSE Limited
  - Financial Planning Institute
  - Financial Intermediaries Association
  - Principal Officers Association
  - Financial Sector Charter Council
- b) Regulators
  - National Credit Regulator
  - South African Reserve Bank
  - Financial Services Board
  - National Consumer Commission
- c) Government Departments
  - Trade and Industry
  - National Treasury
  - Basic Education
  - Higher Education and Training
  - Provincial Consumer Affairs Offices Forum
- d) Consumer and Labour representatives
  - South African National Consumer Union
  - National Consumer Forum
  - Congress of South African Trade Unions and affiliates such as the finance sector union Sasbo
  - Federation of Unions of South Africa
- e) Ombudsmen offices
  - Credit Ombudsman
  - Ombudsman for Long-term Insurance
  - Ombudsman for Short-term Insurance

**Consultation process**

The initial consultation was coordinated by the Consumer Education Department (CED) of FSB-SA. The CED together with National Treasury visited each stakeholder to discuss the revision of the financial education strategy and invited them to participate in the NCFEC.

The NCFEC had its first meeting in May 2012 and has since then met six times. Three working groups have been established to deal with crafting a national strategy, setting up a financial wellbeing call centre and putting in place a centralised database of all consumer financial education initiatives implemented or being implemented by stakeholders.

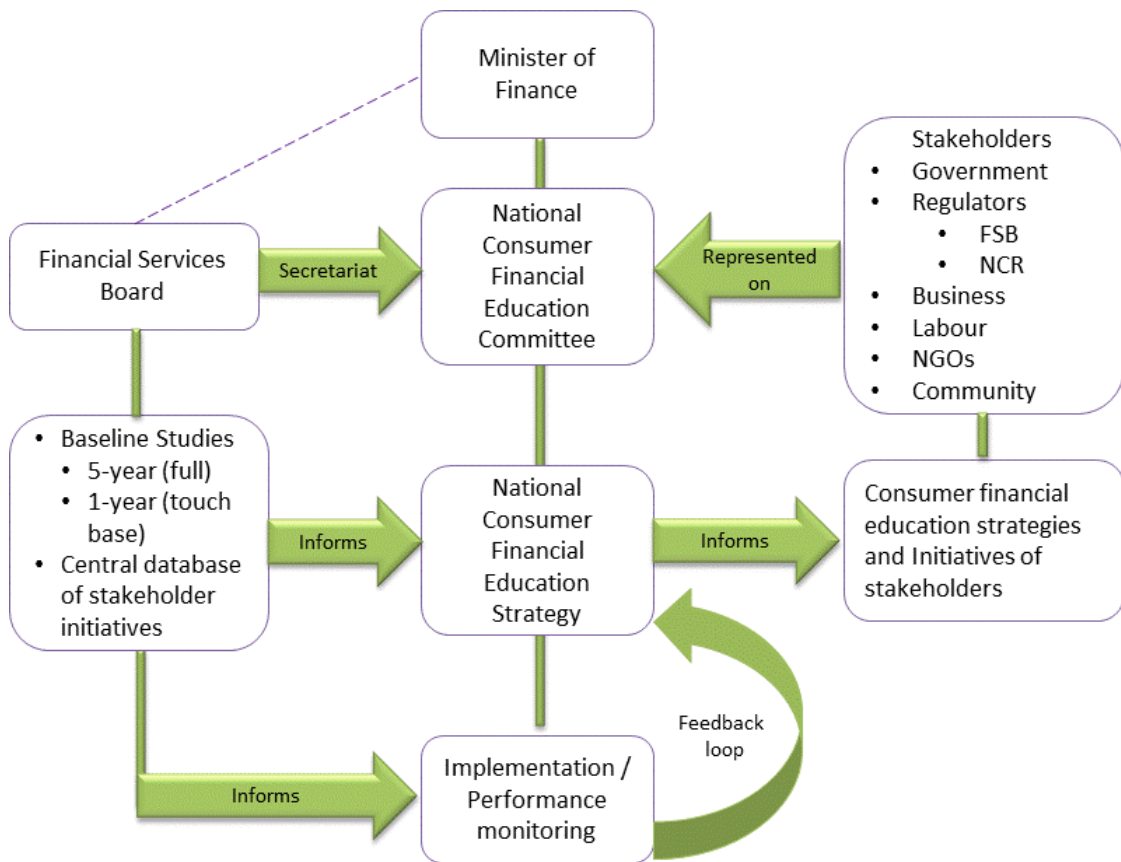
**Governance mechanisms and role of stakeholders**

**Governance mechanisms**

The coordination of consumer financial education takes place through the NCFEC which is a multi-stakeholder group that comprises of a broad mix of expertise drawn from labour, community-based organisations, financial institutions, other private sector entities and government. National Treasury is chairing the body during the first two years of its establishment.

The governance mechanisms and feedback loops are presented in figure 18.1.

**Figure 18.1 Governance and performance monitoring of consumer financial education in South Africa**



### ***Role and responsibilities of main stakeholders***

The role and responsibilities of NCFEC are:

- finalising the national consumer financial education policy;
- developing the national consumer financial education strategy (“strategy”) by defining target groups; using a risk-based approach to decide on which target groups to focus on;
- setting up appropriate action plans and key performance indicators indicating comparisons to international standards to measure achievement;
- overseeing the implementation of the strategy by:
  - Monitoring key performance indicators and assessing and addressing any inadequate performance. Key performance indicators will include those produced by baseline studies to assess current financial literacy and capability. The baseline study should be repeated in full every five years and annually in diminutive form to assess the impact of consumer financial education initiatives on financial literacy and capability.
  - Providing leadership and guidance in the planning, coordination, implementation, monitoring and evaluation of consumer financial education programmes.
  - Recommending the allocation of funding -for consumer financial education programmes and initiatives.
  - Overseeing the development and maintenance of central databases of information about consumer financial education activity in South Africa.
  - Advising on the development of broad-based curricula and materials.
  - Recommending that research be undertaken on issues concerning consumer education.
  - Ensuring that regular stakeholder reports are prepared.
- reviewing the national consumer financial education strategy on an annual basis to ensure its relevance.

The key role of stakeholders is to:

- develop and implement individual consumer financial education strategies that are in line with national policy imperatives and the national strategy; and,
- capture the consumer financial education programmes and initiatives undertaken to implement their strategies onto the central database to enable the performance monitoring of national strategy.

## Roadmap

### *Mission/vision statement, objectives*

**The vision of the consumer financial** education policy in South Africa is:

To increase the financial capability and thereby financial well-being of all South Africans.

The mission is:

All South Africans, particularly those that are vulnerable and marginalised, are empowered to participate knowledgeably and confidently in the financial marketplace and to manage their financial affairs, deal with their day-to-day financial decisions and make good choices about allocating their incomes from school-going age, during working age and through to retirement.

The attainment of the vision and mission rests on the four themes mentioned previously, namely:

- 1) consumer financial education is part of a wider policy approach, which includes properly regulating and supervising of the financial services industry and protecting individual consumers;
- 2) consumer financial education policy provides a common focus and direction for a wide group of consumer education initiatives;
- 3) consumer financial education requires a multi-stakeholder approach that is centrally coordinated to ensure the active involvement and co-operation of all stakeholders; and
- 4) consumer financial education policy should be accompanied by a broad public consumer financial education strategy with risk based priorities and associated tools and programmes.

### *Effective consumer protection and market conduct regulation*

Reforms proposed by National Treasury to the South African regulatory system include shifting to a twin-peaks approach to regulation, characterised by separate prudential and market conduct regulators. The move to a twin-peaks system will mean a substantially stronger market conduct regulator in South Africa. The FSB-SA will form the new market conduct regulator. It is envisaged that the mandate of the market conduct regulator will include helping South Africans become informed consumers of financial products and services through appropriate and risk-based consumer financial education initiatives.

A Consumer Financial Education Unit will be established to give effect to this mandate. The unit will be tasked with overseeing the implementation of national policy and strategy by working collaboratively with the NCFEC.

### *Main policy priorities*

The national strategy will develop a set of risk-based priorities across target groups/ dimensions (see figure 18.2).

In addition competencies for each dimension were designed to clearly set out what outcomes were expected from education initiatives. Briefly:

- **Consumers with financial control** exercise a high-level of restraint over their finances; save rather than spend money; live in a household that budgets; are able to make ends meet and are involved in daily household financial decision-making.
- **Consumers who do financial planning** set financial goals and commit to meeting them prefer to save for the long-term and have emergency funds in place.
- **Consumers who make good product choices** have a broad awareness of different types of bank, loan, savings, investment, and insurance products; have a clear understanding of their product needs and undertake detailed research before choosing a product; have no regrets about recent financial product decisions and have not taken an unsuitable product in the past.
- **Consumers with good financial knowledge and understanding** are familiar with most or all of the following basic concepts: basic mathematical division, effects of inflation, interest paid on loans, interest on deposits, compound interest, risk of high return investments, effects of inflation on cost of living and risk diversification.

The national strategy provides clarity on the direction and focus of stakeholders' individual strategies; develop and suggest methods to ensure the successful implementation of programmes; and put in place effective data and metrics to evaluate the effectiveness of programmes against objectives and targets.

### ***Monitoring and evaluation of the national strategy***

Monitoring and evaluation of the overall effectiveness of the national strategy is a key priority. A multi-faceted approach (as shown in the diagram 18.1) will be used:

- Financial literacy baseline studies every 5 years (the first one was carried out in 2011/2012)
- The inclusion of financial literacy questions in each annual South African Social Attitudes Survey (SASAS) carried out by the Human Sciences Research Council (HSRC), which serves as a touch-base exercise to indicate how implementation of the strategy is progressing.
- A central database of stakeholder initiatives that indicates the target market and dimension being addressed. It is envisaged that the central database will be up and running mid-2013.

The results of the baseline studies together with the information captured by stakeholders on the central database will be used to inform the annual review of strategy and monitor its implementation.

### ***Timeline for implementation and evaluation***

It is important to note that national policy and strategy attempt to provide direction to a wide group of consumer education initiatives that share a common goal to protect and empower consumers. It does not attempt to replace existing consumer education interventions or suggest less emphasis be placed on such interventions nor will it require the setting up of consumer financial infrastructure

other than that already in place. Instead it aims to leverage current resources by encouraging the continuity of existing consumer financial education initiatives and their alignment with national policy to realise national priorities.

It is anticipated that the national consumer financial education strategy will be formally launched in the last quarter of 2013, although stakeholder financial institutions have already started implementation.

**Figure 18.2 South Africa: Priorities for consumer financial education programmes and initiatives**

		1 Highest	2 High	3 Medium	4 Low	Financial control	Financial planning	Product choice	Financial knowledge
Gender	Male								
	Female								
Age	16-19 years								
	20-29 years								
	30-39 years								
	40-49 years								
	50-59 years								
	60-69 years								
	70+ years								
Race	Black African								
	Coloured								
	Indian								
	White								
Living standard	Low								
	Medium								
	High								
Location	Urban formal								
	Urban informal								
	Rural, traditional authority								
	Rural farms								
Province	Western Cape								
	Eastern Cape								
	Northern Cape								
	Free State								
	KwaZulu-Natal								
	North West								
	Gauteng								
	Mpumalanga								
	Limpopo								

### ***Resources available for the National Strategy***

Essentially stakeholders will bring their innovation and resources to bear on achieving national priorities through their individual strategies and plans. National policy and strategy aims to focus and guide the activities and initiatives of stakeholders, not to hinder or take them over.

Possible avenues for securing resources include:

#### ***The Financial Services Board***

The FSB-SA enters into partnerships with industry representative bodies and other organisations to implement financial education programmes. The FSB-SA has a dedicated unit for implementing financial education projects.

#### ***The Financial Services Consumer Education Foundation***

The Financial Services Consumer Education Foundation (the Foundation) is an independent non-executive Trust that was established by the FSB-SA in 2004. It is a vehicle for receiving donations for deserving consumer education projects. Financial sector bodies are encouraged to donate funds to the Foundation, for which tax incentives are in place. The FSB-SA currently oversees the implementation of the projects funded by the Foundation.

#### ***Financial obligations for consumer financial education under legislated agreements***

In South Africa, financial institutions have an obligation through the Financial Sector Codes for broad-based black economic empowerment to use a percentage of their after tax profits to fund consumer financial education projects and programmes.

## **Implementation**

### ***Brief overview of main delivery mechanisms***

Each stakeholder determines delivery mechanisms for its own programmes implemented in terms of its individual financial literacy strategy. These can range from edutainment (TV and radio soap operas) to market practitioners training in classrooms at schools and universities.

Stakeholders address financial education needs through the following media and presentation approaches:

- a) Presentations
  - Group presentations - particularly with small groups from various organisations.
  - Exhibitions - identify various exhibitions and exhibit consumer message and materials.
  - Face-to-face interaction at public places, which include shopping malls, train stations and taxi ranks.
  - Trendy, interactive, multi-media PowerPoint presentations - short and punchy with budgeting exercises.
  - Use of electronic voting systems to get immediate and anonymous feedback from consumers.

b) Advertising and marketing

- Produce booklets and brochures in various languages for various target groups, in simplified English, targeting the youth, the elderly and others. Topics range from Wills, Retirement, The Rights and Responsibilities of Consumers regarding Financial Products, Financial Guide for Youth, Short-term and Long-term Insurance and what consumers should know when taking out funeral cover.
- Clinic TV - run short shows in Clinics in Townships in the waiting area creating awareness and the importance of budgeting and saving.
- Financial education video broadcasts through public health clinics and airports.
- Industrial theatrical dramatisations – taking consumer financial education messages to schools, shopping malls, universities, market places and taxi ranks.
- Radio broadcasts on various radio stations to target persons in remote areas to create an awareness of financial literacy issues.
- Placing posters on public notice boards.
- Niche magazines – identifying the leisure magazines of identified target audiences to take consumer education messages to them. Real case studies and responses to consumer questions are provided.
- SMS – after workshops and exhibitions as a follow up send financial literacy messages to consumers.

c) Online Media

There has been a rapid move toward online media and the following are being utilised:

- A consumer education website – [www.mylifemymoney.co.za](http://www.mylifemymoney.co.za), which will be launched in 2013
- Social media – Facebook, Twitter and YouTube
- The creation of a Mobi-site ([www.mylifemymoney.co.za](http://www.mylifemymoney.co.za)) that will allow users to access the website on their cell-phones.
- Search engine optimisation, which will draw more people to consumer education website in online searches.

## NOTES

- 1 OECD (2005), *Improving Financial Literacy: Analysis of Issues and Policies*, OECD Publishing. doi: [10.1787/9789264012578-en](https://doi.org/10.1787/9789264012578-en)
- 2 Atkinson, A. and F. Messy (2012), "Measuring Financial Literacy: Results of the OECD / International Network on Financial Education (INFE) Pilot Study", *OECD Working Papers on Finance, Insurance and Private Pensions*, No. 15, OECD Publishing. doi: [10.1787/5k9csfs90fr4-en](https://doi.org/10.1787/5k9csfs90fr4-en)

## *Chapter 19*

### **Spain: Strengthening the National Strategy for Financial Education**

This chapter is a submission of the government of Spain.  
It was drafted by the Ministry of Economy and Competitiveness (General Secretary of the Treasury and Financial Policy and Directorate General of Insurance and Pension Funds), the National Securities and Exchange Commission (CNMV) and the Bank of Spain.

*“Financial education must help families, individuals, and also firms, basically small and medium-sized enterprises, to adapt their decisions on investment and the consumption of financial products to their risk profile, to their needs at the time of taking the decision, and to their future expectations. Financial education thus becomes a key tool for the financial system to correctly fulfil its function of channelling saving, maintaining confidence in it, and contributing to its stability”.*

Mr. Fernando Jiménez Latorre, Secretary of State for  
Economic and Business Affairs

## **Introduction**

In Spain, concerns about financial education were strengthened by the work developed by the OECD and other international bodies in this area, as well as in response to the dissemination of the results of international experiences and surveys. In particular, the survey implemented by the OECD in 2005 with regards to the financial understanding of citizens in 15 countries and the impact of training programmes<sup>1</sup> and the first examples of national strategies being implemented, notably the one in the United Kingdom, were some milestones to be pointed out.

Following these examples, financial education has increasingly become an important policy area in Spain, with a growing interest shown by the government. This interest was reinforced by some additional factors of concern. First, the rising complexity of financial products offered to a broad range of consumers and investors. Second, demographic changes together with pension system main features will impact on future retirement incomes, which require fostering a deeper knowledge of complementary and alternative saving instruments. Finally, the international financial crisis has highlighted the potential risks due to the lack of financial literacy of the population and the need for training on financial matters. The assumptions underlying the importance of improving financial literacy are that it enables individuals to improve their understanding of financial products and concepts, to prevent fraud, to make appropriate decisions according to their circumstances and requirements and to avoid undesirable situations, either excessive borrowing or inadequate risk positions.

Sound financial education has been internationally acknowledged as a crucial issue. Indeed, the OECD and the European Commission have issued recommendations and guidelines to promote financial education programmes aimed at all citizens, starting from school, and adapted to the circumstances and expectations of each social group. The OECD and the European Commission see

financial education also as a complement to adequate consumer protection and the responsible behaviour of financial services providers.

The increasing awareness of the need to improve financial education based on international experiences and institutional recommendations led to the elaboration of the first *Plan de Educación Financiera* (Financial Education Plan). Finally, this materialised on an agreement signed between the Banco de España (Central Bank of Spain) and the CNMV (*Comisión Nacional del Mercado de Valores*, the Spanish securities supervisor) in May 2008.

Regarding the mapping of existing initiatives, several studies were conducted, mainly consisting in data collection, before the launch of the Spanish Strategy on financial education:

- Analysis of the initiatives carried out by public and private institutions in this area. In particular, some savings banks had been implementing programmes of financial education for several years as part of their corporate social responsibility (*Obra Social*<sup>2</sup>: social projects, mainly social and cultural works).
- Both financial regulators (Banco de España and CNMV) had been promoting a wide range of activities aimed at disseminating financial knowledge.
- NGOs have implemented projects aimed at specific target groups, such as women or immigrants.

To understand the main policy areas to address and more generally the levels of financial literacy of the Spanish population, an analysis was conducted on:

- The Survey of Household Finances (*Encuesta Financiera de las Familias*<sup>2</sup>) is the main instrument that has allowed analysing the investment preferences of Spanish families. It revealed, for example, the high concentration of investment in housing against low investment in other kind of assets.
- Finally, the reports of the CNMV and the Banco de España on consultations and claims pointed out the main financial problems faced by the Spanish population.

As a result of this, in 2008 the Banco de España and the CNMV signed the above mentioned collaboration agreement in order to implement the Financial Education Plan. Both financial supervisors committed themselves to the design, development and execution of the Plan, as well as to the coordination and financial support required.

### Governance mechanisms

The plan, initially signed and led by CNMV and Banco de España, is managed by a Working Group integrated by representatives of these institutions. As financial resources are provided by these institutions, budgetary decisions must be made by these representatives.

The Working Group is open to the participation of the Ministry of Economy through the Directorate General of Insurance and Pension Funds and the General Secretary of the Treasury and Financial Policy, whose representatives attend the regular meetings of the Working Group. Occasionally, the working group may invite experts or representatives of other organisms to attend the meetings when the agenda justifies it.

The role and responsibilities of main stakeholders in the National Strategy are determined by the functions assigned to each one by law or statutes:

In particular, the Spanish Securities Markets Law 24/1988 states that the CNMV's function is to protect investors. Thereby, financial education is one of the essential complements to make this protection effective. The CNMV's Internal Regime states that planning and improving financial training activities to enhance investors' education is one of CNMV's competences.

Although Banco de España main regulation –e.g. Law 13/1994- does not foresee any specific duty related to consumer protection, it is responsible for promoting the appropriate working and the stability of the financial system. In such a context, fostering financial education and literacy becomes a key tool.

With regards to the Ministry of Economy and Competitiveness, according to the Royal Decree 345/2012 establishing the basic organisational structure of the ministerial departments, the G. S. of the Treasury and Financial Policy is responsible for the coordination of the activities aimed at the promotion of financial education and financial literacy and for the representation of Spain in the OECD/International Network on Financial Education.

The aforementioned Royal Decree also establishes the competences of the D. G. Insurance and Pension Funds, which is the Spanish Supervisory Authority on insurance and pension funds. Supporting the transparency of markets and financial products is one of its key functions. Furthermore, the Authority is also responsible for the protection of insurance policyholders, pension scheme members and beneficiaries, and in this framework acts as a source of information.

### **Characteristics and scope of the plan 2008-2012**

Following the 2005 OECD definition, the Spanish *Plan de Educación Financiera* understands financial education as “the process by which financial consumers/investors improve their understanding of financial products, concepts and risks and, through information, instruction and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being”.

Accordingly, Financial Education is “a way for individuals to improve their understanding of financial products and concepts, to spot fraud, to make the right choices for their particular circumstances, and to avoid the twin traps of getting too deep in debt or taking on more risk than they can reasonably handle”

The main objective of the Spanish National Strategy, through the *Plan de Educación Financiera*, is to improve the public's financial literacy so citizens can confidently negotiate financial decisions. Hence, financial education is a process aimed at empowering consumers and to some extent it can be considered a tool to foster financial consumer protection.

The Plan has three main defining characteristics:

- **Inclusiveness:** The Plan aims to reach all segments of the population and to cover all financial products and services.
- **Co-operation:** Among financial supervisors and the competent public authorities and social and institutional agents which support the tasks of the Plan.

- Continuity: Though initially planned over a four year period, the nature and ambition of its goals required a longer implementation horizon.

The plan also includes a series of mechanisms which target the adult population. This activity includes the preparation of specific teaching methods and resources and the elaboration of a reference website so as to create an infrastructure that allows efficient collection and distribution of information.

In order to help consumers to become aware of the importance of financial literacy, the Plan foresees institutional campaigns and the involvement of agents close to the citizens who can contribute to increasing this awareness.

The Plan is, above all, inclusive, as it addresses all population groups and tries to encompass the full range of financial products and services available to consumers. Financial decisions extend to all the scopes of all our daily activities, whether it is work, consumption or leisure. Whatever age group, educational level or income bracket an individual belongs to, he or she will be called on to manage the economic resources at his/her disposal. The Plan accordingly places no limits on its target audience: all citizens should have access to a financial training programme.

However, the best way to optimise resources is to address homogeneous target groups, whether by their needs and/or the channels they can be reached through, and to set a series of priorities that allow proceeding efficiently towards the objectives of the Plan.

The aim is to address the most frequent problems faced by individuals and families based on their day-to-day financial experiences and to offer them advice and recommendations. In particular, it is important to convey that financial choices have become an important aspects of our lives, and that in certain situations (a first job, buying a house, saving for retirement, etc.) individuals need to know how best to manage their personal budget and what their rights are as consumers.

The table below sets out the scope of the Plan, the proposed segmentation of its target audience, their specific learning needs, the communication channels identified as most effective and the co-operating agents in each case.

**Table 19.1 Target audience segmentation in the Spanish National Strategy**

	Segment	Needs	Action	Cooperating agents
Education system	Secondary education Vocational training	– Basic: Saving/Investment/ Debt	– Preparation of materials  – Teacher training	– National and regional education authorities  – Teachers’ associations
	University	– The financial system	– Standby support  – Inclusion in curriculum	
Adult population	Employees / Self-employed	– Insurance  – Loans  – Retirement saving  – Investment products	– Workshops in work centres  – Internet  – Trainer training	– Business associations  – Professional associations  – Trade unions  – Large companies
	Parents with young children	– Insurance  – Loans  – Retirement saving  – Investment products	– Specialist publications	– Publishers
	Retirees	– Saving/Investment products  – Prevention of fraud	– Workshops in elderly centres  – Instructor training	– Autonomous Communities
	Others (immigrants, disabled, homemakers, other young people...)	– According to population group	– Workshops  – Internet  – Publications	– Disabled, consumer and immigrant organisations ...

The population has been broken down into the following groups with homogeneous learning needs who may in some cases share delivery channels:

- a) Students: the education system provides access to the population group comprising young people in secondary schools or vocational training or completing university degree courses. In the education sphere, one of the most important objectives of the Plan is to introduce financial education in the national school curriculum, with a focus on 14/15 years old. Indeed, efforts are focused on different areas:
  - Collaboration with the education authorities to include financial education in the school curricula.
  - Teacher training and standby support.
  - Preparation of learning materials.
- b) Adult population: this broad group is divided into various segments defined by age, investment attitudes, vulnerability and specific needs:
  - Parents with young children.
  - Employees/professionals/entrepreneurs

- Retirees
- Other groups with special needs: immigrants, disabled persons, homemakers, young people outside the education system, unemployed, etc.

Educational materials have been created based on the above classification, for all groups sharing similar needs. In addition, some materials have been adapted based on the delivery channel of choice.

The Plan contemplates two kinds of delivery channel:

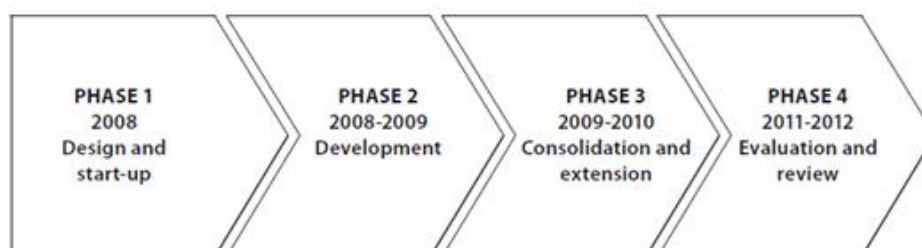
- General channels, like mass media, which are accessible to all citizens regardless of previous knowledge or social condition and should be suitable to raise general awareness (*e.g.*: the importance of organising your personal budget and saving for the future, particularly retirement needs; the existence and availability of financial information sources; some financial calculators and tools, etc...).
- Specific channels which allow a more precise, in depth approximation to the learning needs of each target group.

**Table 19.2 Delivery channels for target groups in the Spanish National Strategy**

Group	Delivery channel	
	Specific	General
Secondary, vocational training and university students	Education system	– General press – Magazines
Parents with young children	Specialist publications/Schools	– Radio, TV
Employees/professionals/entrepreneurs	Workplaces, professional associations, business associations.	– Internet
Retirees	Centres for the elderly.	
Other collectives	Specific associations depending on group, and related centres	

## The plan phases

**Figure 19.1 Phases of the Spanish National Strategy**



The initial temporal framework of the Plan extended over a five year period, from 2008 to 2012, and was intended to have four separate phases of activity:

- **Project design and start-up (2008):** the aim in this first phase was the definition of the Plan objectives, of its content and of its governance structure. The collaboration agreement between the Banco de España and the CNMV which defines the framework, regime and conditions of the institutional collaboration was signed in this phase, and is in force for an indefinite term.
- **Development (2008-2009):** stakeholders from any public or private organisation or institution that could contribute to the achievement of the Plan objectives were invited to collaborate:
  - Collaborative mechanisms development to bring financial education within the teaching system was a priority in this phase.
  - Designing a website to serve as a reference portal for financial education matters. Since the goal is to reach and teach people from all kind of backgrounds, the approach needed to be eminently practical and interactive. This entailed the use of graphics, simulators, calculators and similar features to facilitate browsing and content assimilation.
  - Preparation of educational materials and courses.
  - Identification of methods to monitor and evaluate the effectiveness of the Plan policies.
- **Consolidation and extension (2009-2010):** this stage was about consolidating progress through the improvement and update of effective educational contents and programmes.
- **Evaluation and review (2011-2012):** this analysis started in 2011 and its findings determine the adaptation and reinforcement of the policies and action lines proposed for the new period 2013-2017.

### The results of the plan

The two major milestones of the Financial Education Plan 2008-2012 have been the design and launch of the website and the introduction of financial education in schools. The following paragraphs will describe at a glance the main challenges and achievements in both areas.

#### *Design and launch of the website [www.finanzasparatodos.es](http://www.finanzasparatodos.es) in May 2010*

This was the first milestone of the Plan and, since the website became operational, its usefulness has been growing with the addition of contents and practical interactive tools. Updates of the contents are carried out on a regular basis.

The launching of the website aimed at fostering a better knowledge of this tool. The formal presentation to the media was made by the Governor of the Banco de España and the CNMV President in a conference where the main pages of the web were shared with the audience.

[www.finanzasparatodos.es](http://www.finanzasparatodos.es) aims to cover a wide set of possible financial decisions faced by most individuals over their lives. The website offers practical content in a simple everyday language, and presents a wide variety of useful tools to help to manage personal finances, which allows the user to prepare personalised budget, calculate loan payments, estimate a reasonable level of indebtedness, etc.

The website offers different ways of navigation: by modules (How to make ends meet, the most important financial decisions at every stage of your life, etc...), by profiles (student, unemployed, retired, etc...) and by needs (I need to buy a house, to understand the payroll, etc...). In order to make the website become a reference in the country, it includes multimedia resources such as 12 videos about a young couple who face different financial problems.

Meanwhile, starting in September 2011, an advertising campaign targeting the entire population was launched with the aim of disseminating and publicising the Financial Education Plan, particularly the central portal of the plan, [www.finanzaspa-ratodos.es](http://www.finanzaspa-ratodos.es). Among other actions, adverts were inserted in both digital and printed press.

Social networks were also exploited in order to make users aware of the resources and interactive tools available in the portal. In this respect, the inclusion of new contents and the development and incorporation of the new downloadable application “My budget” must be highlighted. This open access, free-of-charge application enables users to interact with and download onto their PCs a tool which helps them to keep a tight control on their personal finances, set targets, and match their budget to their financial situation. It is also important to highlight the promotion of the portal and the education plan at events and fairs of an economic or financial nature, through the performance of actions aimed at disseminating its materials and contents.

### ***Financial education in schools***

The first Pilot programme of financial education in schools was developed within the scope of the collaboration agreement with the Ministry of Education during the school term 2010-2011.

Nearly 3,000 pupils of the third year of Secondary Compulsory Education (ESO) -15 years old- from 32 public centres of education belonging to 14 Autonomous Regions took part in the pilot programme. The start-up of the programme required a major outlay of economic and human resources to prepare the pedagogical material, train the teaching staff and set up ongoing lines of support for teachers and pupils.

The programme consisted of the delivery of a minimum of 10 hours, extendible to 20, on the basic concepts of personal finance and practical activities covering matters such as saving, payment methods, the main financial products, the production, implementation and monitoring of a budget or personalised financial plan and, also, some aspects relating to responsible consumption. In order to provide young people with a more practical and accessible approach to these subjects and to give the teaching staff more support and educational resources, a portal was set up to provide a number of games, workshops, tools and interactive resources ([www.gepeese.es](http://www.gepeese.es)).

As far as this first Pilot Programme of financial education in schools is concerned, an external evaluation was carried out through surveys to teachers and students which provided interesting conclusions on students’ knowledge in the financial arena. The questionnaire responses showed a positive assessment of the programme regarding the materials used and the content, as well as the usefulness of this study area for everyday life.

During the academic year 2012-2013, a new financial education programme with new tools and resources has been carried out in more than 400 schools all over Spain, involving more than 20,000 pupils. The Financial Education Programme 2012/2013 involves not only state schools, but also private and subsidised ones. These schools have decided voluntarily to adopt financial education contents in their classrooms. This is one of the main differences from the Financial Education Pilot Programme carried out in 2010/2011.

A “special area” for teachers has been created inside the website [www.gepeese.es](http://www.gepeese.es) which includes (i) teaching resources, guidelines and recommendations to teach financial education in the classroom, (ii) the curricular areas related to financial education, (iii) games, workshops, etc. This area has a special section with news and events so teachers may exchange their materials or discuss about their experiences teaching financial education.

Other actions to be pointed out are:

- With the objective of raising consumers’ awareness on the importance of financial education, the Plan included participating in events such as seminars, congress, trade fairs at the national and international level depending on the channel and the audience. The Plan also was presented to the European Economic and Social Committee (EESC).
- Collaboration agreements with AEB, CECA and UNACC (all the banking industry associations established in Spain) to develop educational programmes, new contents for the website [www.finanzasparatodos.es](http://www.finanzasparatodos.es), and the distribution of the training and informative materials amongst their clients and their staff.
- A collection of printed brochures about basic tips for family finances (*Consejos básicos de economía familiar*) were widely disseminated through inserts in newspapers and magazines and made available to financial consumers in publicly accessible places, such as at offices of several financial institutions, consumer offices and other specific locations (phone shops).
- Within the scope of the agreement signed with the National Consumer Institute, a “Train the trainers” special programme was designed and conducted. More than 35 financial education courses have been given in different regions all over Spain. The final objective was that these inspectors could go on to train other inspectors (training of trainers) in order to provide sound advice for Spanish consumers.
- Collaboration agreements established with a number of consumer associations - the Democratic Union of Pensioners, disable people associations, etc. - in order to broaden the scope of the Financial Education Plan by involving as many different groups as possible. At the same time, the collaboration agreements were drawn up with a number of private entities to promote awareness of the insurance culture and pensions. Following the signature of these agreements, specific courses have been implemented for the different groups. In addition, a new website on insurance culture has been created in a joint venture with a private company.
- During the first period of the Plan the participation and collaboration for promotion financial education with other multilateral bodies increased, especially with the OECD/International Network on Financial Education INFE. This close relation led to the collaboration in the OECD – Spain Conference on Financial Education: “Challenges Ahead: Turning Policy Guidance into Efficient Practices”<sup>3</sup>.

## Evaluation

The website was the object of an intensive monitoring, given the importance of the assessment and evaluation processes to improve the tools of the Plan. The usefulness of its contents and its relevance as a reference for financial education has been evaluated through the number of visits it received. In fact, after punctual promotional campaigns, the number of visits has increased notably. From its start, this website has received more than 1,700,000 visits.

Moreover, other actions such as financial education courses and “training of trainers” courses have been evaluated with different methods such as online surveys. The results of the evaluations show that 95% of the participants pointed out that after receiving training they felt more confident about financial matters.

Regarding the Pilot Programme of financial education, and in accordance with OECD recommendations, this was evaluated by an independent expert in order to assess (i) possible improvements in terms of the technical knowledge of pupils, attitude and belief changes with respect to financial issues, interest and usefulness of the teaching materials used, and (ii) suitability of the training received by the teaching staff and the usefulness, appropriateness, and ease of use of the materials and resources available, among other aspects.

The results of the assessment have been encouraging, especially in terms of the positive acceptance of the plan and the favourable attitude of the pupils towards it. There was also evidence that the technical knowledge of the pupils increased after completing the course. The pupils considered that the subject was very useful in terms of their day-to-day life and their understanding of the environment they were living in, and a positive change was identified regarding their attitudes and beliefs about financial issues. The teaching materials used were considered to be appropriate by both pupils and teaching staff, and the contents of the educational portal [www.gepeese.es](http://www.gepeese.es) were considered to be particularly useful.

It should be noted that both the teachers and those responsible for the programme in autonomous regions, surveyed regarding the extension and subsequent development of the programme, suggested that it would be a good idea to include financial education as part of the school curriculum.

The results of this evaluation led to the second programme of Financial Education in schools during the 2012-2013 academic year, in which a more detailed plan for the programme evaluation has been designed. In particular, a survey following the methodology recommended by the OECD has been introduced to track progress of financial literacy in adults.

On the basis of these results, it was decided to explore the best way to integrate financial education into the official school curriculum - as a stand-alone subject or, as it seems more feasible at this moment, into existing subjects such as mathematics, social science or citizenship. As a curriculum review has been recently launched by the educational authority, both approaches will be considered.

### **Next steps: Plan 2013-2017**

The experience accumulated during the first term of the Plan de Educación Financiera has shown the need to promote a second one in order to give continuity to the activities that proved to be more effective and to set new lines of action in the areas with the greatest potential for improvement. Indeed, an extension of the Plan during the period 2013-2017 was signed by the Banco de España and the CNMV by 4<sup>th</sup> June 2013.

General strategic lines for this new five year period have been kept (inclusiveness, co-operation and continuity), but, after the experience of the first Plan, there have been added five more principles, in particular:

- **Diversity:** the aim is to reach every segment of the population taking into account its specific characteristics, needs and appropriate access channels.

- Knowledge and accessibility: every citizen should be offered access to the information and tools to strengthen his/her capabilities.
- Measurement and evaluation: continuous evaluations should be carried out in order to assess the effectiveness of the Plan and to identify areas for improvement.
- Coordination: financial education activities should be developed in a coordinated manner to guarantee an efficient and effective use of available resources.
- Responsibility: authorities, public and private bodies share the responsibility to develop this Plan and to reach its objectives.

As regards the pilot programme of financial education in schools, after the 2012-2013 edition, a new one is to be implemented in 2013-2014, with a higher potential participation. Key materials are available on-line and teachers are now more familiar with the contents, which should encourage increased participation in the programme.

Adults are also a target segment in the new plan, which foresees a broader dissemination of financial education relating to the specific contents on pension plans, saving instruments and insurance products, through workplaces activities and in collaboration with active agents in the relations with retired people.

One of the main priorities for the new period is also to continue raising the general awareness of the importance and the benefits of financial education. This will call for a focus on communication actions as deemed necessary to achieve this objective.

Finally, constant evaluation and diagnosis of the recent activities is crucial on the medium and longer term. So, as already pointed out, these aspects have been strengthened in the new plan.

## Conclusions

Financial education is now in the Spanish policy agenda. During the last few years, an important expertise has been accumulated in different areas in the framework of the Spanish National Strategy, which has led to a greater consolidation of the strategy and has fostered the commitment of the authorities and the private stakeholders for the near future.

A broader approach and an ambitious implementation are needed to reach all citizens and to bring financial education up to international standards. The Spanish financial education Strategy is a vital tool to reach these objectives in an efficient manner, and Spanish authorities will strive to increase its impact and relevance.

### *Some relevant links:*

- [Financial Education Plan 2008-2012](#)
- [Finanzasparatodos](#). This site provides, in particular, information and materials on the following issues:
  - “Basic tips for family finances”
    - [The family Budget](#)

- [Saving's objectives, emergency fund "saving for a rainy day"](#)
  - [Finance for a couple: marriage and kids](#)
  - [Financial education for kids](#)
  - [Employment and unemployment](#)
  - [Entrepreneurship and self-employment](#)
  - [Indebtedness](#)
  - [Buy vs. rent a house. Mortgage](#)
  - [Retirement planning](#)
  - [Financial institutions. Bank accounts, credit and debit cards](#)
  - [Insurances](#)
  - [Investment products. Profitability and risk](#)
- Tools and calculators. Examples:
- ["My budget" \(personal finance downloadable software for managing money\)](#)
  - [Rent or buy a house](#)
  - [Calculate your level of indebtedness](#)
  - [Calculate how much money do you need to have a baby](#)
  - [Calculate what kind of house can you afford](#)
- [Gepeese](#) contains information about financial education in schools. (Inside this site, there is a restricted area with educational materials for teachers involved in “Financial education in schools” programme).
  - [Investor factsheets and guides](#) which provide information on the main features of investment products and services, as well as the recommendations and warnings to bear in mind when operating in securities markets.

## NOTES

- 1 OECD (2005), *Improving Financial Literacy: Analysis of Issues and Policies*, OECD Publishing. doi: [10.1787/9789264012578-en](https://doi.org/10.1787/9789264012578-en)
- 2 Available at [www.bde.es/bde/en/areas/estadis/Otras\\_estadistic/Encuesta\\_Financi/](http://www.bde.es/bde/en/areas/estadis/Otras_estadistic/Encuesta_Financi/)
- 3 See: [www.oecd.org/finance/financial-education/oecd-spainconferenceonfinancialeducationturningpolicyguidanceintoefficientpractices.htm](http://www.oecd.org/finance/financial-education/oecd-spainconferenceonfinancialeducationturningpolicyguidanceintoefficientpractices.htm)



## *Chapter 20*

### **Turkey: Towards a National Strategy for Financial Education Integrated in the Financial Inclusion and Consumer Protection Agenda**

This chapter is the submission of the Government of Turkey.

## Definition, scope and purpose

### *Status of the National Strategy for Financial Education*

The Financial Stability Committee (FSC) commissioned the Capital Markets Board of Turkey (CMB) to co-ordinate the work of developing and implementing a national strategy for financial education. A draft strategy was finalised in 2012 in collaboration with the Undersecretariat of the Treasury, the Central Bank, the Banking Regulation and the Supervision Agency and the Savings Deposits Insurance Fund, which are members of the FSC. Following its preliminary approval by the FSC in February 2013, the draft strategy was opened to opinions of the stakeholders from government authorities, self-regulatory bodies and financial sector as well as media associations, and NGOs which were considered to be involved in financial education. Based on their opinions and suggestions, the draft was revised, discussed once again in the recent FSC meeting and expected to be finalised soon.

On the other hand, there is also an ongoing initiative to prepare a National Strategy on Financial Consumer Protection coordinated by the Banking Regulation and Supervision Agency (BRSA). According to the latest decision of the FSC, these two strategies will be parts of a joint strategy that shall also address financial inclusion. The consolidation of the strategies will be undertaken by Undersecretariat of Treasury, while the CMB will still be responsible for the coordination and implementation of the national strategy on financial education and the BRSA for the coordination and implementation of the one on financial consumer protection. The joint strategy will be coordinated by the FSC.

### *Rationale for the development of the National Strategy*

In the strategy of the Istanbul Finance Centre (2009), the financial education of Turkish citizens was determined to be one of the priority issues. Accordingly, capital market institutions, led by the CMB, were given the responsibility to increase the awareness of both current and potential investors on financial matters. As the national co-ordinator to develop and execute a national strategy and an action plan, the CMB has undertaken some awareness-raising and educational activities.

Moreover, following the global financial crisis, the importance of financial education has become a noteworthy issue for governments worldwide. Given the momentum provided by the crisis, the necessity of a national strategy has become more apparent among many developed and developing countries and Turkey has been one of them. In fact many institutions in Turkey have already carried out projects to improve financial education, and a national strategy is expected to provide a more effective platform to coordinate these efforts. Very timely, the Central Bank of the Republic of Turkey (CBRT) and the CMB organised an international conference on “Financial Education and Financial Awareness: Challenges, Opportunities and Strategies” on March 9-11, 2011, in Istanbul. This event was instrumental in rising awareness on the importance of financial education, and on the need for a national strategy. It also provided an excellent opportunity to foster co-operation and enhance exchange of information between national and international authorities on this significant issue.

On the other hand, in June 2011, the Financial Stability Committee was established with the main objective of monitoring and preventing systemic risk developing within the country’s financial markets. Among the Committee’s decision was to nominate the CMB as the national coordinator to develop and implement a national strategy and an action plan on financial education.

In contemplating its financial education activities, the CMB utilised responses to surveys administered to university students and women on financial education and awareness. The results

demonstrated that subjects were not sufficiently familiar with the specificities of financial products and services, or with their rights and obligations as a financial consumer.

Moreover, the results of the Financial Capability Survey conducted by World Bank in April 2012 revealed that Turkish citizens' financial literacy level is low, and a significant portion of respondents are confronted with serious debt-management problems (see also see Annex 20.A1).

### ***Scope of the National Strategy***

The national strategy on financial education will be part of a comprehensive strategy on financial participation. The main focus of the strategy will be the empowerment on individuals in financial matters, through coordinated policy actions on financial education, consumer protection and inclusion.

### ***Definition of financial education***

In the draft national strategy, financial education is defined as the process by which individuals are informed about financial products, concepts and risks in order to increase their awareness and capabilities in financial matters.

### **Preparation**

#### ***Assessment of the main needs and policy priorities***

To assess Turkey's main needs, the national strategy drafters examined international examples, which helped in the definition of the strategy's vision and mission statements, objectives, target segments and delivery channels. Then, during the development stage, a financial capabilities survey was conducted. The results highlighted problem areas, such as indebtedness and very limited use of financial products (see Annex 20.A1)

#### ***Mapping of stakeholders involved in financial education, existing initiatives and resources***

The working committee that drafted the national strategy determined the stakeholders to be involved in financial education, choosing among relevant ministries, financial sector authorities/associations and NGOs. After initial FSC approval, these stakeholders were asked their opinions about the actions involving their participation and other parties they would suggest be involved in financial education. They also provided information about their existing initiatives on financial education.

An evaluation of the efficiency of the existing programmes will be made at a later stage, after the national strategy is formally approved.

#### ***Consultation process***

Initially the draft was prepared by public authorities that are members of the FSC. Then the CMB, as the national co-ordinator, asked for the opinions of the stakeholders including public authorities, universities, the media, the private sector, industry associations and NGOs. The consultation process is completed and national strategy is expected to be released soon.

### ***Mass communication campaigns on launching the National Strategy***

The national strategy has not yet been launched. After its approval by the government, a communication strategy including the main communication channels and key messages will be developed.

### **Governance mechanisms and the role of stakeholders**

#### ***Governance mechanisms***

As mentioned above, public institutions that form the FSC are responsible for the development and implementation of the national strategy. The CMB ensures the general co-ordination, while each institution is responsible for executing various activities stated in the action plan. The FSC will supervise and evaluate the strategy.

The leading authority is the CMB, which is responsible for the regulation and supervision of the capital markets.

The mandate for financial education is explicit, based on a directive given by the Deputy Prime Minister heading the FSC. This mandate will be further clarified and given increased relevance after the official announcement of the joint strategy through a circular of the Prime Minister.

#### ***Role and responsibilities of the main stakeholders***

The financial regulators/supervisors represented in the FSC are mainly responsible for the development and implementation of the strategy. On the other hand, the co-ordination of some activities is supposed to be handled by different authorities. In particular, according to the draft strategy, the Ministry of Education is responsible for enhancing financial literacy subjects in the school curriculum and the Ministry of Family and Social Policies is the co-ordinator of activities targeting families, women and elderly people.

Moreover, the private sector and NGOs contributed to the development of the national strategy by giving their opinions on its draft. They are expected to take an active role in the implementation phase, as well.

### **Roadmap**

#### **Box 20.1 Mission/vision statement and objectives of the Turkish strategy**

- **Vision statement:** To sustain financial well-being of Turkish families and individuals.
- **Mission statement:** To determine strategies on policies, education, implementation, research and co-ordination for well-informed financial decision making of individuals and families.
- **Objectives**
  1. Increasing awareness of the importance of financial education and financial issues.
  2. Enabling individuals to understand financial concepts and products and to manage their financial assets and obligations.
  3. Providing individuals with the information and tools they need to make well-informed financial decisions.
  4. Fostering a savings, investment and insurance culture among the population.

### ***Main policy priorities***

Based on the data gathered by financial authorities constituting the FSC and the results of financial capability survey, the main policy priorities were determined to be savings and investments, and debt management.

### ***Target audiences***

Although the strategy is comprehensive in that it targets all individuals, in order to differentiate between their needs and delivery channels, the target audiences have been designated as follows:

- The general public
- Women and families
- Primary and secondary school students
- Universities and the academics
- Public and private sector employees
- Financial sector
- Other (people in a critical stage of their lives, *e.g.* newly married, divorced, unemployed, retired etc. and also handicapped people)

### ***Timeline for implementation and evaluation***

The strategy consists of a five-year action plan covering the years 2013-2017. An evaluation is planned to be made in 2017, and based on this, the FSC will revise the strategy.

### ***Resources available for the development and implementation***

#### ***Nature of in-kind and financial resources***

The national strategy was developed with public sector in-kind and financial resources. In the implementation phase, besides public resources, private sector resources will be used mainly in the form of sponsorships and project funding.

## Implementation

### *Brief description*

The main delivery mechanisms are shown in the table below:

**Table 20.1 Delivery mechanisms of the Turkish National Strategy**

Electronic media	Media	Interactive channels	Printed materials
Websites*	<b>Radio</b>	<b>Call centres</b>	<b>Books, booklets</b>
Web-based games	<b>Television</b>	<b>Seminars</b>	<b>CDs</b>
Social media	<b>Newspapers</b>	<b>Conferences, workshops</b>	<b>Flyers, brochures</b>
	<b>Magazines</b>	<b>Contests</b>	<b>Other</b>
	<b>Movies</b>	<b>Face-to-face</b>	

\* [www.yatirimyapiyorum.gov.tr](http://www.yatirimyapiyorum.gov.tr) is launched by the CMB in 2011 in order to inform general public about investment issues in a simple and efficient way. In addition to informative documents, this web site features a virtual portfolio application, a web based knowledge competition and warnings regarding investing in capital markets. [www.bilinciyatirimci.org](http://www.bilinciyatirimci.org) is a website that gives information about investing in the stock exchange mainly through videos. It was launched by Borsa Istanbul in 2012. [www.fondakimuzik.com](http://www.fondakimuzik.com) is a website by Turkish Institutional Investment Managers' Association that aims to inform interested population about investing in mutual funds. <http://Paramveben.org> is a blog and a Facebook page launched by Association of Turkish Capital Markets Intermediary Institutions which includes tips and recommendations for money management

The main approach to implement the activities outlined in the strategy is audience segmentation. In addition, especially for the “other” segment (*e.g.* newly married couples, unemployed people) a “teachable moment” approach will be used.

The national strategy’s Action Plan outlines 30 activities grouped on the basis of target audiences. Delivery channels referred in these activities are not restrictive, in the sense that stakeholders responsible for the activity may use alternative channels or may initiate new activities involving different channels. Specifically, the Action Plan stipulates launching of a distinct website on financial education by the CMB, Undersecretariat of Treasury, the Central Bank, the BRSA and Savings Deposits Insurance Fund whereby people can reach reliable sources and materials on selected financial issues.

For specific target audiences like women, handicapped and elderly people there will be seminars co-ordinated by the Ministry of Family and Social Policies. Printed materials introducing investment and insurance products are developed and distributed mainly by institutions, like Borsa Istanbul, Association of Turkish Capital Market Intermediary Institutions and Insurance Association of Turkey etc. On the other hand, social media is commonly used by almost all stakeholders including NGOs to inform notably university students about financial education activities.

## ANNEX 20.A1 – TURKEY: FINANCIAL CAPABILITY SURVEY

The World Bank conducted a nationwide financial capability survey, with support of the Russian Trust Fund for Financial Literacy and Education, to inquire into financial capabilities, skills, behaviour, tendencies, and decision-making patterns of citizens across Turkey. The survey was administered to a geographically and socio-economically representative sample in household environments through 3,009 face-to-face interviews. Field work took place from 21 April through 4 June 2012.

Main preliminary findings of the survey are as follows:

- Money management

The majority of the respondents have no money left over on a regular basis after paying for food and other necessary items. When they do have some money left, their decisions and practices on how to use it are closely associated with whether they manage household or personal finances and on urban vs. rural residence. Those who manage household finances are likely to save left-over money for unforeseeable expenditures as well as for known ones, whereas those who manage personal finances are more likely to spend such money on themselves and on non-essential items.

The practice of saving is more common among rural respondents, while spending is more widespread among urban residents.

The majority of respondents, particularly those in higher socio-economic status (SES) groups, can give accurate answers to simple division problems and simple interest-rate calculations. They find it more difficult, however, to calculate compound interest.

The majority of respondents have a rough idea about the amount of money they spent in the past week, and a sizeable minority, particularly those who manage household finances and/or those in higher SES groups, are aware of the exact amount of money they spent.

Social networks, including family members, friends and colleagues, are the most frequently mentioned source the majority of respondents turn to when they run out of money.

Overall, respondents have greater awareness of the amount of their currently available money as compared with that of the money spent.

- Financial planning

People who manage a household budget, live in rural areas, and/or belong to the highest or lowest SES groups are more likely to plan how to spend their money, rely on a detailed plan and follow it on regularly. Respondents who manage their own finances seem less likely to plan their spending. When they do, they are more likely to make a rough, flexible plan, which will be followed from time to time.

The respondents, particularly rural ones and those who manage personal finances, are mostly ill-equipped to cover expected expenses promptly without borrowing money. Rural respondents are more likely to take precautions to change this situation.

The majority of respondents make only short-term plans. Those who manage personal finances and/or live in cities are more disposed to saving money regularly, but are slightly less inclined to save for the future compared with those who manage household expenses.

Among respondents under 60 years of age, having a government pension and continuing to work are the two most frequently cited strategies for covering personal and household expenses in old age. Those who manage personal finances and those who live in rural areas less often have any strategy compared with those who manage household finances and those who live urban locations.

Respondents tend to provide their children with an education as a way of investing in their future. Saving money to pass on to children is a more common practice in urban than in rural areas.

- Financial decision-making

Respondents use informal financial products more often than formal ones at the moment. The most widely used informal products are informal loans, particularly among those who manage household finances and those in lower SES groups. On the other hand, deposit accounts and bank loans are the two most frequently used formal products, particularly among those who manage personal finances, as well as those in higher and middle SES groups.

Respondents do not obtain financial products mostly because they believe they do not need these. This is attributable to a perceived inability to meet the requirements of the product and a lack of knowledge about how to obtain or use it, especially in the case of complex financial products.

The majority of respondents get information or advice when faced with an important financial decision, and they tend to go, first, to their social network and second, to financial professionals for such advice.

People seem rather reluctant to learn more about various aspects of money management. Yet, among the respondents who are willing to learn, seeking information on how to use money and financial products is more strongly desired by people who manage their personal finances.

## *Chapter 21*

### **United Kingdom: Developing a Revised Strategy for Financial Capability**

This chapter is the submission of the UK Money Advice Service (MAS), an independent body created by the Government of the United Kingdom.

## Introduction

The United Kingdom (UK) is in the process of developing a new strategy for financial capability.

The UK was one of the first countries to introduce a dedicated strategy for improving financial capability, doing so in response to the growing recognition by regulators and government of a significant association between social and economic well-being (both at macro and individual levels) and citizens' ability to manage their own financial affairs. There was also a realisation that interventions directly with consumers on the demand side of the market could increase the effectiveness of more traditional supply-side regulatory interventions.

The first UK strategy, "Financial Capability in the UK: Delivering Change"<sup>1</sup>, ran from 2006 to 2011 and was launched and overseen by the Financial Services Authority (FSA) which was the body with statutory responsibility (under the Financial Services and Markets Act 2000) for consumer protection in financial markets.

Research carried out in parallel with the strategy identified the potential benefits in terms of impact on behaviour of a body independent of government and regulators to deliver free and impartial financial advice and to coordinate financial capability activity at a national level. The UK parliament subsequently introduced legislation in 2010 (the Financial Services Act 2010<sup>2</sup>) to establish an independent body to assume responsibility from the FSA for financial capability, paving the way for the launch of the Money Advice Service in 2011.

The Money Advice Service is currently collaborating with interested parties in the public, private and voluntary sectors in England, Scotland, Wales and Northern Ireland to develop a new UK strategy. The new strategy will build on the experience of Delivering Change and the latest evidence from behavioural economics. It will agree a set of principles to guide the development of projects, programmes and interventions to increase financial capability, and will provide a framework to coordinate the activities of the many hundreds of organisations working in this field in the UK.

This chapter summarises what has been learned as a result of Delivering Change; summarises the latest behavioural research which is being used to inform development of the new strategy; provides an overview of the current economic and policy contexts in the UK impacting on financial capability; and sets out the process by which the new strategy is being developed.

### The first UK Strategy for Financial Capability 2006-11

The first national strategy for financial capability, "Financial Capability in the UK: Delivering Change", covered the period 2006-11. It was led by the FSA and its objective was to help people become more informed, confident consumers who are better able to take control of their finances.

This objective was underpinned by a model that identified three key determinants of financial capability: knowledge and understanding; skills; and confidence and attitudes. The FSA used these determinants to define financial capability.

The priorities of the strategy were informed by the findings from a ground-breaking survey, "Financial Capability in the UK: Establishing a Baseline", often referred to as 'the baseline survey.'<sup>3</sup> The baseline survey measured the financial capability of adults across the country according to five core elements of capability: making ends meet, keeping track of personal money, planning ahead, choosing financial products and staying informed about financial matters. This method was subsequently adopted by dozens of countries both within and outside the OECD.

To improve consumers' engagement in and experience of financial markets the strategy set long-term targets to create an environment of sustained improvement over time and shorter-term targets to deliver a more immediate impact. These measures were set out in a seven-point delivery programme which focused on interventions in schools, delivery programmes for young adults, seminars in the workplace, improved consumer communications from the FSA, developing and distributing online tools, targeting of new parents, and developing a coherent means of delivering impartial money advice.

The 2006 strategy exceeded its target of reaching 10 million people through its delivery programme and raised awareness and interest in financial capability and its potential for improving individuals' and national economic and social well-being.

In 2007, the UK Government published 'Financial Capability: the Government's long-term approach'<sup>4</sup> in which it identified a public need for advice about money. An independent review was commissioned, led by Otto Thoresen, the then Chief Executive of Aegon UK, to build on research by an independent think-tank<sup>5</sup>, the Resolution Foundation, and examine models of delivering generic money advice nationally.

The 'Thoresen Review of Generic Financial Advice'<sup>6</sup> reported in 2008 and concluded that there was a strong need, and business case, for a national service. It identified and quantified levels of household financial vulnerability and recommended 'pathfinder' research to explore the potential of free, multi-channel (*i.e.* online, by telephone and in person) generic advice about money to improve people's financial capability.

A pathfinder project was established by the FSA in 2009. Evaluation concluded that people receiving generic money advice as part of the programme found the information and guidance they had received important in helping them decide what actions to take. This was strongly linked with satisfaction with the service received; this being higher than it was for users of other information providers. There were also indications that the guidance given by face-to-face providers under the pathfinder programme had an effect in raising levels of financial capability of their users.

The pathfinder research informed the development of the UK-wide multi-channel generic advice service launched as the Money Advice Service in April 2011 following the laying of new legislation before the British Parliament in 2010.

The FSA's 'Delivering Change' programme and the pathfinder indicated that interventions must be firmly rooted in an understanding of consumer needs and developed through a process of testing, evaluation and refinement. They also highlighted that targeting people facing key life stages, such as starting a family, redundancy or retirement, often resulted in successful interventions.

*Delivering Change* further revealed the value of working through intermediaries trusted by the target groups and the need for a multi-channel approach to meet the needs of a broad range of users.

One clear learning from the strategy has been to give early consideration to how the impacts of interventions are measured, and to focus on the outcomes of initiatives not just on inputs. For example, a value for money evaluation of a savings-related intervention should include changes in saving levels, not just the number of people participating in the programme. This approach to monitoring and evaluation is embedded in Money Advice Service procedures.

## Increasing the emphasis on influencing people’s behaviour

In the years since the launch of the first strategy in 2006 considerable progress has been made in understanding the many different factors that influence people’s money management behaviour.










Insight from psychology and sociology, appropriately applied, has the potential to enhance the impact on people’s behaviour of information, education and advice. Behavioural economics starts from the position that people’s cognitive biases dramatically impact on their decision making process. Cognitive biases particularly relevant to managing money include procrastination, regret and loss aversion, mental accounting, status quo bias and information overload<sup>7</sup>. As a result of the growing credibility of behavioural economics research it is now widely accepted that people do not always act in their ‘rational best interest’ and that the situation within which our choices are made has a profound effect on our behaviour - even when we are provided with the ‘correct’ information or have the ‘right’ education.

*‘Transforming Financial Behaviour: developing interventions that build financial capability’*<sup>8</sup> sets out the two general models for population-wide behaviour change that have emerged in recent years:

- The first intervention that aims to change behaviour is the provision of information, education and tangible incentives, alongside regulation and legislation. These interventions seek to change behaviour by ‘changing minds’ through impacting upon skills, knowledge, attitudes and motivation. This is the traditional route of public policy and the standard economic model. The presumption is that citizens and consumers will analyse the various pieces of information from politicians, governments and markets, the numerous incentives offered to them and act in ways that reflect their best interests.
- The second form of intervention to change behaviour is by changing the environment within which the person acts and where information, or education, has little to no impact. This model reflects the reality that people can act irrationally against their best interests.

Building on these two interventions the MINDSPACE framework<sup>9</sup> captures the wider influences on people’s behaviour and reveals that the strongest influences on people’s behaviour are largely situational and contextual.

**Figure 21.1 United Kingdom: MINDSPACE Framework**

Messenger		We are heavily influenced by who communicates information
Incentives		Incentives give us good reasons for taking action (e.g. a reward or avoiding losses)
Norms		We are strongly influenced by what others do
Defaults		We ‘go with the flow’ of pre-set options
Saliency		We are drawn to things that are novel, relevant or simple
Priming		We can be influenced by sub-conscious cues (e.g. words, pictures)
Affect		Our emotions can powerfully shape our actions
Commitments		We seek to be true to our word
Ego		We act in ways that make us feel better about ourselves

A growing body of evidence indicates that to have the greatest impact on financial capability we need to combine more traditional interventions – regulation, information and education – with the creation of contexts and environments that support behaviour change.

To understand better how behaviours are established the Money Advice Service commissioned a review of evidence of habit forming and learning in young people. The review<sup>10</sup> looked specifically at pre-school age children and concluded that key habits and behaviours in general are largely fixed by the age of seven. Specifically in relation to money management, the review concluded that seven-year-olds are able to understand the terms ‘saving,’ ‘earnings’ and ‘income.’ This suggests that there may be scope to help children learn positive behaviours in relation to money - for example, the ability to defer gratification - at an earlier age than is common practice now, and points to the importance of engaging parents, and primary school teachers in the process.

Financial education should also look to learn from successful behavioural interventions from other areas of educational practice. A review of best practice in educational behaviour change interventions published in 2012<sup>11</sup> proposed that lessons can be learnt from ‘what works’ in effective youth behavioural change interventions such as sex, smoking or alcohol education programmes and build these findings into our financial capability programmes and evaluation approach. By contrast, in terms of the impact of current financial education interventions, the review concluded that, while there is strong support for these programmes, the evidence of impact is predominantly anecdotal.

The best practice review also revealed that there is a lack of coherent evaluation measures across the programmes to fully understand what the overall success or impact of these interventions were. There is a need to establish within the UK best practice for the evaluation of education programmes in order to maximise impact on long term behaviour and achieve the greatest value from resources<sup>12</sup>.

### **The ‘Money Lives’ Research Study**

In March 2012, the Money Advice Service commissioned Ipsos MORI, the UK’s largest independent research agency, and its academic partners to conduct a ground-breaking and innovative project - ‘Money Lives’ - into people’s relationships with money.

The Money Lives research explores the drivers of financial capability specific to behaviour, such as opportunity, attitudes and motivation. It will inform a refined definition of financial capability which considers how context, environment, culture, seasonal changes and aspirations influence and change peoples’ financial capability.

The research is predominantly an ethnographic exercise following over 70 UK families for a year and observing how they interact with money and take decisions with financial implications.

The first of three elements of the project involved a review of the latest published research in behavioural economics and a pilot test to inform the observational process. The second element involved recruiting 72 households, each of which was visited four times during the course of a calendar year. Monthly phone calls were also made to each household and half were asked to complete a financial diary every month. The third element was 48 in-depth interviews conducted with people who have recently experienced a significant life event with financial consequences, such as buying a house, having a baby, or experiencing bereavement.

During the course of the four visits to households, interventions were introduced, drawing on two existing academic behavioural economics theories<sup>13</sup> and exploring financial behaviour in three areas: keeping track of finances, living within means and planning ahead. Researchers looked to identify

positive and negative real life examples of financial behaviour which were categorised into one of five key drivers of behaviour: skills, knowledge, opportunity, attitudes, motivation:

Skills and knowledge are defined as the individual's psychological and physical capacity to engage in the activity concerned. *Psychological* competence includes having the necessary knowledge and skills and also possessing the competency to engage in the necessary thought processes such as comprehension, reasoning and so on. It can be achieved through imparting knowledge or understanding, training emotional, cognitive and/or behavioural skills. *Physical* competence can be achieved through physical skill development which is the focus of training.

Opportunity is defined as all the factors, social and physical, that lie outside the individual that make the behaviour possible or prompt it.

Social opportunity, influenced by external factors, dictates the way that people think, including the set of shared values and practices that characterise institutions and groups. For instance, the research indicates people who are from a traditionally working class background are typically more anxious about their financial situation – even if they are now relatively affluent. This is because they have a history of needing to account for what they spend, and only buying what they need. Additionally, those from a strong community or who are well networked have the social opportunity at their disposal to get informal help and advice.

Physical opportunity relates to the infrastructure or technology available for people. Even when people have the necessary skills, knowledge, attitudes and motivations around managing their money, they might be restricted from behaving in a financially capable way due to external factors outside of their control. For example, older participants or those from lower socio-economic groups may lack access to technology which prohibits them from managing their money in a way that might be beneficial to them. And those in rural areas may lack both physical opportunities (in the form of access to services and institutions) and social ones (through being part of a strong, closely knit network from which they are able to seek advice).

The research identified a diverse range of distinct attitudes and identified the common attributes of people's attitudes towards money, *i.e.* some people feel stressed, are disorganised and find decisions difficult, while others are confident, organised and like taking risks.

The research finds that attitudes, more than demographic indicators such as age or income, are the principal influences on how people manage their money. It is these attitudes - combined with the big events and life changes people face - that are most likely to determine whether people need and indeed seek help with their money and whether they are in good financial shape for the future.

This analysis also suggests that advice can be made more impactful if it is tailored to reflect these different attitudes to money. For example, some people like very detailed advice, while others prefer a summary. Saying 'people like you do this' works well for some, but not for others. The more people reveal about themselves, the more advice can be tailored to reflect these different attitudes

Motivation includes belonging (need for strong, stable relationships, and affiliation), understanding (need for shared meaning and prediction), control (need for perceived link between behaviour and outcomes), self-enhancing (need for viewing self as basically worthy or improvable), and trusting (need for viewing others as basically benign).

Whilst these five key determinants make up an individual's financial capability these determinants are influenced by a person's experiences and personality (see below). By understanding

how people are influenced, or how their experiences impact on their choices, interventions can be tailored to meet their needs.

**Figure 21.2 United Kingdom: The determinants of an individual's financial capability**



### **Economic and policy context**

As well as embracing this growing understanding of behavioural influences, the new UK strategy must recognise different financial circumstances and pressures to those existing in 2006.

- **Economy.** The UK economy, like those of many other countries, has been through a period of recession that has had financial consequences for many individuals. This is reflected in a higher proportion of people struggling to keep up with their bills and credit commitments.
- **Interest rates.** Rates have been low for a long time, the housing market stable and the employment market resilient, but people should be aware that these are all variable factors and need to be prepared for change.
- **Retirement, health and social care.** There is a growing need for people to take steps themselves to prepare financially in later life given we are living longer in retirement, and with increasing risks of failing health.
- **Trust.** Trust is important for consumer engagement in the financial services market, yet trust in financial institutions in general remains low.

- Advice. Following regulatory changes, it is generally thought that the availability of paid-for financial advice is narrowing to concentrate on higher earners.
- Financial products. The market continues to change, not least with the rapid rise of ‘payday’ lenders servicing a demand for short term credit from people looking for help to make ends meet when other sources of credit are not available or less convenient.
- Technology. Digital and mobile technologies are creating new tools and products, new ways of delivering services and information, and the opportunity to increasingly target, tailor and personalise advice and content. The changes can also exclude people less well-equipped to embrace new developments. Technology also carries the risk of new forms of fraudulent activity.

According to a new survey published by the Money Advice Service in *The Financial Capability of the UK*<sup>14</sup>, people are adapting, to some extent, to these changes. The survey updates the FSA’s 2006 baseline survey, and will be used to measure the impact of the new UK strategy by tracking changes in people’s financial capability over time.

While the 2013 survey reports more people struggling with their finances now than in 2006 (52% struggling to keep up with their bills and credit commitments in 2013 compared with 35% in 2006), it also finds that many people are deploying a range of coping mechanisms to adapt to the situations in which they find themselves. For example, the number of people checking their bank statements has increased since 2006 and almost 84% say they keep track of their money. The vast majority of people (81%) who make a budget stick with it always or most of the time, and over half of the population save something each month - the same percentage as in 2006.

However, the survey found that poor financial skills are still prevalent and provided evidence to support the observational insights from Money Lives about the significance of people’s attitudes, motivations and opportunities.

### Process for strategy development

While the development of the UK strategy for financial capability is led by the Money Advice Service, its success will depend on the support and input of the many individuals and organisations that are active in improving financial capability both directly and indirectly. Consequently, 2013 will see a programme of activity, led by the Money Advice Service, to foster support for and engagement in the development process.

This process started with a Call for Evidence<sup>15</sup> communicated to a comprehensive range of stakeholders. The Call for Evidence seeks to identify activity or interventions that demonstrate a clear, positive and successful effect on individuals’ financial capability. An online hub is being created to host the results of the mapping work we plan to undertake, and provide a central library of academic thinking, research and international experience in the area of financial capability, which will make available insights into the best ways to affect financial capability. These insights, for example, will help establish what the best evaluation criteria should be applied to initiatives across the broad spectrum of providers, or what initiatives are ‘best-in-class’.

Following extensive engagement with stakeholders – informed by findings from the financial capability tracker survey, Money Lives, the Call for Evidence and other insight – a consultation will

be published in late 2013, with the strategy anticipated to launch in spring 2014. The final, agreed strategy is expected to be published in early 2014.

### **Delivering the strategy**

The success of the strategy will be achieved by creating the ‘right’ framework for delivery. Improvements in the UK’s overall financial capability will only be achieved by establishing and supporting effective delivery solutions which recognise and harness the skills of the numerous UK organisations already delivering financial capability programmes: it will be a broad coalition of organisations that support and deliver the strategy over the coming years. For us, partnership is key.

The principal means of evaluating the strategy will be a new financial capability tracking survey, the baseline results of which were published in August 2013. The survey will include questions covering the UK population’s propensity to act on a set of six core money management activities: regularly reviewing your money, saving regularly, saving for retirement, managing debt well, protecting assets and providing for dependents. Sampling will be carried out on a quarterly basis, building to survey 10,000 people across the UK every year. The strategy will run for five years with reviews after 18 months and three years.

## NOTES

- 1 [http://www.fsa.gov.uk/pubs/other/fincap\\_delivering.pdf](http://www.fsa.gov.uk/pubs/other/fincap_delivering.pdf)
- 2 <http://www.legislation.gov.uk/ukpga/2010/28/contents>
- 3 [http://www.fsa.gov.uk/pubs/other/fincap\\_baseline.pdf](http://www.fsa.gov.uk/pubs/other/fincap_baseline.pdf)
- 4 [http://www.hm-treasury.gov.uk/d/fincap\\_150107.pdf](http://www.hm-treasury.gov.uk/d/fincap_150107.pdf)
- 5 <http://www.resolutionfoundation.org/publications/closing-advice-gap-providing-financial-advice-peop/>
- 6 [http://www.hm-treasury.gov.uk/d/thoresenreview\\_final.pdf](http://www.hm-treasury.gov.uk/d/thoresenreview_final.pdf)
- 7 <http://www.fsa.gov.uk/pubs/consumer-research/crpr69.pdf>
- 8 [https://www.moneyadviceservice.org.uk/files/research\\_jul10\\_cr01\\_full\\_report.pdf](https://www.moneyadviceservice.org.uk/files/research_jul10_cr01_full_report.pdf)
- 9 <http://www.instituteforgovernment.org.uk/sites/default/files/publications/MINDSPACE.pdf>
- 10 <https://www.moneyadviceservice.org.uk/files/the-money-advice-service-habit-formation-and-learning-in-young-children-may2013.pdf>
- 11 [https://www.moneyadviceservice.org.uk/files/research\\_jun12\\_impactreviewoffinancialeducationforyoungpeople.pdf](https://www.moneyadviceservice.org.uk/files/research_jun12_impactreviewoffinancialeducationforyoungpeople.pdf)
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- 13 MINDSPACE and Michie S, van Stralen MM, West R (2011). The behaviour change wheel: A new method for characterising and designing behaviour change interventions
- 14 <https://www.moneyadviceservice.org.uk/en/static/new-study-shows-uk-developing-positive-money-habits>
- 15 <https://www.moneyadviceservice.org.uk/files/the-money-advice-service-uk-financial-capability-call-for-evidence.pdf>

## *Chapter 22*

### **United States: ‘Promoting Financial Success’ - a Revised National Strategy**

This chapter is a submission of the Government of the United States.

*“To lay the foundation for continued prosperity, we must expand the availability of financial products and services that are fair, affordable, understandable, and reliable. We must also strive to ensure all Americans have the skills to manage their fiscal resources effectively and avoid deceptive or predatory practices.”*

Barack Obama, President of the United States of America

### **Definition, scope and purpose**

In an increasingly complex United States (U.S.) and global financial system, the recent economic crisis has highlighted the importance of ensuring that individuals and families have access to reliable financial information, education, and tools to make good financial decisions. As we have learned, the financial difficulties of individuals and families can dramatically affect the financial health of local communities, regional markets, and national economies.<sup>1</sup>

The relationship between individual financial well-being and the stability of the national economy supports the need for the U.S. federal agencies to work together to develop and implement a national strategy to improve the financial skills, knowledge and behaviour of U.S. consumers. The Financial Literacy and Education Commission (“Commission”) was established to fulfil this objective.

The Commission was established under the Fair and Accurate Credit Transactions Act of 2003. It is chaired by the Secretary of the Treasury or designee and currently includes representatives of 21 federal agencies<sup>2</sup>, and the White House. The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 provided that the Director of the Consumer Financial Protection Bureau (CFPB) would serve as the Vice Chairman of the Commission.<sup>3</sup> The CFPB started performing in this new role in January of 2012, and it coordinates closely with Treasury to lead the activities of the Commission.

The Commission was created with the broad purpose of improving Americans’ financial literacy and education. Its primary responsibilities are to develop a national strategy to promote financial literacy and education, and to coordinate resources and activities among the Commission’s member agencies. This chapter provides a summary of the U.S. national financial literacy strategies and the Commission’s current work.

### ***Development of Commission’s National Strategy***

In 2006, the Commission developed its first national strategy, *Taking Ownership of the Future: The National Strategy for Financial Literacy* (“2006 National Strategy”), which served as a blueprint in the area of financial literacy and education. The 2006 National Strategy reviewed the state of financial literacy at that time and proposed four areas strategic areas deemed crucial to the promotion of financial education:

- a) Build public awareness of available resources;
- b) Develop tailored, targeted materials and dissemination strategies;
- c) Tap into effective partnerships; and
- d) Support research and evaluation of financial education programmes.

The 2006 National Strategy also included a series of “Calls to Action” for the Commission’s members, consumers, industry, nonprofits and other stakeholders and was implemented between 2006 and 2009.<sup>4</sup> The goal of many of the Calls to Action involved the federal government creating an infrastructure by constructing a base of knowledge and a consensus among key stakeholders. The theme across many of the Calls to Action activities was to build a foundation of understanding and agreement through conferences and roundtables. The Commission also strived to determine the best financial education approaches for raising the financial literacy of Americans.

In 2009, the Commission started the process to refine and update the 2006 National Strategy. As part of the process, the Commission reviewed national strategies from other nations and other U.S. federal government agencies, and requested input from a wide range of stakeholders in the field of financial education and from the public. As a result of this work, and building upon the 2006 National Strategy, the Commission released a revised national strategy in 2011 called, *Promoting Financial Success in the United States: National Strategy for Financial Literacy*<sup>5</sup> (“2011 National Strategy”). It provides a framework for an overarching financial literacy strategy in the United States. The framework identifies five action areas – policy, education, practice, research, and coordination. Key stakeholders were encouraged to actively participate in selected action areas to advance the national goals of increasing financial education and promoting effective financial decision making. The 2011 National Strategy also identifies four broad goals:

- a) Increase awareness of and access to effective financial education;
- b) Determine and integrate core financial competencies;
- c) Improve financial education infrastructure; and
- d) Identify, enhance and share effective practices.<sup>6</sup>

As part of the implementation of the 2011 National Strategy, the Commission encouraged three key groups of stakeholders to take action:

- The Commission as a whole, including teams of member agencies focused on common outcomes;
- Commission member entities individually;
- Other entities, including federal agencies that are not Commission members; state, local and tribal governments; and nongovernmental entities (which include businesses, nonprofit organisations, associations, and educational institutions).

The Commission began implementing the 2011 National Strategy immediately. One of its goals was to determine and integrate core financial competencies. Through this process, the Commission identified core financial principles that are essential for the financial wellbeing of Americans.<sup>7</sup> The

Commission also broadly shared the core financial principles and the 2011 National Strategy recommendations with key stakeholders across the country.

As part of the implementation of the 2011 National Strategy and to further target its activities, in 2012, the Commission focused its efforts on impacting the financial education of young Americans through an initiative called *Starting Early for Financial Success*. This shared initiative is helping Commission member agencies achieve maximum effectiveness and efficiency, leverage resources, and identify areas where additional resources may be needed. The Commission will also partner with other levels of government and the private/non-profit sectors to achieve the desired outcomes of this initiative.

### ***Commission's Current Activities***

#### *Starting Early for Financial Success*

The Commission selected this strategic focus, recognizing that the financial stability of young people – and their families – is vital to the overall strength of the U.S. economy. Financial capability is also a critical part of President Barack Obama's Administration's Ladders to Opportunity Agenda that seeks to ensure every American has the chance to move upward and gain a more secure future.<sup>8</sup> While there are many indicators pointing to the challenges to and lack of financial capability of young people, there are also many opportunities to change course.

Studies show that many young people are ill-equipped to make major financial decisions, and confront a financial services marketplace that involves increasingly complex financial decisions. A 2008 national survey by the Jump\$tart Coalition found that the "financial literacy of high school students has fallen to its lowest level ever, with a score of just 48.3 percent"<sup>9</sup>. Additionally, according to the FINRA Investor Education Foundation's 2010 State-by-State Financial Capability Survey: "Young Americans [18- to 34-year-olds] nationally were more likely to be less financially capable than older Americans, with 23% spending more than their household income, 68% not having money set aside to cover expenses for three months (rainy day fund), and 34% engaging in non-bank borrowing"<sup>10</sup>.

Given the lack of financial capability and an increasing complexity of the financial services landscape, young people have a greater need for resources to guide their financial decisions and improve their financial capability. Therefore, the Commission decided to focus on building the financial capability skills of young adults early. For example, teaching financial concepts early catches young people at critical developmental stages that can influence how they manage financial matters throughout their lives. Cognitive development theory and related research suggests that the elementary school years may be a window of opportunity during which education can influence financial behaviour later in life<sup>11</sup>. Although young children's financial understanding is unsophisticated, scholars suggest that elementary-school-age children can grasp basic economic concepts such as savings, barter, scarcity, and supply and demand. Recent research demonstrates that young people begin to form financial identities early and that those identities are correlated with financial capability later in life.<sup>12</sup> It is clear that starting financial education early has important benefits for young people.

Youth financial education should also be continuous. Like other areas of study, developing financial knowledge, skills, and the decision-making capacity needed to navigate the financial services marketplace successfully requires consistent learning opportunities throughout a person's education and even throughout a person's lifetime. For example, a longitudinal research study of university students conducted in 2011 as part of the Arizona Pathways for Life Success in University Students (APLUS) programme found that high school and college students who are exposed to ongoing or

cumulative financial education show an increase in financial knowledge, which, in turn, results in increasingly responsible financial behaviour as they become young adults.<sup>13</sup>

The Commission is committed to this initiative of helping young people gain the knowledge, skills and opportunities to take action early for their financial future. As a testimony of the importance of young people in this context, in 2015 the US will participate for the second time to the Financial Literacy Option of the OECD Programme for International Student Assessment (PISA).

### *Research Priorities*

Another priority of the Commission is research. In 2012, the Commission produced an updated list of research priorities for the fields of financial literacy and financial education<sup>14</sup>. As the Commission has now identified the *Starting Early for Financial Success* initiative as a strategic focus for the coming years, the identified research priorities are connected to the goal of improving the financial capability of young people.<sup>15</sup>

The research priorities are intended to inform the Commission as a whole; individual member agencies and their sub-agencies, other federal government supporters of research, as well as private sector and academic researchers and research funders.

Many of the research priorities focus around a need to develop ways of measuring financial capability in order to document the effectiveness of interventions and financial education programmes in terms of improving financial knowledge, behaviours, and outcomes. The Commission members' ongoing activities aimed at promoting financial success by starting early, at key moments throughout the life, present an opportunity to support the Commission's research agenda.

### **Governance mechanisms and role of stakeholders**

*Chair and Vice-chair:* Title V of the Fair and Accurate Credit Transactions Act of 2003 designates the Secretary of the Treasury as the Chairperson of the Commission, and the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 names the Director of the CFPB the Vice-chair of the Commission.

*Duties:* The Commission's purpose is to "improve the financial literacy and education of persons in the United States through development of a national strategy to promote financial literacy and education".<sup>16</sup> The Commission's principal duties include:

- encouraging government and private sector efforts to promote financial literacy;
- coordinating financial education efforts of the Federal government;
- developing a national strategy to promote financial education;
- establishing a national financial education Web site to provide a coordinated point of entry for information about federal financial literacy and education programmes and grants; and
- establishing a toll-free hotline available to members of the public seeking information about issues pertaining to financial literacy and education.<sup>17</sup>

*Meetings:* The Commission is mandated to hold, at the call of the Chairperson, at least one meeting every four months. During these meetings, the Commission discusses priorities and makes decisions as appropriate. All such meetings are open to the public.

*Quorum:* A majority of the members of the Commission constitutes a quorum.

*Consultation:* The Commission actively consults with a variety of representatives from private and non-profit organisations and State and local agencies, as determined appropriate.

*Members:*

- The White House
- Department of Treasury
- Department of Education (ED)
- Department of Agriculture (USDA)
- Department of Health and Human Services (HHS)
- Department of Housing and Urban Development (HUD)
- Department of Labor (DOL)
- Department of Defense (DoD)
- Consumer Financial Protection Bureau (CFPB)
- Board of Governors of the Federal Reserve System (FRB)
- Securities and Exchange Commission (SEC)
- Commodity Futures Trading Commission (CFTC)
- Federal Trade Commission (FTC)
- Office of the Comptroller of the Currency (OCC)
- Federal Deposit Insurance Corporation (FDIC)
- National Credit Union Administration (NCUA)
- Veterans Affairs (VA)
- General Services Administration (GSA)
- Small Business Administration (SBA)
- Social Security Administration (SSA)
- Office of Personnel Management (OPM)
- Federal Emergency Management Agency (FEMA)

## Implementation

The *Starting Early for Financial Success* initiative is designed to encourage young people to learn about money and to build sound financial habits that will help them be financially successful throughout their lives. *Starting Early for Financial Success* will also engage parents, teachers, community leaders and others with tools, resources and knowledge to confidently guide young people to start early for financial success. The information listed below can also be found on the Department of the Treasury - Consumer Policy webpage.<sup>18</sup>

The Committees within the Commission are currently developing their activities and respective outcome measures as follows:

### ***Children and Youth Committee***

Purpose: The *Children and Youth Committee* provides leadership to foster collaborations between Commission member agencies for the purpose of enhancing federal efforts that help American

children and youth build knowledge, skills, and habits to prepare them for a financially capable adulthood.

**Outcome Statement:** The FLEC Children and Youth Committee provides leadership to foster collaborations between FLEC member agencies for the purpose of enhancing federal efforts that help American children and youth build knowledge, skills and habits to prepare them for a financially capable adulthood.

#### *Outcomes Statements*

- Increase number of children/youth engaged in age-appropriate financial activities
- Increase in number of facilitators of financial learning prepared to convey financial knowledge and skills to children and youth

#### *Post-Secondary Education Committee*

**Purpose:** To curate decision-making resources that help students and their families take actionable steps towards deciding how to pay for college and promote these resources directly to students and families through Commission member agencies' programmes.

Proposed activities:

- Provide high-quality information for postsecondary planning
- Encourage the availability of high-quality, targeted, non-duplicative information
- Community of practice for practitioners
  - Encourage educators to collaborate, identify, and share best practices
  - Potential communities:
    - Primary and/or high school educators (teachers, guidance counsellors, etc.)
    - Postsecondary educators
    - Policymakers
    - Producers of financial education tools and resources

#### *Early Career/Planning for Retirement Committee*

**Purpose:** The Early Career/Planning for Retirement Committee is working to encourage and promote financial education and capability in the workplace, especially for early career workers through encouragement, information and removal of barriers.

Proposed activities:

- To conduct a financial education pilot programme for early career Federal employees that:

- utilises internal and external agency financial education resources and reshape them to address the financial needs and interests of early career federal employees;
- measures the impact of pilot programme and develop best practices; and
- uses lessons learned from the pilot programme to work with private-sector stakeholders, especially small business, and state/local governments, to develop outreach strategies for improving financial literacy among their early career employees.

***Research and Evaluation Subcommittee:***

Purpose: To ensure that financial literacy researchers, educators, policymakers, funders, and practitioners have empirically validated measures of youth financial capability and evidence on the most effective strategies for increasing their financial knowledge and improving their financial behaviours and outcomes.

Proposed activities:

- Identify and promote research on financial literacy.
- Organise a Commission sponsored journal/publication “Starting Early for Financial Success” to promote academic research on financial literacy.
- Encourage the integration of data collection, measurement and evaluation into all federally funded financial literacy and education programmes.
- Coordinate and disseminate financial education research and findings conducted by Commission members.
- Work collaboratively with the private sector to promote high quality, needed research, evaluation, and disseminate findings.
- Launch, maintain, and support enhancements to the Commission’s Research and Data Clearinghouse.
- Update 2012 FLEC Research Priorities & Questions to address “Starting Early for Financial Success”.

**Additional information**

- Taking Ownership of the Future: The National Strategy for Financial Literacy  
<http://www.mymoney.gov/sites/default/files/downloads/ownership.pdf>
- Promoting Financial Success in the United States  
[http://www.treasury.gov/resource-center/financial-education/Documents/NationalStrategyBook\\_12310%20\(2\).pdf](http://www.treasury.gov/resource-center/financial-education/Documents/NationalStrategyBook_12310%20(2).pdf)
- 2012 Research Priorities and Research Questions  
<http://www.treasury.gov/resource-center/financial-education/Documents/2012%20Research%20Priorities%20-%20May%202012.pdf>

- The website is designed to be a one-stop shop for Federal financial education information. The information on the website is available in English and Spanish <http://www.mymoney.gov/>
- Consumer Financial Protection Act of 2010, Pub. L. No. 111-203, 124 Stat. 1955, at §1013(d). <http://www.gpo.gov/fdsys/pkg/PLAW-111publ203/pdf/PLAW-111publ203.pdf>
- U.S. Department of the Treasury – Consumer Policy <http://www.treasury.gov/resource-center/financial-education/Pages/default.aspx>
- Consumer Financial Protection Bureau <http://www.consumerfinance.gov/>
- Fair and Accurate Credit Transactions Act of 2003 – Title V <http://www.gpo.gov/fdsys/pkg/PLAW-108publ159/html/PLAW-108publ159.htm>

## NOTES

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- 2 FLEC Members: Office of the Comptroller of the Currency (OCC); Board of Governors of the Federal Reserve System (FRB); Federal Deposit Insurance Corporation (FDIC); National Credit Union Administration (NCUA); Securities and Exchange Commission (SEC); Departments of Treasury, Education (ED), Agriculture (USDA), Defense (DoD), Health and Human Services (HHS), Housing and Urban Development (HUD), Labor (DOL), and Veterans Affairs (VA); Federal Trade Commission (FTC); General Services Administration (GSA); Small Business Administration (SBA); Social Security Administration (SSA); Commodity Futures Trading Commission (CFTC); Office of Personnel Management (OPM); Consumer Financial Protection Bureau (CFPB); Federal Emergency Management Agency (FEMA) and The White House.
- 3 Consumer Financial Protection Act of 2010, Pub. L. No. 111-203, 124 Stat. 1955, at §1013(d)(5), (6).
- 4 FLEC, Taking Ownership of the Future: The National Strategy for Financial Literacy 2006 (2006), available at <http://www.mymoney.gov/sites/default/files/downloads/ownership.pdf> (hereinafter FLEC 2006 National Strategy).
- 5 FLEC 2011 National Strategy.
- 6 Consumer Financial Protection Act of 2010, Pub. L. No. 111-203, 124 Stat. 1955, at §1013(d)(5), (6).
- 7 Financial Education Core Competencies; Comment Request, 75 Fed. Reg. 165, 52,596 (August 26, 2010), available at <http://www.gpo.gov/fdsys/pkg/FR-2010-08-26/pdf/2010-21305.pdf>

- 8 President Barack Obama, Remarks at Hyde Park Career Academy Chicago, Illinois (February 15, 2013) available at <http://www.whitehouse.gov/the-press-office/2013/02/15/remarks-president-strengthening-economy-middle-class>
- 9 Mandell, Lewis. "The Financial Literacy of Young American Adults: Results of the 2008 National JumpStart Coalition Survey of High School Seniors and College Students." <http://www.jumpstart.org/assets/files/2008SurveyBook.pdf> (accessed April 4, 2013) (2008): 5.
- 10 Making the Case for Financial Literacy—2012: A Collection of Personal Finance Statistics Gathered by JumpStart from Other Sources, [http://jumpstart.org/assets/State-Sites/LA/files/downloads/Making\\_the\\_Case\\_2012.pdf](http://jumpstart.org/assets/State-Sites/LA/files/downloads/Making_the_Case_2012.pdf) (citing FINRA Investor Education Foundation, *FINRA Foundation Releases Nation's First State-by-State Financial Capability Survey*, December 8, 2010, <http://www.finra.org/Newsroom/NewsReleases/2010/P122538>).
- 11 Collins, J. Michael et al. "Determining What Works: A Framework for Evaluating Financial Literacy Education in Elementary School." Center for Financial Security. <http://moneyfitevaluation.files.wordpress.com/2012/06/determining-what-works-2012.pdf> (accessed April 1, 2013): 3.
- 12 Shim, Soyeon, Joyce Serido, Leslie Bosch, and Chuanyi Tang. "Financial Identity Processing Styles Among Young Adults." *The Journal of Consumer Affairs* (Spring 2013): 128-152.
- 13 Shim, Soyeon, and Joyce Serido. "Young Adults' Financial Capability." APLUS, Wave 2. [http://www.cgsnet.org/ckfinder/userfiles/files/APLUSWave2\\_Final.pdf](http://www.cgsnet.org/ckfinder/userfiles/files/APLUSWave2_Final.pdf) (September 2011) (accessed April 4, 2013): 16.
- 14 The FLEC released a list of research priorities in 2008. For more information click on the following link: <http://www.treasury.gov/about/organizational-structure/offices/Domestic-Finance/Documents/ResearchSymposiumpaper12-8-08.pdf>. Additionally in 2012, the FLEC released another set of research priorities which can be found on this link: <http://www.treasury.gov/resource-center/financial-education/Documents/2012%20Research%20Priorities%20-%20May%2012.pdf>
- 15 FLEC, Research Priorities applied to the 2013-2014 Strategic Focus, available at <http://www.treasury.gov/resource-center/financial-education/Documents/Starting%20Early%20Research%20Priorities%20May%202013.pdf>
- 16 Fair and Accurate Credit Transactions Act of 2003, Pub. L. No. 108-159, §§ 513-515 (2003).
- 17 FLEC 2006 National Strategy.
- 18 Additional information about current activities can be found under the October 18, 2012 and February 13, 2013 meetings links at <http://www.treasury.gov/resource-center/financial-education/Pages/meetings.aspx>

## *Chapter 23*

### **European Union: Financial Education, an Essential Element of a Functioning Single Market**

This chapter was prepared by the European Commission.

*“As financial services become increasingly complex, financial education is essential to enable consumers choose the products that best meet their needs. This is why the European Commission is undertaking a number of initiatives in the field of financial education, to complement what Member States do at national level. However, in order to fully empower consumers to make informed choices, in addition to financial education clear pre- and contractual information and suitable financial advice are also key.”*

Neven Mimica, Commissioner for Consumer Policy

## **Policy background**

Financial education enables individuals to improve their understanding of financial products and concepts, and develop the skills necessary to strengthen their financial literacy in order to be aware of financial risks and opportunities and to make informed decisions in their choice of financial services. It is a life-long issue. However, financial education has certain limits in particular regarding complex financial products and services.

Financial education has been announced in the European Commission's report on a Single Market for 21st Century Europe<sup>1</sup> as an essential component of its efforts to ensure that the Single Market brings direct benefits to Europe's citizens, particularly by empowering them not only to shop around for the best financial services, whether in their own Member State or across borders, but also to understand some essential basics of personal finance.

It should be noted that financial education is a competence of the Member States of the EU and therefore the European Commission has not developed a harmonised strategy or a definition on financial education applicable to all Member States. Instead, the European Commission has been undertaking a number of initiatives to complement the activities of Member States in this field, aimed at empowering consumers to make informed choices when they buy financial products and services.

The European Commission Communication of 2007 on financial education<sup>2</sup>, based on its overview of EU financial education schemes<sup>3</sup> and OECD Recommendations, identified a number of principles to help all relevant actors, such as public authorities, financial services providers, and consumer organisations, in their efforts to launch and run financial education programmes:

1. Financial education should be available and actively promoted at all stages of life on a continuous basis.

2. Financial education programmes should be carefully targeted to meet the specific needs of citizens. In order to achieve this aim, ex-ante research should be conducted on the current level of citizens' financial awareness, to identify those issues that particularly need to be addressed.
3. Consumers should be educated in economic and financial matters as early as possible, beginning at school. National authorities should give consideration to making financial education a compulsory part of the school education curriculum.
4. Financial education schemes should include general tools to raise awareness of the need to improve understanding of financial issues and risks.
5. Financial education delivered by financial services providers should be supplied in a fair, transparent and unbiased manner. Care should be taken to ensure that it is always in the best interests of the consumer.
6. Financial education trainers should be given the resources and appropriate training so as to be able to deliver financial education programmes successfully and confidently.
7. National co-ordination between stakeholders should be promoted in order to achieve a clear definition of roles, facilitate sharing of experiences and rationalise and prioritise resources. International co-operation between providers should be enhanced to facilitate an exchange of best practices.
8. Financial education providers should regularly evaluate and, where necessary, update the schemes they administer to bring them in line with best practice in the field.

In its 2012 Consumer Agenda<sup>4</sup>, the European Commission identified better consumer education, and in particular financial education, as a key objective. The increased complexity and risks of some financial products and services demand a higher level of transparency and financial literacy as well as adequate regulatory protection of consumers. Therefore improving consumer knowledge is particularly important in financial services, where there is an active role for institutions like banks, central banks, financial market supervisory authorities and deposit and investor protection schemes in raising financial literacy, including for those who remain outside the banking and financial mainstream.

Regarding assessment of population needs, evidence from EU surveys indicates low level consumer literacy. For example, 45% of Europeans could not calculate 6% of 50.000.<sup>5</sup> Findings also showed that consumers perceive financial services as complex and difficult to understand. For example, 50% of respondents would like to see simplification of certain financial products, including pensions and mortgages.

Financial education complements measures aimed at ensuring the appropriate provision of information and advice to consumers. The sum of these policies contributes to empowering consumers to make decisions well-suited to their financial circumstances. Consumer information and protection are at the heart of EU financial services legislation. Examples include the Markets in Financial Instruments Directive, with its retail investor protection provisions; the UCITS Directives; the Directives on Consumer Credit; the Distance Marketing of Financial Services and Insurance Mediation Directive and the proposal put forward on Mortgage Credit, which are designed to allow consumers to make the right decisions when purchasing a financial product.

## Four relevant examples of the programmes implemented by the European Commission

The sections that follow present the main initiatives carried out currently by the European Commission regarding financial education and describe their scope, implementation and evaluation.

### ***1) Pilot project to promote consumer empowerment, efficiency and stability of European financial markets through training of consumer associations and similar organisations***

#### *Scope*

In 2010, the European Commission, following the request of the European Parliament that also provided the relevant budget, launched a pilot project to promote consumer empowerment, efficiency and stability of European financial markets through the training of consumer associations and similar organisations.

The scope of the project was twofold: i) to build the capacity of the non-profit entities that provide financial advice to consumers in order to provide a better service to citizens, and ii) to allow these entities to act as multipliers and transfer the knowledge gained to other similar entities in the same Member State.

#### *Implementation and timeline*

The project was divided into three phases:

##### a) Phase 1: Training through TRACE

Consumer organisations that are members of the European Consumer Association (BEUC) participated in training courses organised through a specific European Commission programme for training run in partnership with BEUC (TRACE). Three courses of three days took place in 2010 and 2011 and 55 consumer organisations participated. The first two courses discussed generally consumer protection in financial services and in particular the subjects of consumer credit, financial advice, financial inclusion, unfair commercial practices, bank accounts, payment services, consumer redress and behavioural economics. The third training course focused on investments and discussed how to assess an investor's profile, the different investment products (such as Undertakings for Collective Investment in Transferable Securities -UCITS- and life insurances) and the Markets in Financial Instruments Directive (MiFID).

##### b) Phase 2: Mapping study

A study to map all existing non-profit entities in the EU that provide financial advice to consumers was carried out in 2011<sup>6</sup>. This study served as the basis for the third phase of the project. It identified 50 existing non-profit entities and another potential 100 entities. It gathered information about their structure and their training needs. The main findings of the study are summarised below:

- Most entities identified were consumer associations. Others included NGOs and government bodies, in particular in Ireland and the UK.
- The large majority of identified entities aim their personalised financial advice services at all consumers.

- The top three categories of personalised financial advice services offered by identified entities are: consumer credit, mortgage advice, and insurance products.
  - The majority of entities categorised demand for personalised financial advice in their Member States as between “fairly” and “very” high.
  - The large majority of entities desire further training of their staff. A specialised EU training programme would fill a market niche. Such a programme, however, should take into consideration language barriers as well as differences in training needs according to Member States, national characteristics of financial markets and existing capacities for the provision of financial advice.
  - The aggregate demand for training sessions is ranked as follows:
    - General financial advice basics and methods;
    - Consumer credit;
    - Consumer redress in financial services;
    - Basic background knowledge about financial markets and concepts;
    - Insurance products;
    - Mortgages; and
    - How to counteract common consumer biases in the purchasing of financial products and services.
- c) Phase 3: Training for non-profit entities that provide financial advice to consumers

The third and last phase of the project is the training of entities that provide financial advice to consumers. The aim is to build the capacity of these entities by further developing their knowledge of financial services and their ability to provide effective general financial advice to consumers in a sustainable manner. The training started in the second quarter of 2012 and will be completed by December 2013.

The target group for the training courses is non-profit entities which offer or plan to offer in the near future general financial advice to consumers. This general financial advice does not lead to a recommendation of specific products or providers and it is therefore different from the advice provided by financial providers. Advice from non-profit entities focuses instead on personalised information guiding consumers on the general characteristics of different products and services and providing help on some of the pitfalls relating to the purchase of financial products.

Two-day training courses will take place in 27 EU Member States in their official language(s). Each course is based on and adapted to the situation of the Member State. The mapping study, mentioned above, identified training needs per Member State that together with the knowledge of the trainers are the main elements to design the programme of the training course in each Member State. Most of the lead trainers are academics, lawyers or consumer organisation staff specialised in financial services and adult training. Lead trainers

are usually accompanied by experts in specific fields or public authorities and more rarely by employees of financial providers.

A number of core subjects are included in all courses, such as the basics on financial services, consumer credit, consumer redress in financial services and "soft skills" (namely how to approach consumers and effective communication methods when providing advice). The rest varies across Member States and can include mortgages, insurance or investment products, payment services and bank accounts.

Each course has a maximum of 20 participants and to date most courses have had between 17 and 20 participants, with the exception of smaller Member States; for example, in Malta 12 participants attended. Most participants come from consumer organisations, while others represent NGOs, debt advice agencies, family advice offices, social welfare offices and government entities.

### *Evaluation*

#### **Phase 1: Training through TRACE**

Regarding the first phase of the pilot project (training through TRACE), in order to gather participants' feedback for the three courses, a variety of methodologies were employed such as daily interactive evaluations, a final interactive evaluation at the end of the course and the completion of written evaluation forms by each of the participants.

#### Evaluating level 1 - Reaction

To evaluate this level an overall assessment of the training course is made by the participants with the aim of analysing to what degree participants reacted favourably to the learning experience. Information was gathered from the returned feedback forms participants filled in for each session during the training and delivered to the training team at the end of the course.

#### Evaluating level 2 - Learning

The aim of the evaluation done at this level is to understand to what degree participants acquire the desired knowledge and learning.

Data to evaluate this level was gathered from evaluation forms received at the end of the course, interviews with participants and trainers and observation during the training.

As far as evaluation forms are concerned, participants assess their own learning results before and after the training, on a scale from 1 to 6, 6 being the highest. Regarding interviews, participants and trainers were asked open questions related to the learning experience and asked to relate that to their experience and previous knowledge.

#### Evaluating level 3 - Behaviour

The evaluation done at level three aims to understand to what degree participants can apply the skills they learnt during the course.

To assess this level information was gathered from observation during the training and by using an observation grid. Observation was used on this level with a special emphasis on situations in which participants applied the skills acquired during the course.

#### Evaluating level 4 - Results

Level four evaluation aims at measuring results on a medium-term basis by assessing to what degree targeted outcomes occur as a result of the learning experience – what we can refer to as training transfer. The transfer of training considers how effectively the participant can apply the skills, knowledge, and/or attitudes learned in a specific learning situation to the job environment.

Overall, for the three courses held, the majority of participants stated that many of their expectations were met. Most also said that their knowledge about financial services after the training was above average, while they had reported that before the course it was below average.

### **Phase 3: Training for non-profit entities that provide financial advice to consumers**

Regarding the third phase of the pilot project (training for non-profit entities that provide financial advice to consumers), there are three principal sources used for the evaluation of each course:

- The feedback contained in the evaluation forms that participants returned to the trainers at the end of every training course (and the results summarised by each national trainer);
- The feedback from the trainers of the course; and
- The impact evaluation questionnaire, sent out to participants six months after the end of the course.

Overall feedback from participants showed that 75% found that all or many of their expectations from the course had been met. The impact of the course, as indicated by self-assessment of level of skills in financial advice, showed that while over 60% of participants thought that they had had average or less than average skills prior to the training, this number dropped to 10% after the course. 92% of the participants considered the course content partly or fully targeted at their work practice.

The impact evaluation questionnaire (conducted so far only for five courses because of the six-month difference between the course and impact evaluation, the response rate being 40%) showed that most participants found the course useful for their own practice. Asked about the transposition of the learned skills into their practical work, 46% of participants answered that they have indeed transposed the skills, while 29% said “partially”. The future interest in another training course was high: 75% said that they would attend more training offered in this form.

## **2) Consumer Classroom**

### *Scope*

Consumer Classroom<sup>7</sup> is a community website for teachers that brings together an extensive library of consumer education resources from across the EU, along with interactive and collaborative tools to help prepare and share lessons with students and other teachers. Consumer Classroom is aimed at teachers of 12-18 year old students throughout the EU. It runs in all official EU languages.

The website is EU funded and aims to stimulate consumer education in secondary schools.

Teachers who use it can:

- Empower their students with the practical consumer skills they need for real life;
- Prepare engaging and interactive lessons around interesting consumer topics;
- Access high quality teaching resources from across the EU, all in one place;
- Collaborate with other teachers through an EU wide community;
- Set up inter-school projects and competitions to engage their students; and
- Expand their knowledge of consumer education.

### *Implementation and timeline*

Consumer Classroom was published in March 2013 and broadly replaces a previously developed online consumer education tool, Dolceta (see section on evaluation).

It covers a wide range of topics and themes, including consumer rights, sustainable financial consumption, financial literacy, advertising practices, consumer choice, consumer protection, nutrition, health, communication, social media, transport safety and media literacy.

Consumer Classroom has a number of time saving features and tools including:

- Personalised profiles with linked resources, favourites, posts and messages
- An interactive lesson builder
- "My Class" area to share lessons with students
- Inter-School projects & competitions
- EU forum allowing exchange of views, sharing of consumer education news and experience between peers across the EU
- Knowledge building materials for teachers

Other tools will be developed following the needs of teachers.

In order to develop the website a number of actions took place to ensure its quality. These included a detailed study of existing teaching materials from across the EU, online interactive discussions on consumer issues, using teacher focus groups, a needs analysis based on the focus groups, the study of existing materials, a name and brand exercise to establish the website's position and an online teachers' survey to establish their preferences for the website's look. Public and private consumer organisations were also invited to comment during the development of the website.

The consumer classroom site went live on 15th March 2013. Promotion activities prior to the launch included building partnerships with stakeholders and other Directorates General, writing a press release and providing a promotional flyer. Partners were provided with promotional packs and online banners.

The online web promotion included national level Google pay-per-click and banner ad campaigns on selected websites. At the same time an email marketing campaign was launched as well as collaboration with an expert group from Member States.

The online promotion activities are on-going, building a database of registered teachers.

Early indications show that the level of expected visits and registration of teachers is being met. The growth and development of the website depends on the involvement of teachers and will be monitored monthly, with promotion activities being tailored as required.

### *Evaluation*

Dolceta ([www.dolceta.eu](http://www.dolceta.eu)) is an online tool for consumer information and education of the European Commission, in place since 2003 and available in all EU official languages. The aims of the tool are to promote knowledge and understanding of European consumer rights in the Member States, and to develop interactive web-based tools for consumer education to be used by citizens and by trainers, teachers and other multipliers in consumer education. It includes eight sections of which three contain teaching materials, one dedicated to financial services, and five containing consumer learning modules related to a number of topics, amongst which one is on financial services.

The section on general financial services was divided into six chapters dealing with bank accounts, payment services, consumer credit, mortgages, savings and family budget.

The development of the Dolceta section for teacher training in financial services was one of the priority actions introduced in the 2007 Communication. The aim was to encourage teachers to incorporate financial issues, such as student credit, savings or financial risk, into existing school programmes on a voluntary basis. This section provided teachers with ready to use material, such as lesson plans and quizzes on financial issues.

In 2010 a new framework contract was launched for the re-development of the Dolceta site into a site specifically for teachers of consumer education. This was confirmed in an independent evaluation of the consumer education activities undertaken by the Health and Consumer Protection Directorate General (DG SANCO). The evaluation found that Dolceta was a static information source and that it should be replaced with a more interactive and collaborative site.

The consumer classroom will be subject to continuous evaluation through the monitoring of key online indicators as well as user feedback. The consumer classroom will be the subject of an independent evaluation.

### **3) Information campaign on consumer credit**

#### *Scope*

The European Commission is going to launch an information campaign in 2013 to inform consumers about their rights when they take out credit, as granted to them by the Consumer Credit Directive<sup>8</sup> (CCD).

The campaign will focus on five key rights that the CCD grants to consumers, as summarised below:

1. The creditor's obligation to provide certain information in advertising: The creditor has to use a representative example to illustrate the costs related to the credit. This involves, amongst other things, the annual percentage rate of charge (APR), *i.e.* what the credit will cost every year as long as it runs. The APR is a way of allowing the consumer to understand what the price of the credit is and then to be able to compare that price to the price of other credits.
2. The right to be provided with "pre-contractual information" in a standardised format (the SECCI): when the creditor makes an offer he must supply the consumer with the information in a specific format - the "Standard European Consumer Credit Information form" (SECCI). The form allows the consumer to see what consequences taking on the credit will have and to compare the credit to other credits before making a decision. It allows the consumer to make an informed decision.
3. The creditor's obligation to indicate key information in the contract: the right to have the contract drawn up on paper or on another durable medium, to receive comprehensive information in the credit contract itself about the contract terms and to receive a copy.
4. The consumer's right to withdraw from the contract: the consumer has fourteen calendar days to withdraw from a credit agreement without any explanation. The consumer must repay and pay what the credit has cost in the period within thirty calendar days.
5. The consumer's right to repay the credit earlier than foreseen in the contract: the consumer has a right to repay the credit at any time. In that situation the creditor, however, has a right to receive a fair and objectively justified compensation for the costs related to the early repayment.

### *Implementation and timeline*

The European Commission will launch the campaign in May 2013 and it will last until March 2014. The campaign will take place in four EU Member States; Cyprus, Ireland, Malta and Spain. It will run in the language of each Member State.

The core target audience is young people between 25 and 35 years old. This includes students, young graduates entering the labour market, young professionals and families.

The slogan message of the campaign is: 'Need credit? Don't just sign. You have rights.' This makes citizens aware that, if they are considering taking out credit, they should not feel pressured to sign an agreement before they are ready. This message is accompanied with a traffic light system: the red light "stop", the orange light "think" and the green light "go" in order to call consumers to act (*i.e.* visit the campaign's website and learn more about their rights).

Three visuals have been designed showing consumers in situations when they might need to take out credit- buying a laptop, a car and purchasing a holiday package, which display the logo of the campaign and which will be used for all the activities.

Peak periods, during which activities will be intensive, have been identified. These are the summer period (sales and holidays), the month of September (back to school/university) and the months of the end of November-December (proximity to Christmas holidays).

The CCD campaign has different action axes, including stakeholder engagement (multiplication of the message by the engagement of a number of different types of stakeholder), media relations activities (media buying and outdoor advertising), social media strategy (facebook and twitter) and launch events (with the participation of high-level EU and local officials).

### *Evaluation*

The campaign will be evaluated during its implementation in two ways.

First, the creative approach will be evaluated during the consultation phase with key stakeholders. A quantitative and qualitative analysis of the media coverage will also take place, namely the number of online and printed articles published and their nature, together with a calculation of the number of press hits generated and the number of readers/viewers/listeners of generated press hits, the geographical balance of generated press hits and the uptake of key messages by generated press hits. In addition, the social media activity and statistics of the number of visits and views of the website will be monitored.

Second, an additional evaluation will take place that will assess the following:

- The relevance, namely to what extent the objectives and activities of the information campaign were relevant for raising consumer awareness on consumer credit;
- The effectiveness and efficiency, namely to what extent the activities undertaken during the information campaign have been effective in achieving their objective; and
- The advisability of future campaigns, namely to what extent it is recommended to extend the information campaign to other Member States, and how it could be improved.

A number of tools will be used, such as desk research and background data on cultural/societal/economic conditions in the Member States, media screening and content analysis to identify the visibility of the actions launched, analysis of the content of the media coverage at least in terms of positive/negative bias and in terms of the accuracy of the presentation of the objectives of the action, focus groups, interviews or online surveys.

#### ***4) Sponsorship of initiatives in member states aimed at promoting financial education (“patronage”)***

##### *Scope*

In order to encourage awareness-raising campaigns and conferences as close to the target audience as possible, the European Commission committed in the 2007 Communication to provide support in the form of patronage, including, in certain cases, a direct participation in such events.

The objective intervention was to provide additional visibility and credibility to initiatives in the Member States in order to stimulate the debate at national level on the relevance of financial education and to spur the development of financial education programmes. The European Commission’s official patronage has usually taken the form of a message of support, which the organisers include in the conference materials, the possibility of using the European Commission’s logo and the participation of a European Commission representative whenever possible.

Requests are assessed taking into account the compliance of the main features of the event with the principles for the provision of high-quality and effective financial education schemes and in principle only the events without any commercial objective can be granted the European Commission patronage.

### *Implementation and timeline*

Since the launch of the initiative in 2008, the European Commission has been involved in various conferences and events, taking place in several Member States and involving different categories of stakeholder. Some examples are provided below:

- The launch of the Polish Insurance Ombudsman's programme for the development of a 'Vademecum' for users of insurance services in order to assist consumers by providing answers to the frequently asked questions on insurance problems, using plain language and giving handy examples.
- The launch by the Irish National Steering Group for Financial Education of its strategy report entitled, "Improving Financial Capability in Ireland, a Multi-Stakeholders Approach". The purpose of the report was to develop a long-term vision for a financially capable Ireland, and to propose and recommend further individual and collective actions to enhance financial capability in the country, setting out the factors to contribute to a workable policy on personal finance education.
- The 2013 awards ceremony of the European Stock Market Training, a pan-European financial education initiative coordinated by the European Savings Banks Group, involving teams of 14-19 year olds engaged in a 10-week internet simulation of managing a virtual securities portfolio. The goal was to familiarise the students with the functioning of stock markets.

### *Evaluation*

The endorsement of the European Commission has been seen by promoters as a useful instrument to raise the visibility of sponsored events, to increase their perceived relevance and to promote consistency with the EU framework of financial education. In that respect the direct participation of European Commission officials, where appropriate and possible, has represented the most frequently requested and appreciated form of patronage as a means to maximise the impact of European Commission involvement.

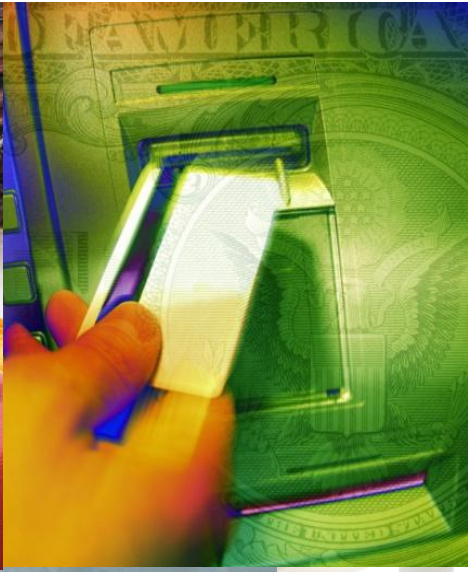
However, demand for the European Commission's patronage decreased and in 2012 only a few applications were received. This can be partly explained by the lack of an adequate level of awareness among stakeholders. Moreover, it has not been possible for officials to participate in all requested events.

Finally, the absence of any flanking financial support appears to have played an important role in reducing the attractiveness of the European Commission's sponsorship. Indeed, patronage is often understood by stakeholders as implying a financial contribution to cover the costs of the event, which has not been the case in the area of financial education.

## NOTES

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# Advancing National Strategies for **Financial Education**

**A Joint Publication by Russia's  
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