EUROPEAN COMMISSION
Internal Market and Services DG

FINANCIAL SERVICES POLICY AND FINANCIAL MARKETS
Financial services policy

FIRST MEETING OF THE EXPERT GROUP ON FINANCIAL EDUCATION

7th October 2008, Brussels

National Strategies for Financial Education

Report

The first meeting of the Expert Group on Financial Education (EGFE) was devoted to a discussion on national strategies for financial education. This report provides a summary of the main conclusions from the discussion and provides recommendations on how successful national strategies for financial education have been developed, illustrated by practical examples presented by the experts.

The Commission is of the view that the best way to increase the financial capability of consumers in the Internal Market is through the development of coordinated strategies in individual Member States. The importance of coordinated actions at a national level has also been recognised by both the Council (Ecofin Council conclusions of 14 May 2008) and the European Parliament (Resolution on protecting the consumer: improving consumer education and awareness on credit and finance adopted on 18 November 2008).

The national strategies that were discussed by the EGFE were comprehensive, country-wide programmes that were coordinated centrally by a public body. Ideally, such strategies should rely on cooperation between public and private stakeholders and be designed to cover a wide range of consumer needs. In particular, they should create awareness of financial issues with children and youngsters, be it in schools or elsewhere, and with workers in order to prepare their retirement.

As a basis for discussion in the group, several experts presented their experiences in developing national strategies. The presentations were delivered by A. Laboul (OECD), J. Dredge (UK FSA), K. O'Leary (Irish Financial Regulator), M. Trifilidis (Banca d'Italia), A. Valencia (Spanish Ministry of Finance) and D. Hradil (Czech Ministry of Finance).

1. THE NEED FOR COORDINATION

Development of national strategies for financial education has been promoted at a global level by the OECD since the launch of its international programme on financial education in 2003.

A. Laboul presented the OECD programme on financial education. The OECD has issued the first international publication on financial education "Improving Financial

Commission européenne, B-1049 Bruxelles / Europese Commissie, B-1049 Brussel - Belgium. Telephone: (32-2) 299 11 11.
Office: SPA2 03/037. Telephone: direct line (32-2) 298 05 70. Fax: (32-2) 295 55 52.

http://ec.europa.eu/internal_market/
E-mail: Daniel.KOSICKI@ec.europa.eu

Literacy" (2005), the principles and good practices for financial education and awareness (2005) as well as specific guidelines on good practice for financial education on pensions (2008); for risk awareness on insurance (2008) and for financial education on credit (to be adopted in 2009). An international governmental network has been launched which encompasses over 60 countries with a dedicated website providing an international Gateway to financial education issues (www.financial-education.org).

The OECD considers that financial education should be part of a wider policy approach, which includes the proper regulation of the industry and protection of individual consumers. In particular, financial education should not be seen as a substitute for effective regulation and consumer protection. The OECD called on individual governments to develop national strategies to address the challenges of financial education. Such strategies should be based on a public-private partnership with a role for all types of stakeholders including governments, schools, financial institutions, employers, trade unions, NGOs and others. The OECD is also keen on cooperating with the European Commission to ensure the coherent approach and explore the potential for synergies in promoting financial education in Europe.

The OECD researchers have observed that there is a trend of increasing the transfer of responsibility for personal finance to individual households. As a consequence, households have to take on more risks for which they are not always well prepared. There is a need for greater financial education of consumers who should be made aware of the various types of risks and equipped with the means to make responsible decisions on their personal finances. Against this background financial education does not include the transfer of knowledge only but also involves the transfer of norms. The need for improving financial education is even more compelling in the light of recent surveys that demonstrate the generally low levels of financial literacy. Many political leaders have recognised that a certain level of financial capability is necessary for citizens' full participation in society. Examples of countries where financial education has recently received support from the governments or heads of state include the USA, Mexico, Indonesia and Hungary.

In the European Union, many Member States have also acknowledged the importance of financial education and a few have already developed country-wide financial education strategies. The United Kingdom and Ireland are among global leaders taking into account the advancement of their national programmes for enhancing consumers' financial capability. In both cases, these programmes are led by financial regulators and are based on a public–private partnership model. In the Czech Republic, the national strategy for financial education was launched by the Ministry of Finance in 2006. J. Dredge, K. O'Leary and D. Hradil presented their respective experiences with national strategies to other experts. Many countries in the EU are currently working on developing their national strategies for financial education. M. Trifilidis and A. Valencia presented the respective work ongoing in Italy and Spain, focussing on their plans and the challenges they are facing. The strategy developed in the Netherlands, run by the CentiQ, and starting in Hungary, thanks to efforts of the National Bank of Hungary, have also been mentioned.

Based on these presentations and the following discussions, several key factors can be identified which have contributed to the success of national strategies for financial education. These factors are listed below and supported by examples.

2. THE KEY TO SUCCESS

2.1. Ensuring coordination

A national strategy needs to be centrally coordinated to ensure the active involvement and cooperation of all relevant stakeholders - both from the public and private sectors.

- Both in the UK and Ireland, it is a national financial supervisory authority which coordinates the national programme. In the Czech Republic, Spain, the Netherlands, the work has been launched by the ministry of finance. In some other countries, such as Italy and Hungary, the central bank is in the lead.

- The leadership of the strategy and aligned activities on financial education can be carried out by relevant ministries (CZ) or regulatory authorities (UK, IE); but they can also be delegated to an external body with representatives from a wide range of stakeholders. This can be particularly important given that many financial regulators do not have experience or existing competence in providing education services. In Ireland, the Financial Regulator has created and chairs the National Steering Group on Financial Education. The Group comprises key stakeholders from government, the industry, voluntary / non profit groups and the education sector. The aim of the group is to direct and coordinate financial education in Ireland, including setting coherent standards and discussing funding of new programmes. A number of working groups have been set up under the National Steering Group umbrella, co-ordinated and project managed by the Financial Regulator. A national Working group on financial education including all relevant stakeholders exists also in the Czech Republic. .

- Public institutions may conclude special agreements to jointly run financial education programmes. In Italy, the Banca d'Italia and the Ministry of Education have signed a memorandum of understanding to provide children with basic financial education appropriate to their age. A training scheme for school teachers has been just launched, for which a joint committee has been established and tasked with testing the programme with a sample of schools across the country. In Hungary, the central bank has called on the government to launch a national strategy for financial education. It took the initiative to organise a high level political conference (on 2 October 2008) with participation by the prime minister and the minister of finance.

- The work on financial education can also be delegated to an institution created specially for that purpose. In Spain, the government considered a project to create a national commission or an agency to foster financial education. It would take forward the global strategy for financial education and would be composed of representatives from all key stakeholders including the central and regional education authorities. A similar solution has already been applied in the Netherlands, where the ministry of finance has created a cooperation platform with various stakeholders, called CentiQ.

- In some Member States, representatives of the educational system and politicians in charge of education are often underrepresented in groups or commissions which are mandated to improve economic and financial literacy of consumers.

2.2. Gathering evidence

National strategies should be based on evidence that clearly identifies the real needs of the target groups and allows clear priorities to be established.

- In the UK, the FSA tasked Prof. Elaine Kempson to conduct a survey of 5300 people to establish a baseline for further measurement of financial education programmes. It is due to be repeated in 2010 and every 4-5 years afterwards to measure long term change in behaviour. The survey has revealed the main problems that can be directly attributed to a lack of financial awareness by consumers including:
    - Many people fail to plan ahead adequately for retirement or an unexpected drop in income;
    - A small proportion of people have debt problems, but they are often very severely affected;
    - People do not take adequate steps to choose products that meet their needs;
    - The under 40s are less capable on average than their elders.

- In Italy, Banca d'Italia carried out a financial literacy survey in 2007, which resulted with the following findings:
    - 52% of the surveyed could not tell the difference between stocks and bonds;
    - 40% were not aware of the different risks associated with investing in a single bond and investing in a portfolio;
    - 62% could not calculate the compounded interest rate.

- In the Czech Republic, a baseline survey of financial literacy revealed that:
    - 32% of respondents evaluated their level of financial education as below-average.
    - 20% of respondents stated that their level of financial education is a barrier in (better) using financial products.
    - 80% of the population did not get basic financial education at school.
    - 67% of respondents would appreciate basic terms used on financial market being implemented to curricula.
    - Organized financial education should be free, independent, provided by the state or financial institutions.
    - Education on budget, investment and credit is broadly supported, with 40% of respondents wanting specialized courses.

- The Financial Regulator in Ireland commissioned a major study on Financial Capability (based on the UK questionnaire above) and this report is due to be published shortly.

2.3. Programming and planning

National strategies should be based on a detailed multi-annual plan that clearly states the objectives and how they are to be achieved.

- The Czech national strategy for financial education launched by the Ministry of Finance in 2006 is structured in a comprehensive and coherent plan. It is based on a definition of financial literacy, which includes three main elements: money literacy, price literacy and budget literacy, and as such forms a part of general economic literacy. The strategy also clearly defines the target groups (pupils, citizens), financial literacy standards for these groups (optimal level of financial literacy serving as a benchmark for measurement), roles for various stakeholders (e.g. the government, the private sector), tools (e.g. school curricula and methods), and target situation (active and responsible participation on financial market, indebtedness prevention, old age insurance). The implementation action plan develops for a six year period. The strategy has two main pillars:

  1. School education: involving the Ministry of Finance and the Ministry of Education, Youth and Sports. The Financial Education system for primary and secondary schools is being stepwise implemented.

  2. Lifelong learning: involving government, consumers, market and education experts. The Working Group on Financial Education was established in order to share information and best practices.

  The scheme of the Czech national strategy is attached in the annex.

- In Spain, the Financial Education Plan 2008-2012 is being implemented by two main supervisors: Banco de Espana and CNMV under a collaboration agreement. The main objective of the plan is to improve the financial literacy and confidence of consumers which will contribute to greater stability and economic growth. It has three leading characteristics:

  - *Inclusiveness.* Vocation to reach all segments of the population and to progressively cover all financial products and services
  - *Cooperation.* Calls for collaboration among financial supervisors, public authorities and social and institutional agents
  - *Continuity***.** Limited temporal scope, but requires longer implementation horizon

  The Plan identifies specific target groups: education system, adult population, employees or self-employed, parents with young children, retirees; their needs, actions to carry out and agents involved in every step.

  The following stages have been planned: design and start up (2008); development – together with education authorities (2008-2009); consolidation and extension - implementation of educational projects (2009-2010); evaluation and review – adaptive measures (2011-2012).

- In Ireland, the National Steering Group is finalising a Financial Competency Framework, which lists 420 learning outcomes needed for a person to become financially capable. The learning outcomes are divided into 4 levels intended to correspond with the levels in Ireland's national framework for qualifications. The framework is intended as a tool to assist those developing financial education resource materials and to allow for the development of curricula, standards and awards in formal education. The framework contains learning outcomes that relate to all personal finance issues including basic economic principles and taxation. The framework is primarily intended to develop a standard for formal education but also for informal learning. An extract from the Irish competency framework is attached in the annex.

2.4. Targeting

A national strategy should be composed of programmes targeted at the specific needs of various social groups. The common target groups are defined by age and life situation, for example school children, young adults, university students, families, employees, consumers experiencing financial difficulties etc. Various target groups have different needs and must be reached with adapted channels and approaches.

The UK FSA strategy for improving the financial capability of consumers includes several programmes which are targeted at specific audiences. In particular, it has a strong component for children and young people, which is consistent with the findings of the UK baseline survey (see above):

- A voluntary but wide reaching programme of financial education has been developed in English schools, and is being extended to Scotland, Wales and Northern Ireland. The aim is to provide all young people leaving school with the financial knowledge, skills and confidence, which they need to live full adult lives. The UK Government has recently announced its intention to make financial capability, as part of Personal, Social Health and Economic education, a statutory subject in the secondary schools in England.

- Beyond schools, the FSA has been targeting young adults in colleges and at universities (training and supporting student money advisors to proactively engage with students: 'The Money Doctors'), as well as at the work place.

- A separate, specially designed website is run for 16-24 year olds http://www.whataboutmoney.info . It includes relevant tips e.g. on issues linked with leaving home or taking a first loan, and case studies based on experiences of other young adults.

- As for the adult public, the FSA strategy has been to reach adults in key stages of their lives, such as:

  - Birth of a child: 'The Parent's Guide to Money' is distributed to expectant parents via their midwifes; also Children Centres are being engaged.

  - Work: 'Making the Most of your Money': direct provision of education and information to employees in their work place by trained volunteers.

  Other marked lifetime moments are considered to be added to the strategy, for example separation or divorce or passing to retirement.

2.5. Direct assistance

Direct provision of education programmes, in particular face-to-face training, seems to provide best results. The more proactively the advice is offered, the more effective it may be. Personal involvement and direct contact with a trainer seem to be they key elements of the most successful programmes: either at school, in the work place or elsewhere. However, this requires employment of substantial human resources and therefore appropriate funding. Other provision channels, including the Internet, are also effective and efficient in specific circumstances.

- The UK FSA has allocated funding to the personal finance education group (pfeg) to run a secondary school programme called 'Learning Money Matters'. The teachers are provided with educational materials and experts' direct help in preparing their lessons. The direct assistance available to teachers who themselves often lack the necessary training to discuss financial matters proved to be the key factor of this program's success. It is offered by a network of consultants representing various organisations (e.g. ICAEW or GE Money) who are volunteering to 'bring their expertise to the classroom'. The UK Government is taking forward the £11.5m 'My Money' programme, also delivered by pfeg, to embed financial capability into the secondary curriculum. This delivers support and professional development for teachers, resources, events including 'Money Weeks' and links to children's experiences with money, in particular the Child Trust Fund.

- In Ireland, the Financial Regulator runs a personal finance information service including a telephone helpline and an Information Centre in Dublin city centre. Information is also given in writing. The Financial Regulator is also supporting teachers for financial education. It has developed, in partnership with the government funded Money Advice and Budgeting Service (MABS) a teaching resource for 16-17 year olds and participates in the training of teachers and in classroom visits for this projectThe resource was piloted in 12 schools in 2007 and the first phase of a national roll out has seen its introduction into 160 classes reaching approx 3,000 students. Training seminars are also offered to employers and community groups on personal finance issues.

- The UK Government's aim is that every adult in the UK will be able to benefit from impartial generic financial advice that is tailored to their needs and will help them make confident, informed financial decisions. Following the Thoresen Review, a detailed analysis of how to provide such a service, the UK FSA and Treasury are piloting the 'Money Guidance' service through a large-scale £12m 'pathfinder'. The 'Pathfinder' will consist in providing sales free money guidance via telephone, face-to-face and on-line. It will target in particular those who are most vulnerable to the consequences of poor financial decision-making. The Pathfinder will be delivered to up to 750,000 people in Northern England which will test the feasibility of a national service. This would require a significant investment in funding financial education.

2.6. Marketing

All initiatives developed in the framework of a national strategy require appropriate promotion to ensure the programs reach the maximum number of recipients. Closely linked to the question of marketing is the need to motivate citizens to engage in financial matters and use the programmes, tools etc. aimed at increasing the level of financial literacy.

- Currently the most popular channel for providing financial education services are dedicated Internet websites. Most of the providers detailed here have websites addressed to consumers, which are more or less interactive. Apart from regular textual information, various practical tools can be made available online to attract consumers. For example, transparent generic advice on use of typical products and services, like 'dos and don'ts' (Ireland). Tables for comparing various products or financial calculators for budget, loans and pensions are also useful tools which can be offered to consumers. Quizzes and exercises may be used to test the newly acquired knowledge as on the Commission's Dolceta website which offers self-training on financial services for adult consumers. Another example of a practical service is the Irish 'jargon buster' which provides plain language definitions on technical terms which are often confusing or even scary for everyday people (www.itsyourmoney.ie).

- The Irish Financial Regulator runs regular promotion campaigns in the national media. Special effort has been undertaken for the social marketing of financial education services, using traditional marketing techniques (e.g. analysing and responding to people's needs) and channels (TV, radio, Internet). The smart TV and radio spots have proven particularly successful. An example of a TV ad can be found on the itsyourmoney.ie website[1] (http://www.itsyourmoney.ie/index.jsp?1nID=93&pID=100&nID=554).

- Experience of the National Bank of Poland shows that mass media campaigns can be particularly effective in attracting consumers to financial literacy issues. This was especially the case where modern and inventive techniques were used, for example inserting financial education elements in a popular radio novel or producing a TV quiz show on economic and financial issues featuring local celebrities. It is worth noting that per capita costs of marketing campaign can be relatively low in mass media campaigns, given the number of reached recipients.

2.7. Funding

It is necessary to ensure the appropriate level of funding from public and/or private sources, especially for direct assistance programmes and marketing.

- In the UK, although there is an agreement on the benefits of financial education, there is a debate about who pays. The FSA financial capability budget increased from £4m in 2005/2006 to £22.5m in 2008/2009 and is financed through the FSA's industry levy[2]. The FSA support proved to be the only feasible way to fund substantially sized projects. On its part, the UK Government committed £11.5m to provide personal financial education in schools between 2008 and 2011, £6m for the Money Guidance pathfinder and funds a range of programmes which support financial capability objectives e.g. adult basic skills and family learning programmes.

2.8. Evaluation

The methodologies for measuring the effectiveness of financial education programmes should be developed in parallel with the development of the programmes.

- In the UK, following the baseline survey conducted in 2006, the FSA is measuring the effectiveness of individual initiatives and their impact on target groups. A specialist evaluation team has been set up to develop more robust approaches to evaluation, to ensure consistency and to challenge the teams and evaluation partners.

- In Ireland, work to develop standard methodologies for measuring the effectiveness of financial education programmes is planned.

---

[1] Go to www.itsyourmoney.ie and click on ‘about us’ and then ‘public awareness activity’

[2] The UK Financial Services Authority is an industry funded regulator.

3. RECOMMENDATIONS

The members of the Expert Group on Financial Education, based on their practical experience, confirm the **compelling need for financial education** of European consumers who face increasing responsibility for their personal finance and – consequently – bear more and more financial risks. The **public authorities** can help by **coordinating** financial education initiatives at the national level, involving all relevant stakeholders through public–private partnerships. In particular, policy makers in charge of education should actively participate in initiatives aiming at the improvement of financial education.

To facilitate the development of successful national strategies, the experts suggest considering the following **practical recommendations**:

- Relevant **evidence** should be gathered to identify the priority needs in the society, for example, through surveys at the national or European level (e.g. the OECD PISA surveys of school curricula);

- Comprehensive **long term action plans** should be developed which clearly state the objectives and how these are to be achieved;

- Single programmes should be **targeted** to specific groups, according to their differing needs;

- **Direct and proactive provision** of financial education should be encouraged, as much as maximising effectiveness of other provision channels,

- **Marketing** strategies should accompany each initiative to maximise the effectiveness of their impact on the target groups;

- Appropriate **funding** must be ensured to guarantee the effectiveness of programmes;

- **Evaluation** must be planned in the early stages of developing each national strategy as well as individual scheme.

The Experts advise the Commission to encourage the responsible authorities in **all Member States** to develop national strategies for financial education.

Annexes

Annex 1: Extract from the new Irish financial competency framework – focus on credit

Areas of learning	**Foundation knowledge, skills and concepts**	**Researching and evaluating information and advice**	**Coping with problems and the unexpected**	**Social and personal issues about finance**
Broad general purpose statements	Budget for daily spending	Critically evaluate and compare information	Plan for changes in their personal circumstances	Analyse their own financial needs and wants
4 levels leading to specific learning outcomes	Understand the basic types of borrowing	Access information provided by firms and other sources	Prepare for a loss in income	Prioritise needs over wants
	Manage an appropriate level of debt	Compare costs and benefits	Anticipate and plan for growing expenditure	Explain life events that lead to the need for planning
	Plan to absorb rising interest rates	Compare how different forms of credit affect the ownership of assets	Understand that options for dealing with debt problems	
	Understand the consequences of defaulting			

Annex 2: Czech National Strategy for Financial Education: implementation scheme