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Building Blocks for Industry Driven Investor Education Initiatives

EFAMA Report on Investor Education



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Christian Dargnat

President

European Fund and Asset Management Association (EFAMA)

I am pleased to introduce the EFAMA report on investor education. This document aims to address a challenge which has remained at the heart of EFAMA's priorities for several presidencies and stands as the bedrock on which we will develop our future actions. EFAMA believes that investor education will help the investment management industry to strengthen investor trust and to be recognized as a long term partner in providing investment products and solutions.

The EFAMA report deals with three key topics:

- By way of introduction, an overview of the current landscape describes the necessity to implement initiatives on investor education
- The second part of this report reveals a comprehensive list of EFAMA best practice guidelines for Investor Education Initiatives
- The third part is devoted to investor education initiatives undertaken by EFAMA members: I am absolutely convinced that the involvement of each member of EFAMA is key to contribute to the success of our all industry

We are facing an underestimated paradox between retail investors' needs and requirements and the current regulatory environment.

On the one hand, retail investors' expectations are higher than ever before. They are increasingly looking for tailor made solutions for their investment solutions. However, households remain mostly risk averse and are looking for capital guarantees or at least some form of protection against financial market volatility.

On the other hand, regulators increasingly aim to protect the retail investor by the introduction of new constraints in financial regulations such as updates of MiFID or UCITS. Consequently, asset managers want to create solutions responding to investors needs but have to comply with extensive regulatory requirements.

“It takes two to tango”, however, and we are facing today a dilemma which results in a clear misunderstanding between risk and complexity.

The asset management industry should naturally be part of the solution to the threats facing our economy:

- Companies are calling for sustainable, long term financing solutions and we are ideally placed to offer this.
- The fund management industry is in a position to find alternative ways of financing the gap left by the banking model.
- European citizens are suffering from mis-allocation of their savings to non-risky and short term products and we can provide access to capital markets for all investors and offer long term, robust, transparent, liquid diversified cost-efficient products.

All these issues can be resolved because asset management business is a client centric business which cares about clients and offer dedicated solutions and services.

In order to achieve this, our actions should lead to an improvement in investor education on several levels. It is necessary to educate the end investors, so that they better assess risk and receive investment solutions which fit their needs. EFAMA also believes in the need to educate financial intermediaries given their privileged relationship with retail investors. Moreover, we need to pay special attention to the media, regulators and public authorities. They promote and defend the key role that we play between the final investors and the economy. In fact, public and private support is essential to attract increased savings and investing for the future.

To conclude, I hope that you will enjoy reading this report and encourage you to take inspiration from the many and diverse investor education initiatives that are already undertaken by EFAMA members. In fact, I invite all readers of this report to consider how they too can contribute to the increasingly important need for improved investor education. I also wish to express my gratitude to the EFAMA staff and the Investor Education Working Group which has made important efforts to achieve such an important report for our industry.

Flore-Anne Messy

Principal Administrator, Financial Education & Global Relations
Organisation for Economic Co-operation and Development (OECD)

Especially in the aftermath of the financial crisis, financial literacy¹ has been increasingly considered by policy and decision makers as a life skill of the 21st century necessary to enable individuals to fully participate in social, economic and financial activities. Indeed, the crisis has in a quite unfortunate way highlighted the importance of placing individuals back at the centre of economic and financial systems to promote sustainable and inclusive development. This involved reviewing and enhancing existing protective national and regional frameworks while empowering citizens economically and financially.

With a view to improving the financial competencies of the population and assist them in making more savvy financial decisions, financial education and in particular tailored national strategies for financial education have been designed and implemented in a mounting number of countries (45 in 2013)². The rationale for the development of these national strategies is multi-fold and especially rests on the need for adapted, consistent, coordinated and effective action to boost financial literacy while avoiding duplication of resources.

¹ Financial literacy is defined as a combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial wellbeing. (OECD/INFE High level principles on National strategy for Financial Education, 2012)

² See G20 Russia Presidency/OECD Advancing National Strategies for Financial Education, 2013 – available at www.financial-education.org

The importance of financial education has also been recognised at the highest policy level by G20 Leaders as a complement to financial consumer protection and inclusion with a view to achieving financial stability. Moreover, High-Level Principles on National Strategies for Financial education developed by the OECD and its International Network on Financial Education (INFE) have been endorsed by G20 leaders in 2012, and supported by APEC Ministers of Finance that same year.

The OECD has since 2002 been committed to improve the level of financial literacy of individuals to support and harness financial consumer protection measures. In order to achieve this challenging goal, it has created in 2008 the INFE which now counts experts on financial education from 107 countries and 240 public institutions. Over the last decade, the OECD and its INFE have in particular established tailored global policy instruments based on the sharing of good practices among peers, elaborated methodologies to enhance the efficiency of delivery and measure levels of financial literacy as well as supported comparative analysis and research. The OECD and its INFE have also particularly sought to promote the inclusion of financial education in schools with a view to enhancing financial behaviours from an early age and establishing robust foundations on which further education initiatives for adults can effectively build to achieve key policy objectives.

Amongst these policy objectives, one that has emerged as a response to the gloomy financial and economic situation as well as demographic and social trends is the promotion of long-term saving and investment including through educative initiatives. The focus on individuals and households' long-term saving is deemed essential to balance the lack of saving and in some countries mounting debts' levels of governments and corporations. In addition, individuals have greater needs for protection and savings to address unexpected life events but also a wider array of financial risks (i.e. longevity, health, education, income, among others) transferred to them as a result of shrinking public and private budgets. At the same time, investment in specific types of assets and in the real economy is more and more important to help sustaining economic activities as well as the strengthening infrastructure and deepening research in innovative areas.

These pressing policy priorities can be efficiently sustained by appropriate educative initiatives targeting different groups of the population as illustrated by academic research (see chapter 1) as part of a consistent national strategy for financial education.

In order to address these issues, the OECD/INFE has created a dedicated expert subgroup on financial education for long-term saving and investment which is elaborating dedicated analytical reports and policy instruments based on an extensive survey of practices amongst the INFE membership.

At national and regional levels, various initiatives by governments, the financial industry and the civil society have been established over the last years to develop the capacity of individuals to save for the long term and invest to improve their future financial wellbeing. In this respect, the role of the industry should be highlighted in two important regards. First, in the course of its commercial activities, the industry can help reinforce the protection of (potential) investors by enhancing the quality and adequacy of information and advice provided to them as well as the training of staff and that of financial intermediaries. Second, the industry and its associations can also support the development of individuals' competencies in the framework of their social responsibility. Recognising the importance of this role as well as the potential for conflicts of interest with commercial activities, the OECD/INFE has developed in 2013 dedicated guidelines on private and non-for-profit stakeholders in financial education.

In this respect, as for other components of financial education, some guidance should be considered when developing investor education initiatives to ensure effective delivery and a positive impact on investors' behaviours. This notably includes starting early, providing education and information that is objective and unbiased on a regular basis and in a timely fashion when (potential) investors need it, gathering evidence on these needs, establishing partnerships to outreach a wider audience, targeting and segmenting the audience as a function of its needs and abilities as well as evaluating and monitoring systematically.

Against this active background, the release of this publication which gathers the views, experiences and initiatives of academic, international organisations such as IOSCO, and public and private stakeholders under the aegis of EFAMA is particularly timely. This publication indeed provides a very valuable European addition to the international policy and research work as well as an overview of current and effective private practices in the area of investor education at the European level. I wish to congratulate the EFAMA staff for its successful efforts in putting together this very useful body of information and resources and look forward to follow up action in this important field.

PART I

Essential Perspectives

Introduction

Bernard Delbecque

Director of Economics & Research
European Fund and Asset Management Association (EFAMA)

Jonathan Healy

Economist

Introduction

The purpose of this part of the report is to provide *essential perspectives* about investor education. Rather than attempting to summarize ourselves the state of the debate, we have asked five independent experts in certain fields of financial services to convey their views on the goals of investor education, and the type of actions that are most effective to achieve these goals. These experts belong to five different stakeholder groups representing academics, international regulators, national financial supervisory authorities, end investors and independent financial advisors.

Five essential perspectives

Chapter one is written by Annamaria Lusardi, who is Professor of Economics and Accountancy at The George Washington School of Business, as well as the academic director of the Global Financial Literacy Excellence Center in Washington DC. In her paper entitled “Financial Literacy and Financial Decision-Making: Evidence and Implications for Investor Education”, she provides an overview of the main findings of academic research on financial literacy, which supports the idea that financial illiteracy is widespread in the United States and other advanced economies. People’s knowledge of basic financial concepts such as compound interest rates, inflation and risk diversification is very poor, and only a minority of people understands “sophisticated” financial concepts, such as stock market and investment funds. Lusardi’s review of the literature also highlights that there is a strong link between financial literacy and savings behavior, retirement planning, borrowing and participation in financial markets. This finding confirms that low financial literacy may have far-reaching consequences for the well-being of people and countries. Building on her research in this area, Lusardi draws several implications for policymakers, educational institutions, investment managers and other stakeholders, which can aid those creating initiatives in the area of investor education.

Chapters two and three focus on the perspectives of public authorities on financial and investor education programs. There are a number of advantages in public authorities taking a lead role in establishing such programs, in particular the fact that regulators are in a unique position to provide unbiased and objective information, which is considered essential if a financial education program is to be effective. Investor education can also be considered as a key component of the overall objective of investor protection, which further enhances the engagement of public authorities in this area. Establishing national strategies for financial education also allows addressing most effectively nation-specific needs within co-ordinated initiatives involving the private and the not-for-profit sectors.³

Chapter two, which has been written by Gary Tidwell on behalf of the International Organization of Securities Commissions (IOSCO), confirms the major role played by IOSCO in the area of investor education, not only a standard setting organization but also as a global information sharing and training center. In this chapter, Tidwell outlines recent IOSCO initiatives, such as the launch of a new online tool – the “Investor Education Gateway” – and the organization of global and regional investor education workshops. IOSCO’s goal is to share the “latest and greatest” practices when it comes to all aspects of investor education, taking the view that investor education can provide people with helpful tools to take informed financial decisions and be more self-reliant when investing in financial products. Yet, Tidwell recognizes that financial literacy is not the only element of good financial decision making. An important implication of this important message, which is also supported by academic research, is that governments should complement financial education with initiatives aimed at providing affordable expert advice, designing appropriate default investment choice, and ensuring that distributors act in their clients’ best interests at the point of sales.

³ The joint publication by Russia’s G20 Presidency and the OECD titled [Advancing National Strategies for Financial Education](http://www.oecd.org/finance/financial-education/G20_OECD_NSFinancialEducation.pdf) provides very useful information on progress made by the governments of the world’s major economies in implementing national strategies for improving financial education; see http://www.oecd.org/finance/financial-education/G20_OECD_NSFinancialEducation.pdf.

Viveca Wallén Vrenning from the Swedish Financial Supervisory Authority (Finansinspektionen (FI)) supplements the IOSCO perspective in Chapter three by illustrating how “best practices” and “good ideas” in the area of investor education have been implemented in a national strategy for financial education in Sweden. In her paper entitled “Financial literacy in Sweden: A national commitment to reach consumers”, Wallén explains how FI has established a nationally co-ordinated approach to financial education, which included establishing a network of stakeholders, conducting studies to identify the population’s needs, identifying target groups, defining specific actions, and evaluating the strategy. Two specific features of the Swedish strategy are particularly worth highlighting, i.e. firstly, the involvement of a large group of partners from the public and private sectors, which are involved directly in the design and implementation of the overall strategy and of specific programs, and secondly, the importance given to the provision of educational programs and the training of the programs’ teachers to deploy a multiplier effects across the identified target groups (students, employees, pensioners, immigrants).

The perspective of the end-investors is conveyed in Chapter four, which is written by Guillaume Prache, CEO of EuroFinUse (European Federation of Financial Services Users). In his article entitled “The Fall of Financial Literacy”, Prache highlights that there are two opportunities in life where people can get financial education: in school and at the point of sale. However, he points out that financial education has substantially lost its importance in school curricula in recent decades. This is unfortunate because the trend to defined-contribution pension schemes away from “pay-as-you-go” pension systems justifies more than ever empowering citizens to make decisions well-suited to their financial circumstances. Prache also regrets that too often policymakers are no longer able to understand the respective importance of bonds and stocks in the financing of the economy. Against this background, he confirms asset managers together with distributors and advisors have a crucial role to play to educate their clients about the basics of capital markets and saving. He also suggests that the low level of financial literacy justifies promoting a range of simple financial products that can be easily understood by European citizens.

Chapter five conveys the perspective of financial advisors, as presented by Keith Richards, CEO of The Personal Finance Society. In this article, entitled “Winning New Investors Confidence”, Richards outlines how consumers trust in financial services has been undermined by negative events in recent years. The importance of expert financial advice and financial planning are discussed, but unless sufficient education is provided to consumers, consumers are unlikely to seek such advice. The article also touches upon training and continuous professional development schemes which are supported by the industry.

Financial education, investor education and investor protection

The unique perspectives presented in the following chapters share a common characteristic, namely they tend to use interchangeably the terms “financial education” and “investor education”. In conclusion of this chapter, we would like to shed some light of these terms and highlight their complementarity.

The definition of financial education developed by the OECD in 2005 and endorsed by G20 leaders in 2012 refers 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.”⁴

In its Communication on Financial Education, the European Commission refers to financial education as enabling:

“individuals to improve their understanding of financial products and concepts, and develop the skills necessary to improve their financial literacy, i.e. to be aware of financial risks and opportunities and to make informed decisions in their choice of financial services.”⁵

Both definitions are broad enough to cover investor education within the scope of financial education. However, it may be useful, and possible indeed, to distinguish between the two concepts, as many stakeholders already do.

One way of thinking is to relate **financial education** to the learning and improvement of skills and knowledge of financial concepts and products which are essential to the everyday management of personal finances, and provides individuals with the ability to understand financial matters that they are likely to come across in everyday life. In this perspective, financial education focusses on basic concepts such as inflation, interest rates and risk diversification, basic financial products such as bank accounts, mortgages, stocks, bonds and investment funds, and basic aspects of financial planning such as saving, debt management and insurance.

Investor education, on the other hand, refers to the learning and improvement of skills and knowledge that people need to know for making sound investment decisions, selecting among different savings products, and planning for retirement. Investor education allows an informed decision to be taken when buying, selling or managing investment products. In this area where a majority of people have to manage their savings and plan for their retirement income, investor education programmes are very important to improve the wellbeing of people by contributing to better saving and investment decisions, as well as the economic welfare by fostering efficiencies in the financial industry.

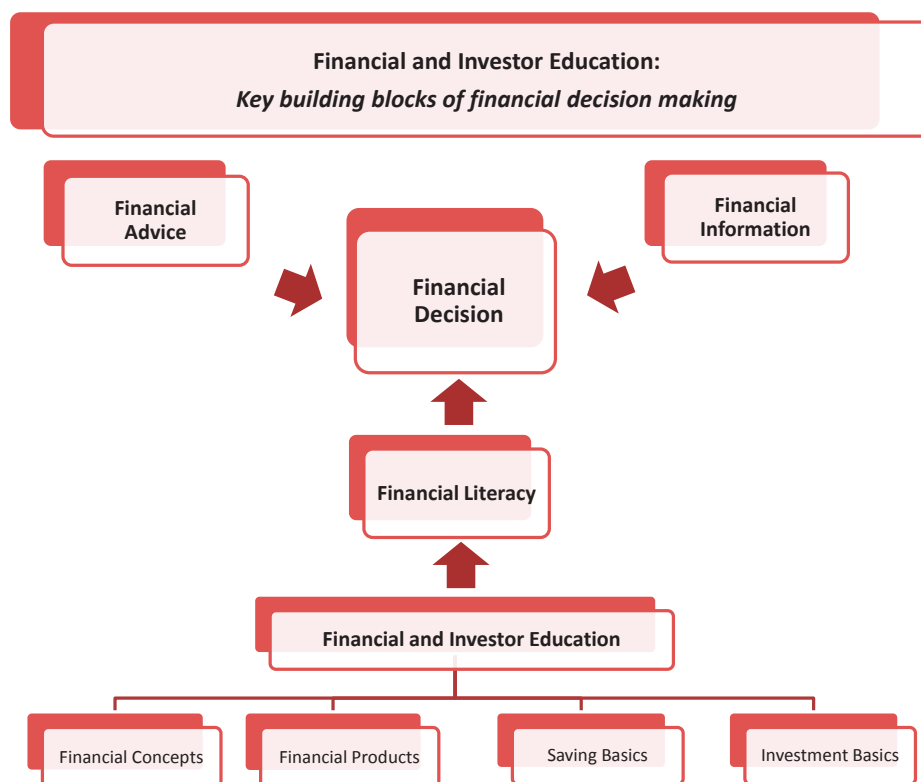
Financial and investor education can be viewed as a policy response to reach a minimum level of **financial literacy** in the general population. In this context, research on financial literacy is essential for two reasons: firstly, because policymakers need reliable indicators about the level of financial illiteracy to establish financial and investor education programmes, and secondly, because those indicators are very important to evaluate the policy response. Without the pioneering work undertaken by Annamaria Lusardi in this area and the advisory services offered by the OECD and IOSCO, it is doubtful that so many governments and financial institutions from the private sector would have agreed to address the financial literacy needs of our societies.

⁴ See the 2005 OECD’s “Recommendation on Principles and Good Practices for Financial Education and Awareness”, which have been adopted by the OECD Council.

⁵ See Communication from the Commission on “Financial Education”, COM (2007) 808, Brussels 18.12.2007

This does not mean that financial and investor education is a panacea. To increase the ability of Europe's citizens to understand and engage with financial products and to strengthen their trust in the financial services industry, financial and investor education should be a complement to measures aiming to ensure the appropriate provision of **financial information and advice** to consumers. From this point of view, the European Commission is right to argue that “the sum of these policies contributes to empowering consumers to make the best decisions for their financial circumstances.”⁶ In other words, improving financial literacy, financial information and financial advice has become an accepted policy solution to develop the ability of people to take good **financial decisions**.

In conclusion, financial decision making is at the heart of financial and investor education, as it is the knowledge possessed that will determine the outcome of any decision. Educated consumers who can understand financial information and financial advice are better equipped to make better choices of financial products for their particular needs, and are protected against financial risks and fraud. Over the past number of years much has been done in the field of regulating financial information, advice and financial products. However, if consumers do not have the basic knowledge to understand these concepts, then that regulation may be in vain. Therefore, it cannot be stressed enough that there is a clear need to improve financial literacy of people through better, more widespread financial and investor education initiatives.



⁶ See Communication from the Commission on “Financial Education”, COM (2007) 808, Brussels 18.12.2007.

1**Financial Literacy and Financial Decision-Making: Evidence and Implications for Investor Education****Annamaria Lusardi**

Professor
The George Washington School of Business

Abstract

This overview of the existing work on financial literacy highlights what investors know and do not know about the basic principles governing financial decisions as well as the consequences of the lack of financial knowledge. It covers the evidence from as many as twelve countries where harmonized measures of financial literacy have been implemented and an international comparison of financial literacy is possible. The chapter explores the link between financial literacy and financial decision-making and offers a set of best practices and recommendations for improving financial literacy and investor education.

This chapter borrows heavily from the work I have done with several co-authors, including surveys of the academic literature on financial literacy. I would like to thank them, in particular Olivia Mitchell, for their many suggestions and comments. I would also like to thank Mary Dempsey for editorial support. Any errors are my responsibility.

Annamaria Lusardi

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Introduction

With the introduction of new products and financial services over the last few decades, financial markets around the world are becoming increasingly accessible to the “small investor.” However, many of these products are complex and difficult to grasp, especially for financially unsophisticated investors. At the same time, changes in the pension landscape are requiring that individuals make their own decisions about retirement savings and investments. The result is an urgent and escalating need for broader and deeper financial knowledge around the world and across demographics.

Prior to the 1980s, in countries like the United States, Social Security and employer-sponsored defined benefit (DB) pension plans were the primary sources to support retirement. Today workers are increasingly turning to defined contribution (DC) plans and Individual Retirement Accounts. The transition to the DC retirement saving model has the advantage of permitting more worker flexibility and labor mobility than in the past, yet it also imposes on employees a greater personal responsibility to save, invest, and decumulate retirement wealth sensibly. Furthermore, the spread of DC plans means that workers today are directly and immediately exposed to financial market risks.

The ways in which people borrow money and manage their liabilities have also shifted. Prior to the current financial crisis, both consumer credit and mortgage borrowing expanded rapidly. Alternative financial services characterized by high interest rates, such as payday lending, spread dramatically in several countries. And consumers who borrowed via credit cards or subprime mortgages were in the historically unusual position of deciding for themselves how much they could afford to borrow.

Financial decisions—whether related to asset building, portfolio choice, or debt management—require the capacity to do calculations and an understanding of basic financial concepts, including risk diversification. Therefore, in this new era of increased responsibility, individuals must be financially literate if they are to successfully confront the many financial decisions they will face over a lifetime. And financial decisions start early. For example, one of the most important decisions an individual will ever make comes in high school, when he/she must decide whether or not to go to college. In many countries, high school students will also have to decide how to pay for that investment in education. The OECD’s Programme for International Student Assessment (PISA)—an international study that aims to evaluate education systems worldwide by testing the skills and knowledge of 15-year-old students—has recently added financial literacy to the topics it measures across countries. In addition to math, reading, and science, financial literacy is now considered an essential skill that young people need to succeed in today’s society.⁷

Research has clearly identified the pressing need for greater financial literacy, but the challenge is not yet being met. A review of studies and surveys in the United States and other countries shows that the level of financial literacy among the population is very low. Moreover, financial literacy does not seem to be improving over time. Financial illiteracy is both widespread and particularly severe among specific demographic groups. This has consequences for both individuals and society as a whole because financial literacy plays an important role in financial decisions.

⁷ <http://www.oecd.org/finance/financial-education/oecd-pisa-financial-literacy-assessment.htm>

As responsibilities once held by governments and employers shift onto individuals, it is important to equip individuals so that they may make savvy financial decisions. The research work reviewed in this chapter offers insights and recommendations to improve financial literacy and to elevate the effectiveness of investor education programs. Section II of the chapter provides an overview of the existing work on financial literacy. Section III describes the demographic groups that are most lacking in financial literacy. Section IV chapter the relationship between financial literacy and financial decision-making. And Section V discusses implications for investor education.

Financial Literacy: How Much Do People Know?

The Global Financial Literacy Excellence Center has been at the forefront of research on financial literacy, pioneering measures of financial literacy that have become the gold standard in research and have been added to national surveys in more than twelve countries.⁸ Its methodology and main findings are included in this chapter. The analysis of these new data has uncovered important facts that offer useful insights into the importance of financial literacy, how to address the lack of financial literacy, and how to improve the effectiveness of investor education programs.

Measures of Financial Literacy

Fundamental concepts lie at the root of saving and investment decisions, in particular when modeled in a life-cycle setting. Three such concepts are (i) *numeracy and the capacity to do calculations related to interest rates, such as compound interest*; (ii) *an understanding of inflation*; and (iii) *an understanding of risk diversification*. Translating these into easily measured financial literacy metrics is difficult, but Lusardi and Mitchell (2008, 2011b, c) designed a standard set of questions around the concepts. By limiting the number of questions and making them applicable to many economic settings, it has been possible to add the same financial literacy questions to numerous surveys in the United States and abroad.

The questions are:

- Suppose you had \$100 in a savings account and the interest rate was 2% per year. After 5 years, how much do you think you would have in the account if you left the money to grow:
 - more than \$102,
 - exactly \$102,
 - less than \$102,
 - do not know,
 - refuse to answer.

⁸ The author of this paper, Annamaria Lusardi, is the academic director of the Global Financial Literacy Excellence Center. She has introduced standards for financial literacy measurements and methodology both in the United States and in other countries.

- Imagine that the interest rate on your savings account was 1% per year and inflation was 2% per year. After 1 year, with the money in this account, would you be able to buy:
 - more than today,
 - exactly the same as today,
 - less than today,
 - do not know,
 - refuse to answer.

- Do you think that the following statement is true or false? ‘Buying a single company stock usually provides a safer return than a stock mutual fund.’
 - true,
 - false,
 - do not know,
 - refuse to answer.

The first question measures numeracy, or the capacity to do a simple calculation related to the compounding of interest rates. The second question measures understanding of inflation, again in the context of a simple financial decision. The third question is a joint test of knowledge about ‘stocks’ and ‘stock mutual funds’ and of risk diversification, since the answer requires knowing what a stock is and that a mutual fund is composed of many stocks. As their wording indicates, these survey questions seek to measure basic financial concepts. Respondents are asked to answer by choosing from a list of responses. The answers include “I do not know” and “refuse to answer,” options that are designed to prevent a respondent from picking an answer at random. These answers have proven valuable in differentiating among levels of financial knowledge.

The three questions were first added to the U.S. 2004 Health and Retirement Study, a survey covering older respondents.⁹ They were subsequently incorporated into the U.S. National Longitudinal Survey of Youth conducted by the Bureau of Statistics, the RAND American Life Panel and, more recently, both the 2009 and 2012 waves of the National Financial Capability Study (NFCS) by the FINRA Investor Education Foundation. The questions also have been used in national surveys in other countries. Two journals—a special issue of the *Journal of Pension Economics and Finance* in October 2011 and a theme collection in *Numeracy* in July 2013—published sets of papers that compare these measures of financial literacy and their link to financial decision-making across countries, a project titled Financial Literacy Around the World (FLAT World).¹⁰

Table 1 reports a few key findings from the 12 countries that used the same or similar financial literacy questions and for which comparisons can be made for the total population.¹¹ For brevity, only the proportion of correct and “do not know” answers to each question are reported. The findings reveal that few people can correctly answer three basic financial literacy questions. In the United States, only 30

⁹ More information about the survey can be found here: <http://hrsonline.isr.umich.edu/>

¹⁰ See Lusardi and Mitchell (2011c) and Lusardi and Wallace (2013) for a review of these special issues and the findings reported in the papers comprising the FLAT World project.

¹¹ For a detailed discussion of these findings, including a full list of the papers examining financial literacy in those countries, see Lusardi and Mitchell (2013).

percent can do so, with similarly low percentages in countries that have well-developed financial markets (Australia, Germany, Japan, the Netherlands, and others), as well as in nations where financial markets are changing rapidly (Romania and Russia). In other words, low levels of financial literacy are not specific to a given country or stage of economic development. They are found everywhere.

Table 1: Comparative Statistics on Responses to Financial Literacy Questions around the World

Country	Year of data	Interest rate		Inflation		Risk Divers.		All 3 correct	At least 1 Don't Know	N
		Correct	DK	Correct	DK	Correct	DK			
USA	2009	64.9%	13.5%	64.3%	14.2%	51.8%	33.7%	30.2%	42.4%	1,488
Netherlands	2010	84.8%	8.9%	76.9%	13.5%	51.9%	33.2%	44.8%	37.6%	1,665
Germany	2009	82.4%	11.0%	78.4%	17.0%	61.8%	32.3%	53.2%	37.0%	1,059
Japan	2010	70.5%	12.5%	58.8%	28.6%	39.5%	56.1%	27.0%	61.5%	5,268
Australia	2012	83.1%	6.4%	69.3%	13.0%	54.7%	37.6%	42.7%	41.3%	1,024
New Zealand	2009	86.0%	4.0%	81.0%	5.0%	49.0%*	2.0%	24.0%	7.0%	850
Switzerland	2011	79.3%	2.8%*	78.4%	4.2%*	73.5%	13.0%*	50.1%	16.9%	1,500
Italy	2007	40.0%	28.2%*	59.3%	30.7%*	52.2%*	33.7%*	24.9%	44.9%	3,992
Sweden	2010	35.2%*	15.6%*	59.5%	16.5%	68.4%	18.4%	21.4%	34.7%	1,302
France	2011	48.0%*	11.5%*	61.2%	21.3%	66.8%*	14.6*	30.9%	33.4%	3,616
Russia	2009	36.3%*	32.9%*	50.8%*	26.1%*	12.8%*	35.4%*	3.7%	53.7%	1,366
Romania	2011	41.3%	34.4%	31.8%*	40.4%	14.7%	63.5%	3.8%	75.5%	1,030

Note: This table reports the proportion of correct and “do not know” (DK) answers to the three financial literacy questions listed above. This table is adapted from Lusardi and Mitchell (2013). Please refer to their work for a detailed description of the findings and the list of the authors who examine financial literacy in the countries reported in the table.

* indicates questions that have slightly different wording than the baseline financial literacy questions enumerated in the text.

Knowledge of inflation varies widely across countries and in ways that are related to individuals’ national historical experience. For example, German and Dutch respondents are more likely to know the answer to the inflation question than their counterparts in Japan, a country that has experienced deflation. Respondents in countries that had planned economies in the past (such as Romania and Russia) displayed the lowest knowledge of inflation.

The pattern of responses changes significantly when the question involves risk diversification. Not only is the proportion of correct answers low but, virtually everywhere, a high share of people respond that they ‘do not know’ the answer. For instance, in the United States, Germany, and the Netherlands, 34 percent, 32 percent, and 33 percent of respondents, respectively, state that they ‘do not know’ the answer to the risk diversification question. Even in countries with low proportions of ‘do not know’ answers, like Sweden and Switzerland, 18 and 13 percent, respectively, report that they do not know the answer to this question.

Given the importance of understanding risk and risk diversification, Lusardi, Schneider, and Tufano (2011) designed a set of questions measuring “risk literacy” that were added to the 2009 TNS Global Economic Crisis Study covering 13 countries; they are reported in the Appendix (Panel A). Even when using these alternative measures of risk and risk diversification, akin to concepts essential for portfolio choice, they find that only a small proportion of respondents in the United States and in other countries respond correctly. Moreover, the proportion of ‘do not know’ responses is very much in line with those

reported in the surveys mentioned previously. One of these risk literacy questions was later included in the 2011 ING Financial Competence Survey, which covered 11 countries.¹² On average, both the proportion of correct responses and the ‘do not know’ responses were in line with the findings previously reported. In other words, across countries, risk diversification appears to be the concept that people have the most difficulty grasping.

While financial literacy is measured using only three questions, the findings are confirmed in several other surveys. For example, an OECD report in 2005 documented extensive financial illiteracy in Europe, Australia, and Japan. More recently, Atkinson and Messy (2011, 2012) found these same patterns of financial illiteracy across 14 countries in four continents, using a harmonized set of financial literacy questions.¹³ Moreover, as discussed in more detail in the review of the academic literature by Lusardi and Mitchell (2013), these findings are confirmed in many other surveys.

Van Rooij, Lusardi, and Alessie (2011) extend the measure of financial literacy to incorporate more advanced concepts, thus attempting to measure financial sophistication in addition to basic financial literacy. They piloted a set of questions in a survey of a representative sample of the Dutch population. The questions, which were later added to the U.S. American Life Panel (Lusardi and Mitchell 2009), are listed in an appendix to this chapter (Panel B). In both the Netherlands and the United States, only a minority of people can be considered financially sophisticated. Most do not know the function of the stock market or what mutual funds do. Only one in four respondents (24.6 percent) in the Netherlands and about one in three respondents (31.6 percent) in the United States know about the relationship between bond prices and interest rates. The answers to these questions also confirm that most people have a limited understanding of risk diversification.

Lack of financial knowledge among investors is also highlighted in a recent U.S. Securities and Exchange Commission report. The report warns of low levels of financial knowledge among investors and the potential consequences of financial illiteracy.¹⁴

Objective versus Subjective Measures of Financial Literacy

Another notable financial literacy finding points to a troubling mismatch between peoples’ *self-assessed* (*subjective*) knowledge and *actual* (*objective*) knowledge, with the latter usually measured by correct answers to a set of questions such as those discussed earlier and the former measured with a question like the following, which has been used in the United States, the Netherlands, and Germany: “On a scale from 1 to 7, where 1 means very low and 7 means very high, how would you assess your overall financial knowledge?”

Even though actual financial literacy levels are low, respondents are generally confident about their own awareness and, overall, tend to overestimate how much they know. In the 2009 U.S. Financial Capability Study, for instance, 70 percent of respondents gave themselves scores of 4 or higher (out of 7), but only

¹² A copy of the report is found online at

http://www.economics.com/ing_international_survey/financial_competence

¹³ Their survey uses eight financial literacy questions and focuses on fundamental concepts, including the three main concepts discussed earlier.

¹⁴ The full report is available online: <http://business.gwu.edu/flss/files/Paper-flss.pdf>

30 percent of the sample answered the financial literacy assessment questions correctly (Lusardi 2011). Similar findings have been reported in other U.S. surveys and in Germany and the Netherlands (Bucher-Koenen, Lusardi, Alessie, and van Rooij 2012). One exception is Japan, where respondents gave themselves low financial knowledge scores.

This mismatch is worrisome as it suggests that individuals, unaware of their lack of financial knowledge, may make poor financial decisions or fail to ask for help or advice even when it would be to their benefit.

Who Knows the Least?

Financial illiteracy is not only widespread but it is alarmingly low among specific demographic groups, with age, education level, employment status, and gender as factors. The international comparison offers useful insights as findings are strikingly similar across countries.

When it comes to age, financial literacy follows an inverted U-shaped pattern, being lowest for younger and older consumers but peaking in the middle of the life cycle, as shown in Table 2 across a selected set of countries. A single cross-section is not sufficient for distinguishing between age and generational effects, but the survey results show a pattern consistent with the notion that knowledge rises with experience and declines with age.

Table 2 : Financial Literacy by Age Group

(% providing correct answers to all three financial literacy questions)

	<i>Age groups</i>			
<i>Countries</i>	<36	36-50	51-65	>65
USA	19.4	36.8	40.5	26.2
Germany	55.3	60.7	53.3	42.8
The Netherlands	46.0	45.8	46.7	39.6
Switzerland	45.0	52.4	49.1	41.6

Note: See Lusardi and Mitchell (2013) for detail about these studies.

A few findings are particularly noteworthy. In the United States, where financial knowledge questions have been added to a survey with a large sample of young respondents (Lusardi, Mitchell, and Curto 2010), only 27 percent of respondents age 23–28 are able to correctly answer the three basic financial literacy questions described earlier. Moreover, there is a strong link between financial literacy and family background; the young who are financially literate are disproportionately more likely to have parents who have college degrees. On the other end of the age distribution, older respondents tend to score low (and often lowest) on measures of financial literacy, yet they give themselves very high self-assessed knowledge scores, a finding which is particularly strong in the United States but holds true across many countries (Lusardi and Tufano 2009a; Lusardi and Mitchell 2011c). This mismatch between actual and perceived knowledge might explain why financial scams are perpetrated against the elderly (Deevy, Lucich, and Beals 2012).

One striking feature of the empirical data on financial literacy is the large and persistent gender difference (shown in Table 3 across selected countries). Not only are older men generally more financially knowledgeable than older women, but similar gender gaps show up among younger respondents and across all age groups (Lusardi, Mitchell, and Curto 2010; Lusardi and Mitchell 2009; Lusardi and Tufano 2009a, b). Moreover, while women are less likely than men to correctly answer the financial literacy questions, they are also far more likely to say they ‘do not know’ an answer to a question, a result that is strikingly consistent both across countries and among population subgroups.¹⁵ Women also tend to give themselves low scores on financial literacy. This awareness of their own lack of knowledge suggests that women would be ideal targets for financial education programs.

Table 3 : Financial Literacy by Sex

(% providing Correct and Do not know answers to all three financial literacy questions)

<i>Countries</i>	<i>% Correct Answers</i>		<i>% Do not know</i>	
	Male	Female	Male	Female
USA	38.3	22.5	34.3	50.0
Germany	59.6	47.5	29.9	43.3
The Netherlands	55.1	35.0	29.0	45.8
Switzerland	62.0	39.3	11.8	21.6

Note: See Lusardi and Mitchell (2013) for detail about these studies.

To shed more light on women’s financial literacy, Mahdavi and Horton (2012) examined alumnae from a highly selective U.S. women’s liberal arts college. Even in this talented and well-educated group, women’s financial literacy was found to be very low. The fact that even very well educated women are not particularly financially literate could imply that women acquire financial literacy differently than men.

Financial literacy is also strongly correlated with higher levels of education, although even at the highest level of schooling, literacy levels are low. Financial knowledge is also higher among those who are working and, in some countries, among the self-employed, than it is among those who are unemployed. This difference may stem in part from financial education programs offered in the workplace (such as in the United States). It could also reflect knowledge gained from colleagues or acquired on the job.

Linking Financial Literacy to Financial Decisions

Does financial knowledge matter? While documenting the level of financial literacy in the population and among subgroups is important, the critical question is whether financial literacy has implications for behavior. Several papers have documented the link between financial literacy and economic behaviors. Earlier work by Bernheim (1995, 1998) emphasized that most U.S. households lacked basic financial knowledge and used crude rules of thumb when engaging in saving behavior. Hilgert, Hogarth, and Beverly (2003) uncovered a strong correlation between financial literacy and day-to-day financial management skills. Most importantly, several studies in the United States and other countries found a link between financial literacy and participation in financial markets. Specifically, studies found that those

¹⁵ See Bucher-Koenen, Lusardi, Alessie, and van Rooij 2012.

who are more financially literate are also more likely to invest in stocks (Kimball and Shumway 2006; van Rooij, Lusardi, and Alessie 2011; Yoong 2011; Almenberg and Dreber 2011; Arrondel, Debbich, and Savignac 2012).

Advanced financial knowledge, such as knowledge of risk diversification, seems particularly important to explaining participation in the stock market, but numeracy and the capacity to do simple calculations also matter in explaining who participates (Christelis, Jappelli, and Padula 2010). More literate individuals are more judicious about choosing mutual funds, including those with lower fees (Hastings and Tejada-Ashton 2008; Hastings and Mitchell 2011; Hastings, Mitchell, and Chyn 2011).

Financial literacy can also be linked to both short-term and long-term savings. Using data from young respondents in the United States, de Bassa Scheresberg (2013) shows that those who are financially literate are more likely to hold precautionary savings. There is also a strong link between financial literacy and retirement planning. In a series of papers, Lusardi and Mitchell (2007, 2008, 2009, 2011a,b) found that those who are more financially literate are more likely to plan for retirement. This result is very robust and holds true with different data sets, different samples (older versus younger respondents and women) and different measures of retirement planning. This is an important finding as retirement planning is a strong predictor of retirement savings: Those who plan find themselves entering retirement with three times the amount of wealth as those who do not plan. This link between financial literacy and retirement planning appears across most of the 12 countries in the international comparison of financial literacy (see Lusardi and Mitchell 2011c; Lusardi and Wallace 2013). In terms of what matters most for retirement planning, knowledge of risk diversification is particularly important. In several countries, numeracy also plays a pivotal role in retirement planning.¹⁶ As discussed in Lusardi and Mitchell (2013), it is possible to show a causal link between financial literacy and retirement planning, not simply a correlation.

Financial literacy matters not only for investment and saving but also for borrowing. A burgeoning set of literature, in particular in the United States, has shown that those who lack financial literacy are more likely to have problems with debt. Moore (2003) reported that the least financially literate are also more likely to have costly mortgages. Campbell (2006) noted that those with lower income and less education (characteristics strongly related to financial illiteracy, as described earlier) were less likely to refinance their mortgages during a period of falling interest rates. Stango and Zinman (2009) showed that those unable to correctly calculate interest rates out of a stream of payments ended up borrowing more and accumulating less wealth. Lusardi and Tufano (2009a) confirmed that the least financially savvy incurred expensive transaction costs, paying greater fees and using high-cost borrowing methods. And Mottola (2013) found that those with low financial literacy were more likely to engage in costly credit card behavior. Moreover, both self-assessed and actual literacy have an effect on credit card behavior over the life cycle (Allgood and Walstad 2013). Gerardi, Goette, and Meier (2013) found that numerical ability was a strong predictor of mortgage defaults.

Lusardi and de Bassa Scheresberg (2013) examined high-cost borrowing in the United States, including through payday loans, pawn shops, auto title loans, refund anticipation loans, and rent-to-own shops. They concluded that less financially literate individuals are substantially more likely to use high-cost

¹⁶ For a detailed review of the importance of numeracy, see Lusardi (2012).

methods of borrowing, a finding that is particularly strong among young adults who, as mentioned earlier, display low levels of financial literacy (de Bassa Scheresberg 2013). Similar findings about financial literacy and debt are reported using data from the United Kingdom (Disney and Gathergood 2012).

As discussed in detail in Lusardi and Mitchell (2013), the cost of financial illiteracy is high. There are important implications for those who do not participate in the stock market, fail to save for retirement, or incur fees charged by different investment vehicles or borrowing methods. New theoretical work on financial literacy is able to document when and for whom financial literacy is beneficial, in particular when there are costs associated with acquiring it. Moreover, the work shows that financial literacy has implications not only for wealth accumulation but also for wealth inequality. According to these models, about half of wealth inequality can be attributed to financial literacy (Lusardi, Michaud, and Mitchell 2013).

Discussion and Implications for Investor Education

The use of the same financial knowledge questions across many countries provides researchers with a deeper understanding of the causes and consequences of financial illiteracy. Findings of poor financial literacy across so many countries means financial knowledge should not be taken for granted, not even in countries with well-developed markets. Moreover, particular groups—notably the young, the old, women, those not working, and those with low education levels—are particularly vulnerable, a pattern that is consistent across borders. A strong link has been found between financial literacy and financial decisions, showing that low financial literacy may have far-reaching consequences.

Beyond affecting the security of an individual and his or her family, financial illiteracy has negative implications for the economic well-being of communities, countries, and—as the recent financial crisis showed—the global economic landscape itself. The threat of such a sweeping impact should be incentive for key stakeholders to become involved in remediation. Policymakers, educational institutions, workplaces, the investment fund/asset management industries, and others can take an important role in addressing this global challenge.

This extensive academic research reviewed in this chapter implies that:

- **One size does not fit all.**

Differences in financial literacy across populations suggest that it is important to target education to specific groups. Programs that fail to address these differences across populations and demographics are unlikely to be effective.

- **Knowledge of risk diversification is very low.**

While understanding of risk and risk diversification is important and affects financial decisions, only a minority of individuals has a good grasp of risk diversification. This finding is remarkably similar across countries. Tools that increase the understanding of risk diversification can be particularly important and helpful to investors.¹⁷

¹⁷ See Heinberg, Hung, Kapteyn, Lusardi, and Yoong (2010); and Heinberg, Hung, Kapteyn, Lewis, Lusardi and Samak (2012) for examples of visual tools that can be used to improve the knowledge of risk diversification.

- **Financial education in school is important.**

Because financial literacy is found to be particularly low among the young across all countries and because numeracy plays an important role in financial decisions, it is important to provide financial literacy in school. Better equipping young people will help with financial decision-making. Moreover, by providing access to financial literacy to all students, differences in financial knowledge resulting from family background may be mitigated.

- **Communication can occur in simple ways.**

Evidence from surveys across countries shows that most individuals lack knowledge of basic, but fundamental, financial concepts. Communication that uses numbers, jargon, or specialized concepts will be unlikely to reach a wide audience, and it may be particularly ineffective with women. Policies calling for the use of plain language and transparent terms and/or the industry's own action in that direction could be a starting point.

- **Awareness about financial illiteracy must be raised.**

There is a mismatch between what people know and what people think they know. In most countries, people give themselves high scores in financial literacy yet their answers to financial literacy questions reveal poor levels of even basic financial knowledge. This lack of self-awareness about their financial illiteracy may misdirect individuals away from attending financial education programs or from relying on financial advice.

- **A one-time financial education program is likely to be ineffective.**

Because financial literacy is so widespread in the population, small interventions, such as one retirement seminar for all workers or a one-time financial education program, are likely to be ineffective. Programs have to be adequate to address the shortage of knowledge in the population.

- **Financial advice is important.**

It may be very important - particularly for those who display very low literacy - to provide financial decision-making guidance as well as help in finding appropriate advice. Advice or intervention can be particularly effective at critical life-cycle junctures, such as the start of a new job, tax time each year, the decision to retire and so on. These moments can be used as opportunities to transfer relevant knowledge.¹⁸

A more detailed overview of the ways to increase saving and the effectiveness of financial education programs is provided in *Overcoming the saving slump: How to increase the effectiveness of financial education programs*, edited by Annamaria Lusardi. The book includes descriptions of programs in the school and the workplace.

In a world of increased individual financial responsibility, where workers are in charge of their financial wellbeing and where financial markets offer new and complex financial products, we cannot afford to disregard financial literacy. Individuals' financial decisions have important implications for the economic health of local and national economies. Just as it has proven to be impossible to succeed in the modern world without the ability to read and write (literacy), so it will be impossible to succeed in the present-day financial system without the ABCs of economics and finance (financial literacy).

¹⁸ See Lusardi, Keller and Keller (2008) for examples and applications.

Appendix

Panel A: Risk literacy questions (from Lusardi, Schneider and Tufano 2011)

Q1. For the same amount of money, a person can enter either one of these two lotteries. Lottery A pays a prize of \$200, and the chance of winning is 5%. Lottery B pays a prize of \$90,000,¹⁹ and the chance of winning is 0.01%. In either case, if one does not win, one does not get any money.

Which lottery pays the higher average amount?

(Please pick one option only)

- Lottery A
- Lottery B
- These two lotteries pay the same average amount
- I do not know
- I refuse to answer

Q2. You can invest in two projects. Project A will either deliver a return of 10% or 6%, with either outcome equally likely. Project B will either deliver a return of 12% or 4%, with either outcome equally likely. Which of the following is true? Compared to Project B, Project A has. . . .

(Please pick one option only)

- Higher return and lower risk
- Same average return and lower risk
- Lower return and higher risk
- I do not know
- I refuse to answer

Q3. As a general rule, if you were investing in stocks [in the United Kingdom: investing in stocks and shares], which of the two types of investments listed below is likely to be riskier?

(Please pick one option only)

- Investing in a single stock
- Investing in a fund that holds 100 different stocks
- I don't know
- I refuse to answer

¹⁹ The amounts are £140 and £60,000, respectively, in the U.K. questionnaire and 150 Euro and 65,000 Euro, respectively, in the French and German questionnaires

Advanced Literacy Questions

Which of the following statements describes the main function of the stock market? (i) The stock market helps to predict stock earnings; (ii) The stock market results in an increase in the price of stocks; (iii) The stock market brings people who want to buy stocks together with those who want to sell stocks; (iv) None of the above; (v) Do not know; (vi) Refusal.

Which of the following statements is correct? If somebody buys the stock of firm B in the stock market: (i) He owns a part of firm B; (ii) He has lent money to firm B; (iii) He is liable for firm B's debts; (iv) None of the above; (v) Do not know; (vi) Refusal.

Which of the following statements is correct? (i) Once one invests in a mutual fund, one cannot withdraw the money in the first year; (ii) Mutual funds can invest in several assets, for example invest in both stocks and bonds; (iii) Mutual funds pay a guaranteed rate of return which depends on their past performance; (iv) None of the above; (v) Do not know; (vi) Refusal.

Which of the following statements is correct? If somebody buys a bond of firm B: (i) He owns a part of firm B; (ii) He has lent money to firm B; (iii) He is liable for firm B's debts; (iv) None of the above; (v) Do not know; (vi) Refusal.

Considering a long time period (for example 10 or 20 years), which asset normally gives the highest return? (i) Savings accounts; (ii) Bonds; (iii) Stocks; (iv) Do not know; (vi) Refusal.

Normally, which asset displays the highest fluctuations over time? (i) Savings accounts; (ii) Bonds; (iii) Stocks; (iv) Do not know; (v) Refusal.

When an investor spreads his money among different assets, does the risk of losing money: (i) Increase; (ii) Decrease; (iii) Stay the same; (iv) Do not know; (v) Refusal.

If you buy a 10-year bond, it means you cannot sell it after 5 years without incurring a major penalty. True or false? (i) True; (ii) False; (iii) Do not know; (iv) Refusal.

Stocks are normally riskier than bonds. True or false? (i) True; (ii) False; (iii) Do not know; (iv) Refusal.

Buying a company stock usually provides a safer return than a stock mutual fund. True or false? (i) True; (ii) False; (iii) Do not know; (iv) Refusal.

If the interest rate falls, what should happen to bond prices? (i) Rise; (ii) Fall; (iii) Stay the same; (iv) None of the above; (v) Do not know; (vi) Refusal.

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2

Investor Education: *A Regulatory Perspective*

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Introduction

Investor education is a key component of investor protection. Investor education can provide understandable explanations of products and processes, and can play a key role in financial planning. Investor education can also alert investors to potential problems and to some “red flags” of possible fraudulent activities. A robust investor education program can provide investors and potential investors with a list of questions to ask, as well as helpful tools to assess investments and financial services professionals.

²⁰ IOSCO Senior Advisor; Education Training and Regulatory Capacity Building; and Visiting Professor of Business Law, Stephen M. Ross School of Business at the University of Michigan.

Regulators are clearly in a unique position to provide this unbiased and objective information to potential investors. Investor education, as a component of investor protection, can lead to the expansion and growth of financial markets with investors who are informed, and who can invest with confidence.

The International Organization of Securities Commissions (IOSCO) is the acknowledged international body that brings together the world's securities regulators and is recognized as the global standard setter for the securities sector. Its membership regulates more than 95% of the world's securities markets in over 127 jurisdictions, and is the only international financial regulatory organization that includes within its membership all the major emerging market jurisdictions.

Not surprisingly, IOSCO's guiding principles of securities regulation²¹ addresses investor education. Specifically, key issue 6 of Principle 3 says: "Regulators should play an active role in the education of investors and other market participants."

This is critical because the IOSCO Objectives and Principles of Securities Regulation have been endorsed by both the G20 and the FSB as the relevant standards in this area. They are IOSCO's main instrument to develop and implement internationally recognized and consistent standards of regulation, oversight and enforcement. They form the basis for the evaluation of the securities sector for the Financial Sector Assessment Programs (FSAPs) of the International Monetary Fund (IMF) and the World Bank.

Consequently, IOSCO intends to not just advance investor education, but also to have investor education as a program priority for its Education and Training Team.²² The IOSCO Education and Training Team is working with IOSCO's Committee Number 8 on Retail Investors whose primary mandate is to conduct IOSCO's policy work on retail investor education and financial literacy.

The balance of this paper examines some to the actions IOSCO has taken, is taking, and will be taking with respect to investor education. It must also be clearly stated that there remains asymmetric information challenges between financial firms and consumers of financial services. This gap means there must be regulation of products; selling rules; suitability tests and other regulatory measures to protect investors. Investor education must never be seen as a way to minimize the regulatory responsibilities of those who are statutorily charged with securities regulation. Instead, and as stated earlier, investor education is a key component of the overall objective of investor protection.

²¹ See The IOSCO Objectives and Principles of Securities Regulation (IOSCO Principles) as revised in December 2011, and located at: <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD359.pdf>.

²² IOSCO members have ranked investor education very high in the last two education and training (E and T) surveys conducted in 2011 and 2013 that sought member input with respect to possible E and T topics for IOSCO education and training programs. For a complete discussion see, 2010 IOSCO Annual Report: https://www.iosco.org/annual_reports/2010/educationAndTraining1.html, and the 2011 IOSCO Annual Report: https://www.iosco.org/annual_reports/2011/educationAndTraining1.html. For 2013 survey results see IOSCO Members' Area at, <https://www.iosco.org>, and the 2012 IOSCO Annual Report: http://www.iosco.org/annual_reports/2012/pdf/annualReport2012.pdf (pages 59 and 60).

Background and Recent IOSCO Initiatives

IOSCO is certainly not a newcomer when it comes to recognizing the importance and the possibilities as well as the limitations of investor education. IOSCO's involvement with investor education includes at least the following significant events.

In March 2001, IOSCO's Technical Committee issued a "*Discussion Paper on the Role of Investor Education in the Effective Regulation of CIS and CIS Operators*"²³. That report examined the wide array of advantages gained from investor education and noted four different approaches IOSCO members take to meet the IOSCO investor education mandate.

In October 2002, the Emerging Market Committee (EMC) released a report: "*Investor Education*."²⁴ The EMC surveyed members regarding why regulators undertake investor education initiatives and the most important aspects of their educational program. The survey confirmed the considerable potential benefits of investor education for emerging market economies.

More recently, in 2011 the IOSCO Education and Training Team worked with students from a New York City college to manually examine every investor education website of IOSCO members. Students, under the guidance of IOSCO staff, used a specially designed template to objectively capture critical information and components of most comprehensive investor education program websites. A subjective rating was also awarded to each investor education website that was reviewed.

Those student research results, conducted under IOSCO Secretariat oversight, were used by IOSCO members to not only provide objective feedback with respect to their own investor education website, but to also obtain a rough comparison as to how their website compared to the websites of other IOSCO members.

This research resulted in a report being issued by the Secretariat in June 2012, "*Investor Education: An Analysis of IOSCO Member Websites and Web-Based Information*."²⁵ That report can be found on the members' area of the IOSCO website, and resulted in several presentations made around the world showing some of the unique investor education programs and components being offered by IOSCO members.²⁶

As discussed more fully below, this research and the research template were subsequently used to allow IOSCO members to voluntarily provide links to their web based investor education materials.²⁷ That information and those links are now available not only to IOSCO members, but also to the general public.

In June 2012 the Emerging Markets Committee published, "*Development and Regulation of Institutional Investors in Emerging Markets*."²⁸ In November 2012, additional IOSCO member investor education

²³ <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD117.pdf>

²⁴ <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD140.pdf>

²⁵ <https://www.iosco.org>

²⁶ <https://www.iosco.org>

²⁷ http://www.iosco.org/investor_education/

²⁸ <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD384.pdf>

websites were highlighted in a presentation, “Child and Youth Financial Education and Inclusion in Europe and Central Asia,” that was given at the Child & Youth Finance International (CYFI) Regional Meeting for Europe and Central Asia, held in Brussels, Belgium.²⁹ During the same month, the IOSCO Secretariat also delivered the keynote speech at the European Fund and Asset Management Association (EFAMA) Investor Education Day that was held in Brussels, Belgium.³⁰

In February 2013, IOSCO Committee 3 (C3) issued a report titled, “*Report on Investor Education Initiatives Relating to Investment Services*.”³¹ The report noted different approaches C3 members take with respect to investor education and some of the investor education challenges faced by IOSCO members. The report was coordinated with the IOSCO Education and Training Team and is used to inform the education and training team on its ongoing investor education work.

The IOSCO work clearly shows that “no one has a monopoly on good ideas!” It is always productive to share the innovative and creative ideas of IOSCO members with respect to investor education. Those ideas act to not only stimulate, but to also highlight investor education globally. The topic of investor education has been and continues to be a part of multiple IOSCO seminar training programs.³² Also, at the request of IOSCO members, dedicated investor education trainings have been organized by IOSCO staff in different regions of the world.

IOSCO’s goal is to provide the “latest and the greatest” when it comes to all aspects of investor education content as well as to suggest the best modalities for successfully delivering investor education materials and concepts. And we provide samples of that information because so many IOSCO members are offering innovative and thought provoking classes, and have introduced new concepts and delivery mechanisms for investor education. IOSCO members are offering activities and programs that are designed to change behavior and help ensure confident and informed investors are participating in the capital market system.

Consequently, as a result of all of the above actions, and realizing there is an immediate need to share investor education ideas and initiatives, on June 4, 2013, IOSCO launched a new online tool, an “Investor Education Gateway” that is found on the public area of IOSCO’s website.³³ This gateway allows IOSCO members to voluntarily showcase and share with each other, as well as the global community, the web based investor education work that they are accomplishing.

The Gateway contains online investor education materials from many of IOSCO’s members, as well as published IOSCO reports and presentations regarding investor education. This effort is part of IOSCO’s

²⁹ <http://www.iosco.org/library/speeches/pdf/20121106-ET-Gary-Tidwell.pdf>

³⁰ http://www.iosco.org/library/speeches/pdf/20121107-ET-Gary-Tidwell_1.pdf

³¹ <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD404.pdf>

³² For example, the 2012 Seminar Training Program for the Africa / Middle-East region was hosted by the Securities and Commodities Authority of the United Arab Emirates, in Dubai, from 10-12 December 2012. The first two days of the seminar were on “Investor Protection: Investor Education, Corporate Governance and Sanctions for Market Abuse”, and the third day was dedicated to “Islamic Finance”. The program was attended by almost 50 delegates from 15 different jurisdictions.

³³ http://www.iosco.org/investor_education/

broad investor education initiative and aims to enhance the sharing of investor education information among IOSCO members and the public.

Through the IOSCO Investor Education Gateway we are not only sharing with the global public all the outstanding online efforts that IOSCO members are conducting with respect to investor education, but the Gateway also acts as a valuable education and information resource for investors globally. Regulators, investors, educators, and researchers can learn much from these voluntary IOSCO member postings.

Current priorities on the horizon of the IOSCO Education and Training Team include, but are not limited to the following: Investor Education Workshops; Continued Member Research, Assessment, and Assistance; Forums to Share “Best Practices” and “Good Ideas”; Analyze “What does the current statistically valid research show with respect to investor education?”; a renewed focus on “What Works and What Does Not Work?...and what is the supporting evidence?”

Expanding on those priorities, here are just some of the initiatives and programs that IOSCO Education and Training will be implementing with respect to investor education:³⁴

- **Conducting global and regional investor education workshops:** Workshop that are fully responsive to IOSCO member needs and directions. Workshops that offer train the trainer sessions that address content, pedagogy, and innovative delivery mechanisms.

These workshops will examine a number of current investor education initiatives. The initiatives include teaching the basics of finance in schools at an early age, and the impact of behavioral economics on financial literacy.

For example, in the United States there are more than 800 curricula that address the critical need of fostering financial literacy among high school students. However, starting in 2013, Columbia University is testing in New York City a high impact financial literacy program that is designed to help teachers in grades 9 – 12. Specifically, the program will “focus on helping teachers to integrate important concepts about finance into courses that they are already teaching....*The Cowin Financial Literacy Project* is also unique because it seeks primarily to change student behavior rather than to transmit academic knowledge.”³⁵

Behavioral economics should be examined from the “new” approach as well as the “old” approach as well as the policy implication for using or adopting either approach.³⁶ Of course full discussion of this topic and of behavioral economics is beyond the scope of this paper.

³⁴ Some of these activities were also outlined in a presentation given by the IOSCO Secretariat in November 2012 at the EFAMA Investor Education Day Program. See, http://www.iosco.org/library/speeches/pdf/20121107-ET-Gary-Tidwell_1.pdf.

³⁵ See, “Joyce B. Cowin Funds Program at Teachers College to Foster Personal Financial Literacy among High School Students,” at <http://www.tc.columbia.edu/news.htm?articleID=8590>. See also generally an April 2013 working paper, “THE ECONOMIC IMPORTANCE OF FINANCIAL LITERACY: THEORY AND EVIDENCE” at http://www.nber.org/papers/w18952.pdf?new_window=1.

³⁶ See generally, “Behavioral Economics Perspectives: Implication for Policy and Financial Literacy,” at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2013449. See also an IOSCO press release on this topic: <http://www.iosco.org/news/pdf/IOSCONEWS286.pdf>

- **Providing forums to share “best practices” and “good ideas”:** And in fact, because no one has a monopoly on good ideas, it only makes sense for IOSCO to offer forums that are designed to share best practices and good ideas.
- **Conducting and disseminating research, research, and even more research:** Research is the key. With limited resources, it is critical to know what works and what does not work. It is also important to recognize the limitations and boundaries of investor education.

Annamaria Lusardi, the Denit Trust Distinguished Scholar and Professor of Economics and Accountancy at the George Washington University School of Business, is quoted as follows:³⁷

“We need more resources to study what types of education programs work. This is a problem in the field. Everybody wants to know what works, but nobody is willing to pay for that evaluation. So we are stuck. If you look at other fields where responsibility shifted to the individual, such as health, you see signs of progress, for instance in fighting cancer. We have gained so much knowledge that we can even hope to eradicate cancer. My dream is for the same thing to happen for financial illiteracy. This is a disease. It's widespread in society. And we need to eradicate it....”

It seems that we have not moved the needle all that much when it comes to research and investor education and what works and what does not work. As one person wrote, “we need to approach investor education with a sense of humility about what we think the right answers really are.”³⁸

- **Being a key player and a thought leader in the global discussion in helping to determine with statistically reliable data what works and what does not work:** IOSCO has been involved in investor education for a very long time, and we will continue to make significant contributions to that critical area. On occasion, IOSCO has partnered with and has participated in conferences with other organizations that share IOSCO’s commitment to investor education.³⁹

³⁷<http://www.ifie.org/index.php/member-directory/112-leadership-profiles>

³⁸ Market Watch, “It’s time to change how we teach investors,” June 7, 2011.

³⁹For example, IOSCO and IFIE jointly sponsored a Conference on *“Delivering Dynamic Financial Capability and Investor Education Programmes - Changing Behaviour Across Life Stages.”* The event was held 20-21 June 2013 in Toronto, Canada, and was hosted by the Investment Industry Regulatory Organization of Canada (IIROC).

Challenges for Investor Education

Today, more than ever, there are real challenges for investors and for investor education. Often there is contradictory advice with respect to investor education.⁴⁰ As stated earlier, much more research is needed as to what works and what does not work with respect to investor education. We need to be very clear about what investor education can and cannot accomplish, and how success is defined and measured in investor education programs. Research should also address the real limitations of investor education and help manage expectations with respect to what investor education can accomplish.

Clearly, investor education is not without its critics and unanswered questions. For example, a U.S. Minneapolis, Minnesota Newspaper, *The Star Tribune*, in its April 8, 2013, edition had an article titled “Financial education still looking for elusive payoff.” The author of the article wrote this: “There is, a problem with this well intentioned effort to teach youngsters personal finance: Educators haven’t found an approach that clearly works.”

Research conducted by Professor Lauren Willis⁴¹ questions the effectiveness of teaching financial literacy. Specifically, Professor Willis suggests the playing field seems to be tilted against financial literacy for at least the following reasons⁴²:

- Personal financial management is complex, requiring considerable time and effort to understand. Most consumers start off with quite low skill levels. The huge gap between those skills and what is needed in today’s marketplace cannot be bridged by financial literacy training alone.

⁴⁰ For example, consider the following: First, “Are you Brilliant or Lucky?” is the title of an article in *The Wall Street Journal*. The thesis of that article is investors have a difficult time assessing and determining a fund manager’s skill and their luck. Second, a May 3, 2013 article from *The Globe and Mail* titled, “Some simple investor advice: Don’t follow your gut.” That article quotes Harvard Law Professor Cass Sunstein who writes this in his latest book, *Simpler: The Future of Government*: “If you’re deciding how to invest your savings, your gut may speak clearly and simply. Please ignore it.” Finally, there is the article in *The New York Times* dated June 1, 2013, titled, “The Only Pattern That Matters.” The author of the article quotes a researcher from Caltech, David J. Leinweber who supposedly figured out how to predict the stock market using just three variables:

- I. Butter production in the United States and Bangladesh
- II. Sheep populations in the United States and Bangladesh
- III. Cheese production in the United States.

Speaking statistically, the author writes, “those three variables predicted 99 percent of the stock market’s movement.”

⁴¹ For a review of studies of the effectiveness of financial education, please see: “Evidence and Ideology in Assessing the Effectiveness of Financial Literacy Education,” 46 SAN DIEGO L. REV. 415 (2009), available at <http://ssrn.com/abstract=1098270>. See also, “Financial Education: Lessons Not Learned Lessons Learned, Boston University School of Management Federal Reserve Bank of Boston Conference on Financial Education Consumer Financial Protection” (May 2011), available at <http://ssrn.com/abstract=1869313>; “The Financial Education Fallacy,” 101 AMERICAN ECON. REV.: PAPERS PROCEEDINGS 2011, available at <http://ssrn.com/abstract=1869323>, and “Against Financial Literacy Education,” 94 IOWA L. REV. 197 (2008), available at <http://ssrn.com/abstract=1105384>.

⁴² <http://faircanada.ca/retail-investors/financial-literacy/a-case-against-financial-literacy-education/> provides the text for many of the bullet assertions cited in this paper as points made by Professor Willis. Also, see her article at the following link: <http://faircanada.ca/wp-content/uploads/2009/09/A-Case-Against-Financial-Literacy.pdf>

- The financial marketplace is constantly changing at a very rapid pace. It is tough for regulators and almost impossible for consumers to keep up with the pace of financial innovation. Financial literacy is chasing a moving target it will never reach.
- Personal bias and inherent psychological traits prevent most consumers from acting as “rational” economic players able to maximize their own benefits. Difficult undertaking given the complexity of today’s products.
- Financial literacy is not the only element for good financial decision making.
- Inefficiency. Limited resources.
- For some, personal finance classes increase confidence without improving ability – potentially leading to worse decisions.
- Avoiding a regulation through education model that might blame investors for their plight, shaming them and deflecting calls for effective regulation.

Even more recently, three business school professors present a discouraging assessment regarding current attempts⁴³ to improve financial behavior. Specifically, the professors conducted “a meta-analysis of the relationship of financial literacy and of financial education to financial behaviors in 168 papers covering 201 prior studies.” The professors found “that interventions to improve financial literacy explain only 0.1% of the variance in financial behaviors studied, with weaker effects in low-income samples. Like other education, financial education decays over time; even large interventions with many hours of instruction have negligible effects on behavior 20 months or more from the time of intervention.... We envisage a reduced role for financial education that is not elaborated or acted upon soon afterward.... We suggest a real but narrower role for ‘just in time’ financial education tied to specific behaviors it intends to help.” In short, the researchers found that while financial education is laudable, it is not particularly helpful.

However, some research seems to show that financial literacy increases with additional years of higher education. In addition, increased mastery of numeracy skills and direct one-on-one instruction along with taking advantage of teachable moments that may arise close to a “point of sale” or close to a point in time of making a financial decision have been shown to be of value.⁴⁴

There is much more work and research yet to be conducted with respect to investor education. IOSCO is currently considering different funding options to cover the cost of this ambitious education and training agenda. Securities regulators globally must continue to have a key and unique role in evaluating and properly advancing investor education.

⁴³ “Financial Literacy, Financial Education and Downstream Financial Behaviors, Social Science Research Network, Forthcoming in Management Science, (http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2333898) and discussed in “Financial Literacy, Beyond the Classroom,” The New York Times, October 6, 2013 at page B16 (http://www.nytimes.com/2013/10/06/business/financial-literacy-beyond-the-classroom.html?_r=3&).

⁴⁴ For a recent example, consider, “Financial Education and the Debt Behavior of the Young,” Federal Reserve Bank of New York Staff Reports, http://www.newyorkfed.org/research/staff_reports/sr634.pdf (2013).

3

Financial literacy in Sweden: *A national commitment to reach the consumers*

Viveca Wallén Vrenning

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Introduction

In 2008 the Swedish Financial Supervisory Authority (Finansinspektionen, FI), was assigned the task of implementing the Swedish national strategy for financial education that had been established by the Swedish Ministry of Finance. The objective of the strategy is to empower consumers on the financial market by providing them with opportunities to become more educated about financial matters. Through several very well received projects, FI has managed to reach consumers of all ages throughout the country.

Context

The reform of the Swedish pension system is just one of the many examples where the responsibility for personal finances has increasingly been shifted from the government to the individual. This shift combined with the increasing complexity of financial products and the growing number of products, prices and conditions, has raised risk that consumers of financial products will encounter problems.

The Swedish government has acknowledged that risks has emerged and, in line with initiatives from both the OECD and the EU, developed a national strategy for financial education. FI plays an important role in the strategy and as a first step it has created a network for financial education called “Like Your Finances” (Gilla Din Ekonomi/GDE). The network, which includes FI, several other authorities, financial organisations such the Swedish Investment Fund Association, companies on the financial market such as banks and occupational pension funds, and both labor and white collar unions as well as other unions, holds as a fundamental principle that information provided within the boundaries of the network must be independent. The educational programs or projects must only contain facts, no selling. No brand names are accepted in course literature. Each participant of the network contributes to the projects with their knowledge and time. FI receives an annual grant of SEK 7 million to distribute information and initiate private economic educational programs for the public.

The FI Strategy

- **Cooperation**

More than 60 authorities, organisations and companies are currently actively involved in the “GDE-Like Your Finances” network, a national initiative to improvement awareness about personnel finances.

- **Target groups**

The teaching modules in our program target personal finances for employees, pensioners, students at secondary schools and immigrants in municipal language training programs.

- **Channels for distribution**

Our programmes are channeled through trade unions, adult educational associations, organisations for pensioners, schoolteachers, teachers of classes for newly arrived immigrants companies and municipalities and public service television. These channels have proven themselves to be smart and cost-effective options for education in personal finances.

- **Designing course curriculum**

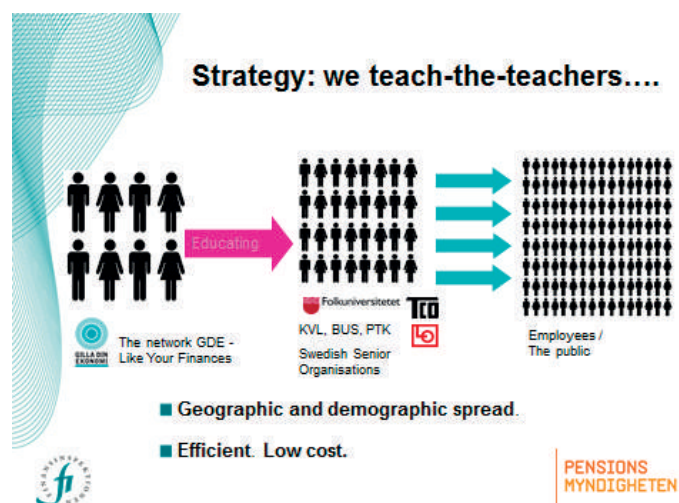
Before designing the course curriculum, FI conducted a number of studies, surveys, pilot meetings and in-depth interviews. FI also mapped financial literacy in Sweden by conducting surveys together with the union for financial advisors, the Swedish Consumer Agency and the Swedish Pensions Agency.

The result of this research demonstrated that there was a need to improve people’s awareness about their personal finances. It was also determined that a three-hour class would be sufficient for strengthening people’s financial self-confidence and helping them take action that would improve their finances.

One of the conclusions that was reached was that there was a considerable need for education addressed directly to employees. FI and several other participants had already started to target groups such as students, immigrants and unemployed youth.

There is also a long tradition in Sweden of educating adults via educational associations and trade unions. In order to keep the project cost-efficient and to give it the greatest possible reach throughout the country, FI applied a strategic model that utilized communicators (teach-the-teacher/train-the-trainer). Members of the “GDE-Like Your Finances” network educates teachers, who then bring this knowledge to a wider audience. This model allows for geographical and demographical proliferation.

The vision of GDE-Like Your Finances is to educate people and give them financial self-confidence. If people have knowledge, are confident and know where to look for reliable, independent information, they improve their capability for handling their own finances in the long term.



Examples of FI Projects in Financial Education

The major project, “Secure Your Financial Future” (Trygga din ekonomiska framtid) is a broad, educational programme for personal finances. The programme targets Swedish workplaces, and through the participating trade unions has the possibility of reaching 3.5 million of Sweden’s 6 million employees. The course curriculum includes modules about budget, paying bills, insurance, taxes, savings, such as funds, shares and endowments, risk and return, and public and occupational pension.

Teachers from the trade unions and adult educational associations undergo a two-day course that is held by members of the GDE –Like Your Finances network. These teachers become personal finance teachers and receive a three-hour PowerPoint presentation on an USB-memory stick with a full manuscript which enables them to hold their own lectures. They also receive material from the network that they can modify depending on their specific audience. They can access the website, www.gilladinekonomi.se (GDE “Like Your Finances”) to download updated material and contact the network for information and questions. Swedish public service has also recorded the 2-day training course and broadcast it on several occasions.

Recently, FI launched a new project for pensioners in Sweden, “**Secure your finances in old age**” (**Tryggare ekonomi på äldre dar**). In this project, FI cooperates with the top five Swedish senior organisations, which together represent nearly 1 million members. The same approach has been used in this project as in the “Secure your financial future” project, and surveys, pilot meetings, in-depth interviews have been conducted. The “teach-the-teachers” model is also applied. Swedish public television is planning to record and broadcast the course.

FI projects in financial education

Target group	Project	Focus	Web site
Students via teachers	"Koll på cashen" (Keep Your Cash)	Moving out from home	kollpacashen.se
Young unemployed	"Ekonomismart" (Financially smart)	Personal finance, avoid over-indebtedness	ekonomi-smart.se
Immigrants via teachers	"Dina pengar och din ekonomi" (Your money and your finances)	Personal finance, social security, banks and the Swedish and payment system	sfiekonomi.se
Employees via unions and adult education associations	"Trygga din ekonomiska framtid" (Secure your financial future)	Savings and loans, public pension and occupational pensions	gilladinekonomi.se
Retired persons	"Tryggare ekonomi på äldre dar" (Secure your finances in old age)	Savings and loans, Impartial advice is available and is free of charge, risk and return, saving	gilladinekonomi.se

Evaluation

All of the teach-the-teachers courses are followed up and evaluated. The participants are asked to give their opinion of the course, the content and whether they have increased their knowledge or not. The participants are then asked to grade their knowledge after the course. On average participants have given the course 4 on a 1-5 grade.

4

An Investor Viewpoint: *The fall of financial literacy*

Guillaume Prache

Chief Executive Officer
European Federation of Financial Services Users (EuroFinUse)

Introduction

Nowadays, there are two main opportunities for European citizens to get financial education:

- When they are still children or teenagers at school
- When – as adults - they meet financial intermediaries

Unfortunately these opportunities have been less and less exploited in the recent decades.

School education

The first priority for any plan to improve financial literacy must be to re-instate basic financial mathematics in European curricula; and this as soon as the primary school stage.

A French elementary school book from the 1880s shows that more than a century ago, young children were taught interest, interest rates, compounding interest and even annuities, together with related practical computation exercises. Today, at the beginning of the XXIst century, the math curricula of my children did not include any of those very necessary notions and how to use them: not in primary school and not in secondary school either. Instead, they were taught for two or three years in a row quite sophisticated geometry tools such as the Thales theorem, the practical uses in adult life of which are quite more limited than those of interest rates for instance.

It is quite astonishing to notice the regression of financial literacy at school: today's much longer life expectancy and the diminishing contribution of "pay-as-you-go" pension systems would indeed warrant that the younger generations learn what an annuity is and how it is computed.

Education at the point of sale

Unfortunately in our view, the regression of financial literacy is also more recently noticeable for adult education. In real life, the main way adults get any additional financial education to what they learned (or not) at school is through their interaction with financial intermediaries such as banks, brokers, etc. Four decades ago, households held directly about 40 % of European listed equities. They also very often held bonds. Financial intermediaries were routinely offering shares and bonds at the point of sale, having to "educate" customers about shares and about bonds. Nowadays, households hold directly only about 13% of European listed equities. Funds on the other hand grew from holding 5% to now 25% of European equities. Nowadays, people are much more told about "packaged" investment products than about shares and bonds.

With the emergence of "packaged" products, starting with investment funds in the 1970s and 1980s, the focus of retail investment intermediaries indeed radically changed in the last decades: they no longer focus on informing and explaining about shares and bonds, because they are busy informing and explaining about the packaged products (funds, life insurance, banking products, etc.) they are offering. It would be quite interesting to measure the evolution of the level of European citizens' literacy about capital markets (equities and bonds) in the recent decades: we would bet it has actually gone down.

Such measures could start with our elites. For example, almost none of the current Ministers of the French Government declare holding any listed equities. One wonders then how much they know / understand of the long term financing of the economy. Another example of today's elites' financial illiteracy struck me when I recently asked a European Commission executive why so few cases of market abuse ever ended in the conviction of the abusers in Europe. He responded that too often the judge would not even understand the difference between a share and a bond...

Of course, at the same time, financial products and services have become more and more complex; and sometimes too complex even for financial professionals to really understand, as recognized by the industry itself when looking at the roots of the 2008 financial crisis⁴⁵

The role of the financial industry

This widening gap between the literacy level of households and the growing complexity of financial services offerings is no stranger to the evidenced⁴⁶ loss of confidence of individual investors in financial markets in general, including investment funds. It is therefore the mid and long term interest of the financial industry - and of the retail intermediaries in particular - to find ways to help reverse these damaging trends, and to go back to the basics of capital markets with their clients. Asset managers could engage with distributors and advisors to explain to clients what a typical investment is made of and why it matters a lot for our economy and jobs: People NEED to understand what they invest in. *“Never invest in a business you can’t understand.”* (Warren Buffett).

Perhaps the best service to financial education the investment industry could offer is to promote a narrower range of simple performing products to individuals, with crystal clear investment objectives, especially in the long term / pension area.

⁴⁵ "instruments that pooled mortgages and their risk became overly complex. That complexity and the fact that some instruments couldn't be easily bought or sold compounded the effects of the crisis." (Lloyd Blankfein, CEO of Goldman Sachs, 2010)

⁴⁶ Investment products were ranked 30th and last (worst) consumer service category three years in a row in the EU Consumer Markets Scorecard – December 2012

5

Winning New Investors Confidence

Keith Richards

Chief Executive Officer
The Personal Finance Society

The past 30 years of evolving regulation, coupled with economic challenges and near global banking disaster, has tarnished the reputation and perception of retail financial services in general, impacting consumer confidence and trust. The better news is that this has had little impact on investors or consumers who have established relationships in place. However, negative perception and a lack of effective consumer education has increasingly impaired the view and awareness of the importance of financial planning.

As a result, consumer education, not just investor education, needs to be a key objective and commitment of all firms who operate within retail financial services. The reality is that some two-thirds of adult consumers would benefit from a financial planning review whether at the start of their working careers, approaching retirement, or even in retirement. Those who have never engaged with a qualified financial adviser might be confused about the benefits or even suspicious of doing so because of widely reported

miss-selling issues during the past. However, the formulaic selling practices of the past have no place in today's regulated financial planning provided by professionally qualified advisers or wealth managers.

Financial advisers face far stricter regulation than ever before, coupled with higher mandatory qualification requirements and more transparent fee structures. In real terms that has resulted in a decline in the numbers of advisers in the UK from some 300,000 back in the late 1980's to approximately 32,500 today.

It has been a case of the survival of the fittest – and, in this case, the fittest are those who communicate clearly and transparently with both consumers and investors, ensuring decisions are made confidently on a well-informed basis.

Going forward, more people need to hear this message. Advisers are better qualified than ever before and that does pay dividends for consumers and investors. For example, the *Value of Advice* report published in early 2013 by unbiased.co.uk and Standard Life, revealed that taking independent financial advice could provide consumers with a retirement income enhanced by more than £2,780 a year on average, potentially increasing a monthly pension by as much as £2,321.

Finding advice and guidance on financial matters these days could not be simpler thanks to the increasing integration of technology and use of the internet. This has led to the development of useful consumer websites and tools designed to help select investment and financial planning solutions for both short and long-term lifestyle objectives.

The demand for professional financial advice is on the rise, as more consumers recognise the potential value of undertaking a full financial review. People often realise the need for financial related products or services following a trigger – either a single or series of events in their lives – which gives cause to consider the benefits, or indeed consequences, of *not* doing something about their financial planning needs. For longer term objectives, such as retirement planning or taking out life cover, many folks are aware of the need, but few are motivated to do anything about it as it can often seem too complex and therefore easier to put off until a later date.

However, it is also clear that, those triggers aside, consumers who do not understand the need for, or value of, financial advice remain unlikely to engage unless better education is provided. A limited number of financial advisers have been involved in consumer education schemes on a pro bono basis, but there is a more significant education initiative that needs to be implemented for the benefit of all consumers.

The bigger challenge is that investment intermediaries are often small firms, or sole traders, so their resources are more limited. Investment managers and platforms therefore have a significant role to play in supporting advisers both directly and indirectly. Firstly, investment managers have the expertise and knowledge to support advisers with Continuing Professional Development (CPD) which, in turn, should lead to greater consumer education and better consumer outcomes.

Indirectly, many fund managers allocate budgets to support the promotion of brand marketing or awareness and some of these initiatives could be targeted towards general consumer education.

There's nothing new in the provision of "educational training" from Life and Investment Companies to the advisory community. What has changed is the quality of the provision and the move away from product sales to much more generic and educational material. This has been driven by adviser demand, demand from the professional body and by a more focused regulatory CPD regime – but largely it has been driven by financial advisers' thirst for quality learning opportunities.

The new focus is on doing quality "CPD" rather than just "CPD for the sake of it" is to be commended. And the reflective statements required mean that advisers are thinking more about the learning and how it meets their particular requirements rather than just turning up and ticking a regulatory box.

Many of the Life Companies and Investment Companies recognise the need for quality training and have required their own sales forces to seek and attain higher levels of professional qualification.

This is all a very virtuous circle leading to higher quality staff across the market and better outcomes for consumers at the end of the day.

One of the future desirables might be a market in which professional advisers recognise the need for and value of "paid for" training rather than an environment where everything is provided on a plate for nothing – so that they genuinely stand out as professionals in their own right. We've seen an improvement with a stronger focus on technical content, a link to relevance for advisers and their customers e.g. many provide regular strategic updates & economic overviews.

We, as an industry, need to demonstrate a consumer centric culture without the obvious commercial drivers that are understood to be implicit in what we do. Many investment managers, as well as the Personal Finance Society, understand this concept and we are seeing more such projects – something to be applauded.

The ultimate ambition must be to create a more vibrant financial planning sector that is well thought of and highly trusted. In this environment, more consumers will seek professional financial advice. Good consumer outcomes will be good news for all stakeholders and result in a reinvigorated sector offering opportunities for all.

EFAMA Guidelines for Investor Education Initiatives

Introduction

Denise Voss

Chair of EFAMA Working Group on Investor Education

I believe that this part of the EFAMA Report on Investor Education is the like the filling in a sandwich; surrounded by pieces of bread that hold everything together the middle must still be tasty and stand on its own. I hope you agree with me that it does!

The full report was built around the guidelines that the EFAMA Investor Education working group members pulled together after a very fruitful brainstorming session in January 2013. The working group had prepared and participated in the EFAMA Investor Education Day conference in November 2012 and realized that, while the conference was very well-received, we were in fact “preaching to the converted”, as the attendees were individuals who already believed that investor education was a subject of critical

importance to reach and regain the trust of retail investors, especially after the 2008 financial crisis. The focus of the conference was to share EFAMA members' best practices in investor and financial education so naturally the next step was to catalogue these best practices and to share them not only with all EFAMA members, but with the wider financial community, public officials, the press and other interested parties. The result of a year's work is now in your hands and we hope it makes you realize that asset managers can contribute to helping investors better understand investing to act in a thoughtful way upon that understanding.

It is commonly understood that Europeans will become more and more responsible for their financial future and retirement. As such, investor education is much more relevant and necessary than in the past, when relying on the State was the status quo – and a sure bet. As such, there are three core messages we would like to put forward:

- Investor education is vital however it does not mean that professional financial advice isn't just as vital. A well-educated investor will ask critical questions of his or her adviser, leading to better advice and financial results that have a better chance of being well-matched to the investor's goals.
- We can all contribute to investor education, albeit in different ways. As you will note in the guidelines that follow there are many facets of educating investors and many ways to contribute to improved investor education without incurring significant costs. I believe an educated investor is a more engaged investor, and an engaged investor is one with whom the asset management industry has a better chance of building a long-term relationship.
- Investor education often seems to be difficult to address because of its wide scope, in terms of who is concerned, the time frame involved, etc. In addition, there are many aspects such as financial education in schools, which helps give investors basic financial knowledge and tools, but which we usually don't have much influence on. That being said, as these guidelines show, there are a multitude of opportunities to contribute to the cause of investor education and to help insure that as many investors as possible have the financial means they need to meet their financial and retirement goals.

I believe that this report is not only timely but vital for our industry to gain (and regain) the trust and confidence of retail investors, in particular. As such, I would like to extend my appreciation and thanks to the members of the EFAMA Investor Education working group and Bernard Delbecq and Jonathan Healy of EFAMA for their time and dedication.

“Investor education” initiatives focus on increasing the level of knowledge, skills and confidence of individuals about the benefits and “ins and outs” of investing for their financial needs. They also provide information in respect of investing that an educated individual investor might be expected to understand or be able to find out easily. Finally, “investor education” also includes actions that focus on financial education and/or financial literacy. These Guidelines provide a template to encourage, inspire and support the development of investor education initiatives by organizations in the asset management industry and the financial sector at large.

I. Context

- **Identify the key investor education issues and needs**

As a starting point, reflect on the current situation in your country and/or investor network and identify where a lack of investor education is an impediment to increased volume and quality of savings and investing for short, medium and long-term investment needs. The following actions may be considered:

- Consult surveys about levels of investor education and financial literacy
- Search for data about relevant indicators
- Analyze client complaints and requests for information made by consumers

- **Look at what has been done and identify realistic goals**

Based on your analysis of investor education issues and needs, set realistic goals to determine where your company or association can make a difference to the objective of more and/or better investor education in your country and the wider investor community and population, taking into account the limited resources available

- **Identify your target audience**

The audience entails a wide range of people/stakeholders, with varying risk profiles and levels of knowledge about investing. These may include:

- End investors
 - i. Retail – savers and investors, students, employees, pre-retirees, retirees, etc.
 - ii. Institutional - to the extent that an institutional investor effectively represents and looks out for the investment needs of retail investors; e.g. pension funds, local authorities etc.
- Intermediaries
 - i. Fund distributors (banks, insurance companies, independent financial advisors , etc.) to explain basic investor education concepts and to provide relevant materials for use by the distributor for its own use or for its clients.
 - ii. Other intermediaries - those with contact with end investors (trade unions, employers, associations etc.)
- Authorities – to convince them of the importance of investor education to gain financial and political support for investor education-related initiatives.
- Journalists – to raise awareness about the role they can play in the area of investor education e.g. reporting on the need to save and invest, types of investment products, FAQs etc.
- Educators and other communicators – to train teachers/trainers to teach to the importance of understanding key financial concepts and to pass on to their students key investor education principles (multiplier effect).

- **Consider partnerships with other stakeholders**

Partnerships can create synergies by pooling scarce financial and human resources and to better coordinate investor education initiatives in a particular country or market and/or organize initiatives in conjunction with national programmes focusing on education or related topics. Potential stakeholders may include:

- Government (regulators, ministries of education and finance)
- Consumer associations/bodies
- Other financial services firms/associations/intermediaries/distributors (banks, platforms etc.)
- Press and other media
- Communicators (teachers helping students, trade unions helping employees, specific associations helping immigrants, etc.)
- Sponsoring firms

- **Define actions**

- Develop a plan and specific actions that will achieve the stated goals
- Organize pilot phases
- Set out a time line for the planning and execution of the specific actions
- Adapt the actions according to the target audience, taking into consideration expected levels of education, knowledge, experience, age, cultural background, etc.

II. Content

- **Define the message**

Investor education messages will usually either focus on core or general concepts that are fundamental to investor education or on aspects specifically relating to a specific product. Either way, the message must relate to the needs of the consumer and be communicated in a familiar register:

- Core. Examples of typical core concepts and messages are:
 - i. Advising consumers about how they should approach/handle an investment decision to act as an educated and informed consumer (“ask questions”, “be critical”, “be engaged”, etc.)
 - ii. Developing the knowledge, skills and attitudes every child and young person should have in relation to money
 - iii. Educating investors about basic financial concepts, saving and investing, saving for retirement and pensions, bond and equity essentials, sustainable and responsible investment, asset allocation, risk and return, fees, counterparty risk, etc.
- Product specific. Content with a focus on product will generally include:
 - i. More specific information about products, such as for investment funds the different types and characteristics of assets funds may invest in, etc.
 - ii. A focus on the advantages of investing in the products, e.g. for investment funds: safeguards, collective investment, risk spreading and asset diversification, costs, transparency, liquidity, risk management, etc.

- **Strive for neutrality**

Investor education content that does not promote specific products or brands will inspire more engagement and trust from investors. Depending on the context, the focus should be completely neutral vis-à-vis all types of providers (insurers, banks, asset managers) or contribute to enhance people’s knowledge about certain categories of products.

- **Make investor education personal, fun and interesting**

As many investor education initiatives target a portion of the general population with limited financial knowledge and interest in financial matters, it is important to make content accessible and appealing, with a view to helping the target group to personally identify with the concerns raised and the content of the message. Use of social media may be particularly appropriate to interact with young people.

- **Keep it simple**

- Plain language: use of clear, non-technical, easy to understand language that is adapted to the targeted audience of an investor education initiative will help to ensure that the message is understood and remembered.
- Learning materials: consider including definitions, glossary of terms, Q&A, tips, facts and figures, quick guides, charts, pictures.
- Numbers: care should be taken to avoid overwhelming the audience with too many numbers and formulas.
- Diagrams and pictures: these can help people to understand processes.

III. Delivery

- **Choose a location**

- Websites
- Schools (primary and secondary) and universities
- Seminars, conferences
- Advertising
- Workplaces
- Other types of facilities and venues, e.g. banks, savings museum, shopping centers

- **Use appropriate tools**

- Websites, social media, booklets, magazines, brochures, free materials (e.g. made available to teachers, to investors, to the general public)
- Free online services, helpline, face to face meetings

- **Be efficient and organized**

- Identify “subject matter experts” with well-developed communication skills
- Use or adapt existing materials
- Call on enthusiastic people in your organization
- Use internal and/or external trainers with practical experience
- Develop a volunteer network
- Establish a business case with a budget (one-off or multi-annual)
- Consider pooling resources with other stakeholders in the country, industry, etc.

- **Be creative**

- Use creative techniques and tools that attract and retain the attention of the target audience; e.g. program-specific logos, mascots, games, quizzes
- Develop online tools (calculator, ...)
- Develop initiatives using social media and other communications tools technology (podcasts, films, videos, online chats, mobile app, powerpoint presentation, blogs)

IV. Evaluation

Whilst the “payback time” is very long and the impact on investor behavior difficult to measure, especially in the short term, the investor education initiatives need to be evaluated according to some methodology to get a view on its impact, to collect suggestions to improve the quality of the initiative and to make it more relevant and as effective as possible.

- **Define measures of success**

- Website hits
- Pages viewed
- Dwell time
- Benchmarks
- Request of published material
- Media coverage
- Percentage of target audience actually reached

- **Use specific tools**

- Feedback forms
- Scorecards
- Surveys
- Statistical analyses

- **Evaluate and report on existing programs on a regular basis**

- **Get insight opinion from peers and other stakeholders in the area of investor education with the aim of creating standardized evaluation criteria, which could be used across the industry as a whole**

EFAMA Member Investor Education Initiatives

Introduction

Peter De Proft

Director General
European Fund and Asset Management Association (EFAMA)

Introduction

Contributing to improve investor education is a key priority for EFAMA. As we didn't want this to be just a slogan, we decided to undertake actions to demonstrate our ambition to make a difference in this area. In discussing this objective with our members, it became clear that a growing number of initiatives are already being undertaken by trade associations and corporate members to promote investor education. This observation led us to start working on this report to achieve two clear objectives, namely making known the initiatives our members have already put in place to encourage other members and stakeholders to undertake actions in this area, and disseminating guidelines to assist in the implementation of investor education initiatives.

This part of the report focuses on the first objective and confirms that the promotion of investor education is now part of the DNA of the European fund and asset management industry.

The initiatives that are presented thereafter constitute the raw material that allowed us to define the EFAMA guidelines. These guidelines can be compared to a restaurant's menu offering many suggestions. Various combinations of items are possible, leading to different types of investor education initiatives. In reviewing those presented below, some patterns emerge in the way the guidelines are implemented in practice. I have tried to highlight some of these patterns, following the four broad headings upon which the guidelines are founded.

Context

It is widely recognized that many people lack the level of financial education required to decide how much they should save to prepare for retirement and how they should manage their savings and investment. The consequence of this is that people are not saving enough and are not making the right decisions regarding their investments. The global financial crisis has exacerbated people's aversion towards financial products and investment risk, and discouraged people in believing that the financial services industry could help them address their financial challenges.

The initiatives that have been undertaken by EFAMA member associations and corporate members in recent years to promote investor education must be seen in this context. They are all convinced that major efforts are needed to address the financial education gap that prevent many people from understanding what their financial needs are and why financial savings is good.

There appears to be two main target groups for investor education initiatives in our industry: private individuals (end investors, children, students, etc.) and professionals who can spread financial knowledge to end-investors (company staff, fund distributors, financial advisers, teachers, journalists, etc.). Whereas the first group represents the traditional target audience of investor education initiatives, the actions to help intermediaries to promote financial literacy and enable potential investors to make better informed investment decisions are also very useful. It is an effective way for asset managers who are not in regular contact with end investors, to contribute to improved investor education.

It is also interesting to note that national associations tend to create partnerships with other stakeholders, e.g. authorities, other associations and newspapers, whereas fund managers tend to work independently.

Content

The content of investor education initiatives needs to be adapted to the target audience. Our members' reports confirm that reaching out to children, students and individual investors requires making the messages accessible, simple and appealing indeed, as recommended in the guidelines. And making investor education personal, fun and interesting is obviously another way of being more effective. Our members are using different techniques to achieve this goal, including using games, videos, podcasts, and Q&A.

Unsurprisingly, the initiatives targeting fund distributors, financial advisers and other investment professionals use materials that are more technical and focused on providing a specialist audience with help in promoting investor education.

It also seems well understood that the content of all initiatives, whether targeting individuals or professionals, should be completely neutral and avoid promoting specific brands, products or providers.

Delivery

Unsurprisingly, websites are the tool par excellence from which an investor education initiative can be developed, as they are so useful to store information and connect to social media or other websites. However, the fact that very useful information is made available on the web does not necessarily guarantee that the people who need the most help will visit the dedicated websites, and make the efforts to read and understand the materials provided to stimulate their interest in financial matters. It is therefore useful to adopt a broader approach in order to reach out to a wide audience. In other words, it is probably the combination of different and mutually supportive actions that can generate the best results. It is therefore not surprising that many of the initiatives promoted by our members combine the use of a website with targeted actions towards schools (by organizing lessons on financial matters or assisting teachers with background information), annual events (free and open to the public), or partnerships with newspapers and the authorities. Such combinations of actions represent the most effective way of ensuring that investor education initiatives become a service that is offered and used on a permanent basis across Europe.

Websites are also very useful to support initiatives focused on training intermediaries. In this case, the actions will be more effective if they combine targeted training sessions in the form of internships and/or seminars.

Evaluation

Regular evaluation is an integral part of the proper management of business. This is also true in the area of investor education initiatives, with the understanding that the “payback time” is very long and uncertain.

VÖIG Initiatives on Financial & Investor Education⁴⁷

Introduction

VÖIG has always been active in promoting investor and financial education. In this regard, VÖIG initiated or supported various actions for different target groups, namely, training for professionals working in the fund industry, retail investors, students and those who wish to find out more about the structure and concept of investment funds.

Four investor education initiatives undertaken by VOIG are outlined in this paper. The first focusses on VOIG-Lehrgang, which is a professional course for people working in the funds industry. The second initiative describes a brochure created by VOIG to teach about the basics of the economy, how investments work and how investment funds can play a role in saving for the future. A third initiative outlines VOIG's partnership with Kurier newspaper in carrying out a questions and answers (Q&A) session once a month. Finally VOIG's academic activities in teaching students in third level education are outlined.

⁴⁷ Further information can be found at www.voeig.at

1. VÖIG-Lehrgang

Context

The so-called “VÖIG-Lehrgang” is a professional training course for people employed in the Austrian fund industry.⁴⁸ It is intended to train fund professionals as well as to promote financial education on a scientific, practical level.

Content

It consists of various modules which constitute the so-called “Grundkurs” (basic course) which is then followed by specialized modules, such as the *Certified Portfolio Manager* (CPM) stream or the *Certified Risk Manager* (CRM) stream.

Delivery

The “VÖIG-Lehrgang” is conducted at least once a year, depending on the demand from fund professionals.

Evaluation

The “VÖIG-Lehrgang” has constantly been evaluated and amended in order to provide accurate and up to date content in order to serve the educational needs of fund professionals.

2. Initiative “DIDI’s Investmentfonds leicht gemacht”

Context

In 2013, VÖIG launched a new brochure “DIDI’s Investmentfonds leicht gemacht”.⁴⁹ This publication is intended to provide basic and easy-to-read information about the concept and structure of investment funds as well as their usage for retail investors.

Content

“DIDI”, a friendly, small guide giving the reader an overview of the concept and structure of investment funds. The idea of the brochure is to provide in non-technical terms and introduction to investment funds, their advantages and disadvantages as well as how they could be incorporated into an investor’s investment strategy.

Delivery

The brochure is available on VÖIG’s website is currently only in German. However, the idea is to launch different versions of the brochure, reflecting the different target groups in terms of financial knowledge and expertise. Moreover, it is intended to make this brochure available to interested teachers and training centers.

⁴⁸ See <http://finanzlehrgaenge.opwz.com/finanzen/kurse-seminare/voeig-lehrgang-grundkurs-fuer-portfoliound-risk-management.html>

⁴⁹ See [www.voeig.at/voeig/internet_3.nsf/sysPages/de.html/\\$file/Broschuere_final.pdf](http://www.voeig.at/voeig/internet_3.nsf/sysPages/de.html/$file/Broschuere_final.pdf)

Evaluation

The brochure will be evaluated and updated once a year or in case material changes in the regulation of investment funds or taxation make it necessary.

3. Telephone Q&A to Investment Funds

Content and Delivery

VÖIG in cooperation with the newspaper “KURIER” participates in a Q&A session on investment funds and related topics via conference call once a month (except during summer). During this session, anybody can approach investment professionals with any investment related question or problem.

4. Academic Activities

Content and Delivery

VÖIG is actively engaged in providing academic training of investment fund related topics. Dr. Kammel, Head of Legal & International Affairs, teaches and researches in this area given his position as faculty member and honorary professor at Danube University Krems. Against this background, VÖIG has also published an edited volume “*InvFG 2011 – Materialienband*” comprising of all the necessary materials of investment fund regulation in Austria.⁵⁰ It is intended to publish a second and totally revised version of this volume later on in 2013.

⁵⁰ See [www.voeig.at/voeig/internet_3.nsf/sysPages/de.html/\\$file/Broschuere_final.pdfmaterial](http://www.voeig.at/voeig/internet_3.nsf/sysPages/de.html/$file/Broschuere_final.pdfmaterial)

BEAMA Initiatives on Financial & Investor Education⁵¹

Introduction

BEAMA's investor education initiative focusses around a web platform, which can be accessed free of charge via the BEAMA website. This web-platform is geared towards investors with some financial knowledge. The main goal of the initiative is to inform/educate retail investors. It provides a wealth of information on financial markets, the factors investors need to take into account when investing and the structure of investment funds, including regulatory information. Another financial education initiative that BEAMA supports is the visiting to schools to educate young people about money. BEAMA participates in these roadshows as a constitutive part of Febelfin.

⁵¹ Further information can be found at www.beama.be

Context

BEAMA has developed a web platform targeted at retail end investors who already have a moderate financial/investment experience. This web platform is available in Dutch as well as in French.

- French URL: <http://www.beama.be/fr/aptitude-financiere>
- Dutch URL: <http://www.beama.be/nl/financiele-vaardigheden>

With this web tool BEAMA aims to enlarge the image of the place that a UCI (funds), as an investment instrument, may hold within an investor's financial assets.

Content

The structure of this web application is hierarchical and uses a wiki structure. The hierarchical structure gives the reader the opportunity to start by forming a general picture of the different facets per section and allows the reader to afterwards go deeper and deeper into detail on the content of a particular theme.

The content of this web platform is divided over three overarching categories, namely:

- UCI
- Investor
- Financial Markets

These three overarching categories treat among other topics the following once:

- UCI
Definitions, advantages and drawbacks, tax related issues, supervision, investor protection, risk profiles, fund types (e.g. equity funds, bond funds, pension saving funds etc.), the different parties involved in the value chain, legal framework, relevant official documents (KIID, prospectus etc.), commercial documents
- Investor
Risk profile, financial planning, behavioral finance, needs etc.
- Financial Markets
The economics and financial basics of markets and instruments, investment theory, glossary

All the explanations are written in a neutral and plain language revised by a copywriter. The content has no commercial purpose whatsoever since the sole aim of this web tool is to strengthen the knowledge of retail investors about UCIs and financial markets.

Flowcharts, graphs, images, schematics etc. are used to visualize the message in a creative and interesting-to-read way. Furthermore, to present the whole information in a “challenging” way, a section with topics that are now in the spotlight will be developed. For each topic, bidirectional links will be made so as to give the interested reader the opportunity to further deepen their knowledge on that event/topic.

Delivery

A web platform integrated as a dedicated educational part of the BEAMA website is in place. The individual BEAMA members are encouraged to link to this web platform from their own websites. On top of this, other Belgian initiatives that are undertaken also refer to the BEAMA web platform when explaining the functioning of funds and how they might fit in the financial assets of households. More specifically:

- www.wikifin.be: portal site of the national supervisor aimed at helping investors to take financial decisions,
- www.monargentetmoi.be (FR) and www.mijngeldenik.be (NL): site of the Belgian Financial sector federation (Febelfin) aimed at educating consumers in the field of payments, borrowing, saving, investing and banking. BEAMA as a constitutive association of Febelfin has contributed to this site.

Febelfin also participates in road shows visiting schools in order to help youngsters to be sensible with their money.

Evaluation

The number of website hits is used to evaluate the success of the web platform. The web platform on financial education is one of the top three most visited parts of the BEAMA website.

AFG Initiatives on Financial & Investor Education⁵²

Introduction

AFG has undertaken a proactive approach to investor education initiatives aimed at students, retail investors and professional investors. AFG promotes financial and investor education through its website and by supporting a number of educational initiatives, such as the publication of articles and books. AFG has supported universities and the French market regulator with the design of learning programmes, whilst also promoting annual trade fairs that attract large numbers of retail investors.

In 2013 AFG set up a dedicated working group to raise public awareness of asset management. The group will organise university courses, publish materials aimed at a non-specialist audience and co-operate and partner with other organisations to further the work in this area.

⁵² Further information can be found at www.afg.asso.fr or please contact Dominique Pignot at d.pignot@afg.asso.fr.

Context

The world of finance has become more complex in the past few years. The image of finance has been tarnished through events such as the subprime crisis and the Madoff affair. The crisis that began in 2007 has put into question the role played by finance in society.

At the same time, the public is becoming aware of the need to build up long-term savings ahead of retirement. Saving is gradually no longer seen as a source of top-up income or a precaution for coping with unforeseen events but as a necessity to maintain a certain standard after retirement.

Against this background, AFG is fully committed to enhance/promote financial education, to help all population categories choose the right savings products and understand better the economics of the asset management industry.

The main targets are professionals working with savers, students, opinion multipliers, trade unions (for which the AFG organises seminars on Economics and Finance) and politicians (AFG organizes ab initio training programmes linked to basics and to current trends). The initiatives have two key priorities:

- **Restore investor's confidence:** client-facing professionals, particularly sales staff, should be completely familiar with the ever-changing economic and financial environment. They deal increasingly with clients seeking greater transparency on financial products
- **Make finance meaningful again by explaining how it works:** this can be done through media coverage and conferences on issues such as financing economic activity and the purpose of long-term saving. More specifically we have to make the asset/fund management industry better understood.

Content & Delivery

- **AMF certification**

The AMF certification is an exam to ascertain a minimum level of knowledge about the regulatory and financial environment. Supervised by the French financial regulator, AMF, the exam seeks to ensure that professionals working with savers and retail investors are all familiar with the regulatory and financial environment in which they operate.

The AFG, in partnership with the bank industry training centre CFPB, created this examination in 2010. In particular, we produced an e-learning tool that enables users to acquire knowledge in a straightforward and easy-to-understand format. The AFG has paid special attention to students in vocational and tertiary education. To date, 4,400 students have passed the exam, in addition to 3,300 professionals.

- **University-level programmes**

The AFG plays a significant part in university-level programmes through a variety of actions, including consultancy, design, sponsorship and instruction. The AFG was behind the creation in 2011 of a post-graduate degree in Asset Management Middle and Back-Office techniques at Paris Ouest Nanterre

University; it also helped design the programme. AFG staff take part in university courses on a regular basis at institutions such as the CNAM, Nanterre and Dauphine universities and the Sorbonne.

- **Trade fairs**

The AFG supports and promotes annual trade fairs that attract large numbers of retail investors. At Actionaria, a retail investor fair held in Paris every November, the AFG facilitates or takes part in panel discussions on issues relating to employee savings and pensions. In 2014 students who have passed the AMF certification exam organised by the AFG will be the guests of honour at Actionaria. Other fairs include Forum GI, an asset management forum for institutional investors, and Patrimonia, which attracts management companies and wealth advisers.

- **Support to government/regulator led initiatives**

The AFG played a part in setting up the financial literacy institute IEPP (l'Institut pour l'Education Financière du Public), organised as a public interest organisation and approved by the national education authorities. Among other things, the IEPP has opened <http://www.lafinancepourtous.com>, (Finance for everybody) a website offering instruction on finance and money matters complete with quizzes, practical information and special areas for children and teachers. It has also published *Bien Gérer son Argent pour les Nuls* a book on "money management for dummies". The AFG has supplied information on a range of issues, particularly employee savings schemes, and promotes the site to its members.

- **Partnership with consumer organisations**

The AMF also worked with the national consumer organisation, INC (<http://www.conso.net/>), on a series of TV programmes broadcast in late 2013 to help retail investors acquire the right reflexes before purchasing or putting money in a financial product.

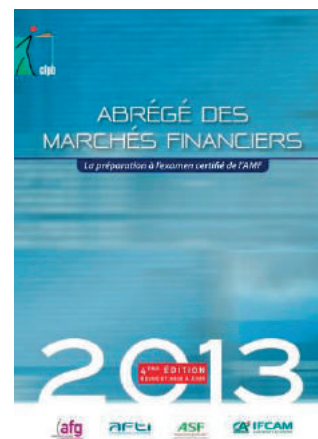
- **Website of AFG**

AFG is informing through its public website and different publications on issues concerning investor's education such as the protection and economic role of investment, corporate governance, investor representation, performance measurement, changes in management techniques, research, training, etc.

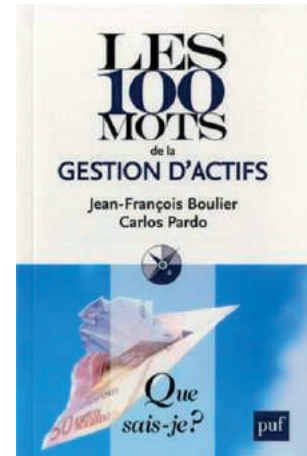
- **Publications**

AFG writes publications such as:

- **“Abrégé des Marchés Financiers”** which is a comprehensive overview of financial markets. Designed to prepare candidates for the AMF certification exam, this regularly updated book is also a reference guide for students, individuals and anyone else interested in financial markets and how they work.
- **“The 100 words of asset management”** is intended to bring encyclopaedic knowledge to a broad-based readership. Carlos Pardo, Head of economic research at the AFG, and Jean-François Boulter (Aviva Investors France), a member of the AFG's Strategic Committee, have published that book covering 100 key concepts in asset management.



- The AFG also carries on its instructional activities on the internet. It collaborates with **Wikipedia** to describe the various job profiles in the asset management industry.
- The AFG has a **library** which is open to members but also to everyone being interested by asset management industry, such as wider public and students. It includes 2,400 books, annual reports, studies, 1,300 topical files, and all of the AFG circulars dating back to its foundation, along with a database with 5,000 references.



Evaluation

AFG evaluates its initiatives using a range of techniques such as the number of hits on the website, press coverage of initiatives supported and undertaken. The number of students passing the AMF certification exam also provides a proxy on the success of the AFG training initiatives.

The BVI Initiatives on Financial & Investor Education⁵³

Introduction

BVI is involved in a number of initiatives to promote investor and financial knowledge particularly amongst young people. The Hoch-im-Kurs initiative aims to promote financial knowledge and to garner a greater awareness of financial issues to students aged 16-18. This initiative provides teaching materials for teachers and course booklets for students. Other financial education initiatives supported by BVI include BVI members entering schools and talking to schoolchildren about the financial world.

In addition to the school based initiatives, BVI has also created a mobile application to help the user budget. These initiatives form the backbone of BVI's involvement with investor and financial education issues.

⁵³ Further information can be found at www.hoch-im-kurs.de

Context

Results of industry specific market research show that Germany's population lacks adequate financial knowledge. The number of Germans knowing very little or even nothing about everyday financial basics is alarmingly high. Statistics show that this lack of financial skills encompasses all social levels and age groups. This knowledge deficit is substantial, especially among the younger generation. Young people admit to have only "little" or "no" knowledge of financial matters. The lack of knowledge on financial matters may have serious consequences involving both financial and social risks such as inadequate insurance against life risks, excessive debts, or insufficient private pension plans. However, decisions aiming at financial independence and safety, especially those concerning retirement plans have to be made at a young age. In this respect, young people in particular should be able to manage their financial life themselves. The problem is, many lack the necessary economic and financial basic knowledge. Experts within and outside the school system agree: Financial education is of utmost importance and the respective educational mandate should be ascribed to schools. However, as school curriculums fall under the federal states' exclusive jurisdiction in Germany, financial or economic matters are dealt with in considerably different ways. Some states include general education on income, money, saving and expenditure, while other states have no mandate to offer any education in these areas.

Content

The BVI investor education initiative "Hoch im Kurs" started in 2006. It stands for the promotion of financial education especially among young people. It provides a platform for a better understanding of the economy and the capital markets. BVI offers a package of printed material plus additional information on the website www.hoch-im-kurs.de. It introduces basic financial topics such as money management, capital and stock market, international markets and financial precautions. The media package is comprehensive and easy to read. It covers the following topics:

- Money Management: Promoting independence and financial responsibility
- Money and the Economy: Monetary transaction in the economy and private households
- Preparing for the future: Risks and needs of different phases in life
- International financial markets: How does international trading work?
- Financial crisis: Causes and effects
- Capital Market and Stock Market
- Capital investment and raising of capital
- Investment of capital: Saving and investment options, criteria for decisions about investments
- Investment funds: What are investment funds and how do they work?

Delivery

The media package includes a magazine for students aged 16 to 18 and a brochure for teachers with background information and suggestions for instructions in class. Teachers are being supplied with a copy of the students' magazine and invited to request a full batch for use in their classes. This model has proven most efficient and also had a most positive response: More than 1,150,000 copies of the student magazine were sent out to German schools. The media package combines printed material with the corresponding website www.hoch-im-kurs.de. It provides a wide spectrum of information (e.g. a sample budget plan to be used individually or "the reasons for financial crisis"). The topics of the website aim at

both students and teachers. The BVI also started a cooperation with the renowned German newspaper Handelsblatt. Teachers may find each week newspaper articles adapted for pupils. Interactive modules such as competitions and “questions of the week” help to get in contact with the students. The website is linked to facebook with social activities.

Three years ago BVI started an additional initiative: About 300 Financial Experts from our BVI-members visit German schools and give lessons on financial topics such as money management or how to prepare financially for the future. It is free of charge for the schools and so far more than 550 teachers asked for experts coming to their schools all over Germany.

Evaluation

It is remarkable that since 2007 the media package has received year-on-year the renowned “Comenius EDU Award” in the category of Economic and Commercial Education.

Teachers gave a positive feedback when asked their opinion concerning the “Hoch im Kurs” brochures in a survey in January 2013. 93 percent think positively about “Hoch im Kurs“, whilst over 70 percent affirmed that they have already given lessons using the magazines. 21 percent plan to employ the magazines in their lessons sometime soon. Most of the teachers (96 percent) judged favorably the quality of the material. The website "Hoch im Kurs" and the presence on facebook have received a good response and counted more than 4,200 fans. One year after the relaunch of the website there were a reported 130,000 visits and about 1,500,000 hits. Visitors stay on the website for about 5 to 6 minutes on average.

The BVI also produced a financial app ("Geld-Check") which helps young people to manage their monthly budget and helps them to attain their savings goals. The app is free of charge and has been downloaded over 35,000 times.

Assogestioni Initiatives on Financial & Investor Education⁵⁴

Introduction

Assogestioni believes that a better educated investor would be a more confident and more discerning investor and is committed to promote both financial education at large and the understanding of funds as an ideal tool for retail investment over the medium to long term and as part of retirement provisions.

Within this framework, Assogestioni's commitment to investor education is organized along two axis:

- an ongoing communication effort aimed at offering a reference point for the understanding of key financial products and at reinforcing the fund industry reputation vis-à-vis the public and institutions
- a series of one off activities to respond to market requests or react to crisis and reinforce the industry position.

These two areas are not strictly separated but feed off each other depending on needs, opportunities and market response.

⁵⁴ Further information can be found at www.assogestioni.it

Context

A number of studies show that levels of financial literacy among the people of all ages needs improving. Unfortunately no specific action is promoted systematically by public institutions or as part of general school programmes: only at local level there are initiatives to promote financial literacy in schools as well as activities organized by trade associations such as the banking association or consumer associations to further retail investor knowledge.

Content & Delivery

• **Assogestioni Website**

The ongoing education activity focuses on the Association website.⁵⁵ In particular, Assogestioni's website hosts a section devoted to financial education consisting of 3 areas:

- Basic financial concepts and teacher's corner
- Elements of financial and investment education
- Introduction to the pension system and retirement provisions

This section of the website was developed in 2007 in response to the need for preparing the ground for a pension reform which required all workers to decide on the use of a portion of their salaries traditionally paid out at the end of their career. Thanks to the reform, millions of workers had a one off opportunity to access an often consistent lump sum and decide how to invest it: as such, it required from the worker a basic understanding of the options available and of the criteria to apply when making their choice. The asset management association, alongside a number of other organizations, played its role and took the opportunity to design a new website comprising general financial and investment literacy information paired with specific information to guide investors in their investment choice following the reform. The launch of the website - targeted at workers, retail investors and students - was carried out with the support of an advertising campaign in the press and the dissemination of leaflets through banks. At the end of the pension scheme campaign, the website became part of the Assogestioni site.

▪ **Salone del Risparmio**

In addition to its online presence, Assogestioni has a yearly event designed to promote the industry and financial education among the general public: the Salone del Risparmio, the annual trade fair of the asset management industry. In 2013, at its 4th edition, it enjoyed 12,500 visitors out of which 80% AM professionals and 20% private investor and students. Lasting 3 days - all free and open to the public - 1 day is always devoted to students with 1,700 high school students visiting and attending conferences and seminars dedicated to them.

▪ **Publications**

Alongside with the online presence and the yearly event of the Salone, Assogestioni publishes regularly brochures, papers and books to further the knowledge and understanding of the fund industry. In particular, one publication "Mutual fund : make the right choice" has turned out to be a particularly successful tool: born in response to the results of a focus group of fund investors, financial advisors and asset managers, it consists of 13 Q&A explaining the key principles on how and why to invest in funds.

⁵⁵ See www.assogestioni.it

Launched as a one off publication, it has quickly become a popular tool among investment advisor and a staple of the association investment education effort.

Evaluation

In Assogestioni experience we consider that, taking into account the limited resources available for financial education, the most efficient strategy to achieve the best “return on investment” is to target intermediaries i.e. fund professionals such as banking staff and financial advisor etc.

Although an online presence is a necessary element of the institutional role of the association and the background for all other financial education efforts, it is quite difficult to generate significant traffic and to attract the type of investors it is aimed at.

Advertising campaigns targeted directly at the general public need large budget to achieve visibility and their impact is difficult to measure.

As for students, despite the commitment and the success of the activities carried out by Assogestioni within the Salone del Risparmio, there is a high level of organizational complexity linked to the fragmentation of the audience (schools) and the specific logic and priorities of teachers and headmasters. In addition the “payback time” is extremely long and hence difficult to measure. Ideally, if students are to be targeted, the activity of an association as ours should be part of a larger effort sponsored by institutions.

Training and publications targeted at advisors both in terms of direct training and in terms of information tools for them to use with their clients appears the most suitable strategy both in terms of alignment of the target of the education with the traditional target of the association i.e. fund professionals: this makes it easier to focus and reaching the target.

In addition a communication and education programme targeting advisors has a significant leveraging effect allowing the possibility of targeting a well-defined group of 10-15,000 advisors who in turn reach out to a much larger number of investors. It is hence efficient in terms of use of resources and effective allowing an association such as ours reach the investors when it most needs knowledge and understanding i.e. when he/she is about to make its investment choice.

ALFI Initiatives on Financial & Investor Education⁵⁶

Introduction

ALFI's investor education initiative is centred on the ALFI Investor Centre, which is targeted at investors with little or no investment experience. The ALFI Investor Centre is intended to serve as an easy-to-understand guide to the world of funds and investment, focusing on individuals and retail investors. Its goal is to answer questions frequently asked by retail investors and to explain important aspects of the investment fund business, from the relationship between risk and return to the significance of diversification.

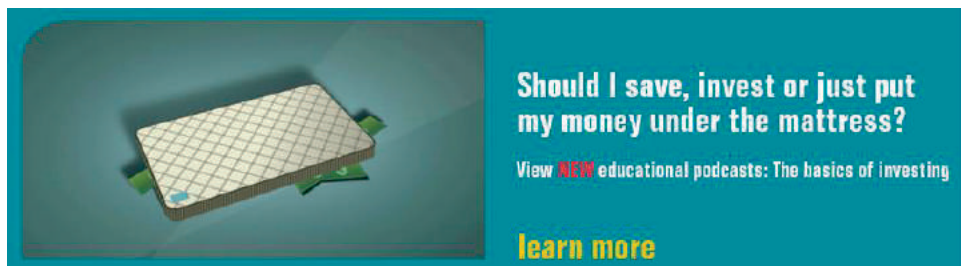
⁵⁶ Further information can be found at www.alfi.lu

Context

Following the financial crisis in 2008, ALFI recognised a pressing need to regain investors' confidence in investing and in investment funds. One response to this need was the setting up of an ALFI Investor Forum, with the goal of developing ALFI initiatives related to investors' needs and expectations, bringing together members of the Luxembourg fund industry: representatives from investment funds, asset management companies, companies providing services to the investment fund industry and a representative from the University of Luxembourg. The Forum identified investor education and information as a primary focus and so in March 2011, the ALFI Investor Centre was launched.⁵⁷

The ALFI Investor Centre is a website platform presented as an easy-to-understand guide to the world of funds and investments via simple navigation throughout three main sections: Investor Education, Investor Information and Investor Protection. The information is available in English, French, Italian and German. Other languages will be added in the future. It is targeted at retail investors who have little or no experience investing in investment funds. The goals of the investor centre are:

- establish, restore and increase investor confidence in investment funds as vehicles for saving and investment
- provide valuable information to retail investors about investing, including information relating to their local country of residence
- encourage a general awareness of the importance of investing
- strengthen the UCITS brand by highlighting investment and investor protection features



Content

- **Investor Centre**

The ALFI Investor Centre explains how investment funds work, the different types of investment funds as well as the rules and safeguards that apply. Investors will learn how you can work out their personal investment profile and identify the funds that match their needs. We also look at how investment goals could develop throughout an investor's lifetime and how they might adapt their investment choices accordingly.

⁵⁷ See <http://www.alfi.lu/investor-centre>

The investor centre has a simple navigation structure of three panels: Investor Education, Investor Information and Investor Protection.

- **Investor Education**

This section provides the reader with basic information about investing, the difference between savings and investing, details on different types of investors or how to choose a financial advisor. Moreover, this part of the Investor Centre explains what the investor should be aware of before investing, what type of investment fund he/she can invest in and what a UCITS investment fund is. Through this section, investors can also find replies to frequently asked questions related to investing (FAQ section) as well as a glossary and useful links.

- **Investor Information**

As Luxembourg investment funds are distributed cross border to investors within Europe but also in many other countries and given the personal situation of an investor differs from country to country, the Investor Centre includes a section dedicated to providing relevant information to investors based in different countries. This section gathers useful information and links from several European countries (and Hong Kong) that deal with various aspects of investing in investment funds. The investor has access to explanations and information with regard to local regulators of financial products and services, fund associations, investor education resources, tax, legal and retirement issues, investment fund literature and glossaries. A broad range of sources are used and the reader can access information in the local language of their country of residence. The following countries are covered by current roll-out: Austria, France, Germany, Hong Kong, Luxembourg, Spain, Sweden, Switzerland, the UK, Belgium, Italy and the Netherlands. Additional countries will follow soon.

- **Investor Protection**

Given the ALFI Investor Centre focuses on providing information and education for retail investors a section was added in early 2013 to explain the elements of investor protection that are embedded in UCITS funds. This section focuses on aspects such as: eligible assets, diversification, liquidity, valuation, risk management and compliance, oversight and safekeeping and fund information.

- **ALFI educational podcasts**

In March 2013 the ALFI Investor Forum launched podcasts about the basics of investing explaining investment related topics in plain language with use of narration and animation via dynamic icons. This series of short films aims at helping consumers understand what investing means. The films are available in the Investor Centre on the ALFI website.



The premise of the podcasts are that long term saving and investment are necessary for individuals to grow their money over time and that investment funds (UCITS in particular) are investment products that have been developed and adapted for use by retail investors. The films take viewers through the basics of investing, investment funds and UCITS, covering topics such as:

- Saving and investing
- What are equity, bond and real estate assets?
- What is an investment fund?
- What is a UCITS fund?
- How does a UCITS fund work?
- How can UCITS funds protect investors?

In 2014, ALFI will produce additional podcasts focusing on what investors should consider before investing including following topics:

- Financial planning and life phase
- What kind of investor are you
- Making your investment choices
- How to obtain a financial advice

Delivery

The Investor centre website was presented at the ALFI Spring conference in 2011 to a large number of fund industry professionals and to the national and international press. The podcasts *Basics of investing* were launched at the 2013 ALFI Spring conference and received positive feedback from the conference attendees and the press. The Investor Centre is available on the ALFI website and the podcasts *Basics of investing* are promoted on the ALFI homepage through specific banners and visuals. The podcasts are also published on the ALFI YouTube channel and promoted on the ALFI social media platforms (Twitter and LinkedIn). ALFI updates members of the press in Luxembourg and abroad on the latest news related to the Investor Centre and gets valuable press coverage.

Evaluation

Evaluation is done on a regular basis with a focus on website hits (Google analytics) for all individual sections of the Investor Centre as well as for the Investor Centre podcasts (number of views on the website and on YouTube). Furthermore, the ALFI communications department keeps track of press coverage related to the Investor Centre and ALFI's investor education initiative.

APFIPP Initiatives on Investor & Financial Education⁵⁸

Introduction

APFIPP's contribution to the investor and financial education effort has been focussed on the work developed under the “National Plan for Financial Education”, a national project launched in 2011 by the three Portuguese Financial Supervisors for the period of 2011 to 2015 (www.todoscontam.pt). The Plan follows the best international practices of the OECD INFE (International Network on Financial Education) and aims to contribute to the increase of the level of financial knowledge of the population and to promote the adoption of appropriate financial attitudes and behaviours, through an integrated vision of the financial education projects being developed and by combining and coordinating the efforts of the various stakeholders involved.

⁵⁸ Further information can be found at www.apfipp.pt or please contact Joana Silva on info@apfipp.pt

The “Financial Literacy Day” was one of the main projects of the “National Plan for Financial Education” for 2012 and counted with the participation of several entities, including APFIPP. This event took place on 31st October 2012 with the aim of celebrating the World Savings Day and increase public awareness of the importance of saving.

Context

The Financial Literacy Survey, which was carried out by the Bank of Portugal, at the end of 2010, pointed out, among others, the need to create awareness amongst the population on the importance of saving as a way of wealth accumulation in order to achieve medium and long term objectives.

To call the attention to the importance of saving, a special event was organized by the three Portuguese Financial Supervisors (Bank of Portugal, Portuguese Securities Market Commission and Insurance and Pension Funds Supervisory Authority), under the framework of the “National Plan for Financial Education”. The event, entitled “Financial Literacy Day”⁵⁹, took place in Lisbon and Oporto, on 31st October to coincide with the World Savings Day and its attendance consisted mostly of school children and students.

Various initiatives, from conferences and workshops to quizzes and games, focusing issues related to financial education, were promoted throughout the day by the 19 stakeholders that participated in the event, including APFIPP, ministries, national associations of the financial sector, consumer associations, schools/universities, unions and non-governmental organizations.

Taking into consideration the specific characteristics of the audience and bearing in mind the purpose of the event, APFIPP tailored its participation and information outlay to be suitable for a young audience.

Content

The main objective of APFIPP’s participation in the “Financial Literacy Day” was the promotion of the importance of saving and investing, and the role that investment funds and pension funds can play as a means to achieve various financial goals throughout the life of any citizen. The information provided to the public was centered on three main topics:

- **Saving and Investing:** e.g. Concept of saving and investing; Why save and invest?; How to get to know me as an investor?; What questions to ask before investing?; Concept of diversification;
- **Investment Funds – An Investment Option for You:** e.g. What is an investment fund?; Reasons for choosing to invest in investment funds; Type of funds; Concept of risk and return; Analyzing the information available before investing;
- **Pension Funds – A Strategy to Prepare for Your Retirement:** e.g. Why save for retirement and when to start?; What is a pension fund?; Who can invest in pension funds and what are the benefits?.

⁵⁹ <http://www.youtube.com/watch?v=7BASMoftCGc&list=PLIUzCJeu2WGCIEkzWW1EPFzZG4TA3bFv&index=1>

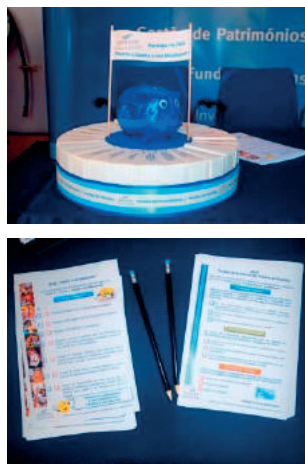


A set of engaging messages was used in all promotional materials as a way of inducing visitors to think about the idea of “Saving and Investing” and to raise their curiosity and interest about this subject. The messages comprised: “Do you really want to prepare your Future? Save and Invest”; “I want to prepare my Future!”; “I will prepare my Future” and “I know how to prepare my Future!”.

Delivery

APFIPP focussed its participation at the Lisbon event, where it had a stand hosted by its staff, in which visitors could get further information or ask any questions about Investment Funds and Pensions Funds. A video addressing the main concepts related to the three topics mentioned above was projected at the APFIPP stand. All information was structured in an appealing manner, using simple, neutral and plain language. APFIPP also organized a quiz called “Win your Piggy Bank/ Money Box”. The quiz had two different formats depending on the age group of the visitors. Both addressed the matters set out in the information provided e.g. for younger children, the focus was solely on the concept of savings, whilst for the older students the information included the main characteristics of investment funds and pension funds as collective investment instruments.

In addition there was a skater girl wearing clothing displaying “Do you really want to prepare your Future? Save and Invest!”, who skated around the venue interacting with the public and inviting visitors to visit the space promoted by APFIPP.



Evaluation

The results of the participation in this type of event are difficult to quantify. By taking part in the “Financial Literacy Day”, APFIPP aimed to contribute to the national effort of improving the financial education of the population, as set out by the “National Plan for Financial Education”. Moreover, it contributed to the promotion of a better understanding of Investment Funds and Pension Funds by increasing awareness of these financial instruments as a savings solution that is available to everyone.

The press coverage and the feedback from the public was very positive. Young visitors showed great interest in the quiz “Win your Piggy Bank/ Money Box”. Students from a wide range of schools and cities across the country participated in this quiz.

INVERCO Initiatives on Financial & Investor Education⁶⁰

Introduction

In 2010, INVERCO launched the “*Investment and Pension Funds Observatory*” aimed at increasing awareness amongst investors of the characteristics and advantages of Investment and Pension funds and, in general, at improving end investors financial culture.

Taking into account the broad number of actual and potential investors, and therefore the complexity and high cost of actions directly targeted to them, most of the Observatory’s initiatives are mainly channeled through its website or through mass media. Notwithstanding, there is a direct contact with end investors, both by mean of “*online chats*” and through surveys which are regularly conducted, in order to identify possible areas of action.

The goal of the Observatory is neutral, in the sense that, although it is made up of experts from different management companies, it is not aimed at promotional purposes of any entity in particular, but to the Investment and Pension Funds industry, in general.

⁶⁰ Further information can be found at www.inverco.es

The main initiatives in this field, already developed or scheduled by INVERCO, are the following:

- Surveys on the following issues:
 - End investors' view on Investment Funds and on their management companies.
 - Investors' preferences regarding Pension Funds.
 - Prospects for financial markets.
 - Individual investors behavior in situations of uncertainty.
 - End investors financial culture.
- Guidelines and Frequently Asked Questions documents (FAQ) about Investment and Pension Funds.
- Online chats with financial experts.
- Didactic sessions with the financial specialized media.

1. Surveys on several financial issues regarding end investors

Context

- Target audience: End investors.
- Goals:
 - Gain a better understanding of the end investor's knowledge of investment and pension funds.
 - Identify savings patterns and its evolution during the financial crisis.
 - Analyze the investors' preferences regarding alternative financial products.
- The surveys are conducted with the help of a specialized company.

Content

- Message: To collect the data, a telephone survey is conducted amongst a representative sample of people. The particular questions included on the questionnaires depend on the topic being analyzed.
- No promotion, neutral.
- Plain language, easy to understand.

Delivery

The findings of the survey are published in several mass media, as well as in the Observatory's website. Likewise, they are useful to adapt the Guidelines and the FAQ documents published by the Observatory, to include or better explain those aspects which, according to the surveys, are poorly understood by the investors.

Evaluation

Measures of success are linked to the spreading of the survey findings by mass media.

2. Guidelines and FAQs about Investment and Pension Funds

Context

- Target audience: End investors.
- Goals:
 - Explain to investors the main characteristics of Investment and Pension Funds.
 - Solve the most common doubts that Investment and Pension Funds pose on end investors.

Content

- Message: The Guidelines and FAQ deal with financial, risk, legal and fiscal aspects of Investment and Pension funds.
- No promotion, neutral.
- Plain language. Easy and non-promotional examples.

Delivery

Guidelines and FAQ are published on the Observatory's website. They are updated with the relevant regulatory changes, as well as regularly modified to include or better explain matters given the findings of the surveys.

Evaluation

These FAQ and Guidelines are regularly consulted by the investors.

3. Online chats with financial experts

Context

- Target audience: End investors.
- Goals:
 - Solve end investor's doubts.
 - Bring closer end investors and experts on investment management.

Content

- Message: Online chats are commonly hosted by digital editions of newspapers. The nature of questions is not predetermined.
- No promotion, neutral.
- The goal is not to provide individual financial advice, but to increase financial culture and a better understanding of Investment and Pension Funds as a whole; therefore no individual recommendations are issued.
- Plain language.

Delivery

Online chats are commonly hosted by digital editions of newspapers.

Evaluation

These “online chats” always have a high participation rate.

4. Didactic sessions with the financial specialized media

Context

- Target audience: Specialized financial journalists from several mass media (written and digital press, television and radio).
- Goals:
 - Improve financial journalists’ knowledge about the characteristics and operating of Investment and Pension Funds.
 - Solve financial journalists’ doubts on Investment and Pension Funds.
 - Increase spreading of news regarding Investment and Pension Funds.
 - Bring closer financial journalists and experts on investment management.

Content

- Message: The didactic sessions may deal both with general characteristics of Investment and Pension Funds as well as with the very latest issues.
- No promotion, neutral.
- Plain language.

Delivery

These didactic sessions are designed as face-to-face workshops.

Evaluation

The success of these didactic sessions will be measured taking into account the number of attendants, as well as the improvements in the number and quality of news on Investment and Pension Funds published in the weeks subsequent to the event.

Swedish Investment Fund Association Initiatives on Financial & Investor Education⁶¹

Introduction

Investor confidence is a top priority for the Swedish Investment Fund Association. In order to reach this objective the fund industry needs to increase knowledge about funds and fund-based savings. The Fondkollen (Fund check) project is one of the most important tools to reach out to the fund-savers. The project currently comprises three components: the Fondkollen.se website, a mobile app, and a pocket folder.

⁶¹ Further information can be found at www.fondkollen.se

Context

The purpose of Fondkollen is to ensure people are satisfied with their fund savings, make a deliberate choice for their premium pension, and be active when it comes to the rest of their fund-based savings.

Content

May 2012 saw the launch of a completely new version of the Fondkollen.se website. The site is designed to answer the question: “How do you do it?”. Fondkollen provides objective and functional tips, tools, and facts and figures, to help savers keep track of their funds and make their own fund choices.

Fondkollen.se was launched in 2010 and initially concentrated on the premium pension. The new Fondkollen.se site has expanded its scope substantially and includes facts and figures, tools and tips on every aspect of fund-based saving. A number of concrete tools have been developed:

- **The calculator**

A popular tool on the website is the calculator where savers can experiment with savings amounts, savings terms, returns and see how charges would affect their savings in cash terms. The calculator has been developed in consultation with the Swedish Ministry of Finance, and one of its important objectives was to translate management charges and returns, which are usually shown as percentages, into actual kronor. The Association’s member companies can also use the calculator on their own websites.

- **Check my fund**

“Check my fund” makes it easy to see how the funds have performed over different periods of time. The funds are compared with other funds with the same investment orientation. To find a fund the user just has to enter the name of the fund or part of the name. The funds are ranked using a figure that shows the fund in question’s position in comparison with the other funds in the same category.

- **Find a new fund**

The tool “Find a new fund” can be used to find the fund best suited to the needs of each saver. The user clicks on the type of fund they are interested in, or on the area or region on a world map where they would like to invest. A list of the funds on offer within that category is shown where the user can see how the various funds have performed in comparison to one another.

- **Mobile app**

Together with the website an updated version of the Fondkollen app was launched. The app has recently been updated and now includes all funds accessible for fundsavers in Sweden. The mobile app helps to keep track of your funds and see how they are performing in comparison with other funds. The app can also be used to choose new funds.

- **Pocket folder**

The Fondkollen pocket folder contains easily accessible, factual information about fund-based savings. It covers the most important things savers need to know about funds and answers the most frequently asked questions. It also provides tips on how to evaluate funds or choose new ones. The Fondkollen pocket folder is distributed not only to the member companies, but to banks, financial advisors, local consumer advisors, the Swedish Consumers' Banking & Finance Bureau, Ung Privatekonomi [Young Personal Finances], etc.

The pocket folder can be ordered from www.fondbolagen.se.

Delivery

The association's members are encouraged to spread the word about the website and the app and to hand out the folder to those clients they come in contact with. After one year the website is used in various ways by the members. Some of them have embedded parts of the website into their own interfaces and the folders are handed out in offices around the country.

Evaluation

The behavior of the visitors to the website is monitored and during the past year fondkollen.se has had approximately 100 000 visitors, this number is steadily increasing, and in the end of 2013 and early 2014 the website has had about 10 000 visitors per month.

The app has been downloaded approximately 15 000 times since it was launched in May 2013.

IMA Initiatives on Financial & Investor Education⁶²

Introduction

The Investment Management Association's aim is to ensure investment managers are in the best possible position to help consumers achieve their financial aspirations. Part of its strategy, on behalf of its 200 members, is to improve the quality of generic information and advice available for potential customers.

In the UK many investors invest through professional advisers, who they trust to select funds for them. A significant number of IMA's member firms offer a range of CPD training initiatives for qualified advisers. IMA and its members also contribute technical expertise to ensure the investment modules of advisers' qualifications are up-to-date.

IMA's direct investor education initiatives include a consumer website and supporting a number of national initiatives aimed at enhancing investor and financial knowledge among young people and the general public.

⁶² Further information can be found at www.investinginfunds.org or please contact Victoria Nye at vnye@investinginfunds.org.

The IMA's consumer website offers a wealth of information including a beginners' guide to investment, an investor's checklist, a reference section on funds; a directory of funds, with filters and a glossary of terms.⁶³

The IMA also actively supports Pfeg (Personal Finance Education Group), of which it is a founding member. Pfeg promotes and supports the teaching of financial education in schools across the UK.

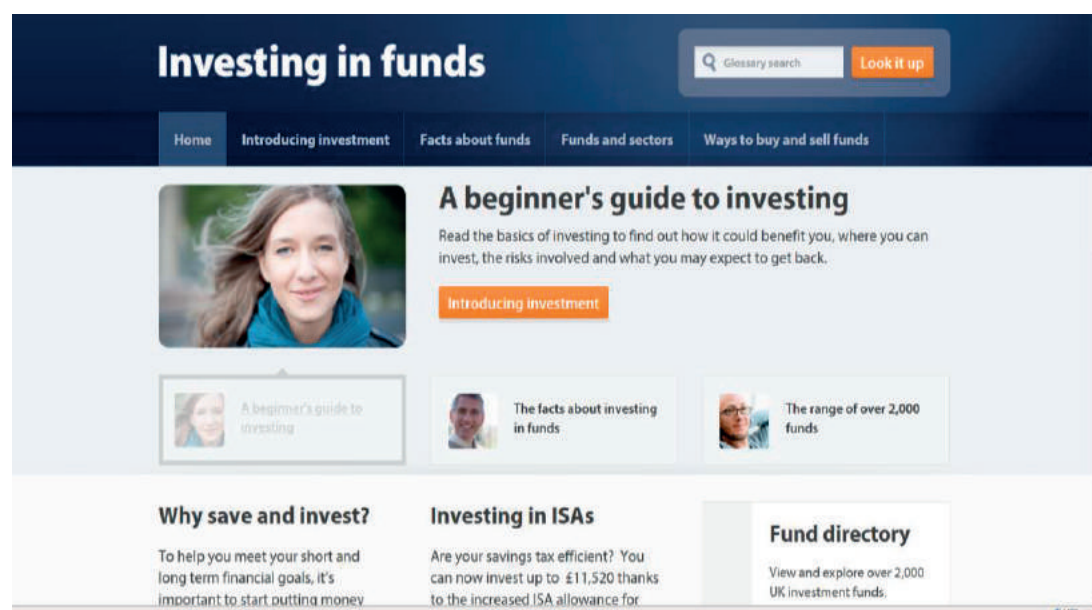
The Money Advice Service (MAS), which provides advice covering most financial matters including saving and investing, is also described in this section to highlight a national initiative rolled out by government but funded by the industry.

1. IMA consumer website: *investinginfunds.org*

Context

The UK funds industry's challenge is to present its services to its end investors more clearly. Most UK retail investors select funds via a financial adviser, but, post the Retail Redistribution Review (RDR), and the growth of internet-based fund platforms, more investors may choose to invest without advice.

This website provides generic information about investment in general, and funds in particular, for those who are interesting in learning about investing in funds. It is designed for potential and existing investors, whether they choose to invest direct or with advice. It is a hub which IMA member firms, advisers and their clients, other intermediaries and commentators, as well as those thinking of investing directly without advice, can refer to for consumer friendly information.



⁶³ See www.investinginfunds.org

Content

- Message
 - Core (investment basics, reasons for investing, asset classes, diversification, risk and return, tax wrappers for UK investors, questions to ask)
 - Investment fund focus (funds definitions, regulations/safeguards, operations, investor reports, taxation, how money is managed, performance measurement, fees, options on ways to buy and sell in funds)
- The content is purely educational and users are reminded that it is not a source of advice, or an inducement to buy or sell any investments.
- The presentation is clean and clear. Users can drill down from simple top level explanations into more detail if they wish.
- It contains a directory of 2,000 funds with an interactive facility so users can filter the list by a series of categories into smaller groups and begin to understand the range of fund products available.
- It uses plain language and avoids excessive use of numbers. It has pop-up definitions where there is a technical term and a supporting glossary.

Delivery

Launched in January 2013, investinginfunds.org is simply a website regularly updated by investment and fund experts to which more consumer-facing operators can link e.g. the Money Advice Service which has a significant advertising budget. IMA is networking via intermediaries, advisers, information providers, platforms and others who are more consumer facing, but maybe less up-to-speed on the facts, than the IMA itself. It aims to develop an increasing number of relevant links with other websites, and to use twitter and blogs.

Evaluation

IMA plans to assess, through user research, whether the information and tools it provides online are clear, comprehensible and useful. Short term measures of success include, website hits, numbers of unique users, pages viewed and dwell time.

Whether this website in itself contributes to any improvement in investors' confidence in their ability to make investments over the long term will be hard to prove. As IMA members make improvements to their own information and survey their progress, the IMA hopes that the website marks a positive trend and a realization of the value of investor education.

2. Money Advice Service (MAS)

Context

The Money Advice Service (MAS) is a nationwide initiative set up by Government in 2011 and governed by the FCA, the UK regulator, following The Thoresen Report in 2008 showed that generic advice was needed to help improve financial capability in the UK.

It aims to improve people's ability to manage their finances by offering a free online service with self-help tools and information, a helpline and the opportunity for some face-to-face meetings. It has information for all UK adults, but its focus is on young people and lower income families.

Content

- Message:
 - Core (personal financial planning, managing debt, mortgages, savings, pensions, insurance, investments, information to enable users to be informed consumers (ask questions, be engaged, etc.).
 - Investment fund focus – there is information on funds but no particular focus.
- No promotion, impartial, neutral on product. Its main aim is to improve personal financial planning.
- A Money Healthcheck with an interactive questionnaire, a budget planner, mortgage and other calculators, as well as product comparison tables are all part of the service. Using cookies to remember outcomes from users' visits, MAS can send reminders to prompt future action.
- It is written in plain English with numerical examples where applicable. Technical terms do appear, but are typically explained in context.
- IMA has partnered with MAS to review the accuracy of the investment content in MAS's website. Some articles have links for further information to investinginfunds.org

Delivery

The Service is online (www.moneyadviceservice.org.uk), with a telephone helpline (0300 500 5000) and the opportunity for face to face meetings. Advertising and direct marketing are central to the growth of the service. It uses a full range of techniques to overcome inertia and prompt people to manage their money effectively. Booklets, free materials are part of the service.

MAS is working with relevant partner organisations so as to reach as many people as possible. For example, given its strategic role on financial capability in schools and universities, it works with pfeg.

It is funded by a compulsory levy on firms in the financial services sector, including investment management firms, and has a budget of £44m for 2012/13. It also operates Debt Advice services in the UK under a separate budget of £34m.

Evaluation

MAS's key measure of success is whether users are taking action as a result of the services offered by MAS to improve their personal finances. The Service had 1.2mill customers in 2012/13. It reported in November that 300,000 people are using its service each week – with three-quarters saying MAS helps them decide on a course of action – and that it has people into taking nearly 200,000 actions on saving, insurance and managing debt in the first three months of 2013/14.

3. Personal Finance Education Group (pfeg)

Context

IMA was one of the founders of pfeg in the late 1990s and it has since become the UK's leading financial education charity in schools. The goal of the initiative is to support education providers in giving children and young people the skills, knowledge and confidence to manage money. It provides resources and lesson plans, help and advice to anyone teaching children and young people about money.

Many young people leave school without the skills and knowledge to manage their finances well. Teachers lacked the confidence to teach their pupils in this area. There was no space in the National Curriculum to plan relevant lessons.

Pfeg's strategy was to develop a guide to teaching financial education in schools, to lobby Government to make teaching financial education compulsory, to develop a range of teaching resources for teachers to use in the classroom (www.pfeg.org) and to train the teachers to improve their ability to teach personal finance.

Content

- Message
 - Core (economics and financial basics: managing money, budgeting day to day and lifetime planning, debt, savings, insurance, pensions, investment, risk and return, questions to ask as a financial services consumer). The learning objectives are summarized by school age in the appendix below.
- No promotion, neutral – pfeg runs a quality marking scheme for providers of educational resources in schools, which ensures the focus is education and not sales. Business logos are not allowed to be placed in pupils' resources.
- Creative tools and engaging messages are widely used by the resource providers.
- Plain language is essential, but new vocabulary, such as interest and compounding are introduced as pupils move up the school.
- Improving numeracy is one of pfeg's key objectives. Personal finance is beginning to be used as a context within Mathematics lessons.

Delivery

- pfeg's main focus is schools, but it also works with universities to train teachers. Pfeg organizes the nationwide My Money Week in schools every year. Some schools become Centres of Excellence and disseminate good practice to other schools in their area.
- pfeg has campaigned for the inclusion of personal finance education in schools and the UK Government has now made it compulsory in the 50% of secondary schools, which follow the National Curriculum.
- pfeg has a Volunteer network, used by a variety of professionals who work in financial services.
- pfeg.org is a comprehensive hub of information. It uses social media and other techniques to communicate its campaigns and services. The database has 38,000 teachers from across the UK.
- Historically the the UK regulator, the Department for Education and some leading financial services groups have contributed significant amounts to pfeg's work. Pfeg now relies mainly on private sector funding. All its services are free to schools and teachers.

Evaluation

- Measures of success included website hits, numbers of schools in contact, feedback from teachers. Tools; pupil surveys; teacher assessment programmes. As a result of financial education in schools, teachers report pupils' improvements in confidence when handling money and raised attainments in subjects, especially mathematics
- Evaluation. pfeg evaluates all its work and the information gained feeds into new programmes as they are developed.

Appendix: Pfeg's Goals for Children in Schools

FINANCIALLY SMART RIGHT FROM THE START

The knowledge, skills and attitudes every child and young person should have in relation to money

By 7 years old

- I know there are different coins and notes with different values
- I understand I need money to buy things
- I can make my own choices about spending money
- I can keep my money safely in a purse or money box. Losing it can make me unhappy

By 11 years old

- I know cash isn't the only way to pay for goods and services
- I understand that other people try to influence the way I spend my money
- I know that it can be dangerous to give personal details away online
- I try to save some of my money so I can buy special things later

By 14 years old

- I can keep track of my money
- I can resist pressure to spend unwisely
- I protect myself from internet scams and identity fraud
- I am planning to get the right qualifications for the career and lifestyle I want

By 16 years old

- I understand that the balance on a credit card is a debt and will use them wisely
- I understand value for money – in shops, online and at banks
- I recognise that investments can be risky and can weigh up the pros and cons
- I know that my take-home pay will be less than my gross pay – and why.

16+ years

- I am researching the costs of going to university and considering how and when to pay
- I plan to save at least three months' worth of living expenses to cover emergencies
- I know how and when to find financial advice
- I am committed to starting a pension as soon as I can so that I will enjoy retirement



BBVA AM Initiatives on Financial & Investor Education⁶⁴

Introduction

BBVA Group considers financial education a strategic priority and as such has undertaken a number of initiatives in this area. Two initiatives will be highlighted in this report, the first being “El Instituto BBVA de Pensiones”, and the second being “Best Practices Project”.

“El Instituto BBVA de Pensiones” provides educational material on long-term savings and retirement planning for the general public. The “Best Practices Project” involves maximizing internal talent across the organization in order to ensure that best practices are shared across all countries in which BBVA operates.

⁶⁴ Further information can be found at www.bbvafondos.com or please contact Daniel Blanco Martín (daniel.blanco@bbva.com)

Context

Financial education is one of the strategic priorities of corporate responsibility for the BBVA Group. We are truly convinced that an informed decision better deals with personal financial situations, facilitates risk management for financial institutions and promotes savings while strengthening the financial system. Financial education results, ultimately, in savers and borrowers making more responsible investment decisions.

With this in mind, investor education has become a priority for BBVA AM, as shown in a set of initiatives established over the past couple of years. We feel it is our responsibility to lead this investor education initiative, on the basis of our fiduciary responsibility, to those societies in which our business operates. We have the conviction that a better education will reciprocate additional benefits for the community, not only in the present but in the future as well.

In the perspective of the financial crisis, maybe in Spain more than in the rest of Europe, financial education has become more relevant. The lack of confidence in the financial system, banks and institutions and in the financial market's reputation in Spain has resulted in a lack of confidence in financial products in general, including investment funds and long-term savings in particular.

In this framework, notwithstanding these concerns, the situation is very challenging and obviously the initial steps for us are clear: first of all, identify these needs and secondly focus our efforts on those areas that need action. A blend of internal and external sources of feedback provided from stakeholders and internal staff members is the key to determine our action plan in order to engage and contribute to these financial education activities.

BBVA AM runs an ongoing process to get to know the educational level and financial knowledge of investors through surveys conducted by the industry association (Inverco), internal surveys conducted by our sales force team (Barómetro AM 2012/13), and open market surveys to end-users. Direct dialogue with our commercial networks is relevant in order to identify their needs and to determine substantial actions to tackle these needs.

Of all the interesting financial education activities carried out recently by BBVA, we want to highlight the experience of two of these initiatives. The first one lies within our role in the pensions field in Spain. As a leading institution in the pensions area in Spain, we are very attentive of our responsibility in this area, that is the reason why we have created "*El Instituto BBVA de Pensiones*". The second initiative we want to highlight is "*Best Practices Project*". This is an ongoing project to share the best financial education ideas in different jurisdictions.

Content

Regarding long term savings, in October 2013, BBVA Asset Management established "*El Instituto BBVA de Pensiones*" with the objective of providing information and promoting retirement planning in Spain, within the financial education initiative called "Mi Jubilación".

Spain is nowadays undertaking public pension reform plans with the aim of making them sustainable. At the same time, the general population is not aware of the consequences of this regulatory change in terms of access to retirement and expected benefits (work time length, calculation of public pensions, year-on-year indexation of public pension, etc) and is not allocating enough resources to second and third pillar

retirement solutions either (average assets value per Spanish pension plan holder was less than 7.000 euros at 2013)

“Mi Jubilación” presents the following strategy action plan: research and informative articles about the retirement pension system created by a group of independent experts in the field; periodic surveys of the population; dissemination of material and educational information on Social Security; creation of online retirement simulation tools and mobile applications; retirement lectures and courses, among others things.



Investors can find a wealth of information on these activities at www.jubilaciondefuturo.es

In short, this initiative was born firstly to promote the understanding of this reality and therefore to improve retirement planning among the population regardless of age and profession, and focusing on citizens whose level of financial literacy is low

With regards to the second mentioned initiative named “Best Practices Plan”, at BBVA AM we believe that a global asset manager must take advantage of internal talent and expertise wherever this is located, and spread it to the rest of the organization, all the more when our business comes from markets at different stages of development, thus with varying levels of investor education.

There are great education experiences in all of the countries where BBVA AM operates that can help us improve the way we advise and provide local markets with investment & saving products and to avoid mistakes made previously by more developed markets.

We have realized from previous experiences that local actions are more efficient, even when we have to deal with important cultural differences in many countries. For this reason, any educational action we propose is checked by local businesses, which have the last word in whether or not to implement an idea or action. The final goal is to deliver customized information and action plans according to local needs.

Some examples of initiatives undertaken in this area include:

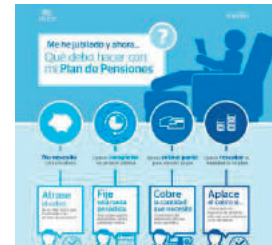
- “Clear, Transparent and Responsible Communication”. Born to improve all the commercial materials for distributors and end-users, it aims at making possible that any person can understand the main facts of any retail product.

- On-line and off-line financial education programs. BBVA is investing heavily in activities to promote financial literacy in societies where we are present. Some examples: Valores de Futuro (Spain), Taller de Fondos (México), Conoce más de Fondos (Chile, Colombia and Perú)
- BBVA AM revamping websites projects for our Latam subsidiaries in 2014. With a view to increase investment transparency and enable customers to follow-up their investments, we are investing in state of the art website facilities envisaging an array of fund data (fund value, fund portfolios, fund evolution charts) as well as educational contents (videos, podcasts, simulation tools...)

Delivery

The following action plan has been launched by “*Mi Jubilación*” in order to accomplish the established objectives:

- Research and informative articles created by a group of independent experts from the academic scope, with international recognition in topics regarding the retirement pension system. The current President of the group is José Antonio Herce (Economics’ Professor of the Universidad Complutense de Madrid). The other members are Mercedes Ayuso (Actuarial Statistics’ Professor of the Universidad de Barcelona), Jorge Bravo (Professor in the Department of Economics of the Universidad Évora in Portugal), Javier Díaz Jiménez (Economics’ Professor in IESE) and Robert Holzmann (Director of the RH Institute for Economic Policy Analysis in Vienna).
- Periodic surveys in order to obtain valuable information regarding the population’s knowledge of retirement planning and the retirement pension system.⁶⁵
- Creation of online retirement simulation tools and mobile applications (“*Mi Jubilación*” for iOS and Android).⁶⁶



⁶⁵ Some examples can be found at: <http://www.jubilaciondefuturo.es/es/blog/la-jubilacion-y-los-habitos-de-ahorro.html> and <http://www.jubilaciondefuturo.es/es/blog/las-reacciones-de-los-espanoles-ante-la-reforma-del-sistema-publico-de-pensiones.html>

⁶⁶ See <http://www.jubilaciondefuturo.es/es/simuladores/>

- Dissemination of material and educational information in a user friendly format (videos, infographics, articles, etc.) through the website and social media profiles “Mi Jubilación” on

Facebook: <https://www.facebook.com/bbvamijubilacion>

Twitter: <https://twitter.com/bbvajubilacion>

YouTube: <https://www.youtube.com/bbvamijubilacion>

- Retirement lectures and courses in Spain, as well as podcasts and webcasts on the website with experts in the retirement industry.

In “*Best Practice Plan*” we materialize our initiatives in information available for internal and external clients in our global/local websites

- Guidelines and training for BBVA AM investment writing professionals with a view to create and edit content with clear, transparent and responsible communication standards
- Periodical auditing of commercial materials by independent consultants
- Valores de Futuro: “money in our lives”. Primary and Secondary Schools financial education initiative in Spain and Portugal.⁶⁷
- Financial Education Program in México (including “Taller de Fondos” / “Funds Workshops”) in association with Instituto Tecnológico de Monterrey.⁶⁸
- “Tips de oro sobre Fondos” at BBVA AM Colombia website.⁶⁹



⁶⁷ See <http://www.valoresdefuturo.com/>

⁶⁸ More information available at <http://www.adelantecontufuturo.com.mx/>

⁶⁹ See <https://www.bbvateinforma.com.co/educacionfiducia/>

Evaluation

On an annual basis, we conduct two surveys mainly tackling product sets and services provided:

- *Barómetro AM* (targeting the bank's network): we measure every year BBVA advisors perception on the following aspects: product set, sales support, call center effectiveness, tools provided, education initiatives and implemented marketing actions.
- *IRENE surveys*: based on Net Promoter Scorer methodology, we assess perception of product mix, performance, service provided (including education actions) and other points from fund customers at BBVA and competitors.

BlackRock Initiatives on Financial & Investor Education⁷⁰

Introduction

As the world's largest asset manager, with a diverse client base spread across various markets, we take our responsibility to protect our clients' interests extremely seriously. Client trust and confidence is our most valuable asset. We are direct and transparent with clients and take the view that a more informed client will be able to discuss their needs more precisely.

We endeavour to engage and educate our wide client base, be they pension fund trustees, intermediaries or individual investors. To this end, we have undertaken a series of trustee and intermediary training programmes to increase the knowledge of our clients and promote a more open, trust-based discussion of client needs.

We have also invested heavily in marketing campaigns over the past two years, designed to stimulate individuals' interest in investing and prompt them to re-engage with the financial challenges that face them. We are also involved in two domestic forums to encourage citizens to save. Engagement is the first step to effective education.

⁷⁰ Further information can be found at www.blackrock.com or please contact Ali Bernat (ali.bernat@blackrock.com)

Context

Focusing on the retail side of BlackRock, our main conduit to individuals is via intermediaries – particularly financial advisers. We have parallel education programmes for institutional investors such as pension fund trustees, insurance companies and sovereign wealth funds and initiatives educating clients on specific product sets such as our iShares ETF range.

Content & Delivery

- **Promoting education to intermediaries and individuals**

- **Intermediaries**

- **Client-facing materials for intermediaries**

Over the past two years, the EMEA-based Value Add team has built out a suite of materials designed to help advisers explain market concepts to individuals. These have covered topics including inflation, volatility, diversification and longevity.

- **Adviser seminars**

A series of educational seminars designed to help UK advisers adapt to the changes required by the Retail Distribution Review, underpinned by the following topics.

- Evolving the business model to ensure that client service is central to their proposition
 - Broadening investment knowledge to be able to provide genuinely independent advice
 - Keeping abreast of regulatory requirements and business challenges via expert insights

- **Individuals**

- **Europe-wide investor survey**

We realise that rebuilding trust and getting reengagement from the wider public are two of the key challenges faced by the financial services industry. We survey investors to:

- Understand people's financial needs and priorities
 - Look regularly at attitudes towards savings, investments, income and retirement
 - Assess people's level of financial knowledge

We have taken the research a step further this year, incorporating the US and Asia for a more global perspective.

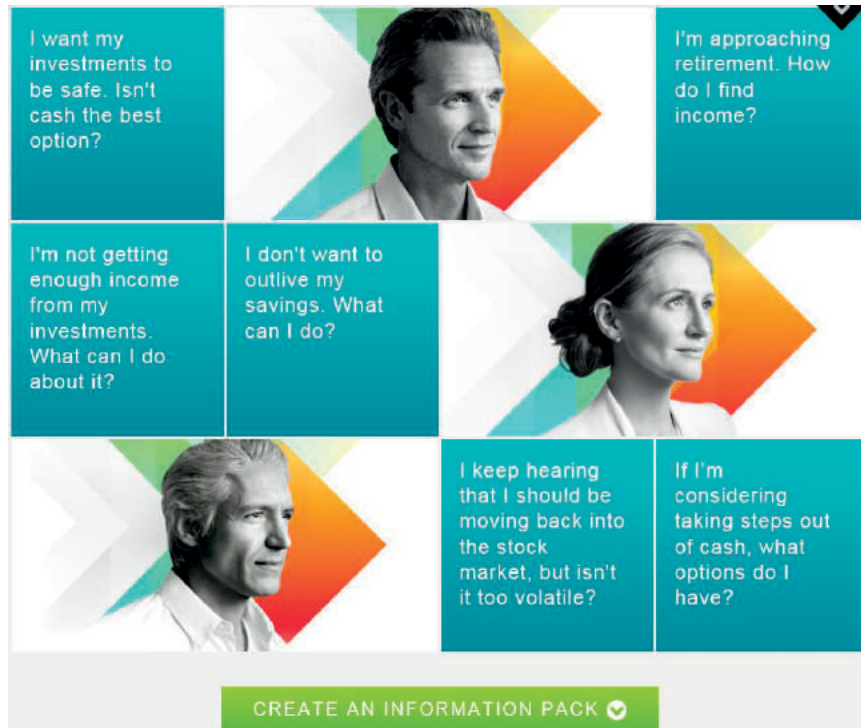


- **Advertising**

As part of our campaign to re-engage the wider public, we have invested heavily in providing a message that is clear and resonant. In the first wave, we empathised with the experience that clients have been through over the past five years, finally asking: “isn’t it time to be an investor again?” The most recent wave of the advertising campaign has moved this challenge forward by proposing solutions to three key investment challenges facing the challenge of longevity:

- Take steps out of cash
 - Meet your income needs
 - Grow your long-term wealth

To make these concepts more accessible, we employed a Hollywood Squares-type interface, which allowed investors to select the situation which most closely matched their own need. The user was then given a summary of some of the options available to them and prompted to speak to a financial adviser if necessary.



- **Promoting education via the website**

BlackRock is a strong advocate of using technology to achieve the widest possible distribution. Our advertising campaigns and seminars all point back towards the large knowledge resource that is available to intermediaries and individuals on our website.

For example, the UK website features two main avenues for intermediaries and individuals:

- **Intermediaries – Adviser Centre**
 - Supports advisers in evolving their business and investment knowledge
 - Provides educational materials via video and at seminars or workshops, many of which are accredited for Continuous Professional Development
- **Individuals – Investor Information Pack**
 - Provides a first stop for individuals seeking investment ideas
 - Educational videos and interactive information packs

- **Promoting education through domestic public forums**

- **Age UK**

The Age UK Financial Services Commission examines how the financial resilience of older people can be improved – and wants to set out a roadmap of actions that regulators, government and industry need to take.

The Commission consists of a series of high-level summit meetings, supported by a mixture of: desk based research, secondary analysis of pre-existing data sources, e.g. ELSA; commissioned articles/think pieces/provocations; consultation with older people. It will finish with a closing event and project publication.

The Age UK Financial Services Commission wants to examine at different life stages, the extent to which the current population of older people are financially resilient, which older people need to be financially resilient and how levels of financial resilience can be improved.

The initial summit event focused on the next generation of pensioners, a group they are calling ‘Generation R’. These are people aged 50-64 and widely perceived to be a wealthy and resilient generation – having benefitted from a benign labour market, rising house prices and access to defined benefit pension

- **TISA**

BlackRock is involved in a cross-industry initiative led by TISA (Tax Incentivised Savings Association) to develop a policy on savings and investment, which was presented to the UK Treasury/Government on 2nd March 2014 as the industry’s recommendations for moving the UK from a nation based on debt to one based on savings.

One of the initial issues for TISA to consider is to determine the barriers to people saving more (across all economic groups) and wherever possible back this up with either a BlackRock house view or research.

Evaluation

We evaluate the effectiveness of all of our activities. Feedback forms and anecdotal comments are often the most valuable and we also monitor online traffic to assess the most effective communication methods.

We produce regular reports on metrics for online campaigns and the feedback forms from events – with a particular focus on the subjects that clients wish to have further information on.

BNP Paribas Investment Partners Initiatives on Financial & Investor Education⁷¹

Introduction

At BNP Paribas Investment Partners we firmly believe that it is our responsibility as an Asset Manager to share our investment expertise with our clients. We know that learning is a continuous process and that all our clients will want to develop their knowledge of investment themes, different asset classes, or related subjects such as risk control or regulatory issues.

In 2009 the BNPP IP Investment Academy was created to further strengthen our training offering. Notwithstanding an acute awareness of the need for participants to learn and to understand the new challenges and innovations within the asset management industry, the focus of the academy is on sharing information.

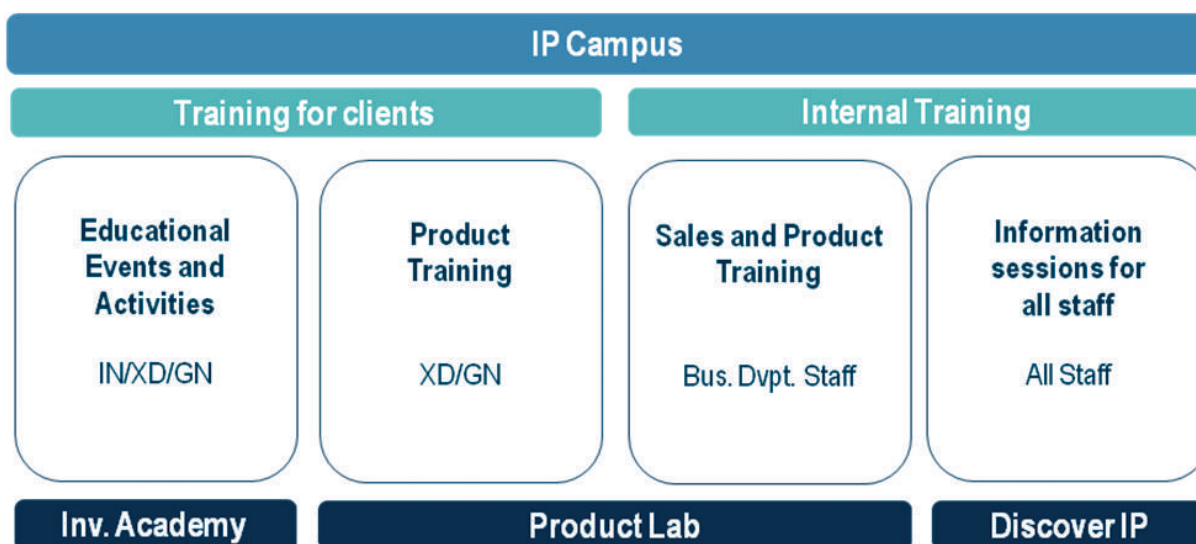
Started as a commitment to our client base (institutional and distributor clients), we are also now developing more educational initiatives for the IFA community as well as sponsoring and participating in training events for the end investor.

⁷¹ Further information can be found at www.bnpparibas-ip.com

Context

The BNPP IP Investment Academy has always maintained a non-product push philosophy. We recognized, however, that there was also a demand for training on our funds – both from our clients as well as our staff. There were already some initiatives in the organization and it made sense to combine some activities and share best practices.

As a consequence, in 2012 we gathered all teaching activities under one roof in the form of **BNPP IP Campus**. As well as the more theoretical trainings offered by the **Investment Academy**, we added **Product Lab** – a dedicated resource to create and develop training on our funds. Product Lab offers a suite of training opportunities for both our staff and those working in the distribution networks of BNP Paribas group (retail and private banking), as well as our external distribution clients. We also have an internal arm: **Discover IP** – which offers all staff the opportunity to learn about funds, investment teams, regulations impacting the asset management industry and technical topics.



The creation of IP Campus has allowed us to offer a suite of training opportunities to larger audiences. For example, we are able to combine a seminar with some technical content which would allow for Continuous Professional Development certification, but also we can have sessions on our funds. This would usually be in combination with a macro-economic outlook and we are also developing content along with external providers on communication and storytelling etc.

Content

As investment professionals, we know how important it is to understand a product before investing, and to keep that knowledge up to date. Products are constantly changing and new asset classes are emerging, new ideas are born and techniques evolve. We have not forgotten that there is more to investing than portfolio management and that is why we also include subjects such as risk control, compliance or securities operations.

Examples of topics featured on our agendas this year alone for the Investment Academy (2013) have been:

- Fixed Income essentials
- Equities essentials
- Key concepts in Asset Management: risk and return, Asset Allocation
- Sustainable and Responsible Investments
- Commodities and Inflation
- Investing in Asian equities
- Emerging Markets
- Convertible bonds
- Low volatility equity investing
- Regulatory changes impacting the funds industry – AIFM, UCITS V
- Reassessing risk - Counterparty risk

This is just a small sample of the wide range of subjects available. Additionally, within Product Lab, a number of training videos, audio recording and quizzes have been created to help with understanding our funds better.

Delivery

The dedicated team of the BNPP IP Campus leverages on the extensive resources of BNP Paribas Investment Partners worldwide to propose a targeted training offer globally.

We use predominantly internal trainers – of course portfolio managers, investment specialists, or strategist, but also risk managers, operations or compliance professionals – all of whom have practical experience and a willingness to share their knowledge. Wherever possible the sessions are held in the local language in order to make learning more accessible.

Since 2010, more than 4,500 participants have attended Investment Academy training in the form of internships, seminars and full week programmes. There have been more than 200 client trainings, in 35 locations around the world, in 9 different languages. 2013 will see the 10th language added to our programmes: Portuguese (alongside English, French, German, Spanish, Italian, Mandarin, Dutch, Russian and Bahasa). One of the advantages of being a global organization is our multitude of nationalities!

Within Product Lab, more than 25 interactive training sessions have taken place with more than 400 participants in 12 locations – always in the local language.

We also use some external trainers and speakers on specific topics. This can be as a keynote address – for example comparing risk in an entirely different setting (such as NASA) or in the field of sports. Story telling is now a widely recognized method of helping remember key facts as well as making some ‘dry’ topics more fun.

In order to better target the potential audience, we have published specific brochures including the calendar of events and main training programmes for the year. This has proved to be a very useful communication tool.

We have also produced a glossary of 100 key asset management terms with the goal of explaining the concepts in a clear and easy to understand way.

As well as expanding to new markets and audiences, 2013 will also see the development of a dedicated e-learning site for our clients.

Evaluation

We take evaluations after all of our sessions – how the speakers, content, presentation were perceived; how useful it was; what could be improved etc. Asking for feedback on what topics the participants would like to see in future sessions has helped us improve the quality of the programmes and better target the audience with the most appropriate subjects.

Since 2009 we have been keeping statistics, having close follow-up on the number of participants, events, locations, topics, speakers or languages of our sessions.

We produce regular reports on the educational activities taking place around the world. Our experience has been that it is easy to ‘replicate the winning formula’ – once the training material is created it can be re-used; once an event style has been successful it can be reproduced elsewhere with a very low effort, so we ensure that the largest audience will benefit from it.

Franklin Templeton Initiatives on Financial & Investor Education⁷²

Introduction

Franklin Templeton Academy is a global educational organisation that seeks to improve the investment knowledge and skills of financial advisers, institutional clients, bankers, members of the media and investors. The course material available within the Academy is also used to train Sales, Marketing and other employees within Franklin Templeton Investments to ensure they have an appropriate understanding of investment concepts when interacting with advisers and clients of the Franklin Templeton Investment funds.

Franklin Templeton Investments has undertaken financial education and training initiatives over the years. In 1958 the first Franklin Almanac, a mimeographed newsletter, imparted tips on a range of investing topics. The late Sir John Templeton authored numerous volumes, such as “16 Rules for Investment Success”, to educate the world about investing.

⁷² Further information can be found at www.franklintempleton.com

Franklin Templeton Academy was founded in Asia in 2005 and quickly expanded to Europe and the Americas. Today, the Academy has more than a dozen trainers located in multiple regions across the globe who provide global perspective coupled with local insights. In many cases, courses are delivered in local languages such as Cantonese, Dutch, French and Korean.

Ranging from novice investors to seasoned professionals, Franklin Templeton Academy has trained thousands of learners over the years; including financial advisers, investors, institutional clients, journalists and university students. For example: In China the Academy held a programme about understanding bonds for members of the media; advisers in Spain learned about trends in emerging-market debt; and workshop participants in India studied the many facets of behavioral finance.

Benjamin Franklin once said: “Tell me and I forget. Teach me and I learn. Involve me and I remember.” This quote inspires the Academy to provide quality, pragmatic programmes that engage participants and result in effective learning experiences.

Content

Franklin Templeton Academy offers a series of structured workshops and interactive presentations that touch upon different aspects of the investment industry.

The Academy offers a comprehensive, global curriculum based on five critical areas of expertise.

- **Understanding Financial Markets**

As financial rules and regulations change, so does the business. The programmes in this category help advisers and institutional clients stay current on industry-related issues by providing in-depth studies on various financial topics. Examples of topics covered include: Basics of Financial Investing, Demystifying Financial Jargon, Historical Review of Financial Markets, Portfolio Composition: Diversification, Understanding Emerging Markets Investing.

- **Investment Concepts**

While advisers know the fundamentals, they can better understand their impact on clients’ investments when they have greater insight into key investment concepts. The knowledge gained in these programmes will assist in discussing complex topics and trends with any audience. Examples of topics covered include: Introduction to Bonds, Introduction to Mutual Funds, Asset Allocation & Systematic Investing, Creating Retirement Income that Lasts as Long as You Do, Investment Psychology.

- **Client Management**

Adeptly handling client concerns and expectations is essential to the success of any business. The programmes in this category shed light on investor psychology and provide insights and actionable tools to address the differing needs of advisers’ clients.

- **Business Development**

With increased competition for investors’ attention, many financial advisers know that to be successful they must develop and maintain a sound and growing practice. The programmes in this category provide effective, step-by-step action plans to help advisers build their business.

- **Professional Development**

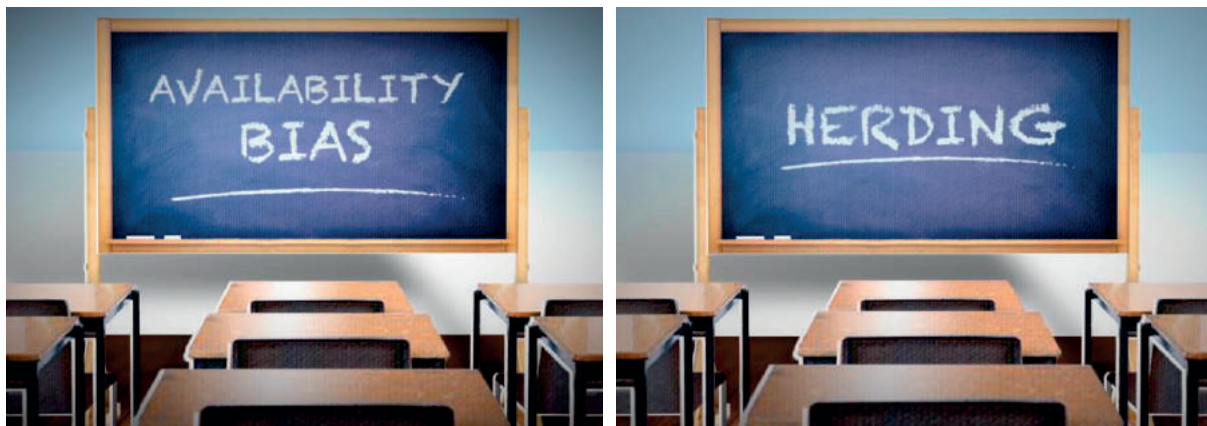
Social, communication and personal skills are essential to building and maintaining a solid book of business. These hands-on workshops are delivered by Academy instructors and will sharpen advisers' professional skills through group activities, constructive feedback and coaching.

Delivery

In addition to classroom training programmes, the Academy delivers distinctive, technology-enabled programmes across multiple formats globally as needed, in the following formats:

- Videos
- Web-Based Programmes
- Interactive Tools
- Literature

Two examples of educational videos used during the module on Investment Psychology are “Availability Bias” and “Herding”.



Evaluation

Feedback forms are used for each training session (an example follows). “Adviser Scorecards” are prepared each quarter to record and document the number and types of training given to advisers in each geographical region, new FT Academy relationships with advisers initiated and new programmes and modules developed. The scorecards and results from the feedback forms are used to determine how the programme can continue to be developed and improved.

Franklin Templeton Academy has also worked with the Chartered Insurance Institute which evaluates training programmes to meet Continuous Personal Development criteria in the UK for advisers and the Academy modules have successfully received the CII CPD Accreditation. This now enables the Academy training to count towards the Structured Learning hours for financial advisers in the UK.

JP Morgan Initiatives on Financial & Investor Education⁷³

Introduction

JPMorgan Asset Management's *Market Insight* programme provides financial advisors and institutional investors with a dependable source of timely market and economic insight. Now delivered in 25 countries and 10 languages, Market Insights continues to be a key differentiator, providing clients with market and economic perspective.

⁷³ Further information can be found at www.jpmorganassetmanagement.com or please contact Dan Aust, Market Insights Marketing Manager, JPMorgan Asset Management

Content & Delivery

■ Guide to the Markets

The foundation of the programme is the Guide to the Markets chartpack. The “small book” of charts provides essential data, organised by chapter, across a range of topics. The book is updated quarterly and available both as hard copy and via the website. The chartpack does not seek to present any specific views or cases but instead provides the building blocks to support any key themes that the reader wishes to examine. In the U.S. alone, 85,000 copies of the Guide to the Markets book are printed and distributed to clients on a quarterly basis.



■ Conference Calls

The Guide to the Markets is supported by several key pieces. Firstly, our team of strategists provide quarterly conference calls, using Guide slides, to discuss topical macro themes and field questions from the audience. These calls are also provided on an ad hoc basis when significant world events occur. Most recently, Stephanie Flanders, the Chief Global Market Strategist for Europe and UK held a call to discuss the implications of the US Federal Reserve’s decision to begin the scaling back of its asset purchase programme.

J.P.Morgan
Asset Management

Webconference: US decision point with Stephanie Flanders
(Thursday 19 December 2013 at 09:30 GMT)



The decision of the US Federal Reserve (the Fed) to taper asset purchases has captivated markets. With most pundits placing 50/50 odds on a December taper, today's Fed meeting is shaping up to be the marquee event remaining on this year's economic calendar.

Please join **Stephanie Flanders**, Chief Market Strategist for Europe and the UK, for this interactive Q&A session, as she analyses the Fed's decision and its implications for investors.

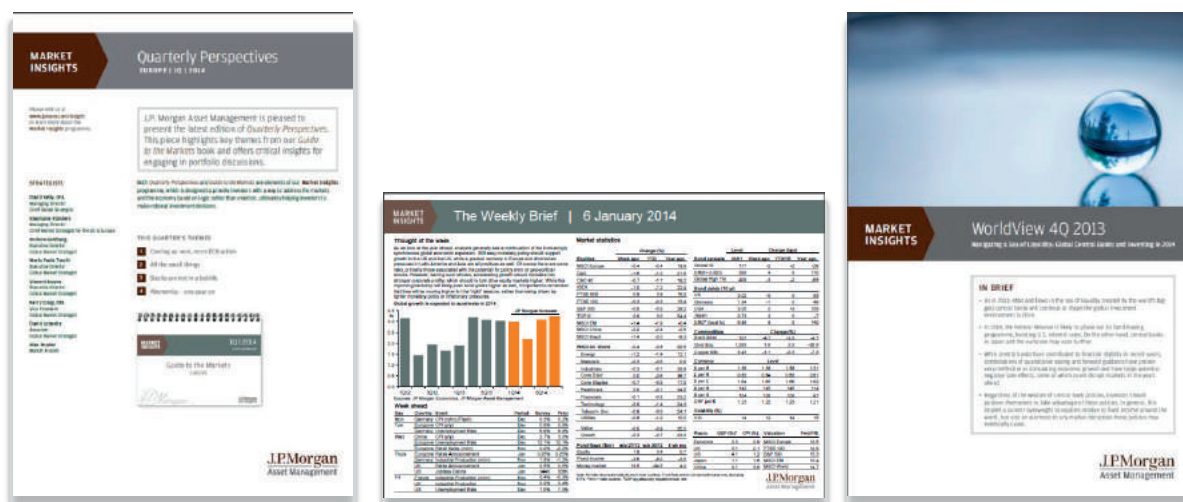
[Register for tomorrow's webconference >](#)

■ Quarterly Perspectives, Weekly Brief and Worldview

The major topical macro themes are explored more deeply in the *Quarterly Perspectives* report. Again, *Guide* slides are used to illustrate the themes, with the aim of allowing our clients to replicate these discussions with their own clients.

The *Weekly Brief* provides concise, regular updates through the quarter, highlighting key developments and providing fresh data on the key market and economic variables, whilst the mid quarter *Strategic Outlook* discusses the prospects for the coming months.

The Worldview publication provides a mid-quarter update on the major issues shaping the global economies and markets, and identifies the key opportunities and risks for investors.



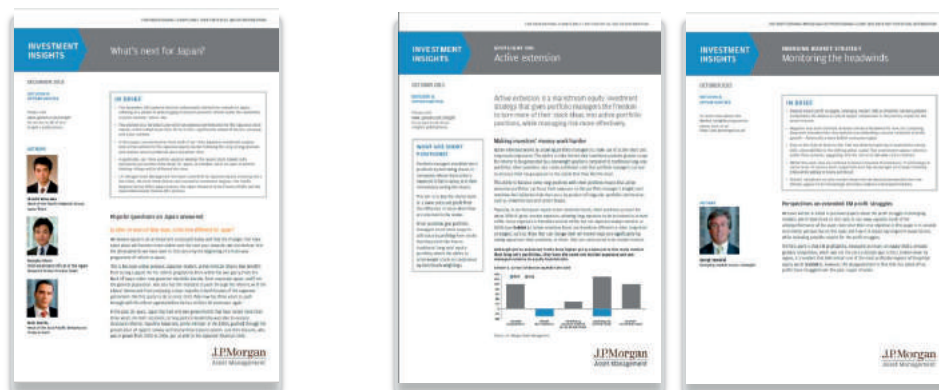
■ Portfolio Discussions

Finally the *Portfolio Discussion* sheets use *Guide* slides to make a macro-based case for specific asset classes or regions. These are broad investment cases and can be used to support any relevant underlying products, and provide an accessible tool to facilitate discussions between client advisors and their clients.



■ Investment Insights

Another core component of the Insight series is various Investment Insight series of papers, which cover a range of asset class and product feature topics. These are generally written by the product experts on our investment desks and are intended to provide insights into our investment strategies or provide asset class level analyses. Again these are not intended as direct sales aids for specific funds, but instead they seek to inform investors about the opportunities they may have in the various asset classes.



■ Insight Portal

In addition to dedicated local language websites for each major market in Europe, JPMorgan Asset Management also provides a specific Insight Portal dedicated to the educational material we produce. This website contains all of the material described above as well as video articles and an archive.⁷⁴

Programme Summary

To summarise, the *Market Insight* programme, uses the *Guide to the Markets* chartpack to keep readers up to date with the major macro-economic themes of the day whilst providing them with all the information and insight they need to help their clients make their investment decisions. The programme provides a complete framework of information, insight and commentary, in a variety of formats and can be tailored to meet the needs of any investment professional.



⁷⁴ See <http://www.jpmorganassetmanagement.com/insight/ENG/Insights>

M&G Investments Initiatives on Financial & Investor Education⁷⁵

Introduction

M&G supports a number of investor and financial education initiatives for schoolchildren, direct investors and professionals.

The M&G website has become a source of knowledge providing investors with information on basic financial concepts in a selection of spin-free guides. A section of the M&G website has also been dedicated to keeping investors up to date with the latest market research and debriefings.

M&G also supports the work of pfeg, which provides lesson plans, advice and help to schools wishing to teach financial education to schoolchildren.

Training for professionals is also an integral part of M&G investor and financial education programme.

⁷⁵ Further information can be found at www.mandg.co.uk or please contact geoffrey.curd@mandg.co.uk

Context

What is M&G's target audience for investor education?

- When we talk about 'investor education', who exactly is the 'investor'?
 - M&G's marketplace is sometimes direct to the consumer but is more often intermediated
- So our focus is on where we do business
 - Financial intermediaries (professionals)
 - Private investors, whether they come us direct, or via a platform

Content

What are M&G's initiatives?

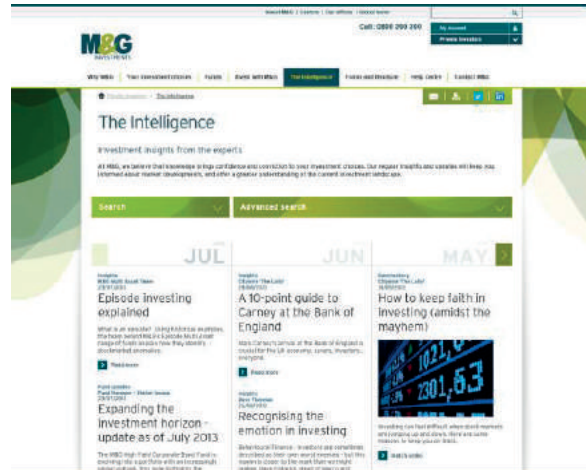
- Training for financial intermediaries which is independent of product marketing or sales
 - Learning Matters, M&G's educational service specifically designed to build upon existing investment knowledge and help develop potential. It provides relevant, practical and tailored educational content and support to enable Independent Financial Advisers to keep up with the requirements for their Continuous Professional Development (CPD).
- Flow of information and thought leadership for professional intermediaries
 - Bond Vigilantes - www.bondvigilantes.com
 - iView - www.iviewtv.com - our interactive channel offering bespoke fund information and educational content for advisers
- Consumer education
 - Somewhat limited due to regulations governing 'advice' but we have always prided ourselves on our ability to engage with and inform the consumer and we are taking steps to broaden our range of educational content.
- Consumer information
 - Our average direct investor is financially aware and technologically able, however many aren't, particularly consumers who have become disintermediated post-RDR. Our aim is to support both these types of customers with information and education.

M&G is committed to the principles of TCF (treating customers fairly) across our business. We aim to put our customers, intermediaries and partners at the heart of everything we do. We want to build long-term, sustainable relationships with all of our customers, intermediaries and partners and believe that our Brand Model and Business Principles provide a strong foundation for achieving this aim and also reflect our commitment and drive to deliver the best results for our customers.

Delivery

Consumer focused initiatives

- Thought Leadership – market updates, fund information, insightful content, delivered in articles or video format on “**The Intelligence**” – www.mandg.co.uk/intelligence
 - Appetite from consumers for in-depth content



- ‘Spin-free’ guides
 - Produced for many years – always tried to divorce from product push



- Direct investor events
 - Access to specific fund managers for those invested in the fund
- Schools

M&G supports the outstanding work in financial literacy conducted by the ‘Personal Finance Education Group (pfeg)’ (the UK’s leading financial education charity who provide resources and lesson plans, help and advice to anyone teaching children and young people about money). M&G is currently working on financial education at a High School in Chelmsford. M&G’s monetary donation to support this pays for

pfeg to provide a service/training for the school to gain 'Centre of Excellence' status within 12-18 months. Plan is for M&G staff to assist as trainers/coaches (for example the Technical Training/Development Team).

M&G's parent company, Prudential, also work with pfeg, and have provided funding to them for over 10 years, with the money used to deliver the Quality Mark, the quality assurance kite mark for financial education resources in schools. They also participate in "Use Your Expertise", a volunteering programme run by pfeg, bringing trained volunteers from the financial sector and schools together, to develop personal finance lessons and activities which engage and inspire pupils.

Evaluation

What is M&G's objective?

- To play our part in achieving a wider, more knowledgeable investor base who understand the importance of investing and the solutions available, via:
 - Trusted partner education initiatives with our professional intermediary clients
 - Go-to information source for our direct consumers
- Can we really make a difference?
- But...
 - Have to be realistic about what can be achieved with our own education initiatives – part of a bigger picture
 - Proceed with caution – risk of inappropriate information damaging the brand
 - Cannot give advice

Summing-up

- What do we think will happen as a result of such initiatives?
 - Perhaps more importantly, what happens to our businesses and our industry if we don't act...?
- Are we obligated?
 - Yes, if we want to be an integral part of an efficient and trusted marketplace
- To everybody's benefit to have a more educated consumer
 - Understand need for investment and the solutions available
- Sea-change will take time – the catalysts for that change are needed now

Building Financial Capability in Communities: T. Rowe Price and The Great Piggy Bank Adventure®⁷⁶

Introduction

T. Rowe Price is an independent, global investment management firm focused on helping clients around the world achieve their long-term financial goals. Our firm's guiding philosophy is to do what is in the best interest of our clients. Improving financial capabilities supports this belief and is one of the most important investments we can make in our communities. That is why we are working to enhance financial and investor education to improve individual financial behavior. We are committed to helping people develop the capability to make wise financial decisions for themselves and their families.

To create effective change in financial behavior, financial education should be an ongoing process—starting during childhood and continuing through each life stage to include issues such as saving for a first house, paying for college, and investing for a secure retirement. In addition to helping investors make sound investment decisions, much of our focus at T. Rowe Price is on educating children because we view this as an opportunity to build basic financial skills that will last a lifetime.

⁷⁶ Further information can be found at www.troweprice.com

Context

To help improve financial literacy and behavior, T. Rowe Price is focusing on an important audience segment it believes is underserved: young children. Teaching financial concepts early catches young people at critical stages of development and may influence financial behaviors throughout their lives.⁷⁷ Research has shown that financial identities can form at a young age, and these identities correlate with financial capability later in life.⁷⁸

Many kids begin to focus on money around eight years of age when they receive their first allowance or cash in a birthday card. Kids often formulate their attitude and many of their behaviors concerning money before they leave middle school.⁷⁹ Improved financial capability, especially early in life, can result in a higher standard of living over the long term, which translates to more stable communities.⁸⁰ Therefore, T. Rowe Price is focusing on improving the financial behavior of kids ages 8-14, along with their parents and educators. To improve these behaviors, T. Rowe Price is focusing on three areas:

- starting young - kids start learning financial concepts by age eight,
- money talks – have more parents talk to their kids about money matters,
- confidence – improve educator confidence in teaching financial concepts.⁸¹

T. Rowe Price evaluated a variety of potential organizations to partner with to impact financial capability in communities on a national scale. Three organizations that aligned with T. Rowe Price's financial education philosophy were Walt Disney Imagineering, Boys & Girls Clubs, and Junior Achievement. Walt Disney Imagineering helped to make financial concepts fun for kids and provided parents easy ways to have family discussions about money matters. Boys & Girls Clubs provided an opportunity to engage with kids in after school programs, while the Junior Achievement network helped educators leverage the T. Rowe Price financial education tools in a classroom setting.

Content

It sounds straightforward – just provide more financial education and more conversations about money matters. However, financial education is just one component of building financial capability. Changing financial behaviors is much more difficult. The 2013 edition of the annual T. Rowe Price Parents, Kids and Money Survey found that parents and kids favor short-term action and rewards, and find it difficult to connect to their needs far in the future.

⁷⁷ 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>.

⁷⁸ 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.

⁷⁹ Minnesota Department of Commerce, "Commissioners Rothman and Cassellius join 4th and 5th grade kids at BizTown to promote youth financial literacy" New Release, April 2, 2013.

<http://mn.gov/commerce/media/newsdetail.jsp?id=206-57510>.

⁸⁰ Ibid.

⁸¹ Holden, C. Karen and Way, L. Wendy, "Teachers' Background and Capacity to Teach Personal Finance: Results of a National Study," *Journal of Financial Counseling and Planning* (Vol. 20) 2009: 64-78.

http://www.afcpe.org/assets/pdf/vol20_2way_holden.pdf

By better understanding how people make financial decisions T. Rowe Price hopes to develop more impactful financial education tools. To teach financial concepts, T. Rowe Price uses an understanding of behavioral economics to create effective teaching tools to help kids and adults develop good financial behaviors. Behavioral economics is the study of psychology as it relates to economic decision-making.

The Great Piggy Bank Adventure®,

In 2009, T. Rowe Price collaborated with Walt Disney Imagineering to launch The Great Piggy Bank Adventure®, a free online board game and hands-on, interactive exhibit at INNOVENTIONS at Epcot® at the Walt Disney World® Resort in Orlando, Florida. In 2013,



Walt Disney Imagineering and T. Rowe Price launched a mobile application of the online game that includes a goal tracking utility to provide parents with a fun tool they can use to reinforce financial lessons with their kids while they were out at the mall or grocery store.

Designed primarily for children between the ages of 8 and 14, the exhibit provides kids with hands-on experience with talking piggy banks and big bad wolves, while the online game and mobile application provide a virtual board game that the whole family can enjoy. The unique experiences entertain and empower families while encouraging kids to learn about goal setting, saving and spending, inflation, asset allocation, and diversification.

The first concept that kids are introduced to in The Great Piggy Bank Adventure® is setting a goal. This financial concept is often overlooked when parents or educators talk to kids about saving. The second concept that kids tackle is saving and spending wisely. Next, the concepts of inflation and asset allocation are introduced in the online game, mobile app and at the exhibit. Kids learn that inflation can cause the cost of items to go up over time – including the cost of their goal. To combat inflation, players must invest their game currency appropriately.

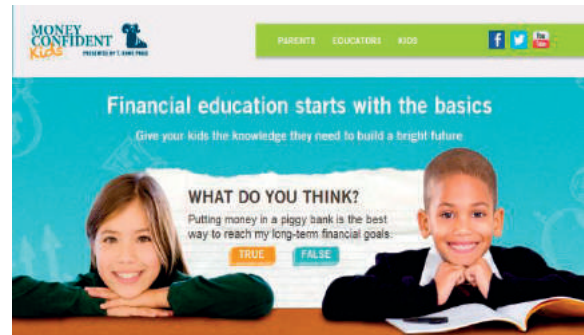


The fifth concept The Great Piggy Bank Adventure® educates families about is diversification. Kids learn to spread their money around so it is not invested in one place.

The core concepts taught in The Great Piggy Bank Adventure® are essential financial concepts for any country. Scholar, Annamaria Lusardi, has found the need to improve understanding of inflation and diversification in many countries around the world.⁸²

Money Confident Kids

Three-quarters (75%) of kids say that an online game or mobile app would be helpful to learn the basics of saving and spending.⁸³ To help kids understand basic money lessons and facilitate family and classroom financial conversations, T. Rowe Price created MoneyConfidentKids.com, a mobile friendly website for parents, educators, and kids. The site launched in March 2013 and provides free online games for kids; lessons for educators; and tips for parents focused on the financial concepts of goal setting, saving and spending, inflation, asset allocation, and diversification.



Journey to Your Dream Goal Activity Book

The free activity book uses puzzles, games, and other challenges to help kids make smart financial decisions. Along the way it lets kids become a “finance smarty pants.” Designed so it can be used independently, the activity book also serves as a companion to The Great Piggy Bank Adventure® and can be found at MoneyConfidentKids.com.

Junior Achievement Web Portal

In 2013, the T. Rowe Price Foundation provided a grant to support the development of a Web portal, with educational content for kids, parents, educators, and Junior Achievement volunteers. The portal (MoneyConfidentKids.com/JA) provides resources for parents and educators to teach kids how to invest in their futures through blog posts, quizzes, and interactive activities. Students as young as eight years old can start the education process on their own by browsing the portal’s interactive activities, including crossword puzzles, word searches, and games such as The Great Piggy Bank Adventure®, to learn how to save wisely. Junior Achievement sites will use pretests and post-tests and surveys with The Great Piggy Bank Adventure® to understand the impact the game has on student financial knowledge and self-reported behavior.

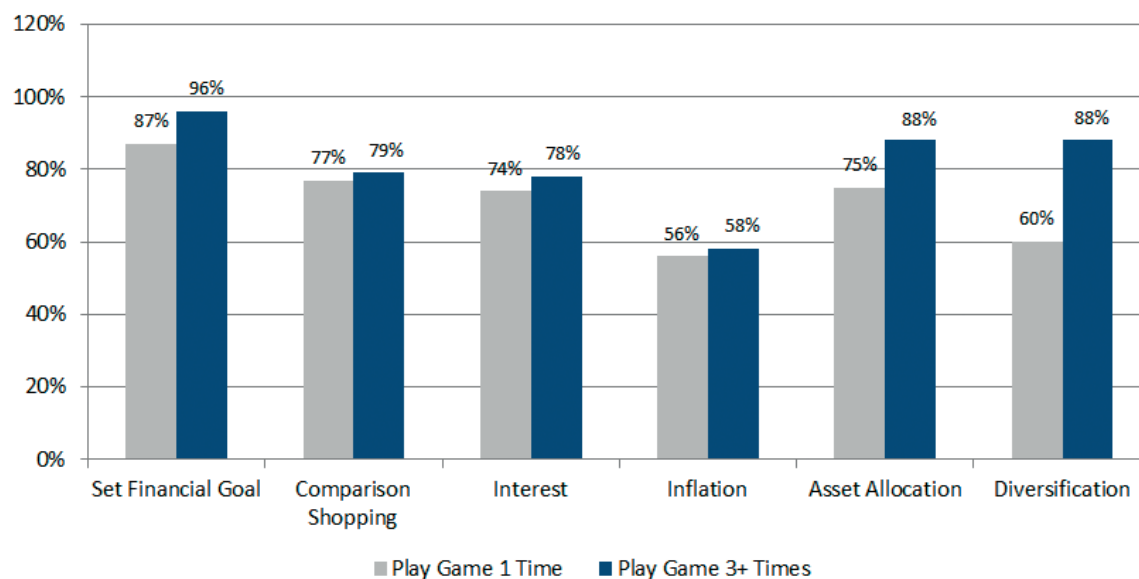
⁸² Lusardi, Annamaria, “Insights: Financial Capability” April 2013, FINRA Investor Education Foundation. <http://www.finrafoundation.org/web/groups/foundation/@foundation/documents/foundation/p240590.pdf>.

⁸³ T. Rowe Price Parents Kids and Money Survey, March 27, 2013, <http://media.moneyconfidentkids.com/resources/>

Evaluation

More than 2 million people have experienced The Great Piggy Bank Adventure® exhibit, online game, and app. The outreach around the program has garnered more than 650 million media impressions. A pilot test with 15 Boys and Girls Clubs in the U.S. found the game to be very successful and clubs reported kids' knowledge on core financial concepts increased 50% based on pre and posts tests. Kids had fun and learned basic financial concepts.

In 2011 and 2012, T. Rowe Price hired a third-party firm to conduct research on the impact of The Great Piggy Bank Adventure® game on the knowledge gained and self-reported behavior changes. Results from the research showed that, across all age groups, the more frequently kids play the game, the better their knowledge of financial topics. A majority of the kids greatly improved their understanding of financial concepts:⁸⁴



While the results are positive, some kids still struggled with the concept of inflation. After these findings, T. Rowe Price made improvements to the game to better convey inflation. Recent results after the improvements have been promising for kids understanding the inflation concept. Through the partnership with Junior Achievement, T. Rowe Price will capture pretest and post-test results after students play the game and hope to capture more information on kids' understanding of inflation in 2014.

The evaluation of the game also found that after playing the game kids reported improving their financial behaviors by setting goals, changing their saving and spending behaviors and increasing conversations with parents about money matters.

⁸⁴ Aeffect, "T. Rowe Price and The Great Piggybank Adventure Visitor Research," December 2012.

Conclusion

Financial capability is critical to the financial stability of individuals and communities. Core financial concepts are critically important for individuals to understand the value of investing and making the right decisions for their financial goals. Young people are able to grasp financial concepts at an early age but need active engagement from their parents and reinforcement of these concepts in school. At T. Rowe Price, our firm's guiding philosophy is to do what is in the best interest of our clients. Improving financial capabilities supports this belief, and we are committed to helping people develop the capability to make wise financial decisions for themselves and their families.

Investor Education Initiatives Mapping

The purpose of the mapping section is to bring the guidelines to life by highlighting how initiatives already undertaken by EFAMA members relate to the guidelines outlined in Part III of the report. The mapping follows the four main headings of context, content, delivery and evaluation and the corresponding guidelines. It should be noted that the guidelines were developed by EFAMA in light of the experience of its members in launching investor education initiatives. Therefore, the mapping provides an overview of the practices embedded in the initiatives already undertaken. It is hoped that this section will give readers an easy way to relate the guidelines to concrete initiatives and that these may provide a source of inspiration for more investor education initiatives.

I. Context

1. Identify the key investor education issues and needs

Austria	As the pension system has come under pressure, VÖIG recognizes the need to create a greater awareness of investment options for individuals to save.
Belgium	BEAMA aims to enhance the image and role that investment funds can play for investors by providing information in a neutral, interesting way.
France	The education system fails to provide enough financial instruction, the financial crisis has tarnished the image of finance. The public needs to be educated to build long term savings.
Germany	Results of industry specific market research survey show a lack of financial education in Germany.
Italy	A number of studies show that financial literacy amongst the general population needs improving. Results of a focus group of fund investors, advisors and asset managers.
Luxembourg	Following the financial crisis in 2008, ALFI recognised a pressing need to regain investors' confidence in investing and in investment funds.
Portugal	The Financial Literacy Survey, which was carried out by the Bank of Portugal at the end of 2010, pointed out, among others, the need to create awareness amongst the population on the importance of saving as a way of wealth accumulation in order to achieve medium and long term objectives.

Spain	INVERCO conducts surveys to better understand end investors knowledge, culture and view on investment funds.
Sweden	A clear need to increase knowledge about fund-based savings.
UK	There is a lack of clarity about investment funds and the value they offer.
BBVA AM	Lack of confidence in financial markets, institutions and banks, and their products. The general public are unaware of reforms in the public pensions system.
BlackRock	BlackRock carried out a survey of 17,400 individuals across Europe to determine people's financial needs and priorities and to assess level of financial knowledge. Consulted heavily with the client-facing industry, e.g. financial advisors, to determine the key issues and needs of clients.
BNP Paribas IP	An acute awareness of the need for participants to learn and to understand the new challenges and innovations within the asset management industry led to the creation of the BNP Investment Academy.
Franklin Templeton	Five critical areas of expertise have been identified, which underpin the educational offerings of the Franklin Templeton Academy.
JP Morgan	The Market Insights program provides comprehensive data and commentary on global markets without reference to products. Designed as a tool to help clients understand the markets and support investment decision-making, the program explores the implications of current economic data and changing market conditions.
M&G	M&G aim to help people better manage their financial affairs by increasing understanding of markets, products and their own requirements.
T. Rowe Price	The recent financial crisis has revealed that people at all income levels experience difficulty in managing their finances.

2. Look at what has been done and identify realistic goals

Austria	VOIG-Lehrgang is a professional training course for people employed in the Austrian fund industry. A brochure aims at providing basic and easy-to-read information on investment funds. Telephone Q&A's allow everybody to ask questions on investment funds.
Belgium	BEAMA has developed a web platform targeted at retail end investors who already have a moderate financial/investment experience.
France	AFG initiatives focus on restoring investor's confidence and making finance meaningful again by explaining how it works.
Germany	The BVI investor education initiative "Hoch im Kurs" aims at promoting financial education especially among young students aged 16 to 18. The initiative relies on teachers and schools to disseminate the information to students. Another initiative involves 300 financial advisors visiting schools.
Italy	Assogestioni's commitment to investor education is organized along two axis: (i) an ongoing communication effort aimed at offering a reference point for the understanding of key financial products and at reinforcing the fund industry reputation vis-à-vis the public and institutions and (ii) a series of one off activities to respond to market requests or react to crisis and reinforce the industry position.
Luxembourg	ALFI initiatives aim at providing basic information on a website.
Portugal	APFIFF participated in the "Financial Literacy Day" event organized by the Portuguese Financial supervisors to increase awareness of the importance of saving, providing information on three main topics: saving and investing, investment funds and pension funds.
Spain	The main initiatives developed or scheduled by INVERCO are: surveys, guidelines and frequently Asked Questions documents about Investment and Pension Funds, online chats with financial experts and didactic sessions with the financial specialized media.
Sweden	The Fondkollen (Fund check) project is one of the most important tools to reach out to the fund-savers. The project currently comprises three components: the Fondkollen.se website, a mobile app, and a pocket folder.
UK	IMA has developed a website (investinginfunds.org) and provides funding to pfeg and MAS.

BBVA AM	“El Instituto BBVA de Pensiones” provides educational material on long-term savings and retirement planning for the general public. The “Best Practices Project” involves maximizing internal talent across the organization in order to ensure that best practices are shared across all countries in which BBVA operates.
BlackRock	BlackRock have undertaken a series of trustee and intermediary training programmes to increase the knowledge of their clients and promote a more open, trust-based discussion of client needs.
BNP Paribas IP	Creation of an Investment Academy to offer training to clients and staff.
Franklin Templeton	Franklin Templeton Academy offers a series of structured workshops and interactive presentations that touch upon different aspects of the investment industry.
JP Morgan	The Market Insight programme helps investors to understand what is going on in the markets and to make better investment decisions as a result.
M&G	Work with pfeg on financial education in schools, and to provide thought leadership by way of ‘The Intelligence’ initiative online.
T. Rowe Price	Creation of a web portal, online board game, an interactive exhibit and mobile application.

3. Identify your target audience

Austria	Professionals in the fund industry, retail investors, general public.
Belgium	Retail end investors who already have a moderate financial/investment experience
France	Professionals working with savers, students
Germany	Schools, teachers, students (16-18)
Italy	Workers, retail investors, students
Luxembourg	Individuals and retail investors
Portugal	Mostly schoolchildren and students
Spain	End investors, specialized financial journalists

Sweden	Savers, workers
UK	Future and existing investors and their advisors MAS – all adults. PFEG – schools and schoolchildren
BBVA AM BlackRock	Investors, savers and workers, those with low financial literacy levels Institutional and retail clients such as intermediaries, financial advisors and trustees; reaching out to the general public via our marketing
BNP Paribas IP	Clients, external institutions
Franklin Templeton	Financial advisors, institutional clients, bankers, media and investors
JP Morgan	Investors
M&G	Financial intermediaries and private investors (whether direct or through platforms), schools (with pfeg)
T. Rowe Price	Primarily targeted at children between 8 and 14 years old

4. Consider partnerships with other stakeholders

Austria	Partnership with Kurier newspaper with regards to Q&A sessions
Belgium	Partnership with supervisors and financial sector federation
France	Partnership with university, media partners, journalists
Germany	Partnership with Handelsblatt newspaper and schools
Italy	Partnership with university, financial services firms, other organizations, media partners, with external financial support
Luxembourg	Partnership with financial services firms and university professors
Portugal	Partnership with 18 organizations including universities, schools, ministries and, other organizations
Spain	Partnership with financial experts and digital editions of newspapers
Sweden	Partnership with the Swedish Ministry of Finance
UK	Partnership with pfeg and MAS

BBVA AM	Partnership with independent experts from academia
BlackRock	Partnership with research agencies and clients in different countries to achieve wide distribution
BNP Paribas IP	Partnership with external trainers and speakers
Franklin Templeton	Partnership with the Chartered Insurance Institute
M&G	Partners with pfeg
T. Rowe Price	Partnership with Walt Disney Imagineering and World Disney World, Boys & Girls Clubs and Junior Achievement USA

5. Define actions

Austria	Develop training courses, brochures, telephone Q&A
Belgium	Develop web platform
France	Develop training courses and training programmes, participate in trade fairs
Germany	Develop printed materials, website, visit to schools
Italy	Develop website, organise annual trade fair, publication of brochures, papers and books
Luxembourg	Develop website, Q&A, podcasts
Portugal	Participate in the “Financial Literacy Day”
Spain	Develop fund “observatory”, surveys, guidelines, Q&A, online chats, workshops
Sweden	Develop websites, educational tools, mobile app
UK	Develop website, provide financial support to other initiatives
BBVA AM	Develop website, materials, online simulation tools, mobile apps, training courses

BlackRock	Develop training programmes, educational materials, seminars, surveys, advertising campaigns, use of a Hollywood Squares type interface to help investors better define their needs
BNP Paribas IP	Develop Investment Academy, training courses in different locations/languages, specific brochures
Franklin Templeton	Develop classroom training programmes
JP Morgan	Develop website and publications
M&G	Develop training, provide knowledge on website, give financial support to nationwide initiatives, provide trainers/coaches
T. Rowe Price	Develop educational web portal with online game, mobile application and creation of an exhibit at Walt Disney World, activity book with games and puzzles

II. Content

6. Define the message

Austria	Core information on investment funds. Professional training course
Belgium	Core information on investment funds, investing and financial markets
France	Core information on investment funds. Information on the role of asset management industry in the financing of the economy and long-term savings.
Germany	Basic information on financial concepts
Italy	Basic information on financial concepts, pension system and retirement provision
Luxembourg	Basic information on investment funds, long-term saving and investment, investor protection
Portugal	Basic information on the importance of saving and investing and the role of investment funds and pension funds
Spain	Basic information on investment and pension funds
Sweden	Basic information about funds and saving
UK	Basic information about investment, funds, personal financial planning
BBVA AM	Information on retirement planning. Basic information on all retail products
BlackRock	Accessible information on key topics which will affect the lives of ordinary people in a way that encourage them to save
BNP Paribas IP	Basic information on funds, financial assets, financial markets
Franklin Templeton	Information on financial markets, investment concepts and client interaction
JP Morgan	Basic information on capital markets
M&G	Basic information on investment funds, financial markets and investment planning
T. Rowe Price	Basic information on core financial concepts

7. Strive for neutrality

All initiatives respect the principle that there should be no promotion of e specific products or brands, and that the focus should be completely neutral vis-à-vis all types of providers.

8. Make investor education personal, fun and interesting

Austria	Telephone Q&A
Belgium	Flowcharts, graphs, images
France	E-learning, videos on the web, social media
Germany	Competitions, questions of the week, calculator, links to Googleplay, App Store, Facebook and other social media
Italy	Large scale exhibition organized to attract young people
Luxembourg	Podcasts
Portugal	Educational videos and quizzes
Spain	Online chats with financial experts
Sweden	Calculator, fundfinder tool, pocket folder
UK	Budget planner, calculators
BBVA AM	Online retirement simulation tool, mobile apps, educational videos
BlackRock	Focus on making key concepts accessible via online tools, such as videos, interactive illustrations and brief, informative conversation starters
BNP Paribas IP	Videos, audio recording, quizzes, story telling
Franklin Templeton	Videos, web-based programmes, interactive tools, literature
JP Morgan	Videos, link to app store
M&G	Videos, spin-free guides
T. Rowe Price	Online game, mobile applications and an interactive exhibit, activity booklet

9. Keep it simple

Austria	Easy to read information, Q&A
Belgium	Hierarchical structure (from basic to detailed information), Flow-charts, graphs, images, schematics
France	Facts and figures, Q&A
Germany	Easy to read information
Italy	General information
Luxembourg	Easy to understand guide and podcasts
Portugal	Message tailored to the characteristics of a young audience, structured in an appealing manner and using simple and plain language
Spain	Guidelines, Q&A, plain language
Sweden	Facts, figures, tools and tips
UK	Clear information, focus on basics with access to detailed information
BBVA AM	Information provided in a user friendly format (videos, infographics, articles etc.)
BlackRock	Strong use of illustration and interactive adaptable informative packs
BNP Paribas IP	Targeted training in different languages, storytelling
Franklin Templeton	Use of one library of course material for external and internal audiences
JP Morgan	Charts, figures, thought of the week
M&G	Glossary, charts, weekly market reviews, quarterly market updates
T. Rowe Price	Use of a game to teach core financial concepts in a simple fun manner

III. Delivery

10. Choose a location

Austria	Online, university, conference call
Belgium	Online
France	University, workshops, trade fairs
Germany	Online, Schools
Italy	Online, trade fair
Luxembourg	Online
Portugal	Special event
Spain	Online, face-to-face workshops
Sweden	Online
UK	Online, schools (pfeg)
BBVA AM	Online, lectures
BlackRock	Online, Seminars, newspapers
BNP Paribas IP	Seminars
Franklin Templeton	Interactive presentations, structured workshops
JP Morgan	Online
M&G	Online, schools (pfeg)
T. Rowe Price	Online and at Walt Disney World

11. Use appropriate tools

Austria	Website, telephone
Belgium	Website
France	Website, face to face seminars
Germany	Website, brochures, apps, media package
Italy	Website
Luxembourg	Website, podcasts
Portugal	Videos and free materials
Spain	Website, online chats, face-to-face workshops
Sweden	Website, tools on website such as calculator
UK	Website, schools (pfeg)
BBVA AM	Website, apps, videos, articles
BlackRock	Videos, interactive information packs, thematic campaigns
BNP Paribas IP	Brochures
Franklin Templeton	Interactive presentations
JP Morgan	Website
M&G	Website, schools (pfeg)
T. Rowe Price	Website, apps, exhibition, activity booklet

12. Be efficient and organized

Austria	Different actions targeting different groups of people
Belgium	Focus on specific topics and networks with other websites
Germany	Leverage partnership with schools/teachers as well as with BVI members

Italy	Focus on yearly fair and website
Luxembourg	Focus on website platform and retail investors
Portugal	Pooling of resources with other organisations, under the “National Plan for Financial Education”
Spain	Focus on retail investors for actions and journalists for others
Sweden	Focus on website, mobile app and investment funds
UK	Support of pfeg, MAS; aim is to link website with other websites
BBVA AM	Sharing best practices from across the organisation
BlackRock	Focus on intermediaries as a conduit to individuals and key business partners for wider distribution
BNP Paribas IP	BNP IP Investment Campus combined all teaching activities carried out at BNP IP under one roof
Franklin Templeton	Use technology-enabled programmes across multiple formats to reach a large audience
JP Morgan	The JP Morgan Insight Portal gathers all educational material on one web link
M&G	Focus on website and support of pfeg
T. Rowe Price	Focus on children with partnerships with Boys & Girls Club and Junior Achievement USA to further spread the message to more than 4.2 million students annually

13. Be creative

Austria	Mascot was created in conjunction with educational materials to make more fun, Q&A over the telephone creates a personal connection
Belgium	Graphs, images and flowcharts are used to visualize the message
Germany	Colourful brochures, website, social media, facebook and apps used to appeal to young people

Italy	Dedicated day to students at trade fair, live streaming of conference events, videos available online
Luxembourg	Podcasts and use of social media
Portugal	Videos, quizzes, interaction with a skater girl that invited the visitors to know more about “Saving and Investing”
Spain	Online chats
Sweden	Website includes a fund calculator, online tools to compare funds, apps
UK	Website includes fundfinder tool
BBVA AM	Online retirement simulation tool
BlackRock	Use of thematic campaigns, videos, creation of client facing materials for intermediaries
BNP Paribas IP	Story telling is used to help the audience remember retain key messages
Franklin Templeton	Web-based programmes
JP Morgan	Website includes links to online videos, market commentary and analysis
M&G	Educational content, creation of spin-free guides to investing
T. Rowe Price	Games, puzzles, activity booklet and interactive exhibit

IV. Evaluation

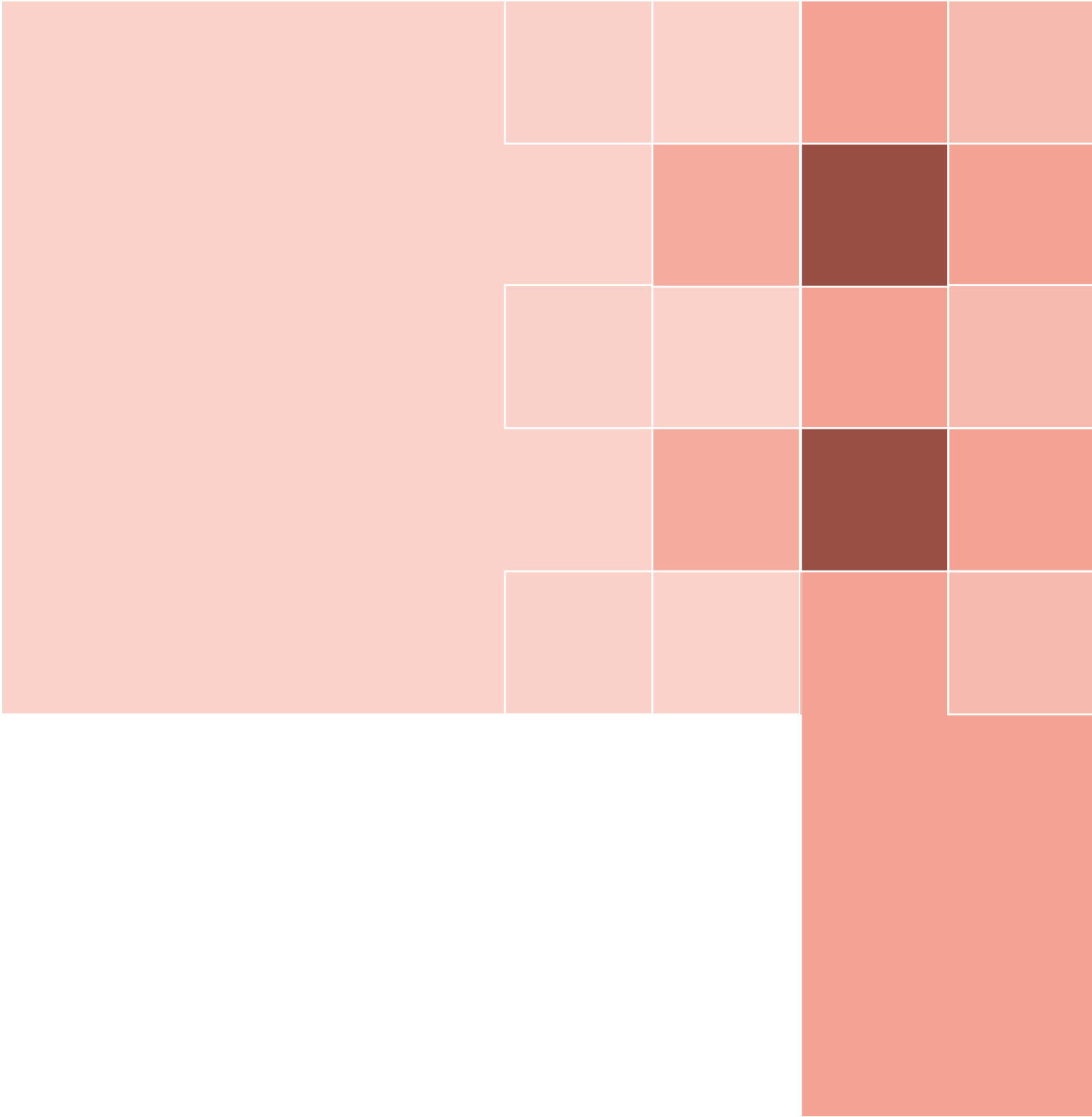
14. Define measures of success

15. Use specific tools

16. Evaluate and report on existing programs on a regular basis

17. Get insight opinion from peers and other stakeholders in the area of investor education

Austria	All materials are updated once a year to ensure material is up-to-date with regulatory and taxation changes
Belgium	Website hits and number of other websites linking to the association webpage
France	Website hits, press coverage, number of students passing the AMF Certification
Germany	Awards won, feedback from teachers, website hits and downloads, visitor's length of stay on website and number of "likes" on social media
Italy	Website hits
Luxembourg	Website hits, number of views on YouTube, press coverage
Portugal	Press coverage and feedback from visitors. Level of participation on the Quiz "Win your Piggy Bank/Box Money"
Spain	Feedback, participation rate in online chats, number of attendants at workshops, press coverage
Sweden	Website hits and downloads, number of websites linking to association webpage, number of folders handed out
UK	Website hits, unique visitors, pages viewed, dwell time and user surveys
BBVA AM	Annual surveys
BlackRock	Feedback forms, online traffic, monitoring of advertising campaigns
BNP Paribas IP	Feedback from events and trainings
Franklin Templeton	Feedback forms, the Chartered Insurance Institute evaluates training programmes
M&G	Website hits, number of videos viewed, feedback from customers
T. Rowe Price	Number of players of online game, website impressions, use of a third party firm to assess impact on knowledge gained and behavioral changes



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