SPI Albania Project on Consumer Financial Education

Note on international experience in Consumer Financial Education

Summary of the findings of the research in the international experience on consumer financial education

Based on surveys and researches in their member states, European Commission and Organization for Economic Co-operation and Development released principles and good practices that could be used for launching and running successful financial education programmes or schemes.
These principles and good practices together with the main findings of the surveys and research studies refer to stakeholders, audience, content, channels.
The conclusions of these are as follows:

- public authorities should develop national strategies for financial education, setting up participants, responsibilities, sources;
- public authorities should coordinate financial education programs;
- financial education programs should be unbiased, fair, efficient and coordinated financial education;
- financial education should complement financial regulation that is intended to protect consumers;
- financial education programs should focus on main priority issues as determined by the national circumstances;
- financial education program should have a variety of operators (public institutions, private financial institutions, consumer, professional and other organizations);
- private financial institutions should have financial education as a part of their corporate governance;
- financial education should be provided continuously;
- financial education programs could be developed by a variety of public and public stakeholders;
- financial education programs should be designed in order to answer consumer needs, as determined a-priori;
- financial education programs should be customized by type of target audience;
- financial education should start in school and should focus particularly on important life planning aspects, such as basic savings, debt, insurance or pensions;
- financial education programs should have efficiency assessment methodologies;
- financial education programs should be assessed and updated periodically;
- financial education programs should use multiple instruments and dissemination channels (all mass media with websites as first envisaged);
- while children and young adults are primary focus target, a special attention should be given to future retirees;
- train the trainers should be a priority in the financial education programs;
- national awareness raising campaigns on the importance of financial education should be developed.

1. Importance of the consumer financial education

1.1. *Definition of the financial education*

International literature provides various definitions to financial education and financial literacy that lead to the following main conclusions:

- financial literacy is the ability to understand financial information and to process it in order to make good decisions for improving the financial well-being and protection;
- financial education is the process through which the financial literacy is ensured.

The first principle stated by Organization for Economic Co-operation and Development in its **Recommendation on Principles and Good practices for Financial Education and Awareness** (July 2005) provides the most comprehensive definition of the financial education:

Financial education can be defined as "the process by which financial consumers/investors improve their understanding of financial products, concepts and risks and, through information, instruction and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being".

This definition indicates that financial education should not comprise only the provision of financial information and advice, but also instruction.

Various definitions of financial education and financial literacy

*"**Financial education** is the process by which financial consumers/ investors improve their understanding of financial products and concepts and, through information, instruction and/or objective advice, develop the skills and concepts and, through information, instruction and/or objective advice, develop the skills and confidence to become 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 and protection."* (Organization for Economic Co-operation and Development website)

***Financial education** is the process by which people improve their understanding of financial products, services and concepts, so they are empowered to make informed choices, avoid pitfalls, know where to go for help and take other actions to improve their present and long-term financial well-being.* (Organization for Economic Co-operation and Development 2005. Improving Financial Literacy: Analysis of Issues and Policies. OECD Publishing. Paris, France).

***Financial literacy** is the ability to understand finance sufficiently to make appropriate decisions regarding one's personal finances.* (Wikipedia)

***Financial literacy** is the ability to use knowledge and skills to manage financial resources effectively for a lifetime of financial well-being.* (Jump$tart Coalition. 2007. National Standards in K-12 Personal Finance Education)

Personal financial literacy *is the ability to read, analyze, manage, and communicate about the personal financial conditions that affect material well being. It includes the ability to discern financial choices, discuss money and financial issues without (or despite) discomfort, plan for the future and respond competently to life events that affect everyday financial decisions, including events in the general economy.* (National Endowment for Financial Education)

Financial literacy *is knowing enough about managing money to make wise decisions and avoid fraud.* (Rich Dad- Welcome to Rich Dad." 15 Mar. 2006 ,www.richdad.com)

Financial literacy *can also be described as the ability to make informed decisions regarding the use and management of money.* (Stone, Gene. "Financial Literacy." June 2004. 20 Mar. 2006, http://www.loma.org/res-06-04-literacy.asp)

1.2. Importance of financial education

The importance of the financial education is stressed by the above quoted definitions – it is about people's welfare. In the current context of growing sophistication of financial markets, of a variety of complex financial instruments for borrowing and saving, with a large range of options, and with fraud means updated to the progress in financial markets, financial education becomes even more important for consumers.

OECD states the following reasons for which the importance of financial education is increasing:

- Increasing transfer of risks to households which are more directly responsible for critical financial decisions for their future wellbeing;
- Decline of public welfare policies and social corporate programmes;
- Growing range of risks affecting households at macro and micro levels;
- Increased life expectancy;
- Shift from Defined Benefit to Defined Contributions Pensions schemes;
- Enhanced individual responsibility in financial and insurance risk management;
- More households investing more income in financial assets;
- Development and sophistication of financial markets;
- More complex products;
- Increased supply of financial products;
- Overload of financial disclosure;
- Recent financial crisis in some countries.

One determinant of the current financial crisis is the inappropriate financial literacy, therefore an enhanced financial understanding and awareness of consumers should be the objective of the policy reforms, for the future well-being and stability of the financial markets and for the economy as a whole. Numerous international surveys have demonstrated consumers' generally low level of understanding of financial matters and of basic economics.

References to the importance of financial education

Developing consumers' literacy in financial matters is becoming increasingly important, particularly as individuals take an increasing role in making decisions affecting their financial security and as capital markets become more accessible to consumers. Numerous international surveys have demonstrated a low level of understanding of financial matters on the part of consumers[1]*. There is also a strong correlation between low levels of functional literacy and the ability to make appropriate financial decisions. Consumers with poor financial literacy find it hard to understand and make use of the information they receive when they purchase financial services, since information is generally prepared having average consumers in mind rather than those with lower levels of financial literacy.* European Commission Green Paper on Retail Financial Services in the Single Market, 2007

Knowledgeable and confident consumers have been identified as the key to further integration of the market in financial services. Consumers will only avail of products or services if they are comfortable with the choices they make. They want to be able to buy a suitable product or service from sound and reputable providers and be convinced that if things go wrong there are mechanisms in place to address the difficulty. This is also our target. Charlie McCreevy, European Commissioner for Internal Market and Services, Closing remarks at the Public Hearings on EC Green Paper on Retail Financial Services in the Single Market, 2007

A good financial education could bring benefits for all the market participants:

- for consumers: improved financial situation, improved financial access, adequate retirement income and reduced risk of over-indebtedness;
- for SMEs: development and growth;
- for financial industry: higher demand for financial products and reduction in the information asymmetries. It also promotes market transparency, competitiveness and efficiency;
- for regulators: easing of the supervisory activity and lower levels of regulatory intervention;
- for governments: more successful pension and health care reforms, including through greater private saving rates, help reduce the risk of future public expenditure pressures, and in general contribute to economic stability and development.

2. **EU experience in financial education**

December 2007 **European Commission's Communication on financial education** provided the following overview on the various financial education initiatives in EU, as resulted from two wide-ranging studies:

- Financial education is provided by a **wide variety of actors**, ranging from financial supervisory authorities to adult literacy agencies, debt advice clinics,

[1] See for example, "Financial Capability in the UK: Establishing a Baseline", UK Financial Services Authority, March 2006; research by the Irish National Adult Literacy Agency, August 2006 (see http://www.nala.ie/press/pressreleases/20060914161103.html); results of research published by a working group of the Autorité des Marchés Financiers (France), June 2005 (see http://www.amf-france.org/documents/general/6080_1.pdf).

social workers, financial industry federations, microfinance organisations, consumer representatives, education authorities, individual financial firms, housing authorities and others. **National authorities** (government ministries, financial supervisors, central banks etc.) are the **drivers of programmes** in 11 Member States.

- The **most common subject** of financial education programmes is "money basics", such as how to use a bank account. This is followed by budgeting skills, including managing credit and debt. The issues of investment, saving and retirement, insurance and risk management feature less highly, indicating that these may be areas requiring greater attention in future.
- There is an even split in the profile of the **target audiences** of the programmes between those aimed at children and young people, and those aimed at adults.

One of the studies invoked by the EC Communication is the **Survey of Financial Literacy Schemes[2] in the EU27,** performed by EVERS & JUNG and published in 2007. The Survey provides a wholly accurate picture of the financial literacy landscape for some Member States and represents an **extensive overview for the majority of the EU countries**.

This study shows that **financial literacy is a growing priority, both for the EU institutions and the market players**.

The **key findings** indicate that

- <u>the distribution</u> of financial literacy schemes varies greatly throughout the EU. Most schemes were found in the **UK**, **Germany** and **Austria**. The **Netherlands** and **France** are advanced as well but underrepresented in this survey. The most active Member State in eastern Europe is **Poland**. Bulgaria, Latvia, Luxembourg, Slovenia and Romania seem to be solely covered by transnational EU programmes;
- the current <u>main target groups</u> are **children and young adults;**
- <u>way of providing financial education services</u> - two out of three schemes provide their service through **intermediaries**;
- <u>instruments and channels</u> - every second uses **multiple instruments and channels** – the **internet** being a particularly important one;
- <u>operators</u> - very sixth scheme **is operated by private financial service providers** which target customers as well as non-customers and their content predominantly remains impartial.

Annex 2 presents several EU countries experience in financial education.

3. International good practice in financial education

[2] Principles defining financial literacy schemes used by EVERS & JUNG are presented in Annex 1

OECD's **Recommendation on Principles and Good practices for Financial Education and Awareness**, based in large part on the findings of the study produced by the OECD's Financial Education Project, states 7 principles for organizing the financial education programs.

In short (the entire text of the Principles are provided in Annex 3), these principles state the following main ideas:

- Governments should promote unbiased, fair, efficient and coordinated financial education;
- Financial education should complement financial regulation that is intended to protect consumers;
- Financial education programmes should focus on main priority issues as determined by the national circumstances;
- Financial education programs should be tailored to the targeted audience needs and to its level of financial literacy;
- Financial education should be an integral part of the good governance of financial institutions to encourage accountability and responsibility;
- Financial education should be clearly distinguished from commercial advertising and codes of conduct for the staff of financial institutions should be developed;
- Financial institutions should encourage clients to read and understand information, especially when related to long-term commitments or financial services with potentially significant financial consequences;
- Financial education programmes should focus particularly on important life planning aspects, such as basic savings, debt, insurance or pensions;
- Financial education should start in school. Future retirees should be made aware of the need to assess the financial adequacy of their current public and private pensions schemes;
- National campaigns, specific websites, free information services and warning systems on high-risk issues for financial consumers (such as fraud) should be promoted.

Based on the contracted studies comprising a diversity of approaches and methods on financial education in EU, **European Commission's Communication on financial education** defined some basic principles for launching and running financial education programmes that could be summarized as follows:

- Financial education should be available and promoted continuously and at all life states;
- Financial education programmes should be tailored to the needs as assessed ex-ante;
- Financial education should start in school, as a compulsory part of curriculum;
- Awareness should be raised on the need for financial education;
- Financial services providers should supply financial education in a fair, transparent and unbiased manner;
- Train the trainers should be a priority;
- National coordination is necessary between stakeholders in financial education. International cooperation promotes the exchange of information on best practices;
- Financial education schemes should be regularly evaluated and updated.

The complete text of the Principles is provided in Annex 4.

The good practices promoted by OECD document refer to public and private responsibilities in financial education, the content of the financial education programs, a special attention being given to the retirees as target group for financial education programs (the complete text is provided in Annex 5).

Good practice in financial education for public authorities
As financial education is seen as a part of state welfare assistance programmes, authorities could promote national awareness raising campaigns on financial education. Authorities could have specialised structures to promote and coordinate financial education. Public authorities should exchange information at international level on their experience with financial education. Authorities should promote information websites and warning systems built offered by various consumer, professional and other organizations.

Good practice for financial institutions in financial education
Financial institutions should provide financial information or reference to information providers to their customers. They should train their staff in financial education issues and should develop codes of conduct. Financial education provided by financial institutions should always adapted to the customers' needs. Financial institutions should proof high responsibility on financial education for long-term issues.

Regarding the ***financial education programs***, OECD recommends to have efficiency assessment methodologies and programs complying with the assessment criteria to be officially recognized. Financial programs should have sub-programs for different subtypes of beneficiaries, should use all available media for information dissemination. School financial education programs should provide first education to teachers.

Annex 1

Principles defining financial literacy schemes used by EVERS & JUNG

1. Name/short info refers to personal finance
The only function of this criterion is to make a quick identification possible, because it would not have otherwise been possible to assess every potential initiative in the early stage of the field research.
2. Visible concept and didactical structure with a self-help approach
The criterion is helpful in separating financial literacy schemes from "information-only" activities. In the strict sense, this means schemes should feature a methodological/didactical concept. Their content is structured in a user-oriented, process-driven way and they give concrete instructions for action.
3. Focus on general information
As a less important selection criterion we used the scope of the content. Financial literacy schemes in this strict definition concentrate on all the basic and general aspects of the private finances and do not set an individual focus.
4. Concentration on basic know-how
As one can distinguish several different mixes of financial literacy content, what should be considered as the indispensable core content had to be defined In the framework of the study, a financial literacy scheme teaches:
• numeracy, literacy and information skills in the context of financial literacy,
• how to assess, interpret, question and evaluate finances,
• how to understand the nature and use of money,
• the consequences of financial decisions, plus the rights and responsibilities of customers and
• how to weigh up risks and benefits.
5. Marketing activities
In order to identify initiatives with effective impact and outreach, it may be crucial to assess if an initiative is actively marketed and its information widely circulated.
6. Target group consumers and small businesses
This criterion is a consequence of the working definition of financial literacy.
7. Continuity
One of the decisive factors for the definition of the term "scheme" that is used in the study is continuity. A project lasting just a short period and especially a one-off activity should not be considered as a scheme in the strict sense.
8. Result orientation
Similar to the didactics criterion, we expected that the core schemes would always teach people about financial products with a view to enabling them to make informed financial decisions. They would not simply employ a type of encyclopaedical or "nice-to-know" approach.

Annex 2

Financial education in selected EU countries
- excerpt from Survey of Financial Literacy Schemes in the EU27 -

Austria

In Austria there were identified 18 different schemes. 15 of them fit our working definition of core schemes. Hence, financial literacy seems to be actively promoted here. 11 of these 16 Austrian schemes target children or young adults. Apart from the activities of the National Austrian Insurance Association (VVO), **all schemes are provided by non-profit associations or consumer protection agencies**. Schuldnerhilfe Oberösterreich (Debt Help Upper Austria) is the main player, providing seven schemes on its own. Among those is the "Financial Driver's Licence" which also shows up as an element in other schemes. The Vorarlberg Region registered their scheme which makes uses of the Financial Driver's Licence. Hence this concept is occurring twice in the survey.

Czech Republic

Even additional research done by the MFC and its local partner organisations could not reveal more than one financial literacy scheme in the Czech Republic. This was "Get to know your money", provided by the Junior Achievement Group with support of Citi. This finding, together with the statement from the Czech Ministry of Industry and Trade saying that they do not carry out any activities related to this topic, leads us to assume that financial literacy has not yet been addressed by many institutions in the Czech Republic. However, the situation seems to be changing. The National Ministry of Finance will be launching its "National Financial Education Strategy" in Autumn 2007 and it is designing a financial education programme for students which will be starting in 2009.

Estonia

The **Consumer Protection Board of Estonia** confirmed that they would like to treat the issue of financial literacy more extensively. Currently their activities encompass the publication of financial information which is for instance available from its website under the sections "Useful for consumers" and "Protecting consumers' economic interests". Furthermore, the organisation has participated in the development of the consumer education project DOLCETA, which was initiated by DG SANCO. Apart from the Estonian scheme "Financial literacy for small business entrepreneurs" which is listed in our survey, we have identified the web-based scheme "My Money" provided by the National Financial Supervision Authority. Also the Tallinn University of Technology provides a scheme which targets school children and focuses mainly on issues related to budget management. Unfortunately both providers have not responded to our requests to fill out the questionnaire.

France

Five providers of financial literacy initiatives in France completed the questionnaire, one being a non-core scheme ("Ecole de la Bourse"). Considering the number of financial literacy schemes that had been identified as a result of our desk research, this figure does not provide a true reflection of the large amount of financial literacy

schemes in France.
For instance we have identified the following schemes and online-resources which do not show up in the survey:
• "Le budget des ménages - le crédit aux particuliers" (Fondation Cetelem),
• "Pièges à consommer" (Service Juridique de l'Union Féminine Civique et Sociale),
• "Relevé de Prix" (Association d'Éducation et d'Information du Consommateur de la FEN and other organisations),

• "16-25 ans - Comment gérer son budget sans déraper" (Union Nationale des Associations Familiales)
• "Conso.net " (l'Institut National de la Consommation),
• "Ctaconso.fr " (l'Institut National de la Consommation),
• "Ma retraite en ligne M@rel " (provided by the French government),
• "LeMoneyMag " (BNP Paribas)
The support from ESBG was a great help in contacting Finances & Pédagogie and La Finance pour Tous. Two other schemes applied to take part in the survey of their own initiative. However, our attempts to motivate more French providers to participate in our survey did not produce the results we expected, even though we also offered to carry our the survey with them in French on the phone and fill out the questionnaire together.

Germany
Germany plays an active role in the field of financial literacy and is apparently the second-most active Member State after the UK. Of course, a Germany-based research team is in a better position to identify schemes within its own country but having said this, the findings for the EU as a whole still indicate that Germany belongs to the Member States which are furthest in the battle against financial illiteracy. This was already suspected by the experts who we interviewed while preparing our response for the call for tender.
We list 40 schemes in Germany, 34 of them fitting our working definition. They are mostly provided in classrooms or universities, target children or young adults and cover several content areas at a time. Only nine schemes provide their content solely through other organisations. All others have direct contact to the participants or have both direct contact and use intermediaries.
It is noticeable that a broad spectrum of organisations occurs in our survey: It ranges from social or debt counselling institutions through associations, banks and other financial service providers to the big 2007 initiative "Old-age provision goes to school", the main players of which are several federal ministries, the Public Pension Insurance Association and the German Adult Education Centres Association.

Hungary
From our research, four financial literacy projects in Hungary could be identified. This number, as well as the following statement of the Hungarian Banking Federation, highlight the growing importance of financial literacy issues in this country:
"Financial literacy and the improvement of the general financial culture is a widely accepted and acknowledged target and task in Hungary. Several research projects show that financial literacy is at a lower level than could be expected […]. This year may be considered as a milestone in this respect, since several investigations and studies analysed the methods, ways and means of how retail banking services can be

improved. This matter was analysed in eight expert groups co-ordinated by the Hungarian Banking Association. One of the major topics was financial literacy."

Ireland

In Ireland one scheme provider fully completed the survey. Unfortunately, prominent organisations such as the NALA (National Adult Literacy Agency) and the MABS (Money Advice and Budgeting Service) did not respond despite several attempts to contact them. Therefore, we are not able to cover, for example, the NALA's "Plain English guide to financial terms" or the training guide for adult education tutors on how to operate a cash machine.

Italy

Unlike in other countries, in Italy all the nine schemes we identified target adults. Only one also addresses young adults and we found no schemes explicitly designed for children. We classify five Italian schemes as core schemes.
Every scheme we identified was originally set up as a website and nearly all are web only offers. However, for many schemes, participation in the online course still required the individuals to attend the provider's own offices.

Lithuania

In Lithuania we were able to locate five schemes, one of which managed to reach 400 participants in 2006. Despite the statement from the Lithuanian Economic Education Development Centre (EEDC) saying that financial education programmes are not very common, we gained the impression from our research that financial literacy is an upcoming issue in this Member State.

Netherlands

Four Dutch providers of core financial literacy schemes registered in our survey. Considering the large number of programmes that could be identified through our desk research so far and bearing in mind that financial education has been a big issue in the Netherlands for years, this number seems low.
For instance, we are aware that the Nationaal Instituut voor Budgetvoorlichting (NIBUD) is very active in the field of financial literacy. Its website provides general information to consumers, professionals and journalists. Besides interactive tools, the site also includes an online-shop. On average, the website has 3,000-4,000 visitors per day.
NIBUD's specialised website "Youth and Money" targets the most important financial issues of high-school students (12-18 years). The number of daily visitors amounts to 2,000-3,000.
Apart from this, NIBUD also offers basic materials for consumers plus money guides (e.g. "GeldWijzer") and other books, teaching materials and suggestions on methods as well as materials for other professionals.
In order to provide a truer reflection of financial literacy in the Netherlands in our survey, scheme providers were contacted through our network partners and directly by
ourselves via phone. Nevertheless, it seems the overall result is still not representative of the actual scale of activities in the Netherlands.

Poland

Poland is the most active eastern European country in matters of financial literacy. We list eight core schemes here. Most of them are designed for children and young adults and set up in classrooms or universities. Apart from the scheme run by PKO Bank Polski, all Polish programmes are operated by non-profit associations or national public authorities.

Portugal
We found two core schemes in Portugal, both designed for children. “From Mathematics to Financial Literacy” is a good example of a successful scheme run by financial service providers. “Financial education for youth: learning the basics” is designed especially for children aged 11-13 years old and set up as a game. A third scheme is listed in the non-core section.

Slovakia
There are two core and one non-core schemes we located in Slovakia. One targets children through schools, the other core scheme addresses young adults directly. Both are good examples for the growing importance of financial literacy issues in the New Member States.

Sweden
Four of the five Swedish core schemes in our survey are run by Swedbank’s Institute of Private Finance. This organisation systematically targets many groups, including immigrants and the elderly, using specialised programmes.

United Kingdom
The UK is by far the most advanced Member State in terms of financial literacy activities. Approximately more than 500 schemes are in operation there according to statements from experts we contacted. However, most of these initiatives work on a local basis, serve as hubs for national schemes or have a small number of participants. The majority of the UK schemes operate within regional or national frameworks and receive funding accordingly. This provide us with an effective area for future research.
We were able to cover the largest part of the UK by cooperating with the Financial Services Authority (FSA) which funds hundreds of schemes through the seven categories of its financial capability programme. Another big help to us was the cooperation with the National Institute of Adult Continuing Education (NIACE). This organisation has a good overview of the UK situation and was able to contact all schemes. Their contributions were indispensable for our study.
The UK is the Member State with the highest amount of schemes in our survey and we believe that the 50 core schemes listed in the overview provide a picture of the financial literacy landscape’s current nature in this country.

Annex 3

OECD Principles for financial education program

1. Financial education can be defined as "the process by which financial consumers /investors improve their understanding of financial products, concepts and risks and, through information, instruction and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being". Financial education thus goes beyond the provision of financial information and advice, which should be regulated, as is already often the case, in particular for the protection of financial clients (i.e. consumers in contractual relationships).

2. This financial capacity building, based on proper financial information and instruction, should be promoted. Financial education should be provided in a fair and unbiased manner. Programmes should be co-ordinated and developed with efficiency.

3. Financial education programmes should focus on high priority issues, which, depending on national circumstances, may include important aspects of financial life planning such as basic savings, private debt management or insurance as well as pre-requisites for financial awareness such as elementary financial mathematics and economics. The awareness of future retirees about the need to assess the financial adequacy of their current public or private pensions schemes and to take appropriate action when needed should be encouraged.

4. Financial education should be taken into account in the regulatory and administrative framework and considered as a tool to promote economic growth, confidence and stability, together with regulation of financial institutions and consumer protection (including the regulation of financial information and advice). The promotion of financial education should not be substituted for financial regulation, which is essential to protect consumers (for instance against fraud) and which financial education is expected to complement.

5. Appropriate measures should be taken when financial capacity is essential but deficiencies are observed. Other policy tools to consider are consumer protection and financial institution regulation. Without limiting the freedom to contract, default mechanisms, which take into consideration inadequate financial education or passive/inert behaviour, should be considered.

6. The role of financial institutions in financial education should be promoted and become part of their good governance with respect to their financial clients. Financial institutions' accountability and responsibility should be encouraged not only in providing information and advice on financial issues, but also in promoting financial awareness clients, especially for long-term commitments and commitments which represent a substantial proportion of current and future income.

7. Financial education programmes should be designed to meet the needs and the financial literacy level of their target audience, as well as reflect how their target audience prefers to receive financial information. Financial education should be regarded as a life-time, on-going and continuous process, in particular in order to take account of the increased complexity of markets, varying needs at different life stages, and increasingly complex information.

Annex 4

Basic principles for the provision of high-quality financial education schemes

(EC Communication on Financial Education, December 2007)

Principle 1: Financial education should be available and actively promoted at all stages of life on a continuous basis.

Financial education should be available to address the financial challenges associated with real events in citizens' lives, ranging from those experienced by young people to those relevant to retirees. Programmes should be adaptable to citizens' financial situation and level of understanding of financial issues.

Principle 2: Financial education programmes should be carefully targeted to meet the specific needs of citizens. In order to achieve this aim, ex-ante research should be conducted on the current level of financial awareness on the part of citizens, to identify those issues that particularly need to be addressed. Programmes should be timely and easily accessible.

Financial education should meet a specific need: for those starting work for the first time, the unemployed, those planning for a family, young adults, the indebted etc. It is important to ensure that the programme is delivered in a comprehensible manner and in a format that can facilitate consultation or access by the user when he/ she needs it.

Employers should give consideration to how financial education could be delivered through the workplace, possibly in conjunction with information on occupational pension schemes.

Principle 3: Consumers should be educated in economic and financial matters as early as possible, beginning at school. National authorities should give consideration to making financial education a compulsory part of the school education curriculum.

It is essential that basic economic and financial knowledge is acquired by young people at primary and secondary school. The Commission has already issued a Recommendation on key competencies for lifelong learning (2006/962/EC), which supports the development of skills such as the ability to apply mathematical thinking into everyday situations, broad understanding of the workings of the economy and the ability to plan and manage one's life. In this context, consideration should be given by national and regional education authorities to how economic and financial education might be included in school curricula.

Principle 4: Financial education schemes should include general tools to raise awareness of the need to improve understanding of financial issues and risks.

Consumers are not always aware of their lack of understanding of financial issues and financial risks, which is the first step in being open to education on these points. Tools such as self-assessment questionnaires and advertising campaigns on financial knowledge can help in this awareness-raising. Audiences could then be directed to specific financial education materials.

Principle 5: Financial education delivered by financial services providers should be supplied in a fair, transparent and unbiased manner. Care should be taken to ensure that it is always in the best interests of the consumer.

The financial services industry should, after consultation of consumer or investor representatives, be encouraged to take initiatives to contribute to the development of financial education and to make its expertise available. However, when providing financial education to the public, industry should ensure that a clear distinction is made between general financial education, information with regard to individual products, and advice to a specific customer on a given product or service. Particular care should be taken with regard to the branding of financial education materials, to address any concerns that these lines are being blurred.

Principle 6: Financial education trainers should be given the resources and appropriate training so as to be able to deliver financial education programmes successfully and confidently.

A key issue in developing a successful financial education is empowering those who deliver the training: "teaching the teachers". This does not only mean school teachers, but also social workers, bank employees, volunteers and other client-facing individuals who need to deliver training in a way that most benefits their audience. This will necessitate the development of usable teaching materials and training programmes.

Principle 7: National co-ordination between stakeholders should be promoted in order to achieve a clear definition of roles, facilitate sharing of experiences and rationalise and prioritise resources. International co-operation between providers should be enhanced to facilitate an exchange of best practices.

National authorities, financial services providers, consumer groups, educators and other stakeholders should be encouraged to co-operate in the delivery of financial education. This could help to streamline objectives, result in greater coverage of differing target groups, rationalise and prioritise resources and promote greater learning from experience. Similarly, at an international level, co-operation and networking between practitioners could highlight those areas where greater attention should be focused and facilitate an exchange of best practices.

Principle 8: Financial education providers should regularly evaluate and, where necessary, update the schemes they administer to bring them into line with best practices in the field.

Providers of financial education should incorporate into their programmes an element of regular evaluation of the progress being made and whether targets are being reached. If this is not the case, they should consider amendments of the programme to bring it in line with standards achieved by acknowledged best practitioners.

The Commission invites national administrations, financial services providers, consumer organisations and other stakeholders to develop national strategies on financial education with appropriate financial education programmes with regard to the above principles for financial education.

Annex 5

Good Practices for financial education

(Recommendation on Principles and Good practices for Financial Education and Awareness, OECD, July 2005)

A. Public action for financial education

1. National campaigns should be encouraged to raise awareness of the population about the need to improve their understanding of financial risks and ways to protect against financial risks through adequate savings, insurance and financial education
2. Financial education should start at school. People should be educated about financial matters as early as possible in their lives.
3. Consideration should be given to making financial education a part of state welfare assistance programmes.
4. Appropriate specialised structures (possibly embedded within existing authorities) in charge of promoting and coordinating financial education should be encouraged at the national level and regional and local public and private initiatives as close to the population as possible should also be promoted.
5. Specific websites should be promoted to provide relevant, user-friendly financial information to the public. Free information services should be developed. Warning systems by consumer, professional or other organisation on high-risk issues that may be detrimental to the interests of the financial consumers (including cases of fraud) should be promoted.
6. International co-operation on financial education should be promoted, including the use of the OECD as an international forum to exchange information on recent national experiences in financial education.

B. Role of financial institutions in financial education

7. Requirements to specify the types of information (including where to find information and the provision of general comparative and objective information on the risks and returns of different kinds of products) that financial institutions need to provide to clients on financial products and services, should be encouraged.
8. Financial institutions should be encouraged to clearly distinguish between financial education and financial information and "commercial" financial advice. Any financial advice for business purposes should be transparent and disclose clearly any commercial nature where it is also being promoted as a financial education initiative. For those financial services that entail long-term commitment or have potentially significant financial consequences, financial institutions should be encouraged to check that the information provided to their clients is read and understood.
9. Financial institutions should be encouraged to provide information at several different levels in order to best meet the needs of consumers. Small print, abstruse documentation should be discouraged.
10. Financial education provided by financial institutions should be regularly assessed to ensure it meets consumer needs. This may be achieved through partnerships with independent, not for profit financial advisory bodies that may have better connection with consumers, particularly those facing disadvantage in their participation in financial markets.

11. Financial institutions should be encouraged to train their staff on financial education and develop codes of conduct for the provision of general advice about investment and borrowing, not linked to the supply of a specific product.

C. Financial education for retirement savings

12. For individuals in private personal pension plans, the provision by financial institutions of the appropriate financial information and education required for the management of their future retirement savings and income should be promoted.

13. Concerning occupational schemes, (for which the related information and education should be provided in a consistent way across the schemes) financial education and awareness of employees and related policy tools should be further promoted, both for defined contributions and defined benefits schemes.

D. Financial education programmes

14. Financial education programmes that help financial consumers find the facts and understand the pros and cons as well as the risks of different types of financial products and services should be promoted. Further research on behavioural economics should be promoted.

15. The development of methodologies to assess existing financial education programmes should be promoted. Official recognition of financial education programmes which fulfil relevant criteria should be considered.

16. Financial education programmes that develop guidelines on study content and accomplishment level for each financial education programme and for each population subgroup should be promoted.

17. In order to achieve a wider coverage and exposure, the use of all available media for the dissemination of education messages should be promoted.

18. In order to take into account the diverse backgrounds of investors/consumers, financial education that creates different programmes for specific sub-groups of investors/consumers (i.e. young people, the less educated, disadvantaged groups) should be promoted. Financial education should be related to the individual circumstance, through financial education seminars and personalised financial counselling programmes.

19. For those programmes which favour use of classrooms, proper education and competence of the educators should be promoted. In this respect, the development of programmes to “train the trainers” and the provision of specific information material and tools for these trainers should be encouraged.