

# Financial Education – Best Practices

## Review

# Financial Education & Financial Literacy (1)

- Definition of **financial education**
  - *“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, and to take other effective actions to improve their financial well-being.”* (OECD 2005).
- The objective of financial education programmes is to provide basic financial knowledge (literacy), and not expertise.
- **Financial literacy** is the content of financial education programmes, and can be formulated as
  - *“the ability to use knowledge and skills to manage one's financial resources effectively for lifetime financial security”* (Jump\$tart Coalition for Personal Financial).

# Financial Education & Financial Literacy (2)

- Over the past decade, developed and emerging countries and economies have become increasingly concerned about the level of financial literacy of their citizens.
- Challenging economic and financial circumstances (the potential impact of shrinking public and private welfare systems, shifting demographics, the increased sophistication and expansion of financial services) have heightened these concerns.
- This has led to the recognition that better financial literacy skills could contribute to improved financial decision making, and that these decisions could, in turn, have positive effects not only on households but also on economic and financial stability more generally.

# Methodology of Selection

- Preliminary overview of financial education practices (with no regard for our target).
- Target
  - Elderly (male and female) 65+
  - Women 55+
  - Educators and coaches
- Two methods of selection in the view of our target:
  - Practices who focus on people 65+, women 55+, and educators.
  - Practices, which do not share our target, but have special features or tools that might work well also with our target.

# U.S.A.

<i>"Healthy, Wealthy, Wise"</i>	<i>"Money 2000"</i>	<i>"Financial Literacy Program"</i>
<ul style="list-style-type: none"> <li>• Sponsored by Weyerhaeuser Company, it is a two-and-a-half-day program designed for employees 50+.</li> <li>• Topics: Financial Planning, Estate Planning, Social Security.</li> <li>• Interaction with the guest speaker on concepts of aging, change, transitions, attitudes, role identity and a successful retirement experience.</li> </ul>	<ul style="list-style-type: none"> <li>• Sponsor: Rutgers Cooperative Extension.</li> <li>• Demographic data collected upon enrolment.</li> <li>• Number of participants rose sluggishly.</li> <li>• Started in January 1996, the purpose was to reduce debt or increase the savings of New Jersey participants by \$2,000 by the end of December 2000.</li> <li>• Teaching methods: quarterly newsletter; non-compulsory classes; computerized debt reduction analysis program called PowerPay.</li> <li>• Participants are tracked every 6 months.</li> </ul>	<ul style="list-style-type: none"> <li>• Sponsor: MidAmerica Leadership Foundation.</li> <li>• Faith-based program.</li> <li>• Participants are not rich, but have sufficient wealth and salary to consider improving their money management skills and assets.</li> <li>• IDA program; church pastors also “push” members of the community to enrol.</li> <li>• Teaching methods: counseling, self-study, workbook.</li> </ul>
<p>PRO:</p> <ul style="list-style-type: none"> <li>• Workbook.</li> <li>• Discussion of non-financial topics: health and wellness, housing and location, and life satisfaction.</li> </ul>	<p>PRO:</p> <ul style="list-style-type: none"> <li>• Cost-benefit analysis of the program: every \$1 spent on the program, a return of nearly \$30 in economic impact.</li> </ul>	<p>PRO:</p> <ul style="list-style-type: none"> <li>• Emphasis put on attitude changes.</li> <li>• Solid recognition regarding how important it is to learn to invest.</li> <li>• Satisfaction of participants (88%).</li> </ul>

# Austria

- National program by Oesterreichische Nationalbank - OeNB, which is the Austrian Central Bank, together with public and private organisations. Among the actions:
  - A service of call centre on financial education. In 2010, users were 36,000.
  - Seminars on financial education targeted to coaches and educators, organised in collaboration with Volkswirtschaftliche Gesellschaft (non-profit organisation).
- “Schulder Hilfe” by Schuldnerhilfe Oberösterreich - organisation that assists people with indebtedness problems -, Arbeiterkammer Oberösterreich (Austrian Superior Chamber of Labour) and other public institutions.
  - In the view of preventing people from financial exclusion, the Land had introduced the Finanzführerschein, a financial licence.
  - In order to obtain it, participants have to take and pass some modules about financial subjects. Those modules are provided in ten sessions. Topics included are: money management, shop online, knowledge of financial products, the ability to compare different products offered by banks, personal budget management and financial family planning.
  - The approach of learning is explicitly pragmatic, aiming at preventing and tackling practical problems. The achievement of the financial licence is free and certifies that the candidate have the competence of managing her/his financial life with commitment and judgement.

# France

- “*La Finance Pour Tous*”, sponsored by Ministère de l’Économie, de l’Industrie et de l’Emploi (Minister of Economics, Industry and Employment) and other institutions both private and public, target young and retired people with the aim of explaining them the financial system and its functioning. Among the services offered by the program there is:
- *Finances et Pedagogie* – created by the Caisses d’Epargne (savings bank) with the objective of sensitising people on money management. Activities take place with local partners of communities, such as consumers’ associations, workers, young people, elderly, schools, etc... The goal is to provide counseling able to prevent financial exclusion and the risk associated to financial decisions. All programs have a final evaluation.

# Spain, Portugal and Latin America

- “*Banca para Todos*” (bank for everyone) – common denomination for the global plan of financial education sponsored by BBVA (Banco Bilbao Vizcaya Argentaria). Activities started in 2009. Overall, investments amounted to 23 million euro and involved 1.3 million of people in the period 2009-2011.

The plan is directed toward two categories: the educational community and the people at risk of social and financial exclusion. In almost all programs there is an initial training phase for coaches, who in turn will be in charge of the dissemination phase as volunteers.

In particular:

- *Adelante con Tu Futuro* – for those who have or can have a bank account. It is mainly effective in Latin America. It offers counseling and advice on financial topics (savings, pensions, credit card, credit standing and mortgage loans), and provides also videos and comics on the correct use of financial instruments.



# United Kingdom

- *Money for Life* – private initiative by Lloyds' banking group (through Lloyds TSB, Bank of Scotland and Halifax) aiming at improving knowledge, confidence and skills of UK communities. Lloyds Banking Group has invested £10 million in the programme from 2010 to 2015.

The programme provides three accredited, fully funded training qualifications to give teaching staff and community leaders the knowledge and the skills needed to deliver money management sessions:

- *Teach Me* – an online bank of resources and a separate course with the objective of enabling participants to run money management workshops.
- *Teach Others* – a two-day course for community and advice workers which give them the teaching skills to run the aforementioned workshops.
- *Money Mentors* – a two-day course which provides college staff and community workers the skills give one-to-one money management support.

# New Zealand

- The *Commission for Financial Capability* (CFFC) developed a National Strategy which is about equipping and enabling all New Zealanders to navigate through a lifetime's worth of financial choices. In order to lead everyone getting ahead financially, the strategy proposes a pragmatic approach in five work streams: (1) Talk; (2) Learn; (3) Plan; (4) Debt-Smart; (5) Save/Invest.
- Regarding retirement, it is divided in three broad stages, each one having different needs, activities and health conditions:
  - The “*Discovery*” stage: 65-74
  - The “*Endeavour*” stage: 75-84
  - The “*Reflection*” stage: 85+
- Apart from the educational programmes and the information provided on the website in various forms, the strategy offers also links to money calculators, fund finder, retirement, mortgage and money planner.

# Australia

- ASIC (Australian Securities & Investments Commission) have already developed the *ASIC's Money Smart*, and set out a National Financial Literacy Strategy, with an action plan for the period 2014-2017.
  - *ASIC's Money Smart* – the website provides financial guidance for those who engage with financial activities (such as money management, investing, borrowing and credit, superannuation and retirement). In addition to this, it offers specific teaching resources based on the final target of educators and on the topic.
  - National Financial Literacy Strategy – the Action Plan for 2014-2017 aims at increasing the number of individuals (and teachers in particular) served by Money Smart, develop new resources for educators improving their confidence and engagement through the Australian Curriculum, increase the number of vocational education training (VET) students participating in financial literacy education.

# Concluding Remarks

- Taking into account our final target (people 65+ and women 55+), a pragmatic approach might be more effective than one based only on financial notions.
- Need for evaluation:
  - Final
  - Intermediate
- Tracking of participants after the end of the “treatment”.
- Cost-benefit analysis.
- Specificity of the program with regard for the country considered.