Financial Education Plan 2008-2012

BANCO DE ESPAÑA
Eurosistema

CNMV
Comisión Nacional del Mercado de Valores

Comisión Nacional del Mercado de Valores

Banco de España - Eurosistema

Financial Education Plan 2008-2012

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Foreword

The publication of this Financial Education Plan and the subscription of the Collaboration Agreement for its implementation mean that the CNMV and Banco de España assume, in the framework of the Government's global strategy in the financial education sphere, the guidelines and principles of the European Commission and Organisation for Economic Co-operation and Development (OECD) to improve citizens' financial literacy by empowering them with the tools, skills and knowledge to adopt informed and appropriate financial decisions.

Improving the financial literacy of the population will also help build confidence in the financial system, promoting its greater stability and thereby economic growth.

Both financial supervisors have publicly committed themselves to this initiative as mapped out in the present Plan, whose design, development and execution have been entrusted to a Working Group made up of officers from our respective institutions.

The Collaboration Agreement signed here today will ensure the coordination and the institutional and financial support required for a project on this scale.

Julio Segura Sánchez
CNMV Chairman

Miguel Fernández Ordóñez
Governor of the Banco de España

Introduction

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

It accordingly helps citizens to reach financial decisions that are appropriate to their personal and family circumstances, needs and expectations, contributing to the improved management of risk and a more stable financial system.

To this end, the Comisión Nacional del Mercado de Valores (CNMV) and the Banco de España (BE) have drawn up a Financial Education Plan for present and future financial service users, which has three defining characteristics:

– *Inclusiveness.* The Plan aspires to reach all segments of the population and to progressively cover all financial products and services.

– *Cooperation.* In its scope and characteristics, the Plan comes under the Government's financial education policy. This calls for close collaboration between financial supervisors, the competent public authorities and all social and institutional agents that can usefully advance its cause.

– *Continuity.* Although the Plan is initially projected over a four-year period, the nature and ambition of its goals will require a longer implementation horizon.

This initiative is along similar lines to one conducted by the UK's Financial Services Authority (FSA), and is informed by the principles and guidelines of the OECD and European Commission.

Part I. Plan Rationale and Timeliness

Financial education is a way for individuals to improve their understanding of financial products and concepts, to spot fraud, to make the right choices for their particular circumstances, and to avoid the twin traps of getting too deep in debt or taking on more risk than they can reasonably handle.

But numerous international surveys indicate that, as a rule, today's consumers have a poor level of financial literacy.

1. The growing importance of financial education

1.1 Benefits for citizens and the financial system

A financial education is a help to citizens at every life stage, regardless of their income bracket. In the case of children, it teaches them the value of money and saving; for young people, it prepares them to be independent in their future lives and, for adults it allows them to plan decisions like buying a home, raising a family, paying for their children's studies or planning for retirement.

It also helps families and individuals to align their investment decisions and choice of financial products with their risk profile, needs and expectations, promoting economic confidence and stability.

It motivates providers to come up with new, better quality products, spurring competition between markets and financial innovation.

And, finally, it encourages saving, providing more liquidity to capital markets with a positive pay-off in growth, employment and social well-being.

1.2 The financial behaviour of Spanish households

Families should base their financial behaviour on a realistic assessment of the necessities they have to cover, their feelings about risk (degree of aversion) and the opportunities yielded by the financial markets of the day. In this respect, financial literacy acts as a bridge connecting needs and decisions.

Below we look at some of the behavioural patterns and preferences of Spanish families, drawing on the Survey of Household Finances (EFF in its Spanish initials) conducted by the Banco de España[1]:

Distribution of assets

Housing is the single biggest asset that Spanish families invest in. In the 2005 round of the EFF, it accounted for 66.1% of the value of households' real assets and 58.9% of the total value of all their assets.

As to financial assets, banks accounts made up almost 42% of the total in 2005. Next come equity and mutual fund investments with 33%, and pension schemes and unit-linked or mixed life insurance products with 20%. Mutual funds and pension funds have increased their weight compared to 2002, while equity investment has lost ground.

The general picture is one of scantly diversified portfolios, with only a small number of assets. Indeed if we exclude the most common, deposits and the first homes, the average stands at just two products per household.

The make-up of financial asset portfolios is much the same for all income levels excepting the wealthiest households, which hold more of their assets in shares and mutual funds.

By employment status, a majority of salaried workers fit within the general pattern, while self-employed workers hold less of their wealth in their main residence and bank deposits, and more in mutual and pension funds.

The retired population comes close to the average, or slightly below in the case of mutual fund investment.

In terms of age group, households whose head is between 45 and 64 are those exhibiting most diversity. Among this group, the weight of shares, pension plans, life insurance and mutual funds stands considerably above the average.

Household debt

Households' debt amounts to 9.3% of the value of their assets, with outstanding repayments on a first home loan making up 56.8% of total borrowings.

If we look at the ratio of debt to gross disposable income, we find the worst off are lower-income groups and those with the lowest educational level. It bears mention

1 The 2002 and 2005 editions of the Survey of Household Finances can be consulted on the Banco de España website (www.bde.es).

that this ratio rose sharply across all age groups between 2002 and 2005, with the sole exception of the over 74s.

Attitudes towards financial risk

Spanish families lean significantly to the conservative side across all age groups and education and income levels. In the 2002 survey, three quarters of households expressed a total aversion to risk.

1.3. Factors driving the need for financial education

Against this backdrop, we can cite three added factors that make financial education a pressing need:

The complexity of financial products and capital markets

Globalisation and financial innovation, technological advances, new electronic distribution channels and market integration have multiplied the numbers of financial products and services.

Consumers are faced with an, at times, bewildering choice of instruments (insurance products, hedge funds, structured products, reverse mortgages) with varying structures of fees, costs, yields, maturities, etc. that may give rise to inflated expectations about a given product and unrealistic views of its risks and future returns.

Demographic change and the pensions system

The demographic changes of the last few decades, a product of increased life expectancy and declining birth rates, have triggered a process of population ageing that poses major social and economic challenges.

The changing shape of the population pyramid has important repercussions for social protection systems and pensions in particular, and will tend to push down retirement income in comparison to salaries.

In these circumstances, it is vital for people to be better informed about supplementary or alternative retirement planning instruments.

The opportunity of a new regulatory framework

The new European regulatory framework ushered in by the Financial Services Action Plan – launched by the Commission in the late 1990s to steer progress towards a single financial services market – takes a two-way approach. On the one hand, it liberalises the activity of financial intermediaries as a spur to more efficient, competitive markets and, on the other, it strengthens prudential requirements and imposes stricter rules of conduct in order to enhance investors' confidence.

Specifically, the Directive on Markets in Financial Instruments (MiFID) transposed in Spain by Law 47/2007 of 19 December puts new demands on both intermediaries and investors, who are urged to go more hands-on with their investments and assimilate the inherent risks. This calls for both more and better training and more rigorous quality in the information they are supplied with.

Customers must furnish information about their knowledge and experience of the markets and, in some cases, their financial situation and objectives. This will help the intermediary select the products and services that best fit their current needs. At the same time, investors should make sure they receive enough information to understand the nature and risks of the product on offer.

2. International developments

The importance of a sound financial education has been internationally acknowledged. And both the OECD and European Commissions have issued recommendations to Member States to engage their cooperation[2].

2.1 OECD recommendations

The OECD Council approved a resolution in June 2005 calling on member countries to promote the financial education of their citizens, and setting out principles and good practices to aid them in the task, attached to this report as Annex 1.

In its recommendations, the OECD stresses the need to promote financial education programmes aimed at all citizens, starting from school, and adapted to the circumstances and expectations of each social group. Programme contents should cover such basic aspects as financial planning, saving, debt, insurance and pensions.

2.2 European recommendations

The European authorities have also launched a series of initiatives to get Member States working on their own policies and plans to improve their citizens' financial skills and awareness.

The latest of these is the Commission's Communication on Financial Education [3] of December 2007, which signals the urgency of improving Europeans' skills and understanding in the financial terrain. The Commission sees financial education not just as a way to combat information asymmetries between financial service providers and consumers, but also as a complement to adequate consumer protection and the responsible behaviour of financial service providers.

2 As have IOSCO and the IMF.

3 Commission Communication of 18 December 2007 on "Financial Education". The text is available on **www.wc.europa.eu.**

Its section on "Basic Principles for the Provision of High-Quality Financial Education Schemes" accompanies this report as Annex 2. Like the OECD document, it affirms that financial instruction should be available at all life stages, starting from school. It also stresses the importance of having an objective, unbiased training policy and adapting programmes to the specific learning needs of the target population segment.

2.3 Studies and policies in other countries

The OECD study "Improving Financial Literacy. Analysis of Issues and Policies" (2005) examines the financial understanding of citizens in 15 countries and the impact of the training programmes carried out[4].

All national surveys came up with similar results, despite differences in scope, target audience and methodology. The main conclusions are summarised below:

Level of financial literacy

A majority of citizens in survey countries were found to have serious difficulties managing their money and assessing the real risks they were taking on. The absence of appropriate forward planning was a particularly widespread deficiency.

Significantly, most interviewees considered themselves better at financial matters than they really were, and overvalued their knowledge of concepts like inflation, compound interest or risk diversification. A majority also concurred that financial information was hard to come by and to understand.

In general, the studies analysed show a high correlation between financial literacy and the socioeconomic status of the interviewee. Hence those with the lowest levels of income and savings and the lowest educational level were also those evidencing the biggest shortcomings. By age group, young people between 18 and 24 are the most indifferent and distrustful regarding financial matters, as well as the least active in their regard. Conversely, higher-income individuals, new couples and older age groups are the most sophisticated investors/financial consumers; more effective at getting the information they need to take a decision and assimilating better the advice they are given.

Results of education programmes

Behavioural changes only come to light in the medium and long term, and it would be premature to attempt an impact assessment of financial education programmes. What we can say, though, is that consumers taking part show a number of positive adjustments.

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4 Document based on the results of studies or surveys on financial skills training conducted in 15 OECD countries. Available from **www.oecd.org**

2.4 European initiatives in financial education

The European Commission commissioned a study on financial education schemes underway in Member States in order to analyse the approaches used and their relative effectiveness. The results were made public at the end of 2007[5].

Starting from certain minimum criteria, the Commission selected and studied a number of projects in several EU countries, with interesting conclusions:

- Most initiatives were aimed at children and young people, and delivered through schools and universities as the best guarantee of effectiveness. Countries with schemes targeted on these groups are now working to adapt the materials for adult education.

- A good number specifically targeted low-income or less educated segments of the population in view of their greater vulnerability.

- Internet was a widely used medium, though frequently in combination with printed texts.

- 65% of the schemes analysed made use of intermediaries or delivered the training through other organisations.

- Most schemes deal with diverse topics to do with the standard household economy and financial services, and seek to persuade trainees of the virtues of financial planning. Only a few confine themselves to just one aspect, in most cases general interest topics like bank accounts or pensions

The most ambitious plan to date is that conducted by the UK's Financial Services Agency (FSA), with official competencies for financial education planning. The scheme drew on preliminary research into consumer needs and deficiencies and, from the start, enjoyed the involvement of a wide range of public and private bodies. Component actions were tailored to the characteristics of each target group (schools, unemployed workers, retirees, etc.).

The European Commission, finally, has launched a Europe-wide initiative called DOLCETA (Development of On Line Consumer Education Tools for Adults) under the Directorate-General of Health and Consumer Affairs. It offers web-based tutorials (www.dolceta.eu) with two modules, "Basic Consumer Rights" and "Financial Services", and is aimed at citizens, authorities, consumer associations and instructors.

5 The document *"Survey of Financial Literacy Schemes in the EU27"* can be consulted on **www.ec.europa.eu**

Parte II. Plan Development Lines

As part of a broader financial education policy, the CNMV and BE will seek to improve the overall standard of financial literacy in Spain by launching a Financial Education Plan (hereafter "the Plan") directed at present and future investors, consumers and users of financial services.

The two organisations have accordingly entered into a Collaboration Agreement which ensures the institutional support and financial resources required for its development.

In the following sections, we present the objectives, scope and main development lines envisaged for the current Plan, along with a timetable of execution:

1. Objectives

The Plan's basic objective is to improve the public's financial literacy so citizens can confidently negotiate today's financial marketplace.

Improving financial knowledge is a complex task whose success can only be appreciated in the medium and long term. This is particularly true of its inclusion in the teaching system, within education policy – a structural change of far-reaching importance that will most visibly benefit the generations of the future. The BE and CNMV are aware that this arm of the Plan may require lengthier preparation, and offer their full collaboration to the education authorities in getting it off the ground as soon as reasonably possible.

The Plan also contemplates a series of mechanisms with the adult population in mind. These include the preparation of specific teaching methods and resources, and the creation of a dedicated website providing an efficient infrastructure for compiling and distributing information.

However the first step must be to convince citizens of the need to improve their financial knowledge. This also means combating the received wisdom that finances are a complex matter best left to the professionals. Instead, each individual must take charge of their own personal economy, and this is a task they must be adequately prepared for.

The goal of convincing consumers to equip themselves with basic financial knowledge will be addressed by an institutional campaign and by the involvement on the ground of various awareness-raising agents.

2. Scope

The Plan is, above all else, inclusive, in the sense that it addresses all population groups and will encompass the full range of financial products and services.

Financial decisions extend into every area of our daily activity, whether it be work, consumption or leisure. Whatever age group, educational level or income bracket an individual belongs to, he or she will be called on to manage the economic resources at his/her disposal. The Plan accordingly places no limits on its target audience: all citizens should by some means or other have access to a financial training programme.

However, the best way to optimise resources is to address homogeneous groups, whether by their learning needs and/or the channels they can be reached through, and to set a series of priorities that allow us to proceed efficiently to our objectives.

The aim with all groups is to steer clear of the academic approach and instead give practical explanations, based on the day-to-day financial experiences of individuals and families, that deal with the doubts most frequently encountered while offering advice and recommendations. In particular, it is important to insist that financial choices are part and parcel of all our lives: that in certain situations (a first job, buying a house, saving for retirement, etc.) we need to know how best to manage our personal budget, and what our rights are as consumers and how to defend them.

The table below sets out the scope of the Plan, the proposed segmentation of its target audience, their specific learning needs, the communication vehicles seen as most effective and the cooperating agents in each case.

Table 1 **Synthesis of Plan Contents**

	Segment	Needs	Action	Cooperating agents
Education system	Secondary education Vocational training	– Basic: Saving/Investment/ Debt	– Preparation of materials – Teacher training – Standby support – Inclusion in curriculum	– National and regional education authorities – Teachers' associations
	University	– The financial system		
Adult population	Employees / Self-employed	– Insurance – Loans – Retirement saving – Investment products	– Workshops in work centres – Internet – Trainer training	– Business associations – Professional associations – Trade unions – Large companies
	Parents with young children	– Insurance – Loans – Retirement saving – Investment products	– Specialist publications	– Publishers
	Retirees	– Saving/Investment products – Prevention of fraud	– Workshops in elderly centres – Instructor training	– Autonomous Communities
	Others (immigrants, disabled, homemakers, other young people...)	– According to population group	– Workshops – Internet – Publications	– Disabled, consumer and immigrant organisations ...

2.1. Population segmentation and delivery channels

The population has been broken down into discrete groups with homogeneous learning needs who may in some cases share delivery channels.

- *Students.* The education system provides access to the population group comprising young people in secondary schools or vocational training or completing university degree courses. In the education sphere, efforts will centre on:
  - Collaboration with the education authorities to include financial education in the teaching system.
  - Teacher training and standby support.
  - Preparation of learning materials.

- *Adult population.* Dividing in turn into various segments defined by age, investment attitude, vulnerability and specific needs.
  The conclusions and commonalities identified in Part 1 of this report plus the experience of other supervisors endorse the following baseline segmentation:
  - Parents with young children.
  - Employees/professionals/entrepreneurs.
  - Retirees.
  - Other collectives with special needs: immigrants, disabled persons, homemakers, young people outside the education system, the unemployed.

The above classification will allow materials to be created for all groups sharing similar needs, with the advantages this brings in terms of efficiency. However, some materials may also need adapting to the delivery channel of choice.

The Plan contemplates two kinds of delivery channel: general and specific

– *General channels*, like the mass media, are accessible to all citizens regardless of existing knowledge or social condition, and should be suitable for relaying general and awareness-raising messages (e.g., the importance of organising your personal budget and saving for the future, particularly retirement needs; the existence and availability of financial information sources, etc.).

– *Specific channels*, allow a more precise, in-depth approximation to the learning needs of each target group.

Table 2 **Delivery Channels for Predefined Groups**

Group	Delivery channel	
	Specific	General
Secondary, vocational training and university students	Education system	– General press – Magazines – Radio, TV – Internet
Parents with young children	Specialist publications/Schools	
Employees/professionals/ entrepreneurs	Workplaces, professional associations, business associations.	
Retirees	Centres for the elderly.	
Other collectives	Specific associations depending on group, and related centres	

2.2. Participants

For reasons of content, the present Plan has been drawn up by the CNMV and the BE. However, it will rely on the support of all competent public authorities, especially in the education sphere, and the active involvement of public and private institutions and social agents prepared to share in its goals.

This is the best way to ensure it reaches the greatest number and variety of social groups.

3. Phases

Planning extends over a four-year period, taking in four separate phases of activity: project design and start-up; development; consolidation; and, finally, evaluation and review, with the timetable as follows:

Table 3 **Plan Phases**

PHASE 1	PHASE 2	PHASE 3	PHASE 4
2008	2008-2009	2009-2010	2011-2012
Design and start-up	Development	Consolidation and extension	Evaluation and review

3.1. Phase 1: Design and start-up

The Collaboration Agreement between the BE and CNMV and publication of the present document mark the start of the Financial Education Plan within an integrated policy of financial education.

The Plan is the work of a permanent Working Group made up of BE and CNMV officers, which will also take charge of its execution, monitoring and evaluation.

– *Collaboration Agreement*. Defines the framework, regime and conditions of the institutional collaboration between the BE and CNMV further to the implementation of the Plan.

  This Agreement was signed by the BE Governor and the Chairman of the CNMV following its approval by the Commission and Executive Committees of the two subscribing organisations.

  The Agreement is entered into for an indefinite term. Economic resources are assigned for a four-year period in respect of Plan milestones which, for reasons of operational efficiency, are better carried out by third parties, and to fund such communication actions as are deemed necessary to ensure the scheme is adequately publicised.

– *Plan Publication*. This document presents the objectives, development lines and specific activities defined by the Working Group after scrutiny of the available studies and statistics. The CNMV has undertaken to circulate it in the opening months of 2008 as part of its Activities Plan 2007-2008.

3.2. Phase 2: Development

a. *Collaboration with the competent education authorities.* The document floats the idea of a joint Working Group, with representatives of the education authorities and members of the BE and CNMV, to define objectives, contents and collaborative mechanisms for bringing financial education within the teaching system.

b. *Financial Education Portal*. The key objective in this phase, to run through 2008, is the design of a website to serve as a reference portal for financial education matters. Since the goal is to reach and teach people from all kinds of backgrounds, whatever their prior knowledge of finance, the approach will be eminently practical and interactive. This will entail the use of graphics, simulators, calculators and similar features to facilitate browsing and content assimilation.

   Although users can access the portal from the BE or CNMV websites, it will occupy an independent page with its own domain name. Further to the undertaking by government authorities to guarantee accessibility for all system users, the portal will be assured compliant with all the relevant technical specifications.

   Initially, the main body of text will comprise contents prepared with the help of financial and pedagogical experts, as detailed in the following table.

Table 4 **Contents of Financial Education Portal**

Making it to the end of the month	Notions of how to organise a personal budget (income, expense, debts) with examples and case studies. To include interactive tools like calculators for drawing up a basic budget, loan simulators, mortgage calculators, etc.
Planning for the future and the economic needs of different life stages	The idea is to explain the differing economic and financial needs a person may have throughout his or her lifetime, depending on their family situation and future prospects. Special attention goes to the principles and values associated to saving, planning ahead and spending wisely, the importance of good financial planning and the products and services best suited for different ages and circumstances. The main message is that it is never too soon to start preparing for the future. Each chapter in this section is devoted to a major life stage: Learning to save (children and young people), Starting work, Leaving home, Forming a family and Preparing for retirement.
Financial products and services	This section starts with a practical description of the most important and popular financial products and services. It also looks at different forms of contracting, related fees and expenses, taxation, transaction features and the pitfalls to watch for in each case. It will provisionally comprise the following chapters: Bank accounts and deposits, Payment cards, Frequent banking transactions, Loans and credits, Where and how to make a financial transaction, Retirement, Investments and Insurance.
Financial survivor's guide	Provides the user with basic tips on where to go for information, how to complain if they feel they have been misled and how to spot and avoid financial fraud.
Remember	A brief summing-up of the most important recommendations and conclusions, i.e. those which define the sensible consumer.
Glossary	A comprehensive list of economic and financial terms defined in a practical, easy-to-understand manner.

The goal is to have the portal operative by end 2008. Later developments still at the planning stage include new tools and contents, the creation of a trainers' area for prospective knowledge disseminators, a games zone (competitions, financial Trivial Pursuit) and the phased translation of contents into co-official languages.

c. *Preparation of educational materials and courses*. Taking in the organisation and start-up of teaching actions. The collaboration of public authorities, institutions and social agents is of paramount importance at this stage.

   Although the utilisation of new technological media is viewed as a success factor for the Plan, this does not signify the abandonment of more traditional channels, given that some sectors of the population still have limited access to new technologies.

Hence attention will go at this stage to ensuring that the main materials and contents are published in print form and distributed via the channels most appropriate for each segment.

Collaboration will be sought throughout from any public or private organisation or institution that can contribute to the achievement of Plan objectives.

d. *Pre-selection of alternatives for monitoring and evaluating the effectiveness of Plan policies.*

3.3. Phase 3: Consolidation and extension

Implementation of educational projects

This stage is basically about consolidating progress through the improvement and update of educational contents and programmes.

Work will also proceed on selecting the right tools to monitor and evaluate the effectiveness of Plan policies. Taking performance measurements at this stage will provide vital input for optimising resources.

The scheme's initial formulation is based on the experience of other supervisors and the guidelines issued by international forums and organisations. However, their progressive adaptation to the Spanish case calls for the use of feedback mechanisms. Accordingly, effectiveness analyses will be run on the contents and channels so far employed to check how well they are addressing the learning needs of each group and whether delivery channels are reaching their target audience.

A general improvement in financial literacy is not something we can easily measure, and it is only sensible to see it as a long-term goal. However, it may also be useful to define partial milestones that provide a quantitative handle on the impact of the measures taken (number and length of page visits in the case of online tools, attendance and performance in face-to-face learning, organisations signing up for the project, etc.).

3.4 Phase 4: Evaluation and review

The last phase will conclude with adaptative measures based on the results of effectiveness analysis.

This analysis will commence in 2009 and its findings will determine the adaptation, reinforcement or replacement of the policies and action lines pursued to date.

It will also provide an update on citizens' profiles and conduct regarding financial products and services, which can serve as planning input for later developments.

Conclusions

We have seen that international economic organisations attach growing importance tothe public's financial literacy. The complexity of new products, the more intense competition brought by globalisation and the transfer of risk onto individuals and families mean citizens must arm themselves with the knowledge to make informed financial decisions, whatever their income or educational level or their social and employment circumstances.

However, the reality shows that in most if not all developed countries, consumers' financial knowledge has failed to keep up with the advance of financial markets. And without downplaying the protective value of regulatory and supervisory instruments, the consensus is that financial education is also an effective way to keep consumers safe.

Financial education helps families and individuals to tailor their investment and other financial choices to their risk profile, needs and expectations. It is therefore an important means to preserve confidence in the financial system and strengthen its stability.

An analysis of available statistics on the financial behaviour of Spaniards and the challenges posed by the current macroeconomic situation endorse the timeliness of implementing a comprehensive financial education policy, with the involvement of the public authorities, particularly education departments and financial supervisors, other public and private institutions and a broad range of social agents. This scheme, initially projected over a four-year period under the Collaboration Agreement between the BE and CNMV, stands as the first expression of such a policy.

Annex 1
Principles and Good Practices for Financial Education and Awareness. OCDE. July 2005

Principles

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.

Good Practices

A. Public action for financial education

8. 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

9. Financial education should start at school. People should be educated about financial matters as early as possible in their lives.

10. Consideration should be given to making financial education a part of state welfare assistance programmes.

11. 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.

12. 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.

13. 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

14. 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.

15. 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.

16. 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.

17. 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.

18. 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

19. 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.

20. 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

21. 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.

22. 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.

23. 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.

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

25. 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.

26. 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.

Annex 2
Basic Principles for the Provision of High Quality Financial Education Schemes. Commission Communication of 18 December 2007 on "Financial Education".

Based on its overview of financial education schemes already running in the EU, the Commission considers that it is useful to define some principles that could aid public authorities, financial services providers, consumer organisations, employers and other stakeholders in their efforts to launch and run financial education programmes. These principles take into account the diversity of approaches and methods available to develop a successful financial education strategy.

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 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.