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International Gateway for Financial Education launched on the web

To promote enhanced visibility and co-operation on financial education, the Organisation for Co-operation and Development (OECD) has launched a new website, the International Gateway for Financial Education (IGFE), designed to act as a central international source of information on financial education, literacy and awareness. To assist stakeholders to develop national strategies, policies, programmes or initiatives on financial education, the Gateway provides an extensive and comprehensive range of information, data, research and news on financial education issues and programmes around the globe.

The Gateway aims to raise awareness on financial education issues worldwide and ensure the dissemination of research, best practices and guidelines on financial education. In doing so, the Gateway, promotes the exchange of information, knowledge, experience and expertise on financial education. To date, the Gateway has expanded its content to cover more than forty countries, summarising more than 70 financial education programmes, and offers hundreds of web links, research articles and statistical data.

www.financial-education.org



NEWSLETTER GOALS

Disseminate information on financial education programmes, issues and research worldwide;

Share information, data, findings and news on financial education resulting from the work of the OECD and its members and partners;

Highlight instruments, publications and conferences.

US President's Advisory Council on Financial Literacy

The President's Advisory Council on Financial Literacy (the Council) was created on 22 January 2008 by President George W. Bush. The Council's purpose is to help keep America competitive and assist the American people in understanding and addressing financial matters. Each member of the Council represents an industry involved with the delivery of financial education to American citizens. The President and the Secretary of the US

Treasury have tasked the Council to work with the public and private sector to help increase financial education efforts for youth in school and for adults in the workplace, increase access to financial services, establish measures of national financial literacy, conduct research on financial knowledge and to help strengthen public and private sector financial education programs.

From the US Treasury's website.
www.treasury.gov

The general low level of financial literacy and access continues to be identified as a high priority for OECD governments and non-OECD economies. At the national level, many governments have begun to develop policy responses and initiatives to address these concerns. In some jurisdictions, there has been the introduction of new legislation aimed at enhancing individual access to financial services, and the creation of new government bodies focusing on financial consumers' protection and education. In addition, there has been an increasing interest from central banks, ministries of finances, financial supervisory authorities and other central governmental agencies in all issues related to financial education and literacy. Partnerships and initiatives of national governments with stakeholders such as NGOs, community groups, schools, foundations, and even the private sector are multiplying in order to provide financial education and literacy programs to individuals.

As low international levels of financial literacy continue to impact on the market and the global economy and society, the OECD Insurance and Private Pensions Committee and the Committee on Financial Markets of the Financial Affairs Division of the Directorate for Financial and Enterprise Affairs is committed to the advancement of its Financial Education Project. The growing and urgent need for financial education and awareness stems from two core social and economic evolutions: first, requirements to cover an increased diversity of severe risks by individuals are escalating; second, financial markets tend to be ever more complex and sophisticated. Fuelled by this need, a main objective of the OECD governments when establishing the Financial Education Project 5 years ago, was to promote international cooperation among key financial education stakeholders. The macro-economic implications of these new market realities are potentially significant if individuals are not provided with the tools they need to become financially literate. The OECD's Financial Education Project aims to continue its commitment to international co-operation and the advancement of best practices for the provision of financial education worldwide.

A note from the editor

Dear Readers,

The need to improve financial literacy and awareness is gaining momentum internationally, and the OECD has been preparing for this development – as never before, researchers, public authorities, community groups, industry associations are developing financial education initiatives and want to understand how people become “financially literate”. Specifically, how individuals develop the knowledge, understanding, skills, and competence to deal with everyday financial matters and make the right choice for their needs.

Over the past 5 years, we have worked to focus our efforts on critical financial education issues while allowing room for new initiatives. Credit is one of these new initiatives.

Innovations in the credit market pose new challenges to consumers as they are bombarded with choice while their access to mainstream financial services is not always secured. Worse, they may also not been able to assess adequately the risks associated with the financial products they buy, as recently shown in the case of subprime. This risk must be reduced while not hampering market advances. The joint OECD-US Treasury

International conference on financial education held in Washington, DC this May made advances in recognising and addressing this concern.

We still have much to learn about financial education programmes and initiatives and how to improve them. In addition, we must increase consumer awareness of and accessibility to financial education; as financial literacy is an essential tool, not only for investors, but also for the average family trying to balance its budget, save for retirement and their children's education.

More needs to be learned about the financial education needs of consumers and how to address those needs. Our upcoming project goals include developing a methodology to better understand these needs, as objective analysis is key to being able to confidently identify good practices.

We hope that this newsletter will illuminate some of these issues and facilitate the exchange of experience in the area of financial education and awareness.

For more information, we invite you to visit our website:

www.financial-education.org

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New Zealand's national strategy for financial literacy

Catriona Robertson New Zealand Retirement Commission

December 2006 marked the announcement of the development of a national strategy to lift New Zealanders' financial literacy. Within eighteen months a draft strategy was developed, a consultation process undertaken, and New Zealand's first National Strategy for Financial Literacy launched.

The strategy, led by New Zealand's Retirement Commission with involvement from many key stakeholders, sets a direction for improving financial literacy. Its vision is personal financial wellbeing for New Zealanders. Its focus is on reaching people, through extending the delivery of financial education, and sharing what works in order to achieve the outcome of a financially literate population.

The strategy recommends a number of priorities - specifically it calls for incorporating financial education into the school curriculum, getting rid of jargon in financial contracts, and providing up-to-date information and tools to help consumers make informed decisions about their finances.

Its rapid development shows the significance that the Retirement Commission and the public, private and voluntary sectors have placed on the importance of financial literacy.

Awareness of the need to improve financial literacy is gaining momentum internationally. Financial literacy is more important than ever before, as financial products have become numerous and increasingly complex, the longevity of the population has changed, and consumer debt is on the rise.

New Zealand has been at the forefront of financial literacy. Their first national survey of financial knowledge of its adult population was carried out in 2006. The survey has shown the need for increases in financial literacy in the whole of the population and not exclusively for consumers with low income or low levels of higher education. The survey included booster samples of Maori and Pacific people to ensure statistically significant results for these ethnic groups.

Using the results of the survey as a benchmark, New Zealand is now able to begin assessing the efficacy of its financial education programs, particularly those offered in primary and secondary schools.

Sorted.org.nz is New Zealand's independent online money guide for all New Zealanders run by the Retirement Commission. The website and associated material is currently used by over 20% of the New Zealand population. Provided free of charge, *Sorted.org.nz* is an example from which other countries could glean insights.

The Retirement Commission will continue its regular financial knowledge surveys to keep activities and material up-to-date and relevant. All of this helps improve the financial wellbeing of all New Zealanders.

The National Strategy for Financial Literacy is available on the Retirement Commission's website: www.retirement.org.nz

Financial education training course for families of child workers in Cambodia

In an effort to combat child labour and promote gender equality in Cambodia, the International Labour Organization (ILO) has developed a financial education-training course for families of child workers. The ILO hopes that the training will aid in reducing economic insecurity and household indebtedness, two leading causes of child labour in Cambodia.

The International Labour Organization is the tripartite UN agency that brings together governments, employers and workers of its member states in common action to promote decent work throughout the world.

The course is targeted to women, as women in Cambodia are often responsible for managing the household's finances. By providing women with basic financial literacy skills, the expected result is that women will become empowered to make better financial decisions for their families,

The 3-day course is adapted from the Global Financial Education Program (GFEP) modules: Budgeting, Debt Management and Savings. Further, the course has been adapted to include discussions focused on equality of the sexes, decision-making and the unique role that women play in the financial decision making within the family.

Since its inception, more than 2,000 parents of child workers (75% women) have attended the training.

For more information:
www.ilo.org

The International Gateway for Financial Education

The Gateway aims to raise awareness on financial education issues worldwide by promoting the access to information, knowledge, experience and expertise on financial education. To-date, the Gateway has:

40+ countries covered **70+** programmes summarised

150+ weblinks and resources **150+** articles research and data

www.financial-education.org

The International Network on Financial Education

The OECD has recently formalized the setting up of the International Network on Financial Education (INFE), which met in the margins of the OECD/US Treasury International Conference on Financial Education in May in Washington DC, and will meet again in Indonesia in the days preceding the OECD-Bank Indonesia International Conference on Financial Education in October 2008.

The network consists of approximately 140 members, including senior governmental officials from 50 OECD countries and non-member economies. The purpose of the network is to bring together high-level public officials from OECD member countries and non-member economies to discuss issues, new developments, experiences and programmes related to financial education. This dialogue allows government experts to exchange on good practices and to provide input on OECD guidelines and principles in the area of financial education and awareness before they are publicly available.

For more information: www.financial-education.org.

Jump\$tart Coalition's 2008 survey results

This April in Washington, DC, the Jump\$tart Coalition announced the results of its annual financial literacy survey. The results of the survey were compiled from the responses of 6,856 high school 12th graders in 40 US states. The results of the 31 survey questions showed that high school seniors still are struggling with personal finance concepts.



Participants of the first meeting of the INFE in Washington, DC, May 2008.

The results for 2008 high school students were lower than that of high school seniors assessed by Jump\$tart in 2006. The 2008 high school seniors correctly answered less than half of the questions (48.3%), while the senior class of 2006 correctly answered 52.4%—still a marginal result.

2008 marked the first-ever college students' financial literacy survey. Jump\$tart administered the college survey to 1,030 full time students nationwide.

As expected, the results for college students were higher than those of high school students with 62% of the questions correctly answered.

First year college students scored on average 59%, while fourth year students correctly answered 65%.

For more information:

www.jumpstart.org

What is the Global Financial Education Program?

The Global Financial Education Program (GFEP) promotes financial education for those just above and below the poverty line in developing countries. Its core curriculum teaches basic skills in financial literacy such as budgeting, savings, debt management and using bank services. A new set of specialized modules cover insurance, managing remittances, financial needs of youth and consumer protection. The curriculum is highly participatory and flexible, enabling users to select learning sessions according to their needs. GFEP has trained 200 instructors, networks, training firms and government agencies around the world to use these modules. They welcome new partners to expand this network of financial educators that will adapt these materials for additional forms of delivery (e.g. media campaigns, drama, etc.) and convey key messages to a broader and larger audience.

For more information: financialed@mfopps.org; www.globalfinancialed.org

Financial inclusion: Empowering children to be agents of economic change

Jeroo Billimoria, a social entrepreneur who worked with streetchildren in India, founded Aflatoun in 2005. Her work made her realize that the persistence of economic and social inequality generation after generation is caused in part by the lack of basic knowledge about rights, responsibilities, and finance. Aflatoun aims to empower children's economic self-reliance and sense of social responsibility; enabling children to be financially capable and promote a more equitable global society. Aflatoun maintains that children are some of the most important agents of change and should be seen as capable individuals able to contribute to their communities.

Aflatoun's mission

To facilitate the development of socially conscious and economically self-reliant citizens by teaching children about financial education in the context of their rights and responsibilities; and to ensure that child social and financial education is viewed as a right for every child globally.

In India, and in many households, financial education has historically been within the responsibility of the home, with family members teaching children about money. Aflatoun aims to bring social and financial education out of the home and into the school classroom.

Aflatoun serves children ages 6-14 who attend formal and informal primary schools. The Programme is designed to be engaging and child-friendly, using methods that put children in the spotlight of the learning process. Child participants are then encouraged to apply their knowledge and skills through a school-wide savings club and entrepreneurial activities which encourage them to save their money and plan for the future.

After piloting in India and 10 other countries, Aflatoun launched its Campaign for Child Social & Financial Education in March 2008. The CSFE Campaign will bring the Aflatoun Programme to 1 million children in 75 countries by 2010. Aflatoun is already reaching 250,000 children in 20 countries with savings, child rights and entrepreneurship elements.

For more information:
www.aflatoun.org

OECD advocates financial education at international conference

The OECD and US Treasury International conference on financial education was held in Washington, DC on 7-8 May 2008.

About 200 participants, including senior governmental officials and industry experts from international organizations, the private sector and NGOs from around the world attended the conference. Participants discussed the challenges of providing financial education to consumers and explored some promising solutions. Participants came from 25 OECD member countries and 18 non-member economies.

Welcome and introductions were provided by OECD Deputy Secretary-General, Mr Pier Carlo Padoan; Mr. Dan Iannicola, Jr., Deputy Assistant Secretary for Financial Education, USA; and James Flaherty, Minister of Finance, Canada. Secretary of the United States Treasury, Henry M. Paulson, Jr., delivered the concluding speech.

Conference Agenda available at:
www.oecd.org/dataoecd/1/53/40564105.pdf

Conference videocast, provided by the OAS, with the support of the Young Americas Business Trust:

[Day 1](#) [Day 2](#)
www.oas.org

Financial inclusion strategy for India

Access to finance by the poor and vulnerable groups is a prerequisite for poverty reduction and social cohesion, as providing access to finance is a form of empowerment of vulnerable groups. In order to address the issue of financial inclusion, the Government of India constituted a "Committee on Financial Inclusion" under the Chairmanship of Dr. C. Rangarajan, a senior Indian economist and former Governor. In January of this year, this committee published a comprehensive report in financial Inclusion in India.

To view the report:
www.nabard.org/pdf/report_financial/Full%20Report.pdf

OECD Recommendation on Good Practices for Enhanced Risk Awareness and Education on Insurance Issues

OECD, 2008

As a result of the combination of the increased exposure of individuals to a wide range of traditional and emerging risks and the reduction of public, corporate and solidarity funding for social and economic risks, households are increasingly directly responsible for assessing and making decisions relative to their needs for protection and savings. In addition, individuals are called on to manage insurance mechanisms and products to ensure that these needs are appropriately addressed. The OECD has therefore recently adopted a set of good practices for enhanced risk awareness and education on insurance issues that provide international guidance to policymakers and interested public and civil stakeholders.

www.oecd.org/dataoecd/3/44/40537762.pdf

OECD Recommendation on Good Practices for Financial Education Relating to Private Pensions

OECD, 2008

Financial education is particularly important in the private pension field due to the unique and complex nature of these financial products, exceptionally long-term contracts with wide social coverage. In its newly issued recommendation, the OECD sets forth good practices for financial education relating to private pensions for use by governments and relevant public and private institutions.

www.oecd.org/dataoecd/4/21/40537843.pdf

Household Saving Behavior: The Role of Literacy, Information and Financial Education Programs

Annamaria Lusardi, Dartmouth College and NBER, September 2007

Individuals are increasingly in charge of their own financial security after retirement. But how well-equipped are individuals to make saving decisions; do they possess adequate financial literacy, are they informed about the most important components of saving plans, do they even plan for retirement? This paper shows that financial illiteracy is widespread among the U.S. population and particularly acute among specific demographic groups, such as those with low education, women, African-Americans, and Hispanics. Moreover, close to half of older workers do not know which type of pensions they have and the large majority of workers know little about the rules governing Social Security benefits. Notwithstanding the low levels of literacy that many individuals display, very few rely on the help of experts or financial advisors to make saving and investment decisions. Low literacy and lack of information affect the ability to save and to secure a comfortable retirement; ignorance about basic financial concepts can be linked to lack of retirement planning and lack of wealth. Financial education programs can help improve saving and financial decision-making, but much more can be done to improve the effectiveness of these programs. www.nber.org/papers/w13824

For more information on other financial literacy topics by Dr. Lusardi, please visit: <http://annalusakdi.blogspot.com/>

Finance for All? Policies and pitfalls in expanding access

Honohan & Patrick, World Bank, 2008. ISSN: 978-0-8213-7291-3

This volume reviews research evidence on the outreach of financial sectors in developing countries, and on the role of financial access in boosting economic performance. Failure to provide more households and small and medium enterprises with the financial services they need acts as a brake on development. While noting the microfinance industry's progress in delivering credit to poor people, the report calls for a broader financial strategy that delivers services to all excluded people and firms. Inclusive financial systems ultimately benefit the poorest people and the smallest firms the most, by creating more jobs, raising incomes, and generating more opportunities for small businesses. Policy options are discussed.

For more information: www.worldbank.org/financeforall

Financial Exclusion in Europe

Santiago Carbo, Edward P. M. Gardener, Philip Molyneux, 2007, Public Money and Management 27 (1), 21–27.

This article outlines the nature, causes and extent of financial exclusion in Europe and discusses policy/industry responses to tackling it. Policy response has been ad hoc and country specific. Policy-making by the EC has been disappointing; national solutions are preferred to US-style affirmative action. The offer of basic banking accounts typically lies at the heart of many countries' efforts to increase financial inclusion and they are a common feature of European policy.

http://papers.ssrn.com/sol3/papers.cfm?abstract_id=959518

Selected recent international events

Citi-FT Financial Education Summit

6-7 December 2007 New Delhi, India

Building on the success of previous Summits in Hong Kong, Malaysia and South Korea, the Citi-FT Financial Education Summit 2007 in New Delhi was an international gathering of numerous financial education experts and advocates. The 2007 Summit focused on Partnerships for Progress and Inclusion. The Summit provided a discussion on how to boost financial literacy levels, particularly in under-privileged areas, by tailoring financial education programmes to meet the needs of specific communities, identifying best practices in content development and delivery, and encouraging effective multi-sector partnerships among governments, educational establishments, the private sector and non-profit organisations.

For more information: www.financialeducationsummit.org

OECD/US Treasury International Conference on Financial Education

7-8 May 2008 Washington DC, USA

The high-level international conference was co-organised by the OECD, as part of its on-going project on financial education, and the Department of the US Treasury. The main objective of this conference was to continue international dialogue on financial education; share experiences and research, and discuss recent advances, including the OECD's international principles and good practices. The conference covered national strategies on financial education; effective and innovative tools; issues related to credit opportunities and challenges; retirement savings and risk awareness on large-scale catastrophes; as well as challenges related to youth and underserved groups in respect of financial access and literacy.

For more information: www.financial-education.org

Financial Inclusion: Improving Access to Basic Financial Services

28 May 2008 Brussels, Belgium

The conference presented and discussed the results of a study commissioned by the European Commission on *Financial services provision and prevention of financial exclusion*. Réseau Financement Alternatif, the University of Bristol (Personal Finance Research Centre), the University of Milan and the Warsaw School of Economics carried out the study. The study aims to identify and analyze the most effective policy measures in the area of financial services provision and prevention of financial exclusion of people facing poverty or social exclusion.

For more information:
http://ec.europa.eu/employment_social/spsi/events_en.htm

Importance of financial education, consumer protection and competition

11 July 2008 Querétaro, Querétaro

The OECD, jointly with Mexico's Ministry of Finance and the Mexican Senate, hosted a conference on financial education, consumer protection and competition in the city of Querétaro. This high-level conference, attended by Mexico's top policy makers, politicians and executives from financial institutions, explored the need to build a deeper Financial System because of its positive effects on economic growth and population's wellbeing – a top priority expressed by President Calderon. In addressing this important issue, the conference focused on three primary issues: enhancing financial education, strengthening consumer protection and promoting competition. In this sense, the main objective of the conference was to establish a high-level dialogue centered on the OECD's best practices in these three areas.

www.financial-education.org

Deepening Financial Capacity in the Pacific

25-26 August 2008 Sydney, Australia

Co-sponsored by the Asian Development Bank, International Finance Corporation, International Monetary Fund, Reserve Bank of Australia, United Nations Development Program and the World Bank, the conference aimed to help boost financial literacy in the Pacific Islands. Finance ministers and central bank governors from the Pacific Islands gathered to examine 'best practice' case studies from the public and private sectors in the region and provided an opportunity for Pacific government officials and development partners to share information and explore opportunities to work together. Representatives from Pacific Governments and development organisations discussed ways to expand the reach of financial services and remittance flows through the use of modern banking technology.

www.undp.org.fj

OECD – Bank Indonesia International Conference on Financial Education

Bali 21-22 October 2008

As part of its on-going project on financial education, the OECD is organising an international conference on financial education that will be co-hosted by Bank Indonesia and held on 21-22 October in Bali.

Rapid changes in emerging economies have taken place in the past few years, often resulting in a wider array of financial services (often credit products) now being offered to a large number of inexperienced consumers. The macro-economic implications of these new market realities are potentially significant if individuals are not provided with the tools they need to become financially literate. The urgent need for financial education has been emphasised by these developments. Similarly, the Indonesian authorities have started paying close attention to issues related to financial literacy and education – having declared 2008 “the year of financial education”.

It is against this backdrop that the OECD – Bank Indonesia international conference will convene a wide international audience of governmental officials and experts from public, regulatory, and supervisory authorities, as well as senior decision makers, industry experts and academics from OECD and non-OECD economies.

The main objective of the conference is to seek to advance and elevate the dialogue on financial education in the international arena, with special focus on South East Asian economies. Further, the conference aims to share country-specific experiences in implementing financial education strategies, review applied research and discuss best practices.

www.financial-education.org

The International Forum of Financial Consumer Protection and Education to meet in Bali

October 2008

The International Forum of Financial Consumer Protection and Education will hold its fifth meeting in Bali in the margins of the OECD – Bank Indonesia International Conference on Financial Education.

The objective of the forum is to bring together financial market conduct regulators from various countries to share best practices and common areas of concern in the field of financial consumer protection. With the global dimension of financial services and the increasing interdependence of financial markets, all financial market conduct regulators around the world now face similar issues and challenges. It is essential for regulators to have a common platform to compare notes on consumer protection.

*From: William G. Knight,
Chairman of the steering group
of the IFFCPE*

Empowering the financial literacy of women in Asia

In Asia, women often have the responsibility for household finances even though they may have limited opportunities to learn about personal finance. In addition, economic growth in Asia has resulted in both increases in person wealth and increased responsibility of households to provide for their own health care and retirement expenses.

As a component of Prudential plc's international corporate responsibility outreach, Prudential offers 'Investing in Your Future' seminars to women in China, Vietnam and India.

The seminars teach the basics of financial planning and financial decision-making at different life stages – youth, married life, family planning, child's education and retirement. The seminars are taught by Prudential's female executives.

The 'Investing in Your Future' seminars were launched in Beijing in 2004, and subsequently extended Guangdong province in China, and then a year later to Vietnam and India. The seminars are offered to young women workers in small and medium-sized enterprises, state-owned enterprises and other companies. In India, the seminars are offered to young women who work in hotels and call centres. Since the launch of 'Investing in Your Future', over 17,000 women have attended the seminars.

For more information:
[Acting Responsibly](#) by Prudential plc

Prudential plc is an international retail financial services group that aims to promote the financial well-being of customers and their families, with a focus on saving for retirement and security in retirement. Prudential has built a number of key strategic partnerships in the UK, the US and Asia to help equip people with the skills to manage their money.