

IMPORTANCE OF FINANCIAL EDUCATION

TABLE OF CONTENTS

Foreword **Share our Passion!** 4

Executive summary 7

Importance of financial education 10

People lack financial competencies 11

Education on top of regulation 14

European Money Week 18

A case study How financial education can be implemented 21

History of financial education in the Netherlands 22

National strategy on financial education 24

Best practices 26

– National Money Week 26

– Pension3day 27

Challenges 28

– Responsibility 28

– Influencing behaviour 29

Conclusions and recommendations 31

Conclusions 32

Recommendations 34

References 36

FOREWORD SHARE OUR PASSION!



It is easy to be passionate about financial education. When you look at the potential it is clear that there are tangible benefits for many. Financial education is about helping people make well-informed choices, about encouraging financial responsible behaviour. There is plenty of evidence that proves that people who are financially literate are more likely to succeed in life.

As a former teacher, and also as a parent, it did not take much to convince me. I am proud to be able to say that, while leading the Dutch bank association NVB, I contributed to the success of the 'Bank voor de Klas' ('Bank in the classroom') project, which so far has signed up more than 4,500 guest lessons by bankers. Some 150,000 pupils this year are expected to take part in these lessons. The Dutch experience also includes the 'Wijzer in Geldzaken' platform, known in English as the Money Wise platform. Money Wise brings together partners from the financial sector, academics, government, educators and consumer organisations. The Dutch money week, aligned with European Money Week and Global Money Week, is a key Money Wise project. Collaborative partnerships such as these are promising. Banks have a role in developing the tools and engaging in the dialogue, but ultimately it is up to the teachers and the parents to deliver. That is why we need to work together.

Now that I serve as head of the European Banking Federation, which brings together 32 national banking associations, including the NVB, I am keen to help unlock the untapped potential in financial education at the European level. This process made a flying start earlier this month with the first-ever European Money Week.

European Money Week is about collectively bringing together the different national good practices. What can we learn from each other? How can we inspire teachers? And parents? Students? The collective creativity and energy in European Money Week is amazing. Everyone brings their own solutions but they are all innovative and inventive.

We would like to build on this enthusiasm. The positive energy and passion for financial education that we see reflected in European Money Week has strengthened our commitment to establishing this special week as a regular, annual fixture on the European calendar. I invite you to share our passion.

Wim Mijs
Chief Executive, European Banking Federation
Brussels

EXECUTIVE SUMMARY



A sustainable financial system rests on two pillars: well-functioning financial institutions and financially competent consumers. Whilst acknowledging the importance of consumer protection, access to financial products and services and regulation of financial institutions, this paper focuses on the demand side, and more specifically on financial education of consumers. The purpose of this paper is to suggest best practices and lessons learned that have emerged from the Dutch financial education program. The underlying goal is to contribute to knowledge sharing between EU members in this important area and to intensify financial education efforts.

The Netherlands has implemented a successful national strategy on financial education based on collaboration between government, financial service providers and NGOs. The multi stakeholder approach, with projects such as a National Money Week and a Pension3day, has proven to be a cost effective method of raising financial awareness and increasing financial competencies. With this approach, government and financial sector have assumed joint responsibility for increasing financial competencies of consumers.

To help raise awareness on the importance of financial education, the European Banking Federation, together with its members in more than 20 European countries, organised the first-ever European Money Week from Monday 9 March to Friday 13 March 2015. The week is dedicated to financial education across Europe and will see a wide range of events – local and national as well as

European – designed to boost public awareness on financial literacy and financial education for young people.

The EBF has committed itself to establishing European Money Week as a regular, annual fixture on the European calendar and expects that the week will grow and evolve during the coming years.

The Netherlands and the European Banking Federation invite other Member States to collaborate and exchange good practises, thereby bringing financial education to a higher level. The Netherlands and the European Banking Federation look forward to discussing in which way financial education can contribute to a single European Market and how the European Union can play a role in advancing financial literacy.

IMPORTANCE OF FINANCIAL EDUCATION



PEOPLE LACK FINANCIAL COMPETENCIES

Low levels of financial competency have far-reaching consequences, both at a micro and a macro level. People who are financially competent have control over their finances and make responsible choices when faced with questions such as: what sort of holiday can I pay for, which mortgage should I get, how much money can I and do I spend per month, shall I save or borrow, which risks do I insure and what do I need to do to ensure my retirement?

FINANCIAL COMPETENCY IS A BASIC CONDITION FOR INDIVIDUAL WELFARE AND A HEALTHY ECONOMY

Many people do not have sufficient skills in these areas. They do not have control over their expenditures, are unaware of financial risks and are hardly able to oversee the financial consequences of events such as unemployment, divorce, illness or accidents. Money is becoming more invisible, as coins and notes are rapidly being replaced by 'plastic' and 'digital' money. At the same time, continuous reforms lead to large amounts of changing regulation that impact the household wallet, now or in the future. In addition, money is increasingly integrated into our daily lives and financial markets have become more sophisticated, which makes it more difficult for people to manage their household finances. In addition, Problematic debts are a realistic threat. It is primarily the responsibility of consumers themselves to manage their finances.

However, since financial competency is an important condition for a healthy society, there is also the collective responsibility of the government, the financial sector, regulators and not-for-profit institutions to educate the general public. A better understanding of financial products and services contributes to closing the knowledge gap between consumers and service providers, which results in increased mutual understanding.

CONSUMER PROTECTION AND FINANCIAL EDUCATION ARE TWO SIDES OF THE SAME COIN: STRENGTHENING THE CONSUMER'S POSITION

THE (LACK OF) FINANCIAL SKILLS OF THE DUTCH POPULATION IN RECENT YEARS

DEBTS 961,000 HOUSEHOLDS have a (risk of) problematic debt. ¹⁾

CHILDREN AND MONEY 33% OF YOUNG PEOPLE display risky financial behaviour. ²⁾

SCHOOL CURRICULUM Dealing with money is not taught in schools. ³⁾

**FINANCIAL COMPETENCIES MORE THAN 30% OF DUTCH
PEOPLE** indicate that they have insufficient knowledge of financial products. ⁴⁾

FINANCIAL RESILIENCE 41% (5,1 MILLION HOUSEHOLDS) is unprepared for a significant decrease in income or sudden expenditures. ⁵⁾

FINANCIAL UNCONSCIOUSNESS ONE IN THREE PEOPLE feel overwhelmed by financial information.

PENSION 69% OF DUTCH EMPLOYEES is fully pension unaware, which indicates that they know nothing about their pension scheme. ⁶⁾

EDUCATION ON TOP OF REGULATION

In recent years, a lot of effort has been put into improving regulation of financial markets. It is equally important to invest in financial education, so that the current generation of young people grow up to be consumers who are capable of making responsible (financial) choices that pave the way to a healthy financial future for themselves and society as a whole. Financial education does not replace regulation. Regulating the behaviour of financial institutions in order to protect consumers and educating consumers to increase their financial competencies are two sides of the same coin, that mutually strengthen each other. The Netherlands has adopted a multi stakeholder approach to financial education, in which government, regulators, financial sector and not-for-profit institutions work together on achieving one goal: to promote responsible financial behavior of consumers. This approach has proven to be a cost effective way of influencing consumers' behaviour in a positive way. As a result of the increased collaboration between public and private organisations, the financial education efforts have increased dramatically and consumers have become more financially savvy.

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FINANCIAL EDUCATION AND THE EUROPEAN AGENDA

Financial education was already on the European Commission's agenda before the crisis. In December 2007, the Commission published the Communication 'Financial Education', in which the role of financial education in the Internal Market and the importance for consumers, society and economy were set out. In addition, the Commission published eight principles for financial education programs and four concrete initiatives. In August 2008, the Commission set up the Expert Group on Financial Education (EGFE) for a three year period. The Commission decided not to extend the mandate of the EGFE but to follow the work of OECD's International Network for Financial Education (INFE) that was set up in 2003 to stimulate the exchange of best practises and lessons learned. In its Green paper on the Capital Markets Union of the 18th of February 2015 the European Commission stated that strengthening financial literacy would enable consumers to choose financial products more effectively and easily, and compare products.

G20 and Financial Stability Board are actively promoting financial education as an important driver for sustainable development.

Both the European Council and European Parliament have encouraged Member States to increase their financial education efforts.

The European Parliament, in its initiative report on a new agenda for European Consumer Policy (2012/2133(INI)) that was adopted on the 11th of June 2013, took the view that education (including financial education) and empowerment of consumers need to be lifelong, and should begin at school.

On the directive on the comparability of fees related to payment accounts, payment account switching and access to payment accounts with basic features (2013/0139(COD)) it was noted that in order to minimise the risk for consumers to become financially excluded, Member States should improve financial education, including at school, and combat over-indebtedness.

According to the European Banking Authority, EBA consumer trends report 2014 financial literacy is one of trends and issues identified in 2014. The EBA is entitled to review and coordinate financial literacy and education initiatives by national authorities and it is in the process of assessing how best to fulfil this mandate. In the meantime, and until initiatives are decided upon, the EBA will be considering measures as part of its work on product oversight and governance. This will include examining the role there is for manufacturers to take into account the degree of financial capability of consumers when developing and marketing products.

Recently the Council Conclusions on Finance for Growth and the Long-term Financing of the European Economy of 9 December 2014 said: 'In the pursuit of greater efficiency and competitiveness, high standards of market integrity and consumer as well as investor protection, should be maintained, in particular in retail markets, where financial literacy is also important'.

There has been no coordination and synergy between the European initiatives so far, whereas a financially capable population is an important driver for a vital (future) European economy. This paper strives to offer a framework and a list of best practices for a European approach.

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THE IMPORTANCE OF FINANCIAL EDUCATION IN EU POLICY

Financial education is a central theme in the current complex financial market. It is presumed that financial education initiatives will increase consumer knowledge and confidence in cross border transactions, thus supporting the completion of the EU Single Market. Improving consumers' understanding of matters such as product characteristics, terms and risks remains a contributing factor in increasing consumer confidence in financial markets. Moreover, financial education plays a central role in directives for amongst others retail investment, insurance, credit and payment, as well as in various compensation schemes. In the financial reform agenda after the crisis, the Commission has taken measures to regulate the market for basic financial products that aim to improve transparency and supervision. Markets in Financial Instruments Directive, MiFID II prescribes for all channels which information needs to be provided for investment services. The Consumer Credit and Mortgage Credit Directives and the Packaged Retail Investment Products, PRIIPS directive contribute to better consumer protection. These Directives introduce the principle of responsible lending. In all these regulatory measures, financial education plays an important role, because financial capability is an essential factor in restoring and maintaining the trust in the European financial system and in responsible use of financial products and services.

EUROPEAN MONEY WEEK



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European Money Week is an initiative of national banking associations in more than 20 European countries under coordination of the European Banking Federation in Brussels. The week shares and celebrates the national achievements in financial education. It consists of a series

of events both at national and European levels, with the aim of raising public awareness on financial literacy and, more particularly, improving financial education for students at elementary and secondary schools. Further, the aim is to improve the level of financial education in Europe by exchanging established good practices established at different national levels.

At the EBF European Money Week is managed by the Financial Education Project Group, which includes national financial education experts from 32 national banking associations. This group acts as facilitator for exchange of ideas and information about good practices and aims to provide inspiration for anyone in Europe who is, directly or indirectly, involved in financial education. It can also serve as a basis for a wider financial education platform that can include also relevant NGOs and government institutions.

The EBF created a specific website dedicated to financial education. The European Money Week website www.europeanmoneyweek.eu presents an overview of current practices in the field of financial education in Europe, together with good practices, in particular from those countries that have agreed to actively participate in European Money Week 2015 project. The good practices shared include government initiatives as well as projects managed by national banking associations.

This 2015 edition will offer a variety of activities across Europe. At national level, national banking associations and their stakeholders will notably organize seminars, conferences and roundtables on financial education; will coordinate 'Invite a banker in your classroom' sessions, will launch financial literacy websites, apps and campaigns, will provide teachers trainings or will even contribute to the creation of learning and teaching materials. At the EU level, the EBF is organizing a roundtable discussion as the launch event of the week, a quiz night with its stakeholders and MEPs, dialogue sessions with college students, visits to secondary schools,... to stress the importance of financial education in ensuring children are tomorrow's responsible and independent adults.

A CASE STUDY HOW FINANCIAL EDUCATION CAN BE IMPLEMENTED



HISTORY OF FINANCIAL EDUCATION IN THE NETHERLANDS

Since 1979, the National Institute For Family Finance Information (Nibud) has been giving advice on money matters. Initially, Nibud focused on providing budget advice to families, but over the course of the years, it has extended its role. Nibud now also aims at professional intermediaries, teachers and consultants in the fields of mortgage, insurance, savings and loans.

Over time, the number of organisations involved in financial education grew gradually. However, the efforts were limited and they lacked coordination, as a result of which financial education was fragmented and the consumer had no overview.

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NIBUD PROJECTS

A few examples of Nibud projects are:

- Research amongst students and parents' evenings (since 1984).
- Website for youngsters (since 2001).
- Teaching package for secondary schools (In & Out, since 2005).

A SELECTION OF THE RESULTS OF FINANCIAL EDUCATION IN THE NETHERLANDS ⁷¹

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FINANCIAL EDUCATION is on the agenda of stakeholders and media.

THE MONEYWISE WEBSITE has over **2 MILLION VISITORS** per year.

NATIONAL MONEY WEEK 37% OF PRIMARY SCHOOLS participated in the second National Money Week.

SPEND MONEY 14% OF CHILDREN immediately spends most of their money, compared to 26% in 2008. ⁸¹

PENSION3DAY 20% OF EMPLOYEES was reached during the first edition of the Pension3day. Of those reached, 40% took action.

NATIONAL STRATEGY ON FINANCIAL EDUCATION

In 2006 the Dutch Ministry of Finance initiated the Money Wise Platform to recognise the importance of financial education and to create a coordinated national approach. In this platform, some forty-five partners from the financial sector, government, public and consumer organisations, and the field of science have joined forces to help consumers to become money wise.

THE NETHERLANDS HAS ADOPTED A MULTI STAKEHOLDER APPROACH TO FINANCIAL EDUCATION, IN WHICH FORCES ARE JOINED TOWARDS A MAXIMUM IMPACT FOR CONSUMERS

In 2008, the Platform launched a national financial education strategy. Thanks to the 2008-2013 Money Wise Action Plan, concerted action is now being taken to boost financial education. In 2014, the platform launched the revised National Strategy for Financial Education, which increases the focus on actually influencing financial behaviour. Through joint activities, sharing knowledge and constantly highlighting this topic, the consumer's position in the financial domain is being strengthened. Each stakeholder contributes from its own role and responsibility. The government has a coordinating role, while the financial sector is active in initiating and implementing a variety of projects and programs as part of their charitable work and/or as a customer service.

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MONEY WISE PLATFORM

Mission

Money Wise is the platform in which partners pool their strengths to advance responsible financial behaviour in the Netherlands.

Strategic starting points

- 1 Advancing responsible financial behaviour is the key focus area.
- 2 Focusing on specific life events and related targeted groups.
- 3 More impact by pooling strengths.
- 4 More impact through professional development.
- 5 More impact through innovation.

Honorary Chair: Queen Máxima

Her Majesty Queen Máxima of the Netherlands is Honorary Chair of the Money Wise Platform. In this capacity, she highlights the importance of financial education and sensible money management, for young people in particular. She underlines the importance of financial awareness and of working together to achieve it. Her support results in enormous public attention and media coverage, and leads to more awareness with consumers and increases the sense of urgency with stakeholders.

Organisations such as Nibud, the Consumers' Association and the financial supervisors play prominent roles as independent experts and research partners. The platform is financially supported by the government and the financial sector.

The Money Wise Action Plan is based on studies and surveys commissioned by the platform and its partners. The platform focuses on three aspects of responsible financial behaviour: (1) money management, (2) financial planning and (3) choosing financial products.

BEST PRACTICES

National Money Week

A good example of the multi stakeholder approach is the National Money Week. The Week is organised for primary school children and brings together a high concentration of initiatives for lessons about dealing with money. During the week, a large number of schools, businesses, NGOs, broadcasting companies and local governments offer a programme of activities for children, such as guest lessons in schools, museum visits, theatre, teaching programs, debates, newspapers in the class room, television programmes et cetera. The concentration of activities in one week leads to a lot of attention in media and in schools. An accompanying effect is that the participants of the National Money Week inspire and meet each other, as a result of which further collaboration in the area of teaching finances to children originates. The National Money Week has had a very positive impact on both children and -participating organisations.

During the fourth edition of the National Money Week – which took place in 2014 – 37% of all primary schools actively participated, while 50% of the parents knew about the National Money Week. Perhaps most importantly, the National Money Week has raised the attention of policy makers for the importance of financial education, particularly for young people.

THE NATIONAL MONEY WEEK AND THE PENSION3DAY HAVE PROVEN TO BE EFFECTIVE IN JOINING FORCES TOWARDS INCREASING FINANCIAL AWARENESS FOR SCHOOL CHILDREN AND RAISING PENSION AWARENESS

Pension3day

A second interesting example is the Pension3day. In the Netherlands, many people lack basic understanding of pension schemes – including their own. They perceive pension as a complicated topic and they have the tendency to postpone looking at their retirement income. In an effort to join forces between pension funds, government and employers, the Money Wise Platform organises the Pension3day, during which pension funds, employers, government, insurance companies and non-profit organisations stimulate people to look into their pension. In the fourth of the Pension3day in 2014, more than 250 different organisations throughout the country participated.

Online tools were made available that gave consumers personalized and actionable information on their pension situation. Over 20% of the working population is familiar with the Pension3day and 8% of the working population took action with respect to their pension.

CHALLENGES

Although the multi stakeholder approach appears to work, there are challenges. Two of those challenges are: (1) making sure that parties take on their responsibility and (2) actually influencing consumers' behaviour.

Responsibility

The power of a multi stakeholder approach lies in the fact that many parties feel responsible for actively contributing to financial education. At the same time, getting commitment from the right stakeholders is difficult. Three questions associated with this are:

Who is responsible? As an example: who is responsible for introducing financial education into the school curriculum? From the perspective of financial education, one would expect the Ministry of Education to assume responsibility. By including financial education in the learning objectives, the Ministry of Education could directly influence schools to address the topic in the classrooms.

Who feels responsible? In the same example as above, the responsibility is assumed by the Ministry of Finance through the Money Wise platform. The platform has a catalyst function for the topic. The platform partners see anchoring of financial education in schools as an important spearhead, but they cannot directly determine the learning objectives of schools.

Who takes responsibility? Since the start of the platform, a large number of organisations, including banks and insurance companies, have developed programs for various target groups. Additionally, activities have become more coordinated through (informal) leadership.

Influencing behaviour

There is an increasing amount of scientific research in the area of behavioural economics that indicates that education in the traditional sense of providing information does not lead to a change in behaviour. As an example, children and youngsters that only received financial education in school in terms of the transfer of information do not manage money better than before.⁹¹ Education should therefore go further than the transfer of information.

Education can be effective, when it: ^{10]}

- complements a context and choice architecture that promotes responsible financial behaviour;
- focuses on listening instead of sending;
- is made actionable, in the sense that on top of providing information, choices are offered;
- is made relevant for the individual, for example by aligning to life events such as job change, marriage or moving house;
- calls upon an individual's responsibility, for example by addressing someone as a parent or spouse;
- learns from the world of marketing and advertising in the way that these fields of expertise make use of knowledge on behavioural studies and psychology;
- starts at an early stage;
- includes teachers and parents in case of youth financial education.

It is a challenge to translate these insights into practical interventions. In this area, the partners in the Money Wise Platform join forces as well, amongst others by sharing experiences and best practices and by integrating them into projects like the National Money Week and the Pension3day.

CONCLUSIONS AND RECOMMENDATIONS



CONCLUSIONS

Money is an integrated aspect of our lives. Consumers have to deal with a large number of parties and choices when it comes to dealing with money matters. Additionally, financial topics are often complex or perceived to be complex. These two elements imply that financial education requires an integrated approach.

With the Money Wise Platform, the Netherlands has created a platform to coordinate all national efforts in the area of financial education. This approach has a number of benefits, including:

Cost effectiveness Existing projects, initiatives and organisations are reused and strengthened. Through knowledge sharing, partners prevent having to reinvent the wheel and can benefit from each others' best practises.

Innovation New forms of collaboration have emerged between public and private organisations, leading to innovative ways to improve financial awareness.

Mutual understanding The involvement of financial institutions in financial education efforts, for example through guest lessons in schools, has had a positive impact in both directions, resulting in increased mutual understanding between consumers and financial professionals.

It has become apparent that a coordinated approach can be effective, under the condition that there is strong leadership. As a result of the collective initiatives, financial education is now definitively on the agenda of stakeholders and media. Per year, 1.1 million people visit the platform's website in search of information on financial questions. The attention for financial education in schools is starting to have an effect on the financial behaviour of children. A recent study asked children what they do with their pocket money. It turns out that children have become more frugal. Only 14% of the interviewees immediately spend most of their money, compared to 26% in 2008.

Consumers have to deal with a large number of parties and choices when it comes to dealing with money matters. Financial topics are often complex. These two elements imply that financial education asks for an integrated approach.

THE NETHERLANDS RECOMMENDS TO INITIATE
A EUROPEAN MONEY WEEK FOR SCHOOL CHILDREN
AS A CATALYST FOR EUROPEAN COLLABORATION
IN THE AREA OF FINANCIAL EDUCATION

RECOMMENDATIONS

The Dutch multi stakeholder approach can be used as a source of inspiration by Member States that wish to implement a cost effective strategy for financial education. Although the context differs between Member States, the following recommendations might be valid in a variety of contexts:

Reuse best practises Look for organisations and initiatives that are available in the field of financial education. Prevent reinventing the wheel and focus on reusing and strengthening existing initiatives.

Join forces Projects like the National Money Week, the Pension3day and the Money Service enable partners to work together in such a way that their joint activities have a much larger impact than the efforts of each individual organisation.

Consider finding a figurehead A public figure with authority – through informal leadership – can help to raise public awareness and increase the sense of urgency with stakeholders.

Invest in children and youth Start education at a young age through parents, the school program and youth communications, so that tomorrow's adults are more capable of managing their finances as adults.

Use online tools Online tools can be effective in personalizing complex information towards the individual households' situation and provide specific, actionable tools that help them improve their financial situation.

Aim at knowledge, skills and behaviour Solely an increase of knowledge is insufficient to actually change behaviour. It is equally important to improve skills and to develop sound financial habits. And to create a choice architecture that promotes responsible financial behaviour.

Measure Include a process for monitoring progress and impact assessment.

The Netherlands is anxious to discuss with other EU Member States which of these recommendations could work in their specific national contexts. The Netherlands and the European Banking Federation invite other Member States to collaborate and share experiences with the aim of bringing financial education to a higher level. In addition, the Netherlands and the European Banking Federation recommend to build upon the European Money Week to integrate financial education into school curricula across the European Union.



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