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CONSUMER EDUCATION
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National Strategy for Consumer Financial Education

OECD /Brazil International Conference on Financial Education
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Financial Services Board (FSB)

- FSB is a regulator established in terms of the Financial Services Board Act 97 of 1990
- Oversees the non-banking financial sector
- Insurance, collective investment schemes, pensions, financial advisers and intermediaries, capital markets, market conduct
- Section 3 of the Act mandates the FSB to promote the education of consumers



Introduction

- Will review a draft national financial education strategy/framework
- This is not an FSB strategy
- The FSB will assist with support and in-kind assistance to implementation process
- The draft strategy is being reviewed by the National Treasury of SA and as such is not an official document
- Aim is for a more coordinated approach to the education of consumers



The need for a new action plan

- **Change in financial landscape**

- Complex financial markets
- New legislation e.g. National Credit Act, Consumer Protection Act
- Voluntary Financial Sector Charter

- **Need for financial tools, guidance and support to consumers**

- **Fragmented approach to Consumer Financial Education (CFE)**

- **FSB coordinated development of draft national strategy through a process of consultation**

Strategy Vision

“...all consumers in South Africa are able to manage their personal and family financial affairs soundly and use available complaints handling mechanisms to report unresolved matters”



Strategy Mission

To promote:

- Effective, accountable and coordinated consumer education
- Effective education and empowerment of consumers to manage their personal and family financial affairs soundly
- Systematic consultations with bodies engaged in CFE

Objectives

1. Establish a Consumer Financial Education Central Coordinating Committee (CCC) for consumer financial education in South Africa
2. Consult with members of the CCC to complete the details of the strategy re: content, responsibilities, time frames, etc.

Objectives, cont'd

- 3. Develop a plan for research to support implementation of strategy
- 4. Put in place monitoring/evaluation/assessment mechanisms

Accountability and Reporting

- Member bodies of CCC continue with current reporting structures
- Proposed that members coordinate CFE with their constituents
- Proposed that members follow guidelines/best practices agreed by the CCC
- Access to research reports, other supportive assistance from FSB



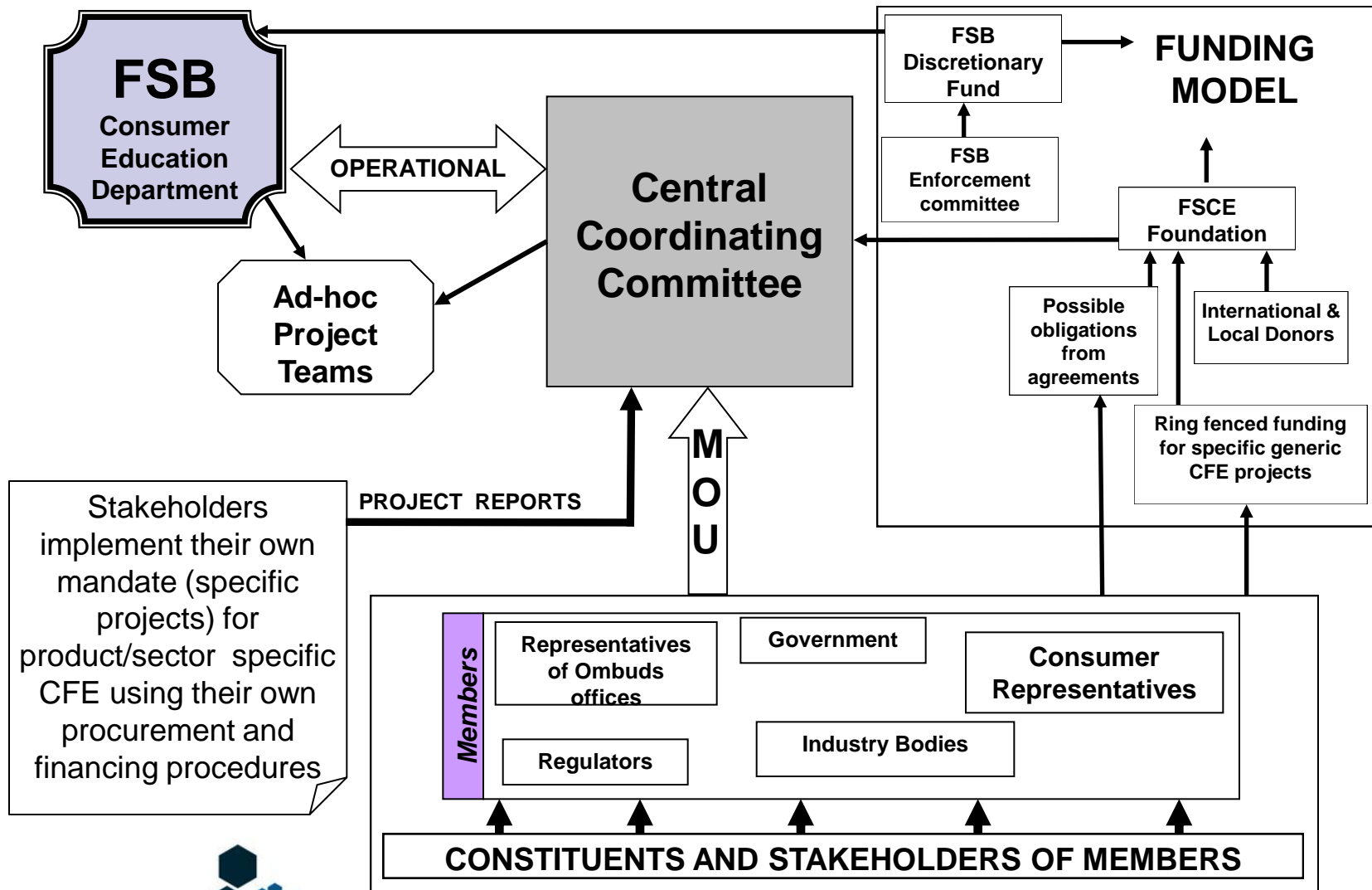
Members of the CCC

Participation invited from:

- Industry bodies & associations
- Regulators
- Consumer representatives
- Government Departments
- Ombuds offices
- Other expertise as needed
- Supported by advisory board



Proposed functional structure for Consumer Financial Education in South Africa



Roles and responsibilities

CCC

- Provide leadership to coordinate CFE
- Guide the development of an annual business plan
- Act as a resource
- Advise on the development of broad-based curricula
- Monitor and review current legislation pertaining to consumer protection
- Commission research
- Liaise regularly with stakeholders
- Oversee monitoring and evaluation
- Evaluate project proposals
- Prepare regular reports

FSB

- Secretariat to the CCC
- Draft business plan for review and further development by the CCC
- Develop and maintain central databases
- Provide input into the CCC's CFE projects and programmes
- Ensure that project/programme audit and impact assessment systems are in place
- Recommend research to be commissioned
- Consult with international and local expertise as required
- Prepare regular reports



Consumer education content

Content based on the following OECD definition:

*Financial education is the process by which financial consumers/investors improve their understanding of financial **products and concepts** and, through information, instruction and/or objective advice, develop the skills and 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 (2005).*



Content ideas drawn from focus group discussions

<i>Content</i>	<i>Focus Group Discussions</i>
Needs and wants, budgeting	Most consumers said they lived from pay check to pay check, money does not last the month
The need to take responsibility to prepare for the future, preparing for retirement, saving	Grant recipients and pensioners feel that the only way their lives can improve is for government to increase the amount of grants money or pension paid to them
Wants versus needs	Child grant recipients are sending their children to the crèche even though they are struggling to make ends meet
Debt management	Those that are good with money are those that avoid debt
Planning, spending, credit, wants versus needs	Financial behaviour reported: over-spending, debt use, impulsive purchasing of unnecessary items such as clothes, shoes, alcohol, entertainment
Pyramid schemes, internet and other scams	Several have been exposed to “Get rich quick” schemes
Sales persons and businesses need CFE and education in financial legislation with which they are required to comply	They report how sales people do not allow them to be honest
The need to not give in to temptation – stick to your budget	The banks phone offering loans and credit cards
Anyone can save	Not possible to budget when you have as little money as I do
Borrowing money wisely	Borrow and get financial advice mostly from friends and family as they do not charge interest
Understanding of financial products	Especially in the low income market, the use of financial products and services is low



Target groups


This strategy is designed to cater for all consumers regardless of income or educational level, as well as any specific grouping of consumers such as the elderly, the poor and persons with disabilities, amongst others.



Content ideas for inclusion for specific target groups

<i>Content areas of need for CFE further identified from focus group discussions</i>	<i>Target group</i>
Budgeting, interest, saving, financial terms	University students
Financial terms, limited access to financial products and services, don't know how to use ATMs, don't like ATMs, ATMs far from where they live	Pensioners
Financial terms, financial planning	Self employed
Debt, savings, get rich quick schemes, selecting appropriate financial services providers, Contracts – reading and understanding, budgeting, wants and needs, understanding of financial products Financial terminology, budgeting – sticking to it	Salaried, formal sector
Financial terminology, financial products and services	Persons with disabilities
Financial terminology	Child support grant recipients



Category	Stakeholder (Who)	Content	Detail (What)	Implementation strategy (How)	Teachable moment (when)	Target dates	Target group
Products	FSB Institute for Retirement Funds (IRF)	Retirement	What is retirement? Why we need to plan for retirement	Workshops Discussion groups, seminars, media, internet, pamphlets, road shows, outside broadcasts, schools, financial institutions, employers, brochures, Consumer tips, Consumer alerts			
	Association for Savings and Investment South Africa (ASISA)	Long-term Insurance	What is long-term insurance? Life insurance Funeral policies				
Concepts	Banking Association of South Africa	Interest and compound interest	What is it? How to calculate it.				
	FSB/National Credit Regulator (NCR) /Credit Information Ombud	Budgeting	What is a budget? How can it help you? Parts of a budget Needs and want.		When seeking assistance to manage personal/family finance		
Financial Risks and Opportunities	The Department of Trade and Industry /FSB/NCR	The need to be cautious	Scams				
Recourse	FSB	Investor protection					
	IRF 	Roles and responsibilities of trustees					

Review Process

■ Baseline study

- To assess current financial literacy and behaviour at the commencement of the implementation of the new strategy

■ Per Project monitoring & evaluation

- Stakeholders encouraged to include plans for monitoring & evaluating implementation of CFE
- All project proposals approved by the CCC must include monitoring & evaluation processes



Review Process (cont'd)

■ Annual Reviews

This will include:

- Information on what CFE is being undertaken in SA
- Statistical information on participation levels, topics covered, number of workshops held, etc.
- The effectiveness of the CCC in leading the coordination of CFE

Review Process (cont'd)

■ Three-year assessment

Conduct an impact assessments to determine if any change in financial literacy and behaviour has occurred when compared with the results of the baseline study

■ Strategy review – every 3 or 5 years

To review the strategy and align it with identified needs

Process

- Approval of National CFE Strategy
- Meeting of stakeholders to establish the CCC
- Conduct baseline study on current levels of financial literacy in SA
- Launch the Strategy
- Roll out implementation of strategy

NOTE: Strategy in draft format, with the National Treasury for review

Olivia Davids

Head: Consumer Education Department
Financial Services Board
SOUTH AFRICA

E-mail: oliviad@fsb.co.za

Tel: +27 12 428 8123

