

Mr. Richard Hecklinger Opening Remarks
G8 International Conference on Improving Financial Literacy
Moscow 29 November 2006

Distinguished Guests, Ladies and Gentlemen, it is my great pleasure to welcome you to this 'G8 International Conference on Improving Financial Literacy' - co-organised by the Russian G8 Presidency and Minister of Finance of the Russian Federation and the OECD.

Financial literacy is a topic which has been of great importance to OECD countries in recent years. As many of you know, in 2003 we established the project on '*Financial Education and literacy in OECD and selected non-OECD countries*'. We had several goals: First to raise awareness of the importance of financial education in OECD and developing economies; Second, to survey programmes and initiatives in this field and assess their effectiveness; and finally to develop policy recommendations and best practices in order to help governments worldwide promote good financial literacy programmes. Since then, in November 2005, the OECD has published the first major international study of financial education, '*Improving Financial Literacy: Analysis of Issues and Policies*', And in June last year the OECD Council approved a set of '*Recommendations on Principles and Good practices for Financial Education and Awareness*'. We have also promoted international dialogue about financial literacy, including at a recent OECD event organised in New Delhi.

I am very encouraged that G8 governments, in particular their finance ministers have recognized the importance of financial education and asked the OECD to develop further financial literacy guidelines and best practices.

You may ask why we keep coming back to this topic and why the OECD is so committed to financial literacy? The answer is the more we look at financial literacy the more we realize the widespread lack of understanding of financial products and markets among

consumers. Financial literacy surveys across OECD countries reveal inadequate levels of saving for retirement and low levels of understanding of products such as insurance or of basic concepts such as compound interest. We also know that individuals consistently overestimate their level of knowledge.

Yet at the same time, individual responsibility for financial decisions is growing. And involvement with financial markets is becoming necessary to function in economic life. And this means that individuals need a better understanding of how to deal with financial markets and risks.

- Workers increasingly have to rely on defined contribution pensions and their personal savings to finance their retirement as governments begin scaling back public pensions and as many employers stop offering defined benefit plans. This means that individuals will need to bear investment risk and the risk that they may live longer than they expect;

- Consumer debt is rising to all-time high levels and putting more consumers into risk of bankruptcy. The deregulation of financial markets has led to increased competition for new credit card holders. As a result, many young people have taken on high debts at a time when they are trying to start a family and buy a home.

- Many more financial transactions are being done electronically. So that it is ever more important that individuals have at least a bank account. Yet, in a number of countries a significant percentage of consumers do not participate in the financial system. This percentage is even higher for minority consumers.

So what can and should governments do to improve the financial literacy and awareness of their populations. Governments *should* be involved in financial education campaigns and programmes for several reasons:

- *First* – financial literacy has an impact on the economy. Financial education will help individuals to save correctly and build their assets. Well-informed consumers will demand better financial products at competitive prices and thereby help to develop more stable and efficient markets. And as consumers become more self-reliant they will need to call less often on government support programmes.
- *Second*- government can play an important role by coordinating financial education initiatives. Improving financial literacy is a national goal, too large for one group of stakeholders to achieve. Although many highly innovative and successful 'grass roots', initiatives are underway -- often led by the private sector --, these need to be coordinated to have an overall picture and to identify areas where consumers are not being reached. Regulation may also be required – for example some OECD countries have gone so far as to require financial education in school curricula.
- *Finally* – financial education alone may not be able to raise literacy to desired levels. Governments consequently need to think carefully about combining education and awareness with other forms of consumer protection, information disclosure and additional mechanisms such as automatic enrolment into pension schemes.

I am therefore greatly encouraged by the G8 sponsoring this event, not least because a great deal still needs to be done. More needs to be learned about the financial education needs of consumers at various stages in their lives and how financial education programmes can be designed and implemented to best address these needs. More needs to be learned about how consumers prefer to receive information on financial issues and on how financial education can be best delivered to consumers busy with jobs and families. We need to develop objective measures of success in order to better evaluate financial education programmes. In short, more research and more evaluation are necessary to ensure that all consumers are provided with effective financial information and education.

I would therefore hope that our conference will make some headway in answering these challenges. Over the next two days we will be considering the impact of financial literacy on economic development; looking at how to tackle the specific problems of vulnerable groups and the challenges related to financial education for pensions and insurance. We will look at the role of stakeholders in financial education and awareness campaigns, and will be considering the evaluation of financial education programmes. We will try to conclude with some best practices and next steps to improve financial literacy.

Moscow is a wonderful, exciting place to hold this meeting. And the Russian government is giving high priority to financial literacy. I would like to thank our Russian colleagues for their hospitality and once again may I welcome you to what I am sure will be a highly interesting and fruitful event.