



# OECD-CVM Conference on Financial Education

OECD Good Practices on financial  
education in relation to pensions

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- Growth of defined contributions schemes shift risk to individuals
- Post global financial crisis, many people have stopped saving
- Little support for higher social security if funded by higher taxes
- Little support for compulsory savings
- Inadequate financial knowledge

# The immediate policy response (OECD Antonin and Stewart)



- Stay the course
- Emphasise the long term
- Improve the design of defined contributions plans
- Improve disclosure and communication
- Improve financial education



- Define the problem in terms of what people need to know e.g. risks during accumulation, risks of asset volatility at point of retirement, longevity risk, inflation risk.



1. Financial education and retirement products: framework, definition and objectives
2. Main stakeholders' roles and responsibilities in enhancing public awareness and capability on retirement income issues
3. Evaluation of needs of programmes and of mechanisms and tools

# (1) Framework, definition and objectives



- Understanding of need for long term savings
- Understanding of investment products and performance of financial intermediaries
- Financial education is not a substitute for prudential regulation and consumer protection

## (2) Role of stakeholders and their responsibilities



- Government public awareness campaigns and specialised agencies/structures to promote pension financial education
- Trade unions, employer associations and pension fund associations should contribute
- Plan sponsors should provide education for plan members
- Funds should supply accurate, timely and accessible information

### (3) Methodology: evaluation of needs and programmes



- Initiatives related to retirement products should develop methodologies to assess consumer needs and effectiveness of existing programmes
- In the absence of other mechanisms, OECD recommends automatic enrolment in voluntary pension plans with appropriate default mechanisms



## Financial education needs: OECD Improving Financial Education and Awareness on Insurance and Private Pensions

- Long term nature of the contract between the individual and the pension provider generates high levels of apathy in younger members
- Low levels of financial literacy in elderly and poor where need is greatest
- Complexity of pension products leads to information asymmetry between pension providers and consumers



## Financial education needs: OECD Improving Financial Education and Awareness on Insurance and Private Pensions

- Pension language is opaque and at times misleading
- Political, social and cultural elements of retirement income have a major impact
- Consumers over estimate their financial knowledge
- In countries with DC plans there can be ‘too much’ choice



- Close expectations gaps
- Explain consequences of various decisions
- Risk ratings for financial products
- Pension fund disclosure at a level people can understand



## OECD Guidelines for the protection of rights of members and beneficiaries in occupational pension plans

- Adequate information regarding rights on access
- Anticipated contribution and/or benefit accrual rates
- Vesting schedules
- Investment policy