



OECD Project on Financial Education

and its International Network on Financial Education

Introduction

In order to respond to OECD governments growing concerns over adverse affects of low financial literacy levels, a comprehensive and high-level project on financial education was launched in 2003. This project is developed under the aegis of two OECD Committees (the Committee on Financial Markets and the Insurance and Private Pensions Committee) to cover a wide spectrum of connected issues.

In June 2006, G8 Financial Ministers recognized the OECD work and activities on financial education. In particular, they “acknowledge[d] the importance of better financial education and literacy for improving the ability of people to use financial services and to make effective decisions with respect to their present and future welfare. [They] welcomed the ongoing work in the OECD on the Financial Education Project and call for further development of financial literacy guidelines based on best practices”.

In the aftermath of the financial crisis, financial literacy and education issues have reached a momentum. Policy makers worldwide now increasingly acknowledge the importance of Financial Education both as a life skill and as a key component of financial and economic stability and development. The OECD has accordingly expanded its project with the creation in 2008 of the International Network on Financial Education and of the International Gateway for Financial Education, the first international clearinghouse on financial education.

**André Laboul, Head of the Financial Affairs Division
Chair of the International Network on Financial Education
Directorate for Financial and Enterprise Affairs**

What is Financial Education?

The OECD has developed a widely acknowledged and comprehensive definition of financial education encompassing the various steps of this capacity building process from raised awareness and enhanced knowledge and capability to change in behavior:

“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 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 and protection.”

Importance of Financial Education

In a world of increasing (financial) risks, financial education and awareness issues and policies have become critically important for several reasons:

- Increasing transfer of risks to households which are more directly responsible for essential financial decisions for their future wellbeing.
 - Increased life expectancy
 - Shift from Defined Benefit to Defined Contributions Pensions schemes
 - Enhanced individual responsibility in credit, health, pensions and insurance products
 - More households investing more income in financial assets
- Uncertainties and sophistication of the financial landscape
 - More complex products and increased supply of financial products
 - Overload of financial disclosure
- Very low level of financial literacy and capability of individuals in all countries
 - Individuals overestimate their financial knowledge and skills
 - Lack of confidence of individual in financial institutions
 - Vulnerable groups are particularly affected

How to Improve Financial Literacy

Main OECD Recommendations

- Governments and all concerned stakeholders should promote unbiased, fair financial education.
- Programs should be coordinated and developed with efficiency.
- The development of methodologies to assess existing financial education programs should be promoted.
- Financial education should start at school, for people to be educated as early as possible.
- Financial education should be part of the good governance of financial institutions, whose accountability and responsibility should be encouraged.
- Financial education should be clearly distinguished from commercial advice; codes of conduct for the staff of financial institutions should be developed.
- Financial institutions should be encouraged to check that clients read and understand information, especially when related to long-term commitments or financial services with potentially significant financial consequences: small print and abstruse documentation should be discouraged.
- Financial education programs should focus particularly on important life-planning aspects, such as basic savings, debt, insurance or pensions.
- Programs and delivery strategies should be oriented towards financial capacity building, where appropriate targeted on specific groups and made as personalized as possible.
- Future retirees should be made aware of the need to assess the finance adequacy of their current public and private pensions schemes.
- National campaigns, specific Web sites, free information services and warning systems on high-risk issues for financial consumers (such as fraud) should be promoted.

Main Outputs



Three main pillars:

- **Publication of key international analytical research and work on financial education developments worldwide:**
 - 2005 – Improving Financial Literacy: Analysis of Issues and Policies
 - 2008 – Improving Financial Education and Awareness on Insurance and Private Pensions
 - 2008 – Proceedings of the OECD-US Treasury High-Level International Conference on Financial Education in Washington DC
 - 2008 – First issue of the OECD International Financial Education news
- **Standard setting activities on financial education and awareness:**
 - 2005 – Recommendation on Principles and Good Practices for Financial Awareness and Education
 - 2008 – Recommendation on Good Practices for Financial Education relating to Private Pensions
 - Recommendation on Good Practices for Enhanced Risk Awareness and Education on Insurance Issues
 - 2009 – Policy handbook on Risk and Risk Reduction on Natural Catastrophes
 - 2009 – Recommendation on Good Practices on Financial Education and Awareness relating to Credit
 - 2010 – Good Practices on Insurance Intermediaries' Role in Financial Education and Consumer Protection (forthcoming)
- **Enhanced international co-operation and awareness:**
 - High-level conferences and forums worldwide (Brazil, Canada, India, Indonesia, Lebanon, South Africa, Turkey, US)
 - Development of a dedicated website (International Gateway on Financial Education)
 - Establishment of an international group of public experts on financial education (International Network on Financial Education).

International Network on Financial Education (INFE)

Main Objectives

The INFE was created by the OECD in 2008 to:

- enhance and promote awareness on the importance of financial education worldwide;
 - exchange information and views on programs, initiatives, issues, research and findings related to financial education;
 - exchange, identify and develop good practices and efficient tools;
 - discuss analytical work developed by members, the OECD and other organizations on financial education;
 - discuss international principles and good practices developed under the aegis of the OECD.
- the introduction of financial education programs into schools;
 - the development of methodologies for assessing the efficiency of financial education programs; and
 - the development of an international approach for measuring financial literacy and inclusion.

Program of Work

Through formal biannual INFE meetings, the ongoing collaboration between members and the establishment of special expert subgroups, the Network has substantially advanced the analytical framework and policy discussions on financial literacy, especially with regards to:

Members

There are currently more than 150 institutions from 75 countries who are members of the OECD INFE, going far beyond the OECD membership.

How to join the network

Representatives of public bodies from OECD and non-OECD countries who have a specific interest and expertise on financial education are invited to join. Observer status may also be granted on a case-by-case basis to key financial education stakeholders. Please send the following information to igfe@oecd.org:

- Name, address and website of organization
- Name and title of official representative
- E-mail address and direct telephone/fax

International Gateway on Financial Education



www.financial-education.org

The International Gateway for Financial Education was established by the OECD in 2008 as part of its comprehensive project on financial education.

The main objectives of the gateway are to:

- Serve as the first global clearinghouse on financial education gathering an extensive and comprehensive range of information, data, resources, research and news on financial education issues and programs around the globe
- Raise awareness on, and visibility of, financial education issues worldwide and ensure the wide dissemination of research, best practices and guidelines on financial education
- Promote the access to and exchange of information, knowledge, experience and expertise on financial education
- Support the creation of the International Network on Financial Education through the establishment of a secure area for members only
- Encourage the elaboration of further best practices and principles with the guidance of the network and under the aegis of the OECD

Please contact us at igfe@oecd.org if you would like to provide feedback or information on your program, research or literature.

Ongoing and Future Work

The OECD/INFE has an extensive program of work on financial education and awareness issues, including the development of data collection, research and good practices in the following areas:

- International methodology to assess the level of financial literacy and inclusion of the population
- International methodology to evaluate efficiency and effectiveness of financial education programs
- Financial education programs at schools (including the PISA exercise)
- National strategies on financial education
- Financial inclusion
- Targeted groups (women, immigrants, low income)
- Social marketing and communication strategies
- Role of financial intermediaries in financial education
- In-depth research and survey on financial education and pensions issues (e.g. annuity products, financial retirement awareness, education of members of DC schemes)
- Financial education and credit /saving
- Behavioral economics and financial education
- Financial consumer protection

Contacts

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