ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

FINANCIAL EDUCATION AND SAVING FOR RETIREMENT

FINANCIAL EDUCATION AND SAVING FOR RETIREMENT

This report, which builds on the work of the OECD in field of financial education, focuses on the role of financial education in helping individuals save for retirement[1]. The paper is not designed as an exhaustive exploration of the topic, but rather as an introduction as to why financial education is particularly important in this field, and how financial education programmes can be combined with other mechanisms to increase retirement savings and make retirement incomes more adequate and secure. Further work is required. It may for instance include examining the evaluation of financial education programmes in more detail and providing case studies of successful projects, as well an analysis of specific issues (such as the role of financial education could play in improving the demand for annuity products, further work related to DB and DC pension plans, personal pension plans, consumer behaviour, pension risk awareness, etc.).

Section I examines why financial education is required, especially in light of the changing nature of retirement saving, and distinguishes between pensions and retirement savings plans. Section II (page 12) looks at what is currently being done to ensure adequate retirement income, both in terms of financial education programmes and other related measures and assesses, where possible, the effectiveness of these programmes. Finally, Section III (page 29) draws some conclusions and identifies lessons learnt.

Section I – Why financial education is needed for retirement saving

1. Introduction

1. The need for financial education is increasing being recognized in relation to all financial products. This paper focuses on the growing need for financial education in relation to retirement savings, and in particular pensions. For the purposes of this paper, the definition of a pension plan is taken from the OECD taxonomy as: “a legally binding contract having an explicit retirement objective (or – in order to satisfy tax-related conditions or contract provisions – the benefits can not be paid at all or without a significant penalty unless the beneficiary is older than a legally defined retirement age). This contract may be part of a broader employment contract, it may be set forth in the plan rules or documents, or may be required by law. In addition to having an explicit retirement objective, pension plans may offer additional benefits, such as disability, sickness, survivors’ benefits”. Both defined benefit and defined contribution schemes are considered as pension plans. Retirement savings is used to describe other, non pension, retirement products, such as insurance products, tax-incentivised savings etc. As the report will explain, financial education is particularly important for defined contribution type pension plans – which will be the focus on the paper. However, financial education cannot be ignored even within the context of defined

[1] The need for financial education has been discussed at length by the Working Party on Private Pensions (WPPP), as well as by the Insurance and Private Pensions Committee (IPPC) and by the Committee on Financial Markets (CMF). Under the guidance of the CMF, the Secretariat produced the first major international study of financial education, *Improving Financial Literacy: Analysis of Issues and Policies,* published in November 2005 (OECD, 2005a). Based in part on this report, the CMF and the Secretariat developed a *Recommendation on Principles and Good Practices for Financial Education and Awareness* that was approved by the OECD Council in July 2005 (OECD2005c). The Council also instructed the CMF and the IPPC to work together to develop further good practices on financial education for retirement savings, in consultation with the appropriate OECD bodies and the social partners.

benefit pensions or other retirement savings products involving guarantees. Issues relating to these products will be touched upon, but not considered in detail. It should also be stressed that the paper does not advocate one type of pension plan or retirement savings product or another – but merely aims to point out the increasing importance of financial education within all types pension systems.

2. Definition of Financial Education

2. The broad definition developed for the OECD study, *Improving Financial Literacy: Analysis of Issues and Policies*, is used here (OECD, 2005a). By using a definition that includes elements of information, instruction, and advice, this report is as inclusive and comprehensive as possible in the identification, description, and analysis of financial education programmes:

> *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*
>
> where:

- Information involves providing consumers with facts, data, and specific knowledge to make them aware of financial opportunities, choices, and consequences;
- Instruction involves ensuring that individuals acquire the skills and ability to understand financial terms and concepts, through the provision of training and guidance; and
- Advice involves providing consumers with counsel about generic financial issues and products so that they can make the best use of the financial information and instruction they have received[2].

3. Finally, financial education also needs to be distinguished from consumer protection, although there is some overlap between the two. The provision of information on financial issues is common to both and they share the same goal of ensuring the well-being of consumers and shielding them from harm. They do, however, take different approaches, with financial education supplementing information with instruction and advice, while consumer protection emphasises legislation and regulation designed to enforce minimum standards, require financial institutions to provide appropriate information, strengthen the legal protection of consumers, and provide for systems of redress. The two should, however, be seen as complements rather than substitutes as it is important for both consumer well-being and for the effective operation of financial markets that consumers have full knowledge of the range of products available and of various contractual rights and obligations. Some consumers can acquire this knowledge through financial education programmes. However, others may be either unable or unwilling to do so and for these individuals consumer protection is important. A key goal is to avoid conflicts of interest, with care needed to ensure that financial education is used to educate and enable consumers whatever the retirement saving context – rather than for the promotion or advocacy of a particular form of pension or retirement income system.

[2] Specifically excluded are programmes that offer recommendations regarding individual financial products and services, for example, advice recommending the purchase of financial product X offered by financial institution Y.

3. Low levels of financial literacy—effect on retirement saving

4. The OECD's study on financial education, *Improving Financial Literacy: Analysis of Issues and Policies,* concluded that there is a lack of financial knowledge and awareness amongst consumers. For example, surveys identified in twelve countries for which results are available all demonstrated low financial literacy rates among consumers.[3] In addition, an in-depth review of six surveys in five countries (Australia, Japan, Korea, the United Kingdom, and the United States) found that despite differences in target audience, approach to measuring financial literacy, and survey methodology, there were a number of similarities in the results, for example:

- low level of financial understanding among consumers;
- financial understanding is correlated with education and income levels;
- respondents often feel they know more about financial matters than is actually the case;
- consumers feel financial information is difficult to find and understand.

5. Not only do consumers have low levels of financial literacy in general, they often lack a good understanding and knowledge of pensions and retirement saving plans. According to surveys reviewed, pensions and retirement savings plans- though vitally important to individual welfare and the stability of the economy - are some of the least understood financial products. In addition, surveys indicate that individuals are not saving sufficiently to ensure an adequate retirement income. For example:

- According to a recent survey by the Employee Benefit Research Institute, four out of ten American workers state that they are not putting any money aside for retirement (Helman and Paladino, 2004).
- A recent report in New Zealand concludes that many individuals are either 'unwilling or not able' to save enough for retirement, adding that about 30 per cent of households spend more than they earn (Weir, 2004).
- A survey from the Bank of Ireland Life reveals concerns that even those who are saving are not saving enough, adding that only about 52 per cent of workers aged 20 to 69 are investing in a pension at all (Business World, 2004).
- Aside from governments, employers themselves are increasingly concerned about their employees' levels of saving. A recent survey by Hewitt Associates finds that only 18 per cent of large employers in the United States are confident their employees are saving enough for retirement (Hewitt Associates, 2005).

6. In addition to not saving enough, surveys also show that individuals are not saving wisely. An important trend in many countries has been the rise in the number of workers participating in defined contribution plans. Yet it is clear that many of the workers in these plans, faced with the responsibility for investing their retirement contributions, need help. Again there is evidence from surveys (from some OECD countries where private pensions are voluntary) that the financial understanding of consumers often makes them unfit for the task of making their own investment decisions, for example:

---

[3] These countries are Australia, Austria, France, Germany, Hong Kong China, Italy, Japan, Korea, Portugal, Turkey, the United Kingdom, and the United States.

- According to a recent survey by John Hancock Financial Services, less than one-quarter of Americans of working age consider themselves to be ‘knowledgeable investors’, and even among this group there is ‘considerable confusion’ about financial matters (Francis, 2004).

- The Japanese Consumer Survey on Finance finds that 71 per cent of adult respondents had no knowledge about investment in equities and bonds, 57 per cent had no knowledge of financial products in general, and 29 per cent had no knowledge about insurance, pensions, and tax – yet DC plans, introduced in Japan from 2001, require workers to make decisions about investments in equities, bonds, and other financial products.[4]

- In the United Kingdom, the Financial Services Agency ranks as one of its main concerns the fact that consumers are making financial decisions based on inadequate understanding (Wheatcroft, 2004).

- The Australian survey (of adults) notes that 21 per cent of those who received and read their superannuation statement did not understand it. In fact, 29 per cent of respondents cannot identify asset allocation from a superannuation statement and 38 per cent cannot identify the five-year investment performance from the same statement. Only 37 per cent of Australian respondents have determined how much they will actually need to save for retirement. Only 19 percent have used an Internet calculator to compare the effects of interest rates and fees on investments. Finally, 32 per cent of respondents think that saving money in a bank account is an appropriate retirement investment vehicle (ANZ Banking Group, 2003).

- A survey by the Royal Bank of Canada finds that respondents consider choosing the right investments for a retirement savings plan to be more stressful than going to the dentist (Canadian Press, 2005).

4. Why financial education is a major policy concern for retirement savings

7. Yet financial education is particularly required in relation to retirement savings and especially for pension plans due to the unique nature of these products including:

- the long-term nature of the contract involved, and the subsequent requirement for incentives or even compulsion to overcome individual’s ‘myopia’ towards long-term savings – making education relating to pensions a unique challenge, a major task being to encourage investors to start to save as early as possible;

- their coverage of a wider social and economic range of the population than other savings products (particularly where incentives or compulsion are applied), meaning that vulnerable consumers, with low incomes and often limited education levels are involved;

- investors in pension funds often have a low risk tolerance, especially where private pensions represent subsistence rather than discretionary savings;

- education is particularly required for pensions due to the complexity of these products, involving tax issues, assumptions over future salaries and longevity, difficulties in the valuation of assets and liabilities etc. – a complexity which is beyond the financial literacy of most investors and

[4] The information on this survey comes from the responses of the CMF delegates to the OECD’s questionnaire on financial education

which gives rise to asymmetrical information between pension providers or financial intermediaries and consumers;

- the large number of pension funds in some countries limits the extent of supervisory oversight, and means a greater dispersion of fiduciary talent and expertise in pension fund administration, making the need for improved education and training for these parties all the more important;

- the 'social' as well as financial role of pensions, which is becoming more important as reforms in many countries have given an increasing role to private pensions – placing increased responsibility with individuals who consequently need to be educated to understand and manage the risks to which they are exposed;

- the potential impact of pension assets on financial market and economic stability given their increasing size relative to financial markets and countries' GDP makes it important for the economy as a whole that saving is at a stable and adequate level and that pension assets are invested wisely.

5. Financial Education Needs According to Type of Retirement Plan

8. Individuals are now saving for retirement in a variety of ways – including public pension provisioning, occupational pensions, and personal retirement saving plans. The level of financial education and type of information required does vary according to the characteristic of the retirement saving product chosen. For example, a deeper level of understanding would seem necessary for systems where individual choice is involved at all levels and where public pensions provide only a limited safety net in terms of retirement income, whilst less intensive knowledge may be deemed appropriate where individuals still rely on public pensions and do not have individual responsibility for investment choices (as demonstrated in the simple matrix below). Hence, although this report focuses on defined contribution style pension plans, the necessity to improve financial education should be seen as universal, applying also to environments with defined benefit pension plans or other retirement savings products involving guarantees.

Table 1: Intensity of financial education according to nature of pension system

	High levels individual choice	***Limited/ no individual choice***
Limited public pension	**Most financial education required**	**Medium financial education required**
Substantial public pension	**Medium financial education required**	**Less financial education required**

Figure 1: Types of Private Retirement Savings

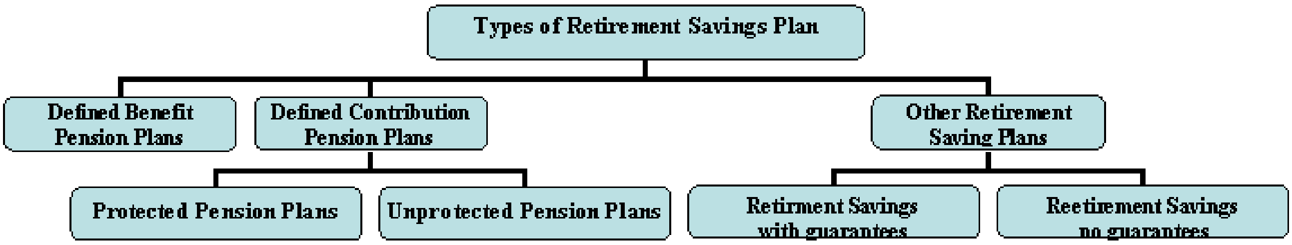


Table 2: Financial Education Needs by Type of Retirement Saving

Type of Retirement Saving	**DB pension Plan**	**DC – protected / other retirement savings with guarantees**	**DC – unprotected / other retirement savings without guarantees**
Characteristics of Plan	Benefits are linked through a formula to members wages or salaries, length of employment or other factors. Sponsor is at least partly responsible for underfunding.	Pension Plan or provider offer an investment return or benefit guarantee. Sponsor commits to fixed contributions only.	No investment return or guarantee promised.
Who Bears Risks?			
Investment Risk	Plan sponsor (split with members if contributory)	Provider or members collectively	Individual
Longevity Risk	Plan sponsor if annuity provided (split with members if contributory) Individual if lump sum	Provider or members collectively	Individual
Inflation Risk	Plan sponsor if benefits are index linked Individual if no indexation or benefits adjustments allowed	Provider if guarantees index linked Individual if no indexation guaranteed	Individual
Who Bears Costs?			
Contributions	Usually plan sponsor but also members (contributory plans) in some countries	Mainly individual. In some countries, sponsors offer matching contributions.	Mainly individual. In some countries, sponsors offer matching contributions.
Portability/switching fees	Potentially borne by individual (through benefit reduction)	Potentially borne by individual through switching and exit fees	Potentially borne by individual through switching fees
Administration fees	Usually borne by sponsor	Usually borne by individual	Usually borne by individual

Financial Education Needs - Individuals	- Estimate of retirement income needs -Estimate of total potential retirement income(public + private) - If voluntary, need to join plan - Details of plan (e.g. are death and/or disability benefits included?) - Amount of benefits - If lump sum, whether to buy an annuity - Potential reduction in benefits from job change/ loss	- Estimate of retirement income needs -Estimate of total potential retirement income (public + private) - If voluntary, need to join plan - Details of Plan (e.g. are death and/or disability benefits included?) - Appropriate level of contributions - Amount of benefit can expect -If lump sum, whether to buy an annuity	- Estimate of retirement income needs -Estimate of total potential retirement income (pubic + private) - If voluntary, need to join plan - Details of plan - Appropriate level of contributions - If investment choice, asset allocation - Whether to buy annuity
Financial Education Needs - Trustees	Funding and Investment knowledge required	-Funding to cover guarantees - Optimal investment by sponsor/provider	- Optimal investment if chosen by sponsor/provider -Appropriate investment choices if individual choice

6. Increasing need for financial education in pensions and retirement savings plans

9. As well as being highly complex products, financial education is also becoming increasingly important for pensions and retirement savings in general due to demographic trends and the developments in private pensions markets which have occurred in response to these societal changes.

Life-cycle trends

10. ***Increased longevity***: In the last 100 years life expectancy has grown dramatically, thanks to improved sanitation, vaccines and healthcare advances. By 2040 the OECD predicts average life expectancy for men aged 65 in OECD countries of 83.1 years and for women 86.6 years, whilst, according to the United Nations, the percentage of the global population aged over 60 will increase to 20% by 2050. This increased longevity (demonstrated in the UN table below), combined with shorter working lives in many countries, has caused the number of years expected to be spent in retirement to rise dramatically. Hence financial education - helping people to plan for an adequate income in retirement - is becoming ever more vital.

Table 3: Selected Demographics Indicators

		Europe	North America	Japan
Population Growth				
	2005	-0.07	0.91	0.06
	2025	-0.26	0.61	-0.36
	2050	-0.37	0.38	-0.49
% Population over 65				
	2005	15.9	12.4	19.7
	2025	21.0	18.0	29.1
	2050	27.6	21.1	35.9
% Population over 80				
	2005	3.5	3.6	4.8
	2025	5.3	4.2	12.8
	2050	9.6	7.5	15.3
Life expectancy at birth				
	2005	74.3	78.2	82.8
	2025	77.8	80.5	85.3
	2050	83.6	82.7	88.3

Source: United Nations World Population Prospects, 2004 Revision Population Database

11. ***Shorter working lives***: A further social / demographic change which is being experienced in some countries and which has a major impact on pensions is that average working career spans have become shorter - making the retirement phase even more extended. Previously an average career could be expected to last for over 40 years, with up to 10 years of retirement being predicted - now it is not unusual to work for around 30 years and to live for a further 30. The average rate of employment between the ages of 55 and 64 in the OECD is currently 48% -- varying from 25% or less in France and Belgium, to 70% in Switzerland. This clearly makes pension provisioning far more expensive, and if nothing is done quickly to extend working lives, living standards could fall in the course of the coming decades. Hence the OECD's suggested policy responses, such as the promotion of private pensions and an increase in working lives[5]. Yet at the same time, attitudes to older age and retirement are also changing as the 'baby-boom generation' approaches retirement. Retirees are increasingly expressing the desire for a more active retirement lifestyle, with surveys indicating that individuals increasingly tend to retire and plan to retire at an age before which they say old age typically begins. Indeed, retirement is almost being broken down in to two phases, including an early 'active' retirement, which may still involve some work[6]. Funding this new form of retirement requires different types of retirement income, and individuals need to understand how to close the gap between what income they would *like* to retire with vs. what level they are likely to do so.

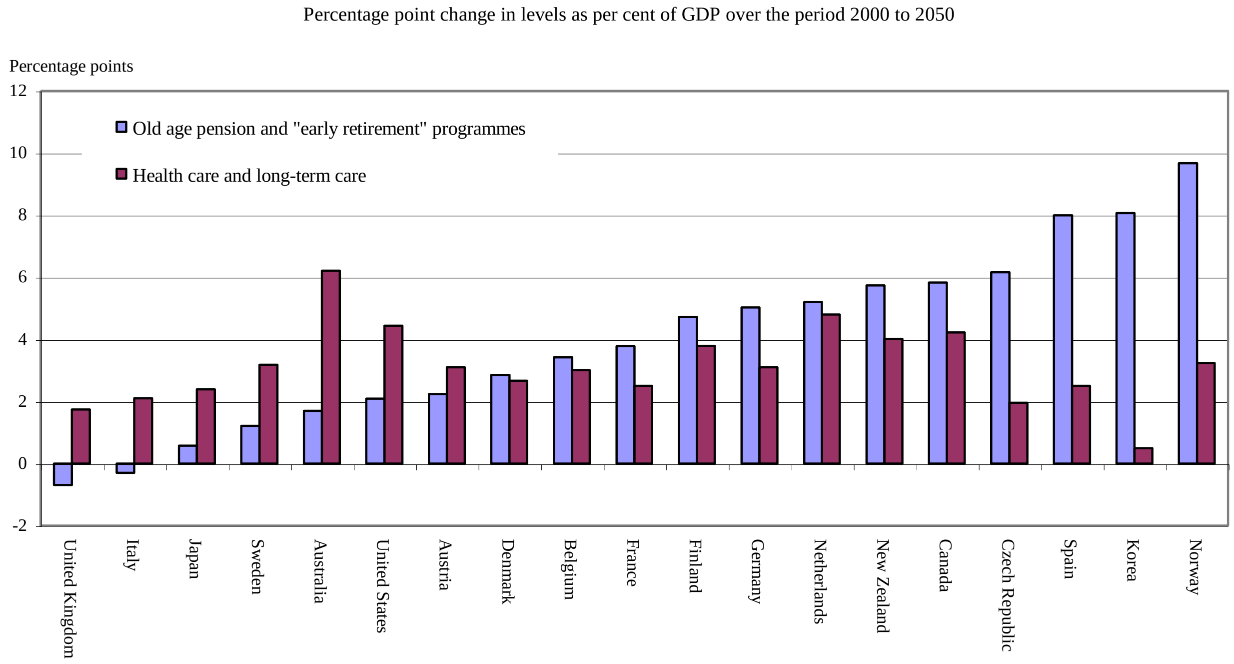
[5] See 'Financing retirement: private pension policy challenges', presentation made by OECD Secretary General, Donald Johnston in Montreal, Canada, June 2004 – available at: http://www.oecd.org/dataoecd/26/13/33637501.pdf

[6] HSBC – 'The future of retirement in a world of rising life expectancies: Attitudes towards ageing and retirement – a study across 10 countries' http://a248.e.akamai.net/7/248/3622/5d4393a0c726bf/www.img.ghq.hsbc.com/public/groupsite/assets/retirement_future/hsbc_future_of_retirement.pdf;brochid=VEGF3DCWMFYFHQFIYNKSGWQ

Changes in Pension Provision

12. ***Decline in pubic pensions***: Many governments have been either explicitly or implicitly reducing public pension benefit levels and encouraging private pension savings. Such reforms increase the need for financial education programmes to ensure that individuals understand the impact of such pension system reforms and the responsibilities and risks which they face.

Figure 3: Spending on Public Pensions as a % of GDP[7]



Source: Dang, Antolin, Oxley (2001), "Fiscal implications of ageing: projections of age-related spending", Economics Department Working Paper No. 305, OECD, Paris .

13. Shift to defined contribution schemes: A major trend taking place in pension systems globally - which is making the need for financial education ever more important - is the shift from defined benefit (DB) to defined contribution (DC) pension schemes. As outlined in Table 2, with DB plans the pension provider (normally the corporate employer) guarantees a set retirement income (usually a function of salary), whilst in DC plans retirement income is based on investment returns and only contribution levels are set. This means that more of the risk involved in pension provisioning (investment return risk and longevity risk) is shifted from the employer to the worker – though hybrid schemes, containing both DB and DC elements, may spread the risks between parties. Though the driving factors behind this shift to DC schemes are different across countries (e.g. due to the introduction of mandatory DC schemes in Eastern Europe vs. cost pressures on employers in the United States and United Kingdom), the trend is an increasingly global one. Financial education is necessary to ensure that pension members and beneficiaries understand the risks they are exposed to. In addition, beneficiaries need to understand that with DC schemes it is necessary to start saving earlier than with DB schemes (due to compounding interest). There are also implications for the payout stage of pensions, with demand for annuities likely to rise. These factors make the need for broad financial education ever more pressing.

[7] Chart taken from presentation, *'Challenges of demographics,* given by Jean-Philippe Cotis**,** Chief Economist, OECD, Policy Network Spring Retreat, March 2005.

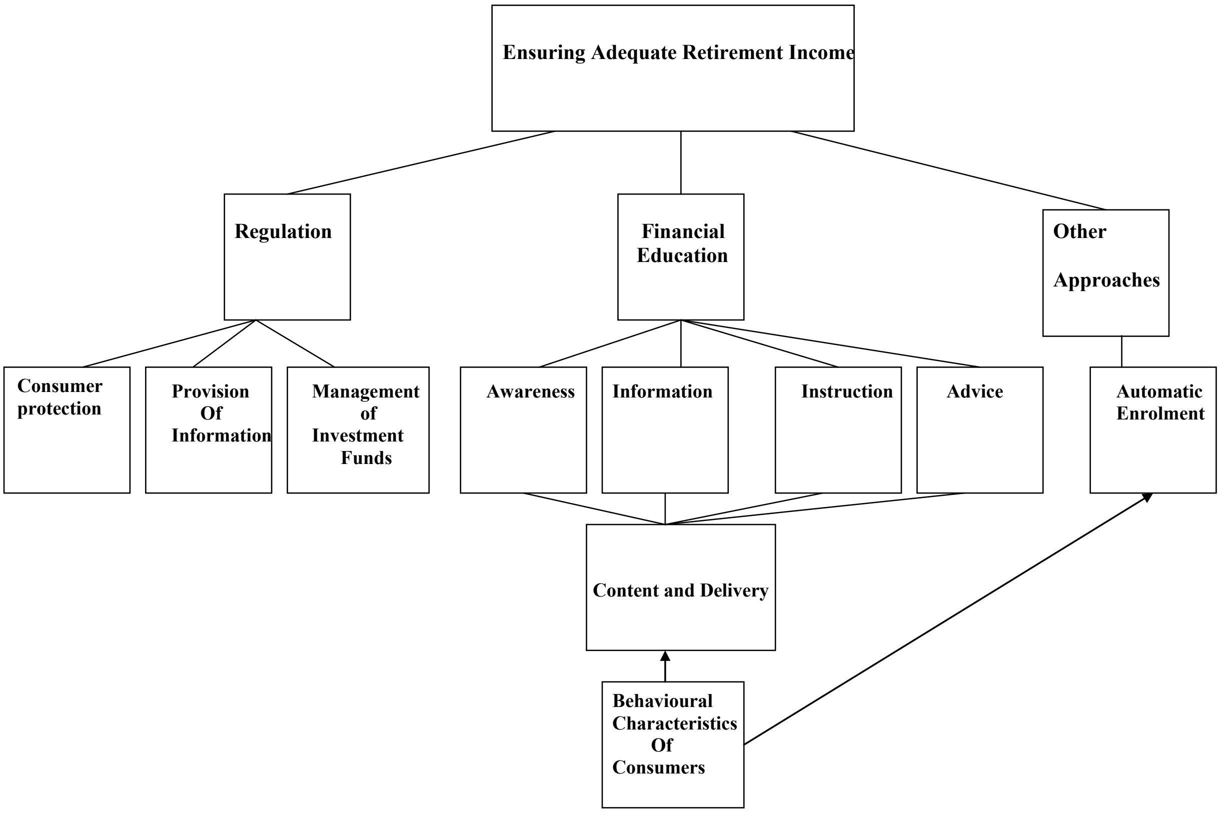
14. ***Individual choice***: As well as shifting to defined contribution plans, many pension schemes are also allowing individual plan members to make their own investment decisions. This is a natural response to the shift of market risks from employers to employees – and indeed is often being demanded by individuals (particularly where schemes are mandatory). The possibility of individual choice allows employees to take into consideration their individual risk profiles and preferences. The range of choices, however, differs greatly by country - for example, in Chile or the United Kingdom the assets manager, portfolio and payout provider may all be selected, whilst in Sweden only the first two choices are available and in Hungary only the assets manager. Some countries allow a full range of investments to be selected (e.g. the United States) whilst in other countries this is more controlled. However, the trend towards allowing more individual choice naturally requires advanced levels of financial education to ensure that pension beneficiaries make informed and suitable investment decisions.

15. The changing retirement saving landscape, combined with these demographic developments and policy responses, make financial education to improve individuals' knowledge and awareness of pensions ever more important. A fundamental driver for this need for increased financial education is the shift in risk, at least in part, from governments and financial institutions to households - seen most clearly in the switch from DB to DC pension plans. Individuals are facing an increasing number of financial risks, including investment risk during the accumulation phase, the risk of asset volatility at the point of retirement and longevity and inflation risk during the decumulation phase. The concern is that households may be neither aware of nor capable of managing these risks, most having only a limited experience with investing (e.g. via a mortgage or a mutual fund). Even if they are aware of the risks, they might lack the financial understanding necessary to appreciate how they may be affected by them – a concern highlighted surveys of financial literacy across countries. Thus, it is imperative that households be made aware that they will be increasingly bearing risks once borne by professional investors. They will need to be provided with information, advice, and assistance to help them manage these risks.

Section II – Current financial education programmes, related approaches and evaluations

16. Surveys and experience therefore show how financial education is urgently needed, and can play an important in helping workers achieve an adequate retirement income. However, financial education should be seen as only part of a broader strategy for achieving this goal. The following diagram illustrates various tools which have and can be used in combination by different countries to achieve the goal of helping to ensure adequate retirement incomes for their populations.

Figure 4: Tools for achieving adequate retirement incomes



17. It is clear from the diagram in Figure 4 that financial education, while important, is only one approach to ensuring that consumers have an adequate retirement income. In many cases it could be complemented by regulation, such as consumer protection, and /or by other approaches, such as automatic enrolment. Financial education serves to increase consumer awareness of financial issues, in addition to providing consumers with information, instruction, and advice on these issues. Providers of financial education must ensure that the content and the mode of delivery are appropriate for their target audience. The content and delivery mode will be determined in part by the behavioural characteristics of consumers, as well as by their economic and demographic characteristics. The behavioural characteristics of consumers will also influence the design of effective automatic enrolment plans.

1. Financial Education

Understanding the changing retirement environment[8]

18. An important role for financial education is alerting individuals to the importance of understanding the various retirement saving options (private pensions, retirement savings plans, social security, etc.) and of taking a proactive role in saving for retirement, ideally from an early age. Financial education can provide information on the characteristics of pensions and retirement savings plans so that the individual understands what actions he needs to take with respect to each of the options. For example,

[8] Unless otherwise indicated, the sources for the example financial education programmes illustrated in this section come from responses to the OECD questionnaire on financial education, sent to delegates of the Working Party on Private Pensions in 2005.

he will know that the will need to bear more of the responsibility (and risk) for this own retirement savings if he has a retirement savings plan than if he has a pension. He will know that in the case of a retirement savings plan he will have to make decisions about participation, contributions, and asset allocation.

19. In response to the changing retirement income landscape, public and private groups are initiating programmes to encourage retirement savings. In the United Kingdom, for example, the Department for Work & Pensions (DWP) is considering a DWP/Age Concern/Citizens Advice partnership to experiment with a number of ways to prompt and encourage people to save more, and to give them support for financial retirement planning into their future. Younger workers need to understand that it will not be possible to maintain the same forms of retirement income into future generations and they therefore will have to take on more responsibility for their own savings. In Canada, the Canadian Foundation for Economic Education (CFEE) issues a publication *Money and Youth* targeted to younger workers.[9] The publication includes sections on planning for retirement and getting started on investment and understanding investment options. In the United Kingdom, the Informed Choice initiative targets citizens under State Pension age. The highest priority audience are those who are unlikely to amass adequate savings during their working years, and who are thus vulnerable to much lower standards of living once retired. In 2006 the German Insurance Industry introduced, on a voluntary basis, a simple instrument which allows insured individuals to calculate their total old-age security and disability benefits from all three pillars ('Eigenvorsorge- Report' – www.eigenvorsorge-report.de). By comparing their future benefits with an individually chosen pension level they can calculate their individual pension gap – the 'Eigenvorsorge Report' being supported by an on-line calculator.

20. Older workers may also have to make some changes, e.g. extending their retirement age or at least not expecting to retire early. Individuals also need to understand that they might spend more time in retirement than they think. Financial education is needed to ensure that retirement income and pensions are adequate, and in addition financial education is increasingly needed to close the gap between the retirement people ***want*** and what they can ***afford***[10]. With shorter working lives and longer retirements ahead, individuals need to understand that increased savings are required for them to be able to live in the manner they hope for once they have stopped formal work, and indeed attitudes to work as a whole may have to change - perhaps with people taking on different jobs towards the end of their working lives (the concept of an active or working retirement). People will have to change their expectations of what retirement means and how it is funded. Financial education can and should play an important part in aiding the smooth development of these changes and avoiding intergenerational conflict. Germany is planning to launch a programme attempting to address these questions. *Fit in Altervorsorge* is an information campaign covering a series of training sessions targeted to the public and older workers "to help find the right path to an additional old-age pension." Most particularly the campaign reflects on such questions as, "What will be my financial situation in old age? Should I take out an additional private or occupational old-age pension, or both". Also available in Germany to both younger and older workers looking for retirement provision solutions are advisory services and consumer advice centres, and information services of trade unions and employers' associations.

21. Financial education programmes can also help governments explain to the public the terms of the debate when pension reform is on the political agenda. The recent Slovak government media campaign is an example of a successful explanation of pension reform (Jurninová, 2004). In addition, in countries in which pension reform is occurring, it is very important that workers be aware of the necessity of making

---

[9] Reviewable on CFEE's website: www.cfee.org

[10] See HSBC's survey, 'The future of retirement in a world of rising life expectancies: Attitudes towards ageing and retirement – a study across 10 countries' http://a248.e.akamai.net/7/248/3622/5d4393a0c726bf/www.img.ghq.hsbc.com/public/groupsite/assets/retirement_future/hsbc_future_of_retirement.pdf;brochid=VEGF3DCWMFYFHQFIYNKSGWQ

sound investment decisions and that they be provided with the information and skills that will enable them to do so. Financial education programmes can explain these pension reforms to consumers and help consumers make appropriate choices. In Finland, for example, major ongoing information campaigns have been organised by the Finnish Pension Alliance TELA and the Finnish Centre for Pensions to explain the pension reforms. The activities include special training for reporters, news flashes, an information magazine distributed to Finnish households, information brochures for the media and a television programme where specialists answer questions from the public. Care should, however, be taken with public campaigns to distinguish between financial education and political advocacy for a particularly form of pension or retirement income system. Public debate on pension reform needs both, but they should be clearly separated to allow citizens to make informed choices when consulted.

Understanding of investments

22. Financial education can contribute to the well-being of workers in retirement by providing them with the information and skills to make wise investment choices with both their pension plans and any individual savings plans. Programmes can provide workers with both basic financial information such as the trade-off between risk and return and the value of compound interest and more specific information about the advantages and disadvantages of particular types of investments. In Ireland, for example, the Irish Financial Supervisory and Regulatory Authority (IFSRA) is currently in the process of preparing two information booklets which will highlight the costs and risks involved with all forms of pension products. In addition, the Pensions Board and the Consumer Association of Ireland have published an information booklet on private pensions. Meanwhile in the United Kingdom, the Financial Supervisory Authority (FSA) requires providers of consumer products to produce explanatory documents and is currently bringing out a 'Key Facts' document which outlines proposals to make the information contained in the explanatory documents more straightforward, and to be given a "sharper focus".[11] Financial education programmes can also contribute to the well-being of workers by teaching them to be wary of schemes that promise high returns with low risks and by helping them ask the right questions about financial products and services. By providing accurate, objective, and easily understandable information, such as a discussion of investment terms and descriptions of the features of different types of investment, and by equipping workers with the skills to absorb this information, financial education can help them select the investment products and services that are most appropriate for their individual situations. For example, a financially educated investor would know that he should not concentrate an entire investment portfolio in one stock, whether this is his personal savings or an employer-provided defined contribution plan. One example of a good tool to do this is the FSA's Comparative Tables which help consumers in purchasing similar financial products from a range of providers, thus assisting them to shop around for products such as personal pensions, stakeholder pensions, and annuities.[12]

Improving the ability of financial intermediaries and pension fund fiduciaries

23. Though the focus of this report is on financial education for individuals - particularly in an environment with defined contribution pension plans - it is important to note that financial education programmes can also be targeted to the training of financial intermediaries. The licensing and training of those selling pension products and giving pension advice has been tightened in many countries. For example[13], the recently created Financial Services Act in the Netherlands requires that the financial advisor

---

[11] This 'Key Facts' document will include a two-page 'Quick Guide' that will describe life products. In addition, the FSA will also publish a Discussion Paper on projection rates.

[12] Financial education is also important for financial intermediaries and pension fund fiduciaries, as their actions will affect the retirement savings of individuals. See appendix for additional information.

[13] The following examples are taken from responses to the OECD questionnaire on financial education, sent to delegates of the Committee on Financial Markets in 2004.

assess the financial situation of the consumer, determine the degree of risk the consumer is willing and able to take, and provide the consumer with all the information necessary to adequately judge the financial products and services offered. The Financial Advice Consumers Act in Sweden ensures that individuals providing advice have the necessary skills, that the advice provided is appropriate for the specific needs of the individual consumer, and that the consumer is aware of the relationship of the advisor to any specific financial company. In Germany the insurance industry has since 1990, on a voluntary basis, provided testing and certification for their members after one year in-company training, aiming at high standards of intermediary expertise. 120,000 members have taken these 'BWV' tests – with a failure rate of 75-80% testifying to their high standard. In addition in 2002 BWV were in one of the founding institutes of the European Financial Certification Organistaion (www.eficert.org), which aims to standardize certification across Europe.

24. In addition to the financial education needs to individual consumers, another area of great importance for financial education specifically relating to pensions is the training of trustees and other fiduciaries – a topic which has generated much discussion in its own right and is not the main focus of this paper. As the financial environment has become more sophisticated and funding and investment decision more complex, so financial education for trustees and other pension fund fiduciaries, who either make these decisions or oversee experts who do so, is becoming ever more required - just as for individuals making their own asset allocations.

2. Regulation

Disclosure

25. However, financial education by itself can only go so far. In addition to helping individuals to understand their retirement needs and pension programmes, there is also the need to foster simpler, more easily compared information on pensions – given the complexity of these products. Education can bring levels of understanding '*up*' but it is also necessary to bring the information provided on individual's pension plans provided by pension plan sponsors '*down*' to a level which is easily understandable. Information needs to be provided in as simple a language as possible, with limited use of 'jargon'. For example, research by the Irish Financial Services Regulatory Authority (IFSRA) finds that for 75 per cent of consumers the written information on financial products is too difficult to understand (Keena, 2004). Policy measures may help market participants deal with investment and other risks by facilitating access to accurate and standardized information. Better information disclosure is also required to assess the extent to which financial intermediaries/advisers act in investors' interests – as severe 'information asymmetries' need to be overcome. Non-professional investors may simply be unaware of the potential conflicts of interests that might prejudice any investment advice they receive. Policymakers should also consider policies to improve the transparency of fees, or even capping them - though this is more controversial (For example only asset-based fees may be charged for stakeholder pensions in the United Kingdom, capped at 1%, and for mandatory individual account plans in Sweden, which are also capped). Better disclosure is also needed on the costs and benefits of financial products such as annuities and reverse annuity mortgages.

26. Currently, a number of countries require that certain information be provided to members and beneficiaries of occupational plans, such as information on the characteristics of the pension plan itself, detailed information on the projected level of retirement benefits, the range of investment options, the actual investment portfolio, the extent to exposure to risk, and the costs related to investments. The Canadian Association of Pension Supervisory Authorities (CAPSA) has produced a set of '*Guidelines for Capital Accumulation Plans'*- applicable to plans where members are permitted to make investment

decisions amongst options – which provides a useful set of 'good practices' for the information and advice that should be given to individuals to help them make these investment choices.[14]

27. A number of countries are considering regulations or legislation to improve the disclosure of information by financial institutions.[15] For example, in Hong Kong, the Mandatory Provident Fund Schemes Authority (MPFA) issued 'The Code on Disclosure for MPF Investment Funds' in June 2004 to MPF trustees, so that scheme members would be provided with clearer and easier-to-understand information, enabling them to make more efficient investment decisions. A government working group in Finland has recommended that all investment fund companies and investment service suppliers be subject to uniform regulation so that consumers would have access to comparable information about the costs and risk of different long-term savings products.

28. The OECD '*Guidelines for the protection of rights of members and beneficiaries in occupational pension plans*'[16], also address the issue of what information should be provided to pension fund members and beneficiaries (via Guideline IV on disclosure and availability of information). The guidelines state that members and beneficiaries should have a legal right to ready access or disclosure to basic information about the pension plan. This is taken to mean:

- adequate information regarding rights on access
- anticipated contribution and / or benefit accrual rates
- vesting schedules
- other rights and obligations
- investment policy
- the names and manner of contacting responsible parties for plan administration and governance
- the claims process or procedures

29. In addition, certain information should be provided to each individual prior to joining the plan and upon request afterwards, such as plan documents and information on the governing body; an explanation of promised benefits, and information on portability and the consequences of leaving the plan early. Other regularly disclosed information should include performance and levels of accrued benefits or an account balance, via a timely, individual benefit statement. Additional and more frequent disclosure for member-directed DC plans may be required, including enough information on financial instruments to make an educated decision and standard, comparable information on investment choices (including charges). Plan members should also be given written accounts of transactions and of any major changes to the scheme as well as notification if contributions have not been received. Whilst the guidelines recommend that all material should be in easily understandable and adequately delivered, they also note

[14] Available at www.capsa-acor.org http://www.capsa-acor.org/capsa-newhome.nsf/4a5938dfa169be3285256c1a00752c5d/bbe9515c561d349485256e91004f5e64/$FILE/Guideline+Number+3.pdf

[15] The following examples are taken from responses to the OECD questionnaire on financial education, sent to delegates of the Committee on Financial Markets in 2004.

[16] http://www.oecd.org/dataoecd/16/33/34018295.pdf

that consideration should be taken that no unnecessarily, over burdensome information be provided, and that costs be considered.

30. Given that workers will increasingly receive retirement income from a variety of public and private sources, it is becoming more important that information be provided to them on all sources of future retirement income. Individuals will not be in position to make decisions regarding private pension savings unless they know the level of retirement income they can expect from the state. The British government is in the process of developing such combined statements, believing that one of the best ways of helping people to plan for retirement is through the provision of personalised information regarding their forecasted state and private pension's positions. A state pension forecast can be applied for and the government has begun an automatic dispatch of such forecasts, mainly at first to self-employed people. In addition, the Government and several employers are collaborating to provide a combined forecast of state and current occupational or personal pension to company employees. In June of 2005, 8 million people were scheduled to receive state pension forecasts from the Government, while 6.3 million people were scheduled to receive combined pension forecasts. Starting in the Spring of 2006, British citizens will have a chance to calculate their total projected pension income (both State and private) and to obtain a forecast of the sum they might require during retirement through the use of the web-based Retirement Planner.[17] The Swedish authorities are also targeting combined pension projections.

31. How information is presented is also of great importance. Information should also be provided in as many formats as possible, to meet the preferences of as many consumers as possible.[18] Face to face programmes have been found to be the most effective, but are naturally expensive.

3. Other Approaches

32. Yet even where well educated individuals have access to all the information necessary to make rational decisions regarding their pension, problems may still arise. Improved financial education is the appropriate response if a lack of financial information or skills is the reason for low levels of saving, but an increasing number of studies in behavioural economics show that financial and savings behaviour relate to psychological factors. For example, several studies find that while a certain percentage of consumers are dedicated savers who think that individuals should take responsibility for their retirement, a much larger percentage have a 'live for today' attitude and prefer to spend money than to save it, or would like to save more but lack the willpower or are overwhelmed by too much choice.[19] These findings, therefore, show

---

[17] The difficulties of providing such combined statements should not, however, be underestimated – for a discussion on the topic see: 'Pension Reform, Financial Literacy and Public Information: A Case Study of the UK', by Edward Whitehouse, available on - http://siteresources.worldbank.org/SOCIALPROTECTION/Resources/SP-Discussion-papers/Pensions-DP/0004.pdf

[18] '*It's good to talk'*, IPE March 2003, available on www.ipe.com. The article discusses how pension funds have a wide range of options including journals and newsletters, presentations and road shows, internet websites and help desks. Examples quoted include ABN Amro Bank in the Netherlands, which used direct marketing rather than road shows to communicate its new 'hybrid' DC pension scheme to its 40,000 staff. Respondents to the discussed survey preferred face-to-face communication - preferably 'one-to-one'- with almost three quarters (73%) feeling that presentations and road shows are the most effective way of communicating with members, and 71% favouring helpdesks. A lower percentage (58%) found websites effective, and there was little enthusiasm for journals and newsletters (with only 46% thinking this the most effective channel of communication). A substantial majority (88%) agree that media coverage has made people more aware of pensions – though not always in a positive way.

[19] MacFarland, *et al*. (2003), study the link between psychological attitudes towards money and retirement planning using the results of a survey of 1141 randomly selected individuals in Vanguard recordkeeping plans. The authors find that attitudes are important and are linked to specific behavioural differences with respect to

heterogeneous savings behaviour across consumers, which has important implications for the design and implementation of effective financial education programmes.[20] For example, in order to meet the needs of those consumers who are "non-planners", financial education programmes will need to emphasise simpler decisions and tangible present-day (as opposed to some future day) benefits, using less but explicit and direct information, reduced complexity, and fewer choices.

33. Yet even these directed schemes may not be sufficient, and studies therefore conclude that for some consumers in this group of non-planners, financial education may not be the only solution, and other measures may be required to ensure adequate level of savings for retirement. For example:

Automatic enrolment and other schemes

34. It has been suggested that what might be best for this group of 'non-savers' is automatic enrolment in a pension plan with appropriate default options with respect to contribution rates and investment allocation – ensuring an adequate level of saving for retirement even if they do nothing. Choi, *et al*. (2002), study the impact of automatic enrolment in 401(k) plans using both a survey of individual savings adequacy and an analysis of administrative data on the 401(k) savings behaviour of employees in several large corporations that had implemented changes in their defined contribution plans.[21] The authors note that sponsors of financial education programmes need to keep in mind a key behaviour variable—that employees often follow the "path of least resistance". In other words, employees will often do what is easiest, which may be nothing, a phenomenon that the authors call a "passive decision." Thus, by changing the design of the 401(k) plans so that the default is automatic enrolment when the employee becomes eligible, participation rates can be greatly increased and few employees ever take action to disenroll. Participation rates under automatic enrolment are between 86 and 96 per cent after six months of tenure at the companies studied. Before automatic enrolment, participation rates at six months of tenure were between 26 and 43 per cent. The authors conclude that plan design can significantly affect the savings behaviour of individuals. However, despite growing enthusiasm for automatic enrolment (e.g. both the New Zealand and UK governments are working on automatic enrolement in pension schemes for all workers) experience of using such techniques and evidence of their impact is still fairly limited. In addition as few employees opt out of default options, governments' or employers' choices of default savings rates and default investment funds have significant effects on savings levels of employees and could have implications for liability (a concern which has been raised in Germany, for example). It should also be noted that the use of default options does not remove the need for financial education as individuals still need to decide whether its is optimal or not for them to remain in such schemes.

35. Thaler and Benartzi (2001) address the issue of low savings rates in 401(k) plans and suggest an approach for increasing those rates. They base their approach on research showing that individuals prefer future opportunities to save over current ones, that due to inertia and procrastination individuals tend to stay in a programme once enrolled, and that due to loss aversion individuals are reluctant to increase their retirement savings if this means a reduction in take-home pay. These principles were used to design the *Save More Tomorrow* (SMT) programme, which gives workers the option to commit themselves now to

---

plan participation, investment decisions, and engagement with retirement plan accounts. They find in their sample that slightly more than 50 per cent of participants have no strong retirement goals and lack the discipline to set and adhere to goals; consider financial matters to be a source of stress, anxiety, and confusion; or are uninterested in the future.

[20] These findings also suggest that, in some cases, a strengthening of consumer protection and of the regulation of financial institutions might be required to address deficiencies in financial capacity.

[21] By matching responses to their survey with administrative data, the authors determine that almost none of the employees who reported that they intended to increase their savings rate in the next two months actually did so.

increase their savings rate later, for example, each time they get a raise. This programme has been introduced in several firms. Where it was used in conjunction with an investment consultant who met with the employees and discussed savings options, the workers who joined the SMT plan tripled their saving rates in 28 months from 3.5 per cent to 11.6 per cent.

Number of choices

36. Framing the way choices are offered has also been shown to impact and potentially improve investment decisions – i.e. moving from a *libertarian* solution (involving better disclosure, financial education etc.) to a *libertarian paternalistic* one. Studies in behavioural finance also show that individuals react to risk in different ways depending on how options are "framed", which may lead to misinterpretations and wrong choices[22]. Workers also seem to be overwhelmed by 'choice overload', with consumers less motivated to choose, less committed to the decisions they make, less likely to choose optimally and more likely to opt out of the system altogether, particularly if time and effort are needed to make informed decisions (see Iyengar *et al*., 2003). In the United States pension's literature, observers have long observed a negative effect of number of choices on plan participation[23], whilst the actual experience in Sweden is that over 90 percent of participants end up in the default fund (OECD, 2005b). The notion of diminishing marginal utility therefore seems to apply also to the number of portfolio choices offered. Limiting options to a manageable number can simplify decisions by individuals and provide incentives to save more for retirement, apart from lowering administrative costs. This research finds that participation rates peak when only two funds are offered. As the number of funds increases, participation rates decline (by 1.5 to 2% for every 10 funds added). One implication arising from this research is that employers could use a "tiered" approach in which a limited number of options, say fewer than ten, is offered on the first tier, with one choice being "additional funds", providing sophisticated workers with many more options and thereby preserving individual choice. The extent of investment choice, however, will vary depending on the nature of the pension plan, the conditions in the relevant securities markets, the role of the pension plan in the broader retirement income security scheme of the particular country, and other similar factors. The decision to limit choice should be weighed against the need to provide sufficient diversity of choice and assure a competitive market.

Default options

37. Related to framing the number of choices, it is also important to have a well designed default option, given that many individuals take this option as they do not wish to or do not feel able to make their own investment decisions. However, there is debate as to what constitutes a 'well designed' default option. In some countries, like the United States, plan fiduciaries are increasingly selecting life-cycle funds as the most appropriate default option. This is also the most common default choice in the Latin American region and is also being used by some private funds. These consist of portfolios that become more conservative as the member ages. For example in Chile, Mexico and Peru individuals who do not make an active investment choice are allocated to the provider's different funds according to age. In Chile, up to age 35, individuals are assigned to fund type B, which has a considerable equity component. Men between 36 and

[22] Benartzi and Thaler (2002) conclude that autonomy with regard to retirement savings has very little value because individuals have difficulties choosing their portfolio in a consistent manner. MacFarland et al (2003) study the link between psychological attitudes towards money and retirement planning. The authors find that in their sample more than half of the participants have no strong retirement goals and lack the discipline to set and adhere to goals, consider financial matters to be a source of stress, anxiety, and confusion, or are uninterested in the future. In their survey of Dutch workers, Van Rooij et al (2004) conclude that individuals generally prefer low-risk, low-return portfolios for their retirement savings but tend to choose a portfolio with more stocks than they had initially opted for.

[23] Iyengar et al. (2003)

55 and women between 36 and 50 are put in type C and the oldest workers into type D. No one defaults to type A or E (the most and least risky) funds. With the introduction of investment choice in Mexico, the SIAFORE Basica 2 is the default option for all workers except for those who are 56 or older, who are assigned to SIAFORE Basica 1 (unless they choose otherwise). This gives some equity exposure to younger workers by default. Similarly in Peru, under-60s default to the mixed fund while over 60s are allocated to the conservative fund unless they choose otherwise.

38. In other countries default funds are based on risk pooling principles, providing smoothed returns, or consist of insurance products offering guaranteed returns, like the guarantee investment contracts offered in many 401(k) plans in the United States or a deferred annuity. The designers of such default options presume a high level of risk aversion by plan members, and therefore try to ensure that the default should come as close as possible to providing a risk free rate of return to contributions and provide a high level of protection against longevity risk.

39. In Australia the typical default portfolio is a 'balanced' fund, with an equity weighting of typically around one half of the portfolio. In Sweden the Premium Pension Authority (PPM) sets out the objective of the default fund as: "People who do not have a fund manager, for whatever reason, should receive the same pension as others – that is our goal". However, this objective can be interpreted in a number of different ways. Observing what the PPM has done, it is clear that low administrative charges are a key goal: investment-management fees are 0.15% of assets, compared with an average of 0.6% for active choosers. The default fund has just 13 employees and contracts asset management out to a range of mainly indexed funds. To achieve the overriding objective of matching the returns of active choosers, the default fund's portfolio is similar to the average, with 82% in equities (17% domestic, 65% overseas), 10% in inflation-indexed bonds and the rest (8%) equally in hedge funds and private equity. It is important to note that this rather aggressive portfolio is because 16% of the pension contribution goes into the public scheme and just 2.5% into the DC account. In Hong Kong Mandatory Provident Fund Schemes are required by legislation to offer at least one constituent fund in the scheme in the way of a capital-preservation fund. Likewise the default portfolio in Estonia and the Slovak Republic is the conservative fund. However, such funds may be too conservative, particularly for younger workers, and risk not building enough assets to ensure an adequate retirement income. Since workers tend to remain in the default solutions, participants risk getting locked into retirement savings arrangements that do not work to their best advantage. Default funds may also vary depending on the size of the public pension. of the public pension.

4. Case Studies

Overview

40. The OECD's survey of financial education programmes in member countries identified 19 countries that already provide, or are planning to provide, workers with information about pensions and how to invest their savings for retirement: Austria, Australia, Canada, Czech Republic, Finland, Germany, Hungary, Ireland, Italy, Japan, the Netherlands, New Zealand, Poland, Portugal, Turkey, Mexico, Sweden, the United Kingdom, and the United States.

41. The most frequently used way of providing retirement savings information is through publications. These come in a variety of forms including brochures, magazines, booklets, guidance papers, newsletters, annual reports, direct mail documents, letters and disclosure documents. The majority of providers of these publications are from the public (or semi-public) sector: government agencies, ministries (of finance and social affairs), central banks, and regulatory and supervisory authorities. Consumers' and employees' associations as well as pension fund organisations are also important providers of these publications. Most publications are intended for a broad selection of investor population groups, but a few target specific groups including employees and members of specific pension funds.

42. The next most frequently used method of providing retirement savings information is through websites. The topics covered and providers of these websites are similar to those of publications. Most sites are intended for all investor population groups. An example of such a site is that of the Investor Education Fund in Canada (www.investored.ca/), which contains several investment calculators and a variety of resources to help investors determine their risk level. In contrast, one initiative in Poland is targeted particularly to insurance and pension fund clients. Another project in Sweden is a web portal grouping together the numerous information pages and websites already in existence which provide information and advice on the many different pension systems available to future Swedish retirees.

43. Training courses are also often used to deliver financial information on pensions. Providers range from employers (United States) to pension fund organisations (Netherlands) and an independent retirement investment information service (Australia). Courses also tend to be targeted at a specific population group—employees or company board members and/or policymakers, for example.

44. A number of countries have undertaken public education campaigns for the promotion of financial education on investment and saving. Providers of these campaigns span the public, semi-public, private and independent non-profit sectors and include regulatory and supervisory bodies, government agencies, and consumer associations. They also include a variety of methods of provision—brochures, websites, radio, television, etc.

Selected examples[24]

45. For some countries it is governments and regulators that provide information and education on general issues, while financial institutions provide more specific product information, whilst in others regulations exist on the types of information employers can provide. It is important to have some coordination on the provision of information because although information about pensions is widely available, people do not know which sources to trust, how to access it, or how the information relates to their circumstances. Successful programmes have been shown to be ones with a strong leader, but involving many different partners (e.g. the Pensions Awareness Campaign in Ireland). The following examples show the different roles played by the various parties in campaigns taken from the 14 survey responses provided by Working Party representatives.

a) Government – Awareness Campaigns

46. ***Australia:*** After the superannuation choice of fund legislation[25] went into effect on 1 July 2005, the government directed the Financial Literacy Foundation (a division in the Department of the Treasury) to coordinate with ASIC (the Securities and Investment Commission) and ATO (the tax office) in implementing the choice of fund policy. The government allocated almost $20 million over two years to fund education initiatives associated with the implementation of fund choice. This education campaign includes four main activities which aim to raise awareness: a call centre to reply to questions regarding fund choice; the Super Choice Internet site [www.superchoice.gov.au]; written publications targeted to employees and employers informing them of their obligations and rights; and an advertising initiative informing employers and employees of their obligations and rights provided for by the choice law. A recent evaluation of the campaign's first phase concluded that consumers and employers rated the initiative highly. The campaign will be further developed, particularly amongst employer groups, in 2006.

[24] Unless otherwise indicated, the sources for the example financial education programmes illustrated in this section come from responses to the OECD questionnaire on financial education, sent to delegates of the Working Party on Private Pensions in 2005.

[25] As a result of this legislation, Australian workers are able to select their own superannuation fund. Previously, the employer chose the superannuation fund.

47. *Italy:* The Directorate for Communications of the Ministry of Labour has begun designing an educational campaign, in cooperation with COVIP (the pensions supervisor), prior to the final approval of the country's pension reform. This campaign will provide workers with information on all aspects of reform of the Italian pensions scheme, on the characteristics of different pension plans, and on the different choices available to workers. The campaign will likely include: a dedicated Internet site with links to appropriate pension-related sites, a telephone call center with operators knowledgeable about the reform, a brochure describing the reform and the choices that workers need to make (to be sent to all private sector employees), and announcements and advertising in the media (newspapers and magazines, radio and TV). This educational campaign will have a dedicated budget of 17 million euros as well as additional funding from the internal resources of the relevant government agencies.

48. *New Zealand:* As part of the KiwiSaver initiative[26], a new voluntary work-based retirement savings scheme, the government has developed a national financial education campaign. The purpose of this educational campaign is to provide workers with the basic tools required to make simple financial decisions. Initially, the campaign will provide workers with information that will enable them to decide if KiwiSaver is appropriate for them, if it will help them achieve their savings goals, and if they can afford to participate. Officials are hoping that the KiwiSaver educational campaign will be able to build on and complement financial education work already being conducted by a number of government and non-government departments and agencies. It is expected that the KiwiSaver financial education campaign will contribute to improving the level of financial literacy amongst employees in New Zealand. The end goal of the programme is to develop a "well-regulated financial intermediary industry" and a "well-informed workforce".

49. *United States:* The public information campaign, *Choose to Save*, advocates the idea that in order to ensure a secure financial situation for the future, consumers must start saving today[27]. The programme, provided by the non-profit Employee Benefit Research Institute (EBRI), is delivered nationally using a wide range of media including newspapers, radio, television, and the Internet, train and bus advertisements and conferences. Partners such as the United States Department of Labor co-operate on producing written materials including booklets (*The Power to Choose)* and brochures (*Top Ten Ways To Save for Retirement)*. Public service announcements originally developed for radio and television stations in just one metropolitan area are now broadcast in forty-nine states. Meanwhile, since 1997, four television news specials called *The Savings Game* have been broadcast on primetime in one metro area and also nationally on cable stations, with the total value of their airtime already exceeding $20 million. Internet tools are also provided such as the *Ballpark Estimate Retirement Planning Worksheet,* (www.choosetosave.org/ballpark/) which helps consumers estimate how much they need for retirement savings, and over 100 online financial calculators, which assist investors with a wide range of financial planning issues including credit, budgeting, home purchase mortgages and all aspects of their future financial security. Funding and materials for these programmes have been provided by private sector companies, partner institutions of the American Savings Education Council (ASEC) and EBRI members.

[26] The scheme provides for all employees starting a new job to be automatically enrolled. They will have the option to opt out after an initial cooling off period. Employees will contribute at a rate of four or eight percent of their salary or wages. Employee contributions will be directed to privately provided investment vehicles and will be locked in until the age of 65. Members will be entitled to withdraw their funds earlier than the age of 65 for the purchase of a first home. The government would be providing an up front contribution to each member's accounts and will be contributing towards the fees. Members will be able to make an active choice about the investment vehicle that they will be contributing towards. If no active choice is made, the member will then be allocated to a default option. The default provider or providers will be selected by the government. Employers are also able to select default providers for their employees. This will not affect the member's ability to voluntarily select a provider themselves.

[27] More information available from: www.choosetosave.org.

b) Pension Regulators and Securities Market Supervisors– Information Provision

50. ***Mexico:*** The 1997 reform replaced the country's pay-as-you-go (PAYG) system with a defined contribution system based on individual capitalisation accounts managed by specialised financial institutions, called the Afores.[28] The new pension system has generated a need to provide more information for workers and to introduce them to a basic financial education scheme related to the pension system. The Mexican government agency, Consar, has responsibility for disseminating such information on the new pension system and aims to let employees know that it is important to select an Afore[29] with the smallest possible commissions and greatest possible returns. It does this through a permanent information campaign provided in partnership with Afores, unions, the private sector and employer associations, and targeted to workers. The campaign's main goal is to generate interest and concern among employees about preparing effectively for their retirement. The campaign uses Internet and all media channels (TV, radio, newspapers, magazines, billboards) for its principal delivery methods. More specifically it publishes printed materials, such as wall posters and advertisements in newspapers and magazines, and online materials, such as banners on principal Internet sites.[30] It also diffuses radio and television advertisements, and places posters on information stands nationwide.[31] Materials are intended to develop workers' interest in their retirement. They include questions such as: "Do you prefer 15% more or less in your retirement", "Do you know how much your Afore is charging you?", "Are you indifferent?" Moreover Consar agents make personal visits to companies and associations, and seminars and round tables are also organised. As a result, Consar has succeeded in achieving a closer relationship with workers, thus allowing them to understand and take stock of all the options they have to enhance their personal retirement savings.

51. ***Spain***: The supervision of Pension Funds is carried out by the General Directorate of Insurance and Pension Funds. On the website of this directorate (www.dgsfp.mineco.es), members of pension funds can find information about balance sheets and profit and loss accounts of pension funds, register information, regulation on courses, sectorial statistics, consultations to clarify regulations, frequently asked questions and about the process to make a complaint against the managing entity.

52. ***Italy and Spain:*** The websites of these countries' respective securities markets supervisory authorities (Consob in Italy and CNMV in Spain), both feature an *Investor's Corner* to draw the investor's attention to relevant information.[32] Consob's *Investors' Corner* is divided into four sections: the first section, "Warnings" includes the latest notifications (from Consob or corresponding foreign authorities)

[28] Responses to the OECD questionnaire on financial education, sent to delegates of the Working Party on Private Pensions in 2004.

[29] Specialized financial entities managing and promoting the individual accounts part of Mexico's system and responsible for the investment of resources through the Sociedades de Inversión Especializadas en Fondos para el Retiro (Siefores) (Investment Funds Specialised in Funds for Retirement).

[30] These materials include detailed information regarding the equivalent fees (a calculation made by Consar in order to make comparable the different kind of fees that the Afores charge) and how to compare the final balances you might obtain with each Afore, either by Internet or by telephone, the "final balance calculator" (a special software programme created by the Consar that gives the workers the approximate amount of money that they could have at the end of his labour life, based on their actual age, income and the Afore that manages their funds).

[31] The information stands are located at commercial centers, subway stations and some strategic points in the main streets. This booths are easy recognizable and one or more specialists are there in order to resolve any questions that workers might have. They also have a variety of materials to support and extend their explanations.

[32] Responses to the OECD questionnaire on financial education, sent to delegates of the Committee on Financial Markets in 2004.

about frauds or abusive activities; the second, "Dos and don'ts", gives suggestions to follow before, during and after signing an investment contract and particularly underlines the importance of an appropriate information relationship between investors and intermediaries; the third, "Know the risks", is a page stating the risks of investments in financial instruments; the fourth and final section, "Investor education" (launched in 2001) details all the educational campaigns elaborated by Consob as well as including other helpful information pages[33]. In addition the Italian supervisory authority on insurance companies – ISVAP – has enhanced its commitment to providing education and information. In 2004 a practical guide to insurance was published as an information and support tool for policyholders - available via ISVAP's website www.isvap.it. The website also has a section dedicated to consumer information that describes the main characteristics of insurance products, including pension insurance contracts, in clear and simple language. ISVAP have also issued specific instructions to insurance companies aimed at enhancing policyholders awareness about the features of life insurance products, including those designed to implement individual pension plans[34]. *Corner (Rincón del inversor*) of CNMV's website gives clear, detailed information on the functioning of Spanish securities markets, and is organised in a similar way to its Italian counterpart: it is clearly divided into three sections - Information, Help to Investors and Warnings[35]. *Investors' Corners* are also found on the websites of the regulatory and supervisory authorities of Turkey and Japan. The Spanish National Commission of Securities Markets (CNMV) publishes Investor Information Guides on topics related to different areas of the securities market (i.e. intermediaries, products, etc.). One set of guides is published under the title *What you need to know about…*, and deals with the main securities market topics, such as mutual funds, fixed-income products, and the rights and responsibilities of shareholders. In 2003, 200 000 copies were distributed free to investors. The CNMV intends to accompany the launch of new and more sophisticated products (e.g. equities, derivative products, etc.) with a further set of *Investors' Guides*, in order to familiarise more experienced investors with more complex financial services. In addition, the pension fund supervisor in Spain, the General Directorate of Insurance and Pension Funds, also provides information on pensions. Their website (www.dgspf.mineco.sp) provides pension fund members with information on the balance sheet and profit and loss account of pension funds, clarifying existing and informing about forthcoming regulation, as well as statistics related to the sector, FAQs and how to make a complaint.

53. ***Poland:*** The Polish Securities and Exchange Commission (PSEC), a central government authority, produced in 2003 the "Investor's Guide", which included basic information on investing in the Polish capital market.[36] Updated and reissued in 2004, this guide initiated a series of brochures targeted at beginner investors (i.e. those with no dealings in the capital markets as yet and wanting to learn about investment possibilities or those who have just begun investing in the capital markets). Three Investor's Guides, entitled *Investment Funds*, *What to Invest in—Investments ABC,* and *Sources of Information on the Capital Market*, were published in 2004. In addition, the PSEC prepared a booklet on the Individual Compensation Scheme, which the Polish authorities consider is particularly important from the investors'

[33] These information pages include informational documents on "Mutual funds", offering information in plain language about these products; "Covered warrants and structured bonds", a page helping investors understand the specific features (e.g. reverse convertibility) of these structured financial products and offering animated presentations as well as two calculators making it easier to calculate the price of structured bonds or to compare the price of similar covered warrant offered in the market.

[34] See ISVAP circular 551/2005.

[35] Also to be found on the CNMV website are columns offering concrete, practical advice when dealing with investment institutions and intermediaries[35], warning messages on unregistered companies, a list of necessary precautions for investors in order to operate safely in the securities markets and glossaries of financial terms (available at http://www.tesoro.es/sp/deuda/glosario.asp).

[36] Responses to the OECD questionnaire on financial education, sent to delegates of the Committee on Financial Markets in 2004.

point of view. The PSEC also published a series of books providing detailed information on the capital market for more financially literate investors.

c) Social Partners and Others - Instruction

54. ***Austria:*** A wide variety of investment publications are offered by private, non-profit entities such as the employees' association, the Austrian Chamber of Labour (BAK).[37] BAK publishes and distributes brochures targeted at employees (such as *The Savings Book, Financial Investment and Financial Advisor, Building Loan Agreement, 10 Steps to Employee Assessment*). These brochures cover issues specific to employees and include information on all kinds of investment products in which they could potentially be interested, including stocks, securities, and funds. For each particular investment product discussed, the publications also point out the associated advantages, disadvantages and risks. Published in October 2003, these brochures are also available on the Internet.

55. ***Czech Republic:*** Fit for Investment, a programme targeting private investors and initiated in 2002, is provided by ČEKIA (an information agency).[38] Partners in the programme include the Association for Capital Markets (AKAT) and The Union of Investment Companies (UNIS CR). The main aims of the programme are to enhance knowledge of public investors about investment principles and to reinforce trust in the capital market. The programme does this through a series of training courses and annual conferences, called "Investment Opportunities", and the "Fond Market". The seminars attract over 300 individual investors every year in most major cities but mainly in Prague. In 2004, Fit For Investment continued to draw on the financial support of major Czech capital market players, such as IKS KB, FIO, Pioneer Investment and others.

56. ***UK:*** The Trade Union Congress (TUC) in the UK is a good example of the role which trade unions can play in financial education relating to pensions. In addition to keeping members informed and knowledgable regarding the pension environment and reforms (via detailed briefings and reports on pension policy), the organisation also provides specific information and training relating to pensions. Publications provide members with detailed information on pensions and leaflets have been targeted specifically at young members to highlight the need to save early on in life. The TUC also provides training for pension fund trustees.

d) Employers – Financial Advice

57. ***Japan:*** In corporate-type DC plans (introduced into Japan from 2001), participants make their own investment decisions and bear the investment risk – so that, in terms of fiduciary duty, employers sponsoring plans do not owe the duty of care directly in relation to asset management investment. However the new 'Defined Contribution Pension Law'(DCPL) requires sponsoring employers to give so called 'investment education' to participants so that they can make investments based on their own responsibility (DCPL Art.22), and this requirement does fall under employers' fiduciary duty of care. According to a notice from the Director of the Pension Bureau (which is under the Ministry of Health, Labour and Welfare) investment education includes: information on DC plans, other corporate plans and public pensions; characteristics of financial products such as bank deposits, investment trusts, bonds, stocks and insurance; basics of investment such as types and characteristics of risk and return. An employer can

[37] Responses to the OECD questionnaire on financial education, sent to delegates of the Committee on Financial Markets in 2004.

[38] Responses to the OECD questionnaire on financial education, sent to delegates of the Committee on Financial Markets in 2004.

entrust the investment education duty to an operation management institution. In this case, the employer is under the duty of care in designating and supervising the operational management institution[39].

58. ***United States:*** Employer-provided financial education programmes include those operated by companies such as United Parcel Service (since 2000) and Weyerhaeuser Ltd (since 1984) on long-term planning for savings and retirement. Both initiatives include classes of one or two days in length and are offered at regular intervals, with keen support from management. They are targeted at specific age groups and provide employee participants with a good range of resources and written materials (such as course book manuals which include explanations as to how company benefits fit into broader financial planning strategies). Building on existing written materials and resources, the UPS programme offers a web-based service assisting employees with the development of a personal financial action plan as well as computer software providing advice on debt management, budgeting, insurance, and retirement and personal savings. By contrast, Weyerhaeuser Ltd approaches its programme provision in a more "holistic" way: the company's programme covers non-financial advice for employees such as how to improve their quality of life and maintain good health (Braunstein and Welch, 2002).

5. Evaluations of Financial Education programmes with respect to retirement savings

59. Having discussed the need for financial education in general and specifically the growing need for financial education in relation to pensions, this paper has set out some examples of programmes run by different parties in various OECD countries. What can be said in terms of what works well in these programmes, and what conclusions can be drawn?

60. Given the increasing responsibility of individuals for their retirement incomes, it is important that they make the best choices possible. Improving the financial knowledge of individuals will certainly play a role. Therefore, an assessment of the effectiveness of financial education programmes in improving this knowledge and an evaluation of what approaches have worked well is important.

61. Evaluations of financial education programmes undertaken so far come from the United States. These can be classified as either subjective or objective. The subjective evaluations ask participants in the financial education programme for their views about the information provided and about whether in response to this information they intend to change their behaviour by, for example, saving more or opening up a retirement account. This can be done by surveying participants both before and after they have taken a course in financial education. The objective evaluations identify some goal, such as an increase in participation rates or in contribution rates to a defined contribution plan, and then use data and statistical techniques to determine whether there is a significant relationship between attendance at a financial education programme and change in the goal variables[40].

Subjective evaluations

62. Financial education seminars have an effect on individuals' retirement goals and savings behaviour according to one study. Clark, *et al.* (2003), look at responses to questionnaires distributed at 60 TIAA-CREF financial education seminars held at educational institutions and non-profit organisations in

---

[39] See 'Reconsidering Japanese corporate and personal pensions: from a legal point of view', Hideyuki Morito - http://www.oecd.org/dataoecd/51/30/2763645.pdf#search='Reconsidering%20Japanese%20corporate%20and%20personal%20pensions%3A%20from%20a%20legal%20point%20of%20view%E2%80%99%2C%20Hideyuki%20Morito'

[40] With respect to 401(k) plans, there are five behaviours that can be monitored to measure the impact of financial education: changes in participation rates, changes in contribution rates, changes in investment allocations, loan activity, and rollovers by terminated employees.

the United States between March 2001 and May 2002[41]. Participants completed a survey on retirement goals, attended a one-hour financial seminar, and then filled out a second questionnaire to see if these retirement goals had changed. In analysing the results, the authors find that 34 per cent of the participants changed either their retirement income goal or their retirement age goal in response to the seminar. Ninety-one per cent of respondents reported that they anticipated making changes to their retirement savings plans. The authors conclude that the provision of financial information has an important effect on saving for retirement.

63. As discussed in the following section, these results do support those of other studies that use objective evaluation methods. There are several limitations to this study, however. This survey looks at the responses of those who chose to attend the seminar and, who therefore, might be more disposed to change their behaviour than individuals not attending the seminar. In other words, their behaviour might not be representative of the average worker. More important, there was no follow-up to see if respondents actually carried out the actions they said they intended to do. There can be a big difference between what individuals plan to do and that they actually do.

Objective evaluations

64. A 1996 NBER study finds that participation in and contributions to voluntary savings plans [401(k) plans] are greater when employers offer frequent retirement seminars (Bayer *et al.*, 1996)[42]. The authors find that non-highly compensated workers experience the largest effects, with a 12 percentage point increase in participation rates and a one percentage point increase in the contribution rate[43]. Highly compensated workers experience an increase in participation of six percentage points but no increase in contribution rate. Lusardi (2003) also finds that attending a retirement seminar increases workers' savings. The effect of the seminars is especially strong for those with low levels of education and those with low levels of savings. Using data from the Health and Retirement Study, she finds that attending retirement seminars increases financial wealth by 18 per cent. For those at the bottom of the distribution, the increase in financial wealth is 70 per cent.

65. The evidence on the effectiveness of brochures and other written material is more mixed. Bayer *et al*. (1996), find that written materials, such as newsletters and summary plan descriptions, have no effect on participation and contribution rates. However, Clark and Schieber (1998), using employment records gathered by Watson Wyatt Worldwide from 19 firms covering 40,000 employees, find that certain types of written material do have an effect. They compare three levels of plan communications: distribution of plan enrolment forms and required periodic statements of account balances, provision of generic newsletters related to participation in 401(k) plans, and provision of materials specifically tailored to the 401(k) plan sponsored by the individual company. The authors find that the provision of generic newsletters increases

[41] TIAA-CREF are non-profit organizations providing financial products to individuals in education, research, and health care. Topics discussed at these seminars include the amount of retirement income needed to maintain pre-retirement consumption; the amount of saving needed to achieve the retirement income goal, and the risk-return characteristics of alternative investments. Participants were also asked if they intend to change the allocation of their invested funds in response to the seminar. The sample consists of 663 participants who completed both questionnaires.

[42] The authors used data from the 1993 and 1994 versions of the KPMG Peat Marwick Retirement Benefits Survey. This survey included approximately 1100 employers selected at random from a list of al private and public employers in the United States with at least 200 employees. Employers were asked about the administration, features and employee utilisation of their retirement plans, as well as the extent to which they provided financial education and guidance to their employees.

[43] Given that the average contribution rate is three per cent, an increase of one percentage point represents an increase of 33 per cent in the contribution rate.

participation by 15 percentage points while the provision of information specific to the individual company's 401(k) plan increases participation an additional 21 percentage points. Thus, employee participation in voluntary retirement plans can be increased by 36 percentage points if a company provides both generic and specifically tailored financial information. The authors also find that the provision of information specific to the company's 401(k) plan increases the contribution rate by two percentage points. However, the contribution rate is not significantly affected by the provision of generic newsletters on 401(k) plans.

66. A survey by Ernst and Young (2004) of human resources and employee benefits professionals in a cross section of large employers finds that personalised counselling programmes are most important in changing participant behaviour and that financial information alone is not sufficient. In most of the firms surveyed there is little response to traditionally provided financial education such as brochures upon enrolment and quarterly statements thereafter. When employers use more personalised programmes such as telephone or in-person counselling, there is a substantial increase in the percentage change in participant investing. The study concludes that one-on-one counselling is better able to help employees understand the importance of saving and to equip them to determine the best course of action to meet their financial needs. However, such counselling can be expensive for employers to provide

Section III – Conclusions and lessons learnt

67. The following lessons can be drawn from the surveys considered and the case studies examined:

- ***Broad Based***: Surveys show that many consumers have little knowledge about common financial products and lack information on such basic financial issues as the relationship between risk and return. These problems are particularly acute in relation to pension and retirement savings products. Financial education programmes therefore need to be targeted to reach as many consumers as possible, particularly when they relate to retirement savings issues. For example, policymakers might consider conducting national campaigns to raise awareness about the importance of understanding saving for retirement, the changing nature of the retirement savings environment and the increased responsibility of individuals. Some of the most successful campaigns are ones with a strong government lead but supported by a wide range of social partners, as well as industry and other groups.

- ***Targeted:*** Although financial literacy levels are low in general for consumers, they are especially low for certain groups of consumers, such as the less-educated, those at the lower end of the income distribution, and minorities – groups which are particularly vulnerable when it comes to securing adequate retirement income. Thus, policymakers should consider targeting specific financial education programmes to those groups of consumers who are most in need of it. Moreover, programme content could also be adapted to suit the specific characteristics and needs of different audiences. For example, young people, who tend to show aversion to riskier investment products despite the fact that they theoretically should accept greater risks due to the "time horizon" of their retirement-related investments, need information and education on the risk-return trade-off; and self-employed workers, for example, who tend to be able to select their own retirement savings providers, require education and information about the varying costs of different retirement products and providers.

- ***Realistic comprehension:*** Despite the surveys clearly demonstrating low levels of financial understanding, consumers have also been shown to feel more confident than their actual financial knowledge warrants. An important aspect of financial education programmes is increasing consumers' awareness of their need for financial information, so that they will then seek it out. A particular challenge with pensions is overcoming individual's 'myopia' regarding long-term savings persuading them to start saving from their retirement early enough. Therefore, financial education programmes reaching individuals whilst still in education or immediately when they start work may be required. Combined information projecting public and private sources of retirement income may help individuals to realize how much they personally need to save to reach their desired living standards in retirement. On-line calculators can also be useful tools for showing individuals how much they need to save to ensure an adequate retirement.

- ***Easy to understand***: Many consumers believe that financial information is difficult to find and understand – particularly in relation to retirement savings products, which can be complex. This suggests that another important role for financial education programmes is to inform consumers about where to go to find information and to present this information in ways that are easy for consumers to understand (e.g. no jargon, comparable data etc.). The media have an important role to play in communicating financial issues in a comprehensible way. One idea is to encourage editorial coverage to be expanded from the boundaries of the business media's financial columns and into such instantly accessible and consumer-friendly media sources such as the local, regional and tabloid papers, lifestyle magazines and radio stations. Financial education on retirement has been found to work well when it is relevant, personalized and interactive.

- ***Variety of sources***: Consumers receive financial information through a variety of sources and these sources tend to differ according to demographic characteristics. Many consumers, notably those with lower incomes, receive financial information through television programmes. A large number of consumers prefer to receive financial information through personal contact, such as consumer help lines or personal advisors (though there are obviously costs involved with this approach). Meanwhile the impact of brochures and other written material is not so obvious. Policymakers will need to think about the most effective delivery channel for the consumers they are targeting. With respect to delivery channels, employers with more advanced, web-based financial communication programmes tend to have the greatest effect on participation and contribution rates of their employees, encouraging workers to contribute greater amounts to their plans than employers using only written financial communication materials.

- ***Ongoing***: The benefits of programmes and campaigns that are run on a continual basis, spanning different generations, and not just organised as one-off initiatives are highlighted in the surveys.

- ***Financial Advisors***: Many consumers accept without question what their financial advisor recommends, particularly when it comes to complex products such as pensions and retirement savings plans. Thus, providers of financial education programmes should make available information on the types of advisors, questions to ask of an advisor, and objective and disinterested information on the use of financial advisors. Financial education for fiduciaries and intermediaries is also particularly required in the area of pensions and retirement savings plans. Care should also be taken to distinguish between financial education and advise and conflicts of interest in pension provisioning should be avoided.

- ***Plan sponsor and provider role:*** Sponsors and providers of retirement savings plans should be encouraged to play a role in offering financial education to ensure adequate that workers have an adequate retirement income. Financial education seminars and personalised financial counselling programmes offered at the workplace increase worker participation in and contributions to voluntary savings plans. On-going communication can also alert employees if balances in pension plans are particularly low. However, there is no such thing as a one-size-fits-all financial education programme that will address the needs of all workers. Plan sponsors and providers will have to be flexible in the provision of financial education programmes and offer a variety of approaches. Also, plan sponsors should at least direct employees as to where they can find the necessary advice and support to help decide about future pension arrangements. Sponsors require sufficient pensions knowledge in order to know which retirement scheme options are available to them, and to be able to comprehend the regulatory framework in which these retirement scheme benefits can be offered to their workers/members. Sponsors who are employers should be aware of how greater general financial awareness accompanying the provision of workplace retirement savings plan can result in major advantages to their organisation and their employees, such as improvements in recruitment and retention.

- ***Individual Choice***: Particular care needs to be taken in relation to financial education and information provided for retirement savings plans which involve individual choice. Pension providers need to provide sufficient information to allow for informed investment decisions (including an explanation of the different investment options, their risk and return profiles, the costs they involve, on-going balances etc.).

- ***Tiered approach***: For plan providers dealing simultaneously with workers who have very little knowledge and need simple explanations and with workers who are quite sophisticated and want detailed information, one solution is the use of a "tiered" approach. In such an approach, the simplest explanations and most limited number of choices are offered in the lowest tier. However, one of the choices at this level is "more funds" or "more information" so that more sophisticated workers can have access to additional options. Default options should also be offered and carefully crafted.

- ***Automatic Enrolment***: To overcome such psychological behaviours as procrastination and inertia, it might be necessary to complement financial education programmes with automatic enrolment in defined contribution plans accompanied by default contribution rates and default investment allocations (which should be carefully designed to ensure that workers are not taking on either too much risk or making sub-optimal investments).

REFERENCES

ANZ Banking Group (2003), *ANZ Survey of Adult Financial Literacy in Australia*, www.anz.com/aus/aboutanz/Community/Programs/FinLitResearch.asp, accessed 21 October 2004.

Bayer P., D. Bernheim and K. Scholz (1996), "The Effects of Financial Education in the Workplace: Evidence from a Survey of Employers", *Working Paper* 5655, National Bureau of Economic Research.

Benartzi, S. and Thaler, R. (2002), "How Much is Investor Autonomy Worth", *Journal of Finance*, August 2002, 57(4), pp. 1593-1616.

Braunstein, S. and C. Welch (2002), "Financial Literacy: An Overview of Practice, Research and Policy", *Federal Reserve Bulletin*, Washington D.C., www.federalreserve.gov/pubs/bulletin/2002/1102lead.pdf#, accessed 22 August 2003.

Business World (2004), "BoI Warns—1 M Have No Pension Plan", 27 September.

Canadian Press (2005), "Retirement Saving, Financial Planning More Stressful Than Seeing the Dentist", 21 February.

Choi, J. *et al.* (2002), "Defined Contribution Plans: Plan Rules, Participant Decisions, and the Path of Least Resistance", *Working Paper* 2002-3, Pension Research Council, The Wharton School, University of Pennsylvania, Philadelphia, http://rider.wharton.upenn.edu/~prc/PRC/WP/WP2002-3.pdf, accessed 11 January 2004.

Clark R. and S. Schieber (1998), "Factors Affecting Participation Rates and Contribution Levels in 401(k) Plans", in O. Mitchell and S. Schieber (eds.), *Living with Defined Contribution Plans*. University of Pennsylvania Press, Philadelphia.

Clark R., *et al.* (2003), "Financial Education and Retirement Savings", paper presented at the conference on Sustainable Community Development: What Works, What Doesn't, and Why, sponsored by the Federal Reserve System, Washington, D.C., 27-28 March, www.chicagofed.org/cedric/seeds_of_growth_2003_conference_session1.cfm.

Ernst & Young LLP Human Capital Practice (2004), *The Role That Financial Education Programs Play in Influencing Participant Behavior in 401(k) Plans,* www.ey.com/global/download.nsf/US/Financial_Education_Programs_in_401k_Plans/$file/Fin_Ed_401k_plans.pdf, accessed 2 March 2004.

Francis D. (2004), "Ownership Society: Why the U.S. Can't Buy In", *The Christian Science Monitor*, 27 September.

Helman R. and V. Paladino (2004), "Will Americans Ever Become Savers? The 14th Retirement Confidence Survey, 2004", EBRI *Issue Brief* No. 268, Employee Benefit Research Institute (EBRI), Washington, D.C.

Hewitt Associates (2005), "Hewitt Survey Reveals New Employer Trends in Retirement", P*ress Release*, 18 January, http://was4.hewitt.com/hewitt/resource/newsroom/pressrel/2005/01-18-05.pdf.

Iyengar S., W. Jiang, and G. Huberman (2003), "How Much Choice is Too Much?: Contributions to 401(k) Retirement Plans", *Working Paper* 2003-10, Pension Research Council, The Wharton School, University of Pennsylvania, Philadelphia, http://rider.wharton.upenn.edu/~prc/PRC/WP/WP2003-10.pdf, accessed 29 November 2004.

Jurninová M. (2004), "Pension Media Blitz Targets Public", *The Slovak Spectator*, October 11.

Keena, C. (2004), "Use of Financial Jargon in Literature Criticized by Literacy Agency", *The Irish Times*, 18 September.

Lusardi A. (2003), "Saving and the Effectiveness of Financial Education", *Working Paper* 2003-14, Pension Research Council, The Wharton School, University of Pennsylvania, Philadelphia, http://rider.wharton,upenn.edu/~prc/PRC/WP/WP2003-14.pdf, accessed 11 January 2004.

OECD (2005a), *Improving Financial Literacy: Analysis of Issues and Policies*, OECD, Paris, forthcoming.

OECD (2005b), "*Survey of Investment Choice by Pension Fund Members",* OECD Working Paper No. 7, OECD Publishing http://www.oecd.org/dataoecd/39/1/37977416.pdfinternal working document,

OECD (2005c), "*Recommendation on Principles and Good Practices for Financial Education and Awareness"* http://www.oecd.org/dataoecd/7/17/35108560.pdf

Thaler R. and S. Benartzi (2001), "Save More Tomorrow: Using Behavioural Economics to Increase Employee Saving", *Working Paper*, Graduate School of Business, University of Chicago, Chicago, http://gsbwww.uchicago.edu/fac/richard.thaler/research/SMarT14.pdf, accessed 28 June 2004.

Van Rooij, M., Kool, C., and Prast, H. (2004), "Risk-return Preferences in the Pension Domain: Are People Able to Choose?", *DNB Working paper No. 25*, December 2004.

Weir J. (2004) "The Push to Save for Retirement", *Fairfax New Zealand Limited*, August 31.

Wheatcroft P. (2004), "'Lender, beware' is FSA's Advice", *The Times*, 21 January.

Whitehouse E. (1998), "Pension Reform in Britain", *Social Protection Discussion Paper* No. 9810.