DRAFT RECOMMENDATION OF THE OECD COUNCIL ON FINANCIAL LITERACY AND EDUCATION

THE COUNCIL,

HAVING REGARD to Article 5 b) of the Convention on the Organisation for Economic Co-operation and Development of 14 December 1960;

HAVING REGARD to the Recommendation of the Council on Principles and Good Practices for Financial Education and Awareness [C(2005)55/REV1], the Recommendation of the Council on Good Practices for Enhanced Risk Awareness and Education on Insurance Issues [C(2008)22], the Recommendation of the Council on Good Practices for Financial Education Relating to Private Pensions[C(2008)23], and the Recommendation of the Council on Good Practices on Financial Education and Awareness Relating to Credit [C(2009)62], all of which this Recommendation replaces;

HAVING REGARD to the OECD/INFE High-level Principles on National Strategies for Financial Education; the OECD/INFE Guidelines on Private and Not-for-profit Stakeholders in Financial Education; the OECD/INFE Policy Guidance on Addressing Women's and Girls' Needs for Financial Awareness and Education; the OECD/INFE Guidelines on Financial Education in Schools; the OECD/INFE High-level Principles on the Evaluation of Financial Education Programmes; and the OECD/INFE Policy Guidance on Digitalisation and Financial Literacy;

HAVING REGARD to global recognition of financial education within G20 principles; specifically G20 Principles for Innovative Financial Inclusion, 2010 (Principle 5); G20 High-level Principles on Financial Consumer Protection, 2011 (Principle 5); G20 High-Level Principles on SME Financing, 2015 (Principle 7); G20 High-Level Principles for Digital Financial Inclusion, 2016 (Principle 6);

RECOGNISING that financial education policies are broadly aimed at promoting the development of healthy, open and competitive financial markets and supporting financial stability; and that financial education policies are a necessary complement to approaches aimed at reinforcing financial inclusion and consumer protection within appropriate regulatory and supervisory frameworks, with a view to enhancing financial well-being;

RECOGNISING that financial education can be used to improve the levels of financial literacy among all segments of the population, and support their financial well-being;

RECOGNISING that financial education policies are important in facilitating informed and responsible use of a broad variety of financial products and services including digital financial services; and that new financial products and services, including digital financial services, may change the way that consumers make financial decisions and product choices;

RECOGNISING that financial education is a complement to directive approaches such as choice architecture and financial advice, by ensuring that consumers are aware of the potential consequences of default options and guided decisions;

RECOGNISING that individual financial decisions and behaviour are influenced by behavioural biases and that financial education may need to complement other policies to support financial decision-making such as an improved choice structure, especially in countries and economies where the choice environment is very complex;

On the proposal of the Committee on Financial Markets and the Insurance and Private Pensions Committee:

I. **AGREES** that, for the purpose of the present Recommendation, the following definitions are used:

- **Financial literacy:** a combination of financial awareness, knowledge, skills, attitude and behaviours necessary to make sound financial decisions and ultimately achieve individual financial well-being.
- **Financial education:** the process by which financial consumers, investors and micro/small entrepreneurs improve their understanding of financial products, concepts and risks and, through information, instruction and/or objective general 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**.**

National strategies for financial education

II. **RECOMMENDS** that Members and non-Members having adhered to this Recommendation (hereafter the "Adherents"), establish and implement national strategies to ensure a co-ordinated approach to financial education which:

- recognises the importance of financial education - through legislation where appropriate - and agrees its scope at the national level, taking into account identified national needs and gaps;
- involves cooperation with relevant stakeholders as well as the identification of a national leader or co-ordinating body/council;
- includes the establishment of a roadmap to support the achievement of specific and predetermined objectives within a set period of time;
- provides guidance to be applied by individual programmes implemented under the national strategy in order to efficiently and appropriately contribute to the overall strategy; and
- incorporates monitoring and evaluation to assess the progress of the strategy and propose improvements accordingly.

In establishing and implementing their national strategies, taking into account their differing national circumstances, Adherents should:

1. Take the necessary and appropriate **preparatory steps** prior to the establishment of their national strategy. These may include:
   a) Assessing the needs of the population in terms of financial literacy and education to identify the main financial literacy shortcomings and groups of the population facing the greatest difficulties and, on the basis of this assessment, determining policy priorities and objectives for the national strategy;
   b) Conducting a mapping of existing national and local financial education programmes promoted by public, private and civil society stakeholders, in order to identify relevant and trusted partners and/or gaps in provision;

c) Scanning relevant national and international research and literature to identify operational and replicable practices, as well as possible inefficiencies created by poorly directed resources;

d) Creating mechanisms to ensure consultation, coordination and information sharing between the various stakeholders in the development and implementation of the national strategy; and

e) Actively reporting and publicising the results of this preparatory phase and announcing the ongoing or planned development of a national strategy roadmap (see below) for the national strategy to relevant stakeholders and the public.

2. Base their national strategies for financial education on **relevant evidence and analysis** gathered and conducted prior to the adoption of the national strategy and on an ongoing basis thereafter in order to continually inform the national strategy and ensure it remains relevant and up-to-date. Relevant evidence and analysis should include:

a) Evidence of levels of financial literacy of the population. In this respect, Adherents should:

(i) Preferably use dedicated national surveys or co-ordinated international studies to collect high-quality, comparable data on levels of financial literacy, such as the INFE survey to measure financial literacy and financial inclusion. Where the OECD PISA assessment is undertaken, the PISA financial literacy assessment can also provide useful evidence; and

(ii) Consider complementing the collection of quantitative data with qualitative data and other sources of information such as consumer complaints, in order to obtain further evidence about consumers' attitudes and behaviour and possibly learn more about hard-to-reach or specific population sub-groups.

b) Analysis of data to identify aspects of financial literacy that cause particularly significant issues as well as the groups in the population in most need of financial education.

c) Analysis of the financial behaviour of the population or specific subgroups in relevant areas, such as accessing and using financial products and services, saving, borrowing, investing and insurance behaviour.

d) Evidence and analysis of access to financial education across the whole population and specific subgroups.

e) Regular mapping of existing financial education programmes.

3. Establish **transparent co-ordination and governance mechanisms** that:

a) Identify a credible and unbiased leading authority or governing mechanism, recognised and promoted at the highest policy level, with responsibility for initiating, developing and monitoring the national strategy. In this regard, Adherents should ensure that the leading authority or governing mechanism has the necessary stability, credibility, independence, expertise, capacity, resources and, ideally, enforcement powers to enable it to develop and ensure the implementation and sustainability of the national strategy;

b) Identify shared but clearly defined roles and responsibilities for relevant stakeholders, assigning responsibilities and roles that are consistent with the stakeholders' expertise, strengths, interests and resources;

c) Involve relevant public authorities to the extent possible, including ministries (and in particular the Ministries of Finance and Education), Central Banks, financial regulators and supervisors, as well as other public national, regional and local authorities. The involvement of public authorities should encompass, at least:

(i) the identification of overarching government-wide goals and national priorities for financial education;

(ii) the preparation, establishment and implementation of the national strategy, in consultation with other stakeholders; and

(iii) the design and promotion of effective and flexible principles or guidelines on the involvement of private and not-for-profit stakeholders in financial education.

d) Involve relevant private and not-for-profit stakeholders to the extent possible, including, for example, financial services providers, institutions delivering financial education as a business activity, non-financial companies (e.g. employers or media companies), financial industry associations, non-governmental organisations (NGOs), consumers' associations, trade unions, research institutions, teachers' unions, and parents' associations;

e) Ensure that all stakeholders involved take effective measures to facilitate coordination, and avoid duplication of efforts, inefficient use of resources or conflicts of interest, and ensure that all relevant target audiences have access to financial education. Participation of private and not-for–profit stakeholders should :

(i) provide support to public strategies and programmes, particularly through national industry associations or self-regulatory bodies;

(ii) contribute to the development of, and comply with codes of conduct for their involvement in the national strategy for financial education;

(iii) clearly distinguish commercial and educational activities; and

(iv) apply criteria of impartiality, objectivity, quality and fairness in the design and implementation of their financial education programmes.

4. Taking into account the fact that the order in which each Adherent will put in place each element will vary, **develop and periodically revise a tailored roadmap for their national strategy** that:

a) Defines an overall and cross-sectoral vision, describes policy priorities and identifies measurable objectives that are realistic in the timescale envisioned;

b) Defines an implementation plan, including delivery methods, and ensures that the national strategy is implemented with the involvement of relevant stakeholders;

c) Defines a plan to monitor and evaluate the national strategy against targets and an approach to the evaluation of financial education programmes; and

d) Identifies appropriate resources that can be made available for the duration of the national strategy.

5. Identify and address **relevant target audiences**, taking into account the wide range of cultural, religious and socio-economic factors that may impact on such audiences' financial literacy and well-being, the potential benefit of providing them with financial education that

is tailored to their specific strengths and preferences, and the importance of starting as early as possible in a person's life and continuing throughout life. To this effect, Adherents should:

a) Ensure coordination among policies, frameworks, programmes for the specific target group (such as financial inclusion, entrepreneurship and gender equality policies), even if not already included in their national strategy, and with the relevant stakeholders in these areas;

b) Design, implement and deliver financial education in conjunction with trusted stakeholders with an expert understanding of the target group;

c) Take into account the specific needs of particular sub-segments of the target groups or overlapping target groups (such as lone parents, elderly women, or young entrepreneurs) and use a differentiated approach where relevant; and

d) Consider ways to combine financial education for the specific target groups with other interventions for that group to improve reach and effectiveness.

6. On the basis of evidence and information gathered pursuant to sub-paragraph 2, **identify relevant financial education issues and address them in order of priority.** Such issues may include access to, and use of, formal financial products and services, including digital ones; budgeting and managing finances in the short term; saving and investment; credit management; planning and saving for retirement and pensions; risk management; and insurance. In addressing these issues, Adherents should:

a) Promote awareness and understanding of the characteristics of traditional and innovative financial products and services, and of the financial risks associated with them;

b) Empower individuals to evaluate the products, services and providers available to them, and make a decision about whether or not to use them, taking into account their personal situation and the potential complexity of each product, as well as any fees, charges, penalties and interest, and effectively manage the potential risks involved;

c) Promote awareness and understanding of individuals' rights and responsibilities as product holders, as well as of ways to complain and seek redress;

d) Prompt individuals to action and stimulate behaviour change in ways that are most likely to be beneficial to individual outcomes, for example, by promoting informed and active choice in order to encourage greater saving or counter inappropriate risk-taking;

e) Provide unbiased generic advice in order to guide individuals through complex systems and decision processes, such as credit management and retirement planning, whenever basic consumer information and skills are insufficient, and prepare individuals to deal with the financial advice industry, including via robo-advice; and

7. Take into account the importance of developing financial literacy skills among **current and future generations of youth**, taking into account the challenges that they will face in the short and medium term, such as: access to a range of traditional and digital financial services from a young age; responsibility for taking financial decisions regarding the possible continuation of their studies and the transition to work; exposure to financial risks related to increased life expectancy, a decrease in welfare and occupational benefits, more ‘individualised’ pensions, and potentially uncertain job prospects. In this respect, Adherents should:

a) Make financial education available from the earliest possible age;

b) Develop financial education content for young people based on existing evidence, in line with sub-paragraph 2;

c) Base financial education for youth on well-defined core competencies, such as the OECD/INFE core competencies framework on financial literacy for youth, and a learning framework. Such competencies and frameworks should:

   (i) be regularly reviewed and revised as necessary;

   (ii) have their structure and content tailored to national, regional and possibly local circumstances, the extent to which financial education is available in schools, and the structure and requirements of the education system, as well as relevant cultural or religious considerations;

   (iii) encompass knowledge and understanding, skills and behaviours, attitudes and values, and potentially also entrepreneurial skills;

   (iv) be developed taking into account the extent of curriculum overload and, if relevant, include proposed solutions for integrating financial literacy content into existing learning areas or subjects;

   (v) provide guidance to develop appropriate training on relevant topics and intended learning outcomes, based on the age or grade of the learner, and identify potential incentives to motivate educators and teachers to participate in such training; and

   (vi) be complemented with appropriate pedagogical tools (including textbooks or digital tools), teaching material, and support for teachers' professional development, in order to ensure teaching effectiveness.

d) Consider the possibility of including financial education in the school curriculum in compulsory education, recognising that students may miss out on learning opportunities if they only learn about financial issues through their parents, families, peers or direct experience;

e) Provide parents, childcare providers, teachers and youth workers with information on how to discuss financial matters with children and young people, in order to shape positive behaviours and attitudes;

f) Ensure that the delivery of such education is based on relevant education principles and reviewed and/or endorsed by public educational authorities; and

g) Consider ways of delivering financial education through extra-curricular and out of school activities, including special events such as savings weeks, money museum visits, educational games, edutainment and the use of role models, in order to complement any school-based programmes and to reach young people who are not in formal education.

8. Take into account **the needs of other specific target groups** including, as appropriate:

a) **Women**. Adherents should:

   (i) Use financial education to ameliorate situations where women are likely to face worse financial outcomes than men, for example in supporting long-term financial management, ensuring adequate retirement income and, improving financial inclusion and over-indebtedness;

   (ii) Identify specific teachable moments and learning contexts to effectively reach out to women;

(iii) Provide free, appropriate, independent and adequate financial advice to women (within the limits of national regulations), to help address their difficulties in choosing financial products and their low confidence in dealing with financial issues; and

(iv) Ensure that financial education programmes aimed at both men and women are checked for possible gender biases in the delivery format and content, including unconscious bias, as well as for differential impact by gender. Where such differences are identified, modifications should be made to the programme to ensure its relevance to both men and women.

b) **Micro and small entrepreneurs**, by :

(i) Using financial education to support access to finance, and business growth and sustainability;

(ii) making financial education a core component of the support provided in "one-stop-shops" for micro and small businesses, where these exist;

(iii) combining financial education with access to finance, such as considering making the deployment of financial education programmes by private financial institutions/banks a pre-requisite for their eligibility as intermediaries for the disbursement of public support financing to micro and small businesses; or considering making the attendance of financial education programmes by micro and small entrepreneurs a pre-requisite for their eligibility as receivers of public financing support schemes; and

(iv) leveraging the expertise and mentoring capabilities of financial services providers and their associations;

(v) supporting clusters and networks of micro and small businesses for knowledge transfer and diffusion, capacity building and mentoring.

c) **Migrants and refugees**, in order to support the financial decisions of immigrants in host countries, and the financial management of those who receive remittances in home countries. Financial education could be usefully coordinated at the international or regional level, between home and host countries or between several host countries.

d) **Older generations**, as they may be particularly vulnerable to certain types of fraud, be less likely to be able to lift themselves out of financial difficulty, tend to have a low take up of new and innovative products and services, including digital technologies, and may be particularly likely to face social and physical isolation and cognitive and physical degeneration. Financial education for the elderly, as with all vulnerable groups, should include a focus on education that supports effective consumer protection efforts, including training to increase their confidence to refuse services that are unclear or unsuitable, knowledge of their rights and responsibilities when signing contracts and using services, and the changing landscape of fraud and scams.

e) **Other vulnerable groups**, who, depending on national, regional or local circumstances, may include, among others, workers on a low or irregular income, the unemployed, indigenous populations, remote communities and those with physical or mental disabilities. All identified vulnerable groups should be provided with access to financial education that recognises their specific circumstances and provides tailored guidance that takes into account the potential lack of opportunities available to such groups to improve their financial well-being and the likelihood of financial difficulties.

Financial education programmes on specific aspects of the financial landscape

III. **RECOMMENDS** that Adherents, in their efforts to develop financial education programmes to support **saving, investment, and decision-making about retirement and pensions**:

1. Take into account national circumstances and the different extent of saving, investment and long-term and retirement planning challenges depending on factors such as interest rates, the national pension systems, investment frameworks and of the financial environment more broadly;
2. Promote an understanding of the changes in the demographic, social, economic and financial landscape, as well as any changes in public policy, that may have implications on individual financial decisions and outcomes, such as ageing and pension reforms;
3. Promote individual awareness of the financial risks related to saving and investment decisions and the importance of risk diversification, understanding the balance of risk and reward, understanding the potential implications of investment decisions, and estimating the amount of savings, investments and pension entitlements needed to meet personal and family financial needs;
4. Promote an understanding of the implications of saving and investment decisions on society and the environment, and of long-term economic and financial sustainability considerations in saving and investment decisions;
5. Ensure access to information that specifically addresses the complexities of saving, investment and decision making on retirement, including reliable information on projected public and private pension payments, and information on the implications of income or expenditure shocks, of having multiple workplaces or of periods without work; and
6. Promote people’s understanding of personal behavioural biases, such as limited attention, short-termism, inertia, and overconfidence, which may have consequences for their ability to save, invest or make retirement plans.

IV. **RECOMMENDS** that Adherents, in their efforts to develop financial education programmes to support healthy decisions around **credit**:

1. Promote awareness of alternatives to credit use and practical approaches to avoid or reduce discretionary spending on credit;
2. Provide individuals with appropriate information and tools to understand their credit profile and needs, to compare the costs and characteristics of various credit options, and to shop around for the best credit product available to them when they need to borrow;
3. Alert individuals to the features and possible risks of short-term credit provided through traditional and digital platforms, including potentially very high interest rates, hidden fees and charges, and the risk of spiralling debt problems through repeated use;
4. Provide information and guidance on ways of managing existing credit commitments to minimise overall cost and risk of default; and
5. Make individuals aware of the information contained in their credit record when relevant given national circumstances, ensure that they know how a credit record can be used by providers, what they can do to improve their own record and the risks and implications of making poor credit decisions and having a bad credit record.

V. **RECOMMENDS** that Adherents, in their efforts to develop financial education programmes to support decisions about **insurance issues**:

1. Promote a culture of responsibility for personal protection and prevention, in particular by promoting an understanding of notions relating to risk, risk mitigation, and compensation, as well as possibilities offered by insurance tools and basic insurance mechanisms and products; and
2. Promote and develop prevention and information programmes and campaigns regarding the risk of seriously damaging outcomes, innovative or complex insurance products including those provided digitally (sometimes described as insurtech) and products implying a greater transfer of risks to individuals as well as the possibility of under, overlapping and/or over insurance.

Ensuring effective delivery of financial education programmes

VI. RECOMMENDS that Adherents ensure the effective delivery of financial education programmes by:

1. Using a large variety of channels and means to ensure that a wide audience, including vulnerable groups, are appropriately and effectively reached, such as:
   a) Wide and targeted **public awareness campaigns** to inform the general public about important personal finance issues including risk, fraud, and financial resilience, delivered through social media, websites, print (leaflets, posters and booklets), or traditional media. The development of these campaigns should be planned on a regular basis, and consideration should be given to both national, regional and local delivery mechanisms. Financial literacy champions and role models may be used to raise the visibility of such campaigns, enhance the desirability of improving financial literacy and participating in financial education among specific target groups;
   b) Objective, impartial information, for example, through websites, SMS messaging, applications for smart phones and other personal computing, media broadcasts, social media posts, magazine or newspaper articles. Such means may include interactive tools and product comparison information for a range of financial products. These sources of information should be widely publicised and promoted. The provision of appropriate incentives to consumers may be used to encourage access and use, where necessary;
   c) Tailored, face-to-face or online training, guidance or generic advice to address specific challenges faced by consumers such as managing credit or saving for retirement. Games, gamification (adding elements of a game to other activities) and edutainment (media designed to educate through entertainment, such as radio dramas, soap operas and serious games) may also be instrumental in engaging more reluctant learners, building financial competencies in a safe environment, and promoting learning by doing; and
   d) The development and careful monitoring of programmes to train financial education providers and those who communicate financial information (e.g. the media, civil servants) to enhance the effectiveness and reach of financial education programmes.
2. Designing and implementing programmes in ways that are most likely to support effective delivery, for example by:
   a) Basing programme design on well-defined core competencies frameworks covering knowledge, attitudes, skills and behaviour, designed for specific target groups where appropriate, such as the INFE core competencies frameworks for youth, adults and micro and small enterprises;

b) Ensuring that the content takes into account the current competencies, experience, literacy, and numeracy of the target group, and aims to develop further core competencies in relation to knowledge, attitudes and skills relevant to the objectives of the education;

c) Piloting programmes, materials and delivery methods on a small scale before rolling out more widely in order to identify and address issues that may not be apparent in the design stage;

d) Taking into account key teachable moments related to important financial decisions, for example, weddings, pregnancies, new jobs, moving home, divorce, retirement, unemployment;

e) Combining financial education with relevant initiatives in other fields, such as access to formal financial products, entrepreneurship or health, to make financial education messages more salient;

f) Designing interventions that aim not only at improving individuals' financial knowledge, but also at improving their attitudes and skills, ensuring sustained behaviour improvement, and effectively contributing to their financial well-being;

g) Taking into account people's psychological biases, preferences and actual behaviours in the design of financial education programmes, building on the relevant findings of behavioural sciences, psychological research, and social marketing;

h) Designing programmes that allow participants to experience what they are learning (experiential learning), that emphasise the relevance of financial education messages for people's lives, that are straightforward and engaging, and that take into account the needs and preferences of the intended target group, including differences in learning styles;

i) Ensuring programmes are of sufficient length and quality to fully address the issues to be covered; and

j) Ensuring programmes take place in environments conducive to learning, such as schools, adult education colleges or the workplace.

3. Assessing the **impact and effectiveness** of existing programmes and taking the results of such assessments into account in order to ensure that the programmes' content is tailored and adapted to the learners, up-to-date with respect to the evolution of the financial landscape, and that delivery methods are effective. In this respect, Adherents should:

a) Include a monitoring and evaluation plan – including a cost-benefit assessment where appropriate – in the design of financial education programmes, that applies the latest techniques and good practices for evaluation and includes quantitative and qualitative data analysis;

b) Design and implement appropriate evaluations, taking into account programmes' objectives and characteristics, using independent professional evaluators wherever resources permit;

c) Take into account the need to begin collecting evaluation data before participants receive financial education, and to stay in touch with participants after the education in order to conduct a robust evaluation of change;

d) Set aside a budget for the monitoring and evaluation of financial education programmes; and

e) Encourage and facilitate the dissemination of evaluation findings to the extent possible.

VII. **INVITES** the Secretary-General to disseminate this Recommendation.

VIII. **INVITES** Adherents to disseminate this Recommendation at all levels of government.

IX. **INVITES** non-Adherents to take due account of, and adhere to, this Recommendation.

X. **ENCOURAGES** stakeholders other than governments, for example, in the civil society and the private sector, to disseminate and follow this Recommendation.

XI. **INSTRUCTS** the Committee on Financial Markets and the Insurance and Private Pensions Committee, in close consultation with the International Network on Financial Education, to monitor the implementation of this Recommendation and report thereon to the Council no later than five years following its adoption and regularly thereafter.