



HM TREASURY

Designing a National Strategy on Financial Education

Sue Lewis
Head of Savings and Investments
UK Treasury

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What is financial capability?

- Making ends meet – budgeting
- Keeping track – knowing what is in the bank, paying bills on time
- Planning ahead – understanding risk, preparing for life events
- Choosing products – understanding terminology, asking questions, comparing products
- Staying informed – knowing where to get help, reading personal finance pages

Source: Financial Services Authority: *Levels of financial capability in the UK: results of a baseline survey, March 2006*

Why is change important?

- Low levels of capability across UK
- Product choice and complexity
- Lack of access to advice
- Young people – growing up in a complex world
- People bearing more risk for retirement provision
- Turbulence in financial markets

Financial capability – the vision

“Better informed, educated and more confident citizens, able to take greater responsibility for their financial affairs and play a more active role in the market for financial services”

What are the problem areas?

Element	How well people do
Making ends meet	65% do without difficulty; another 26% 'struggle sometimes', especially young people, those on low incomes
Keeping track	Varies with need – those who need to monitor spending carefully usually do so.
Planning ahead	39% 'live for today'; 70% are not prepared for a drop in income; 37% have not made pension provision to meet the standard of living they hope for in retirement. Particular problem for young people.
Choosing products	Poor understanding of risk; inertia; lack of shopping around. Problem for young people, very old, and women.
Staying informed	Wide diversity. 19% look at specific financial information sources; others rely on general media. Problems for young people, very old, women, those with low levels of education.

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Some conclusions

- Problems with planning ahead and choosing products
- Some people could get into financial difficulty with a small change in financial circumstances – ‘financially vulnerable’
- Most demand is made on those least able to cope, particularly young people

Consultation

- Financial capability should have a broad definition – include eg tax, benefits, risk
- School and workplace important
- Should be a central coordinating body
- Need more research into behaviours
- Need (unregulated) financial advice as well as information and education

Financial capability: the Government's long term approach. January 2007.

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Strategic approach

- **Government:**
 - sets legal framework (Financial Services Act 2010)
 - integrates financial education into services (eg education, pensions information, financial inclusion)
 - measures to encourage saving, including 'opt-out' pension.
- **Consumer Financial Education Body (soon to be Money Advice Service) – coordinates programmes under national strategy, research. Funded by industry.**
- **Financial services firms and third sector – run programmes in the local community**

Some programmes

- moneymadeclear – online tools and guides, eg for new parents, women, losing a job
- whataboutmoney - online information for 16-24s
- Resources for intermediaries, eg:
 - Employers
 - Education (all levels)
 - Learning disabilities
 - Young people
 - Offenders
 - People with cancer, or mental health problems

Financial advice

- In response to 2007 consultation, Government commissioned review of unregulated financial advice, ('Thoresen review'); followed by pilot
- Evaluation showed demand for a service to explain financial matters and help with individual issues
- Important it should be supportive and 'sales-free'
- Signposts to specialist help (eg pensions, debt advice)
- New financial healthcheck and nationwide service online, telephone and face to face from spring 2011

Developing a Strategy: Checklist

- Understand the problem
 - Define financial capability
 - Take a baseline measurement
- Vision – where do you want to be?
- Determine priorities: universal and targeted
- Define roles: Government, lead organisation, partners
- Raise the money!

Bibliography

Publication	Date
Financial Capability in the UK: Delivering Change. FSA.	March 2006
Financial Capability in the UK: Establishing a Baseline. FSA.	March 2006
Creating a Step Change in Schools. FSA.	June 2006
Financial capability: The Government's Long-term Approach. HMTreasury	January 2007
Helping you make the most of your money: A joint action plan for financial capability. HMTreasury/FSA	July 2008
Thoresen Review of Generic Financial Advice: Final Report	March 2008

Websites

www.directgov.uk

www.hm-treasury.gov.uk (archives)

www.moneymadeclear.org.uk

www.cfebuk.org.uk (soon to be rebranded as the
Money Advice Service)

www.pfeg.org