THE FUTURE OF FINANCIAL EDUCATION

REPORT ON THE 2011 FCAC-OECD CONFERENCE ON FINANCIAL LITERACY

FCAC

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Financial Consumer Agency of Canada
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Canada

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INTRODUCTION

In May 2011, the Financial Consumer Agency of Canada (FCAC) and the Organisation for Economic Co-operation and Development (OECD) held a conference on financial literacy in Toronto, Canada. The conference drew some 400 experts and practitioners from around the world. The large turnout speaks to the growing importance of financial literacy globally. At the same time, the range of programs and topics addressed also points to the growing professionalization of the financial literacy field, as academics, public servants, industry executives and other subject matter experts shared best practices and tools for improving the delivery of financial literacy and financial education programs.

The theme of the conference, *Partnering to Turn Financial Literacy Into Action*, is important: as countries around the world begin to realize the broader economic impact of low levels of financial literacy, partnerships between sectors, national and international jurisdictions will become increasingly important. No longer will financial education be approached in a piecemeal way—instead, national strategies, sustainable funding and robust research and evaluation will transform the way financial education is delivered and how policymakers think about financial literacy as a policy priority.

This report is designed to summarize and discuss the major themes that arose during the two-day event: the role of national strategies, the emergence of evidence and evaluation, effective delivery and technology, the limits of financial education and the rise of behavioural finance and “nudging.” Many have discussed the role low levels of financial literacy have played in the financial crisis, and it is worth discussing the link between the two issues and describing the growing economic case for making financial literacy a policy imperative. A brief overview of these links and issues may be found in the Background section of this report.

Insights and recommendations at the end of this report build on the discussion begun by presenters, but they also point to gaps in the discussion. The conference raised many questions and not all of them were answered during the two-day event. Addressing these unanswered questions will undoubtedly be part of a roadmap for future financial literacy priorities and discussion, particularly in Canada.

Background: Financial literacy as policy imperative

Financial literacy has become a key priority for global policymakers who now realize the profound impact that individual financial decisions can have, not just on a national level, but on a global scale as well. In the wake of the 2008 financial crisis, one thing has become very clear: low financial literacy is a barrier to economic growth, nationally and globally. Low levels of financial literacy have broad economic implications as some countries cope with rising debt levels due to poor decision-making. Indeed, some argue that it was, at least in part, a toxic blend of bad information, financial inexperience and cheap, plentiful credit for U.S. consumers that led to the subprime mortgage crisis.[1] Importantly, the effects of that crisis went beyond U.S. borders, and were likely worsened due to the poor level of financial literacy in most countries[2]. The subprime crisis didn't just affect the American economy—it nearly brought down the global financial system. As economies and financial systems become increasingly interdependent, low levels of financial literacy have proven to be a global issue.

However, low financial literacy levels were a problem long before the financial crisis took hold. A scan of global financial literacy statistics from the OECD in 2005 shows huge gaps in the financial knowledge and skills of individuals around the world—gaps that make individuals susceptible to making poor decisions about their money. For example, in 2005, 67 percent of respondents to an Australian survey indicated that they understood the concept of compound interest, yet when they were asked to solve a problem using the concept, only 28 percent had a good level of understanding. A survey in the U.S. found that four out of ten American workers are not saving for retirement. And in the U.K. a survey in 2005 found consumers do not actively seek out financial information. They tend to acquire information by chance—for example, by picking up a pamphlet at a bank or having a chance talk with a bank employee.[3]

In many developed economies, low levels of financial literacy have continued to drive consumers to dig themselves into deeper financial trouble. In countries like, Canada, the U.K. and the U.S (as well as Japan, to a lesser extent), household debt reached more than 120 percent of disposable income in 2010, according to the OECD, at the same time that high unemployment, inflation and the spectre of higher interest rates are dogging these same consumers.[4] In Canada, household debt has reached an all-time high of $1.5 trillion, with the average Canadian family owing an estimated $176,461 in household debt. Some Canadians are also reporting that high debt levels make it hard to make ends meet and that they are having trouble keeping up with the payments on their debt.[5] And others now carry significant debt levels into retirement. High debt levels hamper the will and ability of consumers to spend money, and many economists believe that high levels of debt in North America and Europe will continue to be a long-term drag on future global growth.[6]

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1 Tito Boeri and Luigi Guiso, *The subprime crisis: Greenspan's legacy,* Centre for Economic Policy Research (2007).

2 OECD/INFE, *Financial Literacy and Consumer Protection: Overlooked Aspects of the Crisis* (2009).

3 OECD statistics quoted in "Financial Literacy," *New Statesman* (January 9, 2006). http://www.newstatesman.com/200601090040

4 OECD, *The Factbook 2010: Economic, Environmental and Social Statistics*.

5 The Certified General Accounts Association of Canada, "A Driving Force No More: Have Canadian Consumers Reached Their Limits?" (June 2011)

6 Federal Reserve Bank of San Francisco, "US Household Deleveraging and Future Economic Growth," FRBSF Economic Letter (May 15, 2009).

As developed market countries struggle under the weight of unprecedented levels of consumer debt, developing nations face a different set of challenges on the financial literacy front. In developing economies like India, for example, financial inclusion has become a major focus for policymakers seeking to bring to huge segments of the population basic banking services that can help pull them out of poverty and connect them with new markets and services that were previously unavailable. As one presenter pointed out, 2.5 billion adults (just over half of the world's adult population) do not use formal financial services to save or borrow. The majority of these people live in Africa, Asia, Latin America and the Middle East.[7] This presents a barrier to economic growth and can contribute to ongoing poverty. Financial literacy is a key part of the financial inclusion picture.

Of course, such issues exist in many developed OECD countries, where lack of access to financial services is a problem. In Canada, for example, many remote and northern communities lack access to financial services . In 2009, only 3 out of 25 such communities had access to a bank branch.[8] Lack of access it not only an inconvenience, it is a significant barrier to financial inclusion.

Similarly, countries with relatively new financial markets (e.g., Poland) face similar challenges in fostering understanding and use of basic financial services among broad parts of the population. Unprecedented wealth creation in countries like Brazil has also lead to the development of a rising middle class of financial consumers and an industry building new products and services to meet their needs. This new and changing market reality has created an opportunity to boost levels of financial literacy among an emerging middle class.

Ultimately, the growing focus on policies to tackle low levels of financial literacy is being driven by a strong need to foster sustainable, long-term economic growth.

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7 Dr. K.C. Chakrabarty, presentation, FCAC-OECD Conference on Financial Literacy, 2011.

8 Government of Nunavut: *Financial Literacy in Nunavut Submission by the Government of Nunavut to the Task Force on Financial Literacy,* 2010. p.3

SECTION 1:
THE IMPORTANCE OF LEADERSHIP — NATIONAL STRATEGIES

We've seen how low levels of financial literacy represent an impediment to global economic growth in the wake of the financial crisis. Governments are responding to this threat by creating national strategies to provide leadership and a roadmap for improving financial literacy levels around the world. Policymakers have recognized the need for a cohesive national strategy in tackling financial literacy for several years. But only a handful developed such strategies prior to the 2008 crisis.[9]

During the conference, presenters discussed ways national strategies can help countries develop a clear and collaborative path forward in financial education. Why do countries develop national strategies and how should they be developed? And what key objectives drove Canada's recommendations for a financial literacy strategy? Finally, how can national leadership and strategies promote and support the delivery of financial education in schools—and what are the best ways to do this?

One of the first countries to develop a national strategy was the U.K., which in 2003 developed an ambitious Financial Capability Strategy. At that time, John Tiner, Chief executive of the Financial Services Authority, brought together a partnership of people and organizations in government, the financial services industry, employers, trade unions and the education and voluntary sectors to "establish a road map for delivering a step change in the financial capability of the U.K. population."[10] This collaborative discussion lead a comprehensive national strategy for increasing financial capability in the U.K., mapped out by key people in financial services from across all sectors and carried out in partnership with relevant organizations by the FSA.

Other countries have since followed suit, with the U.S., New Zealand, Australia and recently Canada among others, developing national strategies to improve financial literacy levels among their respective populations. The impetus behind such strategies is universal: through national leadership and collaboration across sectors, countries can develop sustainable and effective approaches to improving financial literacy among the entire population.

What should a national strategy do?

National strategies to address financial literacy and financial education are now underway and have also been developed in at least 25 countries, according to

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9 OECD/INFE, *Financial Education and the Crisis,* working paper (2009).

10 U.K. Financial Services Authority "Towards a National Strategy for Financial Capability" (2003).

the OECD and its International Network on Financial Education (INFE)[11], whose National Strategy Project is creating a framework and set of best practices for countries seeking to develop a national approach to financial education and financial literacy. Speaker Flore-Anne Messy, Principal Administrator, Financial Education with the OECD, presented initial survey results and preliminary work in this area.

The OECD defines a national strategy "as a framework that recognizes the importance of financial education and defines its meaning and scope at a national level." It also involves the cooperation of different stakeholders as well as the identification of a national leader or coordinating body. Messy also noted that national strategies should provide a roadmap for identifying and addressing specific national needs and gaps in financial literacy levels. A national strategy can also provide guidance to individual programs on how they can best support and contribute to the strategy.

Messy also noted that a national financial literacy strategy often complements specific policy priorities such as consumer protection. "A consumer who is able to make educated and informed choices is much less likely to fall victim to fraudulent practices," she said. In some countries, financial inclusion can also be one of the main goals of a national financial literacy strategy: it should then focus on supporting the broadened financial access (supply side measure) by providing vulnerable and unbanked or under banked groups with the skills and confidence to make savvy use of financial services newly accessible to them (demand side measure).

According to Messy, countries that have already implemented a national strategy share the following common goals:

- to develop a commonly articulated approach to financial education that is tailored to national circumstances
- to identify national stakeholders and reinforce their cooperation and coordination along outcome-driven lines
- to foster more efficient program delivery by avoiding duplication and promoting a common set of best practices across different programs and education providers
- to create awareness of the importance of financial literacy as a life skill and to keep the issue in front of policymakers in the future
- to help countries address the needs and shortcomings for particular groups or with regard to specific issues.

[11] Currently comprising 93 economies and 220 public institutions.

Messy also stressed the importance of building trust and consensus among stakeholders. Doing this means developing mechanisms for consultation and coordination that foster collaboration, communication and, of course, trust among participants.

Finally, research and assessment of population needs and target audiences is key, says Messy, who adds that those needs tend to differ from country to country (e.g., debt reduction versus financial inclusion). A national strategy should also take into account good existing financial education initiatives and leverage these programs, sharing best practices and perhaps extending them to other areas of the country where appropriate.

Canada's priorities

Many of the best practices and challenges addressed by the OECD and its INFE were reflected in the work done to date by Canada as it moves to develop its own national strategy for financial literacy. Canada struck its first Task Force on Financial Literacy in 2009, comprising 13 members drawn from multiple sectors, including business, education and the community. The mandate of the Task Force was to "provide advice and recommendations to the Minister of Finance on a national strategy to strengthen the financial literacy of Canadians."[12]

Keynote speaker L. Jacques Ménard, Vice-Chair of the Task Force on Financial Literacy, discussed the five main priorities that drove the Task Force's work over the 18 months it took to put together its 30 recommendations. Canada's Task Force priorities reflect the overall work done by the OECD and other countries, but they also draw on the unique needs of Canada as a country. The key priorities driving the Task Force's recommendations:

1. **Shared responsibility** was identified as the first priority of the Task Force, which encouraged different sectors and levels of government to come together to collaborate on financial education resources for Canada. Currently, disparate players in Canada contribute tremendous resources and money towards the development of financial education resources—in fact, the Task Force estimated that over $50 million is spent by financial institutions in Canada every year on some kind of financial literacy initiative.
2. **Leadership and collaboration** was another key priority of the Task Force, reinforcing the OECD/INFE recommendation that a national strategy should be driven by a single leader with the ability to coordinate the efforts of many and to leverage the best of existing

[12] Task Force on Financial Literacy, *Canadians and Their Money: Building a Brighter Financial Future*, Canada. (December 2010).

resources. Said Ménard, "A dedicated leader can focus on working with and supporting stakeholders in their financial literacy activities, and with an advisory council ensuring that stakeholders have a common forum to discuss financial literacy initiatives, Canada will be well placed to move forward."

3. **Lifelong learning** is another priority: people learn or need information at different ages and stages in life. Financial education should be delivered in the school system, in the workplace and through other government programs that target individuals at various times of life.

4. **Effective delivery and promotion** were cited as two more imperatives for the Task Force. While many good resources and information sources already exist, Ménard pointed out that "people need to know where to go for trustworthy, reliable Canadian information," and Canadians must be able to distinguish unbiased sources from ones that are self-serving. Public awareness and promotion are two other cornerstones of a Canadian national approach. Ménard also drew parallels between other successful Canadian campaigns rooted in social marketing and designed to educate and encourage behaviour change.

5. **Accountability** was the final priority identified by the Task Force. National measures can gauge the progress of a financial literacy agenda to ensure that it is working.

The importance of leadership

Canada's first step in implementing its financial literacy strategy will be to appoint a leader to push ahead with the Task Force's recommendations. Ursula Menke, Commissioner of FCAC, stressed the importance of "connecting the dots, of leveraging and synthesizing the efforts of the various players in the financial literacy space in Canada." For a national strategy to succeed, a leader must be able to foster coordination and collaboration among the many stakeholders offering financial education programs and initiatives in Canada. "Avoiding duplication and wasting of valuable resources, as well as making the financial information we provide less overwhelming and less daunting for those we are ultimately trying to reach," are key priorities, she noted.

Like Messy, Menke pointed out the importance of consumer protection as a complement to a national strategy for financial literacy. This is the other half of FCAC's mandate, and Menke noted that the agency is a federal regulator charged with enforcing the rights of financial consumers. Currently, FCAC makes sure that financial institutions and payment card network operators comply with legislation and industry commitments intended to protect consumers. One example is product disclosure, said Menke: "We are putting a renewed effort into ensuring that disclosure is clear and that the presentation of the information is readily accessible." Consumer protection and education complement each other, said Menke: "They work together to empower consumers in the financial marketplace and in dealing with financial institutions." Consumers need to understand the disclosure documents and ask the right questions to make informed decisions, which is a key priority and focus of FCAC's Financial Literacy program.

FINANCIAL EDUCATION IN SCHOOLS

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Canada's Task Force on Financial Literacy included one very important recommendation: financial literacy should be included in curricula in schools across the country. Young people in developed and developing economies today face increasingly complex financial decisions—credit and debit cards are a fact of life for today's youth who engage in online activities and shopping and live in an increasingly cashless society. At the same time, many youth are taking on debt to finance their post-secondary education. While financial products can help young people achieve their goals (e.g., education), they also represent a significant risk: without the right knowledge and skills, they provide a quick route to unwanted and at times overwhelming debt.

It is now widely recognized that financial education should be part of a formal school curriculum, as evidenced during the workshop, "Financial Education in the School System." The importance of national leadership was a key theme during this session as presenters shared their tips and best practices for creating standardized financial education within the formal school system. Delia Rickard, Senior Executive Leader for Financial Literacy with the Australian Securities and Investments Commission, shared Australia's experiences and offered a series of tips and best practices for countries looking to introduce financial literacy in schools. One of her main tips was to consider financial education in schools as "part of a larger financial literacy strategy" and to "create a national learning framework for financial literacy"—a common delivery framework that teachers recognize and can use easily. A national survey also helped identify gaps and problems to address.

Based on a wide stock-taking exercise conducted within the OECD/INFE, presenter Flore-Anne Messy, of the OECD, also added that schools present an excellent opportunity to deliver financial education nationwide—and to allow people to start early to build savvy financial habits. She also identified challenges to the introduction of financial education in schools and ways to overcome those. For instance, the role of policymakers in promoting awareness and buy-in within the education system on a national level should be enhanced. Since teachers

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already face pressures to deliver existing curricula, financial education must be made a national priority to make it sustainable within the school system.

Jane Rooney, Director, Financial literacy and consumer education with FCAC, discussed her organization's support and efforts to develop a high school financial product that is available on a national basis. The program, called *The City: A financial life skills resource*, was developed in collaboration with the British Columbia Securities Commission and was built to be delivered in all Canadian provinces and territories. Teacher training was essential to support use of the resource since many teachers are uncomfortable with this topic. Fostering relationships with "teacher champions" helped to promote awareness and use. Mitch Murphy, education consultant and member of the Task Force on Financial Literacy, discussed the importance of financial education in schools as part of Canada's national strategy. For him, national leadership is key to ensuring that it is included in school curricula across the country.

Finally, Leeanna Pendergast, Member of Provincial Parliament for Kitchener–Conestoga in Ontario, discussed her work as Chair of The Working Group in Financial Literacy in Ontario, which made recommendations to the Curriculum Council about the knowledge and skills required to support the development of financial literacy among Ontario students.

SECTION 2:
THE EMERGENCE OF EVIDENCE

After the financial crisis, most policymakers have a better grasp of what financial literacy is. For example, the OECD/INFE provides the following description:

> Financial literacy is the combination of consumers'/investors' understanding of financial products and concepts and their ability and confidence to appreciate 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.

The question is, how do we know whether these goals are actually being achieved? And how do we know our financial education programs are even reaching the right audiences or addressing the right problems? As financial education initiatives proliferate in response to greater attention and funding from policymakers and other organizations, program providers are now being asked to answer questions like this. They are being asked to employ robust metrics and evaluation frameworks that can determine whether or not they are making an impact on participants.

During the conference, presenters sought to answer these questions by tackling two main topics: the importance of national and global measures of financial literacy and the growing significance of evaluation in financial education programming. Countries like Poland, South Africa and Canada are measuring financial literacy levels, and the OECD INFE is developing a global financial literacy benchmark. Another session focused on evaluation of financial education programs: are they working, and if not, how can they be adjusted or retooled to make them more effective?

OECD pilot study

According to speaker Adele Atkinson, a policy analyst with the Financial Education and Consumer Protection Unit of the OECD, it is imperative that policy makers have a robust measure of financial literacy in order to create targets and set objectives. She was presenting on a panel called "National and Global Measures of Financial Literacy." Atkinson provided a brief overview of the OECD's Financial Literacy Measurement Survey. The goal of this survey is to collect internationally comparable data using a short survey that captures all of the core elements of financial literacy. She presented high-level findings from 12 countries that had recently collected data as part of a large-scale piloting process: Armenia, the Czech Republic, Estonia, Germany, Hungary, Ireland, Malaysia, Norway, Peru, Poland, the U.K. and South Africa.

Survey participants were asked to respond to around 20 questions on knowledge, behaviour and attitude. Knowledge of basic financial concepts was tested using a variety of questions covering topics such as simple and compound interest, inflation and risk diversification. The behaviour component of the survey focused on three key areas: day-to-day money management, financial planning and choice of financial products.

Preliminary results, looking at how people responded to 7 of the knowledge questions in 12 pilot countries, showed that levels of financial knowledge are relatively low. In each of the pilot countries, fewer than half the population answered 6 or 7 questions correctly. In Armenia, Poland and South Africa fewer than 35 percent attained a score of 6 or 7 out of 7, a score achieved by 45-49% of the population in Germany, Hungary and Ireland.

Regional findings: Poland and South Africa

Following the introduction by Atkinson, two of the participating countries, Poland and South Africa, shared their different experiences in conducting the OECD/INFE survey along with key findings about financial literacy levels in those countries.

Both countries were seeking unbiased and good quality data to support the development of a national strategy on financial literacy and identify segments of the population in need. In particular, they felt that data can help countries adopt a "risk-based" approach to financial education that targets vulnerable people. Both also wanted data to build a case for ongoing funding to build more sustainable financial education programs in the future.

Presenter Aleksander Rychwalski, Department of Education with the Polish Financial Supervision Authority, noted that the overall findings for Poland show Poles have sufficient numerical skills but limited knowledge and understanding of how financial markets work. Specific statistics gleaned from the Polish pilot survey include:

- 55 percent of Poles do not have a household budget even though 77 percent say they watch their financial situation
- 73 percent note that they pay their bills on time
- 38 percent said their income did not meet costs in the last 12 months and 40 percent borrowed money or food from friends and relatives in order to make ends meet
- Only one in 10 respondents would be able to cover their living costs for longer than six months if they lost their main source of income
- Nearly half (46 percent) of respondents preferred to spend money rather than to save it for the long-term

- The use of financial products is also low compared to other developed market countries. Just 63 percent have a bank account while 36 percent have insurance, 25 percent have credit cards, 26 percent have a pension fund and only 18 percent have a savings account.

South Africa has unique challenges, according to presenter Olivia Davids, Head of Consumer Education with the Financial Services Board in South Africa. Economically, she noted, the country is split between people living in so-called "first world" conditions and a large section of the population living in poorer, "third world" conditions. In addition, South Africa is characterized by a vast cultural and linguistic diversity, with 11 official languages and a large rural-urban split, which means that the day-to-day living conditions and realities of people living in that country can vary tremendously based on location and socio-economic background.

Given these challenges, Davids was pleased to report that "We were clearly able to identify types of people most in need of assistance as well as content areas," using the OECD/INFE survey. She felt that the flexibility built into the questionnaire was key to make allowances for middle- and low-income countries. Specific results from South Africa include:

- 44 percent of respondents noted they were short of income during the previous year, and the greatest income shortfalls were among those with little education or who were unable to work or who were part-time or job seekers
- Nearly half (47 percent) prefer to save rather than spend money, while 59 percent plan for the future
- 55 percent always, or often make financial plans for the long-term. Only 22 percent say they never plan
- 91 percent say they are aware of bank accounts as a product, but only 66 percent know about credit cards and 20 percent do not own any of the 14 products listed on the survey
- Knowledge and understanding of mathematical concepts related to finance is quite low, with only 26 percent of respondents showing basic understanding of the impact of inflation, and high numbers reporting they do not know the answers for questions about simple and compound interest.

Canada's experience

While Canada was not part of the OECD pilot, Statistics Canada conducted the Canadian Financial Capability Survey. Jennifer Robson, Senior policy research officer, with Policy Research Initiative in Canada presented the results at the conference. Researchers set out to measure five key areas of financial literacy in Canada: making ends meet, keeping track, choosing products, planning ahead and staying informed. Researchers were able to examine financial literacy by a number of factors including age and income level. Indeed, factor analysis allowed for identification of target audiences. Key findings from Canada include:

- 49 percent of all Canadian adults say they do not have a budget at all
- 57 percent of Canadians between the ages of 18 and 29 do not have a budget, while 47 percent of Canadians between the ages of 60 and 69 don't have one
- Among the lowest earning Canadians, 48 percent say they struggle financially sometimes, and 11 percent say they experience real problems
- Among the highest earning Canadians, 15 percent say they sometimes struggle and one percent say they have real problems
- When asked how they would cover a $500 expense, 45 percent say they would use credit or debt, while 56 percent say they would tap into their savings
- 2.2 percent of the lowest net worth Canadians say they do not have a bank account and 4.2 percent of Aboriginal respondents noted the same.

Overall, the survey found Canadians are doing "relatively well in all areas," but there are areas where they need help. Moreover, 75 percent say they have challenges in one or more areas. Specific target areas identified are keeping on track of spending money, planning ahead and staying informed. "Most Canadians say they are reasonably okay at making ends meet—but they are not great at planning ahead or staying informed," Robson concluded.

The importance of evaluation

We've looked at how important a national survey is when setting a national agenda for financial literacy. It can be used to measure overall levels of financial literacy, and identify both the topics that need covering most urgently and the specific target groups most in need of support. But how can we tell whether financial education programs are effective in addressing the key topics and reaching the target audience? Program evaluation is essential to ensure programs are doing what they are supposed to do—without evaluation, it is impossible to know whether money spent on programming is having a positive effect.

During a plenary session called "The Importance of Evaluation of Financial Literacy Programs," presenters discussed challenges as well as existing best practices and tools for conducting program evaluation. Evaluation can be described as:

> … the process of gathering information that will help you determine if a programme is making a difference. The right evaluation method will help you to determine a programme's value, impact and effectiveness and take appropriate action. For the best results in evaluating your financial education programme, you need to plan your evaluation at the same time as developing your programme. Evaluation is systematic, evidence-based, and measures or makes assessments in helping to make decisions.[13]

Presenters agreed that evaluation should ideally be built into a project or program at the beginning, although they also recognized that there are benefits to evaluating even long-standing programs. The costs of the evaluation must be built into the budget for the initiative, noted moderator Diana Crossan, Commissioner with the Retirement Commission of New Zealand. Evaluation should also be started early so that the program can be refined, retooled or redesigned as needed.

Presenter Adele Atkinson, of the OECD, outlined the principles and tools that have been developed by the OECD/INFE to support organizations in evaluating their financial education programs. Key good-practices she shared are:

- Consider evaluation as a necessary cost of the program. While some might argue that money should be spent on programming alone, a "good evaluation ensures that resources are being well spent; it is a wise expense," said Atkinson. However, she stressed that it is possible to identify cost-savings when undertaking evaluation—for example, by using the OECD/INFE guidelines during the design phase, drawing on existing data and/or by sharing evaluation questionnaires with other evaluation teams.
- Start by identifying the objectives of the program and then ask whether they can be quantified and, if so, how? For example, are there a specific number of people you should reach with the program? How much money should people be saving once they have completed the program?
- Take into account the ways in which the program is expected to meet its objectives; this is sometimes referred to as the logic model.
- Use this information about the program objectives in order to create a framework for evaluation. This may incorporate ways of measuring change and monitoring outcomes in a way that can be used to make recommendations.

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13 International Network on Financial Education, *Guide to Evaluating Financial Education Programs* (2010).

- Use these evaluation methods depending on the type of program. For example, awareness campaigns can be monitored in terms of the number of people they reach, while strategies designed to increase levels of knowledge can be evaluated by testing the knowledge of participants before and after.
- Consider how the evaluation findings should be reported, taking into account the variety of audiences that will be interested in the results. Encourage evaluators to report what did not work, as well as what worked, and draw on all of the evaluation evidence (qualitative and quantitative) to provide an in-depth analysis of the impact of the program and the reasons behind this impact.

Presenter Janet M. Murray, Financial Literacy Evaluator, Social and Enterprise Development Innovations, Canada (SEDI) noted that the state of evaluation is weak in the area of financial literacy. However, funders now want rigorous and standardized evaluation and practitioners want relevant, flexible and appropriate evaluation. Still, she said, program providers often have to be convinced that it is possible to effectively evaluate their programs. They often feel it is too challenging to do, whereas Murray believes it can and should be done by community organizations themselves. In fact, the goal of SEDI's work in this area is to build capacity to include an evaluation component in community-based projects. Rigorous evidence-based work is important but the process is not more important than the product, she pointed out.

Murray also referred to the Canadian Financial Literacy Task Force recommendation on evaluation: "all stakeholders [should] establish clear evaluation standards for their investments in financial literacy programs. To that end, the Government of Canada should offer resources and tools to support and enhance the evaluation capabilities of financial literacy education providers, particularly voluntary agencies."

TARGETING YOUTH

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Empirical evidence is not just a key component of national strategies—it can also help to identify the needs of a specific target audience. The Financial Literacy option of the OECD Programme for International Student Assessment (PISA) is currently being piloted in 18 countries. The study aims to test levels of financial literacy among 15-year-olds. It is the first large-scale international study to assess the financial literacy of young people, and the results will be available in 2013. The OECD's Flore-Anne Messy discussed the evidence gaps that the PISA Financial Literacy Study is designed to fill. "We lack evidence about the needs and gaps of young people," she said, speaking at a workshop on financial education in schools. Understanding the needs of 15-year-olds on an international level can drive policymakers to ensure that financial literacy is included on the basic school curricula of countries around the world. Gathering empirical data is a first step toward this and can help educators determine the best path forward for addressing their needs.

GENDER AND FINANCIAL EDUCATION

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A plenary session on gender differences in financial decision-making highlighted some key differences between men and women when it comes to money-related choices. Presenter Annamaria Lusardi, Director, Financial Literacy Center at Dartmouth College, U.S., explained that women without the knowledge to make sound financial decisions are particularly vulnerable and yet they play an important role in the financial sector as consumers and managers of household budgets. On average, women live longer than men and have shorter and less consistent working lives. Women are therefore at risk of poor financial outcomes, said Lusardi, adding that, for many, divorce or the death of a spouse precipitates poverty.

Lusardi's research shows that gender differences in financial knowledge do exist, based on survey questions about basic numeracy, interest rates, inflation and risk diversification in many countries. Women tend to say they know less and they also tend to be more cautious when answering test questions than men, preferring to say that they don't know the answer, rather than taking a guess. Interestingly, she finds the gender differences are pronounced in the United States, while financial knowledge gaps between men and women in economies with a relatively recent market economy (e.g. Russia or eastern Germany when comparing it to western Germany) tend to widen as those nations become more economically developed.

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GENDER AND FINANCIAL EDUCATION (continued from page 19)

Presenter Angela Hung, Director with the Rand Corporation's Center for Financial and Economic Decision Making, noted a similar gender gap in the research she conducted for the OECD, again finding women more likely than men to say they are uncertain or don't know about some money topics. In other countries without empirical evidence, women are also perceived to have less financial knowledge than their male peers. The OECD and its INFE will therefore develop more in-depth research to identify and quantify gender differences so that they can be addressed through programming and education.

In the end, both Lusardi and Hung concluded that gender does matter when it comes to financial literacy, because women with lower financial literacy levels are vulnerable and could end up participating less in financial markets, paying higher costs for services and putting themselves at higher risk for poverty.

SECTION 3:
GAINING ACCESS

Even the best financial education programs will fail if people cannot access them or if people do not have access to financial services in the first place. Developing and sustaining appropriate delivery channels for financial education is perhaps the biggest challenge facing policymakers. During the conference, the question of access and availability of financial products and financial education programs was addressed on several fronts: financial inclusion, the role of community-based organizations and the rise of social marketing and other innovative delivery approaches. How can policymakers and financial educators build and leverage these access points? And what best practices should they keep in mind as they seek to reach out to new audiences? These questions were answered at different points throughout the conference.

Technology, financial literacy and financial inclusion

Financial inclusion is defined as "the process of ensuring access to appropriate financial products and services needed by vulnerable groups, such as weaker sections and low-income groups at an affordable cost in a fair and transparent manner by mainstream institutional players." [14] In many countries, technology (i.e. the rapid proliferation of cell phones) is playing a vital role in pulling millions of people into the financial system, making available to them financial services they might not have had access to in the past.

Access to financial products is a first step in the need for financial literacy. Indeed, lack of financial literacy is often tied to lack of access to financial products or failure to use them even when they are available. These issues are of concern in the developing world. For example, a 2009 report by the OECD notes:

> in Zambia and six other African countries, only 29 percent of adults have a bank account and 50 percent use no financial products at all. In South Africa, a recent survey found that nearly 60 percent of the people surveyed do not understand the term "interest." In Zambia, more than two-thirds of people are unfamiliar with basic financial products and tools such as checking accounts, automated teller machines, and debit cards.[15]

But does technological innovation equal financial inclusion—and what should the role of financial education be? These questions were the topic of a conference workshop where presenters from both the non-profit and private sectors shared

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14 Reserve Bank of India, presentation by Dr. K.C. Chakrabarty, FCAC-OECD Conference on Financial Literacy (2011).

15 OECD, *The Case for Financial Literacy in Developing Countries: Promoting Access by Empowering Consumers* (2009).

their views and findings. Notably, policymakers in India have made financial inclusion a priority, according to Dr. K.C. Chakrabarty, Deputy Governor of the Reserve Bank of India, which asked all Indian banks to formulate school board-approved financial inclusion plans for the next three years. The goal is to achieve planned, sustained and structured financial inclusion throughout India. India's challenge is the same one faced by many countries in a world where 2.5 billion adults (just over half of the world's adult population) do not use formal financial services to save or borrow. The majority of these people live in Africa, Asia, Latin America and the Middle East. Of those who do use financial services in Africa, Asia and the Middle East, at least two-thirds of them live on less than five dollars a day.

In other countries struggling with large segments of the population who do not have access to financial services, technology is playing a major role in bringing increasing numbers of people online and into the realm of formal financial services. Denise Dias, Policy specialist with the Consultative Group to Assist the Poor (CGAP) noted that technology is playing a huge role in pulling people out of poverty in Mexico, giving them access to banking services that were previously unreachable. Mobile phones are key: "Out of 110 million people in Mexico, 90 million now have a mobile phone," she said, adding that technologies like this bring previously inaccessible services to large parts of the population. Dias' presentation looked at how technology is being used to improve financial access. Three factors present limits to access: long distances and low population density; high costs relative to income; and low levels of basic literacy. Dias also discussed the merits of branchless banking to assist with bringing access to financial services to populations. Branchless banking extends to customers who could not be reached profitably with traditional branch-based financial services.

Dias also stated that is it increasingly important that financial education accompany new technologies: "Education can help increase adoption and usage of new models and products through enhanced capability and better understanding by clients," she explained. At the same time, education can help reduce problems bred by technology, such as the client being unable to complete a transaction, or at risk of theft of personal information. More education can also encourage users to shop around and compare prices and services, thereby pushing for better product offerings.

Although banks and other financial institutions operate on a for-profit model, technology allows them to provide better and enhanced services to new audiences that are difficult to reach. Richard Wilson, Director of Digital Experience with RBC Royal Bank of Canada, said "Banks have an opportunity to use technology to create compelling experiences that support financial literacy and provide value added services to our customers." For a country like Canada, with a dispersed geography, technology allows financial institutions to connect customers with the right product experts, even though they might not be available in the communities where they live. "We can't afford to have product experts everywhere," he said, but technology allows them to broaden the financial services available to those who would not otherwise have access to them—and in a cost effective way. One area that could be better served through technology would be the North, where providing access to services among communities and cultures presents a unique challenge.

Building capacity

One significant channel for providing financial education to individuals in need has been community-based organizations. They provide grassroots contact and understanding of their communities and are, therefore, poised to deliver financial education programs that meet the unique needs of broad audiences. Indeed, the need for ongoing support for community-based organizations was a message that came across clearly during the consultation process for the Task Force on Financial Literacy. Submissions like this one from the United Way in Winnipeg illustrate the central role community-based organizations have in understanding the importance of financial literacy in meeting the unique and diverse needs of the people they serve every day:

> From our work with community based organizations, we have witnessed how supporting financial literacy is a proven, effective practice to increase financial stability and independence. This success is, in large part, due to strategies that provide access and support to marginalized and vulnerable populations, including Aboriginal people, newcomers and those living in low-income situations.

Community-based organizations often rely on train-the-trainer programs as a vital tool to bolster their capacity to deliver financial education programming to the communities they serve. During the conference, a workshop on training the trainers (Building capacity: How to develop effective train-the-trainer programs) allowed experts to share their challenges and best practices about what it takes to create effective materials and resources for organizations looking to build capacity to deliver financial education to the communities they serve.

The discussion was moderated by Steve Stillwell, Senior Manager of the Money Advice Service in the U.K., who began by sharing his experience about developing a train-the-trainer program aimed at young military recruits who were having difficulty managing their first paycheques. Stillwell pointed out that building an effective train-the-trainer program is about more than just delivery: it's also about the ability to measure its impact both on the trainer and those receiving training. Stillwell also noted it is important to ensure quality, since you are "letting go" and designing the program to be delivered and run by someone else.

The first panelist was Casey Cosgrove, Director of the Canadian Centre for Financial Literacy, which was recently created by Social and Enterprise Development Innovations (SEDI). Its role is to bring together the public, private and not-for-profit sectors to increase the financial literacy of low-income Canadians. Working with local host organizations and stakeholders, SEDI trains community partners to deliver financial literacy programming within their community or to integrate it into existing programs. There is no cost for participants and programs are all face-to-face. Train–the-trainer programs developed by SEDI are built upon understanding the context of the community the agency serves. That context is key, said Cosgrove, whether the served community is newcomers or other at-risk or low-income Canadians.

However, Cosgrove noted one major challenge in Canada: a lack of policy or mandate for low income-serving organizations to deliver financial education. Without this, he says, there is little incentive for community-based organizations to build long-term financial education programs. It also means there is little money to support work in this area. That makes it extremely difficult to drive financial education programming among community agencies and non-profit organizations. “You need a commitment to it,” he said.

Christine Colbert is Director of Projects and Research, Canadian Association of Family Resource Programs (FRP Canada) an agency that delivers support for families. Financial literacy isn’t her agency’s main focus, but it received funding to create awareness about education savings, specifically Registered Retirement Savings Plans (RESPs) and the Canada Education Savings Grant (CESG). Colbert created a train-the-trainer model to help families plan to save for education. This in turn created an opportunity to add modules to address saving and budgeting in order to support the families its members serve.

Colbert indicated that context was key: the material had to be packaged and framed in a way that made sense to families and spoke to the unique challenges of the agency’s members. Colbert worked to put the information “into their language,” highlighting the ways saving for education and budgeting can support and empower families. The material also had to be put into a digestible and palatable format for family services agencies, using language that will resonate with families, such as goals for children and future of the family.

Finally, Shri Prashant Saran, Whole Time Member of the Securities and Exchange Board of India, discussed how a train-the-trainer approach supports the delivery of financial education programs across India. The country uses a pilot program to support individuals in providing financial education to students. It involves seven days of training which is delivered regionally, and trainers are required to conduct between 12 and 53 workshops a year to maintain their qualifications. The program has been successful, training 29,000 students within the first year. Trainers are paid and provided with added incentives to become involved in delivering financial education.

FOCUS

SOCIAL MARKETING AND SOCIAL NETWORKS

Social marketing has long been a staple in the marketing world; in Canada, for example, organizations like Health Canada have used it to deliver health promotion messages that can lead to wholesale behaviour change (e.g., quitting smoking). During a session on social marketing and communication tools, presenters looked at the use of social marketing as a tool for promoting financial literacy—and explored new ways to reach people in innovative ways.

Dilip Soman, professor of marketing at the Rotman School of Management at the University of Toronto, began by providing a formal definition of social marketing as: "the systematic application of marketing, along with other concepts and techniques, to achieve specific behavioral goals for a social good." Soman didn't focus as much on broad-based marketing and advertising campaigns as he did on the role of "choice architecture" and nudging in creating behaviour change. Soman discussed the importance of traditional marketing tools in approaching financial literacy: looking at who the end "customer" is and what they need, and then designing specific tools for them to use.

Soman also noted that technology and social media are becoming extremely useful in reaching consumers, a point which was carried forward by other speakers during the session. Gilbert Peffer, xDelia Project Coordinator, CIMNE, Polytechnic University of Catalonia, Spain, discussed how gaming could enhance financial education programs particularly among young people. "Games are capable of revealing psychological and behavioural profiles and can help raise awareness of intricate personal and social issues," he said, adding that games can act as "exploratory vehicles" for learning skills that can change behaviour. Games like Cityville on Facebook are already popular and help players make decisions with financial elements. Game interaction data can also be used to segment players and deliver tailored messages.

Marcin Polak, President of the board at Think Global Ltd. in Poland, discussed ways to make financial education fun and why it is important to use social marketing to promote awareness. The key, he said, is to plan strategically and build programs that can leverage social platforms like Facebook, Twitter and blogs. Wendy Arnott, Vice President, Social Media and Digital Communications with TD Bank Financial Group, discussed how the private sector is using social media to connect with customers, making information available on Twitter and on other online media.

SECTION 4:
THE LIMITS OF FINANCIAL EDUCATION

Can financial education turn us all into financially savvy individuals? It is a question that arose throughout the conference as speakers bumped up against the limits of financial education in encouraging people to make better decisions about their finances. From not saving enough to taking on too much debt, some people will continue to make poor choices even though they know that they should be making a different decision. As keynote speaker Jonah Lehrer, author of the book, *How We Decide*, noted, people's decisions are not rational, contrary to modern portfolio theory, which argues that markets are rational. Instead, Lehrer argued that decisions are not based on pure reason but rely heavily on emotion.

The main point: even though we know better, we are still inclined to make bad choices in some cases. And herein lie the limits to financial education according to some presenters. "There are declining returns to education as we go along: there is a clear gap between what people want to do and what people end up doing," said Professor Dilip Soman of the Rotman School of Business. "People know they ought to save but they do the wrong thing anyway."

Several sessions explored specific areas of personal finance where people continually make poor decisions (e.g. taking on too much debt) or display chronic inertia around making any decisions at all (e.g. not signing up for a pension plan at work). In such cases, said Soman, the goal should be to find ways to reduce the gap between what people wish they could do and what they end up doing.

The rise of choice architecture

Soman introduced a set of complementary measures to financial education: the concept of "choice architecture" or "nudging," which he defined as "any aspect of the choice architecture that alters people's behaviour in a predictable way without forbidding any options or significantly changing their economic incentives." According to Soman, "People infer their preferences from what other people are doing or what is put in front of them"—and therein lies an opportunity to "nudge" people in a certain direction when it comes to making financial decisions. Doing this can lead to better outcomes for people than financial education alone.

The link between nudging and financial decision-making was popularized by financial economists Richard H. Thaler and Cass R. Sunstein in their 2008 book, *Nudge: Improving Decisions About Health, Wealth and Happiness*[16]. Choice architecture involves presenting choices and information in new ways that address

16 Richard H. Thaler and Cass R. Sunstein, *Nudge: Improving Decisions About Health, Wealth and Happiness*, Yale University Press (2008).

the common biases or tendencies people have. For example, individuals tend to be "effort-averse" when it comes to finances. Hence, employers have found it particularly difficult to get eligible employees to opt into the company pension plan. Not doing so can be detrimental for some individuals who end up with no savings at retirement. Thaler and Sunstein posit a simple solution to "nudge" them in the right direction: rather than asking employees to opt into the plan, automatically enroll them and give them the choice to opt out instead. Their inertia will then work in their favour (i.e., most won't bother to make the effort to opt out).

Thaler calls this "libertarian paternalism," or the "gentle nudging of the citizenry in the right direction." He argues: "It is often possible to design policies, in both the public and private sector, that make people better off—as judged by themselves—without coercion."

Some presenters at the conference argued that choice architecture could prove valuable as policymakers seek to improve the kinds of financial decisions people make. However, some were decidedly wary of choice architecture, arguing that the level or kinds of nudges provided to individuals are subject to biases that might not work in their favour.

Retirement planning: To nudge or not to nudge

One area where financial education just might be reaching its limits is in the area of retirement planning, where a combination of sophisticated concepts related to long-term asset management, very complex pension regimes and very significant risks are beyond the skills and abilities of the average person. A panel on retirement planning addressed the question, "how can we help people better understand and prepare themselves for this important life event?" During the session, some presenters argued that no amount of financial literacy training could equip people to appropriately invest their money for retirement. At the same time, too many employees with access to a pension plan are not opting in due to inertia—in not doing so, these individuals are at risk of inadequate savings at retirement.

But is nudging the answer to the retirement planning challenge (as Thaler and Sunstein argue)? Should choice architecture be used to encourage people to save for retirement either on their own or through employer-sponsored pension plans?

Dr. Debbie Harrison, senior visiting fellow at the Pensions Institute, Cass Business School and consultant for the OECD, believes that there is a role for financial education and that policymakers should not just assume people won't make decisions at all. "If you rely on inertia, then what hope will you have of real engagement?" she said. Building on the OECD's "Good practices on financial education relating to private pensions" [17] as well as more recent research,

[17] OECD, *Good practices on financial education relating to private pensions* (2008).

Harrison argued that financial education is important, especially when it comes to communicating national government retirement benefits as well as employer-sponsored pension savings schemes. While choice architecture is a tool being used by policymakers in the U.K., who have instituted automatic enrolment for all defined contribution pension schemes, individuals should still be given the tools and resources they need to understand their finances and make good decisions.

Panelist Tom Reid, Senior Vice President, Group Retirement Services, Sun Life Financial Inc., discussed Canada's proposed Pooled Retirement Pension Plan, which will be another tool to get Canadians to save for their retirement. Importantly, Reid argued that nudging can play an important role in helping people to begin saving for retirement. However, other presenters were wary of choice architecture that pushes people to save for retirement—and in some cases to *over save*. Presenter Malcolm Hamilton, partner, Mercer Human Resources Consulting, noted that in Canada, government retirement benefits are currently enough to take care of the poorest Canadians who, he said, should not be encouraged to save for retirement. "For the working poor who earn less than $20,000 a year, they should not be forced to save for retirement. Instead, their problem is getting by today."

Jack Mintz, director, School of Public Policy at the University of Calgary, agreed on this point and also noted that the amount individuals need to save for retirement is often exaggerated by the private sector. Indeed, the private sector often encourages people to save to a target of 70 percent income replacement—a rate that could be far too high and reflects a bias on the part of the financial institutions that sell retirement savings products. The incentive for nudging in this direction is clear: if people invest their money, the private sector benefits through fees. That kind of a nudge is not always in the best interest of individuals.

Building on Hamilton's point about Canada's poorest, Mintz raised the example of single mothers who have higher rates of poverty than other Canadians: "Do you need them to save more for retirement and lower their standard of living and that of their children?" Clearly the potential is there for "too much nudging," he said.

Also, nudging people into mutual funds and other financial instruments is not always appropriate. For example, Mintz pointed out that Canadians have $1.9 trillion of equity in their homes, and for many Canadians their home is their most important retirement asset. Because a home is not taxed when it is sold, Mintz argued it's a better savings vehicle in many ways than a registered retirement savings plan (RRSP), which is taxed on withdrawal.

Hamilton said too much nudging could encourage people to make poor decisions. "Financial literacy can't make our retirement system that much better." However, financial education can equip Canadians to demand more transparency and recognize when they are getting bad advice: "Canadians need transparency and the basic skills to discern whether or not the advice they are getting from professionals is sound: Canadians need to understand if they are getting self-serving or poor advice," Hamilton concluded.

Converting intent into action

Another panel, "Nudging or Education Consumers on Financial Issues", examined further whether choice architecture and education are opposing or complementary interventions—and whether we can influence financial behaviours for the long term. Presenter Dilip Soman made the point that combining nudging and education is important and that the discussion about which is better should not be an either/or situation. Rather, nudges are just one way to bridge the action/implementation gap. As he said, education can help to convince people about the need to save—but it does not always lead to behaviour change.

However, the question remains: how can we convert intent into action? Soman reinforced the idea that with nudging, consumers can be presented with options and encouraged to choose wisely without active intervention. He used the example of organ donation: when the default is donation, as it is in Denmark for example, donation statistics increase. In Canada where the default is not to donate, the numbers are very low.

Soman found similar examples of ways to use nudging to improve financial decision-making among Canadians. He provided an example from India in discussing how choice architecture can encourage follow-through on important financial decisions. In trying to encourage people to open a bank account, it was useful to ask people to sign their name and state their intention to open the account: people who did so were far more likely to follow through because they believe they have already initiated the action by signing.

Choice architecture is also part of pension workplace reforms in the U.K.—a discussion that was begun by Debbie Harrison and continued in more depth by Dr. Paul Cox, senior lecturer of Finance at the University of Birmingham in the U.K. Dr. Cox was one of the designers of a new series of U.K. pension reforms, which will extend pension coverage to encourage more people to save for retirement. Under the new system, all employers in the U.K. will have to contribute to a defined contribution pension scheme as designed by the government.

Cox described the challenge in providing education to the target group for the scheme: ill-served groups that work in sectors like hospitality and retail with a minimum salary of 7,000 pounds a year. Instead of education, however, the U.K. government drew best practices from behavioural economics to encourage persistence in contributions as well as participation overall. For example, enrolment will be automatic enrolment—the "nudge" necessary to encourage participation. There will also be a well-designed default fund and limited fund choices so individuals are not overwhelmed when it comes time to make decisions. Members will also receive plain-language reporting.

Angela Hung and Delia Rickard responded to Cox and Soman; both stressed the combined need for financial education in addition to choice architecture. Hung made an important point: education can help to build trust and confidence in financial advice when it comes time to make a decision or take action. Simply nudging will not foster that kind of confidence.

DEALING WITH DEBT

FOCUS

During a workshop on credit and debt management, presenters asked how best to help people tackle these difficulties and avoid the path to bankruptcy. Debt is a huge issue facing policymakers in many countries and, as moderator James Callon, then Superintendent of Bankruptcy Canada, pointed out the huge jump in consumer bankruptcies in recent years; Canadian insolvency volumes climbed by 212 percent between 1990 and 2010. At the same time, he noted, personal savings rates for Canadians declined from 13 percent to just over 4 percent, and debt–to-income ratio rose from 0.91 to 1.48 during the same time period. Said Callon, total debt and consumer insolvency volumes are correlated.

While financial education can play a key role in helping people determine how much debt they can reasonably afford to take on, there is a broader role for advice and counselling around how to handle debt problems. Advice moves beyond the boundaries of education and offers people concrete and professional solutions for dealing with unmanageable debt.

Presenter Laurie Campbell, Executive director, Credit Canada, noted that although her organization offers many different financial education resources, individuals often make decisions that work against their stated goals. Like Professor Soman, Campbell believes that the "handling, saving and spending of money has an undeniable emotional component to it that is more powerful for some than others." That means many people have an inherent tendency to "sabotage their own financial success, either deliberately or without conscious awareness of their own actions and the repercussions of those actions."

For individuals who have hit a wall when it comes to managing their debt, the not-for-profit Credit Canada offers free counselling services to help people reduce their debts by working with creditors and coming up with a debt repayment plan. Credit Canada can also suggest ways individuals can save additional money to put towards their debts.

FOCUS

DEALING WITH DEBT (continued from page 30)

Presenter Teresa Perchard, Director of Policy with Citizen's Advice in the U.K., also talked about the role of her organization in providing free advice from an unbiased source around how to pay off debt and create manageable payments. Citizen's Advice provided advice on debt to 350,000 people between 2008 and 2009. Perchard also shared key statistics on debt from the U.K., including the fact that five million people have consumer credit arrears and that a further 2.3 million people say they face debt problems. Like Canada, savings rates in the U.K. are low; in fact, individuals owe £17,000 on average.

High levels of consumer debt is also a concern for the OECD, according to presenter Michael Chapman, Senior policy expert, Financial Education and Consumer Protection Unit, OECD, who drew a clear link between financial education relating to credit and consumer protection. While advice and education are essential tools in helping people to avoid or deal with debt, there is a role for policymakers in creating targeted protection for financial consumers that focuses on disclosure and transparency, consumer's rights and avenues for redress. Chapman built on the OECD's "Good Practices on Financial Education relating to credit"[18] and current in-depth work in this area. He particularly highlighted that financial education on credit issues should help to enable individuals to:

- develop the knowledge, understanding, skills and confidence needed to adequately appraise and understand their rights and responsibilities as credit holders and the various credit options available to them
- know where to look for important information, objective advice or help if they need it
- make informed decisions about how to protect themselves and their relatives, to adopt a proactive and responsible behaviour as regards their credit
- develop basic abilities of financial planning as regards their credit, taking into account their possible future income and life cycle changes
- understand the consequences of bad credit choices, decisions or behaviours.

Here the case was made for regulators and consumer protection in addressing problems with debt and credit. The link between financial education and consumer protection recognizes that there are limits to financial education: without adequate transparency and appropriately constructed and marketed products, it is difficult for consumers to make good financial decisions.

18 OECD, *Good Practices on Financial Education relating to credit* (2009).

SECTION 5: THE WAY FORWARD FOR CANADA

In many ways, the two-day conference captured the global financial literacy landscape at an inflection point: having spent years as a low-grade priority among policymakers, it has quickly risen as a national priority for many OECD countries. With an increasing toolkit of resources and best practices to govern strategic priorities, research, evaluation and program development, the financial literacy field has matured. We now know more about how to build good financial education programs and, at least for the time being, there is will on the part of governments to make them sustainable.

But while the drive exists to create cohesion and leadership within the financial literacy field in Canada, several new and emerging issues were captured throughout the conference. Some of these were not topics specifically addressed—rather, some challenges and opportunities stem from the gaps in discussion during the conference. These unanswered questions can help policymakers in Canada and around the world focus their efforts and thinking in the coming years, as the financial literacy space continues to mature.

The Task Force on Financial Literacy

The recommendations of the Task Force could have an impact on financial literacy in Canada. While recommendations have been tabled, we do not yet know how they will be implemented and what their ultimate impact will be going forward.

The National Financial Capability Survey

Baseline research will define and direct the efforts of financial education providers in Canada by providing a window into knowledge gaps and areas of the population that are at risk. Financial education will need to look at the survey results to determine the most appropriate programming and individuals to target. However the question remains: what next? Going forward, how will expectations be adjusted as Canadians become more financially literate; how can we continue to meet the needs of Canadians with effective financial education?

The longitudinal impact of financial education

As financial education moves into schools nationwide, will the information and education needs of adults change as those students move from youth to adulthood? Ideally, yes. Canadian financial education providers must be aware of and measure the changing nature of financial education needs on a generational–basis—as the current generation of young Canadians with access to financial education matures, priorities in the future will change. Financial education must be looked at as a continuum, and to do this there must be better segmentation of audiences over time as financial education is delivered to different parts of the population. This will require a more longitudinal approach to financial literacy in the future.

The evaluation challenge

Clearly, we aren't there yet. Many presenters discussed at a high level what program providers need to keep in mind when evaluating programs. And clearly, some evaluation models that aim to support program providers on the assessment front are in the works. However, evaluating programs is costly and time-consuming, and organizations still lack capacity and tools. In addition, many evaluation models are academic and difficult for lay people to use and understand. Do all programs need to be evaluated? And at what stage?

The communication challenge

One key point was made at the conference: consumers are turning to many different formats and technologies to reach out to financial services providers and to learn more about products and services. From cell phones, to Twitter, to media and private-sector websites, consumers now gravitate to content that is customized to meet their own needs. In this environment, are there new and evolving ways to reach people that reflect the changing way in which people engage with technology and one another?

The role of choice architecture

Do Canadians need a "nudge" in the right direction—and if so, who determines which direction is appropriate? Choice architecture offers incredible potential to battle the age-old problem of inertia—however, presenters pointed out its dangers. High savings target can benefit individuals—but they also provide a benefit to the financial industry through additional fees and increased assets under management. What kind of nudging is appropriate?

The role of intervention

For some vulnerable Canadians, information and education will not lead to better financial decisions. Non-profit advice and counselling is becoming a very important part of the financial landscape in some countries as debt levels climb beyond the ability of millions of people to handle. Is there a role for a consolidated hub of financial advice and information for all Canadians? This could be modeled on the Citizen's Advice Bureau in the U.K., which offers services beyond just dealing with debt (e.g., retirement planning, how to choose an advisor, how to avoid fraud).

The importance of financial inclusion

As pointed out in the introduction, Canada has its own financial inclusion challenges. What can we learn from other jurisdictions and countries about how to tackle financial inclusion in this country? At the same time, how do we determine which groups or individuals are excluded?

The need for meaningful partnerships and collaboration

While the title of the conference was "Partnering to Turn Financial Literacy Into Action," there is clearly much room left to foster collaboration and partnerships among financial education providers. This is certainly a priority of the Task Force on Financial Literacy, but Canada could benefit from more discussion on how best to create partnerships in the future. As the funding landscape becomes more competitive, this will be increasingly important.

The rising need for consumer protection

This is arguably the most important theme to emerge at the conference. Without transparency and access to clear information, consumers cannot make good decisions. A robust approach to consumer protection is key to financial literacy and the two areas complement one another, according to the OECD: "Financial consumer protection should be reinforced and integrated with other financial inclusion and financial education policies. This contributes to strengthening financial stability. It is essential to protect consumers' rights while also recognizing the fact that these rights do come with consumer responsibilities." [19]

As consumer protection becomes a bigger focus for international bodies like the OECD, Canada is well positioned in this area. Consumer protection and education are already combined within FCAC; therefore, within a Canadian context the two areas are already linked. Consumer protection will be key to addressing many of the gaps and challenges that arose during the conference, from the need for more transparent information and advice to the emerging role of nudging and behaviour change.

[19] OECD/INFE, *G20 High-Level Principles on Financial Consumer Protection* (2011).