

Financial education
Improving financial
skills for prosperity



Financial education: key to facing financial instability and decreasing risk

‘An investment in knowledge always pays the best interest.’ Benjamin Franklin

Financial education is the process of imparting information and instruction to citizens, consumers and employees to enhance their knowledge and understanding of financial concepts and financial products. In addition to developing skills, it helps individuals attain the necessary confidence to practice informed decision-making. The ultimate objective is to ensure individuals are empowered to act in the interest of their financial well-being¹.

The recent global economic crises – and particularly the subprime crisis – have demonstrated the low level of knowledge of basic and complex financial concepts among the greater public as well as the vulnerability of the less financially literate during financial turmoil. More generally, the crises have shaken confidence and trust in financial products, services, and service providers. Financial education may play an important role in addressing the knowledge gaps which contributed to the crisis and still impede sound financial decision-making. It may also help to restore consumer trust, reduce stress related to financial issues, and educate a generation of more confident consumers. Through smart information campaigns and instruction on financial principles and services, financially literate citizens and employees are better armed to prevent and cope with the consequences of economic downturns and financial crises and make more informed investments.

Importance of financial education in a dynamic global economy

Complex financial services landscape

Financial services have become increasingly diversified and sophisticated with further market deregulation. New instruments – including retirement and insurance plans – offer a range of fees, interest rates, maturity schemes, and risk. This broader product offering requires more information for and protection of the general public to ensure active participation of all population segments, guarantee market efficiency, and avoid market disruption with long-lasting economic effects.

An ageing population in developed economies: the new pension landscape

Increased life expectancy and negative birth-rates in many countries have put pressure on national pension schemes and made retirement savings a top priority for households. Individuals bear greater responsibility for pension provision under defined contribution schemes as compared to defined benefit schemes. To ensure optimal investment, individuals need money and risk management tools. This is pushing employers to provide more comprehensive information on the different options and challenges their employees face.

Emerging and developing economies: enabling first-time users

As greater segments of the population in transition economies enjoy higher income levels, first-time users or users of limited financial services are demanding more investment and saving options of greater complexity. The rise of inexpensive technological solutions for banking has also opened up financial services to previously unserved populations in developing economies. These populations need greater fundamental financial training to access resources and maximise the resources they have. For many, this includes increasing their familiarity with basic banking tools, including checking accounts, automated teller machines, and debit cards, to facilitate regular use.

Enhancing impact of financial integration and redistributive social policies

Financial integration and redistributive policies and programming, such as microfinancing, cash transfers, and subsidies, seek to better integrate vulnerable populations and increase market efficiency in both developed and developing countries. The effectiveness of such policies may be enhanced if beneficiaries are equally empowered with better money and debt management skills.

¹ Organisation for economic co-operation and development (OECD). Improving financial literacy: analysis of issues and policies. Paris, France (2005).

Importance and benefits of financial education

Financial education can benefit citizens and consumers of all age, education, and income levels. Financially educated consumers can have a positive impact on the economy overall by demanding more responsive financial products and thus increasing

the innovation, quality, and competition in financial markets. The following is a matrix of potential beneficiary groups, interventions, and corresponding benefits:

	Intervention	Concepts and products	Benefits
Young adults and school children	<ul style="list-style-type: none"> Classroom training Course curriculum Interactive games and e-Learning 	<ul style="list-style-type: none"> Budgeting Pocket money (use and limitations) Earnings Personal finance 	<ul style="list-style-type: none"> Knowledge of basic financial concepts Promotion of good lifelong behaviours Increased confidence in financial decision-making
Families	<ul style="list-style-type: none"> Public information campaigns Family games Online tools (calculators) Online courses 	<ul style="list-style-type: none"> Money management Savings Mortgages Loans 	<ul style="list-style-type: none"> Increased awareness and use of money management tools Increased uptake in savings and loan products Improved rate of loan repayment
Employees	<ul style="list-style-type: none"> Workplace seminars e-Learning 	<ul style="list-style-type: none"> Money management Risk management Retirement savings and pensions Insurance plans 	<ul style="list-style-type: none"> Increased use of money management tools Increased awareness of risks Increased uptake in relevant plans Increased level of investment
First-time investors or 'upgrading' investors	<ul style="list-style-type: none"> Public information campaigns Online tools (calculators) Online courses 	<ul style="list-style-type: none"> Trade-off of risk and return Value of compound interest Advantages and disadvantages of particular investments 	<ul style="list-style-type: none"> Increased knowledge of basic financial concepts New tools for financial decision-making Increased uptake in relevant plans Increased level of investment
Low-income populations	<ul style="list-style-type: none"> Online information Online tools (calculators) Targeted media campaigns Seminars for community groups 	<ul style="list-style-type: none"> Personal finance Banking 	<ul style="list-style-type: none"> Increased confidence in financial decision-making Increased uptake in banking products Increased level of investment
General public	<ul style="list-style-type: none"> Public information campaigns Online tools (calculators) Online courses 	<ul style="list-style-type: none"> Personal finance Debt and risk 	<ul style="list-style-type: none"> Reduced exposure to financial crises Increased confidence in financial decision-making Less regulatory intervention

Our expertise: designing tailor-made solutions in financial education

'Education is the best provision for old age.' Aristotle

Drawing on the expertise acquired in serving the financial services industry in Luxembourg as well as on its established education consulting practice, Deloitte has developed a wide range of financial education programmes. This combination of expertise places us in a unique position to provide targeted solutions to clients interested in improving the financial literacy levels of citizens, customers, and employees. We endeavour to provide the educational, financial, and specific context

expertise required to successfully design and implement financial education strategies and programmes for all types of target populations.

Deloitte serves clients in a wide range of business sectors as well as all levels of government who engage with the greater public or specific target populations that may benefit from financial education.

A comprehensive approach to financial education services

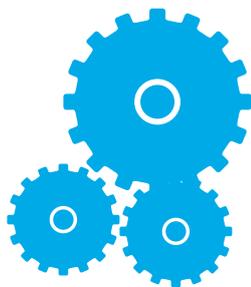
Deloitte financial education services

Our services *

- Financial literacy surveys and needs assessments
- Development of national financial education strategies
- Evaluation of financial education programmes
- Design of financial education programmes for dissemination by the financial services industry
- Development of training modules and support material on financial education for educational establishments, public institutions, and corporations
- Design, evaluation and monitoring of PPPs in financial education
- Curriculum reform (integration of financial education in curricula)
- e-Learning platform design and implementation to support financial education

Our clients *

- Ministries of finance, education, labour, and development
- Central banks
- Public financial regulatory and supervisory bodies
- Retail banks
- Pension funds and insurance companies
- Multilateral international and financial institutions
- Corporations including financial education in the human resources offering



Core interventions in financial education

Design of financial education programmes

We assist our clients in every step along the project conception, design and implementation process, from baseline skills assessments to curriculum development and implementer training. We lay out the objectives and timeline for programme design and implementation to ensure success and develop and adapt modules, lesson plans, and training methodologies to the demographics and skill requirements of particular citizens, customers, and employees.

Development of financial education strategies

We help our clients formulate targeted strategies and develop action plans to identify and address deficiencies in the financial literacy of citizens, customers, and employees. We design public awareness campaigns aimed at increasing understanding of general and specific financial concepts and products. Strategies take into account the specificities of context and target population segments and deploy multifaceted solutions, including diverse learning tools and pedagogical methods: audio-visual tools, interactive online courses, seminars, games, and written aides.

Evaluation of financial education programmes

Despite its importance, there have been few evaluations of financial education programmes and initiatives. Using established international best practices, we can evaluate the design, implementation, and impact of projects and programmes to ensure proper use of resources and attainment of objectives, as well as determine changes in financial knowledge and behaviours. For this purpose, we devise instruments and use both qualitative and quantitative methods to assess achievement of main programme goals.

Design and development of online tools and curricula on financial education

We create traditional learning and online material that addresses real-life financial situations and choices with which citizens, consumers, and employees are confronted. We work closely with public authorities, education providers, and financial institutions that want to improve the financial literacy levels of a specific segment of the population.

Deloitte's financial education service contact



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