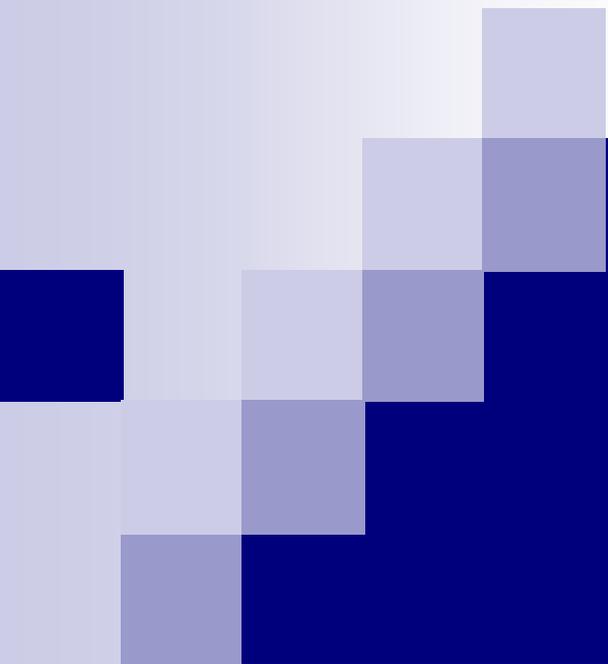


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# Evaluating Financial Literacy Interventions

Wharton Impact Conference

Deborah O'Neil April 29, 2010

**Deborah O'Neil is Vice President of AXA Equitable Life Insurance Company. The views expressed in this presentation are those of Deborah O'Neil and do not necessarily reflect those of AXA-Equitable, nor do they constitute legal or tax or tax advice or an offer of services.**

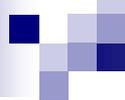


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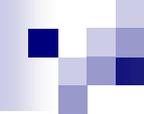
# Source

- Bringing Financial Literacy and Education to Low and Middle Income Countries: The Need to Review, Adjust, and Extend Current Wisdom
  - Robert Holzmann



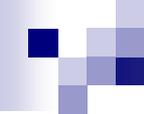
# Increasing Financial Literacy in Low and Middle Income Countries

- Financial literacy and education currently under implementation by the World Bank financed by trust funded by the Russian Federation
- Need to ensure that actions lead to financial capability and desired outcomes
- Benefit is improved outcomes for the citizens and economy



# Trust Fund

- Established in 2008
- Joint and individual work programs of World Bank and OECD over 3 years
- Goal to enable LIC and MIC to develop better informed national strategies on financial literacy and education
  - Development of methodologies and operational instruments to measure financial capability and assess effectiveness of improved capability



# Lessons Learned

- Number of countries with financial education programs has increased
- Learn from experiences of high-income countries and deviate as necessary for the citizens of a LIC or MIC
  - Little empirical data is available for success of programs
- Behavior not necessarily education will change outcomes albeit knowledge is necessary unless trust and confidence in financial institutions and advisors exists



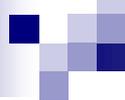
# Financial Literacy in LIC/MIC

- Hierarchy of basic needs and community structure in LIC creates very different financial capability goals
  - Community, business, gender, extended family
- MIC may require a variety of approaches based on family/community structure, levels of education, and access
  - Attributes of both HIC and LIC creates a need for a broader array of activities to achieve a difference in financial capability
- Delivery of education, products and services will need to be available in a range that can be tailored to the specific community
  - Strategize nationally but act locally



# Conclusion

- While lessons from HIC may be helpful they can not be strictly applied to LIC/MIC
- Without specific evidence that education leads to desired capability and outcomes the activity must be measured for value and likely altered to achieve goal
- Behavioral finance analysis must be incorporated to ensure that literacy is used and acted upon
- Motivate individuals to pay today for happiness and security of tomorrow requires that their basic needs (physical and emotional) are incorporated



# Source

- How to Improve Financial Literacy:  
Some Successful Strategies
  - Diana Crossan

# Retirement Commission

- 1993 Retirement Commission to provide information so people can make informed decisions about their personal finances
- Evaluations in 2005/06 and 2009 showed improvement in the number of highly literate (33 to 43%) unfortunately the number with low level remained stable (33 to 31%)
- Financial literacy and financial security is accepted as part of the culture
- Three elements:
  - Financial literacy,
  - Effective and stable gov't policy,
  - Trusted financial services industry with understandable advice



# Five Strategy Approach for Financial Literacy

- National strategy for financial literacy
- Public-private partnerships
- Website supported promotion and fundamental tool
- Integration of financial education into schools
- Availability of financial education for indigenous Māori

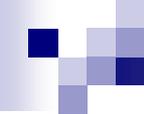
# Delivery

- Websites, booklets, seminars social media, short online movies
- Initial focus of financial planning for retirement switched to financial skills for life to reach more people
- Focus was temporarily switched from print to web ([www.sorted.org.nz](http://www.sorted.org.nz)) (1:3 use website)
  - Print was ultimately re-engaged for low/medium financially literate



# Structured Education

- 2009 non-mandatory financial literacy integrated into the school system
- 2010 Optional program for school children
  - Program must be promoted so schools adopt it
  - Trade or technical training is intended to fill gap for those already out of school



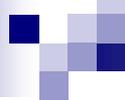
# Specific Māori

- 2003 financial education for children
  - Provided literacy but not necessarily to the parents or extended family (Whanau)
- The material and education must fit within their traditional values of their extended family unit
  - Action must be completed at a local level to tailor the message and gain buy-in and improve effectiveness

# Conclusion

- New Zealand has the experience of implementing a national strategy and incorporating necessary changes to reach more citizens
- Range of citizen characteristics may provide insight for HIC/MIC/LIC approaches
- Unfortunately, it has not been proven that financial education leads to financial literacy which should lead to financial well-being\*
- Shift to financial skills for life to reach young people to motivate to action rather than just educate may provide insight into changes that can reach more citizens

\*Alison O'Connell, 2009, New Zealand Government's Capital Market Development Taskforce



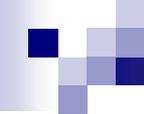
# Source

- OECD: OECD's Financial Education Project
  - Flore-Anne Messy



# Focus

- Many countries are focusing on financial literacy
- OECD project should address policy and stakeholders' concerns
- Financial Education should
  - Improve consumer's understanding of products
  - Develop skills and confidence to assess risk and opportunities
  - Leading to effective actions to improve their financial well-being
- Benefits for the individuals, communities, countries and financial markets can be realized



# Financial Education

- Critical skill that is absolutely necessary for individual well-being
- Key for financial markets, economy and country well-being
- [www.financialeducation.org](http://www.financialeducation.org) provides information, tips, brochures etc... for consumers
- [www.oecd.org](http://www.oecd.org) provides information on a country level for activities, statistics and resources
- Development of guidelines and standards in financial education
- Continued data collection and benchmarking



# Conculsion

- Financial crisis provides an opportunity for teaching as more consumers are interested than ever before but how do they know where to get this data or the tools
- Add services to financial/insurance products and concepts would be beneficial to cover the full scope of the financial industry
- Can some basic financial education be weaved into basic course work such as math and reading at the younger levels

# Summary

- Recent economic turmoil accentuates need for individual financial preparation for financial security and to reduce burden on national programs
- National programs need to provide citizens with opportunities to learn and educate but also incent or motivate them to action so individual citizens may assure their own financial freedom which leads to national growth, innovation and prosperity
- Behavioral info must be considered as it plays a role
- The methods used to assess success will vary based on individual country or community demographics however metrics must be gathered to ensure activity achieves desired goal
- Include the complete financial process in any analysis (current situation – goals – need – distribution – product – annual review)