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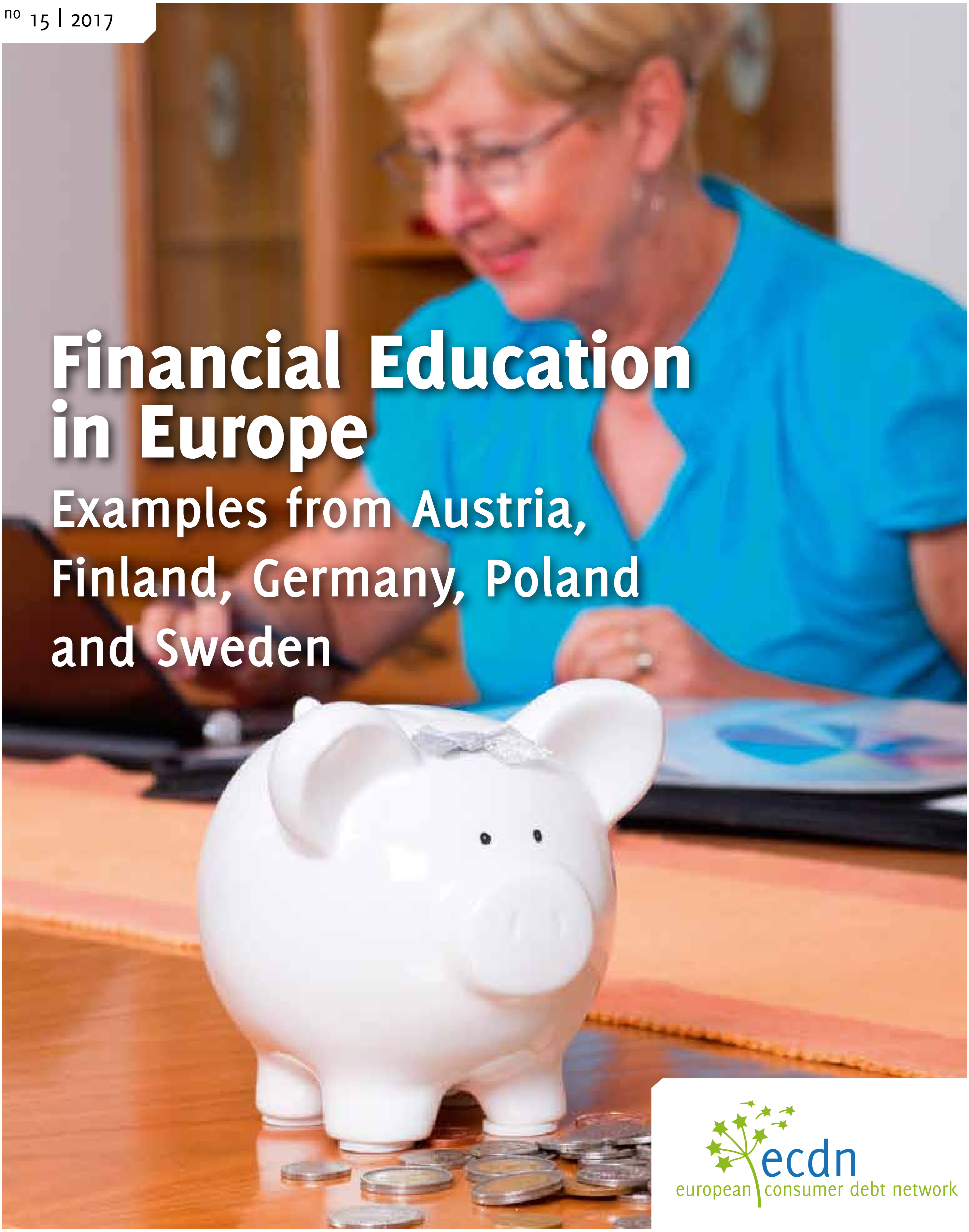
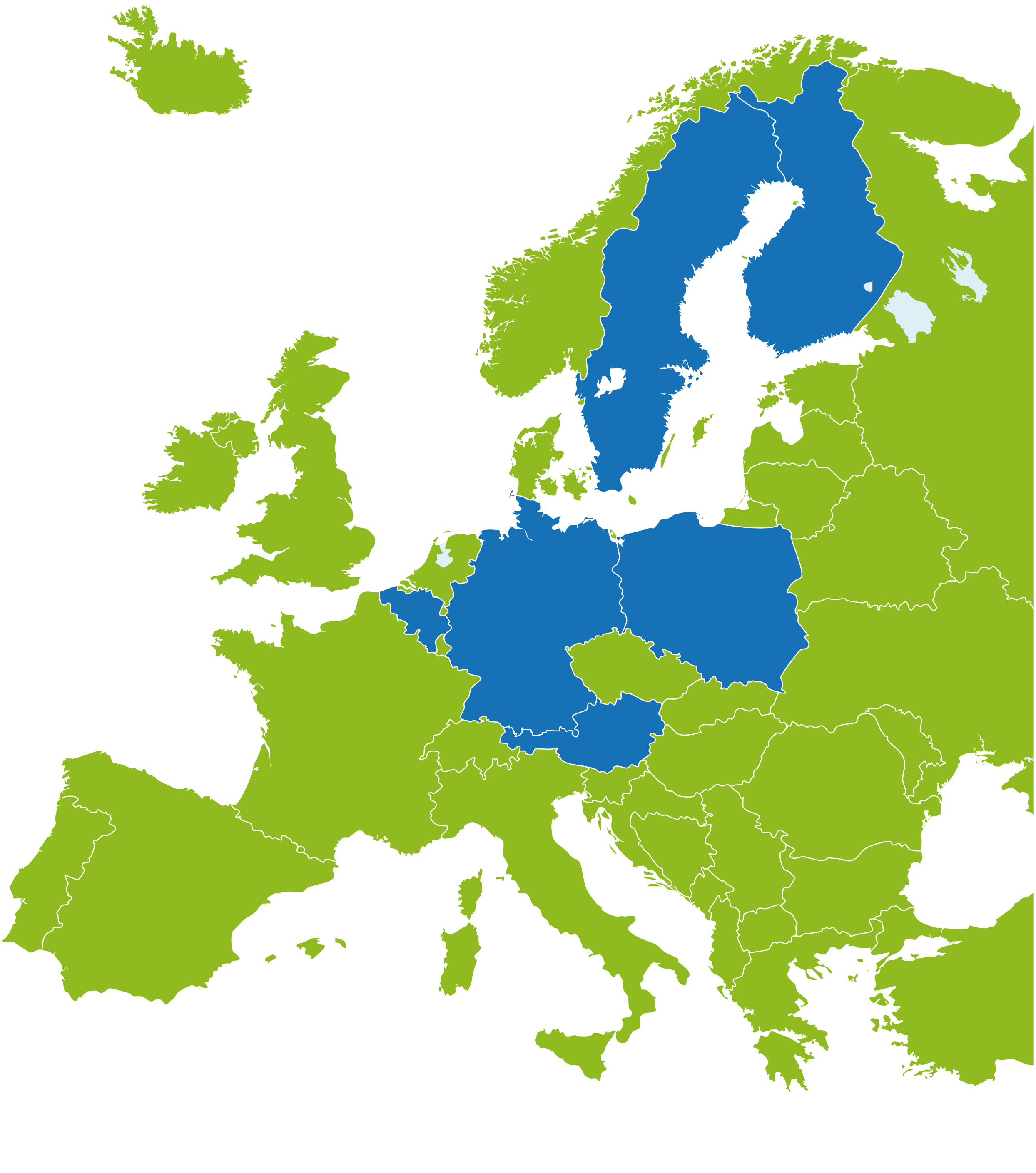


Financial Education in Europe

Examples from Austria, Finland, Germany, Poland and Sweden

ecdn
european consumer debt network



Financial education was already addressed by ECDN in 2006. We conducted a survey in 17 European countries followed by several seminars in Austria, Czech Republic, Finland, Germany, The Netherlands and Poland. The main outcomes were published 2007 in the second edition of our journal Money Matters.

Another result of our activities in 2007 was the development and distribution of a booklet on financial education. In this booklet the following recommendations were given:

- Clarification of the concept of financial well-being and the related terminology and definition of target groups and stake holders
- Development of quality standards for financial education programs
- Development of a common European curriculum on financial education, based on existing curricula from across Europe
- Collection and presentation of transferable best practice examples

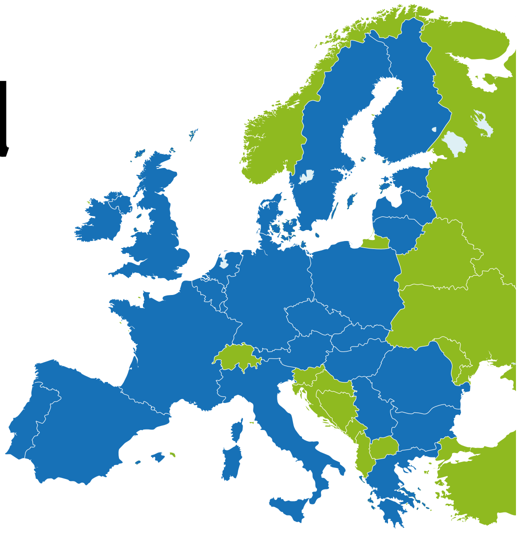
Ten years later, the road has still to be marched on as the examples in the present Money Matters edition demonstrate. In many member states a lot of material by banks, insurances, debt advisers, consumer protection agencies, book publishers, universities and others is existing and gets distributed. The material covers numerous booklets, websites, teaching aids (via internet), smartphone apps, DVD, role plays, curricula for school classes etc. But it is quite diverse, within and between the countries. Yet, some consistency can be observed concerning the relevant areas of financial behavior:

1. **(Daily) Money management:** paying purchases and bills; using bank services, budgeting income and expenditures, knowing how to keep within the budget
2. **Buffer and precaution:** creating and maintaining savings or credit as a buffer and precaution against adverse conditions and unexpected expenditures.
3. **Goal financing:** saving for a particular purchase or transaction.
4. **Contract knowledge:** understanding the implications, rights and duties, risks and consequences of contracts and financial products
5. **Assets management:** creating and maintaining (family) capital by investing in stocks and real estate; tax management, retirement planning and financing

According to recent OECD data only 21 of 48 European States have developed, implemented or revised a National Strategy for Financial Education. What kind of role can ECDN have within the concert of supra-national activity. The role can be to present, discuss and promote good examples of financial education, literacy and resilience. It is a never ending duty to impart to young people financial knowledge and skills, but the new challenges for financial education are migrants and seniors. Therefore, ECDN will proceed with its endeavor which started ten years ago.

Dieter Korczak
ECDN President

Debt-Advice - What We Learned So Far[2]



by:
Francesco Gaetano[1]
DG JUST Unit E1
European Commision

For my presentation on over-indebtedness and debt-advice at the ECDN Conference in Bratislava, I mostly made reference to 3 main data and information sources:

1- the study on the over-indebtedness of the European households that the Commission conducted in 2012-2013[3],

2- the follow-up seminar of January 2013[4], and

3- the workshop on debt-advice[5], held during the "Consumer Summit" of June 2015.

While there is still scope for improving the knowledge base, these sources can be a good starting point.

The study, in particular, due to its coverage and complexity, is a valuable tool for understanding the problems faced by households hit by over-indebtedness. Launched in 2012, it investigated the nature of the problem (including whether or not a coherent and consistent pan-European definition of "over-indebtedness" is possible and/or desirable), its quantitative dimensions, its causes, the possible related consequences and the best remedies (including debt-advice), covering the 27 (then) Member States of the EU.

Among its findings, 5 possible elements can be emphasised, as they are very significant for debt-advice:

1- over-indebtedness must be defined taking into account all financial commitments and not only financial debts,

2- among the causes, life events are more common than poor or biased financial choices (which, however, do have a role too),

3- the cultural attitude to be debt-free is key in avoiding the problem,

4- the "moral hazard" (i.e. the a-priori acting in bad faith by the debtor, who would borrow money whilst being aware that he will not repay) does not seem to be widespread among households,

5- debt-advice is a very promising tool to remedy the situation.

The first point is fundamental, not only in finding a coherent definition, but also to identify the strategies for effective remedies. The notion of households' over-indebtedness cannot be limited to the sole cases in which there are outstanding financial debts; also non-paid bills, delayed rents and any other financial difficulties that can impact on the possibility for the households to make ends meet should be included in this notion. As a result, the perspective of a good debt-advisor should not be limited to the sole aspect of the reimbursement of financial debts.

Of equal importance is that the over-indebtedness resulting from events that are not under the control of the household (unemployment, divorce, sickness, etc.) seems to be more common than the over-indebtedness stemming from poor money management or wrong credit choices. This helps understand that it is generally not correct to blame the households hit by this problem – although one cannot deny that there are situations where the household may have a direct role.

In this latter case, the study has found a certain correlation between an "easy" cultural approach to debts as such and the possibility to become over-indebted.

For the issue of "moral hazard" the study has found that it seems to be relatively rare that individual consumers take out credits having the pre-established intention not to repay. This finding might suggest that the remedies based on the possibility for the over-indebted household to repay his debts in a lighter manner (whatever solution is chosen) does not necessarily represent a cultural risk for the key principle that "pacta servanda sunt".

1 Official of the European Commission, DG JUST Unit E1; the present text reflects exclusively the opinions of its author and does not in any case bind the European Commission

2 Based on Francesco Gaetano's Presentation - ECDN Conference Bratislava - 8-9 December 2016

3 The general report is available on the website of the EU Commission http://ec.europa.eu/consumers/financial_services/reference_studies_documents/docs/part_1_synthesis_of_findings_en.pdf, while the 27 national reports are available at: http://ec.europa.eu/consumers/financial_services/reference_studies_documents/docs/part_2_synthesis_of_findings_en.pdf

4 The seminar was set up to obtain a first feedback from the stakeholders on the preliminary findings of the study

5 The workshop was aimed at discussing debt-advice with the stakeholders representatives

Finally, the study showed the very promising role of debt-advice as one of the most effective tools to help households remedy the situation. As a result of this, it was decided to focus the attention on debt-advice for future initiatives in this area.

Not surprisingly, the seminar of January 2013, dedicated to discuss all the possible issues stemming from the study, drew high attention to debt-advice. This was another confirmation of how this topic may be important to face households' over-indebtedness. A number of key messages on debt-advice stemmed clearly from the seminar; these were in particular that:

- debt-advice is very effective (one speaker reported the result of a study concluding that 1 euro spent on debt-advice entails 3 euros saved for the society as a whole),

- the main problem is its funding (almost everywhere debt-advice is perceived to be underdeveloped in respect to the demand, mostly due to a funding problem), and

- debt-advice is very diversely provided across the EU Member States and even within them, so it is difficult to exchange best practices and establish common criteria.

The workshop of 2015 analysed in a more in-depth way the problems already identified by the study of 2012-2013 and the follow-up seminar.

A very significant conclusion of the workshop is that the definition of debt-advice as a tool to help the debtor to repay his debts must be complemented with other considerations, and in particular that debt-advice is more effective when it is "personalised" and focused on the situation of the debtors (so as to take into account the impact of the repayments on their lives).

Another important conclusion, in line with the previous one, is that debt-advice should be "amicable", i.e. compatible with the principle that debtors must maintain a decent standard of living, with the consequence that if debts cannot be repaid while maintaining a decent standard of living, it would be preferable to put in place additional or alternative remedies; in this regard, debt-advisors should help over-indebted households understand whether their debts may be realistically repaid or whether different solutions, whenever available, should be preferred. This conclusion may be complemented by the position of some participants, considering that debt-advice must be "household friendly" by definition.

It is clear that these conclusions are not exhaustive. Moreover, it is necessary to take into account the opinions and needs of all the stakeholders, which in some cases might entail different and even potentially opposite positions.

The Commission is strongly interested in continuing its work in this area, listening to all the possible interested voices.

In this respect, debt-advice will be a key point of the Action 7 ("Deeper Single Market for consumer credit") of the "Consumer Financial Services Action Plan[6]" adopted on 23 March 2017, in which the Commission takes the commitment to (inter alia) *"consider ways of addressing in a more efficient manner consumer over-indebtedness linked to credit activities"*.

6 https://ec.europa.eu/info/publications/consumer-financial-services-action-plan_en

Financial Literacy Driver's Licence in Upper Austria

By:
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SCHULDNERHILFE OÖ
Austria

Mobile phone bills, overdrafts and consumer credits often ask too much of adolescents and young adults who often lose track of their finances and drift into debt problems.

SCHULDNERHILFE OÖ, which is a state-approved debt advice service in Upper-Austria, develops innovative projects in the prevention of over-indebtedness to counteract such tendencies. With more than 25 years of experience in dealing with financial literacy the department of debt prevention of SCHULDNERHILFE OÖ offers a variety of educational activities such as one-hour seminars, several hours long school, labour market surveys, socio-pedagogical projects and apprenticeship trainings in enterprises. Additionally, SCHULDNERHILFE OÖ offers other financial projects such as cultural and media projects, events, financial workshops and trainings, e-learning courses (www.finanzkompetenz.at), lesson plans an materials, as well as background information for lessons on financial knowledge for students and teachers (www.konsumentenfragen.at).

The whole educational work of the department on prevention of over-indebtedness reaches 9.000 people face-to-face per year. E-learning tools reach even 17.000 people per year.

The 'OÖ Finanzführerschein' – Financial Literacy Driver's Licence in Upper Austria (FLDL) is an innovative instrument in the prevention of over-indebtedness which encourages young people to deal with their money responsibly. This programme was developed 10 years ago and is renowned for its success in Austria. The 'OÖ Finanzführerschein' has already been rolled out in four federal states of Austria. Around 25.000 students and young adults have passed the 'OÖ Finanzführerschein' in Upper Austria by now. The number of graduates increases annually. In the upcoming 2017/2018school year around 2.800 project places will be provided for schools and other educational institutions per year. This is possible due to the additional subsidies of the social department of the federal state of Upper Austria.

The 'OÖ Finanzführerschein' wants to provide a basic education in financial issues for adolescents and young adults so that they are able to live their future financial life without serious issues. Participants get support in strengthening their own financial competence and in developing their risk-assessment skills, decision-making abilities and responsibility concerning finances.

Target groups

Main target groups of the 'OÖ Finanzführerschein' are students of polytechnic schools (ninth grade in Austrian school system) and vocational schools in Upper Austria, adolescents and young adults in labour market measures for unemployed people or socio-pedagogical projects and trainees in companies.

Project structure

Five specially designed modules on different topics are available for each target group. Three of those modules are held by specialists in prevention of over-indebtedness of SCHULDNERHILFE OÖ. The two other modules are conceived as e-learning modules and are called modules for self-development (www.finanzkompetenz.at). Therefore, SCHULDNERHILFE OÖ provides teachers and trainers with all required background information for work with students. Each module takes two lessons to cover.

For the three main target groups the following content is provided:

BASIC: for polytechnic schools (ninth grade)

M1: Organisational matters, associations to the topics of money, personal visions

M2: Via E-learning: banking, bank accounts for young people, debit cards, cashless transactions

M3: Advertising, sales strategies in a shopping-centres

M4: Via E-learning: advertising, sales gimmicks, price comparison, own buying behaviours

M5: Keeping track of your own money/planning a budget, wishes and goals, conclusion

ADVANCED: labour market measures and socio-pedagogical projects

M1: Organisational matters, money and debts, indebtedness and over-indebtedness, risk-management, living with little money, budgeting

M2: Via E-learning: banking, bank accounts, debit cards, cashless transactions

M3: Advertising, hire purchase, gambling

M4: Via E-learning: planning a budget or on investing using the example of a car: costs and financing, personal needs, steps to purchasing

M5: Contracts, standing bail, risk-management, how to solve debt problems, conclusion

PROFESSIONAL: for students of vocational schools; apprentices

M1: Organisational matters, current costs of living, banking: service and business partners

M2: Via E-learning: investing using the example of a car: costs and financing, personal need, steps to purchasing

M3: Furnishing a flat: overheads/hire-purchase, future costs of living/budgeting

M4: Via E-learning: risk and useful insurances

M5: Standing bail for another person, indebtedness and over-indebtedness, risk management, conclusion

To obtain the 'OÖ Finanzführerschein' it is necessary to complete three modules (level 1) at least or to pass all five modules (level 2). In the end a finance check in the form of an online-quiz is carried out by the teacher or trainer with the participants. This quiz is not a test but is meant to show the state of knowledge of each student and gives the possibility to repeat and deepen the topics covered during classes.

As a highlight, participants (school classes) who have reached level 1 or 2 are invited to receive their certificates during a ceremonial act which takes place twice a year. This certificate for the 'OÖ Finanzführerschein' has become an integral part of written applications in Upper Austria.

The training measure is free of cost and funded by the social department of the federal state of Upper Austria.

For further information about the 'Financial Literacy Driver's Licence' in Upper Austria visit our website www.finanzfuehrerschein.at – for more information about the whole educational work of our department on prevention of over-indebtedness have a look at the website of the SCHULDNERHILFE OÖ, www.schuldner-hilfe.at. Lesson plans and materials as well as background information for lessons on financial knowledge for students can be downloaded for free at www.konsumentenfragen.at (all information and material is available in German only).

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FINANZ FÜHRERSCHEIN SCHULDNERHILFE OÖ

Reform of personal bankruptcy procedure in Austria

By:
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Austria

On November 1st 2017 a new insolvency law will become effective in Austria. The future personal bankruptcy procedure will last only 5 years and no minimum quota has to be reached any more in order to be eligible for a discharge of remaining debts.

The Austrian personal bankruptcy procedure (insolvency act for consumers/private persons) was implemented in 1995 with the following rules: full bankruptcy discharge is granted after 7 years on a subsistence minimum and there is a minimum quota of 10 % for debts to be repaid. The Austrian debt advice services have been active for 15 years in lobbying for the abolishment of the minimum quota. Mainly people with a low income and formerly self-employed persons were negatively affected by this law by not being able to make a fresh start (economically).

While in other European countries in recent years the insolvency acts for private persons have been reformed or newly implemented with more consumer friendly regulations, in Austria only a few minor changes have been made since the first implementation of the personal bankruptcy procedure. So Austria came last in comparison with other European countries for many years.

However, in spite of early national elections in October 2017, the Austrian government decided to reform the insolvency law and this initiative was nearly unanimously agreed upon by the Austrian Parliament. In addition to the reduction of the duration of personal bankruptcy procedure the minimum quota was abolished, which is an important socio-political goal. For the first time in history, all debtors will be granted debt relief, regardless of the amount of their debts and their available income.

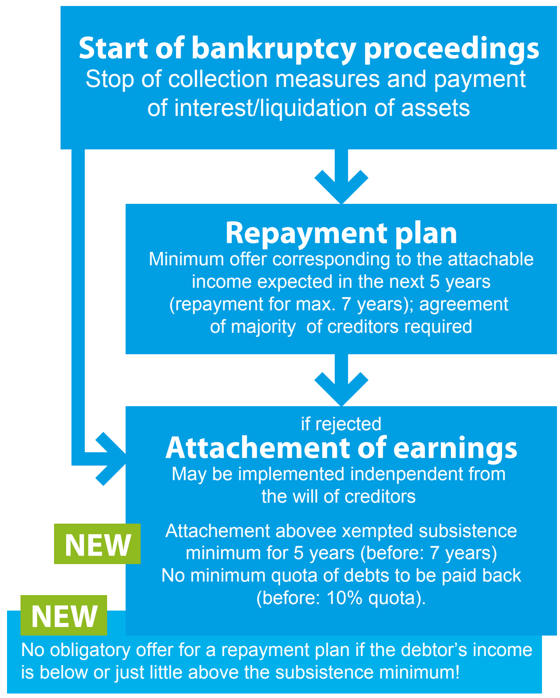
The new personal bankruptcy procedure

The opening of the personal bankruptcy proceeding leads to a liquidation of assets and also to a stop of any collection measures and payments of interest. The creditor has to be offered a repayment plan related to the debtor´s assumed attachable income for the next five years, with a maximum duration of 7 years. The repayment plan is formally accepted if the majority of creditors agree.

If creditors do not accept the repayment plan, debt relief is still possible, also against the will of the creditors, in the attachment of earnings orders. After 5 years of attachement of income above the subsistence minimum, debt relief will be granted. Even debt relief with a zero-quota is possible now.

For current bankruptcy procedures transitional arrangements were implemented, that also allow persons, who started insolvency under the "old" law to take advantage of the abolition of the minimum quota and the reduction of the bankruptcy procedure´s duration.

New regulations of the judical repayment programe in Austria (from 1.11.2017)



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A small Personal Micro-Credit makes a big difference to those who get it - and potentially also to those who don’t

by:
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Introduction

Already for 27 years Guarantee Foundation has assisted people with debt problems and crisis in Finland. Nationwide Non-Governmental Organization (NGO) grants consolidation loans, gives counselling on the phone and on web, educates professionals and volunteers and develops different means in money management and finances. The operations are mainly supported by Ministry of Social Affairs and Health with Proceeds from Veikkaus.

In the past few years the focus of product development has shifted to financial literacy and prevention of over-indebtedness. On this paper I focus on the Personal Micro-Credit, one of the new services Guarantee Foundation has developed in 2014-2017.

But first a short overview on the setting in which the development took place.

In 2016 Finland had approximately

- **5,5 million inhabitants**
- **4,43 million adults (18 or above)**
- **630 000 on a low income (14 % of adults)**
- **550 000 in Enforcement, legal collection (12 %)**
- **370 000 in Payment Default Register (8%)**

High Cost Consumer Credit in Finland

In Finland a bank loan is still the most common form of consumer credit. Also credit cards and part payments are frequently used. The payday loan businesses started operating in 2005.

Particularly the payday loans have caused various problems, especially for under-privileged and for those who struggle but still somehow manage with their debts. The regulation has improved the situation to some extent but seems always to be a few steps behind the industry.

The payday loan businesses operate on the internet and quite a few of them are placed abroad. Since 2010 all creditors have had to registrate themselves and officially identify all applicants. In addition, no loan withdrawals are no longer allowed at night (11 pm-7 am).

In 2013 a ceiling of interest rate was set to all credit under 2000 euros. Since then the maximum Annual Percentage Rate (APR) has been reference rate by law + 50 %. At the moment the APR is max. 50 %. Consumer credit legislation has regulated also the peer lending from 2017 on.

According to the statistics the interest rate restrictions (IRR) in 2013 did influence the market by diminishing both the number of payday loans and the businesses granting them. Before the IRR there were 87 creditors in the official register, in January 2017 there were 55 creditors (other than banks, including peer lending). Also the number of decisions of a district court and/or judgments by default decreased.

However, due to new credit products, both the average amount of credit and the payback periods started to increase. For example, in 2010 there were 1,2 million payday loans and the average amount was slightly over 200 euros and the payback time was 30 days. In 2015 some 470 000 payday loans were granted and the average amount was about 500 euros and payback time around 140 days.

The so called flexible loan gave the businesses a mean to go around the IRR. By granting a credit over 2000 € they can continue charging high interest rates (100 % or even a lot more). The flexible loan can be withdrawn in several small portions. The Consumer Ombudsman recently initiated that the ceiling of interest rate should cover also consumer loans above 2000 euros. The Ministry of Justice released a memo on the subject on February 2017 and the initiative is underway at the moment.

Table 1. A few facts on The Personal Micro-Credit

Minimum amount **200 €**

Maximum amount **2000 €**

Max. payback period **2 years**

Fixed Interest Rate
for the Payment Programme
No Other Costs.
4,5%
year 2017

Based on a
Careful Assessment

Guidance available
for all the customers

For purchasing necessities:

20% Moving Costs, Rent Deposit

18% Furniture and other Home Supplies

15% Rent Arrears, Other Arrears

12% Fixing or Getting a Car

Variety of amounts.
Most common are:

2000 € 59%

1500 € 13%

1000 € 12%

Less than 1/3
Micro-Credits Granted

16%
Changes in the Payment Programme

37%
Micro-Credits paid of already

5%
Debt Collection

1,5%
Credit Loss

An affordable alternative

The Guarantee Foundation's Personal Micro-Credit is an affordable alternative to costly consumer credit and payday loans. For those with bad credit history it is the only alternative.

Unlike previous instruments in Finland the Personal Micro-Credit aims to prevent over-indebtedness instead of fixing it. Thus, the credit cannot be used for debt restructuring but it can be used for paying a single arrear if it will improve the customer's overall situation.

The credit can be granted for purchasing necessities like, for instance, moving costs or furniture. One excellent use of the Personal Micro-Credit is rent deposit: once the loan is paid off, the customer has saved the amount for the future. Therefore, the credit can be seen as a Start-Up Loan for independent living. For younger customers it has also been a safe way of practicing how to use financial products.

The interest rate is fixed for the whole payment programme and there are no other costs. Also possible changes in the payment programme are flexible and free of charge.

In 2017 the interest rate is 4,5 %. More details on the Personal Micro-Credit and the most common needs and amounts of credit are presented in Table 1.

For those who meet the requirements

One has to meet quite a long list of criteria in order to get the Personal Micro-Credit. The careful assessment is needed to make sure the customers manage the payment programme and don't get in trouble with their finances.

The credit can be granted only if 1) a customer is on a low income, 2) s/he earns enough to manage the monthly payments, 3) s/he cannot get an affordable credit from elsewhere due to, for instance, bad credit history or lack of collaterals, 4) s/he is not over-indebted, 5) s/he doesn't have any such problem that might influence his/her ability to manage the credit, e.g. compulsive gambling or alcohol abuse, and finally, 6) the credit is not applied for paying previous debts or daily living costs and it can be paid pack in two years of time.

In Table 2 we can see that most of the customers are on a low income and have a bad credit history. The vast majority of them are in working age but are not working. Most of the customers live alone or in a single parent family.

Thus, the finances of the customers are in many ways very fragile and inflexible. Consequently, the need for finance is evident. Nevertheless, over two thirds of the applications are rejected. How come?

The distinctly most frequent reason for rejection is over-idebtedness. One third of the customers cannot afford to take a new credit due to the fact that they are over-indebted. Additionally, ten percent of the customers are already in debt settlement or plan to pay their previous debts with personal micro-credit.

Worth noticing is that more than half of those customers whose rejection is based on income are also over-indebted. This taken into account more than a half of the customers who don't get the credit are over-indebted.

Those who get the credit benefit from it

The customers who get the credit are very pleased with it. Due to the length of the payment programmes the number of feedback is still very small but it seems that a small credit can make a big difference to many.

Obviously, the credit enables the customers to purchase something they needed. But the customers report also other kinds of effects. For some the credit was a way to balance one's finances. Some report improvements in health or overall condition. Some say their family-life or social life improved because of the credit.

Some customers say that nowadays they have a better understanding of their financial situation. Some tell that currently they monitor their finances and spending more closely and spend only what they afford to spend.

Table 2. A few facts on The Customers

63% women

37% men

Main Source of Income / All Customers

Regular full-time job	27%	Student allowance	8%
Minimum unemloyment benefit	19%	Retirement pension	6%
Disability pension	16%	Student allowance	9%
Fixed-term of part-time job	12%		

Age Groups

18-29 - **30%** | 30-62 - **62%** | 63 → **8%**

63% lives alone

19% in a single parent family

Bad Credit History

57%

Of All Customers

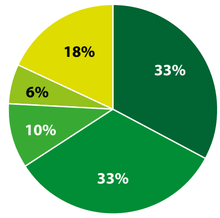
Main Source of Income / Loans Granted

Regular full-time job	25%	Minimum	
Disability pension	24%	Unemployment benefit	8%
Fixed-term of part-time job	13%	Student allowance	6%
Retirement pension	11%	Not working (other)	9%

Over 2/3 are Rejected. Main reasons are:

Not albe to pay a loan: lack of income	33%
Not albe to pay a loan: over-indebtedness	33%
Debt Restructuring: IVoluntary plan/effective settlement	10%
Problems with managing one's finances	6%
Other reasons (Insufficent information, use of credit, not admissible etc.)	18%

The districtly most frequent reason is over-indebtness. More than half of those rejected due to income are also over-indebed



Guidance and advice available for all

The latter effects listed above are such also rejected customers can potentially gain from the process. Guidance in budgeting and monitoring a household budget is available also and especially for them. They are the ones that need it the most.

The importance of financial education and debt advice has become more and more evident as the experience on the customer's situations has accumulated. The amount of over-indebted customers multiplied after the application process was put online in 2016.

The customers are told the reasons for not getting the credit. For some it is the first time they are told that they are over-indebted. Or that compulsive gambling or substance abuse is the underlying cause of their financial difficulties. They are naturally also told how to proceed with solving the problems they have.

An unintentional result?

In Guarantee Foundation we have often wished we would meet the customers "20 000 euros earlier" - Before the over-indebtedness has reached a point where heavy measures are needed and the solutions require a lot of effort, energy and time from both the customers and the system.

Although not intended, it seems that the personal micro-credit might just be the missing link between Guarantee Foundation and those customers who don't necessarily know yet that they cannot solve their debt problems with new credit but need professional help in solving the situation.

Financial education in Germany

by:
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The foreword to the OECD 2017 publication of the OECD G20 financial literacy survey points out:

"Financial education has gained a prominent position in the global policy agenda. It is now universally recognized as a core component of the financial empowerment of individuals and of the overall stability of the financial system."

Despite or maybe because of this importance different terms are often used synonymously in scientific discussion and financial education literature, e.g. financial literacy, financial competence, financial awareness, financial skills, financial empowerment, financial knowledge, behaviour or attitudes. The OECD tried to clear the terminological ground by setting definitions:

"Financial education is the process by which financial consumers/investors improve their understanding of financial products, concepts and risks and, through information, instruction and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being." (OECD 2005)

By this definition knowledge, skills and financial literacy are part of financial education. Several years later the OECD additionally defined the term financial literacy: "a combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial well-being." (OECD 2012)

The hypotheses behind these definitions are:

- The individual has not enough knowledge about financial interrelations
- This deficit can be solved by learning about specific coping techniques
- It is assumed that possibilities exist to teach the necessary information in an appropriate way
- The individual is willing to accept the information and to improve his knowledge
- Better knowledge leads to better financial behaviour

Though the OECD tried to set standards, a study found 50 different definitions of financial education in the public sector, in scientific articles and used by private initiatives (Gnam et al. 2007). Common to most of these definitions is the knowledge and the understanding of financial products and the competence to use this knowledge for the practical choice of financial services.

But beside this general agreement there is no consensus on canon for the necessary contents of financial education. Financial service providers, banks, insurances, consumer guardians and debt advisors all have different ideas about what should be included in a financial curriculum.

As a consequence of the diverse focus, a broad range of different financial education programs exist. The programs usually follow the main interest of the institution which develops and finances a specific program. Additionally it is a great challenge to evaluate the success and impact of an educational program. The timeframe for the evaluation should be longitudinal and it is necessary to consider all cofounding variables which influence the outcome. Actually, the demonstration of program's effectiveness is critical regarding the current level of interest in and devoting resources to financial literacy education.

Yet a lot of questions still remain unanswered. For example, does more knowledge lead to a better financial behaviour? How can we improve motivation to use financial knowledge? Is there a stronger correlation between financial resources and saving than between financial knowledge and saving? What function does the financial role model of the parents have?

The Munich financial prevention study with students

To get some insight into the financial resources, competence and attitudes of students the Munich financial prevention study was conducted between 2005 and 2009. With 8.292 aged 12 to 21. It is the biggest financial prevention study ever done in Germany. 6.746 students of the sample came from vocational schools, 1.546 students from secondary school.

Table 1: Occupation by sex/ The seven most frequent occupations (Absolute figures)

Occupation	male	female	Total
Trained retail salesman	473 (54%)	404 (46%)	877
Cook	691 (82%)	147 (18%)	838
Medical/pharmaceutical-technical employee	7 (1%)	677 (99%)	684
Hotel-/restaurant professional	197 (33%)	404 (67%)	601
Hairdresser	72 (14%)	441 (86%)	513
Butcher sales assistant	188 (39%)	300 (61%)	488
Carpenter, interior decorator	362 (83%)	76 (17%)	438

Source: GP Forschungsgruppe Münchner Schülerbefragung 2005

The sample included 21 different occupations. The seven most frequent ones are listed in table 1.

Among the 15-17 year olds, 7% - 8% state that they have money problems and 9,3 % - 16,6% have debts (they mainly owe money to their parents).

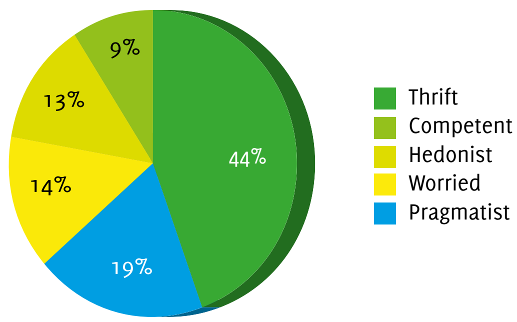
Cluster Analysis

To assess the attitudes concerning money and financial affairs the study used a catalogue of 23 statements. The statements could be judged by a Likert scale reaching from 1= fully agree to 4= fully disagree. By a multivariate analysis five attitudinal factors and five attitudinal clusters could be identified: the thrift, the competent, the hedonist, the worried and the pragmatist.

The biggest cluster group are the thrifts (44%). For 73% members of this cluster thrifty behaviour is important. 75% members of this cluster state that in their parent's home thrifty behaviour played an important role. They regularly check their bank accounts (84%) and try to keep their money together (77%).

The competent are the second biggest cluster (19%). They enjoy handling their money affairs by themselves (77%) and they do not feel uncomfortable when talking about money (96%).

Graph 1: Attitude Clusters

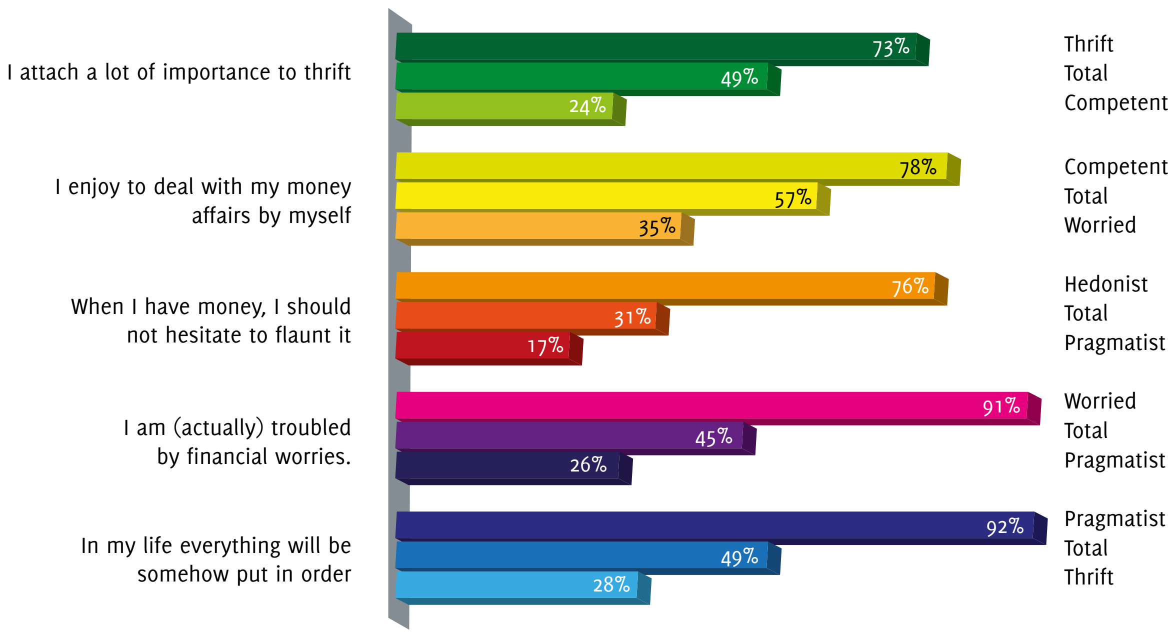


Source: GP Forschungsgruppe Münchner Schülerbefragung 2005

The third cluster are the hedonists (14%). This cluster shares the opinion that life is only attractive and acceptable with money (99%) and that you should demonstrate that you have money (76%). This cluster can be regarded as representative for Thorsten Veblen's idea of "demonstrative consumption". But it cannot be seen that this cluster acquires debts easier than the other groups.

The cluster of the worried (13%) is the one in which the majority (61%) has debts. They do not like to talk about money (84%) and get

Graph 2: Clusters by key attitudes



Source: GP Forschungsgruppe Münchner Schülerbefragung 2005
Graph: GP Forschungsgruppe

a bad mood if they have to talk about it (74%). 91% of them feel very much troubled by money issues.

The smallest cluster are the pragmatists (9%). They do have the opinion that everything can be arranged somehow (93%) and they do not plan for the future (69%).

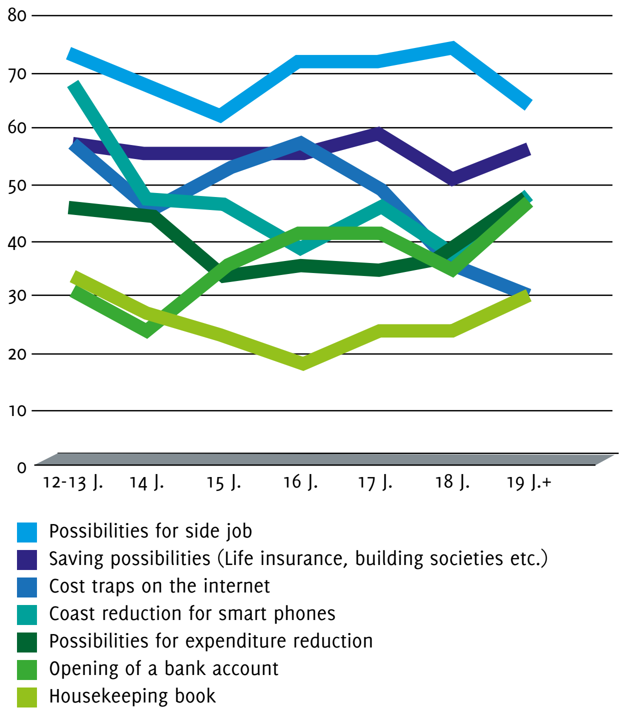
Information required

In the survey the students were asked what kind of information they need to have. The most frequent request was information about ways and possibilities to earn money by side jobs. The second most frequent concerned saving possibilities, e.g. by life insurance, saving contracts with a building society etc. Depending on age the third place was taken by either information about cost traps on the internet or ways of cost reduction for smartphones.

The interest for information on opening of a bank account grew more or less continuously from the age of 14 years.

The information on how to keep a housekeeping book is the least favoured information.

Graph 3: Information need by age 2009 (in %)
(multiple replies possible)



Source: GP Forschungsgruppe Münchner Schülerbefragung 2005-2009
Graph: GP Forschungsgruppe 2010

Conclusion

The data of the five-year-survey with students from secondary and vocational schools suggest to put financial education very closely in the picture of the everyday life experience of the students.

It should be considered that most students still see saving and thrift as a value that has been mediated by their parents. An important result is that the majority of students aged 12-18 have no debts. Prevention activities and financial education therefore should consider the age specific needs of students. The results show that students have a central need for information about income growth and expenditure reduction. Furthermore, they show that the change from parent home to their own apartment is a great challenge for their financial capabilities, knowledge and skills. Especially for this important circumstances financial education should deliver information and promote realistic perspectives.

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Financial education of seniors in Poland

Based on educational projects conducted by SKEF

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This paper assumes that a senior is a man or a woman aged 60 or older. This threshold is used in strategical documents related with the Polish Ministry of Family, Labour and Social Policy (MFLSP)[1] policies towards the elderly.

Financial education of seniors in Poland (being one of the elements of the wider issue of economical education) is mainly conducted by non-governmental organizations. This issue is unfortunately non-existent in national senioral policy programs.

National Bank of Poland is the main source of funding for local, regional and national projects concerning financial education of seniors. Additionally, some projects are co-financed by various associations, foundations, and local governments.

Seniors in Poland

According to prognosis published by the Central Statistical Office (GUS) the population in Poland is currently declining and is expected to drop from 38 to 34 million. However, the number of people aged 60 or more will grow steadily.

It is predicted that in 2050 42% of people in cities and 38% of people in rural areas will be aged 60 or more[2]. Currently, vast majority of such persons is retired and their income, and conversely their financial situation, is almost entirely based on pensions[3]. What's particular about Polish seniors is the high percentage (65%) of people aged 50 and more who share a household with their children[4].

Seniors in Poland are also in general uneducated and their participation in educational activities is low. In EU-27 on average 4,8% of people aged 55-74 participate in courses and trainings, in Poland only 0,6% of such people do that. Seniors in Poland mainly choose to attend Universities if the Third Age, which in 2015 had 81000 attendees (mainly women). Among the elderly in Poland only a handful possesses above minimal level of digital skills[5].

According to National Bank of Poland more than 50% of people aged 65 and more do not have a bank account (among residents of rural area this percentage is dramatically higher)[6].

Banks and loan companies prefer senior customers due to their stable income, which is guaranteed by the state. According to the Economic Information Bureau, the percentage of indebted seniors has been growing in the recent years. Most of the indebted seniors (65%) are aged 60-69, and have only recently retired. One common reason for taking up loans by the elderly is the fact that their pensions are usually low preventing them from maintaining the standard of living they are used to. It is also increasingly popular for seniors to financially aid their children and grandchildren, since their stable pensions may somewhat secure their relative's loans or mortgages[7].

National Bank of Poland study of financial education for seniors

In a national study conducted by National Bank of Poland on a representative sample of people aged 55 and above[8] 41% participants declared that they are interested in economy and finances. When asked about what they would like to know more about, the participants provided the following answers:

1 It is also caused by MFLSP's lowering the age of retirement to 60 for women and 65 for men in 2016.
2 Information about situation of the elderly in Poland in 2015, Ministry of Family, Labour and Social Policy, Warsaw 2016
3 Socio-demographic portrait of seniors, Center for Social Opinion Research CBOS, Warsaw 2016
4 National Social Report 2013. In Italy and Denmark this percentage is at 57% and 14% respectively. http://www.diagnoza.com/index-en.html
5 Study by OECD/PIAAC 2013
6 D. Rostkowski, Financial education of seniors, NBP, Warsaw 2016
7 Economic Information Bureau, July 2017
8 Socio-demographic portrait of seniors, Center for Social Opinion Research CBOS, Warsaw 2016

1. Consumer law – how and where can one assert their rights
2. Wills and inheritance
3. Using basic products offered by banks – accounts, deposits etc.
4. How to avoid pitfalls when taking a loan
5. Basic issues related with insurances
6. Law regulations regarding finances within a family – donations, loans etc.
7. Using credit cards safely
8. Financial products for seniors
9. Responsible management of home finances
10. Recognizing whether banknotes are genuine
11. Rules of online banking safety
12. Using online banking
13. Online shopping – rules and safety
14. Signing tax agreements responsibly and safely

When asked about reliable sources of information about finances seniors generally indicated their closest relatives (children, grandchildren). Other answers included:

- “classes for seniors, in small groups using computers”
- “lectures for seniors”
- “trainings and conferences”
- “friends and acquaintances”
- “trustworthy persons (e.g. a priest)”
- “Internet”
- “radio”
- “television”

National Bank of Poland indicates the following projects as examples of “good practices” in financial education for seniors:

- Social campaigns, for example www.zanim-podpiszesz.pl, which encourages people to read financial documents before signing them
- Lectures and workshops for attendees of Universities of the Third Age
- Computer classes in libraries

SKEF’s 2015-2017 financial education projects for seniors

In 2015-2017 SKEF conducted two editions of the “Positive seniors! Workshops on financial education for people 55+” project[9], which were co-financed by National Bank of Poland. The target group for the project was men and women aged 55 and above, mainly attendees of the Universities of the Third Age, Senior Activity Centers, Senior Clubs, and other organizations located in towns, cities and villages in 5 voivodeships.

More than 1200 people took part in two editions of the project, 2/3 of them were women. After 2-3 hours long workshops the participants

9 https://www.skef.pl/senior-plus-2-warsztatyhttpswww-skef-pl-edukacji-finansowej-dla-osob-55-plus/

received information brochures which contained additional information regarding topics discussed during workshops. Evaluation of the workshops was based on questionnaires distributed among the participants.

The main subject of the workshops regarded security of cashless transactions (how to avoid identity theft and extortion, presentation of various financial instruments and how to use them safely) and how to increase one's creditworthiness (credit history). The workshops were conducted by SKEF specialists from Financial and Consumer Counselling Centres (ODFiK)[10].

What we learnt during workshops with seniors

The participants were a very diverse group, especially considering their general knowledge, experiences, skills and educational needs.

- Educated seniors (e.g. those attending classes at Universities of the Third Age) were interested in workshops, active and highly motivated. They were not afraid of new technologies and often declared that they use modern payment methods (they have no problems using credit cards, withdrawing money from ATMs, using internet banking and transferring money online).

- Seniors from small towns and villages, e.g. those who are members of Senior Clubs, were often lonely people, more interested in spending some time with others. Participants from these groups were in general less engaged in the workshops themselves and more keen on just talking with other attendees. A senior from "small town or village" usually does not use banking products and financial services. What's more, most often their pensions are delivered by traditional mail.

It became evident that simple and clear language that was used to convey information and the engaging form of the workshops were crucial to successfully conducting educational activities for seniors. More than 80% of participants declared that the workshops were well worth the time they spent to attend them.

Seniors generally indicated that subjects of managing home finances were not interesting to them. They preferred to know more about their rights as consumers of financial services, and also wished to learn what is going to happen once they pass away (i.e. debt inheritance, inheriting assets on their banking accounts etc.).

Despite several social campaigns (e.g. www.zanim-podpiszesz.pl) seniors still maintain a high level of trust for employees of financial institutions. This is the reason why they rarely read financial documents and do not ask questions concerning the financial products they obtain. According to specialists from SKEF and ODFiK, seniors are the social group that is most likely to experience fraud and various other deceptions that may put their financial security at risk.

Contact: mowkam@gmail.com

10 Society for Promotion of Financial Education runs several Financial and Consumer Counselling Centres (ODFiK) which provide free legal advice and counselling services for consumers. The centres provide their services for everyone who faces financial difficulties and requires counselling on legal and financial matters. Usually centres assist people who are over-indebted and have problems paying their debts. Experts from the centres and SKEF also assist over-indebted persons in filing for personal bankruptcy.

Financial literacy in a global and digital world

by:
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Migration moves people from countries where cash is king to places where cash is no longer accepted. This makes the availability of financial education more important than ever before.

Sweden today

In Sweden, every day is a day with a financial decision. Mostly, the decisions are minor: to buy with cash or a credit card or to not buy anything at all. Sometimes, the decisions are major: to rent or buy a house or how to invest money for retirement.

In a global context, financial literacy in Sweden is high[1] Seventy-one per cent of the population is financially literate. Seventy-one per cent of the population is knowledgeable enough to make everyday decisions about their finances. But that means almost thirty per cent do not have the basic knowledge that is needed.

Financial literacy is also called the "ABCs of finance". Being financially literate means being knowledgeable enough to understand financial information. It is a starting point, from which a person can learn more. Financial literacy can be measured with a few simple questions about the interest rate, risk and inflation - concepts that are vital for understanding finance.

Countries Where Residents Are the Most Financially Literate

	%financially literate
Norway	71
Denmark	71
Sweden	71
Israel	68
Canada	68
United Kingdom	67
Netherlands	66
Germany	66
Australia	64
Finland	63
New Zealand	61

Countries Where Residents Are the Latest Financially Literate

	%financially literate
Yemen	13
Albania	14
Afghanistan	14
Somalia	15
Angola	15
Tajikistan	17
Haiti	18
Armenia	18
Nepal	18
Cambodia	18
Kyrgyzstan	19
Bangladesh	19

1 http://www.gallup.com/poll/186680/two-three-adults-worldwide-financially-illiterate.aspx

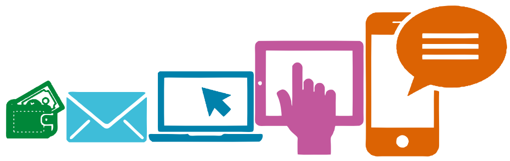
The relatively high level of financial literacy in Sweden may be the result of many factors. For example, a long tradition of saving and no major disaster in the financial markets to undermine trust in the financial system. Or that schools in Sweden teach students about the basics of personal finances starting in the first grade and continuing all the way up to high school. Children can also ask their parents about basic financial concepts. These may be some of the reasons why financial literacy is so high in Sweden.

But there are still a lot of people who are not knowledgeable enough to make informed financial decisions. Financial decisions that have to be made by everyone, every day.

A digital market in a global world

Digital developments are changing the financial market, and the financial market in Sweden is more or less cash free. Banks and stores are not required to accept cash, and there are many digital services available for everything from making simple payments to borrowing money and investing savings. Cash is no longer needed, and there is little reason to visit a financial institution in person. The financial market is digital.

Today, a lot of people are migrating. Sometimes freely, and sometimes because there is no other alternative. The latest global survey on financial literacy shows that a lot of countries have very low financial literacy. Some of the countries from which people are emigrating have figures around 15 per cent. In Sweden, a lot of immigrants are



Migration moves people from countries where cash is king to places where cash is no longer accepted. This makes the availability of financial education more important than ever before.

not knowledgeable enough to understand financial information in their own language, much less in Swedish. Very few immigrants have a parent they can ask about the financial system in Sweden.

This means that the availability of financial education becomes even more important.

Financial education in Sweden

The Swedish Financial Supervisory Authority (FSA) has been working with financial education since 2007. Since 2008, one of the target groups is immigrants.

In a classroom

Almost every financial education project that is launched by The Swedish FSA targets teachers. Immigrants to Sweden must attend language classes (SFI), which means there is a natural channel for helping them learn more about their personal finances. However, while there are many budget and debt advisors around the country, and they sometimes visited the SFI classes to talk about money, the approach was not systematic. These visits were not a mandatory part of the SFI curriculum, and every advisor prepared their own educational material. As a result, some immigrants received education about personal finances while others did not.

The Swedish FSA set out to resolve this problem. Preparing educational material is easy; the tricky part is making sure that everyone uses the same material. The project started with a feasibility study that investigated whether there was a need for material about personal finances that could be used in the SFI classes. It focused on teachers and students, and the results were resounding.

The teachers responded that they teach Swedish, not finance, but the students demonstrated a clear desire to learn more about finance. We decided to create educational material about personal finances in Sweden using simple Swedish words. During the process, we tested the material in classrooms to make sure that it worked as intended.

The next step was to convince the SFI teachers, whose main focus is teaching Swedish, to also teach finance. We hit the road and toured five cities in Sweden to talk about the need for financial education and present the material that we had created. Free of charge. Luckily, we were joined by the national radio broadcaster, which aired a program about one of our visits and helped us spread the word.

Since then, we have rewritten the course material once and produced complementary digital material (www.sfiekonomi.se). Nine years have passed, and the material is still being used in the SFI classrooms.

It is impossible to know if our financial education for immigrants is effective in the long run. In general, it is almost impossible to evaluate if any educational program works or not. What we do is we evaluate the material. We ask the teachers if the educational material works, and we count the books that are being ordered. But we do not know if immigrants are making better financial decisions.

Dare to talk about money

We started a second project in 2015 that targets the same group. The Swedish Enforcement Authority conducted a study in which it asked immigrants with whom they would like to talk to about finance. Not very surprisingly, the answer was people that they know, people that they meet every day.

In Sweden, we do not talk about our personal finance outside of family. Why? There is probably some cultural reason. Being a Swede you just know. Swedes do not talk about money, especially if we are having any kind of financial problems.

Immigrants want to talk about money with the people they meet on a daily basis. Some immigrants are financially literate, but most are not knowledgeable about the Swedish financial system. The only people who can answer questions about personal finance in Sweden are the people working closely with the immigrants.

Together with the Swedish Enforcement Authority and the Swedish Consumer Agency, we started a project called “Dare to talk about money”. The goal of the project is to make the people who work closely with immigrants more knowledgeable about not only personal finances but also the areas that might be tricky for immigrants. We want people to talk about money and spread the word about all the information that is available as well as the places where people can go for personal help.

We did not produce any material for this project. There is already more than enough material available if you know where to find it. The “Dare to talk about money” project instead tours the country, offering one-day courses for people who interact with immigrants as part of their daily job. It is a collaboration between several governmental authorities, consumer organisations, local budget and debt advisors and consumer advisors.

Again, when it comes to the evaluation, it is impossible to know if this project will make a difference for immigrants in Sweden in the long run. However, what we are able to see is that around 80 per cent of the people we educate as part of this project say that they are going to work more in the future with educating immigrants to help them avoid potential problems with their personal finances.

When immigrants start to attend SFI classes, they will get a more well-rounded education, and if they have children, their children will learn at school and hopefully teach their parents.

Financial education in Sweden is not about making right or wrong decisions. Financial education in Sweden is about making informed decisions. Informed decisions require financial literacy and knowledge about both national regulation and the national financial market. One of the first rules in finance is to never buy anything you do not understand. To be financially capable in a digital, cashless society, you also need to understand the national financial language.

In Sweden, a lot of people are financially literate, but thirty per cent do not have enough skills to make informed choices. Digitalisation and migration makes availability of financial education more important than ever before.

Suggestions for additional information for the article

Independent information about finance:

- Hallo consumer (www.hallakonsument.se) Website, chat and phone.
- The Swedish Consumers’ Banking and Finance Bureau and The Swedish Consumers’ Insurance Bureau (www.konsumenternas.se) Website and phone. Local budget and debt advisors and consumer advisors. Personal visits.

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