



FINANCIAL EDUCATION FOR RETIREMENT PLANNING

SUMMARY OF A SURVEY OF OECD/INFE MEMBERS

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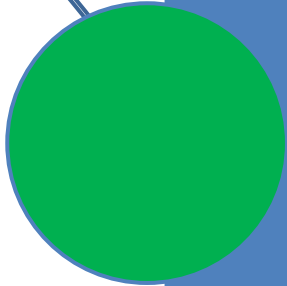


Outline

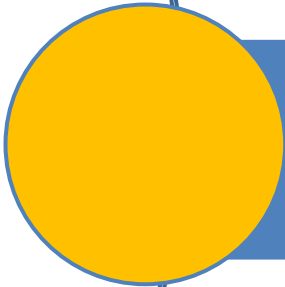
- Overview of the paper
- Key findings
- Towards a policy and practical framework
- Next steps



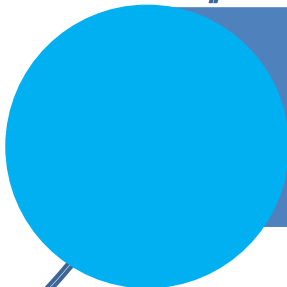
24 countries responding to the survey



Australia; Brazil; Canada; Chile; **China**; Czech Republic; Colombia; Denmark; **Japan**; Latvia; **Macau, China**; Mexico; the Netherlands; New Zealand; Nigeria; Romania; Serbia; Slovak Republic; South Africa; Spain; **Thailand** and Turkey provided information



Austria and Guatemala could not provide the required information at this time.



Other countries are invited to respond as soon as possible!



Public pensions– differing levels of personal responsibility

Some public pension payments are lower than needed to maintain standard of living: will need top-up



Some public pension payments depend on the size of the contribution made



Some have compulsory retirement ages below 60 (e.g. Thailand; China, Colombia and Turkey for women)



Some public systems pay out some/all of an individual's pension savings as a lump sum (e.g. Australia, Mexico).



Further responsibilities and decisions born by individuals

In some countries individuals need to understand the consequences of default options and/or auto-enrolment



In many countries individuals have to make important decisions about how much to invest in their defined contribution pensions



Some pension funds provide savers with a wide range of choices of where to save/invest their pension pot



Many savers have to make decisions about when and how to receive their pension



What consumers need (a policy makers perspective)

The ability to make decisions and create basic forecasts in the face of uncertainty.

- Knowing how to assess financial needs. Assessing risk and reward

Awareness of the likelihood of a low or inadequate retirement income.

- Low awareness of likely retirement income is a widespread issue
- --across different absolute levels of retirement income &--
-- living costs.



Policy makers recognise that not everything is a priority

Few respondents feel that there is a lack of relevant products for retirement saving in their country

Fewer than half of the respondents feel that consumers are unsure who to trust when making retirement plans in their country.



Ways of increasing personal retirement savings

Efforts to increase take-up and use

- **Auto-enrolment** (pilot in Turkey, Canada);
- **Creating new products** (Brazil)
- **Broadening access** (voluntary (Macau, China or compulsory SA).

Efforts to increase amount saved

- **Increasing contribution size** (Nigeria);
- **Postponing retirement** (the Netherlands, Siberia);
- **Incentivising retirement saving** (Turkey, Mexico).



The potential role of financial education in supporting retirement savings/planning

Applying maths concepts to planning
(e.g. percentages, compound interest)

Being able to budget

Making informed decisions

Understanding why it is beneficial to start saving from a young age

Being aware of factors such as the retirement age

Knowing how to work out 'how much is enough'

Recognising the benefit of additional retirement savings



Financial education provision

Broad-based financial education is provided in many countries focusing on the short- and long-term.

- Sometimes, within a national strategy for financial education to increase basic financial literacy (e.g. Australia, Brazil, Latvia, Serbia and Spain)
- or within a strategy for financial inclusion (Nigeria)
- Often starting in schools

Specific financial education for retirement planning is made available, with a specific long-term perspective

- Sometimes also within a strategic framework for financial education
- or part of a policy response to savings challenges
- Aimed at the general public or targeted towards those considered to need most help



Financial education delivery methods

National awareness or communication campaigns

Online tools: popular because they are interactive, can be programmed to different scenarios and help consumers tackle complex calculations

Workshops, seminars and workplace education

New approaches... e.g. an innovation fund to encourage others to set up novel projects (Chile)



Target groups

Key target groups for countries are

- Young people (to encourage early saving)
- Women (to address disadvantage)
- Pre-retirees or newly retired (pay-out phase)

Other target groups include

- Empty nesters (new financial priorities)
- Job seekers (teachable moment)
- Vulnerable groups (e.g. Indigenous Australians, informal sector workers, those with unstable jobs)



Towards guidance on policy and practice

OECD policy tools exist to:

- stress the **importance of financial education for retirement saving** (2005)
- identify **good practices** (2008), and to
- provide a roadmap for **good design of defined contribution pension plans** (2012).



Developing revised policy and practice tools based on findings from the survey

- **A revised policy tool is proposed that:**
 - Pays particular attention to the needs of key target groups
 - Reflects the evolution of regulatory architecture and low levels of general financial literacy
 - Stresses the importance of relevant data & evaluation
- It is also proposed to **refine the practical framework for identifying the financial education needs of the population depending on the pension system and available products** and to develop practical tools on financial education to address these needs.



OECD/INFE activities and next steps

Finalise the report

- Incorporate more countries
- Up-to-date evidence
- Challenges and solutions

Develop the revised policy and practical framework

- Provide a matrix and checklist of policy tools for different scenarios

Key dates

- May 2015: Revised report for INFE meeting
- October 2015: Finalised policy instrument, draft matrix and checklist



Thank you

If you would like your country to be included in the final report please let us know.

If you have any questions, please get in touch.

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