



FINANCIAL REGULATOR  
*Rialtóir Airgeadais*

# Financial Planning Education for Consumers

June 2004

Consultation Paper | **CPS**



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# About this consultation

The purpose of this paper is to seek the views of various relevant groups in order to facilitate the development of a suitable programme for financial planning education.

We are seeking views from education and teachers' groups, parents' groups, student groups, relevant Government Departments and agencies, relevant charities and the financial services industry. We would hope to invite a number of respondents to meet with us to discuss their submissions in detail. We feel it is important for these groups to be involved in the initial consultation process and on an ongoing basis while developing and implementing education programmes and information. The support from these groups is critical to the successful take up and implementation of financial planning education programmes.

## What is the Financial Regulator?


The Irish Financial Services Regulatory Authority (the Financial Regulator) was established in May 2003. Our overall objective is to help consumers make informed decisions about their financial affairs in a safe and fair market and to foster sound, dynamic financial institution in Ireland, thereby contributing to financial stability.

One of our goals set out in our Strategic Plan 2004 - 2006 is to "help consumers to make informed choices through education and codes of practice in a fair financial services market". Part of how we will achieve this goal is by providing people with information and education on the costs, risks and benefits of financial products and services.

## Why do we need financial planning education?

Recent research commissioned by us shows that three quarters of consumers find written information on financial products too complicated and difficult to understand. It was also found that:

- 63% of consumers do not shop around because they do not fully understand what they should look for in a financial product or service;



- 80% of consumers find it hard to get truly independent information on financial products and services; and

- 92% of consumers said they would read more information on financial products if it was written in plain English.

Overall, people find it difficult to have confidence in their financial decisions. They find financial products and services complex and difficult to understand. There are a number of reasons why:

- There are many financial products and services available. People have trouble choosing the product that best suits their needs;

- The information about financial products and the way they are sold may make it difficult to understand the costs, risks and benefits of the products. Sales material uses lots of financial jargon, which is particularly hard to understand for people with reading difficulties;

- There are a number of reasons why it can be difficult for people to know how much debt they have, how much the debt costs, and what alternatives they have;


- The benefits of financial planning can be long term. For example, if you take out a pension now, you will not see the benefits until you retire;

- When you buy a television or a car, you can see where your money is going. But when you deposit or invest your money, it can be more difficult to understand exactly what you have bought.

We need consumer education so people can be more confident about their financial decisions and buy the financial service or product that is best for them. We believe that when people buy financial products better suited for their needs and are better able to manage their resources, this results in a more efficient financial services industry, which is of benefit to everyone. Furthermore, we believe that financial planning education is a critical step in achieving this.

## **Why do we need your help in developing financial planning education?**

We have already developed many information resources for consumers. You can read about some of them in section 4 'What information resources does the Financial Regulator have?' But we believe we also need to develop a more detailed and structured programme of financial planning education.



Developing an effective programme of financial planning education is a huge task, and it will take some time. We can't do it by ourselves, so we need your help and many of you are already working in this area. It is far more effective for us to combine our ideas and resources than it is to work in isolation.

## **What principles are guiding us in this consultation process?**

In considering the issues set out in this paper we are being guided by a number of basic principles including:

- We are committed to using plain English in all our information and education materials.
- We plan to work closely with all the groups that currently work in financial planning education.
- We plan to use the educational structures that currently exist to deliver any new financial planning education.
- The consultation process will be open and transparent. This means that the public will be able to see all the submissions.
- We will continuously evaluate the effectiveness of our financial planning education initiatives.
- We will provide information and education that helps people understand their own role and responsibilities when they make financial decisions.

## **What happens after the consultation?**

After the consultation, we will develop a programme for financial planning education. We may also consult with you a second time if submissions suggest a second consultation is necessary.

# How do I send you my ideas and suggestions?

The closing date for submissions will be 22 September 2004

Submissions should be typed and should also, if practical, be provided in electronic format by e-mail or on disc. However you can post, fax or email submissions to us.

All submissions should be clearly marked Financial Planning Education for Consumers and sent to:

Consumer Information Department

Irish Financial Services Regulatory Authority

P.O. Box 9138

College Green

Dublin 2


Email: [education@ifsra.ie](mailto:education@ifsra.ie)

Ph: 1890 923 802

Fax: 353 1 410 4920

## Who sees my submission?

We place a high value on the openness of the consultation process. Consequently, we intend to make submissions available on our website after the deadline for receiving submissions has passed. Because of this, please do not include commercially sensitive material in your submission, unless you consider it essential. If you do include such material, please highlight it clearly so that we may take reasonable steps to avoid publishing that material. This may involve publishing submissions with the sensitive material deleted and indicating the deletions. Despite the approach outlined above, we make no guarantee not to publish any information that you deem confidential. So, be aware that, unless you



identify any commercially sensitive information, you are making a submission on the basis that you consent to us publishing it in full.

## **What should be in a submission?**

Comments are welcomed from all interested parties; please state clearly your particular level of involvement e.g. primary education/secondary etc. We appreciate that some sections may not be relevant to all parties. When addressing any issue raised in this paper, please use the corresponding numbers in this paper to identify the section you are referring to. If you are raising an issue that we have not referred to in this paper, please indicate this in your submission.

# The role of the Financial Regulator in education

We believe that part of our role in financial planning education is to coordinate and develop the work of the many groups that already provide financial planning education. We would like to set up a steering group that includes all the people and groups that are interested in financial planning education. We think the steering group could develop educational strategies and objectives. We also think the steering group should begin with a seminar that shares information between all the interested groups and identifies priorities for financial planning education.

3.1 What role do you consider the Financial Regulator should have in financial planning education?

3.2 What organisations should help provide financial planning education to the public?

3.3 What organisations should co-ordinate and direct the long-term strategy for financial planning education?

3.4 What organisations should initiate or chair a steering group for long-term strategy for financial planning education?

3.5 Who should work on issues raised at the steering group? For example, should the steering group set up subcommittees, or ask industry bodies to work on the issues?

## Working together on financial planning education

We plan to develop a programme for financial planning education that builds on education programmes that already exist. Many institutions already have education programmes running and we would encourage these. We propose to support these by developing a programme that would aim to complement existing resources. Any concerns about the perceived independence and impartiality of resources produced could be allayed by the collaboration of all relevant parties. Support is invaluable for a number of reasons; those in the financial sector can provide up to date, topical subject matter – for some this may mean providing a subsidy



for development of programmes or for others it may be producing actual resources in association with education groups.

3.6 How can we build on the educational work and resources that groups and financial services organisations already provide?

3.7 How can we best develop resources for financial planning education? For example, should each part of the financial services industry develop its own resources? Alternatively should there be one body that develops resources for every part of the financial services industry?

3.8 How can we best co-ordinate resources for financial planning education? For example, should groups and companies keep their own resources outside of a central strategy or plan?

Alternatively should all resources be combined into one strategy or plan?

## **Who can we work with to effectively distribute educational resources?**

We work with agencies such as the Money Advice and Budgeting Service (MABS), Citizens Information Centres and the Library Service. MABS also works with us to develop resources about money advice.

3.9 What other agencies can help us distribute financial planning information and help us develop resources?

3.10 We would welcome suggestions of other areas, apart from the distribution of information, where the Financial Regulator could provide support to these agencies in providing financial planning education to their users.

## **Financial planning education in second-level and third-level**

As part of our long-term strategy we would like consideration to be given to the inclusion of the subject in some format on the schools curriculum following discussions with the relevant parties.

We are already developing a transition year module about financial planning.

## **How can we include financial planning education in the schools curriculum?**

3.11 In what subjects can we include financial planning education?

3.12 What should students learn about financial planning, and when should they learn it?

3.13 We want to ensure that most students get financial planning education. Therefore should we include financial planning education in a compulsory subject like maths?

3.14 Can a financial planning programme support the business modules that are currently in transition year?

3.15 Who should provide professional development for teachers?

3.16 What form should professional development for teachers take?

## **How can we provide resources for schools?**

We want to develop high quality resources. And we want these resources to use practical real-life experiences that students can relate to.

3.17 What teacher training and resources are necessary for financial planning education?

3.18 What themes should resources have?

3.19 How can we identify potential gaps in resources?

## **How can we provide online and other resources for teachers, students and parents?**

We are planning an education section on our website where we will provide education resources about financial planning. We want to develop notes and lesson plans that make it easier for teachers to teach financial planning.

3.20 How can we develop the education section of our website so that teachers, students and parents will use it?

3.21 How can we develop our resources to suit different levels and to tie in to different subjects that are already in the curriculum?

3.22 How can our resources address the needs of adult education?

3.23 What are the best formats for these resources?

## **How can we get students and parents more involved with financial planning?**

3.24 How can students and student groups help us develop financial planning education?

3.25 How can parents and parents groups become more involved with what the students learn and how it is taught?

3.26 Can you suggest ways of providing accessible information for parents?


## **How can we include financial planning education at third level?**

3.27 Are there specific subjects that financial planning education would fit into – is there scope for it to be adopted as an elective on some courses?

3.28 Would third-level students benefit from financial planning workshops?

## **Promoting financial literacy**

It is part of our mandate to ensure that consumers are well informed and confident to make personal finance decisions. We believe this can be achieved by providing a programme for financial literacy. We understand financial literacy to mean that consumers would have the ability to make informed decisions in relation to money management and use numeracy or basic maths skills, and would have an understanding of their responsibility when making these financial decisions. We believe the most effective way to achieve this is to produce material in clear, easy to understand language.



We need to consider the development of a strategy for increasing awareness of these issues throughout the financial services industry (and the general public) and to introduce educational resources in order to break down this barrier. Such resources could include adult education courses with similar learning outcomes to the schools programme and the provision of information to existing community and Government courses.

3.29 What do you think are the problems associated with financial literacy levels and how can the Financial Regulator address them?

3.30 Would a framework for financial literacy be a useful reference point for teaching, curriculum and resource development?

3.31 Should such a framework be developed with the focus on general needs of students rather than technical skills?

## **Other ideas or suggestions about financial planning education**

We would welcome comments or suggestions on any other issues which you believe are relevant to financial planning education for consumers.

# What information resources does the Financial Regulator have?

We have made good progress in developing our information resources over the last year. We have recently launched "It's your money" which is a new initiative to give consumers free, independent information on financial products in plain English. The campaign uses a number of delivery mechanisms to get our message across to consumers.

- [www.itsyourmoney.ie](http://www.itsyourmoney.ie) gives consumers impartial information on financial products and services. It includes all our publications and also gives information about consumer rights, and it explains how to complain if something goes wrong.
- Our consumer guides inform people about mortgages, savings and investments, and personal loans and credit. You can get them from us, libraries, Citizens Information Centres, and the Money Advice and Budgeting Service (MABS).
- We regularly publish cost surveys to encourage and help people to shop around.
- Our Information Centre is open in 6-8 College Green, Dublin 2 where, in addition to providing our publications, we have dedicated staff to deal with individual consumer queries.
- Our consumer help-line is available from 8am to 8pm Monday to Friday and 9am to 1pm on Saturday on 1890 77 77 77. You can ask us to send you our publications, and we can answer your financial questions.
- We are developing a plan for Literacy Awareness Week in September 2004 in association with the National Adult Literacy Agency.
- We are producing information resources for second and third level students. We will distribute these in September 2004.



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[www.financialregulator.ie](http://www.financialregulator.ie)

[www.itsyourmoney.ie](http://www.itsyourmoney.ie)

**Information Centre:** 6-8 College Green, Dublin 2

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