

**CITIGROUP-INSEAD**  
**FINANCIAL EDUCATION SUMMIT 2006**

**Day 2 - Stream A: Building Financial Capability Among Young Adults**

Whether pursuing further studies or entering the workforce, young people are faced with an increasingly complex financial environment. What can we learn from other countries about helping young adults make smarter financial decisions and start saving earlier for a more secure future?

Our distinguished panelists, representing the sectors of government, intergovernmental agencies and non-governmental organizations, spoke about their various initiatives to advance the financial literacy of young adults.

**Key Takeaways:**

- Research findings from OECD show that young people are ignorant of the financial risks they face and how to use insurance products to mitigate their risk.
- With the burden of risk increasingly being shifted to the individual, there is a need to teach young adults how to make informed choices about how they can manage their risks.
- Financial education helps young adults in high-risk settings prepare for early financial responsibilities, reduce risk and expand their opportunities.

**Presentation Synopsis:**

***“Youth’s Perception on Risks and Insurance Issues” by Flore-Anne Messy, Administrator – Insurance, Directorate for Financial and Enterprise Affairs, OECD***

OECD has recently finalized a major analysis, survey and good practice guide on financial education in the area of pensions, risk and insurance. This guide, called “Good Practices for Enhanced Risk Awareness and Education on Insurance Issues”, will be published in 2007 and act as a supplement to OECD principles and good practices on Financial Education published in 2005.

Research has found that consumers have a low level of awareness of their risk exposure, for example, even after Hurricane Katrina, only 25% of those surveyed in the disaster area were covered for risk of a natural disaster. The current trend is particularly worrying because new generations of youth today are asked to take on more responsibility to save for their retirement and healthcare than previous generations, where the burden of risk was at least shared by governments and employers. The bad perception of insurance providers among young people, risk myopia and complexity of insurance products, all add to the challenge of informing and educating young people on insurance.

Some guidance and good practices drawn from different countries include i) developing risk awareness among the young at school, ii) raising the profile of insurance through public events/contests for young adults and iii) leveraging media like the internet to make insurance products more accessible and appealing.

***“Inter-Polytechnic Financial Education Outreach” by Fiona Chan, Deputy Director, Member Education Department, Central Provident Fund, Singapore***

In 2005, Singapore conducted its first national financial literacy survey of people aged 18 to 60 and found that Singaporeans, while prudent in their personal financial management, lack the knowledge of the amount they need for retirement. Not surprisingly students scored the lowest in the financial literacy scores.

In 2006, MoneySENSE (national financial literacy program) and the Central Provident Fund (CPF) Board (government organization that administers the mandatory saving plan for retirement) jointly collaborated to reach out to Polytechnic students (age 17-20) through a fun and interactive manner via

- i) CPF Board’s Voyage of Life online game competition where students test their financial planning skills;
- ii) A one-day financial carnival, including talks by financial planners.

The scheme was a success in achieving its objective of raising the financial literacy level among tertiary students and received positive feedback from the students. Going forward, there are plans to develop a simpler version of the online game for primary and secondary school students.

***“Reducing risk and vulnerability by providing economic options” by Rossana Ramirez, Technical Adviser for Financial Education, Freedom from Hunger***

Freedom from Hunger and Microfinance Opportunities with the support of Citigroup Foundation jointly worked on the Financial Education for the Poor (FEP) project to develop a financial education curriculum targeted at low-income households. The curriculum was developed using a bottom-up approach through global partnerships with several financial associations and institutions. The curriculum materials developed are universal and can be used to educate the disadvantaged in any country, even those in developed countries such as the US. The training package comprises implementation guidance, trainers’ guides and training of trainers manuals. The FEP project is now into its second phase, focusing on training of trainers.

A case study in Kenya of youths in high-risk settings showed that they are characterized by poverty, limited access to schooling and limited economic opportunities, but face financial pressures at early age. As a result they are highly exposed to risky sexual behavior due to economic demands. Financial education helps to prepare them for early financial responsibilities, reduces risk and expands their opportunities.

The FEP project partnered with a local NGO to conduct market research on the financial education needs of adolescent girls and to adapt the FEP curriculum of Budgeting, Savings and Bank Services to the local context. An innovative train-the-trainers approach was adopted where girls of around the same age group were trained to be peer educators. The content of the financial education training included debunking bank myths (e.g. afraid that banks will burn down), helping them to relate the importance of savings to their situation (e.g. savings will come in very useful in the event that family members fall ill) and visiting a bank etc.

## **Session Q&A:**

***Rossana, have you ever come across any resistance to introducing financial education in developing countries, where many children cannot even read?***

Based on our research, yes, in Kenya from one of the mothers of the adolescent girls. We are working with the local institutions to roll out financial education programs for the parents. With the parents having a better understanding of the financial concepts themselves, we will be able to gain more support from them.

***Rossana, what difficulties do you face in bringing financial education materials to different countries; do you face any language barriers?***

The FEP works with the local community to adapt and translate the materials to the local context and language. Our biggest issue is the lack of funding to get the materials translated.

***Fiona, what can we do to get teachers on board?***

Teachers play an important role in the financial education process. If the teachers have a high awareness of financial education, it will be easier for them to teach financial education to the students. In Singapore, the CPF board works with the Teachers' Association of Singapore to conduct financial education talks for teachers. In addition, the Ministry of Education sits on the committee for MoneySENSE and also holds its own programs to sensitize teachers to financial concepts.

One participant from Australia said that teachers in Australia are taught how to manage their own finances so that they are comfortable teaching financial education to students.