

FINANCIAL EDUCATION IN SCHOOLS



**IN
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on
FINANCIAL
EDUCATION



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The INFE is a network of public experts on financial education established by the OECD in 2008. The INFE currently gathers 220 public institutions from close to 100 countries. It meets twice a year to develop analytical work on priority policy issues as well as guidelines and good practices.

The OECD's mission is to promote policies that will improve the economic and social well-being of people around the world. We provide a forum in which governments can compare and exchange policy experiences, identify good practices and promote decisions and recommendations to produce better policies for better lives.

The common thread of our work is a shared commitment to sustainable growth, employment and trade, based on international co-operation, and focused on the well-being of all citizens.

FINANCIAL LITERACY: A CORE LIFE SKILL

Financial literacy is a core life skill for participating in modern society. Children are growing up in an increasingly complex world where they will eventually need to take charge of their own financial future. As young adults

“Including financial education into the school curriculum in an on-going manner would hold the key to making our future generations financially literate.”

*Dr. K. C. Chakrabarty,
Deputy Governor,
Reserve Bank of India
and Co-chair of the INFE
Advisory Board*

learning to live independently they will need to know how to budget and make wise financial choices for everyday living, for example, choosing mobile phone and utility contracts. They will need to manage risks: save for a ‘rainy day’, avoid taking on unmanageable debt, and provide for their old age and health care. Financial products and services vary widely and, in the case of credit, can be almost too easily accessible

for many of today’s young people. At the same time, these products and services are becoming more complicated and the choices more difficult. Adding to this complexity are economic and technological developments which have brought greater global connectedness and massive changes in communication and financial transactions, as well as in social interactions and consumer behaviour.

Poor financial decisions can have a long-lasting impact on individuals, their families and society. The causes of the recent financial crisis were complex, but the lack of financial literacy was certainly one of the aggravating factors leading to ill-informed decisions on mortgage loans. Low levels of financial literacy have also been associated with a lower standard of living, decreased psychological and physical well-being and greater reliance on government support.

Financial education can make a difference. It can empower and equip young people with the knowledge, skills and confidence to take charge of their lives and build a more secure future for themselves and their families. Supporting financial education can be viewed by the main public, private and civil stakeholders as a critical long-term investment in human capital.

“We should help schools train and encourage teachers and parents to provide financial education for children and youth in order to equip the next generation with better knowledge and skills to make effective and responsible choices and decisions in the complex reality of the 21st Century.”

*Andrey Bokarev,
Director of the National Financial
Education and Financial Literacy
Programme, Russian Federation*





MALAYSIA

2%

Young adults who chose a financial product with the benefit of sound advice.

SOUTH AFRICA

15%

Young adults who could not divide 1000 RAND equally between 5 people.

UNITED KINGDOM

96%

Teenagers who say they worry about money on a daily basis.

DENMARK

73%

Young adults who have little or no knowledge of interest rates.

THE IMPORTANCE OF STARTING YOUNG AND AT SCHOOL

National surveys show that young adults have amongst the lowest levels of financial literacy. This is reflected by their general inability to choose the right financial products and often a lack of interest in undertaking sound financial planning. Even from an early age, children need to develop the skills to help choose between different career and education options and manage any discretionary funds they may have, whether from allowances or part time jobs. These funds may entail the use of savings accounts or bank cards.

“For each of us, financial literacy is key to living our daily lives with dignity. It is also “a gift” that each of us has to give to him or herself, in order to be a dignified citizen of the world.”

*Ardian Fullani,
Governor,
Bank of Albania*

In 2005, the OECD recommended that financial education start as early as possible and be taught in schools. Including financial education as part of the school curriculum is a fair and efficient policy tool. Financial education is a long-term process. Building it into curriculums from an early age allows children to acquire the knowledge and skills to build responsible financial behaviour throughout each stage of their education. This is especially important as parents may be ill-equipped to teach their children about money: levels of financial literacy are generally low around the world.

In 2012, financial literacy is an optional component of the OECD Programme for International Student Assessment (PISA). PISA currently tests the attainment of 15-year-olds in mathematics, reading and science across 65 countries. The introduction of a financial literacy assessment will result in a unique international benchmark on the level of financial literacy of young people. The rich data will enable detailed investigations of the main factors associated with financial literacy levels and will help to identify policy measures that can be employed to improve levels in the future.



MAKING IT HAPPEN

In line with the OECD 2005 recommendations, an increasing number of countries are recognising the importance of financial literacy, and have included financial education in school curricula. There are however significant barriers to overcome: lack of political will, lack of resources and materials, overcrowded

curricula and insufficient expertise. There is no single recipe for success, but countries that have made the most progress have adopted the guidelines supported by the OECD and its International Network on Financial Education (INFE):

“One of the reasons the rich get richer, the poor get poorer and the middle class struggles in debt is because the subject of money is taught at home, not at school.”

Robert Kiyosaki,
Educational Entrepreneur

■ Financial education in schools should be *part of a co-ordinated national strategy*. The strategy should have a visible leader or co-ordinating body to ensure relevance and long term sustainability. The education system and profession should be involved in the development of the strategy.

- There should be *a learning framework* which sets out goals, learning outcomes, content, pedagogical approaches, resources and evaluation plans. The content should cover knowledge, skills, attitudes and values. The framework can be national, regional or local.
- To the extent possible, *a sustainable source of funding* should be identified at the outset.
- Financial education should *start as early as possible*, ideally from the beginning of formal schooling, and carry on until the end of the students' time at school.
- Financial education should ideally be *a core part of the school curriculum*. It can be, but need not be, taught as a 'stand-alone' subject; integration into other subjects like mathematics, economics, social science or citizenship can also be effective. Financial education can give a range of 'real life' contexts across a range of subjects.
- Teachers should be *adequately trained and resourced*, made aware of the importance of financial literacy and relevant pedagogical methods, and they should receive *continuous support and training* to teach financial literacy.
- There should be easily accessible, objective, high-quality and *effective learning tools and pedagogical resources* available to schools and teachers that are appropriate to the level of study.
- Students' *progress should be assessed* and their achievements recognised.



UNITED STATES

27%

Young adults who know about inflation and risk diversification and can do simple interest calculations.

PERU

41%

Young adults who could add 2% interest to an initial savings balance of 100 PEN.

CANADA

63%

Young adults who think it is very important to learn about personal finances at a young age.

UNITED KINGDOM

52%

Teenagers who have been in debt by the time they are 17.



FURTHER INFORMATION AND GUIDANCE

Browse the International Financial Education Gateway
www.financial-education.org for:

- Guidelines for financial education in schools and Guidance on learning frameworks for financial education
- Financial Education in Schools: challenges, case studies and policy guidance (OECD Publication, 2012)
- PISA Financial Literacy Framework
- Country information and comparative tables on financial education in schools



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Our secure website provides INFE members with access to additional online tools and information from other members, including online teacher training programmes and pedagogical tools.

This brochure has been developed with financial support from the Russian/World Bank/OECD Trust Fund on Financial Literacy.

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