

Enhancing financial literacy amongst EU citizens

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Recognising that:

- Over the recent years, the financial environment has evolved rapidly, giving greater opportunities to individuals to access finance as well as manage and plan their financial future. At the same time, the financial landscape has become more complex and introduced new challenges and risk factors which dictate financial literacy to be an integral part of the research agenda and policy design globally.
- Almost half of the EU adult population does not have an adequate understanding of basic financial concepts. Not only is financial illiteracy widespread, but there are wide variations among countries and groups. It is negatively associated with the main elements of inclusive growth in the EU, namely poverty, inequality, social exclusion, and social immobility. This is true not only in developing economies but also in countries with well-developed financial markets.^{1 2}
- Young people have been more impacted by over-indebtedness as they also have lower levels of financial literacy. Understanding the implications of indebtedness and how financial literacy can help is especially important for young households, first-time homeowners, and those at the lower end of the income distribution.³
- Financial illiteracy prohibits individuals from becoming productive members of the economy and society in the same way that the inability to read or write disadvantages generations. It can have detrimental physical, mental, and socioeconomic effects on people of all ages and all walks of life.⁴
- In the face of rapidly ageing population, a transition towards more occupational and personal insurance systems shifts more responsibilities to the individual to take a bigger

¹ S&P Global FinLit Survey

² 2018 OECD/INFE Financial Literacy Measurement Toolkit (<http://www.oecd.org/financial/education/2018-INFEFinLit-Measurement-Toolkit>)

³ OECD/INFE 2020 International Survey of Adult Financial Literacy

⁴ Taft, M.K., Hosein, Z.Z., Mehrizi, S.M.T. and Roshan, A., 2013. The relation between financial literacy, financial wellbeing and financial concerns. International journal of business and management

role in retirement planning; though older adults lack the financial skills needed to deal with the economic challenges of retirement.⁵

Acknowledging that:

- On 11th January 2022, the European Commission and the OECD's International Network on Financial Education published the financial competence framework for adults in the European Union.⁶
- Countries performing better at financial literacy means improved opportunities for them to yield the benefits of economic growth and contribute to the inclusive growth agenda of the EU.⁷
- A basic knowledge of financial concepts and the ability to apply numeracy skills in a financial context ensures that individuals can navigate with greater confidence financial matters and react to news and events that may have implications for their financial well-being; compare financial products and services, including digital ones, and make appropriate, well-informed decisions.⁸
- The recovery and stability of the EU along with the success of the various ambitious initiatives such as the Banking Union, the Capital Markets Union and the European Green Deal will have higher impact if the intended beneficiaries are financially literate.
- Financial literate citizens may develop better comprehension and evaluation of economic concepts that relate to national and global interests and in the context of political systems. They can engage more actively in public debates and decision-making process, evaluate political programs more effectively, and be less susceptible to populist messages and financially irresponsible policies.

⁵ Financial Literacy Around the World: INSIGHTS FROM THE STANDARD & POOR'S RATINGS SERVICES GLOBAL FINANCIAL LITERACY SURVEY (https://gflec.org/wp-content/uploads/2015/11/3313-Finlit_Report_FINAL-5.11.16.pdf?x20348)

⁶ https://ec.europa.eu/info/files/220111-financial-competence-framework-adults_en

⁷ Batsaikhan, U. and Demertzis, M., 2018. Financial literacy and inclusive growth in the European Union (No. 2018/08). Bruegel Policy Contribution.

⁸ Why financial literacy matters more than ever <https://www.ft.com/financial-literacy>



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YEPP Calls on

- The EU Commission, which along OECD have jointly developed a financial competence framework, to accelerate the further expansion of a similar framework for children and the youth in member states that wish to further expand.
- The EU to promote the financial competence framework and where member states choose to implement it help to monitor its implementation and effectiveness.
- The EU Member States to consider integrating financial education in the school curricula, and if implemented to so preferably from a young age, to develop saving and planning behaviour and responsibility among children and young adults.
- The EU and the Members States to continue to engage in fruitful cooperation with the private sector to improve financial literacy; to deliver with strong private support from banks and financial institutions in the EU, leveraging the expertise and mentoring capabilities of financial services providers and their associations and forming clusters and networks of micro and small businesses for knowledge exchange.
- The EU Commission and the Member States to further promote awareness campaigns and understanding of the characteristics of traditional and innovative financial products and services, and of the financial risks associated with them.
- Financial education needs to reach individuals in the workplace as well as other learning channels in the community, such as libraries and museums, theatres, and municipalities.