INVESTOR EDUCATION CENTRE
投資者教育中心

18 January 2018

Dear Sir/Madam,

Issues to be included in the work plan for the Commission on Children: The Financial Literacy Level of Children

On behalf of the Investor Education Centre, I am delighted to see the government take the initiative of setting up a Commission on Children to amalgamate the efforts made by relevant bureaux/departments and children focused concern groups. We understand that the preparatory committee is formulating the priority areas of the commission and we urge that "The Financial Literacy Level of Children" should be an issue included in the work plan.

A low level of financial literacy contributes to ill-informed financial decisions, and these decisions could, in turn, have adverse effects both on a person, the household they live in and society in general (OECD/INFE, 2009; OECD, 2009a). As a result, financial literacy is now globally recognised as an important factor in regard to social stability and development. This is reflected in the G20 endorsement of the OECD/INFE High-level Principles on National Strategies for Financial Education (G20, 2012; OECD/INFE, 2012).

Empirical evidence shows that young people who have had good-quality financial education are more likely to plan ahead, save and engage in other responsible financial behaviours (Bernheim et al., 2001; Cole et al., 2011; Lusardi, 2009; Atkinson et al. 2015; Bruhn et al. 2013; Miller et al. 2014). Higher levels of financial literacy is also related to good debt management, with more financially literate individuals opting for less costly debt (Gerardi et al., 2010; Lusardi and Tufano, 2009a, 2009b; Moore et al., 2003). These factors can also ultimately help to reduce government assistance aimed at helping those who have made unwise financial decisions (or made no decision at all).

The OECD advises that "People should be educated about financial matters as early as possible in their lives" (OECD, 2005a). Two main reasons to support this recommendation are: focusing on children to provide them with key life skills before they start to become active financial consumers; and the relative efficiency of providing financial education early in life rather than attempting remedial actions in adulthood.

People form habits and behaviours from a young age, learning from their parents and others around them. Researchers have shown how important it is to intervene early to help shape beneficial behaviours and attitudes (Whitebread and Bingham, 2013). Cognitive development theory and related research suggests that the elementary school years may be a window of opportunity during which education can influence financial behaviour later in life (Collins, J. Michael et al. , 2012). Although young children's financial understanding is unsophisticated, scholars suggest that elementary-school-age children can grasp basic economic concepts such as savings, barter, scarcity, and supply and demand (Sherraden et al, 2011).

錢家有道 the Chin family
香港皇后大道中二號長江集團中心二十一樓
21/F, Cheung Kong Center, 2 Queen's Road Central, Hong Kong
T: +852 2700 6000 F: +852 2297 3300 E: info@hkiec.hk
www.hkiec.hk | www.thechinfamily.hk | thechinfamilyhk

From research the Consumer Financial Protection Bureau (CFPB) created the financial capability developmental model (CFPB, 2016) which is an age-appropriate framework. The model identifies three key building blocks – executive function, financial habits and norms, and financial knowledge and decision-making skills. It then lays out when these three building blocks of financial capability typically manifest, as well as how they commonly progress during three developmental stages – early childhood, middle childhood, and from the teen years into young adulthood. It is important to view the building blocks of financial capability as ideal windows of opportunity to learn key skills at different stages of their childhood. From this, it is clear that starting financial education early has important benefits for young people.

To progress the financial literacy level within a jurisdiction, the OECD stresses the importance of public authorities "including ministries (and in particular the Ministries of Finance and Education), the Central Bank, the financial regulator(s) and supervisor(s), as well as other public national, regional and local authorities" (OECD/INFE, 2012).

A Commission on Children in Hong Kong would be able to integrate and rationalise children-related policies and initiatives under different bureaux/departments and with advisory bodies that can affect financial literacy. This could involve bodies such as the Financial Services and the Treasury Bureau, Education Bureau (which has already taken several steps to enhance financial education in HK schools), Labour and Welfare Bureau, Social Welfare Department, Food and Health Bureau, Department of Health, Home Affairs Bureau, Home Affairs Department, Family Council, Committee on Home-School Co-operation etc. Overseas, similar bodies have contributed to financial literacy in their own jurisdiction. Specifically, the commission could advocate the integration of financial education into welfare, adolescent, poverty alleviation and family programmes.

We strongly support the establishment of the Commission on Children and again wish to urge that "The Financial Literacy Level of Children" be placed and an important issue and included in the work plan of the proposed commission.

---

[1] Established in 2012 and supported by the Education Bureau and all four financial regulators, the Investor Education Centre (IEC) is an organisation dedicated to improving financial literacy in Hong Kong. In April 2016, the IEC launched an independent and impartial financial education platform, The Chin Family, with free information, educational resources and tools to help people in Hong Kong plan and manage their finances. For more information regarding IEC please visit www.thechinfamily.com

Reference

Atkinson, A. et al. (2015), "Financial Education for Long-term Savings and Investments: Review of Research and Literature", OECD Working Papers on Finance, Insurance and Private Pensions, No. 39, OECD Publishing, Paris, http://dx.doi.org/10.1787/5jrtgzfl6g9w-en .

Bernheim, D., D. Garrett and D. Maki (2001), "Education and saving: The long-term effects of high school financial curriculum mandates", Journal of Public Economics, No. 85, pp. 435-565.

Bruhn, M. et al. (2013), "The impact of high school financial education: Experimental evidence from Brazil", Policy Research Working Paper, No. WPS 6723, Impact Evaluation series No. IE 109, World Bank Group, Washington, DC., http://documents.worldbank.org/curated/en/2013/12/18640673/impact-high-school-financial-education-experimental-evidence-brazil .

CFPB (2016), "Building blocks to help youth achieve financial capability.", CFPB, https://www.consumerfinance.gov/documents/923/092016_cfpb_BuildingBlocksReportBrief_web.pdf

Cole, S., T. Sampson and B. Zia (2011), "Prices or knowledge? What drives demand for financial services in emerging markets?", The Journal of Finance, Vol. 66/6, pp. 1933-1967.

Collins, J. Michael et al. (2012), "Determining What Works: A Framework for Evaluating Financial Literacy Education in Elementary School." Center for Financial Security. http://moneyfitevaluation.files.wordpress.com/2012/06/determining-what-works-2012.pdf

G20 (2012), "G20 Leaders Declaration", Los Cabos, www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/ec/131069.pdf.

Gerardi, K., L. Goette and S. Meier (2010), "Financial literacy and subprime mortgage delinquency: evidence from a survey matched to administrative data", Working Paper Series, No. 2010-10, Federal Reserve Bank of Atlanta, Atlanta, http://dx.doi.org/10.2139/ssrn.1600905.

Lusardi, A. (2009), "Household savings behavior in the United States: The role of literacy, information, and financial education programs", in C. Foote, L. Goette and S. Meier (eds.), Policymaking Insights from Behavioral Economics, Federal Reserve Bank of Boston, pp. 109-149.

Lusardi, A. and P. Tufano (2009a), "Debt literacy, financial experiences, and over indebtedness", NBER Working Paper, No. 14808, Cambridge, MA.

Lusardi, A. and P. Tufano (2009b), "Teach workers about the perils of debt", Harvard Business Review, November, pp. 22-24. Moore et al., (2003),

Miller, M. et al. (2014), "Can you help someone become financially capable? A meta-analysis of the literature", Policy Research Working Paper, No. WPS 6745, World Bank Group, Washington, DC.

OECD/INFE (2012), OECD/INFE High-Level Principles on National Strategies for Financial Education, OECD, Paris, http://www.oecd.org/daf/fin/financial-education/OECD-INFE-Principles-National-Strategies-Financial-Education.pdf.

OECD/INFE (2009), Financial Education and the Crisis: Policy Paper and Guidance, OECD, Paris, www.oecd.org/finance/financialeducation/50264221.pdf .

OECD (2009a), Financial Literacy and Consumer Protection: Overlooked Aspects of the Crisis, OECD Recommendation on Good Practices on Financial Education and Awareness Relating to Credit, OECD, Paris, www.oecd.org/finance/financial-markets/43138294.pdf.

OECD/INFE (2009), Financial Education and the Crisis: Policy Paper and Guidance, OECD, Paris, www.oecd.org/finance/financialeducation/50264221.pdf.

OECD (2005a), Recommendation on Principles and Good Practices for Financial Education and Awareness, OECD Publishing, Paris, www.oecd.org/finance/financial-education/35108560.pdf.

Sherraden et al. (2011), "Financial Capability in Children: Effects of Participation in a School-Based Financial Education and Savings Program." Journal of Family and Economic Issues. 32 (3) (2011): 385-399

Whitebread and Bingham (2013), Habit Formation and Learning in Young Children, The Money Advice Service, London. https://www.moneyadviceservice.org.uk/en/corporate/habit-formation-and-learning-in-young-children