DRAFT NATIONAL STRATEGY

FOR RETIREMENT INCOME & FINANCIAL LITERACY

KNOWLEDGE, PLANNING, ACTION

2016-2018

MINISTRY FOR THE FAMILY
AND SOCIAL SOLIDARITY

Public Consultation | January 2016

Ignorance is not bliss and can lead to people saving too little and getting surprised as they approach and enter retirement

Clark et al. 2006

This Draft Strategy is presented for public consultation and discussion.
The public consultation and discussion will take place between 27th January 2016 and 23rd March 2016.

The working group is ready to meet with any organisation or person willing to discuss the Draft Strategy and present recommendations.

Formal feedback or any contact with the Commission is to be sent on:
financialeducation.mfss@gov.mt

One of the recommendations presented by the Pension Strategy Group to Government in its June 2015 report is the setting up of a Commission for Retirement Income and Financial Literacy. This recommendation was positively met in the feedback received following the national consultation carried out in the summer of 2015 on the pension reform recommendations. The Government agrees that reform to the pension system architecture alone, whilst a cornerstone of reform, is only one aspect of the reform agenda. A second aspect of the reform agenda is to inculcate a culture for retirement planning and to nudge people to save - but do so in an informed manner.

Over the past eleven years since national discussion on pension reform started in earnest following the publication in November 2004 of the then White Paper titled 'Pensions – Adequate and Sustainable: Reforms Needed Now to Ensure Adequate Pensions for Future Generations', we have seen continuous efforts directed to nurture a culture of planning and knowledge with regard to financial literacy for retirement.

There are commendable initiatives in this regard. The Malta Financial Services Authority has an excellent knowledge base on www.mymoneybox.mfsa.com.mt. The Ministry of Education and Employment in the new National Curriculum Framework positions financial literacy, in subjects including Mathematics, Home Economics and Personal, Social and Career Development, as well as option business related subjects ; learning outcomes for which are now completed and will continue to evolve as necessary. The Social Security Department, within my Ministry, week in, week out carries out education programmes on TV and radio on the social security pension. Statutory authorities such as the Malta Stock Exchange as well as financial services market providers have taken an active role in the promulgation of financial literacy.

Yet these initiatives, admirable as they are, are uncoordinated. It is for this reason that the Government, of which I form part, will set up a Commission for Retirement Income and Financial Literacy. The form and mandate of the Commission will be decided by Ministry for Family and Social Solidarity, the Ministry for Finance, and the Ministry for Education and Employment following the consultation process.

It is, thus, my pleasure, to present the draft National Strategy for Retirement Income and Financial Literacy. The draft strategy targets three particular elements. The first is Knowledge: ensuring that people understand what the social security pension income entails, how markets behave, the associated risks amongst others so that they can make informed financial decisions that fit their circumstances. The second is Planning: knowledge allows persons to understand how their behaviour in saving or the failure to save for retirement effects their quality of life in retirement and how best to prepare for such long term savings. The third is Action: research shows that people are myopic in planning and do not think long term – they are unlikely to save for retirement when young and that action taken when they are close to retirement is unlikely to significantly positively impact their quality of life in retirement. It is important, therefore, that people act early and in doing so are equipped to make better long-term retirement savings decisions.

The strategy is presented for public discussion and consultation. The working group will engage with both public and private organisations to ensure that there is national buy-in to this important strategy : clear objectives, key priorities, key messages and key actions that we should collectively work towards to and achieve. It is imperative that this strategy becomes 'our' strategy. Together with the Ministers for Finance, and Education and Employmen, we look forward to your active participation in shaping our way forward on retirement income and financial literacy.

Michael Farrugia | Minister

Executive Summary

The work carried out on pension reform since 1997 by different government appointed working groups shows that the State pension is limited to ensuring that pensioners are able to live in dignity on an adequate pension. As persons live longer and have a far higher healthy life expectancy than pensioners a generation ago, the adequate level of income that the State pension provides will not suffice to allow them to lead the quality of life they enjoyed in pre-retirement.

Active ageing, which is resulting in increasing higher levels of 'young' old (65 years to 69 years) and 'old' (70 years to 74 years) persons remaining active in the labour market, may bridge their respective 'income' gap between employment and retirement income. The fact, however, remains that for persons to enjoy a quality of life during retirement that is equal to that enjoyed in pre-retirement they have to assume responsibility to save enough to provide for an income in retirement over and above that provided by the State pension.

Research shows that no reform of the pensions system alone results in meaningful change unless this is complemented by the inculcation of a culture of self-responsibility for retirement – achieved through instilling and understanding of the importance of saving for retirement.

The Pensions Strategy Group (PSG) in the report it presented to the Government, and subsequently placed in the public domain for national consultation in June 2015, stated that it agreed with the direction proposed by the 2010 Pensions Working Group (PWG) on the setting up of a Commission that is assigned responsibility to design and implement a retirement income and financial literacy strategy.

The Government accepted this recommendation. In late 2015 the Government set up the Retirement Income and Financial Literacy Commission under the aegis of the Ministry for the Family and Social Solidarity (MFSS). The form and mandate of the Commission will be decided by Ministry for Family and Social Solidarity, the Ministry for Finance, and the Ministry for Education and Employment following the consultation process

This strategy addresses, primarily, a key aspect in a person's life journey: the building of a savings portfolio directed to boost his / her retirement income beyond the State pension. Whilst no two persons have the same behaviour with regard to saving, two aspects remain identical for the majority of persons.

The first relates to the understanding of the importance of saving for one's retirement. Research overseas shows that not only do individuals display low levels of financial literacy but also that financial illiteracy is linked to lack of financial planning and insufficient resources in retirement – given that for many persons financial security in retirement depends on the State pension. What explains this low level of retirement preparedness in developed countries? Why do people do so poorly when it comes to designing and carrying out retirement saving plans?

The second relates to securing financial literacy and retirement planning. The levels of financial literacy amongst citizens are a global concern. The causes which triggered the 2008 financial crisis are many. There is, however, little doubt that individuals and financial institutions failed to understand the risks they took when they invested in the financial market. Moreover, younger generations face increasing financial risks as they are confronted with more sophisticated financial products than previous generations. Furthermore, they are given access to financial services and products at an ever-younger age. These developments do not appear to be matched by an equivalent increase in their financial skills. Improving financial literacy is an essential means towards greater economic, social and financial inclusion and an integral part of financial reform to prevent future crises.

The Strategy recommends the following as a vision for the strengthening of the financial capability of Maltese citizens with regard to retirement income and financial literacy:

"Improving the personal financial well-being of Maltese citizens during life-events and retirement by enabling them to make better informed financial decisions that fit their circumstances".

The Strategy recognises skills related to retirement income and financial literacy as essential life skills. The vision is underpinned by the following principles where by Maltese citizens:

- Understand how the State pension system works and the resulting retirement income they receive as a result of life choices; and hence they are in a position to make better informed life-time decisions.
- Understand the importance of saving and investing for one's retirement; and, thus, are more engaged to prepare for their retirement.
- Understand better than previous generations the range of complex financial management strategies encompassing matters such as asset management, tax and succession planning, and insurance.
- Are more competent on financial markets operate and in deciding on investment and savings products.
- Are aware of their rights and protection mechanisms when investing or saving in financial products.

The strategy proposes that these principles are achieved through the following thrusts:

- Using of education to promulgate knowledge on retirement income and financial literacy.
- Providing trusted and independent information and undertaking of programmes directed to change behaviour and inculcate a new culture vis-à-vis long term retirement planning.
- Working in partnerships to strengthen the connections between all parties involved in retirement income and financial literacy.

The strategy recommends the following actions:

Implementation: 2016

	ACTION	
THRUST 1: EDUCATIONAL PATHWAYS	A1	Initiate work on a Financial Education Framework
	A3	Work with parent organisations in the design of the Financial Education Framework to identify the most significant teachable moments for children to focus on retirement and financial literacy.
	A4	Initiate building of a single portal providing teaching resources to teachers in State, Church and Independent schools.
	B1	Work with the G. F. Abela Junior College, Church and Independent schools and examination boards to identify appropriate model/s for students and implement as appropriate.
	B2a	Work with the Malta College of Arts, Science and Technology to identify appropriate model/s for students and implement as appropriate.

	C1	Work with the University of Malta and other universities to identify appropriate model/s for students and implement as appropriate.
	D2	Partner with institutions such as VISA to tap into their free game-based financial education programmes.
	D3	Specifically target 18-24 aged youths on retirement planning given these are a likely target should an automatic enrolment pension scheme be introduced.
	E2	Design adult and community financial education programmes covering different life-cycle stages.
	E3	Team up with unions and employers and initiate at-work financial education programmes.
	E4	Team up with the Local Councils Association and local councils and initiate community-based financial education programmes.
	F1	Work with NGOs to promote research to increase the understanding of the diverse needs of elderly persons for financial education and literacy, and the effectiveness of different approaches that could be adopted.
	F5	Carry out general awareness and education programmes targeting different forms of financial abuse and behavioural changes that should be looked out for.

		ACTION
THRUST 2: TRUSTED & INDEPENDENT INFORMATION PROVIDER	G1	Undertake a comprehensive national survey on retirement income and financial literacy.
	H1	Design a 3-year communication targeting different population cohorts.
	H2	Implement identified targeted communications campaigns.
	H3	Design an evaluation mechanism to gauge the success of the communications strategy.
	I1	Together with Government and the MFSA establish a portal designed to provide official trustworthy, motivating and accessible information.
	J4	Work with the DSS, MFSA and other stakeholders to help ensure that persons are aware of and have access to effective financial education, tools, information and assistance relating to the State pension.
	J5	Work with Government and civil society to establish a programme that helps ensure pensioners are aware and can access Government benefits they are entitled to.

		ACTION
THRUST 3: STRATEGIC PARTNER	K1	Work with the MFSA Education Consultative Council on the design of the Financial Education Framework.
	K2	Establish a Consultative Council directed to involve a broader spectrum of stakeholders such as employee representatives, employer representatives, civil society, etc.
	L2	Establish contacts with similar organisations in countries overseas to tap into their experiences and knowledge base.

Implementation: 2017

	ACTION	
THRUST 1: EDUCATIONAL PATHWAYS	F1	Complete work on the Financial Education Framework.
	A3	Initiate preparatory work with the Ministry for Education and Employment for participation in the 2018 PISA survey.
	A4	Continue with the building of a single portal providing teaching resources to teachers in State, Church and Independent schools.
	A5	Design and implement a framework of how to assist schools with the preparation and continued professional development of teachers teaching financial education.
	A6	Work with financial service providers for the identification of voluntary support from staff and experts in supporting the teaching of financial education in schools.
	B2b	Work with MCAST to assess the possibility of introducing NVQ accredited programmes related to financial education aspects and identify appropriate pathways.
	D1	Work with the financial sector and stakeholders to introduce and raise awareness of resources available to help children and youth protect themselves from fraud, scams and identity theft, etc.
	D4	Continue to target 18-24 aged youths on retirement planning.
	E2	Continue implementing adult and community financial education programmes covering life-cycle stages.
	E3	Continue with at-work financial education programmes.
	E4	Continue with community-based financial education programmes.
	E5	Work with the Employment and Training Corporation to embed retirement income and financial literacy within existing and new training programmes.
	F2	Work with elderly persons, as well as care givers, nurses, and doctors to understand the potential needs relating to managing finances for those who experience some loss of cognitive ability.
	F3	Work with stakeholders who are uniquely positioned to identify and red flag financial abuse amongst the elderly.

	ACTION	
THRUST 2: TRUSTED & INDEPENDENT INFORMATION PROVIDER	H2	Continue to implement identified targeted communications campaigns.
	J3	Work with DSS so that people access on-line a statement showing contributions paid and the prospective pension entitlement.
	J6	Introduce evaluation mechanisms to gauge the impact of measures introduced.

	ACTION	
THRUST 3: STRATEGIC PARTNER	L1	Participate actively in international events such as the International Forum for Investor Education and the International Network on Financial Education.

Implementation: 2018

	ACTION	
THRUST 1: EDUCATIONAL PATHWAYS	F1	Map and complete linking of the Financial Education Framework with the learning outcomes framework of the National Curriculum.
	A3	Participate in the 2018 PISA survey.
	A4	Continue with the building of a single portal providing teaching resources to teachers in State, Church and Independent schools.
	A5	Maintain and improve the framework supporting schools with the professional development of teachers teaching financial education.
	A7	Work with the SEC examination boards to determine if and how examination questions in the core and designated optional subjects should include financial education.
	A8	Work with the upper secondary curriculum owner and appropriate examination boards to determine if and how examination questions on financial education are to be incorporated.
	G1	Work with the financial sector and other relevant stakeholders to encourage them to develop products that are easy to understand for children and youth that allows access as well as encourages them to manage their money responsibly.
	D4	Continue to target 18-24 aged youths on retirement planning.
	E3	Continue with at-work financial education programmes.
	E4	Continue with community-based financial education programmes.
	F4	Work with NGOs, financial institutions and appropriate Government entities on advocacy services to be provided to elderly persons on financial abuse.

APRR	Average Pension Replacement Rate
BOV	Bank of Valletta
CBM	Central Bank of Malta
COHEAO	Coalition of Higher Education Assistance Organisations
DQSE	Directorate for Quality and Standards in Education
DSS	Department of Social Security
ECC	MFSA Education Consultive Council
HBS	Household Budgetary Survey
HESC	Home Economics Seminar Centre
IFIE	International Forum for Investor Education
INFE	International Network on Financial Education
LOF	Learning Outcomes Framework
MATSEC	Matriculation Secondary Examination
MCAST	Malta College of Art, Science and Technology
MFSA	Malta Financial Services Authority
MFSS	Ministry for the Family and Social Solidarity
MIA	Malta Insurance Association
MSE	Malta Stock Exchange
NCF	National Curriculum Framework
NGO	Non-Governmental Organisations
NSO	National Statistics Office
PISA	Programme for International Student Assessment
PSG	Pensions Strategy Group
PWG	Pensions Working Group
OECD	Organisation for Economic Cooperation and Development
SEC	Secondary Education Certificate
SMarT	Save More Tomorrow Programme
UoM	University of Malta
NVQ	National Vocational Qualification

Introduction

Chapter 01

1.1 Background

The work carried out on pension reform since 1997 by different Government-appointed working groups shows that the State pension is limited to ensuring that pensioners are able to live in dignity on an adequate pension. As persons live longer and have a far higher healthy life expectancy than pensioners a generation ago, the adequate level of income that the State pension provides will not suffice to allow them to lead the quality of life enjoyed in pre-retirement.

Active ageing, resulting in increasing higher levels of 'young' old (65 years to 69 years) and 'old' (70 years to 74 years) persons remaining active in the labour market, may bridge their respective 'income' gap between employment income and retirement income. The fact, however, remains that for persons to enjoy a quality of life during retirement equal to that enjoyed in pre-retirement they have to assume responsibility to save enough to provide for an income in retirement over and above that provided by a State pension.

Research shows that no reform of the pensions system alone results in meaningful change unless this is complemented by the inculcation of a culture of self-responsibility for retirement achieved by instilling an understanding of the importance of saving for retirement.

Within the context of Malta there is today no strategy directed towards retirement planning and financial literacy. Although people invest in funds and shares, the proliferation of savings, investment and insurance products available to consumers have increased the level of complexity faced in trying to comprehend the different choices available.

Additionally, there is a proliferation of financial products available to consumers, largely spawned by technological advances and deregulation of the market for financial products and services. Of concern, the number of cases of mis-selling of financial products by local financial institutions or persons losing significant savings through bad investment decisions is on the increase.

Also disconcerting is (as work carried out by the Department of Social Security as well as previous pension reform groups show) a distinct absence of knowledge of how Malta's pension system works and how this impacts a person's retirement income – an absence of knowledge that cuts across all strata of society.

The 2010 New Pensions Working Group (PWG) underlined that the absence of retirement knowledge and financial literacy was a serious lacuna that needed to be addressed within the context of pension reform. The 2010 PWG proposed (Recommendation 42) that Government should establish an independent permanent Commission on Retirement Income and Financial Literacy directed to inculcate a culture of saving for retirement and to strengthen financial literacy across society. This recommendation was based on the understanding that it was clear that in securing a structured, holistic and sustained approach to the inculcation of a retirement income and financial literacy culture the scope, complexity and duration necessary to achieve this required a vehicle that drives and sustains such a long-term initiative.

The Commission on Retirement Income and Financial Literacy (Commission) was set up in July 2012.

The terms of reference of the Commission were to:

- Create a financially educated population.
- Raise awareness on the need to plan for retirement.
- Provide education on financial management and planning.
- Design and embark upon education, information and knowledge campaigns to assist people to make informed financial choices and decisions for their retirement.
- Build and foster a network for financial literacy provision.
- Collect research on retirement planning behaviour and attitudes.
- Recommend to Government strategies to inculcate a culture of savings for retirement.

The Commission was constituted of a Chairman and holders of the following offices:

- Chairman, Malta Financial Services Authority (MFSA).
- Chair, 2010 New Pensions Working Group.
- President, Malta Insurance Association (MIA).
- Director General, Department of Social Security.
- Director General, Directorate for Quality and Standards in Education (DQSE).
- Dean, Faculty of Economics, Management and Accountancy.
- Chairperson, Private Schools' Associations.
- President, National Council of Women.
- President, Institute for Financial Services.
- Chairman, Malta Council for Economic and Social Development.
- Chairman, Malta Bankers' Association.

In an interview with 'The Times of Malta' held soon after the constitution of the Commission, the then Chairman stated that "'financial literacy' is the possession of knowledge and understanding of finance matters [and that] the term is normally used in connection with personal finance matters such as real estate, insurance, investing, saving, tax planning, and retirement."[1]

The Chairman emphasised that:

> "the absence of financial literacy can lead individuals to making poor financial decisions that can have adverse effects on their financial health, retirement decisions are often considered to be too complex for individuals to solve on their own particularly as many individuals may have low financial capability … [resulting in] not fully understanding what they expect to receive from [the] State pension provision, nor how much additional retirement saving is needed to ensure an adequate level of income in retirement."[2]

The Commission was tasked to complete by the end of 2012 (i) a baseline survey to assess the level of financial literacy in Malta; and (ii) a national strategy for financial literacy and retirement income. The Commission whilst advanced in these tasks did not complete them, as it was not re-constituted following the change of administration in March 2013.

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[1] Ripard, J, 'Interview with the Chairman of the Commission on Financial Literacy and Retirement Income', The Times of Malta, 2012

[2] Ibid

1.2 Recommendations Proposed by the Pensions Strategy Group

There is little doubt that long-term successful impact resulting from pensions reform can only be attained through education, knowledge and information that transcends across the Maltese polity – starting from primary education to employment.

In the terms of reference assigned to the Pensions Strategy Group (PSG) by the new administration in July 2013, the Ministry for the Family and Social Solidarity (MFSS) tasked the Group to:

> "Develop a communications strategy directed toward raising the level of public awareness on pension issues in Malta and the need to ensure that future pension incomes are adequate in order to sustain a high standard of living in retirement."

The PSG in the report presented to Government in June 2015, and subsequently placed in the public domain for national consultation, stated that it agreed with the direction proposed by the 2010 PWG vis-à-vis the setting up of a Commission for Retirement Income and Financial Literacy. The PSG proposed that the 'first and immediate tasks' of a newly set-up Commission should be the undertaking of a financial literacy survey on the basis of which a National Strategy is designed. The PSG proposed as terms of reference:

- The use of education to promulgate knowledge on retirement income and financial literacy.
- The provision of trusted and independent information and undertaking of programmes directed to change behaviour and inculcate a new culture vis-à-vis long-term retirement planning.
- Working in partnerships to strengthen the connections between all stakeholders involved in retirement income and financial literacy.

The consultation feedback on the report of the PSG by both constituted bodies and the general public showed that there is unanimous agreement with the setting up of such a vehicle. The PSG's recommendation was seen as an important measure directed to strengthen self-responsibility to prepare for retirement.

The previous Commission constituted of twelve members including the chairperson was top heavy. In the submission of its final report to Government following the analysis of the consultation feedback the PSG proposed the setting up of a smaller Commission operating under the aegis of MFSS. The form and mandate of the Commission will be decided by Ministry for Family and Social Solidarity, the Ministry for Finance, and the Ministry for Education and Employment following the consultation process

1.3 A Draft National Strategy for Income and Financial Literacy: Knowledge, Planning, Action

The draft national strategy is divided in four parts. These are:

Introduction	This part sets the background and the context on the need for a national strategy for retirement income and financial literacy and the Commission as a vehicle to implement such a strategy.
Understanding Retirement Income & Financial Literacy	This part provides information on the key issues that relate to retirement income and financial literacy. In the drafting of this part extensive use is made of research carried out by Maltese students in their Bachelor and Masters dissertations that shed interesting light on the state of play.
Strategic Measures with regard to Retirement Income and Financial Literacy	This part reviews the three prongs of the strategy – education pathways; trusted and independent information and programmes to inculcate a saving culture; and the fostering of partnerships – and recommends measures with regard to each prong.
Next Steps	This part recommends a timeframe for the implementation of the proposed measures as well as recommendations to the resourcing and financing of the Commission.

Understanding Retirement Income and Financial Literacy

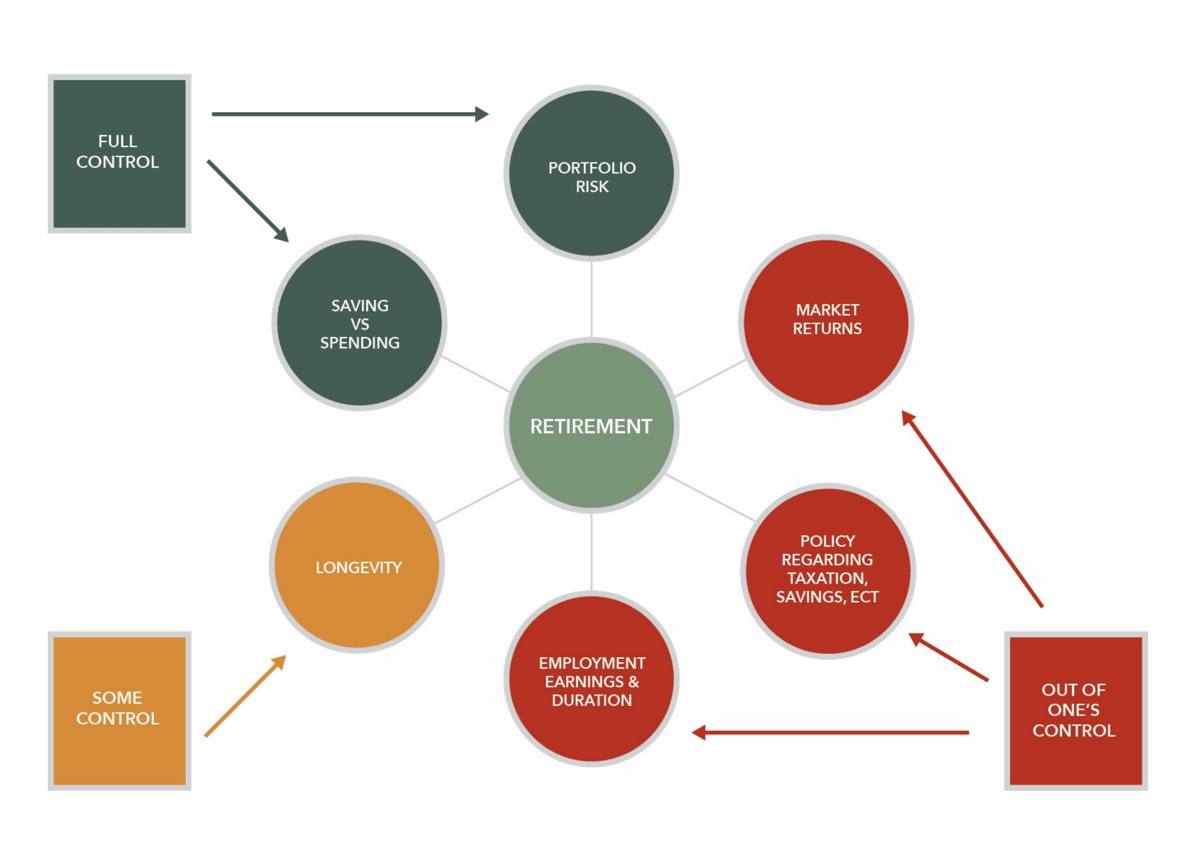
Chapter 02

This strategy addresses a key aspect in a person's life journey: the building of a savings and / or investment portfolio directed to boost his or her retirement income beyond the State pension. Whilst no two persons have the same behaviour with regard to saving and / or investing two aspects remain identical for the majority of persons. These are discussed below.

2.1 Understanding the Importance of Saving and / or Investing for one's Retirement

The first relates to the understanding of the importance of saving and / or investing for one's retirement. Research from many countries shows that not only individuals display low levels of financial literacy but also that financial illiteracy is linked to lack of financial planning and insufficient resources in retirement – given that for many persons, financial security in retirement depends on the State pension.[3] What explains this low level of retirement preparedness in developed countries? Why do people do so poorly when it comes to designing and carrying out retirement saving plans?

Figure 01: The Retirement Landscape



[3] Pg 2, Boisclaire, D., Lusardi, A., and Micaud, PC., Financial Literacy and Retirement Planning in Canada, Scientific Series, CIRANO, 2014s-35, Montreal, 2014

Research repeatedly shows that there are significant gaps in knowledge about retirement: [4]

- Many people are focused on the short term as they plan for retirement. Retirement planning, too often, does not include a serious and deliberate analysis of life and financial issues.
- When planning for retirement many people (and professional advisers) limit their focus to investment management.
- There is significant misunderstanding about potential life spans and their variability. Many overestimate the amount that can be safely withdrawn from a retirement account. They also consider only average investment returns without weighing the downside risk and results if there are poor years.
- As the life expectancy of Maltese citizens continues to increase, the risk that pensioners outlive their financial assets is a significant growing challenge.
- Many people are over optimistic about expected returns on savings and investments and their ability to manage such savings and investments.
- There are shortcomings, particularly with regard to educating people on how the State pension works, the expected level of income in retirement from a State pension because of life choices, etc.

DO YOU KNOW?

90.1% of persons in Malta who are concerned about their retirement savings believe that there is no market awareness on early retirement planning. The same levels of concern are expressed with by those who answered that they have no concerns or are not sure with regard to their retirement savings.

Source : T, Galea., Analysing Retirement Planning and Awareness among the Future Working Generation, University of Malta

What constitutes '***enough***' retirement income? Retirement income adequacy may be defined relative to a standard of minimum needs, such as the poverty rate. Alternatively, it may be defined to represent the level of spending households experienced during working years. Some economists consider retirement income adequate if the ratio of retirement income to pre-retirement income the replacement rate is between 65 to 85 percent.[5]

It is argued by some that retirees do not need to replace 100 percent of the pre-retirement income to maintain standards as spending profiles of elderly persons change for example, they no longer need to invest in their children's education or pay off the mortgage. In Malta's case significant in-kind benefits are provided by the government to elderly persons such as health care, community care and long-term care.

[4] Lusardi, A., and Mitchell, S, O., Financial Literacy and Planning: Implications for Retirement Wellbeing, Retirement Research Consortium, 2005

[5] Pg 9, United States Government Accountability Office, Retirement Income: Ensuring Income through Retirement Requires Difficult Choices, Report to the Chairman, Special Committee on Ageing, U.S. Senate, 2011.

Yet people are not only living longer than previous generations but are significantly far healthier and leading more active lives. Indeed, there is an expectation amongst pensioners in the 'young old' (65 years to 69 years) and the 'old (70 years to 74 years) categories for an enhanced quality of life. The 2015 PSG proposed reforms in the pension system projected an Average Pension Replacement Rate[6] (APRR) of 45% for certain cohorts of the population significantly lower than their re-retirement income.

DO YOU KNOW?

64.0% of persons in Malta do not give any thought to the level of savings they should have given their desired retirement age and life expectancy; although 70% of respondents state that the State pension would only provide sufficient income to pay for bare necessities. Additionally of those (6.5%) who ponder about the level of income they seek in retirement 52.4% state that they require the same level as pre-retirement income whilst 9.5% stated that they do not know.

Source: T, Galea., Analysing Retirement Planning and Awareness among the Future Working Generation, University of Malta

Thus, ensuring that an individual has the necessary level of income during retirement demands a comprehension of the value of the State pension income on retirement and how this compares with the quality of life that person seeks in retirement.

This necessitates an understanding of how the pension system works and how saving and investment behaviour during one's working life can impact, positively or negatively, one's pension income.

The pension reforms carried out today in Malta sought to safeguard that the level of the replacement ratio for the State pension income during retirement would be such that it provides adequacy and, hence, dignity, during retirement. What this means, of course, is that the income from the State pension alone will, particularly for persons in lower to middle income categories, definitely not be equal to the income received during employment.

DO YOU KNOW?

Most of the respondents in a survey on financial literacy do not hold a specific savings plan for retirement. Those who do invest approximately €1,161 annually - €97 per month.*

Source: Mangion, A., An Analysis of Financial Literacy in Malta, University of Malta, May 2015

Surveys carried out by the National Statistics Office (NSO) on behalf of both the 2004 and 2010 PWGs showed that to the majority of households the State pension constituted the foundation of income in retirement. There is, therefore, a degree of certainty, that persons who decide (actively or passively) that their main income during retirement will derive from the State pension face a gap between the income received during employment and the income they will receive in retirement – a gap, which, unless planned for, is likely to result in a significant impact on their quality of life during retirement.

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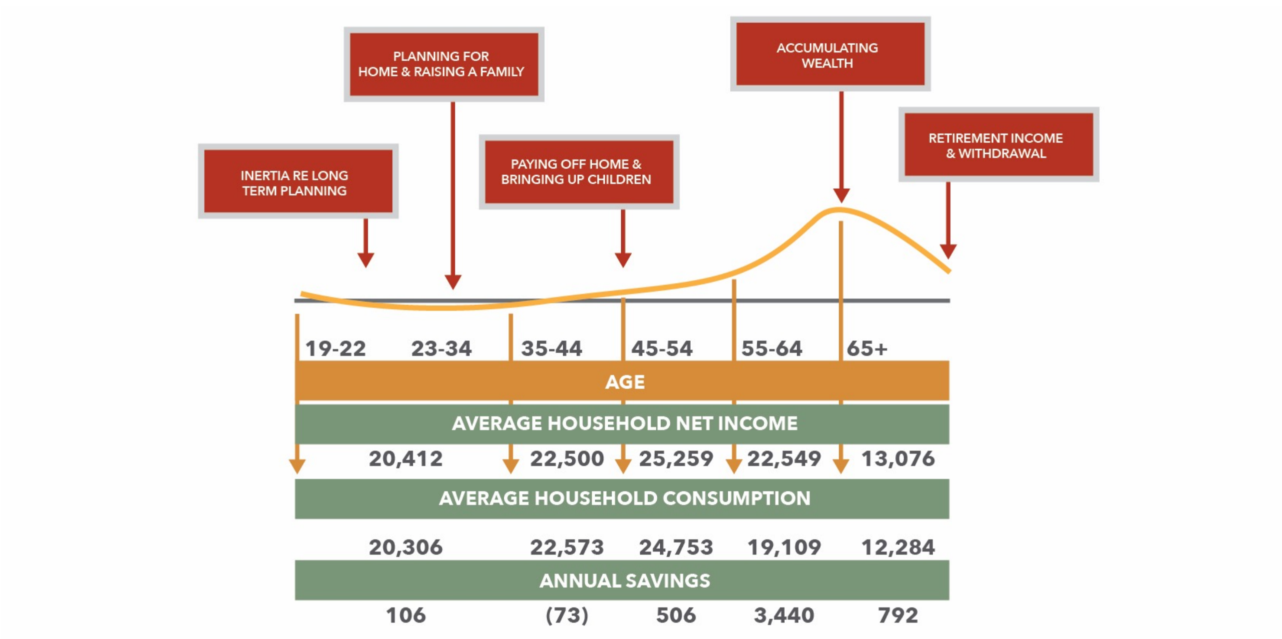
[6] The Average Pension Replacement Rate is value of the pension income at any point in time in relation to the average wage.

* The under-graduate researcher's survey is similarly structured to others used in this area of research most notably those carried out by the OECD and the INFE. The population sample is not nationally representative as it is limited to Facebook, the General Retailers and Traders Union, the National Council of Women and University of Malta staff and students.

The average employed person has a number of events in their life-cycle that have a profound impact with regard to their future development of their wealth assets. The table below, based on data from the 2008 Household Budgetary Survey (HBS), presents a life cycle for an average person. The average person is unlikely to save for retirement in their youth – other than to buy a car, travel, or perhaps to part finance post-graduate studies. Largely, as is discussed later, this is the result of the fact that young people do not make pro-active decisions about their future – a result of countering behaviour-limiting issues such as myopia or inertia.

Persons in the 23 to 34 age cohort are likely to have entered into loans to purchase and furnish their future home (people in Malta are more likely to own a home then rent, with home ownership in 2014 standing at over 76%) and have most likely made the decision to raise a family. The 35 to 45 and the 45 to 54 age cohorts respectively are likely to have invested in bringing up their children and in paying off the mortgage. As the 2008 HBS data shows, it is at this stage, once the mortgage is paid off and the children secured their own income streams, that a household has the opportunity to start accumulating wealth (other than their residential home).

Figure 02: Savings Life Cycle of an Average Maltese Household[7]



Upon retirement, income decreases and whilst household patterns change, the ability to live a quality of life similar to that whilst in employment decreases as well. The above shows that, within the life cycle of anaverage person, there is only a limited period of 10 years where, apart from the investment in the home asset, that person or household starts to accumulate wealth in financial assets.

DO YOU KNOW?

76.3% of households in Malta do not save. Only 23.7% of households are net savers with a median annual savings amount of €3,000 and an average saving level of €4,444.

Source: (Caruana, K., and Pace, C., Household Finance and Consumption Survey in Malta, 2013, Central Bank of Malta)

[7] Household Budgetary Survey 2008, National Statistics Office, Malta, 2010

This, however, may be too short a period to allow a person to bridge the gap between retirement income and income in employment to allow them to retain a quality of life in retirement equal or near to that whilst in employment.

The 2015 pension reforms recommend mechanisms directed to incentivise persons to defer or delay their receipt of the State pension, in order to increase their State pension income. Not all persons aged 66 to 70 years, however, would benefit from the opportunity of delaying their pension to increase the retirement income (in the event that the PSG's recommendations in this regard are embraced by the Government). This is because the mandatory retirement age in Malta is 65 years of age. Beyond this age, further employment with one's employer is dependent on the employer's consent.

Additionally, the incidence of persons suffering from elderly related health conditions is likely to increase as a person ages and it is likely that a cohort of persons may, due to health related matters, not trigger this option even if continued employment was possible.

Moreover, there is also the factor of risks which with regard to retirement are complex and interacting. Transferable and poolable risks include increasing longevity, the cost of disability and long-term care, the cost of acute health care, economic loss following the death of a spouse, and investment and interest rate risk. Risks that cannot be transferred or pooled include difficulties in finding a job, early retirement, family members needing help, and aspects of inflation. A number of risks that affect savings for retirement are discussed below.

DO YOU KNOW?

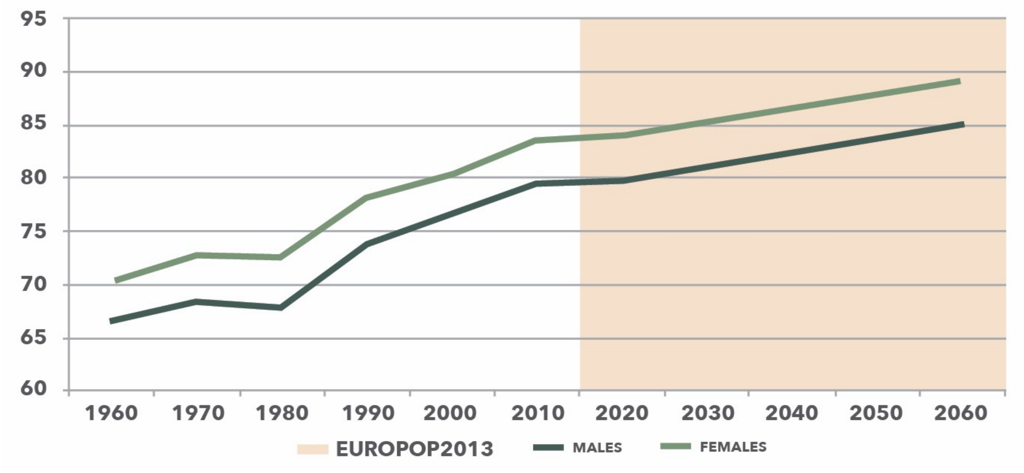
Potential Life-Cycle Events

- Continuing with further and higher education Starting work
- Buying a car
- Setting up a new home
- Getting married
- Having children Getting a pet
- Losing a job
- Starting a business
- Planning for retirement
- Getting separated or divorced
- Being victimised by fraud
- Inheriting money
- Coping with illness or disability
- Dealing with death
- Caring for a loved one
- Living one's retirement

The first is life expectancy. The life expectancy of Maltese persons continues to increase over time. As a result, retirement lasts much longer than it used to. The inherent risk is that some people could end up underestimating their own life expectancy and therefore outlive their capital. With the remarkable advances in modern medicine, combined with the fact that more and more Maltese are paying closer attention to their health (better eating, sleeping and exercise habits), the average life expectancy should continue to reach new heights. In other words, retirement will no longer be 14 years (as is the case for a male today if he retires at the age of 65 years) - but one that exceeds 20 years.

What this also means is that it is risky for a person to base their de-accumulation strategy in retirement on the assumption that they will live for exactly as long as their life expectancy. This is because whilst one's life expectancy is known, or thought to be known, a person's actual longevity is not. Thus if the person lives longer than expected that person runs the risk of running out of savings with the subsequent impact on their standard of living.

Figure 03: Life Expectancy of Maltese Males and Females between 1960 and 2060



The second issue is inflation. Inflation represents the general increase in the price of goods and services over the years, which ends up affecting a person's purchasing power. The average inflation rate in Malta between 1990 and 2014 was 2.51%.[8] A modest inflation rate, therefore, can result in a dent in purchasing power. For those who are already retired, inflation runs the risk of significantly compromising the longevity of their capital.

DO YOU KNOW?

In 1960 the life expectancy of a Maltese male was 66 years and that of a Maltese female slightly over 70 years. Today, the life expectancy of male is 79 years whilst that of a female is 84 years.

If you are 50 years today and you are a male your life expectancy will likely be 82 years and if you are a female it will likely be 87 years.

The third issue relates to the **quality of life** a person desires in retirement and the retirement income required to maintain such a life. A person who retired in 2015 received a maximum pension of 2/3 of €17,842[9]: €11,894.7 annually or €228.7 weekly.

DO YOU KNOW?

A loaf of Maltese bread of 500g in 1992 cost €0.16. In July 2015, a similar loaf of bread cost €0.92. This is 5.75 times more than a loaf of bread cost 23 years ago.

Source: Bellizi, M., Changing Eating Habits of the Maltese, and Food Prices in Malta (http://www.numbeo.com/food-prices/country_result.jsp?country=Malta)

[8] http://nso.gov.mt/en/nso/Selected_Indicators/Retail_Price_Index/Pages/Index-of-Inflation.aspx

[9] http://www.msvlife.com/products/retirement/your-state-pension-explainedents.

The table below presents examples of additional income that a person who retires today would require to maintain a standard of living that is equal to that enjoyed whilst in employment.

Table 01: Additional Annual Income Required over and above Pension Income to Maintain Quality of Life Enjoyed whilst in Employment

Additional Income Required	5,000	5,947	8,105	18,105	28,105	38,105	48,105	58,105	68,105
Pension	10,000	11,895	11,895	11,895	11,895	11,895	11,895	11,895	11,895
Annual Salary	15,000	17,842	20,000	30,000	40,000	50,000	60,000	70,000	80,000

As can be seen from the above table, a person who earns €20,000 and retires in 2015 requires an additional €8,105 annually over and above the annual pension income of €11,895 – that is, the maximum pensionable income possible - to maintain the same quality of life during retirement as that enjoyed whilst in employment. To maintain a quality of life that is equal to 75% of that enjoyed whilst in employment such a person requires an additional annual income of €3,105.

Table 02: Additional Annual Income Required over and above Pension Income to Maintain 75% of Quality of Life Enjoyed whilst in Employment

Additional Income Required	1,250	1,486	3,105	10,605	18,105	25,605	33,105	40,605	48,105
Pension	10,000	11,895	11,895	11,895	11,895	11,895	11,895	11,895	11,895
75% of Annual Salary	11,250	13,381	15,000	22,500	30,000	37,500	45,000	52,500	60,000

DO YOU KNOW?

If you earn a salary of €30,000 annually and retired in 2015 you require an additional €10,605 and €18,105 annually to maintain a quality of life in retirement that is equal to 75% and 100% as that enjoyed in employment.

A survey carried out by the Central Bank of Malta (CBM) shows that more than 97% of households own at least one financial asset, and financial assets represented 13.4% of total assets. The most widely held financial asset is an interest bearing deposit with a bank, with almost 83% of households holding this type of asset.[10]

[10] Pg 10, Caruana, K., and Pace, C., Household Finance and Consumption Survey in Malta, 2013, Central Bank of Malta

Non-interest bearing accounts (that is current accounts) are held by 74.3% of households, while 21.6% own some form of debt security, mainly corporate bonds and government securities. Equity in the Malta Stock Exchange (MSE) or elsewhere is held by 13.4% of all households, while 8% own mutual funds. Furthermore, the survey shows that 24.2% of all households are covered by a life insurance policy or participated in a retirement scheme.[11]

DO YOU KNOW?

A survey carried out in 2010 by the NSO on behalf of the PWG shows that:

Question	18-24 Years	21-34 Years	35-54 Years	55-63 Years	Total	
Total Income from Pensions and other investment is NOT enough to live comfortably	44.4%	59.3%	58.9%	62.1%	56.2%	
	Employed	**Unemployed**	**Inactive**	**Total**		
	56.2%	60.0%	55.1%	56.2%		
	No Schooling	**Secondary**	**Post-Secondary**	**Tertiary**	**Total**	
	57.9%	59.5%	55.8%	49.6%	56.2%	
	Married	**Not Married**	**Total**			
	59.4%	52.2%	56.2%			
	Southern Harbour	**Northern Harbour**	**South Eastern**	**Western**	**North**	**Gozo and Comino**
	60.8%	54.1%	56.9%	46.8%	59.0%	56.2%
	Males	**Females**	**Total**			
	57.4%	54.3%	56.2%			

In 2010 the NSO, on behalf of the then PWG, carried out a survey on perceptions with regard to pensions and retirement. The survey found that 70% of the respondents stated that the main income during retirement is the State pension and that 56.2% feared that the income from pensions and investments would not be sufficient for them to live comfortably during retirement.[12]

The fourth issue is the management of savings. The CBM survey mentioned earlier shows that the median value of holdings of financial assets is estimated at €26,229 – with financial assets including non-interest bearing deposits; interest bearing deposits; mutual funds; securities; listed shares; and voluntary pension schemes and life insurance.[13]

The management of savings to secure the highest rate of return is critical – particularly in a state of play where interest rates in banks on saving deposits within the Euro Zone are low. The figure below depicts the accumulation of savings capital at different interest rates by a household that from the age of 35 years invests €500 annually for retirement. The total investment over a 30-year period is €15,500.

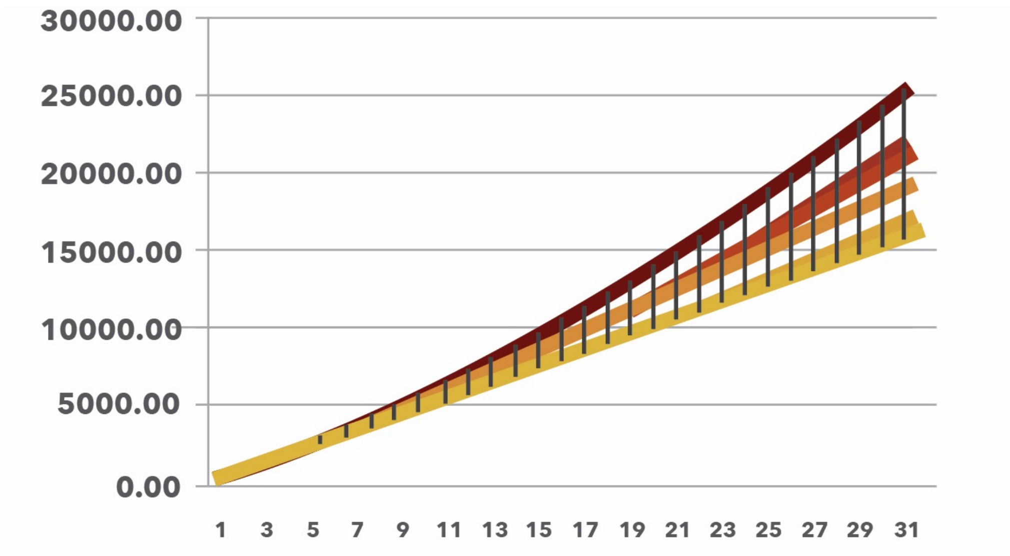
Investing such capital in a normal savings account,with an interest rate of 0.1% results in an accumulated interest of €234.80. This leads to an erosion of the purchasing power of this investment in the event of an average 2.0% inflation rate over the 30-year period. On the other hand, investing such capital in a savings account of 3.0% results in an accumulated interest of €9,501.30.

Figure 04: Annual Investment of €500 over a 30 year Period under different Interest Rates

[11] Pg 10, Ibid

[12] Pp 14-16, The Public Perception of the Pensions System, Supplementary Paper Number 02, National Statistics Office, New Pensions Working Group, 2010

[13] Pg 10, Caruana, K., and Pace, C., Household Finance and Consumption Survey in Malta, 2013, Central Bank of Malta



DO YOU KNOW?

If you invest €500 annually between 35 to 65 years of age in a normal savings account with an interest rate of 0.1%, your €15,500 capital will increase to €15,734.80. On the other hand, if you invest the same capital in a savings account with an annual 3.0% interest rate return, your capital increases to €25,001.34.

The fifth issue is the **rate of savings withdrawal**. The afore mentioned CBM survey shows that the median financial asset holdings for retired persons (estimated to be 27% of all households) stood at €28,906[14] . Too many withdrawals or high levels of withdrawals, however, can seriously compromise the longevity of one's savings. The figure below shows the impact of different annual savings withdrawal scenarios – 15%, 10% and 5% on assets, which are held in savings and other financial assessments. A savings interest rate of 1.1% is factored[15].

A retired person who withdraws 15% annually from his/her savings capital depletes his/her savings capital to below €1,000 by the time s/he is 86 years. A withdrawal rate of 5% savings annually, on the other hand, results in retaining savings of slightly below €10,000 at the age of 86 years.

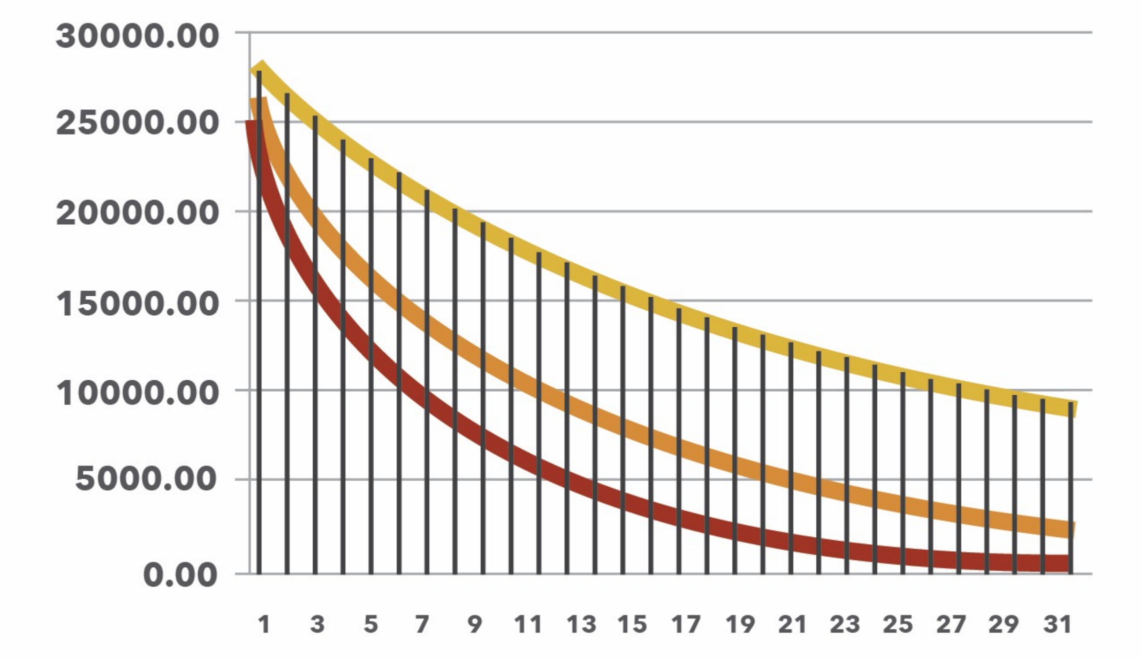
DO YOU KNOW?

According to the Central Bank Malta survey carried out in 2013 the median financial asset holdings for retired persons in 2010 stood at €28,906. If a person on reaching 65 years withdraws 15% a year from his/her savings of €28,906, by the age of 86 years the savings will fall to €952.

Figure 05: Projection of Capital Longevity on Different Withdrawal Rates

[14] Ibid

[15] http://malta.deposits.org/



The CBM Survey shows that 34.1% of all households, have some type of domestic debt liability that averages €35,814 per household. 25.2% of households have outstanding consumer credit facilities to finance some form of consumption expenditure via credit cards, overdrafts and other consumer/private loans. For all households, the overall debt value amounts to just 3.2% of gross households' wealth in Malta. [16]

The Survey estimates that the amount of debt servicing (that is on collateralised loans and on consumer/private loans) made by households stands at 11% in median terms[17]. Almost 16% of households have an outstanding bank loan to finance the purchase of their main residence or other real estate property. This is a result of the fact that when compared to other EU countries, Malta has a high rate of home ownership. 76.4% of persons in Malta own (freehold and ground rent) their home[18].

On average, the initial amount borrowed by households approximates €63,560 and the average repayment period is 26.5 years. The effective interest rate paid by households on home loans is 4.1%, while the monthly debt repayment averages €296. The average amount still owed by households to the banks stands at €44,003.

The 2011 census shows that there are 152,770 occupied dwellings – an increase of 13,592 and 33,291 dwellings on the 2005 and 1995 respective census base lines. Home ownership – freehold as well as ground rent – increased considerably in terms of number of dwellings on the 2005 base line by 12,183 dwellings or 11.4% on 2005.

Table 03: Occupied Dwellings by Ownership[19]

[16] Pg 11, Caruana, K., and Pace, C., Household Finance and Consumption Survey in Malta, 2013, Central Bank of Malta

[17] Ibid

[18] Census of Population and Housing 2011, Final Report, National Statistics Office, Malta, 2014

[19] Table 95, Census of Population and Housing 2011, Final Report, National Statistics Office, Malta, 2014

	1995	%	2005	%	2011	%
Owned Freehold	81,242	68.0	76,689	55.1	92,281	60.4
Owned with ground rent			27,922	20.1	24,513	16.0
Rent furnished	30,824	25.8	24,383	17.5	22,351	14.6
Rented furnished	2,957	2.5	4,377	3.1	7,994	5.2
Held by emphyteusis			2,112	1.5	1,438	0.9
Non-respondent	4,407	3.7	3,695	2.7	4,193	2.7

The largest categories of occupied dwellings are[20]:

- Terraced houses / town houses: 34.7% of total stock – of which, 86.1% are privately owned.
- Flats / apartments / penthouses: 29.4% of total stock – of which, 62.0% are privately owned.
- Maisonettes / ground floor tenements: 28.9% of total stock – of which, 77.2% are privately owned.

Moreover[21]:

- 72.6 % and 20.3% of terraced houses / town houses are in a good state and in need of minor repairs.
- 79.0% and 16.6% of flats / apartments / penthouses are in a good state and in need of minor repairs.
- 77.9% and 17.0% of semi-detached dwellings are in a good state and in need of minor repairs.
- 73.0% and 20.1% of maisonettes / ground floor tenements are in a good state and in need of minor repairs.
- 72.9% and 21.0% of fully detached dwellings are in a good state and in need of minor repairs.
- 49.1% and 31.0% of farmhouses are in a good state and in need of minor repairs.

DO YOU KNOW?

According to the 2011 Malta Census 49.6% of persons aged between 66 and 75 years; 56.1% of persons aged between 76 and 85 years; and 43.1% of persons aged 86+ own a home.

Source: Census of Population and Housing 2011, Final Report, National Statistics Office, Malta, 2014

Of the total dwellings that are in a good state of repair, 80.5% are privately owned. Furthermore, 11,511 persons own freehold or with ground rent holiday dwellings[22]. This high level of property ownership in Malta means that the average person is likely to be asset rich but cash poor. Nevertheless, it also provides an opportunity where, within a regulated environment, people may wish to convert the home capital asset into income for retirement and in doing so complement the State pension and other financial assets.

Improving persons' financial literacy, therefore, is one important component in helping them plan and subsequently manage retirement income appropriately. Ensuring the financial literacy of older people is of

[20] Ibid

[21] Table 96, Ibid

[22] Table 132, Ibid

significant importance given the increasing responsibility of individuals to complement and manage their assets in retirement.

DO YOU KNOW?

A Home Revision Scheme is a scheme where a financial institution buys your residential home and allows you to continue to live in your home. Say, for example, that you are 70 years old and that you own a house that is worth €200,000. A financial institution makes you an offer to buy between 30% to 90% of your home. The financial institution offers you the following:

Percentage to be Acquired (%)	Cash Released(€)
90	89,975
70	69,980
50	49,986
30	29,992

The company does not offer you the market value for the acquisition of 90% of the home. This is because you and your spouse will continue to live in and enjoy your home until both of you pass away. You decide to release 90% of your family home to the company. This provides you with an immediate income injection of €89,975. To carry out this transaction, you are likely to pay legal fees, brokers' fees, architect fees, amongst others.

You and your wife live for another 15 years. By the time the house is sold its value increases to €250,000 – by €50,000. Your successors will only be entitled to 10% of the new valuation received when the sale of the home is made - €5,000. This reflects the 10% share that you and your spouse retained in your home.

Source: Research into the Future Housing and Support Needs of Older People - Scoping Study: Assessment of the Potential of Equity Release for Older Owner Occupiers, Fiona Boyle Associates, Northern Ireland Housing Executive, October 2010

2.2 Securing Financial Literacy and Retirement Planning

The levels of financial literacy amongst citizens is a global concern. The causes that triggered the 2008 financial crisis are many, but there is little doubt that individuals and financial institutions failed to understand the risks they took when they invested / saved in the financial market.

DO YOU KNOW?

Financial literacy is not just about the mechanics of checking bank accounts, or even budgeting for future savings. The definition can be expanded to include learning about selecting between a multiplicity of choices, setting personal financial goals, and reflecting on values about money.

Financial Literacy: Goals and values, not just numbers, Criddle, E. (2006)

Moreover, younger generations face increasing financial risks, and are confronted with more sophisticated financial products than did previous generations. Furthermore, they obtain access to financial services and products at an ever-younger age. These developments, however, do not appear to be matched by an equivalent increase in their financial skills.

Improving financial literacy is an essential means towards greater economic, social and financial inclusion and an integral part of financial reform to prevent future crises. Back in 2002, recognising the negative consequences of a lack of financial literacy, the Organisation for Economic Cooperation and Development (OECD) established a comprehensive project on financial education. In 2008, the OECD International Network on Financial Education (INFE) was created to outreach beyond the OECD Member countries.

DO YOU KNOW?

Surveys to determine the level of a person's understanding of financial literacy ask questions with regard to matters such as:
Money management and budgeting; managing a debt; saving; recognising a scam; getting information about money; understanding rights and responsibilities; dealing with credit cards; choosing appropriate insurance; dealing with financial service providers; planning for retirement; investing; understanding financial language; saving, ensuring enough money for retirement; online banking; borrowing and debt.

Financial literacy and behavioural change, March 2011, ASIC

INFE is a partnership network directed towards strengthening information sharing, collection of evidence, developing analytical work and related policy instruments.

Increasingly, individual countries recognise that good financial literacy skills enable persons to make better-informed decisions with regard to their short and long-term financial well-being in an increasingly complex financial marketplace[23]. The important need for persons to plan for retirement, as discussed previously, however, is balanced

[23] Pg 9, Grifoni, A. and F. Messy (2012), "Current Status of National Strategies for Financial Education: A Comparative Analysis and Relevant Practices", OECD Working Papers on Finance, Insurance and Private Pensions, No. 16, OECD Publishing. http://dx.doi.org/10.1787/5k9bcwct7xmn-en

by the need to plan for the immediate and long-term future and in particular for unexpected lifecycle events – particularly given the persistent difficult economic situation in the Euro Zone.

As self-responsibility increases, the need to improve levels of financial literacy through financial education is increasingly apparent: people need to know how much and how to invest and / or save and they need to become involved with financial markets in order to build their families asset wealth and to manage that wealth during different cycles of their life journey. This is because not all savings are savings directed towards retirement.

Savings are also directed towards the gradual improvement of one's life-style – that is short term saving for consumer durables, holidays, or gifts; or longer-term saving for, say, a child's education or wedding, or the deposit on a car.

Thus, knowledge on retirement income and financial literacy is a key life skill for current and future generations. In addition, it is an important element of economic and financial stability and development as it increases the Malta's national saving ratio.

DID YOU KNOW?

The following is a profile of Malta's level of financial literacy:

- 90% know what 'division' means.
- 61% understand 'time value of money'.
- 96% understand 'interest paid on loans'.
- 95% understand 'calculation of interest plus principal'.
- 70% understand 'compound interest'.
- 84% understand 'risk and return'.
- 83% understand 'definition of inflation'.
- 71% understand 'diversification'.

Source: Mangion, A., An Analysis of Financial Literacy in Malta, University of Malta, May 2015

Traditional economic theory underlines that a person acts rationally, where in throughout their life-cycle they will borrow when young, save in middle age and builds wealth, and spend their savings in old age.

In truth, a person does not act rationally when they comes to plan long term. Evidence from behavioural economics research shows that persons are bad at committing to save for retirement. Procrastination, myopia and inertia lead many persons to postpone or avoid making the commitment to save sufficiently for the long term even when they know that this is ultimately in their best interest.

DO YOU KNOW?

The following are some of the key behavioural responses when it comes to financial decision making:

Anchoring and adjustment: An initial value or starting point which influences the final decision. The anchoring effect decreases but does not vanish with higher cognitive ability.

Choice preference: Too many options inhibit or overwhelm selection decision-making.

Confirmation bias: People use data selectively to agree or confirm their existing views. Investors with a stronger confirmation bias also exhibit greater over confidence.

Loss aversion: People more strongly prefer to avoid small losses than acquire larger gains. Loss aversion is not invoked when spending money that is within an intended budget for purchases, but only when operating outside the intended budget. Loss aversion can actually be a motivation to invest to the extent that when people perceive a loss, they become risk-seeking as opposed to risk averse. When assessing a situation from the perspective of a potential loss, 'loss framing' will occur. An investor on a losing streak, for example, may well decide that greater risk is necessary to achieve their target.

Myopic loss aversion: Combination of loss aversion and a tendency to evaluate outcomes frequently. This leads investors to be more willing to invest a greater proportion of their portfolio in risky assets if they evaluate their investments less frequently.

Overconfidence: People tend to trade frequently and hurt their own investment performance. Investors are more likely to be overconfident when they are less experienced as they learn about their true ability through experience. Investors with biased information-processing behaviour in virtual communities are likely to trade more actively and realise worse performance due to their overconfidence. Overconfident investors, who show a better than average bias, trade more frequently.

Temporal framing: People too heavily discount future benefits in lieu of present consumption.

International Organisation of Securities Commissions, Strategic Framework for Investor Education and Financial Literacy, Final Report, FR09/14, 2014

Indeed, people know they should save, and have the best intentions of doing so but, when faced with complexity and choice overload, they decide to 'do it tomorrow'. At the same time, people also tend to exhibit a strong 'status quo' bias. Having made a decision, they tend to stick with it.[24]

As the financial services market in Malta, matured over the past two decades, there was an increase in average earners saving with financial institutions.

DO YOU KNOW?

The most important asset investment products in Malta are:

- 87.6% in savings or time deposits.
- 47.7% in property.
- 34.1% in savings / investment with an insurance company.

Source: Mangion, A., An Analysis of Financial Literacy in Malta, University of Malta, May 2015

Research overseas shows that people on low incomes are more likely to save informally, most often keeping cash at home, or with family members and that a high proportion of such households save for birthdays and holidays, but do not save for the long term.[25]

Given that people cannot plan over their lifetime because of biases and judgements based on rules of thumb, or social and cultural norms, the provision of information for lifecycle and retirement planning, together with the inculcation of a culture for saving for one's retirement, cannot be over emphasised. In Malta the discourse with regard to the provision of information on retirement planning and financial literacy is limited at best. The government entity responsible for pensions, provides few tools directed to assist persons to understand the State pension, the level of pension income they will receive, how life choices positively or negatively impact such income, and how savings and other assets could complement income from the State pension.

More recently, since the 2004 pension reform, the private sector has taken an active role in 'selling' the importance of saving in financial products for investment and retirement purposes. Indeed, the financial market service providers are today key promulgators in this regard. Private sector operators are not exactly neutral and their active presence in providing financial information with regard to literacy as well as investment and retirement planning is driven by increasing market share.

DO YOU KNOW?

41.6% of Maltese persons state that the information available on retirement is poor whilst a further 39.8% say that it is adequate. Of those who say that the information is poor, 90.3% do not save for retirement.

Source: T, Galea., Analysing Retirement Planning and Awareness among the Future Working Generation, University of Malta,May 2015

[24] Pg 15, Lewis, S. and F. Messy (2012), "Financial Education, Savings and Investments: An Overview", OECD Working Papers on Finance, Insurance and Private Pensions, No. 22, OECD Publishing. http://dx.doi.org/10.1787/5k94gxrw760v-en

[25] Pg 13, Ibid

Financial literacy is not helped by the actual complexity of the topic. Conventional economic theory suggests that choice is good as it makes a market operate more efficiently and hence benefits all consumers as it allows people to make the best choice from the options on offer and to buy (or switch to) that choice. Research suggests, however, that this does not work in complex markets such as the financial services market. In some contexts, there are too many choices and the products are too complicated. The decision-making process is further complicated by the tax treatment of products: some may be tax incentivised. Faced with too much choice, people are likely to make the wrong decision or no decision at all: they will not buy a product or they will stick with what they already have[26].

DO YOU KNOW?

The Bank of Valletta (BOV) has a number of structured initiatives related to financial education. These include Tailored Investment and Insurance Information Sessions and the BOV IEP. The BOV undertakes such activities as part of its Corporate Social Responsibility policy and during such sessions staff is precluded from referring to BOV products.

HSBC engages speakers from its various groups of companies to address seminars on financial education to the general public and its shareholders. HSBC undertakes such activities to secure a better informed local business community and more financial savvy shareholders and clients.

MSV Life has a section on financial education on its website as well as tools and promulgates the importance of saving, investments and insurance including preparation for retirement through various media channels, including but not limited, to workplace financial clinics, national seminars, social media, etc. MSV Life undertakes such activities to create public awareness in relation to key financial planning areas, improve the level of financial literacy, increase the nation's savings ratio and improve personal financial security. MSV Life acknowledges that increased financial literacy and knowledge on retirement income increases sale of their products and services.

Vella, L., The Maltese Pension Reform and Financial Education, 2015 (Masters Dissertation)

The way financial services providers present investment choices can act as a barrier to saving or result in the average person making the wrong investment decisions. Companies that operate in the financial services market make extensive use of jargon, and draft documents in a legalistic way. Too often, disclosure requirements are in 'small print' that can run to dozens of pages.[27] Many a time these are incomprehensible to the average consumer. Faced with information they do not understand, an average person is likely to be deterred from investing in financial products that could be useful to them.

DO YOU KNOW?

Only 61.4% of Maltese persons are able to answer correctly the question of whether an inflation of 5% results in more or less purchasing power.

Source: Mangion, A., An Analysis of Financial Literacy in Malta, University of Malta, May 2015

[26] Pg 18, Ibid

[27] Ibid

The result is certain types of financial products, whether these are for investment, savings or retirement, are made to be more complicated than they actually are: a consequence of which is that people may not understand important product features, like charges and risks.[28]

Other type of products such as contracts for difference, binary options, turbos, exchangeable bonds, callable bonds, puttable bonds, convertible bonds, perpetual bonds, subordinated bonds, warrants, certificates, derivatives relating to underlying securities, currencies, interest rates, yields, or commodities, credit linked notes, and asset backed securities, which were previously accessible mainly to professional investors, are intrinsically complex. They exponentially increase the risk that customers do not understand the exposure, costs and expected returns of the products they are buying.29 Complexity, however, is a relative term. Many elements can make a product difficult to understand. A product is likely to be considered complex if the product:[30]

- Is a derivative, or incorporates a derivative (that is, a financial instrument where the value is based on the value of another financial instrument, or of some other underlying financial asset or index, such as foreign currencies or interest rates - they are often included in a financial product to produce or enhance a certain investment strategy, as well as to hedge, or offset, certain risks).
- Has underlying assets or indices that are not easily valued, or the prices or values of which are not publicly available.
- Has a fixed investment term with, for example, penalties in case of early withdrawal that are not clearly explained.
- Uses multiple variables or complex mathematical formulas to determine the investment return.
- Includes guarantees or capital protection that are conditional or partial, or that can disappear on the happening of certain events.

DO YOU KNOW?

There are certain risks and potential disadvantages involved in investing in complex products: which risks and disadvantages may not be apparent, or easy to understand. You need to be fully aware of these risks - liquidity risks, leverage risks, market risks, credit risks - and ensure you sufficiently understand the key features of a product in order to make an informed investment decision.

Source: Risks of investing in complex products, European Securities and Markets Authority, 7ta' February 2014

Products are often aggressively marketed. Advertisements tend to use enticing slogans such as ‘absolute return’, ‘guaranteed’, and ‘hedged growth’, or advertise returns far in excess of deposit account returns that are available from banks. These headline promises often turn out to be misleading, or mean something different to what one may have understood. Three assessments carried out by European Supervisory Authorities, on how financial services providers sell products, identified the following practices:[31]

- Investors receive no, insufficient or misleading information about product characteristics, prices or risks.
- Investors receive no, insufficient or misleading information about the financial status of the issuing provider.
- Investors and existing depositors are approached through aggressive selling techniques.
- Existing depositors are proactively approached by financial institutions and are given the impression that a recommended product is as safe as a deposit or is protected by a deposit guarantee scheme, neither of which may be true.

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[28] Ibid

[29] http://www.esma.europa.eu/content/ESMA-tells-firms-improve-their-selling-practices-complex-financial-products

[30] http://www.esma.europa.eu/system/files/investor_warning_-_complex_products_20140207_-_en_0.pdf

[31] http://www.esma.europa.eu/system/files/jc_2014-62_placement_of_financial_instruments_with_depositors_retail_investors_and_policy_holders_self_placement.pdf

- Investors are exposed to misleading marketing and advertising.
- Investors are sold bundled products not requested.
- Investors receive unsuitable advice.
- Investors are sold inappropriate products during non-advised sales.

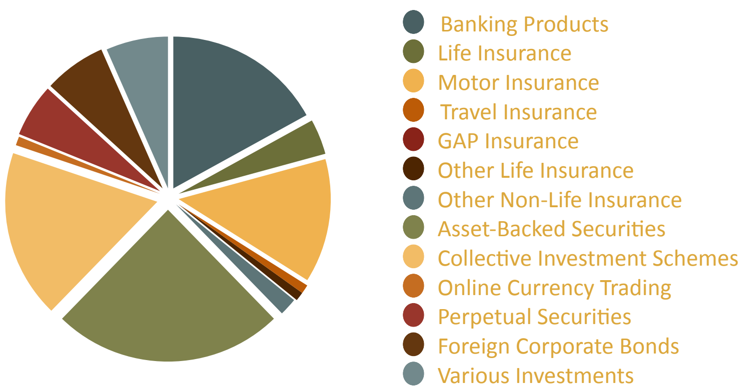
In the local context, MFSA states that an "alarming number of mis-selling cases" were investigated by its Consumer Complaints Unit over the past five years. It underlines that it is "disturbing to learn about the approach and conduct of a number of financial entities, and some of their employees, which have completely disregarded the very essence of the regulatory regime" that the Authority had in place: the obligation to act in the best interests of clients – where many investors were "provided with products that failed to perform as firms led them to expect".[32]

The MFSA adds that the majority of investors are "not provided with clear information on the terms of the contract before they committed themselves to purchasing these products and only got to know about the true risks attached to these products when problems started to emerge". Moreover, the MFSA identifies that a number of investors "were sold complex investments or investments which were only suitable for those who were experienced in the investment field, while other investors thought they were receiving advice but then, when it was too late, learnt that they were signing paperwork which stated the contrary".[33]

In conclusion, it is interesting to note the following findings from a survey of 1,255 respondents, carried out by an undergraduate research student. The survey was directed at Facebook, the General Retailers and Traders Union, the National Council of Women and University of Malta staff and students. The researcher's survey was similarly structured to others used in this area of research, most notably those carried out by the OECD and the INFE.

DO YOU KNOW?

Investment-related complaints are 61% of the complaints received and processed during 2013 by the Malta Financial Services Authority. To the most part, complaints related to claims of mis-selling of various complex and structured investment products.



[32] Pg 2, Consumer Complaints Unit, Malta Financial Services Authority, Annual Report, 2013

[33] Pp 2-3, Ibid

With regard to the financial behaviour of the population researched, the study suggests that it is risk adverse, as bills are paid on time, purchases made only when afforded, regular income sought and investments biased towards capital guaranteed type of products.[34]

Table 04: Financial Behaviour of Survey Audience (Facebook, the General Retailers and Traders Union, the National Council of Women and University of Malta staff and students)[35]

Carefully considers purchases	90%
Pays bills on time	86%
Keeps close watch on personal financial matters	70%
Sets long term goals and strives to achieve them	48%
Has a household budget	60%
Bought investments in the past year	22%
How influential are sources to your investment decisions	53.3%
Received professional budget advice about personal finance	42%

With regard to financial literacy, the study suggests similar results to studies carried out internationally: mainly that women are less financially literate, the young and the old are less financially literate than middle-aged, whilst the more educated people are more financially knowledgeable. The study found that Maltese persons seem to have a good understanding of simple and compound interest and diversification. For the “Division” and the “Time value of Money” concepts, the population survey is aligned with countries such as Albania, Malaysia, Ireland and Peru and with Hungary and Malaysia for the “interest on loan”; and Ireland for the “risk and return” as well as the “definition of inflation” concepts.[36]

Table 05: Financial Literacy of Survey Audience (Facebook, the General Retailers and Traders Union, the National Council of Women and University of Malta staff and students)[37]

Division	90%
Time value of money	61%
Interest paid on loan	96%
Calculation of interest plus principal	95%
Compound Interest	70%
Risk and return	84%
Definition	83%
Diversification	71%

[34] Pg 58, Mangion, A., An Analysis of Financial Literacy in Malta, University of Malta, May 2015

[35] Ibid

[36] Ibid

[37] Ibid

Strategic Measures on Retirement Income and Financial Literacy

Chapter 03

3.1 Introduction

The need for knowledge, information and communication on retirement income and financial literacy has never been greater. Malta's baby boomers have now long started retiring, and an increasing number of retirees will live longer in retirement. Indeed, uni-sex longevity in Malta is expected to increase by approximately 6 years over the next 45 years. As the number of people who retire live longer as their life expectancy increases the pressure on the adequacy and sustainability of the pension system increases too.

As shown previously in this document, whilst the reforms undertaken since 2004 sought to ensure that the adequacy of the pension system is sufficiently adequate to provide dignity to persons in retirement the State pension income on its own will not be sufficient to ensure that retirees enjoy a quality of life based on their pre-retirement income.

DO YOU KNOW?

Financial education can benefit consumers of all ages and income levels. For young adults just beginning their working lives, it can provide basic tools for budgeting and saving so that expenses and debt can be kept under control. Financial education can help families acquire the discipline to save for a home of their own and / or for their children's education. It can help older workers ensure that they have enough savings for a comfortable retirement by providing them with the information and skills to make wise investment choices with both their pension plans and any individual savings plans.

OCED, Improving Financial Literacy, Analysis of Issues and Policies, 2005

At the same time the financial marketplace continues to evolve and innovate. Yet investment products are increasingly complex and financial services increasingly diverse. Malta started to experience its own stories of malpractice in the financial services market such as mis-selling, misuse of funds, etc. – which in turn impacts trust in financial services providers.

A lack of knowledge on retirement income and financial literacy may, therefore, cause persons to start saving too late in life to maintain the quality of life they enjoyed during employment. As a result, they may not reach the right balance between current consumption whilst in employment and future consumption during retirement. In addition, lack of information concerning the risk-return distribution of various investments or investing in complex products without the appropriate level of knowledge may not only result persons in misallocating their investment portfolio but also in losing a significant portion of it due to bad decision making.

Indeed, the financial crisis resulted in significant loss of value in financial assets and, thus affected negatively the net worth and retirement income of many persons who were already in retirement or approaching retirement. For example, a prime reason of why persons reaching or already in retirement had their retirement savings net worth negatively affected in the 2008 triggered financial crisis is that when they neared their retirement date they failed to move their investment portfolio from one based on equity and shares to one based on conservative bonds and securities. Indeed, research shoes that persons who managed their investment portfolio accordingly in the years preceding retirement had their retirement net worth relatively untouched during the financial crisis.

DO YOU KNOW?

"The low level of financial literacy observed in most countries has been, if not a direct cause of the [2008 financial] crisis, at least one of the aggravating factors."

OECD Secretary General Angel Gurria

3.2 Vision for Improving the Financial Well-being of Maltese Citizens

This strategy recommends the following as a vision for the strengthening of the financial capability of Maltese citizens with regard to retirement income and financial literacy:

"Improving the personal financial well-being of Maltese citizens during life-events and retirement by enabling them to make better informed financial decisions that fit their circumstances".

3.3 The Principles Underpinning the Attainment of the Vision

This strategy recognises retirement income and financial literacy skills to be **essential life skills**. The strategy is underpinned by the following principles where-by Maltese citizens:

- Understand how the State pension system works and the resulting retirement income they receive as a result of life choices; and hence they are in a position to make better informed lifetime decisions.
- Understand the importance of saving and investing for one's retirement; and thus, are more engaged to prepare for their retirement.
- Understand better than previous generations the range of complex financial management strategies encompassing matters such as asset management, tax and succession planning, and insurance.
- Are more competent on how financial markets operate and in deciding on investment and savings products.
- Are aware of their rights and protection mechanisms when investing or saving in financial products.

3.4 The Strategic Thrusts

The strategy proposes that these principles are achieved through the following thrusts:

- Use of educational pathways to promulgate knowledge on retirement income and financial literacy.
- Provide trusted and independent information and undertake programmes directed to change behaviour and inculcate a new culture vis-à-vis long term retirement planning.
- Work in partnerships to strengthen the connections between all parties involved in retirement income and financial literacy.

3.5 Use of Educational Pathways to Promulgate Knowledge on Retirement Income and Financial Literacy

Financial education is increasingly important. If individuals do become financially educated they are more likely to save for their retirement, to challenge financial service providers to develop products that truly respond to their needs, to understand risk and diversification, and to enter and manage sustainable debt.

The key guiding principles to Financial Literacy:

The 2012 New Zealand National Strategy for financial literacy sets the following guiding principles:

- Impartial
- Appropriate for the audience
- Non-judgemental
- Accessible
- Timely
- Evidence based

The value of financial education cannot be overstated. There are compelling reasons to require financial education in compulsory, vocational and higher and further education. Just as it is impossible to succeed in the modern world without the ability to read, write, and use of technology, it is just as impossible to succeed in the present complex global economy and financial system without the ABCs of economics and finance: financial literacy.

Quite simply, the more access to learning opportunities children and youths are given, the more financially secure future generations are likely to be.[38]

The strategy identifies a number of education pathways with regard to retirement income and financial literacy. As importantly, the strategy underlines the importance of all stakeholders to come together and align resources as necessary for financial education.

The following discusses the strategic pathways to financial education.

COMPULSORY EDUCATION

There is international recognition that financial education should be integrated into the school curriculum as part of a coordinated national strategy on retirement income and financial literacy. This assures that every child in a country is exposed to this subject matter through their school curriculum[39]. INFE further recommends that learning frameworks on financial education should ideally encompass knowledge and understanding, skills and behaviours and attitudes and values.

As shown in Box A different countries adopt slightly different approaches with regard to the focus of their respective financial education frameworks.

[38] Pg 7, APEC Guidebook on Financial and Economic Literacy in Basic Education, Human Resources Development Working Group, Asia Pacific Economic Cooperation, 2014

[39] Pg 5, Guidelines on financial education at school and guidance on learning framework, International Network on Financial Education, OECD

Examples of Financial Education Frameworks (Box A)

In Scotland, Northern Ireland and England the financial education frameworks were developed by government education agencies with responsibility for the school curriculum. In Malaysia, Japan and the Netherlands there was significant private sector input. In the United States the framework was developed by the Jump$tart Coalition for Personal Financial Literacy. In Brazil, New Zealand and South Africa government funded agencies with responsibility for national leadership of official education strategies took a leading role in developing the framework.

The Australia and Malaysian frameworks focus on the development of 'financial literacy', whereas the Australia and Dutch definitions also include consumer literacy.

The New Zealand, English, Scottish, and Northern Ireland frameworks' focus in on 'financial capability'. Whilst different terms are used for the focus of the financial education frameworks there are strong similarities for the terms.

In all cases, 'financial literacy' and 'financial capability' are all seen as more than being able to make calculations about money. Both are seen as competencies involving knowledge and skills and the ability to make calculations about money. Both are seen as competencies involving knowledge and skills in the ability to use these to make effective financial decisions. For the countries using the term 'financial capability' this is defined as the ability to make informed decisions about the personal use and management of money. 'Financial literacy' is seen as encompassing behaviours, knowledge, understanding and skills.

Box B presents a comparative assessment adopted by Australia, England and the Netherlands with regard to learning outcomes.

The National Curriculum Framework (NCF) introduced in Malta in 2012 identifies the importance of embedding financial education within it. The NFC positions financial education as follows:

- Primary and Secondary years: The learning area is to include financial literacy aspects such as mathematical and financial understanding as learning outcomes.
- Junior and Secondary years: The mathematics learning area is to include financial literacy aspects such as mathematical and financial understandings to ensure that a culture of financial planning and preparation is instilled and nurtured during the Junior and Secondary Cycles of education.
- A move away from an exclusively subject-based approach to one that is more cross-curricular approach,where financial literacy is taught in a way that reflects real life situations and encourages transfer of skills from one learning area to another.

Table 06: Current Learning Outcomes Framework for Financial Literacy Drafted under the New National Curriculum

	Level 1	Level 2	Level 3	Level 4	Level 5	Level 6	Level 7	Level 8	Level 9	Level 10
Category A Subjects										
Mathematics										
Personal, Social & Career Dev										
Social Science										
Category B Subjects										
Home Economics										
Category C Subjects										
Accounting										
Business Studies										
Economics										

Box B: Examples of Learning Outcomes

National Consumer and Financial Literacy Framework **Australia**	Financial Education Learning Framework **England, United Kingdom**	Education Learning Framework **Netherlands**
Year 4	Stage 4	Age 12-14 Lower Secondary School
Knowledge and Understanding Students can: • Explain some different forms that money can take different forms of income. • Explain the role of work in society and distinguish between paid and unpaid work. • Explain how saving money in a financial institution can earn interest. • Explain why similar goods and services may vary in price. • Identify, explain and prioritise different needs and wants. • Recognise that different countries use different currencies.	**Students will understand:** • How wages and salaries are calculated. • How deductions such as tax, national insurance and pension contributions affect take home pay and what they are used for. • Implications of credit and debt (loans, overdrafts, mortgages), how costs accumulate over time. • How insurance works and the types of insurance relevant to young people. • How and why interest rates vary over time, according to the level of risk associated with them (including length of commitment) and how this can affect people. • The differences between secured and unsecured loans and purchase agreements. • The differences in risk and return involved in the setting up and running of a business. • The private sector financial institutions that make money through the charging of a higher interest of rate to borrowers than savers and by selling financial services. • How companies and other organisations are financed. • How and why foreign exchange rates fluctuate. • The main areas of national and local government financing and spending.	**Main Theme 1: Mapping** **Keeping proper accounts** • Children can keep important documents (paper or digital) such as contracts, guarantee certificates, banks statements, income statements tidily and find them immediately. • They can keep log-in data for websites and log-in pages safely. • They can keep receipts either for guarantees or in order to exchange products. **Performance transactions** • They can make their payments on time. • They can use a debit card safely. • They are aware of the potential dangers when using a debit card. • They can keep PIN numbers and other codes, log-in data and passwords secret. • They know what to look out for to make sure a website and / or e-mail is safe and trustworthy. • They are aware of the potential dangers when paying, such as phishing, money mules, and skimming. • They know what on-line banking is.

Box B: Examples of Learning Outcomes

Competence

Students can:

- Use money to buy basic goods and services in 'real-life' contexts.
- Create simple budgets for specific purposes.
- Accurately complete simple financial forms, including for online transactions classify and compare goods and services.
- Order and discuss reasons for spending preferences.
- Discuss some options for paying for goods and services such as: cash, debit card, credit card and direct debit.
- Identify key features of a range of advertisements.

- Rights and responsibilities re financial products.

Students will be able to:

- Identify financial qualities, attitudes and skills for employability.
- Calculate young people's earning and benefits including student finance / loans.
- Compare the advantages and disadvantages of different types of payment.
- Balance income and expenditure – weekly and longer term budgeting.
- Interpret bills and personal finance statements, extracting key information.
- Calculate compound interest including the significance of annual equivalent rate and the annual percentage rate.
- Find, use and evaluate financial advice and information from Internet, product advertising, financial advisers, Citizens Advice Bureau.
- Use their knowledge of the market to work out the best deal in products and services.
- Use understanding to calculate exchange rates.
- Make basic risk / reward assessment in relation to saving and borrowing.
- Develop a sense of financial risk, recognise and learn from mistakes in financial decisions.

Earning money of your own

- They know how to claim back tax if they are employed.

Main theme 2: responsible spending

Making choices

- They understand the positive and negative consequences of their payment decisions.
- They know the difference between money that has to be spent and money that can be spent.
- They know which expenditure they cannot avoid.
- Before making a purchase, they can work out whether they can afford it.
- They do not spend more money than they have.
- They understand that their social environment affects their choices and vice versa.
- Controlling temptation
- They can recognize advertising, commerce and social pressure.
- They are aware of the impact of advertisements on their spending.
- They are aware of the influence of their friend and classmates on their spending.
- They can distinguish between their own wishes and wishes suggested by advertisements and other people.
- They can assess whether a 'special offer; really is one.
- They can make choices on the basis of what they need and / or already intend to buy rather than the fact that this is a 'special' offer.

Box B: Examples of Learning Outcomes

Responsibility and enterprise

Students can

- Identify and describe the impact that the consumer and financial decisions of individuals may have on themselves and their families, the broader community and/or the environment.
- Identify and explain how some influences, such as advertising and peer pressure, can affect what you buy.
- Apply consumer and financial knowledge and skills in relevant class and/or school activities such as student investigations, charity fundraising, business ventures and special events.
- Exercise a range of enterprising behaviours through participation in relevant class and/or school activities.
- Describe safe, ethical and responsible behaviour in online and digital consumer and financial contexts.
- Explain the role played by the voluntary sector in the community to help those in financial need.
- Demonstrate awareness that family, community and socio-cultural values and customs can influence.
- Consumer behaviour and financial decision-making.

Students will be able to:

- Identify financial qualities, attitudes and skills for employability.
- Calculate young people's earning and benefits including student finance / loans.
- Compare the advantages and disadvantages of different types of payment.
- Balance income and expenditure – weekly and longer term budgeting.
- Interpret bills and personal finance statements, extracting key information.
- Calculate compound interest including the significance of annual equivalent rate and the annual percentage rate.
- Find, use and evaluate financial advice and information from Internet, product advertising, financial advisers, Citizens Advice Bureau.
- Use their knowledge of the market to work out the best deal in products and services.
- Use understanding to calculate exchange rates.
- Make basic risk / reward assessment in relation to saving and borrowing.
- Develop a sense of financial risk, recognise and learn from mistakes in financial decisions.

Comparing prices and products

- They can assess the price of a product.
- They can compare various products in terms of price and quality.
- They can obtain information (from the shops or the Internet) before buying a product.
- They know whether a particular product is cheap or expensive compared with similar products on offer elsewhere.

Main theme 3: anticipating

- Financial planning: when making current purchases, they can take account of greater expenditure that they expect to incur and / or things they want to save money for.
- Saving: (i) they know why it is a good idea to have money in reserve; (ii) they can save money for longer periods; (iii) they understand that saving money for something will take a certain amount of time.
- Dealing with loans: (i) they can pay back money they have borrowed; (ii) they know what a debt is; (iii) they can say what the difference is between borrowing money and having debts; (iv) they know that there are various ways of borrowing money.
- Insurance: they know what insurance is and what it is for.

Main Theme 4: dealing with financial risks

- Assessing the financial consequences and risks of events and situations: (i) they know that there are terms and conditions attached to the purchase or use of product or service and that these may have financial consequences; (ii) they can work out what financial consequences are attached to anything offered for 'free'.
- Assessing the risks and yields of products with financial consequences: (i) they know the risks involved in lending other people money; (ii) they understand the consequences of failing to pay back borrowed money.

Main Theme 5: having sufficiency knowledge of the financial landscape

- Knowing the value of money: (i) they know the price of a product is made up of various costs; (ii) they know that, over time, you cannot always continue to buy the same thing for the same amount of money.
- Knowing their rights and duties as consumer and suppliers: (i) if employed they know that they and their employers must abide by certain rules; (ii) they know that there is a minimum wage; (iii) they know the difference between legal and illegal employment; (iv) they know what tax is and why you pay it.

Box C below presents the learning outcomes as currently presented under the NCF.

Box C: Current Learning Outcomes For Financial Literacy under the NCF

CATEGORY A

Mathematics

Level 5

Number - Number System	Writing	1]I can read, write and order whole numbers to ten thousand in figures and words.
Number – Numerical Calculations	Cognitive Learning	1] I can add 100 or 1,000 to any whole number. 2] I can understand that I can add numbers in any order and get the same result. 3] I can work out a small difference by counting up from the smaller to the larger number. 4] I can understand that subtraction is the inverse of addition and vice versa. I can also state and write a subtraction statement corresponding to a given addition statement and vice versa *e.g. if 4 + 3 = 7 then 7 - 3 = 4 and vice versa.* 18] I can recognise unit fractions such as ½ and ¼ and use them to find fractions of shapes and numbers. I can also understand the relationship between fractions such as ½ and ¼ and division *e.g. ½ means 1 ÷ 2 and vice versa.* 24] I can round any whole two-digit number to the nearest ten and any three-digit number to the nearest hundred. 25] I can find fractions of shapes and simple whole numbers.
Number – Numerical Calculations (Money and Consumer)		1] I can understand that 1 euro is equal to 100 cents. 2] I can work out totals up to a hundred euro and give the correct change. 3] I can handle small amounts of money in classroom situations *e.g. keeping track of money collected from small change for charity money collections*. 4]I can plan an activity within a given budget *e.g. using tickets, travel brochures, price lists, menus, etc.* 5] I can use receipts, simple menus, entrance tickets to work out totals and change. 6] I can understand that prices marked as €0.99 are a marketing strategy to make prices more attractive.
		1] I can use supportive technology *e.g. tablets and computers* and other resources *e.g. Cuisenaire rods, Unifix cubes, base 10 blocks* appropriate to this level to calculate and to learn about numerical calculations.

Level 6

Number - Number System	Writing	1] I can read, write and order whole numbers to one million in figures and words.

Number – Numerical Calculations (Money and Consumer)	Managing Learning	1] I can convert euro to cent and vice versa. 2] I can work out totals of up to ten thousand euro and give the correct change. 3] I can calculate, compare and discuss special offers.

Level 7

Number - Number System	Writing	1] I can read, write and order whole numbers to one billion in figures and words.
Number – Numerical Calculations (Money and Consumer)		1] I can use published exchange rates to convert from one currency to another. 2] I can work out totals of up to one hundred thousand euro and give the correct change. 3] I can work through simple situations involving personal and household finance *e.g. pocket money invested in a bank account, finding out how much it will cost to prepare a meal,* calculating which item is the best buy when items come in various sizes *e.g. oil in one litre bottles vs oil in two litre bottles*.
Numeric Calculations - Percentages	Cognitive Learning	1] I can find simple percentages of whole number quantities. 2] I can convert percentages to fractions and vice versa. 3] I can find simple percentages of quantities. 4] I can express a quantity as a percentage of another. 5] I can find percentage increase and percentage decease.
Numeric Calculations – Money and Consumer Mathematics		1] I can use published exchange rates to convert from one currency to another. 2] I can work out totals of up to one hundred thousand euro and give the correct change. 3] I can work through simple situations involving personal and household finance *e.g. pocket money invested in a bank account, finding out how much it will cost to prepare a meal,* calculating which item is the best buy when items come in various sizes *e.g. oil in one litre bottles vs oil in two litre bottles*.
Number – Numerical Calculations (Percentages)	Cognitive Learning	1] I can work through simple situations involving percentage increase and decrease using a number of methods including the multiplying factor. 2] I can work out reverse percentage calculations.

Level 8

		3] I can work through situations involving successive percentage changes using a multiplying factor. 4] I can work out the simple interest, the principal, the rate, time or the amount. 5] I can use the simple interest formula. 6] I can work out compound interest, appreciation and depreciation. 7] I can use the appreciation and depreciation formulae. 8] I can use the trial and error method to determine the number of years in compound growth and decay situations. 9] I can work out the number of repayments needed to repay a loan. 10] I can work out the total accrued yearly value of an investment.
Numeric Calculations – Money and Consumer Mathematics		1] I can recognise the difference between selling rate and buying rate in currency exchange rates. I can use buying rate and selling rate to convert currencies. 2] I can work out totals of up to one million euro and give the correct change. 3]I can work through complex situations involving personal and household finance *e.g. earnings, loans, simple interest, compound interest, income tax, VAT and insurance*.

Personal Social and Career Development

Level 5

Health, Safety and Wellbeing	Managing Internet Use	20] I know about the risks of sharing personal information online e.g. *communicating whilst playing games.*
Citizenship	Learning to Be	22] I can talk about the basic ways of saving money. 23] I can describe what I spend and save each week or month.

Level 6

Health, Safety and Well-being	Managing the Internet Use	23] I can discuss the possible benefits and risks of sharing information online. 24] I know how to set privacy settings when communicating online.
	Learning to Do	27] I can argue how different values influence how people spend their own money *e.g. salary, pocket money.*

Citizenship	Self Awareness	28] I can evaluate why saving money is important; I can think of ways money can be spent other than on myself. 29] I can recognise and describe what influences me to spend money on myself and on others. 30] I can describe what is meant by being financially responsible and provide examples of someone being financially irresponsible. 31] I can demonstrate how my spending decisions affect me personally, the local economy, the environment and people in other parts of the world.
Career Planning and Exploration		3] I can talk about my future aspirations.
Health, Safety and Wellbeing	Managing Internet Use	26]I can describe different types of communication technologies and their uses, benefits and potential drawbacks.

Level 7

Citizenship	Learning to Live Together	20] I can evaluate information about priorities for spending: personal, community-based, environmental. 28] I can talk about the importance of money and can mention some ways which help me plan my spending carefully. 29] I can explain the relationship between financial income and expenditure. 30] I can make informed decisions on how to allocate fundraising money. 31] I can describe what being financially responsible means to me and how I would manage my own finances.

Level 8

Health, Safety and Wellbeing	Managing Internet Use	16] I can describe what is meant by 'digital footprint' and how personal information on social media can be searched for, copied and passed on.
	Learning to Be	18] I can explain my responsibilities when using digital media to keep myself and others safe from harm.
Citizenship	Learning to Be	22] I can discuss how advertising influences supply and demand. 23] I am aware of and can explain the values which guide me in my spending decisions. 24] I can describe what I spend and save each week or month, when buying products. 25] I can recognise and describe what influences me to spend money on myself and on others. 26] I can describe what is meant by being financially responsible and provide examples of someone being financially irresponsible *e.g. the paying or otherwise of taxes.*

Level 9

Health, Safety and Wellbeing	Managing the Internet Use	24] I can give examples of how to protect my own and others' privacy online. 25] I can describe when an online interaction might be potentially harmful to myself or others. 26] I can describe what I would do or who I would go to, if I was involved in or witnessed a potentially harmful online interaction. 27] I can assess risk in an informed and measured way.
Citizenship	Learning to Be	25] I can argue effectively how media has a great influence on public opinion *e.g. promoting different lifestyles, sexualisation, materialism, needs, wants.* 26] I can illustrate how to budget for different events *e.g. going on holiday, buying a laptop, buying clothes, money for entertainment, living independently.* 27] I can mention different ways of saving *e.g. manage money sensibly through saving accounts* and know how to use cash dispensers and banks. 28] I can debate effectively on what constitutes value for money and the effects of wasting money.
	Cognitive Learning	29] I can describe how business and financial organisations affect my daily life. 30] I can recognise and describe what influences me to spend money on myself and on others. 31] I understand and can explain the relationship between financial income and outgoings. 32] I can describe what being financially responsible means to me and how I would manage my own finances. 33] I can explain the value of conducting research to help myself and others make informed decisions when buying products.
	Learning to Live Together	34] I can explain legal and moral consequences of not paying taxes. 35] I can explain how taxes contribute to the development of governance and public services.
Career Planning and Exploration	Cognitive	1] I can discuss where to access information about different jobs, professions and continuing professional education. 3] I can plan and discuss possible career options and paths. 4] I can explain why people take up employment.
	Practical	17] I am aware of my post-secondary options and can make realistic choices *e.g. higher education, vocational training and employment.*

CATEGORY B

Home Economics

Level 7

Financial Literacy	Personal	1] I can distinguish between basic needs and wants. 2] I can explain the importance of saving for a personal product or other items and of spending within one's means.
	Learning to Be	3] I can understand how budgeting can help in making better spending and saving.
	Managing Learning	4] I can draw up a personal budget. 5] I can apply a budget to a given situation.

Level 8

Financial Literacy	Learning to Know	1] I can explain the importance of being an informed consumer. 4] I can explain the importance of sound money management and budgeting.
	Learning to Be	2] I understand the range of factors that influence consumer choices and decisions. 12] I understand the differences between planned and impulsive purchases and related potential hazards.
	Planning and Reflection	3] I can discuss the rights and responsibilities of consumers. I know the course of action to be taken when seeking redress. 13] I can list and discuss different methods of payment.
	Personal	5] I can list possible sources of income and of expenditure for a family.
	Self Awareness	6] I can list the priorities to be considered when planning a family budget. 7] I am aware that families have different financial resources and families on a low income hence, have limited resources and choices.
	Collaboration	9] I can list and discuss the different forms of advertising. 10] I can discuss the advantages and disadvantages of different types of shops and shopping practices.
	Cognitive	11] I can compare products in terms of quality, quantity, price and packaging to make the best purchase.
	Creative Learning	14] I can explain ways in how credit should be used responsibly.
		15] I know the difference between various bank accounts.

Level 9

Financial Literacy	Cognitive	1] I can investigate and prioritise the steps to follow when purchasing a home.
	Listening and Speaking	2] I can discuss insurance and assurance, giving examples of both.
	Personal Learning	3] I can explore issues such as value for money, loans and debts.

Level 10

Financial Literacy	Personal Learning	1] I understand national and European legislation regarding consumer rights. 2] I can draw up a budget for a family, using appropriate tools.
	Practical	3] I can provide examples of different policies such as life, health, car and house.

CATEGORY C

Accounting

Level 9

Aspects of Financial Literacy	Practical	1] I am able to prepare a Sales Invoice for items incurring an 18% VAT charge. 2] I understand the civic and legal responsibility of issuing and requesting VAT receipts. 3] I can distinguish between the different methods of calculating labour remuneration, namely flat rate, piecework and time rate. 4] I can prepare simple payroll calculations that include the employer's national insurance contribution. 5] I can calculate the net wages of workers by deducting items such as national insurance and income tax from a given set of figures. 6] I am able to follow the process involved in payroll transactions using computerised accounts. 7] I can explain the meaning of a minimum wage, its current value and that it is periodically adjusted. 8] I can prepare a simple monthly personal budget taking into consideration my income, projected expenditures, savings considerations and any debt repayments.
	Cognitive Learning	9] I can adjust my monthly personal budget in relation to projected changes in income or expenditure.
	Managing Learning	10] I can construct a personal budget, manually, through appropriate software.
	Learning to Know	11] I can identify the importance of contributing towards social causes through my own income.

Level 10

Aspects of Financial Literacy	Learning to Be	1] I can discuss the importance of employees being paid a fair wage, one that not only covers the minimum wage, but a wage that reflects the work that is performed.
	Cognitive Learning	2] I can identify the implications of different methods of calculating labour remuneration for both the employers and the employees. 3] I am aware that certain components of a budget are flexible while others are fixed, thus the need to prioritise needs and wants.

Business Studies

Level 8

Financial and Economic Literacy	Creative Learning	1] I can explain how the unlimited wants of people cause scarcity of resources. 2] I can discuss how scarcity affects the allocation of resources and the opportunity cost of such choices. 3] I can understand the opportunity cost resulting from specific business choices. 4] I can list and explain the personal services that a commercial bank has to offer and the benefits of using such services. 5] I can differentiate between personal income and personal expenditure. 6] I can prepare a bank account or cash account using the concept of monetary inflow and outflow and can balance it off periodically. 7] I can interpret the terms and figures in a bank statement. 8] I can explain terms relating to personal budgeting such as overspending, saving, contingency planning, contributing towards the community and the notion of credit. 9] I can prepare a personal budget taking into consideration my expected income, expenditure and any credit repayments that I may have.
		10] I can discuss why certain business risks have to be taken from time to time. 11] I can distinguish between insurable and non-insurable business risks.

Level 9

Financial and Economic Literacy		1] I can explain the meaning and importance of consumer protection. 2] I can come up with examples of good/bad practices related to consumer protection. 3] I am aware of the pitfalls of credit.

Level 10

	Learning to Do	1] I am critical of the mis-distribution of world resources resulting from market forces.
		2] I can analyse a personal budget and identify its shortfalls and come up with a more sensible budget.

Core Mathematics

Level 7

Number system	Cognitive Learning	1] I can use whole numbers in practical contexts. 2] I can recognise and work with directed numbers in real life situations, including temperature changes. 3] I can demonstrate and use equivalences between common fractions, decimals and percentages. 4] I can recognise and use numerical patterns.
Number – Numerical Calculations	Cognitive Learning	1] I can add, subtract, multiply and divide whole numbers using a range of strategies. 2] I can add and subtract decimals up to two decimal places. 3] I can add and subtract, multiply and divide fractions. 4] I can make calculations mentally and on-paper. 5] I can find simple percentages of whole number quantities.
		6] I can express a quantity as a percentage of another. 7] I can find percentage increase and percentage decrease. 8] I can use formula to work out simple interest. 9] I can recognise and work with directed numbers in real life situations, including temperature changes. 10] I can write ratios in their simplest form. 11] I can use simple map ratios. 12] I can work through simple situations that involve direct proportion using the unitary method including money, speed distance, time, weight and capacity. 13] I can work with quantities in a given proportion.
Data Handling and Chance	Creative Learning	2] I can extract and interpret information from frequency tables, diagrams, charts and graphs. 3] I can collect and record discrete data and organise and represent information in different ways to suit different purposes.
	Managing Learning	4] I can find and interpret averages in different data to compare distributions. 5] I can find the mean, mode, median and range in a data set.

Level 8

Mathematical Application	Cognitive Learning	1] I can represent practical problems in familiar and unfamiliar contexts mathematically, for example, practical problems involving basic operations for fractions, percentages and decimals with converting between all three.
		11] I can use a calculator and a spreadsheet for tedious calculations involving whole numbers, fractions, decimals and percentages.

Number – Numerical Calculations	Cognitive Learning	1] I can work through simple situations involving percentage increases and decreases using a multiplying factor. 2] I can work out reverse percentage calculations. 3] I can work out the number of repayments needed to repay a loan. 4] I can work out compound interest, appreciation and depreciation. 5] I can make estimations and approximations. 6] I can round numbers to a specified degree of approximation. 7] I can check the rationality of results. 8] I can make reasonable approximations and can use these approximations to check the calculations. 9] I can use rounded numbers to carry out rough approximations.
		10] I can calculate and convert between currencies. 11] I can calculate with units of measure between systems, using conversion tables and scales, and approximate conversion factors.
Data Handling and Chance	Practical	1] I can design a survey to generate quantitative data. 2] I can construct and interpret a histogram with equal intervals from a grouped frequency table. 3] I can calculate the mean, mode, median and range from a frequency table. 4] I can calculate and estimate the mean, identify the modal class, the range and find the class interval in which the median lies for a grouped frequency.
Number System		1] I can use ideas of direct and inverse proportion in calculations inspired by real-life examples.

The new NCF underlines the importance that for the curriculum to meet it's established goals, set for it, it is fundamental that professional staff is supported to learn the new pedagogical practices.

Particular efforts, therefore, are to be made to involve teachers at all stages of the process and to convince them of the importance of financial education for students and themselves. Parents, too, should to the extent possible, be closely engaged, through dedicated programmes and initiatives. There is no doubt that teachers are to be provided with the resources and training so that they feel confident teaching financial education in classes. Such training should be in place for all teachers who may be in a position to deal with financial education in the classroom. It should take place as part of the initial teaching and carried on regularly as part of teachers' continuous professional development. The main goals of such training should encompass:

- Raising teachers' awareness on the importance of financial education.
- Providing teachers with pedagogical methods and teaching resources.
- Developing teachers' own financial literacy.

Additionally, availability of, and easy access to quality, objective and efficient material and pedagogical methods should be secured and actively promoted with a view to offer teachers the best resources on financial education. Such tools should include materials and resources such as books, brochures, guides, on-line tools, case studies, games, surveys and pedagogic methods. A central portal should be actively promoted to teachers in State, Church or Independent schools. Box D below presents an example of one of the numerous free web financial education resources available to teachers.

Box D

Personal Finance Education Group: A trusted provider of knowledge, resources and support for anyone teaching children about financial education. PFEG forms part of Young Enterprise (UK), and "provides fantastic consultancy, engaging resources and innovative programmes to creatively enable the next generation to be financially savvy".

http:// http://www.pfeg.org/

Finally, the development of international recognised guidelines, practices and strengthening of policy dialogue and cooperation on the exchange of best practices, materials and tools with other jurisdictions is instrumental to the efficient and successful introduction and implementation of financial education in schools. Such guidelines, best practices, materials and tools can help involve stakeholders in accelerating the introduction of financial education in schools as it allows for the tapping into relevant previous experiences and internationally recognised efficient practices and tools.

Owing to their pedagogic expertise and close relation to students, teachers are at the centre of the introduction of financial education in schools. Be that as it may there is merit in networking with financial services providers and management consultancy firms for the assignment of volunteers and other external experts to support the teaching of financial education.

The Learning Outcomes Framework (LOF) described above spans financial education across Mathematics, Personal, Social and Career Development, Home Economics, Business Studies, Accounting, etc. The implementation of financial education in schools, therefore, requires coordination and support. The designation of a 'champion' for financial education is one possible solution to render the teaching of financial education sustainable.

The embedding of financial education in the NCF should be supported by an evaluation mechanism to gauge its effectiveness. Every three years, the OECD's Programme for International Student Assessment (PISA) evaluates whether teenagers are prepared for future challenges, have the capacity to continue learning throughout life, and can analyse, reason and communicate effectively. PISA assesses 15 year olds around the world to chart their abilities in reading, mathematics, and science — skills seen as critical for success. In 2012, PISA added a financial literacy component to the survey, noting that younger generations are likely to handle more complex financial products and services than their parents. Malta did not participate in the 2012 and 2015 PISA assessments.

Table 06: OECD PISA Financial Education Framework and Conceptual Mapping with Malta's National Curriculum[40]

Delivered in Mathematics	Delivered in Mathematics and Reinforced in Personal, Social and Career Development	Delivered in Mathematics and Developed in Personal, Social and Career Development	Delivered in Home Economics
Money and Transactions Everyday payments, spending, value for money, bank cards, cheques, bank accounts, currencies.	**Planning and Managing Finances** Measures of income, taxes and benefits, budgeting, planning ahead, benefits of medium and long-term savings and investments, building human capital, smoothing spending through saving and borrowing. **Risk and Reward** Understanding why some financial products are risker than others, limiting risk, the role of insurance products, credit, default, interest rates, exchange rates, market volatility.	**Financial Landscape** Understanding the choices available and the consequences of financial decisions, rights and responsibilities, redress, getting advice, consumer protection, effects of advertising and peer pressure on financial decisions, scams and financial crime.	**Planning and Budgeting Resources & Use** Junior years - promoting financial literacy in programmes offered at the Home Economics Seminar Centre (HESC) on knowledge and understanding, skills and attitudes to become financially literate and responsible from an early age, make informed decisions when handling financial resources, be of positive influence within their immediate family and amongst peers. Secondary years - includes understanding needs and wants, income vs expenditure, money management, budgeting, consumer choices & decisions, rights & responsibilities, redress, impulse purchase, different methods of payment, amongst others.

FURTHER AND HIGHER EDUCATION INCLUDING VOCATIONAL EDUCATION

The need for financial literacy education on further and higher education campuses (including the University of Malta (UoM) is key to the future financial health and stability of young adults. Parents too make important financial decisions regarding post-secondary education, including whether to send their child to a private or State sixth form educational institution. Moreover, it is in further and higher education that young people start making financial decisions on their own, including those about housing (with particular regard to Gozitan students following post-secondary education in Malta), discretionary spending, banking, and the use of consumer credit.

[40] Pg 34, Financial Education for Young People, All Party Parliamentary Group, 2012

The number and complexity of such decisions underscore the need and provides an important 'teachable moment' to increase the financial capability of young adults by equipping them with the information, resources and tools they need to make sound financial decisions before, during, and after attending post-secondary education. Increased use of credit cards by students, for example, has generated a concern among many that credit card debt puts students at greater risk towards financial problems after graduation. Credit cards are a source of debt among college students and research overseas suggests that credit card debt is linked to increased stress and anxiety, which in turn has consequences for academic performance and long-term financial health. Such research indicates that financial capability and positive academic outcomes are often correlated: students who exhibit positive financial behaviours, perform better academically.[41]

It is, however, likely that a large number of students who enter post-secondary education institutions such as the Malta College for Art, Science and Technology (MCAST) or the UoM are inadequately prepared, experienced or knowledgeable on how to manage their money.

Whilst the state of play should change, once financial education is embedded in the NCF, it is important to note that this, currently, covers only compulsory education. Indeed, at present at least, the DQSE has limited influence on the post-secondary education curriculum. Thus, focusing on improving the financial management skills, attitudes and behaviours, right from the start of further and higher education, is of significant importance.

Building financial capability is an important strategy in promoting not only access to and completion of post-secondary education, but also lifelong financial health[42]. As students leave post-secondary education and make the transition to the workplace, they face a number of important decisions for the first time, including critical decisions about employment, saving for retirement, managing current expenses such as living expenses, and whether and how to make long-term investments such as a home purchase. Decisions about which goals to prioritise - repayment of a loan for the purchase of a computer or a car or consumer debt, saving for emergencies or asset purchases, participation in a retirement plan, etc. - have important implications for an individual's financial trajectory.[43]

Possessing the skills, information, and tools necessary to make effective financial decisions helps ensure that young adults are able to make the right decisions as they begin to build their financial futures[44]. To achieve this, however, the different education authorities and institutions must come together so that a seamless pathway for the continuum of financial education from compulsory to higher and further education is achieved.

Research overseas shows that there is no singular operational model for a post-secondary financial education programme. The establishment of an existing programme models in higher and further education is driven by a number of factors. These include, the availability of resources, such as internal or external funding, time, space, staffing, and level of staff expertise. The Coalition of Higher Education Assistance Organisations (COHEAO), Financial Literacy Task Force, identifies the following as the most prevalent models in higher and further education which have been successful[45]:

[41] Pg 8, Opportunities to Improve the Financial Capability and Financial Well-being of Post-secondary Students, U.S. Financial Literacy and Education Commission, 2015

[42] Pg 1, Ibid

[43] Pg 11, Ibid

[44] Pg 2, Ibid

[45] Alban, K., Britt, S., Durban, D., et al., Financial Literacy in Higher Education: The Most Successful Models and Methods for Gaining Traction, COHEAO Financial Literacy Awareness White Paper, 2014

Interactive On-line Programmes	These can be multimedia or text-based, and typically include an assessment tool to gauge learning. Their use is popular with large institutions that try to reach large numbers of students since they are relatively cost efficient and easy to scale. Another advantage is that these programmes are accessible; students can learn at their own pace and according to their own schedule. The biggest drawback to interactive online programmes is the absence of human interaction, which makes it more difficult to achieve the desired level of engagement. This drawback can be mitigated by using a hybrid model or incorporating videos of real people presenting the information.
Classroom Based Programmes	Classroom based financial education comes in a variety of forms. The most common form is a semester length course taught by a personal financial planning or business faculty member. Another common form of classroom based financial education is guest lectures by a financial consultant. An advantage of the classroom approach is the ability to reach dozens of students in a relatively cost and time efficient manner. The biggest disadvantage is the need for generic versus individualised education.
Game Based Education	The power of social media with its ability to provide instant communication enhances social interaction. Games establish a fun and interactive tone for the class. Games, however, are tools within the learning process, instead of stand-alone solutions. A proper introduction of objectives and debriefing is critical to maximise the educational value of financial games. This provides the bridge between the game concepts and their application in the real world. In other words, the financial games should assist and not replace the instructor.

Box E

Gen I Revolution: Game developed for Senior Secondary and Upper Secondary in the USA directed to give students the opportunity to learn important personal finance skills as they play and compete against fellow classmates. The game includes sixteen missions in which students attempt to help people in financial trouble.

http://www.genirevolution.org/

Visa Financial Football: A fast-paced, interactive game that engages students while teaching them money management skills. Teams compete by answering financial questions to advance and score. The questions are primarily scenario-based, which is appropriate for the coursework. There are three levels: Rookie (ages 11-14), Pro (ages 14-18), and Hall of Fame (ages 18+). VISAFinancial Football also has an iPad and an iPhone application.

http://www.financialsoccer.com/

Event Based Programmes	Special events are an excellent way to raise awareness and jumpstart available and/or planned financial literacy programmes and services. While events alone are usually not in-depth or long enough in duration to have measurable impact on students' financial knowledge and behaviour, they do provide important 'mental moments' for students to reflect on their attitudes, spending habits and longer term financial goals. They also offer an opportunity to spark student interest in seeking additional financial education and counselling.
Individual Counselling	In higher and further education institutions offer individual financial counselling to students, services are typically provided by professional staff members or student peers.

The G. F. Abela Junior College within the UoM provides no compulsory or option subjects in retirement income and financial literacy which students following different education paths (sciences, engineering, arts,etc.) can opt for.

Students are exposed to such knowledge only if they choose subject which have financial education within their curriculum - including but not limited to Human Ecology, Economics, Accounting, etc. When opportunities arise the Junior College facilitates optional seminars and lectures on financial education. It is understood that the state of play at the MCAST is the same. Church and independent schools that provide post-secondary education were not approached in the drafting of this document.

Universities	Similar to the Junior Collage, the UoM does not provide modules in retirement income and financial literacy knowledge that is open to all students irrespective of the career pathway they have selected. Once again it is only those student who follow a degree in Commerce, Accounting, Nutrition, Family and Consumer Studies amongst others that are exposed to financial education. For example, the B.Ed (Hons) degree in Nutrition, Family and Consumer Studies provides 3 modules in financial education: (i) family resource management (including financial management); (ii) consumer education and family budgeting; and (iii) consumer, financial sustainability education.
Children and Youth	The reality is that current and future children and youth will spend more time on-line. This will result in significant increases in e-commerce purchases once they have access to a credit or debit card. With smart mobile telephony becoming ubiquitous amongst today's children and youth the incidence of them exposing their personal banking information due to a lack of knowledge with regard to protection measures that can be adopted can render them increasingly susceptible to identity theft or on-line fraud.

Among the common issues that many adult face are the balancing of the family budgets, taking on a mortgage, saving and investing for their family or personal goals, assessing their insurance needs as their life circumstances change, protecting themselves against financial risks and setbacks like job loss, and preparing for their retirement. Given Malta's extended family culture many adults support their children and their elderly parents. Many Maltese can and do save and build assets, particularly, as shown earlier in the document, in residential and summer property. The very low interest rates on savings and long term deposits as well as limited opportunities to invest in secured bonds or investment products has increased the incidence of persons investing in additional property as a 'retirement' fund.

Adult and Community Education

As shown previously, financial firms, representatives of employers and employees respectively and employers do work together to provide workplace sessions and seminars on financial education. There is, however, no structured outreach programmes that are directed towards adults – whether this takes place at the work place or in the local community. When such sessions and seminars do take place, too often, they are spurred by the human resource management function or the trade union representatives at the particular worksite.

The financial abuse of elderly person is seen as the "Crime of the 21st Century". There are several attributing factors to this alarming trend identified in the literature including the rapidly ageing population in developed countries, the increasing wealth but also the volatility of the economic climate impacting citizens, and more specifically, the growing population of older people, over 20% of who will experience mild cognitive impairment, which can negatively impact one's decision-making abilities.

Elderly and Vulnerable Persons Education

Financial elderly exploitation may be defined as the misuse of a person's funds and assets; obtaining property and funds without his/her knowledge and full consent or in the case of an elderly person who is not competent, and is not in his/her best interests. Of particular note is that there are more female than male victims and perpetrators are typically friends or family members. The fact that more women than men suffer abuse reflects the fact that women live longer than men and consequently are more likely to live alone. It is their circumstances that make women vulnerable to abuse, not their gender. Research suggests, amongst others, the following as reasons why elderly persons are victims

- Advanced age – 75+.
- Unmarried / widowed / divorced.
- Cognitive impairment.
- Loss of spouse or divorce.
- Living alone.
- Social isolation.
- Estranged from children.
- Frailty.
- Developing a caregiver role.
- Living with the victim.
- Economical dependent on the victim.
- Health problems.
- Dependent on a child/ren or a third party.

Financial abuse is likely to significantly impact not only the financial security of seniors. Additionally, the loss of a familiar lifestyle, the betrayal experienced, with neither the time nor the opportunity to recover financially is profound for an older adult.

This aspect of the strategy complements the National Strategy for Active Ageing as financial education with regard to retirement income and financial literacy positions older persons as active citizens and not just users of care services.

It is important for the Commission to work with financial service providers and other relevant stakeholders to encourage them to develop products directed at different cohort of persons during their respective life cycle journey – for example retirement products that are:

- Easy to understand for children and youths (or for parents to invest on their behalf) that facilitate access and understanding as well as encourage them to manage their money responsibly; or
- Products that meet individual's needs across different steps in their life journey.

The strategy recommends that the Commission should:

Strands		Action
Compulsory Education	A1	Together with the DQSE, State, Church and Independent schools, the MFSA, Education Consultative Council and financial services providers work to establish a Financial Education Framework for retirement income and financial literacy and work with the DQSE to map and link such a framework with the LOF of the NCF. In the design of the Financial Education Framework links between cross curriculum areas such as Home Economics, Mathematics, Personal, Social and Career Development, English, optional and other subjects will be explored.
	A2	Work with parent organisations in the design of the Financial Education Framework to identify the most significant 'teachable moments' for children to focus on retirement and financial literacy.
	A3	Work with the Ministry for Education and Employment so that Malta participates in the 2018 PISA survey to assess the level of financial literacy in Malta.
	A4	Use internal resources of the Directorate for Education Services as well as those of associations representing Church and Independent schools and of overseas jurisdictions to establish a portal through which professional teachers and staff can access, at no cost, financial literacy resources that can be customised for local use.
	A5	Assist the Directorate for Education Services as well as those of associations representing Church and Independent schools with the preparation and continued professional development of teachers teaching financial education.
	A6	Work with financial service providers and management consulting firms for the identification of voluntary support from staff and experts in supporting the teaching of financial education in schools
	A7	Work with the SEC examination boards to determine if and how examination questions in Core and designated optional subjects should include financial education.
Higher and Further Education including Vocational Training	B1	Work with the G. F. Abela Junior College, appropriate Church and Independent schools and examination boards to determine the appropriate model/s to be introduced for students in higher education and subsequently assist them in the implementation of the said model/s.
	B2	Work with MCAST to: a. Determine the appropriate model/s to be introduced for MCAST students and subsequently assist them in the implementation of the said model/s. b. Assess the option of introducing NVQ accredited programmes related to financial education aspects and identify appropriate pathways.
Universities	C1	Work with the UoM and other universities to determine appropriate model/s to be introduced for students in further education and subsequently assist them in the implementation of the said model/s.
Children and Youths	D1	Work with the financial sector and other relevant stakeholders to introduce and raise awareness of resources available to help children and youth protect themselves from fraud, scams and identity theft as well as to protect their banking information.

	D2	Partner with institutions such as VISA to tap into their free game based financial education programmes.
	D3	Specifically target 18-24 aged youths on retirement planning given these are a likely target should an automatic enrolment pension scheme be introduced.
	D4	Work with the financial sector and other relevant stakeholders to encourage them to develop new products for different cohorts of the population.
Adult and Community Education	E1	Adopt a life-cycle event approach, by which individuals and households are targeted at defining moments of their financial life, in order to address specific financial education needs. These stages can cover savings for post-graduate studies, getting married, buying a house, divorcing, having children, retiring or becoming unemployed.
	E2	Team up with unions and employers and institutions such as the Malta Institute of Accountants to design, build capacity and ensure the delivery of workplace retirement and financial literacy programmes on matters such as: - 360º degrees of Financial Education – focusing on personal finances, money management skills, and planning for retirement. - Understanding one's State pension. - MyCredit – focusing on all things related to credit, such as choosing credit cards, ratings, interest, theft, etc. o MyRetirement – focusing on retirement planning, risks, life choices, etc.
	E3	Team up with the Local Councils Association to design, build capacity, and ensure the delivery of community based retirement and financial literacy programmes such as the examples shown above.
	E4	Work with the Employment and Training Corporation to embed retirement and financial literacy within existing and new training programmes.
Elderly and Vulnerable Persons Education	F1	Work with NGOs to promote research to increase the understanding of the diverse needs of elderly persons with regard to financial education and literacy, and the effectiveness of different approaches that can be adopted.
	F2	Work with elderly persons, as well as care givers, nurses and doctors, to understand the potential needs relating to managing finances for those who experience loss of cognitive ability and identify and: - Design and implement training programmes for different stakeholders (financial services employees, family members, doctors, nurses, social carers, etc.) - Design and disseminate information leaflets and other appropriate tools.
	F3	Work with stakeholders who are uniquely positioned to identify and red flag financial abuse amongst the elderly and: - Design and implement training programmes for different stakeholders (financial services employees, family members, doctors, nurses, social carers, etc.) - Design and disseminate information leaflets and other appropriate tools.
	F4	Work with NGOs, financial institutions and appropriate government entities on who and how advocacy services are to be provided to elderly persons with regard to financial abuse.
	F5	Carry out general awareness and education programmes targeting different forms of financial abuse and behavioural changes that should be looked out for.

3.6 Provision of Trusted and Independent Information to Change Behaviour and the Introduction of Programmes directed to Inculcate a Culture for Saving

There are four main challenges related to retirement income. The first is the lack of interest in the topic for a large part of the population especially the young. None of the youth organisations, including the National Youth Council, participated in the public consultation process related to the 2015 pension reforms. The second is the perceived or actual complexity of the topic. This is not helped by the fact that when discussion on the pension system occurs across different media this, too often, tends to be too technical and, thus, far too complex for the general public.

Third, as previously discussed, is the low level of financial awareness, literacy, capability and responsibility of consumers, especially among the more vulnerable groups. Finally, discussion on pension reform and the State pension is not a seamless process that affects all persons in the same manner. Rather, the expectations of younger persons tend to be different from those of persons who are about to retire or have retired. The impacts of the State pension on women are different to those on the male counterparts. The expectations of high income earners are diverse from those of low income earners. To date there has, however, been no coherent communications strategy that extends beyond explaining reforms underway and directed to secure consensus for reform (2004 and 2015) and to raise public knowledge and, amongst others, to:

- Explain the individual choices and the potential implications such choices have on their financial well-being in retirement.
- Explain the investment and savings instruments available to secure financial well-being in retirement.
- Explain how savings and investments behave in different economic cycles and the implications these may have on the accumulated wealth on the date of retirement.
- Facilitate the individual’s active and informed decisions.
- Encourage specific behaviour such as savings in voluntary private pension schemes.
- Postpone retirement.

Although it is well recognised that financial well-being in retirement depends largely on decisions and savings behaviour made much earlier in life-sustained retirement education by DSS is not as aggressive as many wish it to be. The key medium that DSS currently uses to explain social security benefits, including the State pension, is the radio and TV, where weekly programmes are presented. These programmes are mainly structured on a question and answer basis, where people field questions on their personal situation and DSS specialists respond to such queries.

Whilst no empirical data is in hand, it is safe to conclude from interventions in the media, as well as questions raised with DSS, that a large number of people do not understand how the State pension works and the pension income it translates to on retirement. To this date, contributors do not have real time access to their contributory history and to the retirement income they will receive if the same contributory trajectory is maintained – though this is planned to be introduced by DSS in 2016.

The MFSA has a portal titled www.mymoneybox.com.mt, that is directed to position it as a leader in promoting financial literacy. The website provides information with specific regard to banking, investments and insurance as well as calculators, questions and answers, etc. Furthermore the website includes specific information relevant to different life stages consumers go through including sections on ‘young adulthood’. The MFSA ‘mymoneybox’ portal also includes material providing teachers, who are seen as the closest influential figures to a student, with a dedicated teachers’ corner to assist them in the teaching process.

There is no structured inter-relationship between the broader financial literacy, agenda that, to a degree, is represented by the MFSA and the understanding of the State pension (attaining the appropriate balance between pre- and post-employment income and the quality of life sought in retirement). The design of a communications strategy on retirement income and financial literacy based on sound behavioural change principles, is key. The message on retirement income and financial literacy should be two tiered:

- Themed to embrace the general population targeting different life cycle events that impact on an individual's or household's financial situation: buying a car, buying a house, investing in education, etc.
- Targeted to engage and respond to persons with different demographic, behavioural and labour market profiles.

The communications strategy should be supported by the necessary financial and human critical mass so that a sustained momentum over a period of three years is reached. There has, to date, been no thorough national survey that identifies Maltese citizen's understanding, knowledge and preparation with on retirement income and financial literacy. With regard to the former the closest undertaking was the carrying out of two surveys by NSO on behalf of the 2004 and 2010 PWG respectively. The surveys shed some understanding on people's perception on pensions and pension reform. With regard to the latter it is encouraging to note that a number of Bachelor and Master programme dissertations by Maltese students have started to research financial literacy in particular.

The attainment of empirical data through a comprehensive national survey is of key importance, as it will provide unique insights to identify the levels of retirement and financial knowledge, attitudes, and behaviours of persons. In particular, such a national survey will highlight behaviour and priorities on retirement planning and access to financial products, credit, savings and investments. The provision of such information ensures that the communications strategy and other actions proposed by this strategy will have targeted clear and measurable objectives that will result in positive outcomes.

The Strategy should embrace the broadest of communication channels – from digital communications and social media to embrace the younger generation to the radio to engage the non ICT or literate persons. Additionally the campaign should engage people through outreach programmes and road shows, seminars and workshops held both at a national and local community level.

The communications strategy should not compete with the education campaign of the MFSA and the marketing and education campaigns of financial service providers. Rather the strategy should seek to establish a programme of coordinated activity between all stakeholders.

Example of Behaviour Targeted Saving / Investment Programmes
Box F

The Save More Tomorrow (SMarT) programme in the USA targets the following behavioural biases: hyperbolic discounting, loss aversion, and inertia. The programme was designed on the basis of the following rules:

Behavioural Bias	How it is addressed
Hyperbolic discounting	Employees are approached about increasing their contribution rates to a voluntary pension scheme a considerable time before their scheduled pay increase. Because of hyperbolic discounting, the lag between the sign-up and the start-up dates should be as long as feasible.
Loss aversion	If employees join, their contribution to the plan is introduced following the first pay cheque after a raise. This feature mitigates the perceived loss aversion of a cut in take-home pay.
Inertia / Status Quo	The contribution rate continues to increase on each scheduled raise until the contribution rate reaches a pre-set maximum. In this way, inertia and status quo bias work toward keeping people in the plan.
Comfort and choice	The employee can leave at any time.

The Commission, the MFSA and DSS should join forces to establish MFSA's www.mymoneybox.com.mt as the primary portal that acts as the official channel for trusted, accurate, and accessible information, presented in the least technical manner possible and in an attractive manner through resources such as financial education tools included, but not limited to games, to attract the children as well as adults.

Yet, simply providing information on its own, even if it improves knowledge has a limited impact on changing people's behaviour. Overseas, a number of programmes designed to overcome behavioural biases were successfully embarked upon to complement communication strategies. The following are behavioural initiatives that were introduced to overcome inertia and nudge people into a financial decision, to make saving more interesting or attractive, or to encourage people to continue saving:

- 'Pay yourself first', a simple mental reminder to put money into savings before spending.
- 'Rounding up' - saving at the supermarket or other retail outlet by rounding up the bill to the nearest €1 / €5, and putting the spare cents into a savings account.

It is important to underline that, in general, behavioural 'nudges' do not enhance financial literacy. Policies based on behavioural economics assume that people often make the 'wrong' decisions and need forcing or 'nudging' to the 'right' decision. This suggests that policy designers determine what the right decision is for individuals or groups of people. Thus, behavioural interventions should complement and not supplement financial education initiatives.

As stated earlier, youths have hardly engaged in the pension reform initiatives over the past decade. This is of concern given that the main thrust of such reforms relates directly to them – new and recent entrants into the labour market who retire in 45 years' time. The absence of youths in the discourse on pension reform results in a state of play where the agenda of change is determined not by the youths – the people affected – but by other organisations that may have different and separate agendas to pursue.

As persons age, they face difficult financial decisions and unique challenges related to managing their money – including the transition from work to full or partial retirement. Elderly persons who have accumulated savings must decide how best to turn such savings into income that will last for their lifetime as longevity increases. For most retirees, accessing information constitutes a challenge.

Bad or no planning for retirement is likely to result in a state of play where pensioners will have limited financial ability to deal with arising issues. Whilst no empirical data exists locally, experiences in other countries show that pensioners do not understand the details of government programmes that support elderly persons. To make appropriate decisions, the Maltese need to understand and access government services such as Il-Karta Anzjan, the community services, health services, etc., so that all such income or in-kind benefits, fit into their overall retirement income.

It is important that the strategy and the various initiatives and actions, arising from it, are monitored on an on-going basis so that policy and programme measures are assessed with regard to outcome and output, lessons are learnt, and that they are further built on, improved or rolled back as the case may be.

The strategy recommends that it should:

Strands		**Action**
National Survey	G1	Undertake a comprehensive national survey on retirement income and financial literacy based on the OECD survey.
Communications	H1	Design on sound behavioural change principles and implement a three year targeted communication strategy directed to deliver clear messages to different cohorts of the population based on demographic, attitudinal and labour market profiles.
	H2	Implement targeted communication campaigns.
	H3	Design an evaluation mechanism to gauge the success of the strategy.
Trusted portal	I1	Together with Government and the MFSA establish a portal designed to provide official trustworthy, motivating and accessible information directed to help persons prepare for retirement and make financial decisions that improve their lives.
Targeting Pensioners	J3	Work with the Department of Social Security so that workers receive once a year, or access on-line, a statement showing contributions paid and the pension they are entitled to if such a contributory trajectory is maintained.
	J4	Work with the Department of Social Security, MFSA and other stakeholders to help ensure that persons are aware of and have access to effective financial education, tools, information and assistance relating to the State pension.
	J5	Work with government and civil society to establish a programme that helps ensure that pensioners are aware and access the government benefits they are entitled to.
	J6	Work with stakeholders to develop effective financial consumer information protection tools that can accompany retirement income and financial literacy initiatives.

3.7 Work in Partnership to Strengthen the Connections between all Parties Involved in Retirement Income and Financial Literacy

This strategy document is premised on the principle that partnerships amongst actors involved in retirement income and financial literacy is fundamental to its success. The vision of strengthening retirement income and financial literacy amongst Maltese citizens is a shared responsibility among many stakeholders. The vision will not be realised without the combined efforts of individuals, families, Government, local communities, financial services providers, employers, labour organisations, businesses and Non-Government Organisations (NGO), etc.

Indeed, all of the key actors, are likely to benefit as a result of a strategy on retirement income and financial literacy that is underpinned by trust. If successful, people will be better-informed of what their retirement income will constitute vis-à-vis their expectations, of improved decision-making on savings and investments, of reduced regulatory action and loss of trust in financial service providers due to mis-selling, fraud and abuse. Additionally, such an approach is more likely to result in a collaborative partnership that allows confidence to build as the parties work together, explore emerging trends, generate new ideas and achieve better understanding of the challenges and issues faced by one another.

Furthermore, an effective partnership, should result in an on-going and systematic liaison and consultation and the continuous and efficient sharing of resources, in particular on information, learning and research. This document throughout, underlines the importance of partnerships – whether this is with education authorities operating within compulsory education or higher and further education or in the sphere of youth organisations to engage young Maltese citizens in matters related to retirement income and financial literacy.

Thus, for example, in moving forward the recommendations on financial education, the Commission will work with, and through, the MFSA ECC.

Private financial services providers and financial services associations are actively invited to participate in the review and implementation of the strategy. Additionally, the Commission will broaden its partnership relationships by establishing a Consultative Council directed to involve in its work a broader spectrum of stakeholders such as employee representatives, employer representatives, civil society, etc. The Consultative Council will provide on-going guidance and feedback to the Commission on the implementation and evaluation of the Strategy – including:

- How to optimise the overall reach and impact on Maltese citizens.
- How to leverage partnerships and programmes for greater benefit.
- How to fine-tune and adapt the Strategy on the basis of progress measurement indicators.

The Consultative Council and the Commission will exchange ideas and feedback and take a strategic view of retirement planning and financial literacy issues and, thus, would:

- Generate wider stakeholder interest and engagement.
- Provide a dedicated, on-going forum for communication and interaction amongst stakeholders.
- Enable stakeholders to be active in dialogue and action arising from the Strategy.
- Allow for diverse views to be incorporated in the Strategy's execution.
- Promote greater collaboration, coordination, efficiency and relationships across sectors.

The Commission will synergise with networks such as the IFIE and the INFE as well as similar commissions overseas to benefit from best practice and to tap into research, tools and materials introduced.

The Strategy recommends that the Commission should:

Strands		**Action**
Partnerships	K1	Secure the active involvement of the private sector in the review and implementation of the strategy.
	K2	Establish a Consultative Council directed to involve in the work of the Commission a broad spectrum of stakeholders such as employee representatives, employer representatives, civil society, etc.
	L1	Participate actively in international forum such as the International Forum for Investor Education and the International Network on Financial Education.
	L2	Establish contacts with similar organisations in countries overseas to tap into their experiences and knowledge base.

Realising the National Strategy for Retirement Income and Financial Literacy

Chapter 04

4.1 Financing the National Strategy for Retirement Income and Financial Literacy

For this Strategy to be realised, an annual structured budget is necessary to:

- Undertake surveys and research.
- Design and implement programmes and initiatives including tools, materials, media, etc. including digital media and communications.
- Implement actions identified in this strategy.
- Actively participate in international fora.
- Establish synergies with similar entities in overseas jurisdictions.
- Establish a small secretariat to secure sustained momentum in the work of the coordinating vehicle.

The Strategy proposes that the budget for the coordinating vehicle should be constituted of monetary and in-kind support from stakeholders that may include the following:

Structured Yearly Contribution	The Ministry for Family and Social Solidarity
	The Malta Financial Services Authority
	The Central Bank of Malta
Non Financial Benefits or In-Kind Support	Finance Malta
	Malta Bankers' Association
	Malta Insurance Association
	Malta Institute of Accountants
	National Lotteries Good Causes Fund
	Chamber of Commerce, Enterprise and Industry
	Malta Employers' Association
	General Retailers' and Traders' Union
	General Workers' Union
	Union Ħaddiema Magħqudin
Members and Affiliate Members	Private sector providers in accounting, banking, financial, fund administration, insurance, investment, law, management consultancy, pensions, fiduciaries, tax services, etc.
Other	European Social Fund and other financing instruments

The contribution from the Ministry for Family and Social Solidarity, the Ministry for Finance, and the Ministry for Education and Employment can include but not be limited to:

- The assignment of appropriate staff members to support the coordinating vehicle.
- The provision of adequate premises, furnishings and equipment.
- The allocation of a small budget to kick start the set-up of the coordinating vehicle and to get into place the funding streams proposed above.

4.2 Implementing the National Strategy for Retirement Income and Financial Literacy

The following implementation action plan is proposed.

4.2.1 Implementation: 2016

	ACTION	
THRUST 1: EDUCATIONAL PATHWAYS	A1	Initiate work on a Financial Education Framework
	A3	Work with parent organisations in the design of the Financial Education Framework to identify the most significant teachable moments for children to focus on retirement and financial literacy.
	A4	Initiate building of a single portal providing teaching resources to teachers in State, Church and Independent schools.
	B1	Work with the G. F. Abela Junior College, Church and Independent schools and examination boards to identify appropriate model/s for students and implement as appropriate.
	B2a	Work with the Malta College of Arts, Science and Technology to identify appropriate model/s for students and implement as appropriate.
	C1	Work with the University of Malta and other universities to identify appropriate model/s for students and implement as appropriate.
	D2	Partner with institutions such as VISA to tap into their free game-based financial education programmes.
	D3	Specifically target 18-24 aged youths on retirement planning given these are a likely target should an automatic enrolment pension scheme be introduced.
	E2	Design adult and community financial education programmes covering different life-cycle stages.
	E3	Team up with unions and employers and initiate at-work financial education programmes.
	E4	Team up with the Local Councils Association and local councils and initiate community-based financial education programmes.
	F1	Work with NGOs to promote research to increase the understanding of the diverse needs of elderly persons for financial education and literacy, and the effectiveness of different approaches that could be adopted.
	F5	Carry out general awareness and education programmes targeting different forms of financial abuse and behavioural changes that should be looked out for.

		ACTION
THRUST 2: TRUSTED & INDEPENDENT INFORMATION PROVIDER	G1	Undertake a comprehensive national survey on retirement income and financial literacy.
	H1	Design a 3-year communication targeting different population cohorts.
	H2	Implement identified targeted communications campaigns.
	H3	Design an evaluation mechanism to gauge the success of the communications strategy.
	I1	Together with Government and the MFSA establish a portal designed to provide official trustworthy, motivating and accessible information.
	J4	Work with the DSS, MFSA and other stakeholders to help ensure that persons are aware of and have access to effective financial education, tools, information and assistance relating to the State pension.
	J5	Work with Government and civil society to establish a programme that helps ensure pensioners are aware and can access Government benefits they are entitled to.

		ACTION
THRUST 3: STRATEGIC PARTNER	K1	Work with the MFSA Education Consultative Council on the design of the Financial Education Framework.
	K2	Establish a Consultative Council directed to involve a broader spectrum of stakeholders such as employee representatives, employer representatives, civil society, etc.
	L2	Establish contacts with similar organisations in countries overseas to tap into their experiences and knowledge base.

4.2.2 Implementation : 2017

		ACTION
THRUST 1: EDUCATIONAL PATHWAYS	F1	Complete work on the Financial Education Framework.
	A3	Initiate preparatory work with the Ministry for Education and Employment for participation in the 2018 PISA survey.
	A4	Continue with the building of a single portal providing teaching resources to teachers in State, Church and Independent schools.
	A5	Design and implement a framework of how to assist schools with the preparation and continued professional development of teachers teaching financial education.
	A6	Work with financial service providers for the identification of voluntary support from staff and experts in supporting the teaching of financial education in schools.
	B2b	Work with MCAST to assess the possibility of introducing NVQ accredited programmes related to financial education aspects and identify appropriate pathways.
	D1	Work with the financial sector and stakeholders to introduce and raise awareness of resources available to help children and youth protect themselves from fraud, scams and identity theft, etc.
	D4	Continue to target 18-24 aged youths on retirement planning.
	E2	Continue implementing adult and community financial education programmes covering life-cycle stages.
	E3	Continue with at-work financial education programmes.

	E4	Continue with community-based financial education programmes.
	E5	Work with the Employment and Training Corporation to embed retirement income and financial literacy within existing and new training programmes.
	F2	Work with elderly persons, as well as care givers, nurses, and doctors to understand the potential needs relating to managing finances for those who experience some loss of cognitive ability.
	F3	Work with stakeholders who are uniquely positioned to identify and red flag financial abuse amongst the elderly.

	ACTION	
THRUST 2: TRUSTED & INDEPENDENT INFORMATION PROVIDER	H2	Continue to implement identified targeted communications campaigns.
	J3	Work with DSS so that people access on-line a statement showing contributions paid and the prospective pension entitlement.
	J6	Introduce evaluation mechanisms to gauge the impact of measures introduced.

	ACTION	
THRUST 3: STRATEGIC PARTNER	L1	Participate actively in international events such as the International Forum for Investor Education and the International Network on Financial. Education.

4.2.3 Implementation : 2018

	ACTION	
THRUST 1: EDUCATIONAL PATHWAYS	F1	Map and complete linking of the Financial Education Framework with the learning outcomes framework of the National Curriculum.
	A3	Participate in the 2018 PISA survey.
	A4	Continue with the building of a single portal providing teaching resources to teachers in State, Church and Independent schools.
	A5	Maintain and improve the framework supporting schools with the professional development of teachers teaching financial education.
	A7	Work with the SEC examination boards to determine if and how examination questions in the core and designated optional subjects should include financial education.
	A8	Work with the upper secondary curriculum owner and appropriate examination boards to determine if and how examination questions on financial education are to be incorporated.
	G1	Work with the financial sector and other relevant stakeholders to encourage them to develop products that are easy to understand for children and youth that allows access as well as encourages them to manage their money responsibly.
	D4	Continue to target 18-24 aged youths on retirement planning.

	E3	Continue with at-work financial education programmes.
	E4	Continue with community-based financial education programmes.
	F4	Work with NGOs, financial institutions and appropriate Government entities on advocacy services to be provided to elderly persons on financial abuse.

		ACTION
THRUST 3: STRATEGIC PARTNER	H2	Continue to implement identified communications campaign.

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