Smarter Financial Education

Key lessons from behavioural insights for financial literacy initiatives

Acknowledgments

This publication presents key findings for financial education, drawn from the IOSCO/OECD joint report “The Application of Behavioural Insights to Financial Literacy and Investor Education Programmes and Initiatives”.

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Introduction

The application of behavioural science in financial education programmes is relatively new, but offers promising insights to design initiatives that take into account the decision-making process of individuals and the biases that are likely to influence their financial decisions. Combining traditional ways of teaching with the insights drawn from behavioural research can create smarter financial education that encourages people to make choices, change behaviour and act in ways that could improve their financial well-being. This brief document draws on the IOSCO/OECD joint report on "The Application of Behavioural Insights to Financial Literacy and Investor Education Programmes and Initiatives" produced in 2018 to suggest actionable lessons for policy makers (IOSCO and OECD, 2018). It gives a short overview of the ways in which behavioural insights are relevant for financial education and then summarises five key lessons that policy makers can follow, illustrated with the experiences of OECD/INFE members. These should be read in conjunction with the eight conclusions for policy makers described in the joint report and replicated in the Annex of this document.

The benefits of behavioural insights for financial education

The definition of financial literacy developed by the OECD and recognised by the G20 states that financial literacy is 'a combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial well-being' (Atkinson and Messy, 2012). Financial education is one of the processes used by policy makers to try to improve levels of financial literacy. Since financial literacy includes behaviour, high-quality initiatives help people to develop skills and take effective actions.[1] However, it can be very difficult to change behaviours and encourage effective actions.

Behavioural scientists have realised that whilst many mistakes that consumers make are unpredictable (described as random noise by Kahneman), certain financial behaviour may be influenced by behavioural biases that can be the cause of actions that appear inconsistent or irrational, but are, in fact, predictable across large portions of the population. These behavioural insights make it possible to design smarter educational programmes that either benefit from people's unconscious biases, or help them to overcome them.

Applying behavioural insights in financial education can help programme designers to better understand the decision-making process of target groups. Combining traditional ways of teaching with new tools and uncomplicated solutions can achieve better results.

[1] "Financial education is the process by which financial consumers, investors and micro/small entrepreneurs improve their understanding of financial products, concepts and risks and, through information, instruction and/or objective general advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being". (OECD, 2005).

Box 1. Identifying behavioural biases and behaviour change

The application of behavioural insights is an experimental, evidence-based and iterative process using experiments and observations.

Laboratory and field experiments are used alongside randomised control trials (RCTs) to understand the behaviour of the target groups and to design and test behaviourally based interventions. Some researchers also use qualitative methods to further explore the behaviours and attitudes of target groups.

- All experiments compare two groups, which are usually described as the treatment and control group. The researcher compares the outcomes of participants of both groups to understand whether the treatment had a significant effect.
- Laboratory experiments use simulated environments where all factors affecting decision makers in a given situation can be entirely controlled and where accurate measurements are possible.
- Field experiments take place in a real-life environment. The researcher can change certain aspects in the intervention, but does not have control over the environment.
- Randomised Control Trials (RCT) randomly assign participants to the treatment group or control group. The random approach makes it possible to use statistics to test for a causal relationship between one or more particular variables and the intended outcome. Behavioural scientists use RCTs to determine whether a particular intervention results in a desired change of behaviour for the benefit or betterment of the subject's (OECD, 2017).

Real life example

The Money and Pensions Service (MAPS, formerly The Money Advice Service) in the United Kingdom in partnership with the UK Behavioural Insights Team, has created a Financial Capability Lab to run a set of activities to help generate new ideas.

The lab runs a series of structured workshops with industry, academic and government experts in financial capability and related behaviours, to explore three topics: how working-age adults can build up a savings buffer, how people can more easily find and engage with help they need on money issues, and how consumers can better understand and make choices about using credit.

MAPS is also conducting exploratory work (focus groups and direct observation) to understand how individuals are experiencing financial capability challenges. The ideas produced will be tested using an online experimentation platform called Predictiv, and qualitative methods. Predictiv will be able to provide test results in a few days and enable MAPS to identify the most effective approaches. Qualitative techniques, such as face-to-face interviews, mini-group discussions, and workshops, will be used to evaluate the ideas that are not suited for online experiments. These procedures will help MAPS to identify the most promising interventions to be piloted and tested at scale afterwards.

How are behavioural insights applied in financial education policies?

The application of behavioural insights to financial education can support the design of effective, behaviourally informed interventions. It is possible to apply the insights to a wide range of educational tools, such as apps, documents (printed or online), interactive games, as well as to traditional educational approaches (such as classes, courses, seminars, leaflets or distance learning). Policy makers can design tools and technologies that help people to make better decisions and stick to their decisions. Teaching methods outside the classroom, such as simulation systems and experiential learning, can potentially diminish the presence of certain biases and improve participants' capability of evaluating probabilities.

Based on the research and experience of OECD/INFE members described in the IOSCO/OECD report, behaviourally informed interventions typically take the following directions:

- Changing the context to help people to make better decisions and take appropriate actions: Behavioural economics proposes choice architecture as a subtle way of designing environments to suggest choices in wise directions. In the context of financial education, this architecture relates to the design of the programmes, the way in which people are invited to attend, its format, content and delivery. By designing the "right" programme, policy makers can encourage people towards making the best decisions for themselves.
- Informing consumers about typical biases and teaching them mental strategies to avoid the possible negative effects: In this case financial education interventions are mainly concentrated on raising awareness about personal biases as well as supplying knowledge that enables target groups to analyse issues more effectively and make decisions that are more informed. It can also include helping directly individuals to overcome one or more behavioural biases – so-called 'debiasing'.

Box 2. Choice architecture

Choice architecture interventions, proposed by behavioural economics, are subtle ways of designing environments to achieve socially desirable outcomes. This approach seeks to influence choice without reducing the right to choose, and without creating new incentives or imposing restrictions or rules. The decision-making is affected through arranging the environment and changing the manner in which options are presented to influence people and achieve the desired outcome. These interventions can be very simple and easy to avoid, such as placing fruit rather than deserts at eye-level in a school cafeteria. Choice architecture recognises that people sometimes make unhelpful choices, or choices that are inconsistent with their stated preferences, and so it focuses on processes of judgement and influence that are more automatic.

Key findings for financial education

Policy makers seek to provide financial education that is efficient and effective at meeting its desired objective with the intended target group. There is no single, predictable and optimal one-size-fits-all approach that may be effective for all target groups and all financial services. However, there are ways to improve the likelihood of positive outcomes. This section describes five key findings from behavioural science that will lead to smarter financial education design.

Since the approaches are relatively new and may not have been tested in a specific situation before, small-scale pilots and field tests are recommended to evaluate programmes before they are implemented more widely.

1. Make the provision of financial educational content focused, straightforward and simple to understand

It is important to design financial education in a way that is appropriate to the audience and in line with the objective of the intervention. The following insights provide some suggestions for designing behaviourally informed content.

Keep information short and appropriate

Giving short and appropriate information to audiences is crucial to keep their attention and interest. People look at the information, and if there's simply too much of it or too complicated, they put it aside. The presence of too many choices for a particular decision can lead to a choice overload for consumers and create difficulties to evaluate and decide. The same is true for information overload, too much information will prevent the individual from making an evaluation and taking a good decision.

Develop easy-to-remember rules

The use of basic principles such as rules-of-thumb in the design of financial education interventions can help learners to take effective decisions more quickly. Rule of thumb training takes advantage of the human tendency to use short, practical rules in the face of complexity or other difficulties making choices. The classic example is the maxim 'If it looks too good to be true, it probably is'. Such rules can be developed to cover a wide range of consumer challenges, and may even benefit from input from the target audience through focus groups or crowd-sourcing. Simple, summarised and straightforward advice is an interesting substitute or complement to the standard approach usually based on teaching fundamentals and principles. Learners can generally implement rules-of-thumb faster than they can apply financial knowledge. This reduces the risks of procrastination, mistakes and misunderstanding.

Research indicates that simple rules usually produce good results when applied to repetitive and frequent decisions, such as the ones related to credit card payment and usage. However, for the biggest impact they should be combined with courses that are new or redesigned, rather than trying to incorporate the rules in existing education approaches. Research also suggests that whilst rules-of-thumb can promote positive behaviours, they are unlikely to create the ‘optimal’ outcome, since, by design they simplify the information filtering process. More research is needed to assess the long-term efficacy of this low-cost tool.

The National Plan for Financial Education of Peru, led by the Ministry of Education (MINEDU) and the Superintendence of Banking, Insurance and Private Pension Funds (SBS) uses an approach based on simple rules. The SBS has prepared financial education materials with concrete messages and rules that are easy to apply. These “golden rules” have been incorporated in participant guides. Interestingly, the approach is also used to slow-down certain decisions. For example, cards have been produced to share short messages aiming to induce reflection and prevent unnecessary expenditures (Should I buy it?) or borrowing money from friends (Can you lend me money?).

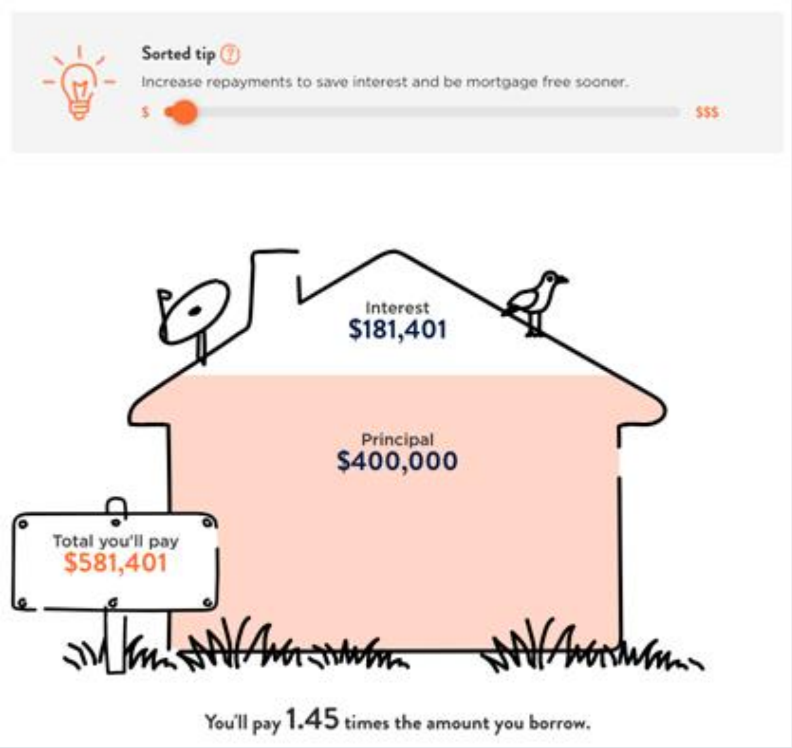
Think about the framing

The way in which information is presented, and the words and images used can be described as the ‘framing’, and it has been shown that this framing can affect the decision making of the learner. Attribute framing, for example, involves influencing people’s judgment of an object or event by describing it in a positive or a negative manner, while its objective value remains constant. The object or event will be evaluated more favourably when presented in a positive frame than when presented more negatively.

The Commodity Futures Trading Commission of United States ran a survey in 2014 among pre-retirement investors to understand which fraud prevention messages appeal to investors. The study found that it was necessary to validate investors’ pride as responsible, competent, and independent as the initial inroad for communication. Messaging should be framed to embrace the positive aspects (e.g., how to better evaluate an opportunity) and not the negative (losing because of fraud).

Box 3. Website sliders using positive framing

New Zealand's Commission for Financial Capability (CFFC) has developed a trusted personal finance brand, Sorted, in order to reach the public with calls to action, information and tools. Aimed at a segment of the population that is disengaged with their finances, the Sorted programme promotes behavioural change and offers strategies to get ahead financially. The Sorted website uses sliders and graphics that allow users to see the impact of changing their mortgage repayments. To help users make choices with investing their retirement savings, comparison engines on the site have been designed with specific behavioural hierarchies to nudge users towards considering the most relevant criteria. Sorted workplace programmes and online learning sessions feature behavioural prompts and techniques for employee groups to leverage peer support and take tangible steps to improve their financial wellbeing.



https://sorted.org.nz/tools/mortgage-calculator

Make it relevant

Salience and anchoring effects can help in nudging the decision making of consumers in a desirable way.

The salience effect focuses the attention of an individual on the main significant aspects of a situation, which can then have a noticeable influence on choice. Even in the case of standardised content with a limited amount of simple text, research has shown the most relevant numbers prominently displayed and in the right order can have a large effect when consumers compare options (Lefevre and Chapman, 2017).

In UK, the Financial Conduct Authority (FCA) conducted several experiments to investigate the effects of disclosure interventions and reminders on investors' behaviours. In 2013, the FCA tested simple changes to seven features of the letter sent to consumers, encouraging them to claim redress due to product mis-selling. The results showed that using salient bullet points, simplifying the text, and including a sentence to emphasise the simplicity of the claims process produced the highest response rates. Combining a reminder letter and the salient bullet points increased response rate by over seven times compared to control. The paper proved the importance of experimenting with different treatments, as it is difficult to predict their impacts.

The anchoring effect considers that people are influenced by the first information available. It particularly affects decisions such as pricing. Once a customer has been given an initial price – or anchor – they tend to expect, or desire all future prices to be in the same range.

The Central Bank of Armenia has redesigned its financial education webpage and a comparison-shopping tool to reduce the time spent on comparing the terms of financial services proposed in the market to few minutes. The results are filtered from the least to the most expensive financial services based on their actual price (Annual Percentage Rate, Annual Percentage Yield, etc.), taking into account the preferences of consumers, as well as the most important terms and conditions proposed by financial institutions. Accordingly, consumers have the possibility to see all available offers matching their needs in one place and to choose the most appropriate one. This approach reduces the negative impacts of choice overload and procrastination, thus facilitating more effective decision-making.

2. Make financial education programmes as personalised as possible

Personalised programmes encourage greater commitment and loyalty as the information delivered is tailored to the learners needs. The programmes should be designed based on the way that people act in their real life. They should make it possible to identify personal needs and goals and make them concrete and actionable. The following approaches will help to make programmes more personalised.

Provide education at the "right" moment

Offering financial literacy or investor education at teachable moments or taking into account the life cycle helps to ensure relevance and prompt action. The information given should be useful, at the precise moment when people are making a financial decision regarding their life. For example, providing information about the risks and functions of a home loan to a first-time buyer, teaching children about savings accounts when they receive money for the first time or teaching micro entrepreneurs to choose and apply for a loan when they decide to expand their business.

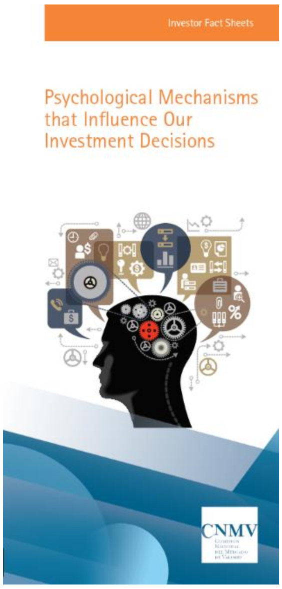
Raise awareness about personal biases

Designing tools that will help consumers understand themselves and the biases that are likely affect their decision may contribute to a better self-control and greater actions.

The Securities and Exchange Commission of Brazil (CVM) has been developing the "CVM Comportamental" educational series on behavioural biases since 2015. There are now three volumes describing selected biases that affect investments, savings and consumption decisions.

In Italy, CONSOB's new version of the investor education area on its institutional website currently explains the concepts of risk perception and risk tolerance, as well as some cognitive biases, tips to avoid mistakes and "mental traps" when investing. The organisation intends to provide tools (such as questionnaires and personalised feedback) for testing people's risk attitude, other behavioural traits (such as impulsivity and overconfidence), and the exposure to other biases.

The Comisión Nacional del Mercado de Valores (CNMV) in Spain has published information sheets and guides to educate investors about the factors influencing their behaviours, and the potential risks. The material has been based on the Commission's analysis of the prevalent biases among Spanish investors. In addition to desk research, CNMV has also examined data collected from reports on claims, questionnaires distributed to investors in events and face-to-face conversations with investors. The guidelines deliver clear messages, such as:



- ask all the questions you have, think thoroughly, and take the needed time to make an informed decision with no pressure;
- let the intermediary know about your investment knowledge, experience in the securities markets, financial situation, and investment objectives;
- keep track of your investments; and
- do not sign any documents without having all your questions answered.

It is important to recognise that such simple messages help consumers to identify positive behaviours, but they may need additional guidance to put the good intentions into practice.

Combine individualised counselling, goal setting and coaching for greater personalisation

Individualised counselling, goal setting, coaching and financial education make up a combination capable of overcoming behaviour change barriers, such as procrastination and forgetfulness. This combination acts more directly on behaviour change than on financial knowledge and represents the maximum degree of personalisation of an educational programme, because the information delivered is tailored to the learner's needs and financial situation, improving its salience. The experience in the US has shown that personalised counselling or mentoring and mobile games can reach students with information and encouragement o attend higher education. Near-peer coaching may also be helpful for increasing student's financial decision-making skills.

Remain in line with individuals mindsets

It can be very difficult to change a person's mindset; however, programme designers can take the consumer's current mindset into account to achieve behavioural change. Research from the Financial Services Authority of Japan (FSA) and in the UK have shown that the mindset of individuals is a crucial factor for a financial change. The FSA research suggested that someone with a positive mindset toward finance tends to have more favourable outcomes after receiving financial literacy training, while feelings of fear about financial or economic matters (probably due to biased past information) are likely to neutralise the impact of financial education. The questionnaire and indexes are interesting tools to help instructors to know upfront whether the audience mindset is positive or negative.

The qualitative study from MAPS in the UK showed that mindset is important as it defines the extent to which people are driven to develop and apply the needed skills and knowledge. In other words, people intuitively are aware of the desirable financial behaviours and the consequences of bad financial decisions, but they lack the motivation, resilience, or confidence to take active control of the finances, adopt new behaviours, or make decisions about their money.

Create connection with audience and trust through sociocultural elements and stories

Everyone stands to benefit from a tailored approach that capitalises upon cultural dimensions and creates a learning community. Sociocultural beliefs and values often override how individuals receive and process information, affecting their financial decisions on vital topics such as housing, food, and health. Consequently, educators should not only reflect them in educational materials (in terms of participants' life situations, habits, language, etc.), but also use them to emphasise similarities among learners and promote a critical perspective about the influence of culture on financial decisions. Pre-programme data gathering on the target audience's financial knowledge, habits, and gaps is valuable in this regard, to avoid making assumptions.

Instructors and participants can build mutual trust and a comfortable learning environment in different ways, depending on social norms. In many situations, encouraging participants to tell their personal stories, using art expressions, and creating connections (e.g., sharing food during session intervals) can be beneficial. At the same time it is important to note that it is often culturally taboo to discuss money issues in public, an important reminder that smarter financial education takes into account the specific characteristics of the target group. Appropriate actions enable the learners to create educational content based on their experiences, as well as generate a support network inside and outside the programme. Collective financial learning will thus become one more aspect of the daily community life.

3. Go beyond information - design programmes that help people take actions

Research has shown that only providing knowledge and information is not enough. The way a financial education programme is delivered also matters. It should be more interactive, straightforward and direct learners towards conscious reflection and actions. The following techniques can help to promote action taking.

Design tools to encourage better self-control

Adding binding or commitment techniques can help to overcome the lack of self-control and avoid over-spending and borrowing. Financial literacy programmes can teach and test commitment techniques, such as self-imposing personal credit limits (e.g., reducing them or refusing limit increases when offered) and cooling-off intervals before any purchase, as well as replacing credit cards by debit cards.

It is generally easier for people to maintain self-control by avoiding temptation in the first place. Thus, financial literacy programmes could also focus on teaching practical tips, such as switching off notifications or deleting subscriptions to offers from various shops to avoid unnecessary or compulsive purchases.

In 2017, Consumer Financial Protection Bureau of the United States tested different approaches in the research on spending management and found that real-time spending feedback and budgeting tools would be useful. Consumers reported that the tested tools helped them to curb impulse spending, alleviate their worries about uncertainty, make budgeting easier, and close the gap between their intentions to follow a budget and their real-time spending decisions.

Teach good "mental accounting" techniques

Mental accounting describes how consumers tend to label money according to how they intend to use it, and behave differently with their different types of "accounts". It is not considered to be a rational behaviour because in reality money that is put aside for one purpose can still be used for some other purpose. However, financial education can build on the tendency by teaching good mental accounting techniques that help consumers take positive actions regarding budgeting, spending and saving. For example programmes can include techniques and hints to control over-spending such as opening two different accounts to keep money for fixed expenses and for other expenses or opening different saving accounts for different goals. In some situations, it may also be appropriate to teach people to recognise when it may be in their best interest to ignore their mental accounting, such as drawing on savings in an emergency rather than relying on high-cost credit. This will very much depend on the ultimate goal of the programme.

Promote immediate practice of skills learned

Designing programmes that allow people to practice the skills learned immediately will promote the use of the same skills in real life. For example, game-based learning offers promising tools to engage learners and drive good financial habits, such as saving. Individuals can play games online and without teachers, so dissemination cost is low, although it may be beneficial for learners to have the opportunity to discuss any issues or challenges they faced in the game environment with a trainer or facilitator. As well-designed gaming tools can provide an entertaining and encouraging frame within which financial concepts and behaviours can be tested and experienced, they are potentially capable of engaging learners for long periods and enhancing financial self-efficacy. These tools also allow organisations to collect data from learners' game movements and develop a set of analytics on their decision-making and performance (taking into account concerns about data confidentiality, and the resources required to manage and analyse the resulting large datasets). These insights can be applied to further game improvement and new educational materials, as well as used to inform supporting classroom activities and encourage self-reflection among learners.

The principles of gamification can also be used in financial education programmes. For examples, personal finance apps can utilise gamification elements (e.g., badges, challenges, quizzes) that take advantage of behavioural biases such as loss aversion and mental accounting to stimulate savings.

The Financial Services Authority of Denmark has designed "The Banking Game", a tool based on gamification to empower and motivate consumers to behave more actively in the financial market and in their negotiations with banks. The game applies tools and principles such as segmenting information, goal setting, progress tracking, appraising messages, and in-game prizes in the form of the 'badges' to incentivise the user to read information and fill out forms.

CONSOB is also developing with the University of Trento (Italy) an interactive game on investment choices and cognitive biases, based on a learning-by-doing approach.

4. Consider using digital channels to facilitate the application of behavioural insights

Behavioural insights promote the use of innovative, entertaining and easily accessible approaches for financial education and recognise that delivering financial education through digital channels may present several advantages for achieving financial education outcomes.

It is easier to deliver behaviourally informed interventions through digital means

Websites, mobile applications or other digital gadgets more easily allow the design of behaviourally informed interventions that will neutralise and limit the negative impact of biases on financial decision-making. The use of technological functions make it possible to implement arrangements to nudge consumers into specific action (e.g. through automated reminders to save or pay back a loan) and enhancing opportunities for financial behaviour changes (e.g. through virtual price/product/offer comparison and just-in time reminders at the point of sale or immediately after).

Digital channels are easily accessible, attractive and potentially entertaining

Websites and mobile applications are available in most parts of the world and are easily accessible, informative tools to get and facilitate the comparison of financial information. Thus, they can be less expensive and easily reachable tools for policy makers to deliver financial education to a wide range of target groups. They can also provide long-distance learning opportunities particularly amongst vulnerable, isolated and potentially excluded populations as they offer the possibility of tailoring delivery to be more accessible to those with limited language or numeracy skills, disabilities or time constraints.

The Australian Securities and Investments Commission (ASIC) has designed MoneySmart Financial Advice Toolkit, which is web-based tool. It is designed with an evidence-based approach that aimed to understand investor behaviour. The objective of the tool is to empower investors participating in the financial advice process by providing a step-by-step guide to help them understand the end to end process, to prepare to meet an adviser, also to understand and challenge the advice they receive. An evidence base was established through the use of consumer research, including developmental research using focus groups to explore:

- factors that prevent consumers from seeking formal financial advice;
- attitudes to financial advice; and
- factors affecting consumer confidence.

During the development phase, multiple prototype toolkits went through one-on-one user testing with a range of investors. The tests showed that mobile apps were not the most appropriate medium, as the toolkit was designed to be used at different points in the advice process and investors felt the tasks involved in the toolkit were better suited to a computer/desktop than an app.

The ASIC MoneySmart Cars mobile app is also based on behavioural insights. ASIC’s behavioural approach was applied across research, testing, development and promotion.

The regulator commissioned a qualitative research study to understand the experience of consumers who bought add-on insurance products when buying a vehicle through a dealership. The analysis produced insights on how the sales process plays on the cognitive biases of consumers and influences their decisions to purchase add-on insurance products. ASIC also conducted three phases of research for the app development, all with people who were actively seeking to buy a car in the next six months. The first phase consisted of testing the concept with focus groups with a mix of genders and ages. The second and third phases comprised alpha and beta version user testing, respectively, by means of face-to-face interviews with participants using the app on a smartphone. The combined research showed that supply-side measures were required over demand-side ones and that the only relevant time to try to reach consumers via an app might be at the point of time when they are shopping around and gathering information and to only focus on things that could be influenced at that particular stage. It is too late once the consumer is in the shop because an app cannot readily compete with the psychological sales techniques used by professional sales staff in that environment. Therefore, the app has been aimed and promoted at consumers when they are searching for information online. ASIC is continuously monitoring and evaluating the app through analytics such as analysing every selection users make within the app), and plans to use those insights to inform future versions.

Ontario (Canada) Security Commission's newly redesigned and mobile-friendly website (GetSmarterAboutMoney.ca), provides investors with unbiased information and interactive resources to help them make informed investment decisions. During the redesign, the OSC used behavioural insights to better understand what influences people's online behaviours, how they consume information and make decisions. The screen effect can be an important influence on the way that people process information, especially given that there is often a visual bias impact upon their decision-making. Throughout the redesign consideration was given to the visual influences such as design and layout, colour and brightness, ease of navigation and choice to achieve the optimal outcome of investor engagement with the potential to steer investors towards more appropriate educational tools and resources in a timely manner. Similar behavioural insights were applied in developing a new interactive website (investmentreporting.ca) to help investors navigate their new annual reports on investment performance and the cost of advice. An interactive tool that includes the ability to simulate the effect of fees and costs on the investor's account performance was included to prompt investors to ask questions of their financial advisors.

5. Consider using existing behavioural frameworks to design behaviourally informed programmes

The scientific community is continuously developing conceptual models and carrying out exploratory studies that can provide useful tools and evidence for policy makers to apply behavioural insights. Policy makers can apply existing models and frameworks, which have been designed based on the scientific findings. At the same time, the models and frameworks are intended to be practical tools to develop financial education initiatives to promote a behavioural change.

Policy makers can use the principles of the frameworks without having any deep knowledge and understanding of behavioural science. Gaining knowledge about the existing models and frameworks and using as guidance for the enhancement of investor education and financial capabilities could potentially improve the value of financial education programmes as well as more efficiently impacting the attitude and behaviours of participants.

Box 4. Examples of behavioural frameworks

MINDSPACE is a mnemonic that lists 9 influences on human behaviour and change (Messenger, Incentives, Norms, Defaults, Salience, Priming, Affect, Commitments and Ego). The first influence, for example, states that people are heavily influenced by who delivers information – i.e. the messenger. MINDSPACE can aid the application of behavioural science to the policymaking process. It is a checklist of influences on the behaviour of people for use when making policy. It does not replace the existing policy tools, but helps policy-makers understand the behavioural dimension of their actions in three ways:

- Enhance: current policies' effectiveness in terms of behaviour change can be improved using insights from MINDSPACE.
- Introduce: MINDSPACE provides policy-makers new elements or remind them of overlooked aspects.
- Reassess: government actions might cause unintended "collateral behaviours" and the framework enables policy-makers to analyse the outcome spectrum rigorously.

A complete description of the framework and its application in 3 areas of policy can be downloaded at http://www.instituteforgovernment.org.uk/publications/mindspace.

EAST is a simpler development of MINDSPACE, created by the Behavioural Insights Team in the UK, that consists of 4 principles (Easy, Attractive, Social and Timely) for generating and applying BI. This framework is particularly useful for designing interventions. It is considered to be an accessible, simple way to make more effective and efficient policy.

The full report can be found at http://www.behaviouralinsights.co.uk/publications/east-four-simple-ways-to-apply-behavioural-insights/.

In Peru, SBS applied the behavioural framework EAST to the design of two financial education programmes: Finanzas en el Cole (finances in school) and Finanzas para Ti (Finances for you). The first initiative has trained teachers since 2007 to deliver financial education to secondary school students. The second programme was created in 2010 and is directed at the workplace, for employees interested in receiving training in personal and family finances. The EAST framework guided both programmes' approaches. The initiatives use clear language, simple concepts, and short messages to facilitate comprehension ("Make it Easy", in EAST terms). Edutainment elements, such as comics and videos, help participants find the information delivered entertaining and familiar ("Make it Attractive"). The "Make it Social" EAST component is also applied, as Finanzas en el Cole also involves the community around the school to provide support by proposing activities that generate income, for example. Finanzas para Ti also makes use of social resources as the dramatic relief technique, where participants are encouraged to describe their successful behaviour change stories to inspire others. Finanzas en el Cole can be considered to be a programme delivered at a teachable moment, since many high-school students will move into the labour market ("Make it Timely"). The SBS's financial education programme for schools reported an increase in student's knowledge about the financial system (general indicator up by 30% at the end of the programme for participants) and better management of resources (general indicator 18% higher). As a result of the workplace initiative, participants improved financial habits such as saving, budgeting, and reduced credit card usage.

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Annex: Approaches recommended in the IOSCO/OECD Joint Report

The IOSCO/OECD Joint Report on 'The Application of Behavioural Insights to Financial Literacy and Investor Education Programmes and Initiatives' highlights eight conclusions for policy makers. These are important to take into account when applying the lessons described above.

1. Establish a concrete understanding of the problem.

This first step of policy-making is crucial to achieving an effective solution while avoiding action bias which may often be present when facing ambiguous situations. Organisations should resist designing the solution or jumping to execution before carefully assessing the problem confronted by consumers or investors. Whenever possible, quantitative and qualitative analysis should be carried out to understand current experiences, detect the main biases affecting the financial decisions under study, and identify where behavioural insights' applications make sense. Defining precisely the behaviour changes to be attained is crucial.

2. Design the intervention taking the context into account.

Policy-makers should be aware of all the processes and people involved in the situation being studied (potential participants, staff, advisors, managers, etc.), as they can provide valuable insights and help to refrain from designing burdensome interventions. It is important to avoid assumptions about behavioural responses to particular actions or interventions, especially due to the intention-behaviour gap. When considering a replication or an adaptation of a previous application, practitioners should carefully examine its context, methodology, scope, evidence of impact, and limitations, and take into account the needs of the intended audience.

3. Start small

Even after careful analysis and design, applying behavioural insights in the real world is complex as the success of an intervention may be changed or compromised by uncontrolled or overlooked factors. For new programmes, it is therefore advisable to perform small-scale field tests to gather feedback and make adjustments. Whenever possible, different ways of testing should be explored: one-on-one, multiple prototypes, A/B testing, etc. After the pilot stage, policy-makers should continue to listen to participants and service staff, because new and different issues arise as projects scale up.

4. Evaluate rigorously

Ideally, interventions need to be evaluated experimentally (e.g., randomised control trials), or at least quasi-experimentally against a control group, to identify their impact on behavioural responses accurately. Where an initiative is designed to be of wide-ranging benefit, it is important to test and assess responses of the intended target groups, possibly across geographical areas, in order to provide accurate and usable evidence. The evaluation process should be designed alongside the programme and carried out continuously. Evaluators should consider using established survey instruments and outcome indicators such as those developed by the OECD and the World Bank to facilitate international comparisons and future meta-analyses.

5. Interact, learn, and keep track

The field of behavioural science is relatively new, especially in terms of its application to financial literacy and investor education. Organisations should seek to accumulate knowledge and experience through the available literature, partnerships, networks, events, and other institutions that have already used behavioural insights in their efforts. Ideas for behavioural applications and initiatives, and the results of evaluations should be shared within the organisation. When data and evidence are collected to inform behavioural interventions, consideration should also be made to sharing these with universities and research centres for additional analyses to further develop scientific understanding. Once successful approaches have been identified, practitioners should build an evidence base matching situations that pose considerable risks of undesirable outcomes for consumers and investors with tried and tested solutions that work to reduce such risks. During the implementation phase, it is important to identify stakeholders who can help to scale the educational message or build trust and credibility with the target audience.

6. Create thought leadership

Before starting to work with behavioural insights, review published white papers and reports on the prevalent biases, the available frameworks, and the behavioural remedies that are already being applied to inform national stakeholders; develop understanding; and encourage acceptance of new approaches to supporting consumers and investors. This document is intended to add to the thought leadership, providing all government agencies and financial market providers with up-to-date information about the benefits of employing behavioural insights.

7. Consider combining traditional approaches and those based on behavioural insights

Applications of behavioural sciences (e.g., nudges) may be considered a complement to, rather than a substitute for, traditional delivery models of investor education and financial literacy. Programmes that combine behavioural insights and cognitive-based approaches may be able to reach further into both automatic (1) and analytical (2) mental systems, being thus more capable of attaining behaviour change. Similarly, since behaviourally informed regulation may not be enough to solve critical public policy problems, regulators may wish to consider it as a supplement to other or stronger interventions, such as taxes, bans, subsidies, and educational campaigns.

8. Review programmes/initiatives regularly

Existing educational methods, means, services, and materials should be reassessed through a behavioural insights lens, as they might be actually working against the grain of human behaviour and thus using valuable resources whilst making little or no impact. It is important to examine all components of a policy or initiative critically and re-examine regularly, taking into account even the most embedded components. Evaluation naturally plays a key role in the review process.

http://www.oecd.org/finance/financial-education/