EDUCACIÓN FINANCIERA COM
PSICOLOGIA ECONOMICA/ECONOMIA COMPORTAMENTAL

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- necessary combination of forces

The Fab 5

psychological insights

+

financial education (policy-making)

+

consumer protection

+

regulation, supervision, disclosure (informed by psychological insights)**, sanction** (when necessary)

+

choice architecture*

vértice PSI

*CHOICE ARCHITECTURE

1. make way for the new behaviour / habit

- remove obstacles so it may occur 'naturally'
    - f.i., identify why keeping track of financial life proves to be so difficult
        - *it doesn't work when one tries to use the computer to do it?*
            - *then try the mobile, or even the old notebook…*

CHOICE ARCHITECTURE

2. actively encourage the new behaviour / habit

- offer rewards – even to yourself!
- use reminders
- arrange with other people – friends, family, co-workers – to help monitor you

 x 

beware of over optimism and self-confidence – *don't be so sure that you'll be able to do tomorrow what is so hard to do right now…*

CHOICE ARCHITECTURE

- **small changes** in the context may bring on relevant changes in behaviour

  - f.i., best option comes first
    automatic enrolment with opt-out

- **reduce mental overload** → and save it for major decisions

- make **decision making easier** and add more chance of avoiding mistakes and making **better choices**

Detailed Recommendations

Considering the actual work

Design of programs

- **Initial Data Collection**

  - successful experiences at home and abroad

  - failures → learning about the traps in order to avoid them

  - conferences, symposia, workshops to exchange experience

Considering the actual work

Design of programs

- **Target population** – survey first
  - size
  - identity
  - segmentation
  - what they want, need and how they wish to get it
  - specific challenges
  - most vulnerable

Considering the actual work

Design of programs

➢ **Target population**

- **criteria** for defining it
  - vulnerability
  - social / national / scientific relevancy
  - potential partnership
  - *low-hanging fruit*

Considering the actual work

Design of programs

- **Preferential** target population – **schools**

  - children and youths learn more easily

  - may use their newly acquired knowledge and create new habits from the beginning of their financial lives

  - spill-over effect

Considering the actual work

Design of programs

- **Target population**

But... **Adults** may not be able to wait!

- is it possible to reach everyone?

- all at once?

- how?

Considering the actual work

Design of programs

- **Target** population – the most **vulnerable**
  - young people
  - women
  - retirees
  - public servants, military, pensioners
  - rural population
  - **in Colombia?**

Considering the actual work

Design of programs

- **Training trainers**

  - **peers**, whenever possible

  - criteria for selection

    - comfortable with own financial life
    - sense of ethics and citizenship
    - able to relate to others easily

Considering the actual work

Design of programs

- **Training trainers**

  - Live or online?
  - Gradual or all at once?
  - Using a manual?
  - Upon feedback as it goes?
  - Supervised by specialists?

Considering the actual work

Design of programs

- **Training trainers**

  - Handbook?
  - Checklists?
  - Is money a problem or taboo?

- This is key for the success of any initiative!

→ better not save money on it!

Considering the actual work

Design of programs

- **'Dream team'**
  - enough members
  - it can start small, but grow as necessary
  - multidisciplinary
  - permanent training and recycling

Considering the actual work

Design of programs

- **'Dream team'**

  - exchanges with national and international teams

  - observation, studying, reporting

  - supervising, mentoring and training new members and teams

  - non-judgemental over target's choices and behaviours

Considering the actual work

Design of programs

- **'Dream team'** → areas
  - education
  - finance and economics
  - psychology / behaviour scientist
  - policy-making
  - law and consumer protection
  - communication / marketing
  - civil workers
  - information technology / statistics / Big Data specialists
  - anthropology

Considering the actual work

Design of programs

- **Dissemination**

  - best routes to spread the word?

  - how to dispute people's attention?

    - and for a subject that not all enjoy…

  - best strategies to communicate and reach the target?

    - different segments

  - important to find the right tone and style for each group

Considering the actual work

Design of programs

- **Funding**

  - when to seek it?
  - who will be in charge?
  - public?
  - private?
  - academic?
  - international?
  - counterpart?

Considering the actual work

Design of programs

- **Funding**

  - what kind of calculations involved?
    - long / medium / short term?
    - is there a 'plan B', in case it overflows original ceiling?
  - have all items been accounted for?

Considering the actual work

Design of programs

- **Funding**

  - how much for the pilot?

    - beware of 'not dying on the beach'…

  - are excessive optimism and overconfidence under control? 😉

Considering the actual work

Design of programs

- **Partnerships**

  - trustworthy intermediates
  - influential
  - indicate potential benefits – data, evidence
  - tailor-made for partners?
  - long term or shorter?
  - to work or to disseminate?

Considering the actual work

Design of programs

- **Method and strategies**
  - short / medium / long term
  - after diagnosis and hypotheses
  - are they feasible?
  - is there a bench-mark to reach?
  - **indicators**
  - method – **after** the goals have been set

Considering the actual work

Design of programs

- **Method and strategies**

- People learn in different ways → different channels

  - radio
  - TV
  - social media
  - websites
  - apps

Considering the actual work

Design of programs

- **Method and strategies**

- People learn in different ways → different channels

  - **testimonies**
    - video
    - audio
    - live

  - stories / narratives (characters and plot close to their reality)

Considering the actual work

Design of programs

- **Method and strategies**

- People learn in different ways → different channels

  - soap operas / short videos
  - podcasts
  - songs – *cumbia*?
  - jingles
  - comic books / printed material

Considering the actual work

Design of programs

- **Method and strategies**

- People learn in different ways → different channels

  - messages / SMS
  - games
    - role-playing
    - board
    - electronic
    - quizzes

Considering the actual work

Design of programs

- **Method and strategies**

- People learn in different ways → different channels

  - work place
  - screens at public places
  - celebrities
  - *edutainment* / contests
  - **use existing capillarity**

Considering the actual work

Design of programs

- **Method and strategies**

- People learn in different ways → different channels

  - civic events
  - registration day
  - vaccination day
  - wherever there are crowds – parks, festivities
  - ***learning opportunities***

Considering the actual work

Design of programs

➢ **Method and strategies**

- People learn in different ways → different channels

  - interactive exhibits
  - besides Global Money Week, also:
    - *dia del ahorro*
    - *dia de pagar deudas*
    - *dia de ahorrar para jubilación*

Considering the actual work

Design of programs

- **Method and strategies**

- People learn in different ways → different channels

  - **life events**

    - before wedding / divorce
    - pregnancy / university
    - real estate purchase
    - unemployment / prior to retirement

Considering the actual work

Design of programs

- **Method and strategies**

- **Scale**
  - short / medium / large / mass
- **Delivery**
  - pace
  - risk of obsolescence

- **Consumer complaint database is a gold mine!**

Considering the actual work

Design of programs

- **Method and strategies**

- Caution

  - realistic
  - connected to real life situations for each segment
  - ***as if for 11-year-old***
  - as simple, easy, fast – and engaging – as possible
  - *System 1* is the target

Considering the actual work

Design of programs

- **Method and strategies**

 - Caution

 - how messages are written, formatted and delivered

 - amount of information

 - active learning – repetitions, engagement

 - relevant moments

 - one topic a time

Considering the actual work

Design of programs

- ***chunking***

    - one topic at a time

        - repeat, repeat, repeat

        - build self-confidence → feeling of capability, before moving on to the next step

    - but… – public cannot be lost in the process! (test it in pilot)

Considering the actual work

Design of programs

- **Monitoring and evaluation**

  - subjective answers → self-reported
  → intention-action gap

  - RCT-Random Controlled Trial

  - longitudinal studies

  - costs

Considering the actual work

Design of programs

- **Monitoring and evaluation**

  - whenever possible, **sample** → **pilot**

    - experimental vs. control / focus groups / survey

    - lower cost + more reliable

    - after analysing results, reproduce what has worked best in mass scale

Considering the actual work

Design of programs

- Monitoring and evaluation

  - more **sophisticated** → follow behaviour across time

    - problems with logistics, permissions etc.

    - higher costs

Considering the actual work

MAS-Money Advice Service (UK) indicators

- awareness
- engagement
- use
- actions
- habits
- capability

Evaluation

‘DO’S’

1. plan it ahead √
2. define indicators √
3. multidisciplinary team √
4. analyse carefully √

‘DON’T’S’

1. (only) self-reported answers → biases!!! √
2. skip baseline survey √
3. drop it aside afterwards… √
4. expect to learn ALL from it √

BUT ONE THING IS FOR SURE: IN ORDER TO ACHIEVE EFFECTIVE BEHAVIOURAL CHANGE…

…different strategies must be devised to move beyond the simple presentation of technical information and advice

To change behaviour, consider, f.i.:

- Offering as complete and immediate feedback as possible

- Imitation, examples, identification, contagion
  (in mass situation)

- Insisting/persevering on messages

To change behaviour, consider, f.i.:

- Incentives and in some cases, reminders of potential losses (people have loss aversion!)

- Discuss precautionary measures – insurance, pension plans, emergency savings

- Making consequences more visible and palpable

To change behaviour, consider, f.i.:

- Take the debate around financial education to social media
  - different age groups
  - intergenerational discussions
  - interregional exchanges
  - sharing experiences

To change behaviour, consider, f.i.:

- **Naturalize the topic**

  - Increase visibility of financial education and behavior in different contexts, situations, groups

- so it becomes part of everyday life

- ‘GOOD’ HERDING BEHAVIOUR!

To change behaviour, consider, f.i.:

- System 1 loves:
  - stories, characters, testimonies
  - quizzes, games, challenges, fun
  - real stories with real people
  - easy stuff…

To change behaviour, consider, f.i.:

BUT – there is **never any guarantee**!

Better expect several relapses...

→ **Constant need for careful monitoring permanently**

Financial education programs must address human **actual** condition

impulses / emotions / the hot self / groups (herding is powerful!) / the **automatic mental system**

when their goal is to change behaviour towards greater financial capability

FINANCIAL EDUCATION + ECONOMIC PSYCHOLOGY:
'DO'S'

1. clear language √

2. examples, characters, **narratives** √

3. different delivery **channels** √

4. relevant, tailor-made and timely info on the *psychology* of **economic behaviour** and **decision-making** √

5. warnings against **fraud** √

FINANCIAL EDUCATION + ECONOMIC PSYCHOLOGY:
'DO'S'

6. careful **maintenance** and constant updating √

7. checklists √

8. multidisciplinary approach √

9. exchange experience √

10. specific formatting for **different segments** √

FINANCIAL EDUCATION + ECONOMIC PSYCHOLOGY: 'DO'S'

11. good timing – **learning opportunities** √

12. coherence and articulation with all stakeholders √

13. ***crowdsourcing*** * – among target audience √

14. internet, **social media** √

15. choice architecture √

vértice PSI

FINANCIAL EDUCATION + ECONOMIC PSYCHOLOGY:
'DO'S'

16. '*MANTRA*': KEEP IT SIMPLE √

→ if you can find a nice catchy **motto***,
that will be super too!!! √

***** in Portugal, ***"Todos Contam"***

FINANCIAL EDUCATION + ECONOMIC PSYCHOLOGY:
'DON'T'S'

1. getting carried away with **technical terms** and abstractions ⊗

2. too much information and/or options ⊗

3. not enough funding* ⊗

*****sometimes, starting anyhow is the only way...

4. fail to train **trainers** ⊗

FINANCIAL EDUCATION + ECONOMIC PSYCHOLOGY:
'DON'T'S'

5. 'loose' – i.e., **out of context** – recommendations and warnings ⊗

6. expect full grasping ⊗

7. '**one size fits all**' ⊗

8. obsolescence ⊗

Considering the actual work

Design of programs

- ***crowdsourcing***

  - **target population shares** experience, observations, suggestions, insights
  - **later** discussed and analysed by **specialists**

  → the result may become the foundations for development of **strategies and collective designing** of choice architecture

Considering the actual work

Design of programs

- ***crowdsourcing***
- **voluntary** participation → large number of people who share views and experience
- individuals, families, small and large groups
- collective construction of tools able to counter *systematic errors*
- useful concrete results → close to one's actual experience
- low cost

2 SPECIFICS

1

Financial Inclusion

Financial Education

Psychology Of Scarcity

Financial Inclusion and Psychology Of Scarcity

FINANCIAL INCLUSION SHOULD

NEVER COME BEFORE

FINANCIAL EDUCATION

WITH BEHAVIOURAL INSIGHTS

Financial Inclusion and Psychology Of Scarcity

- low income segment does **NOT** have more psychological limitations than any other

- we all have problems regarding:
  - self-control
  - mistakes in planning
  - forgetfulness and absent-mindedness
  - habits, usually stronger than intentions

Financial Inclusion and Psychology Of Scarcity

- low income segment:

FAR MORE *SYSTEM 1*

A LOT LESS *SYSTEM 2*

- **financial education** for this audience

→ more specific, precise, monitored

Financial Inclusion and Psychology Of Scarcity

- low income financial education challenges

- shall **saving for the future** be the focus?

- the future is so unpredictable…

- does it make sense trying to prepare for it?

- or should the **focus** be over better organizing **present** day life?

Financial Inclusion and Psychology Of Scarcity

- for the low income and unbanked, challenges tend to be even heavier

- they suffer from **scarcity** of **time** and **money**

- permanent pressure full time

- because there is never enough, constant need for trade-off thinking/calculating

Financial Inclusion and Psychology Of Scarcity

- permanent pressure over the mind full time

  - this condition may even reduce the IQ

  → proper thinking relies on the ability to concentrate and give thorough attention to details

  - it may also reduce the capacity for self control

Financial Inclusion and Psychology Of Scarcity

- constant pre-occupation uses up the working memory and depletes mental capacity

- and this is their 'starting point' / default mindset in most cases!

Financial Inclusion and Psychology Of Scarcity

- in this situation, they get distracted because there are just too many things to look after all the time

→ similar to using the mobile – or being drunk – while driving

→ it makes it impossible to absorb all the information

- **too many choices to make continuously**

Financial Inclusion and Psychology Of Scarcity

- focus must be kept on the present

→ or **immediate survival** may be at risk

- as a result, no time, energy or resources are left to consider the future

→ yes, they become experts in 'juggling'

→ but, in the long run, they will wind up **exhausted**, **depleted**, and missing relevant future opportunities

- financial education must be **extra tailor-made**

2

Financial Education

Fraud

The **big challenge**, as in all financial education, is:

- how do we get people to avoid scams, when necessary, at the right time?

    - and we return to financial education tailor-made strategies combined with psychological insights...

- each kind of scam may be addressed specifically, using the strategies we've seen before
    - videos
    - sketches
    - testimonies
    - catching potential victims 'in action' – fake scam page, social engineering quizzes etc.

‘DREAM TEAM’ MIXED TASKFORCE

1. **scammers**, hackers, swindlers “*There is always a way to manipulate someone by changing his/her perception of what reality might be*” (Kevin Mitnick, ex-hacker)
2. **victims**
3. behaviour specialists
4. communication and marketing specialists
5. lawyers
6. financial market professionals
7. fraud specialists