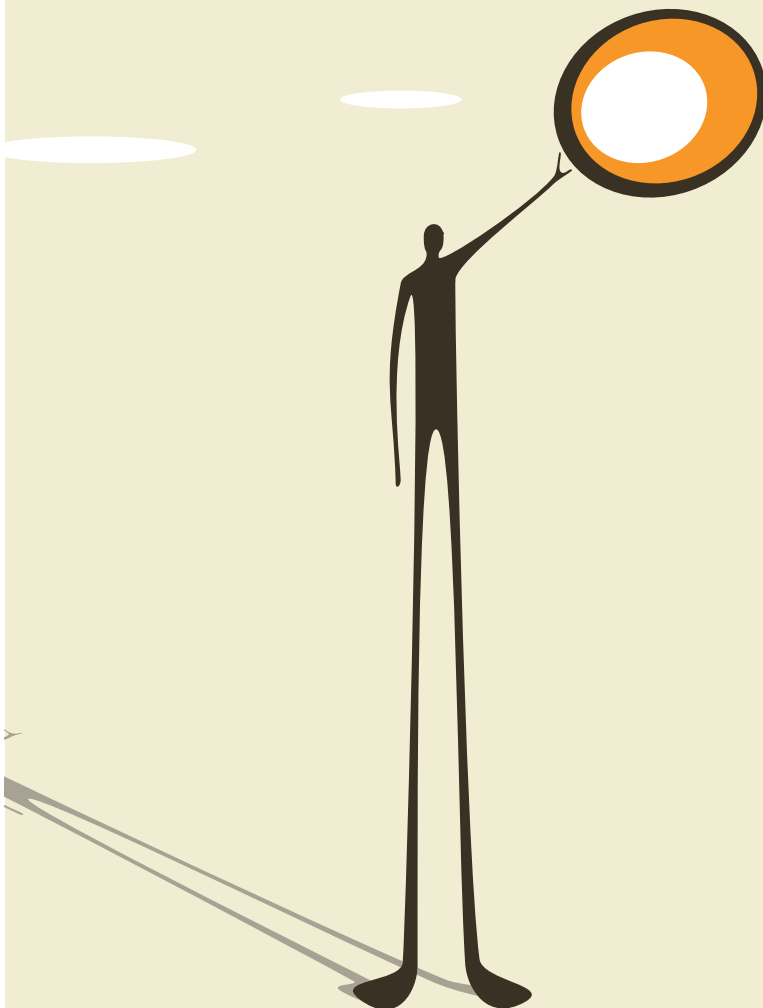


FRANCIS McGEE explores the essential actions needed now to maximise the reach of a financial capability programme.

beyond the catalyst



“ In recent years, helping Britons manage money more successfully has finally become a shared priority for regulators, politicians, educational and advice charities, as well as many in the industry. We’ve seen great progress, spearheaded by the Treasury and the Financial Services Authority (FSA) through the National Strategy for Financial Capability, their commitment to financial education in schools, and their promotion of generic financial advice.

As we look back on the financial crisis, as the recession and its aftermath cut deep into people’s lives, and as we debate what to preserve and what to cut to address our fiscal challenges, it is timely to look at what the next stage of our national financial capability agenda might look like.

Financial capability is about building skills that will enable people to cope with the ups and downs of life, and is therefore fundamental to building a more resilient economy. But to earn its place as a priority for policymakers in challenging times, we need to think how the agenda can be delivered with ever greater efficiency and effectiveness.

Firstly, we must connect the short-term help we offer people now with longer term action. The financial crisis and the recession have exposed the vulnerability of many people to financial shocks. Most people agree that weak financial capability has played a part in this, via poor spending, borrowing and budgeting habits. It would be a shame if we did not learn the lessons from this downturn to equip people against the next, and to change behaviour as we start on the road to recovery.

However, it also requires an explanation of what happened in the financial crisis. That is key to persuading them that there are things they can do to regain some kind of control. 'Doing something' may not mean buying something or taking regulated advice. Today may be about survival and stabilisation. But at some stage in the recovery, it will mean many people choosing to use financial products and services that they previously chose not to use.

So the second point is that in designing and measuring our financial capability programmes in future, we need to focus on the actions people take as a result. Financial capability must be a catalyst for encouraging better habits and behaviours, as well as a source of counsel, information and guidance.

Third, we should develop the idea of 'lifelong financial capability'. This means a close integration of financial capability interventions at different life stages, connecting schools work, work with young people, work with people facing marriage, parenthood, divorce and bereavement. It will involve work with employers to reach people in jobs, those who might be losing their jobs, and those in the run up to retirement and in later life.

People should see a seamless network of services – what you might call a 'lifelong financial capability' experience. This means explicitly organising programmes to maximise reach and efficiency by:

- making sure service users go away knowing there are other services that might be useful to them at other times in their lives;
- making sure users leave with the thought that there are services that might be useful to their friends and families who are facing different life events now;
- making sure that messages relating to the life stage at hand don't exclude messages about preparing and planning for the future.

My fourth suggestion is to boost efforts to explain how financial capability work, including MoneyMadedeclear's generic advice, complements professional regulated advice.

Recent remarks by some stakeholders indicate a belief that generic advice is a sufficient service for many people's needs. I don't agree. I see the promotion of regulated professional advice as an essential complement to generic advice.

A great deal of effort has been spent debating what labels should attach to different advisers under the RDR, but not enough effort has gone into explaining the key issues to a disengaged public. This involves mapping exactly how generic guidance and regulated advice complement one another, and what is the place of each service in people's lives.

Besides which, the two are substantively different. One of the Thoresen review's key principles was that the Money Guidance service should not be exempt from FSA regulation, but rather it should operate outside it. It could then exploit its full potential to help people without straying into regulated territory.

This sets deliberate limits to the scope of the generic advice service, in terms of how much it can say to people about products, especially mortgages, which they already have.

The FSA's skills in communication and engagement with trusted intermediaries should be harnessed to promote the distinctive capabilities of regulated advisers. Their educational responsibilities need to include explaining the different types of advisory services. This fits neatly with their recent reminder to regulated firms that their services often include generic advice for their customers.

Some stakeholders believe generic advice is sufficient for many people's needs. I don't agree. I see the promotion of regulated professional advice as an essential complement.

With this agenda for greater reach, more effective cross-over between programmes, stronger interaction with the industry, and measurement based on action, I believe that the funding for financial capability can win the case that it remain an on-going priority. That means part industry and part Government funding. I certainly believe in the proposed 50/50 nature of funding for generic advice. My concern is that efforts are made to ensure it does not become an increasing burden on the regulated industry, or the taxpayer. That would risk starting to undo the great work of the last few years."



Francis joined AEGON in July 2005 as Head of Corporate Affairs. His role is to lead AEGON's work on public policy issues, working with Government and the FSA. Francis devotes much of his time to AEGON's contribution to the Government's pensions reform programme, to the FSA's Retail Distribution Review, and to financial capability issues, including building on the success of Otto Thoresen's Generic Advice Review for HM Treasury. He is a member of the ABI Distribution and Regulation Committee and Deputy Chairman of IFA Promotion.