STRATEGY

FOR RETIREMENT AND FINANCIAL CAPABILITY

KNOWLEDGE, PLANNING, ACTION

2017-2019

MINISTRY FOR THE FAMILY
AND SOCIAL SOLIDARITY

Vision

"improving the personal financial capability of Maltese citizens during life-events and retirement to enable them to reach better informed financial decisions that fit their individual circumstances."

KNOWLEDGE, PLANNING, ACTION

Glossary

Foreword by Minister

This administration took significant steps in energising pension reform which following the initial flurry of the 2007 reforms had by end of the pervious administration's term in early 2013 become moribund.

Immediately on election of the Labour administration in March 2013 a Pension Strategy Group was set up. Its first report, presented in the summer of 2013, established the basic principles for the introduction of a third pension (first recommended in 2004 yet incomprehensibly no action was taken) to allow persons to invest in a private pension to complement their social security pension. The Ministry for Finance, building on this initial report, established the enabling legislative framework and private pension products were present on the market by late 2015.

The main report of the Strategy Group was presented to Government in June 2015. The report constituted a departure from previous reports. The Group moved away from proposing mandatory increases in retirement ages or mandatory introduction of a second pension as a means to compel people to remain longer in the labour force or to save for retirement. Rather the Group proposed a system of 'nudging' were persons are awarded through incentives to remain longer in the labour force and to save for retirement. In 2016 we saw the launch of the pension deferral incentive scheme that can see persons increase their pension income by more than 20% if they retire at the age of 65 years – currently piloted amongst private sector employers. In the recent budget the government announced incentives directed to incentivise employers to introduce voluntary pensions in their work place.

I must mention three major significant pension reform measures that this government introduced. Firstly, for the first time, the reform was not focused only on future generations. Rather, an underlying core of the reforms was that of increasing the social security pension for persons who are at risk of poverty. Secondly, aware of the gender bias of our pension system we significantly extended credits for child rearing and introduced credits for human capital. These add pension credits to women's contributory history which will result in a higher pension income - otherwise women may have significant gaps resulting in a lower social security pension. Thirdly, we removed income tax for pension income up to €13,000 – which covers the current Maximum Pensionable Income for persons born before 1961.

Important as these measures are, the government recognises that parametric reforms to the pension system constitute only one side of the pension reform conundrum. Such reforms, now and in the future, will ensure that the pension system remains sustainable and secures adequacy in retirement. The government, nevertheless, recognises that the pension system can never bridge the gap between pre-retirement income and the social security pension income in retirement.

To what extent does such a gap between pre-retirement and pension income in retirement constitute an issue? In its essence, the answer to this question rests with each individual or household: will our social security pension provide us with the quality of life we desire during retirement? Do we want to enjoy a quality of life in retirement similar to that we enjoyed during pre-retirement? Are we willing to have a reduced income today given that we no longer have to pay a mortgage or the children's education, to have a higher income in retirement?

The answer to such questions, however, demands that, at the first instance, we know the social security pension income that we will receive on retirement. Research carried out by pension reform groups and by local researchers suggests that most people either do not know what income they will receive from their social security pension when they retire or they actually over estimate the income from their pension. In either case, the individual or household may on retirement face a difficult financial situation at a time when they have little manoeuvrability to boost their savings for retirement.

Recognising the importance of retirement income and financial literacy knowledge, my Ministry together with the ministries for Finance and Education, accepted the recommendation of the Strategy Group that an ad hoc strategy targeting knowledge, planning and action should be put together. A multi-disciplinary team was set up and a draft Strategy was published for national consultation and discussion in 2016. The feedback from the consultation and discussion process shows a convergence of opinion on the need for a robust strategy on retirement and financial capability as well as on most of the core principles and initiatives proposed in the draft Strategy.

The feedback underscored one particular important point. It was stated that the Strategy should be re-positioned to give greater emphasis to financial capability – broadening the scope of Strategy beyond life event and retirement cycles and knowledge of the financial landscape to one that embraces the importance of financial capability as a social policy instrument against poverty.

Indeed, this Strategy document is re-dimensioned to shift the focus away from financial literacy in the direction of financial capability. A kernel of the re-dimensioning of the Strategy is the undertaking of trusted and independent knowledge, education and information to build and reinforce retirement and financial capability across Maltese society targeting to specific population and employment cohorts, including:

- Young Adults (20-34 year old).
- Female Young Adults (20-34 year old).
- Adults (35 year old to pre-retirement).
- Female Adults (35 year old to pre-retirement).
- Self Employed Persons.
- Adults (and families) in Low Income Employment or in a state of deprivation.
- Adults in Employment and not having their Social Security Contribution paid.
- Separated and Divorced Women.
- Older Women (60+) and Women in Widowhood.
- Single Mothers.

To propel the implementation of the Strategy, a Retirement and Financial Capability Group, composed of government and private industry stakeholders, is set up under the Pension Strategy Group. There is no doubt that the vision cannot be realised without the combined efforts of individuals, families, Government, local communities, financial service providers, employers, labour organisations, business, and non-governmental organisations.

I am confident that with the Retirement and Financial Capability Group working responsibly and closely with all stakeholders to strengthen retirement and financial capability amongst Maltese citizens we shall see positive results in the near future.

Michael Farrugia
Minister

Executive Summary

The Pension Strategy Group (PSG) in its 2015 June report and, subsequently, in its September 2015 post consultative report, emphasised that long-term successful impact of pension reform requires knowledge, education and information on retirement income and financial literacy that transcends the Maltese polity, from young children to retirees.

In October 2015, a multi-stakeholder working group, consisting of the Office of the Permanent Secretary, Ministry for the Family and Social Solidarity (MFSS), the Department for Social Security (DSS), the Department of Quality and Standards in Education (DQSE), the Malta Financial Services Authority (MFSA), and FinanceMalta (FM), was set up under the PSG to draw up a strategy on retirement income and financial literacy. The draft Strategy proposed the following thrusts:

- 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 among stakeholders involved in retirement income and financial literacy.

The feedback received during the consultation process shows a convergence of opinion on the need for a robust strategy on retirement and financial capability as well as on most of the core principles and initiatives proposed in the draft Strategy. During the consultative process different stakeholders stressed that the Strategy should give greater emphasis to the issue of vulnerable groups and retirement / financial management. The point was emphasised that, therefore, the Strategy should focus more on 'capability' rather than 'literacy'.

The importance of such approach is recognised and greater consideration is given to this notion. The Strategy is re-positioned to give greater weight to 'financial capability'. Whilst financial literacy would undoubtedly make people better qualified to manage their finances, it would be less likely to reduce financial susceptibility in vulnerable households if institutional barriers to beneficial financial products are not addressed. The concept of financial capability embraces financial literacy but also tackles the institutional handicaps burdening vulnerable households.

Definitions of 'financial capability' underscore 'knowledge and skills', 'planning ahead' and 'acting'. This emphasis on a person's ability to 'understand', 'assess', 'plan' and 'act' in their best interest reflects the central messages underpinning the Strategy – which are knowledge, planning, and action.

The Strategy positions financial capability in three dimensions. Firstly, financial capability is seen as a central social policy concern as lack of financial knowledge, ability, opportunity, and assets contribute to poverty and inequality. Vulnerable groups – teenagers, elderly, single mothers, and low income households – are likely to have an inadequate level of financial capability. Limited levels of financial knowledge and skills particularly impact vulnerable groups as the margin for error is minimal and a poor financial choice has serious consequences.

Secondly, as self-responsibility increases, particularly in planning for one's retirement, the need to improve levels of financial capability is apparent: people need to know how much and where to invest and / or save so that they are in a position to meet the quality of life they desire in retirement. Traditional economic theory holds that persons act rationally: they borrow when young, save in middle age and build wealth, and spend their savings in old age. This, however, is not the case. People do not act rationally when they come to plan long term. Indeed they are bad at saving for retirement and tend toward a "path of least resistance": they do what comes more easily and what happens automatically.

Thirdly, the way financial service providers present investment choices act as a barrier to saving, or may result in the average person making the wrong investment decisions. Financial market operators make extensive use of jargon and draft documents in a legalistic way. Disclosure requirements are in 'small print' that can run to dozens of pages. Too often these are incomprehensible to the average consumer. Faced with puzzling information, an average person is likely to be deterred from investing in financial products that could be useful to him. Knowledge of consumer rights and regulations is of paramount importance as it protects investors from unsafe financial products or unethical operators.

The Strategy will focus on the following actions:

Actions	
01	The central messages of the Strategy for Retirement and Financial Capability are '***knowledge***', '***planning***' and '***action***'.
02	The honeycomb and the honey bee, which, respectively, symbolise (i) growth, provision, nurturing, community, and organisation and (ii) hard work and productivity, constitute the motif of the Strategy and its implementation.
03	The vision is that of ***"improving the personal financial capability of Maltese citizens during life-events and retirement to enable them to reach better informed financial decisions that fit their individual circumstances."***
04	Financial capability is a **key life skill** for current and future generations. The Strategy sets out pathways to guide Maltese citizens to acquire the necessary financial capability behaviour in the following domains: o Managing debt. o Managing a daily budget. o Building a safety net. o Planning for the future. o Understanding the basics of the financial landscape. o Understanding basic consumer rights.
05	The Strategy covers the period 2017-2019 and will be annually monitored to calibrate it to reflect changing circumstances. The Strategy will be reviewed every three years, with the first review taking place in 2019.
06	Performance metrics will be introduced to evaluate the effectiveness of the Strategy and four weeks from the start of a new year an annual report on the implementation of the Strategy will be presented to the House of Representatives and its Social Affairs Committee.

07	The following recommendations presented in the draft Strategy under Thrust 1 titled '***Use of Educational Pathways to Promulgate Knowledge on Retirement Income and Financial Capability***' will be implemented: **2017** 01. Initiate drafting of the Retirement and Financial Capability Framework and reconcile it with the learning outcomes framework (LOF) of the National Curriculum. 02. Initiate work on a teaching resources portal. 03. Work with compulsory education to see how the Retirement and Financial Capability Framework can be implemented across Levels 8, 9 and 10 of secondary education; and work with stakeholders in higher and further education to create knowledge routes on retirement and financial capability 04. Work with interested stakeholders to put together a gamification portfolio. 05. Work with local communities, unions, employers and NGOs to design and deliver financial education programmes covering different life-cycle stages. 06. Discuss with stakeholders whether Malta should participate in the 2018 PISA survey and if yes initiate appropriate work. **2018** Continue work on initiatives 1 to 6 initiated in 2017. **2019** Continue work on initiatives 1 to 6 initiated in 2017.
08	In the application of trusted and independent knowledge, education and information to build and reinforce retirement and financial capability across Maltese society, communication messages will be segmented and targeted to specific population and employment cohorts. Communication strategies will be designed and implemented for: ○ Young Adults (20-34 year old). ○ Female Young Adults (20-34 year old). ○ Adults (35 year old to pre-retirement). ○ Female Adults (35 year old to pre-retirement). ○ Self Employed Persons. ○ Adults (and families) in Low Income Employment or in a state of deprivation. ○ Adults in Employment and not having their Social Security Contribution paid. ○ Separated and Divorced Women. ○ Older Women (60+) and Women in Widowhood. ○ Single Mothers.

09	The following recommendations presented in the draft Strategy under Thrust 2 titled - '***Trusted and Independent Information provider***' - will be implemented: **2017** 01. Establish a portal designed to provide official, trustworthy, motivating and accessible information. 02. Engage with stakeholders to ensure persons are aware of, and have access to, effective financial education, tools, information and assistance relating to the social security pension. 03. Work with stakeholders to establish a programme that ensures pensioners are aware of State benefits they are entitled to. 04. Work with DSS on developing and launching social security pension on-line tools and calculators. 05. Together with the Kunsill Malti initiate the drawing up of a compendium of Maltese terms for retirement and financial capability as well as communication messages in simple Maltese. **2018** Continue with the implementation of measures 1 to 5 above. **2019** Continue with the implementation of measures 1 to 5 above.
10	The following recommendations presented in the draft national Strategy under Thrust 3 – '***Work in partnerships to strengthen connections among all parties involved in retirement and financial capability***' - will be implemented: **2017** 01. Establish partnership relations with all local stakeholders. 02. Establish partnership relations with similar organisations overseas to tap into their experiences and knowledge base. **2018** Continue to build on actions 1 and 2 above. **2019** Continue to build on actions 1 and 2 above.
11	A Retirement and Financial Capability Group is established under the Pension Strategy Group with the mandate to coordinate and work with stakeholders to implement the actions presented in the Strategy.

APPR	Average Pension Replacement Rate
BOV	Bank of Valletta
CBM	Central Bank of Malta
DQSE	Department of Quality and Standards in Education
DSS	Department of Social Security
EU	European Union
ESF	European Social Fund
FM	FinanceMalta
HBS	Household Budgetary Survey
KNPD	National Commission for Persons with Disability
LOF	Learning Outcomes Framework
MATSEC	Matriculation Secondary Examination
MCAST	Malta College for Arts, Science and Technology
MFIN	Ministry for Finance
MFSA	Malta Financial Services Authority
MFSS	Ministry for the Family and Social Solidarity
MIA	Malta Insurance Association
MSE	Malta Stock Exchange
NGO	Non-Government Organisation
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
RFCG	Retirement and Financial Capability Group
UK	United Kingdom
UoM	University of Malta

Review of Feedback from the National Consultation and Discussion Process

Chapter 01

01.1 Introduction

As persons live longer and have a higher healthy life expectancy than pensioners a generation ago, the adequate level of income that the social security pension provides will, particularly in regard to persons in middle income, not suffice to allow them to lead the quality of life enjoyed in pre-retirement.

For the enjoyment of a quality of life during retirement equal to that enjoyed in pre-retirement persons have to save sufficiently enough during their life journey to provide for an income in retirement over and above that provided by the social security pension. They may also decide to boost their retirement income by remaining active in the labour market.

Research shows that reforms of pension systems are more likely to be successful if they are complemented by the inculcation of a culture of self-responsibility for retirement achieved by instilling an understanding of the importance of saving for retirement.

People traditionally saved in term deposit accounts. These were attractive because of their reasonable interest rates. The significant drop in interest rates caused by the financial crisis in the Euro Zone has driven prospective investors away from traditional savings instruments and set them to seek alternative investment instruments which offered higher yields. In Malta, an alternative traditional investment preference is property.

People are increasingly investing in funds and shares. The number of savings, investment, and insurance products available to consumers have proliferated and became more complex. This proliferation of financial products is largely spawned by technological advances and deregulation of the market for financial products and services.

The vulnerability of savers, however, heightened significantly. They face a myriad of product choices – many too complicated for persons to understand. The likelihood of persons losing significant savings through bad investment decisions has increased. Of concern is the increase of cases of local financial institutions mis-selling financial products and of firms in defaulting or defrauding their clients.

Also disconcerting [underlined by research carried out by the Department of Social Security (DSS) as well as pension reform groups] is the distinct absence of knowledge amongst the general population of how Malta's pension system works and how this impacts a person's retirement income.

Additionally there are vulnerable groups (teenagers, elderly persons, single mothers, low income households, etc.), who face financial management concerns – both in terms of managing monies and planning long term and who would benefit from financial education and inclusion.

The Pension Strategy Group (PSG) in its 2015 June report and, subsequently, in its September 2015 post consultation report emphasised that long-term successful impact of pension reform requires knowledge, education, and information on retirement income and financial literacy that transcends the Maltese polity, from young children to retirees.

In October 2015, a multi-stakeholder working group, consisting of the Office of the Permanent Secretary, Ministry for the Family and Social Solidarity (MFSS), DSS, the Department of Quality and Standards in Education (DQSE), the Malta Financial Services Authority (MFSA), and FinanceMalta (FM), was set up under the PSG to draw up a strategy on retirement income and financial literacy. The draft Strategy proposed the following thrusts:

- 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 among stakeholders involved in retirement income and financial literacy.

01.2 The Draft National Strategy for Retirement Income and Financial Literacy

The draft Strategy underscored three central messages:

Table 01: Central Messages of the Draft Strategy	
Knowledge	Better informed persons are more likely to make reasoned and sensible decisions. This means they need access to knowledge and learning tools as well as support networks to guide and assist them to reach the right decisions in what is a complex context.
Planning	Persons conversant of how decisions made, or avoided, across their life journey will impact their wealth today and in retirement, are better placed to plan for the present and the future – as they are more discerning at assessing options, risks and zooming in on decisions that lead to enhanced results.
Action	A knowledgeable person is able to plan ahead for the quality of life desired in retirement. He is more likely to act shrewdly to assure his financial well-being and that of his family.

Action 01

These central messages are at the core of the Strategy for Retirement and Financial Capability: '***knowledge***', '***planning***' and '***action***'.

The draft Strategy was articulated in three parts.

	Thrusts
Understanding retirement income and financial literacy	Understanding the importance of saving for retirement.
	Securing financial literacy and retirement planning.
Strategic measures relating to retirement income and financial literacy	Vision for improving the financial well-being of Maltese citizens.
	Principles underpinning the attainment of the vision.
	Strategic thrusts: o Use of educational pathways. o Provision of trusted and independent information. o Working in partnerships with all appropriate parties.

Realising the national Strategy for retirement income and financial literacy	Financing the national Strategy.
	Implementing the national Strategy.

01.3 Feedback from the National Consultation and Discussion Process

The draft National Strategy on Retirement Income and Financial Literacy was launched on 26th January 2016 by the Ministers for MFSS and Finance (MFIN). It was followed by a two-month national consultation and discussion process.

The 'honeycomb' was adopted as the logo of the draft Strategy to symbolise the industriousness of the bee and the storage of honey and pollen in the beehive. The honeycomb is thus taken as the representation of growth, provision, nurturing, community, organisation, and productivity.

The honeycomb and the honey bee will remain the motif for the retirement and financial capability Strategy.

Action 02

The honeycomb and the honey bee, which, respectively, symbolise (i) growth, provision, nurturing, community, and organisation; and (ii) hard work and productivity, constitute the motif of the Strategy and its implementation.

Table 02: Stakeholders Consulted in the National Consultation and Discussion Process
Formal meetings with constituted bodies and stakeholders.
Participation in TV programmes.
Participation in radio programmes.
Presentation of lectures and workshops.
Meetings with individual persons.
Articles lodged in traditional media and the Internet.

In all, twenty two constituted and civil society bodies formally participated in the process. These are listed in Annex I.

The feedback received during the consultation process shows a convergence of opinion on the need for a robust strategy on retirement and financial capability as well as on most of the core principles and initiatives proposed in the draft Strategy.

The following presents a number of key points raised during the consultation process:

Table 03: Feedback Presented in the National Consultation and Discussion Process	
Vulnerable Persons	The feedback stated that the Strategy should provide greater emphasis on vulnerable people. It emphasised that the issue with vulnerable groups was less that of preparing for retirement and more of providing them with money management and prioritisation skills to allow them to maximise their income and to live healthier. Populations cohorts proposed as vulnerable groups include: o Unemployed persons. o Persons in precarious work. o Persons in situations of addiction such as gambling, alcohol, etc. o Households in over-debtness. o Persons with a disability. o Early school leavers. o Single parent teenagers. o Separated or divorced persons. o Families in situations of domestic violence. o Ex-prison inmates.
Establishing Locum of Responsibility for Coordinating Strategy Implementation	The feedback solidly affirmed that such a Strategy should have complemented the 2004 pension reforms. While different public, education and civil society entities undertook retirement and financial education initiatives no attempt was made to coalesce them into a sustainable national programme. It was further stressed that given the importance of the Strategy it was essential for the Government to establish a unit to coordinate stakeholders to ensure the successful implementation of the Strategy.
Financial Education in the National Education Curriculum	The point was emphasised that financial education in the national education curriculum should not only be compulsory at Levels 6 and 7 as the case is today. It was enunciated that exposure to financial education for levels 8 and higher was limited only to students who opted for subjects including home economics, commerce, and accounting. As currently designed the national curriculum denies students in Level 8 opting for science or art subjects from exposure to financial education. It was further pointed out that the financial education at higher and further education (beyond the spheres of commerce, home economics and consumer affairs) was at best sporadic.
Home Equity	It was stated that the drafted Strategy made limited reference to home equity. The section of the Strategy which dealt with retirement income should place greater focus on home equity given that over 76% of Maltese persons are homeowners. It was emphasised that a financial education Strategy on retirement planning cannot exclude home equity – even though the local financial market does not provide for home equity release schemes – given that (i) home equity constitutes a substantial part of the wealth of local households; and (ii) future generations are still likely to inherit home equity from their parents that allows them to improve their own retirement income.

Breadth of Education, Knowledge, and Information Campaign	The point was made that such a Strategy should not limit education, knowledge, and information only to pensions and financial markets but should be sufficiently broad to include knowledge on VAT, income tax management, social security, non-contributory benefits, etc. It was highlighted that both in regard to day-to-day money management (specific to vulnerable groups) and future retirement planning a more comprehensive understanding of good management of these matters would result in an improved quality of life and a healthier lifestyle – during one's life cycle journey as well as in retirement.
Careful Messaging of Communication Strategies	The point was impressed that the responsible coordinating vehicle once set up should be careful in the way it communicates its messages. The coordinating vehicle to most people will be the 'voice' of the State on retirement and financial capability – and hence if communication and education campaigns are over dramatized they could result in negative repercussions across society. The messaging should be tuned to the level of retirement and financial education maturity of Maltese society. The introduction of an 'Orange Envelope' concept similar to that in place in Sweden is likely to be a step too far at this stage. Messaging, therefore, should be continually evaluated to ensure effectiveness of their impact.
Refer to Financial Capability and not Financial Literacy	It was proposed that the Strategy should make reference to the term 'financial capability' and not 'financial literacy'. 'Financial literacy' embraces a narrow view: mainly the understanding of the financial market: different investment and savings products, related risks, consumer rights, etc. 'Financial capability' on the other hand, which is a relatively recently coined term, embraces five key areas: being able to (i) manage money, (ii) keep track of finances, (iii) plan ahead, (iv) choose financial products, and (v) stay informed about financial matters. 'Financial capability' was more consistent with the three central messages underpinning the Strategy: knowledge, planning, action.
Communicating in Maltese and English	Particularly in regard to vulnerable groups, knowledge, education, and information strategies need to be in Maltese. There is, however, no defining Maltese glossary for such terms. The definition of a Maltese glossary for retirement and financial terms is pivotal. To this end the compilation of a Maltese compendium of retirement and financial terms should be given priority. Being that retirement and financial capability terminology can be acutely technical and intrinsically harder to explain the campaigns should be designed, planned and executed in simplified Maltese and English.

Understanding Retirement and Financial Capability

Chapter 02

02.1. Positioning the Strategy towards 'Retirement and Financial Capability'

As discussed in the previous chapter, during the consultative process different stakeholders stressed that the Strategy should give greater emphasis to the issue of vulnerable groups and retirement / financial management. Furthermore, the consultative process recommended that the Strategy should focus more on 'capability' rather than 'literacy'.

The importance of such an approach is recognised and greater consideration is given to this notion. As a matter of fact, the Strategy is positioned to give greater weight to 'financial capability'. Whilst financial literacy would undoubtedly make people better qualified to manage their finances, it would be less likely to reduce financial susceptibility in vulnerable households if institutional barriers to beneficial financial products are not addressed. The concept of financial capability embraces financial literacy but also tackles the institutional handicaps burdening vulnerable households.

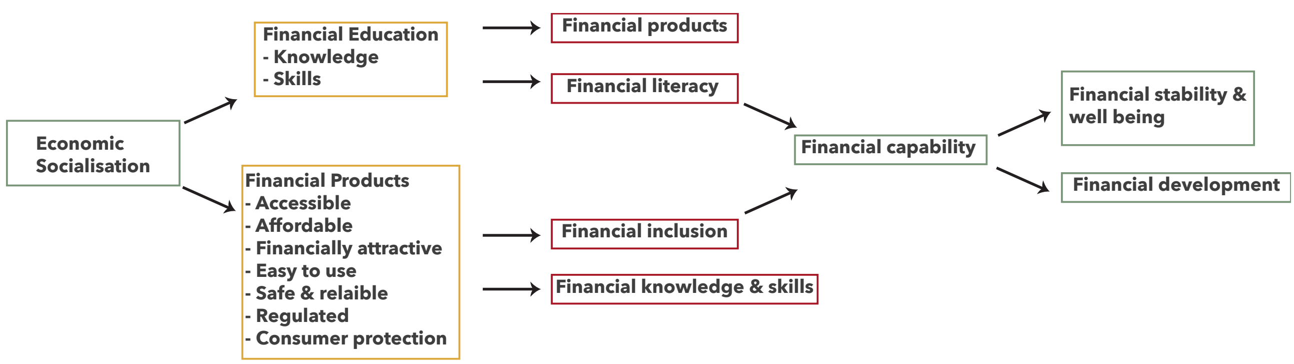
The term 'financial capability' is defined as the people's knowledge, confidence and motivation to manage personal finances (Dixon, 2006). The Government of the United Kingdom (UK), for example, introduced the following definition:

"Financial capability is a broad concept, encompassing people's knowledge and skills to understand their own financial circumstances, along with the motivation to take action. Financially capable consumers plan ahead, find and use information, know when to seek advice and can understand and act on this advice, leading to greater participation in the financial services market" (HM Treasury, 2007).

This definition places emphasis on 'knowledge and skills', 'planning ahead' and 'acting'. This emphasis on a person's ability to 'understand', 'assess', 'plan' and 'act' in their best interest reflects the central messages underpinning the Strategy.

The Figure below illustrates how financial education and financial inclusion link with financial capability.

Figure 01: Financial Capability Linkages with Financial Literacy and Financial Inclusion



Source: Sherradan, 2010

02.2. The Importance of 'Retirement' Capability'

Research suggests that individuals display not only low levels of financial capability but 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 social security pension (Boisclaire, et al, 2014).

02.2.1 Low Level of Preparedness for Retirement Planning

The literature as well as research carried out in Malta clearly shows that there is a low level of preparedness when it comes to retirement planning. What explains this low level of retirement preparedness? Why do people do so poorly when it comes to designing and carrying out retirement saving plans? This is the result of persons having significant gaps in knowledge about retirement (Lusardi et al, 2005) as:

- People focus on the short term. Retirement planning, too often, does not include a serious and deliberate analysis of life and financial issues.
- When planning for retirement people limit their focus to investment management.
- There is significant misunderstanding of life spans and their variability. Many overestimate the amount that can be safely withdrawn from a retirement savings account. They also consider only average investment returns without weighing the downside risk and results if there are poor years.
- Given that life expectancy of Maltese citizens continues to increase, pensioners risk outliving their financial assets.
- People are optimistic about expected returns on savings and investments and their ability to manage such savings and investments.
- A lack of education on how the social security pension works, results in people over-estimating the expected level of the social security pension income they receive on retirement.

02.2.2 What Constitutes 'Enough' Retirement Income?

Retirement income adequacy is defined relative to a standard of minimum needs, such as the poverty rate. Alternatively, it is defined to represent the level of spending households experienced during working years. Others consider retirement income adequate if the ratio of retirement income to pre-retirement income — the replacement rate — is between 65% to 85%.

Do retirees need to replace 100% of the pre-retirement income to maintain their quality of life in retirement? Spending profiles of elderly persons are different from those required during previous life cycle events. Elderly persons, for example, no longer need to invest in their children's education or pay off the mortgage. Significant in-kind benefits are provided by Government to elderly persons – such as free medical aid, healthcare, community care, and long-term care.

People, however, are not only living longer than previous generations but are far healthier and lead 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 to maintain the same level quality of life enjoyed in pre-retirement.

Ensuring that an individual has the necessary level of income during retirement demands understanding of the social security pension income they will receive, and how this compares with the quality of life they seek in retirement. The pension reforms carried out to date sought to ensure a level of the replacement ratio for the social security pension, to the average wage that provides to retirees adequacy and, hence, dignity, during retirement.

The 2015 reforms projected an Average Pension Replacement Rate (APPR) of 45% - that is the value of the social security pension in relation to the average wage. This is lower than the APPR enjoyed by current pensioners today – which is approximately 54%. This means that future pensioners will have a lower pension income than that of today's pensioners. Additionally, the 45% APPR is an average indicator. For persons whose income is higher than the Maximum Pensionable Income (MPI) the APPR is likely to be closer to 35%; whilst persons whose income is within the €10,000 range the APPR is likely to be closer to 80% and over.

Income from the social security pension alone for middle income persons, therefore, is unlikely to allow them to enjoy a quality of life that approximates that in pre-employment. Nevertheless, research shows that the majority of persons in Malta do not plan to complement their pension income with programmed savings withdrawals during their retirement - the combination of which allows them to reach a desired quality of life in retirement. Of those who do think about the level of income sought in retirement the majority state that they require the same level as pre-retirement income (Galea, 2015).

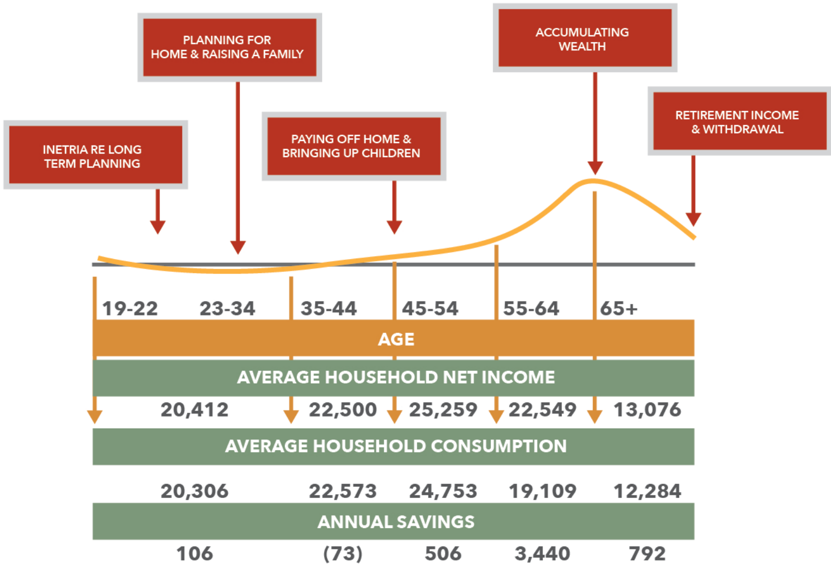
This research complements findings from surveys carried out by the National Statistics Office (NSO) on behalf of both the 2004 and 2010 PWGs which showed that for the majority of households the social security pension is the main income source during retirement. It is evident that there is, amongst the general population, limited understanding of how the pension system works, the level of pension income, and how saving and investment, or lack thereof, during one's working life will impact, positively or negatively, one's quality of life in retirement.

Apart from knowledge there are other determinants of saving behaviour. One is the link between disposable income and savings volume. One cannot save for retirement if a person or household do not earn enough to have a surplus budget part of which can be invested in savings. Income expectations also play a role. For example, according to the permanent income hypothesis people try to smooth out their spending to match their average, or "permanent," income over the course of their life, with savings playing the role of shock absorber. Income above the permanent level boosts saving, whereas a drop in income below the permanent level leads to dis-saving.

The Figure below shows that income varies significantly over the course of a person's life. Demographic factors play a crucial role in determining savings in the life-cycle theory. The average person is unlikely to save for retirement in their youth – other than, for example, buying a car, travelling, or part financing further studies. Young people do not make pro-active decisions about their future – a result of behavioural heuristics such as myopia or inertia.

Young households are likely to dis-save in the early stages of their career. During this period their income is low and they are financing substantial expenditure such as loans to purchase and furnish their future home and expenses relating to raising a family. The 40 to 54 age cohorts respectively are likely to have raised their children and paid off their 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



Source: NSO-d, 2008

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. Within the life cycle of an average person, there is only a limited period of 10 - 15 years where, apart from the investment in the home asset, that person or household starts to accumulate wealth in financial assets.

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

02.2.3 Risks Affecting Savings during Retirement

The risks affecting savings during a person's retirement are complex and inter-linked. Transferable and poolable risks include increased longevity, the cost of disability and long-term care, the cost of healthcare, economic loss following the death of a spouse. They also include risks of investment and interest rate. Risks that cannot be pooled include difficulties in finding a job, early retirement, family members needing help, and inflation. Such risks affect savings for retirement as shown in the table below.

Table 04: Risks Affecting Savings During Retirement	
Life Expectancy	The life expectancy of Maltese persons continues to increase over time. Retirement lasts much longer than it used to. The inherent risk is that some people end up underestimating their own life expectancy and outlive their capital. With the remarkable advances in medicine, and with more Maltese paying closer attention to their health (better eating, sleeping and exercise habits), the average life expectancy is expected to increase by a further 6 years by 2060. It is, therefore, risky for persons to base their savings de-accumulation strategy in retirement on the assumption that they will live for as long as their life expectancy. Fact is that whilst one's life expectancy is known, a person's actual longevity is not. If a person lives longer than expected s/he may run out of savings. This is a risk that women are likely to face more than men as, on average, they live longer than males by five years.
Inflation	Inflation represents the general increase in the price of goods and services over the years. This affects a person's purchasing power. The average inflation rate in Malta between 1990 and 2014 was 2.51%. A modest inflation rate dents purchasing power. For retirees, inflation runs the risk of significantly compromising the longevity of their capital.
Quality of Life	As shown in the draft Strategy, a person born between 1952 and 1961 who holds a salary of €20,000 on retirement requires an additional €8,000 annually to the pension income if he is to maintain the same quality of life in retirement. Research by the Central Bank of Malta (CBM) shows that more than 97% of households own at least one financial asset with the most widely held financial asset being an interest bearing bank deposit. Current accounts were held by 74.3% of households, while 21.6% owned some form of debt security, such as bonds and government securities. 13.4% of all households held equity in the Malta Stock Exchange (MSE) and 24.2% were covered by a life insurance policy or participate in a pension scheme (CBM, 2013). The management of savings to secure the highest rate of return is critical – particularly in an era of record low interest rates.
Management of Savings	The management of savings to secure the highest rate of return is critical. As shown in the draft Strategy a person who saves €500 annually for retirement from the age of 35 will accumulate a capital of €15,500. Such capital will grow depending on how it is invested. If it is left in a normal savings account with an interest rate of 0.1% the accumulated interest will only be €234. The purchasing power of such investment is eroded in the event of an average 2.0% inflation. On the other hand, investing such capital in a savings account of 3.0% results in an accumulated interest of €9,501.

Rate of Savings Withdrawal	The median financial asset holdings for retired persons stood at €28,906 (CBM, 2013). Too many withdrawals or high levels of withdrawals will deplete such savings rapidly – with depletion being even faster if the savings are invested in financial products which have a low interest rate.
Wealth Accumulated in Property	76.4% of persons in Malta own (freehold and ground rent) their home. For the majority of people, buying a home is the single largest investment made in their lifetime. On average the amount borrowed approximates €63,560 and the average repayment period is 26.5 years (CBM, 2013). By retirement age, the mortgage is paid. Investing in home ownership means that most households as they near retirement will have the significant part of their wealth tied up in their home. The median value of residence dwellings owned by households is €186,643 (CBM, 2013) There are in Malta no financial instruments, such as Equity Release Schemes (ERS), that allow household owners to access wealth accumulated in property for retirement income. Nevertheless, people do realise value from their property as they retire. This is primarily achieved in two ways: by downsizing through selling their home and moving into a smaller house or apartment; or by exchanging their property with a private provider of residential homes. Both are fraught with risks. The former has market risks: timing, valuation, taxation, etc. The latter has inherent risks given that informal equity release is not regulated. In the main, the existing culture amongst retiree home owners is that the property is not considered as part of their retirement asset portfolio. Rather, the property is seen as wealth to be bequeathed to their heirs. Such cultural symbiosis where property is an inter-generational transfer of wealth is likely to continue with the current generations of pensioners. It cannot be discounted that future pensioners may likely be less wealthy than their parents and may have to anchor their property as the kernel component of their retirement asset wealth portfolio.

02.3. The Importance of 'Financial' Capability'

How does one gauge if people are financially capable? What environment best supports and promotes financial capability? Many factors determine well-being, or conversely vulnerability and exclusion. Financial capability brings together ability (knowledge and skills); mind-set (attitudes and motivations); and connection to products, services and tools. Financial capability affects people's financial behaviour, such as how well they manage debt or day-to-day budgeting or plan for their retirement. Financial behaviour is also affected by people's means - how much money they have - and planned and unplanned pressures, including big life events such as having a baby.

Why is it crucial for Maltese citizens to be financially capable? From a national perspective, developing financial capability helps to reduce the cost of responding to crises, which diverts resources from more productive alternatives. Conversely, financial capability makes a positive contribution to the economy by improving the skills, health and well-being of individuals as they are better able to handle and manage their household finances, to provide healthy food within the budget envelope, and channel their spending to what is important and necessary.

On an individual basis, the characteristics of different population and income cohorts present different challenges. Financial capability of vulnerable persons, for example, demands greater attention to their ability to manage their income and debt. Young adults, on the other hand, are conditioned by behavioural heuristics: pensions are for the future whilst they need to address today's life cycle challenges: getting married, raising a family, buying a home, etc. The concept of financial capability connotes both ability and opportunity. Financially capable people possess both the ability and the opportunity to improve their financial well-being by acting in their best interest.

02.3.1 Vulnerable Groups

Financial capability is a central social policy concern as lack of financial knowledge, ability, opportunity, and assets contribute to poverty and inequality. Vulnerable groups – teenagers, elderly, single mothers, and low income households – are likely to have an inadequate level of financial capability. Limited levels of financial knowledge and skills result in a financial impact, particularly on vulnerable groups, where the margin for error is minimal and a poor financial choice has serious consequences. For example, households on low income who do not understand how credit card interest rates and fee structures work are impacted more negatively than persons in wealthier households. This is because the latter are likely to be buffered financially.

How do people gain financial knowledge? People acquire and develop 'values, attitudes, standards, norms, knowledge, and behaviours' through a process of socialisation. For most people this process starts within the family. It is a process which guides their financial understanding and approaches to financial decisions. Parents who lack financial knowledge and skills cannot model to their children sound financial decision-making. Young people from wealthier households, therefore, are more likely to get financial capability experience earlier in their lives.

Economic socialisation in preparing people adequately for financial capability has its limitations. This compels most governments to adopt a two pronged approach.

The first is financial education. Financial education strategies are designed to target specific population cohorts. Financial education targeting middle income households tend to focus on overcoming behavioural heuristics such as inertia to nudge persons to save for retirement. On the other hand, financial education targeting vulnerable groups tend to focus on topics such as priorisation, budget management, spending, planning, credit, debt, bill paying and saving.

The second is financial advice. Such advice is carried out by counselling services or social welfare persons. The latter provide persons in vulnerable groups with financial guidance on money management during unemployment, separation and divorce, debts, priorities and choices, home foreclosure, or when facing long-term financial instability, such as poverty, disability, chronic illness, etc.

In April 2016 MFSS submitted an application under the EU European Social Fund (ESF) titled 'Knowledge, Training, Communications, and Support Measures in Support of Vulnerable Groups'. One of the identified streams relates to upgrading the financial capability knowledge of professionals, from FSWS, Agenzija Sapport, National Commission for Persons with a Disability (KNPD), DSS, teachers from the Home Economics Seminar Centre, Dun Manwel Attard Resource Centre, teachers and staff from the Directorate for Lifelong Learning and registered Voluntary Organisations. The objective of this capacity building is to equip professionals working with vulnerable and disadvantaged persons with financial capability knowledge. This will allow them to be in a position to provide persons in vulnerable groups with a 360^0

counselling experience which integrates money management, prioritisation, budgeting, debt management, etc. with other social security and welfare related advice.

Even with financial education, advice, and counselling, it is unlikely that people will keep pace with the growing complexity of modern financial life. Malta never carried out an OECD / INFE survey on a national basis to measure the level of financial capability, and to benchmark its level of financial capability with other countries. There is, therefore, no data on the level of financial capability across demographics. Under-graduate research suggests that women are less financially literate, the young and the old are less financially literate than the middle-aged, whilst the more educated people are more financially knowledgeable (Mangion, 2015).

NSO data on Malta's labour force for the first quarter of 2016 indicates that the lower income earners are engaged in elementary occupations netting a basic annual wage of €10,644, followed by workers in the services and sales category with a net annual basic wage of €11,593, though sales persons are likely to earn commission based income. (MFSS and NSO, 2016).

For persons in vulnerable groups to be financially capable they need access to affordable financial products, including, at a minimum, a savings account, affordable and small credit, simple insurance products, and if possible, low-cost investment and saving products. To a large extent affordable financial saving instruments are present in Malta.

Annex II presents finding from the CBM study (CBM, 2013) previously referenced. Education is taken as a proxy for low income households. The income of a person with an education level below secondary is lower than that of persons who hold secondary and tertiary education. Household wealth for persons with an education level below secondary is significantly lower than for persons holding secondary and tertiary education respectively as is the total median household financial assets.

Conventional wisdom says that the poor do not earn enough money to save, but research proves that assumption wrong. Poor households can and do accrue assets and save over time (McKernan, S., Ratcliffe, C & Shanks, W, T., 2012). The CBM study shows that people with a level of education below secondary have an annual savings or a surplus of €750. This, however, id much lower than €3,000 and €4,088 held by persons who hold secondary and tertiary education.

A survey of 834 Maltese persons in receipt of non-contributory benefits carried out by MFSS in 2015 shows that 55.6%, do not hold saving accounts. Of those persons who do hold savings accounts, the average savings was €1,184. The reasons for this are varied. Low income and vulnerable groups may:

- Be less inclined to invest in saving and long term investment plans because they fear forfeiting flexibility over their limited assets.

- Instead rely on cash transactions and cash saved at home as they may not have enough money to warrant periodic current or savings account deposits even though such services have no cost and deposits limits are minimal.

- Distrust banks and financial services.

Anecdotal evidence by social welfare counsellors suggest that there is a considerable cohort of vulnerable persons who make use of alternative financing 'products' such as payday loans, car title loans, usury, etc. Persons all the time face unplanned expenses that exceed their weekly budget. Such unplanned expenses become small emergencies (for example, a car or kitchen appliance breakdown) for people who are not buffered by savings. Research overseas suggests that low income persons use credit cards or informal loans to pay for basic living expenses such as rent or mortgage, food and utilities (Traub and Ruetschlin, 2012).

This also seems to be the case in Malta – the median household debt burden for persons with a level of education below secondary education is non-mortgage debt - €6,515. This contrasts with persons holding secondary and university education respectively, who although holding a level of non-mortgage debt, the primary debt is mortgage debt.

Persons in receipt of means tested non-contributory benefits pay a penalty for saving given that they may exceed the capital assets thresholds determining eligibility for such benefits. Such capital asset limits on means tested benefits' eligibility are set to ensure that only people who are truly in need benefit. Such limits, however, create unintended negative consequences for beneficiaries as they create a barrier to financial security and upward economic mobility.

02.3.2 Behavioural Heuristics

As self-responsibility increases, particularly in planning for one's retirement, the need to improve levels of financial capability is apparent: people need to know how much and where to invest and / or save so that they are in a position to meet in retirement the quality of life they desire. They need to become involved with financial markets to build their families' asset wealth and to manage that wealth during different cycles of their life journey. Not all savings are savings directed towards retirement. Savings are also directed towards the gradual improvement of one's life style – short-term saving for holidays, replacement of home appliances, longer-term saving for, say, a child's education or wedding, or a deposit on a new car.

Traditional economic theory holds that persons act rationally: they borrow when young, save in middle age and build wealth, and spend their savings in old age. This, however, is not the case. People do not act rationally when they come to plan long term. Indeed, persons are bad at saving for retirement. People tend toward a "path of least resistance"; they do what comes more easily and what happens automatically. For teenagers and young adults retirement is distant and managing 'here and now' money issues – whether this is a person buying a first car, a young couple deciding on the education of their child, or a middle aged couple having to undertake an extensive maintenance and refurbishment of their home - take precedence.

Whilst behaviour is difficult to predict, evidence shows that people make decisions on the basis of unreliable information, fall prey to scams and aggressive marketing, and feel overwhelmed when too many options are presented. Conversely, evidence shows that people are more likely to save when they are members of a work place pension plan that is based on automatic enrolment (the behavioural heuristic of inertia is turned on its head as the individual must now decide and act to opt-out as against deciding and acting to opt-in) rather than enrolling in a private pension plan even though the latter is tax incentivised. Additionally, the need for persons to plan for retirement is counter balanced by the need to plan for unexpected lifecycle events.

Improving financial capability, therefore, results in greater economic, social and financial inclusion and is key in preventing future household financial crises. Financial capability enables individuals to make better-informed decisions for their short, medium and long-term financial well-being in an increasingly complex financial marketplace.

02.3.3 Importance of Understanding Financial Products and Knowing One's Consumer Rights

Financial investments or saving decisions require confidence, numeracy skills, willpower, and an ability to differentiate among various and often-complex products. Even for those who grow up observing and learning how to use mainstream financial products, such products are often confusing and difficult to use. For those with little experience, they can be daunting – irrespective of the level of education or income. There are too many financial product choices. 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. 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 certain types of products.

Younger generations face greater risks as they are confronted with more sophisticated financial products than previous generations. 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.

The way financial services providers present investment choices act as a barrier to saving or may result in the average person making the wrong investment decisions. Financial market operators make extensive use of jargon and draft documents in a legalistic way. Disclosure requirements are in 'small print' that can run to dozens of pages. Too often these are incomprehensible to the average consumer. Faced with puzzling information, an average person is likely to be deterred from investing in financial products that could be useful to him.

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. Consequently people may not understand important product features, like charges and risks.

Products are often aggressively marketed. Advertisements tend to use misleading slogans such as 'absolute return', 'guaranteed', and 'hedged growth', or advertise returns far in excess of deposit account returns available from banks. These headline promises often turn out to be misleading, or mean something different to what one may have understood.

In the local context, MFSA states that an "alarming number of mis-selling cases" were investigated by its Consumer Complaints Unit over the past years. It underlines that it is disturbing that a number of financial entities, and some of their employees, completely disregarded "the very essence of the regulatory regime: the obligation to act in the best interests of clients". The number of local cases relating to mis-selling or failing financial services operators impacting on investors are, year on year, on the increase.

Knowledge of consumer rights and regulations is of paramount importance as it protects investors from unsafe financial products or unethical operators.

Strategic Actions

Chapter 03

03.1 Vision for Improving Retirement and Financial Capability of Maltese Citizens

The vision for the Retirement and Financial Capability Strategy is:

"Improving the personal financial capability of Maltese citizens during life-events and retirement to enable them to reach better informed financial decisions that fit their individual circumstances."

Action 03

The vision is that of ***"improving the personal financial capability of Maltese citizens during life-events and retirement to enable them to reach better informed financial decisions that fit their individual circumstances."***

03.2 Core Knowledge and Skills Domains for a Maltese Citizen to be Financially Capable

To be financially capable people require knowledge and skills to manage their personal and household finances. All other things being equal, people who have greater knowledge and understanding about finances and possess financial management skills are more likely to make good financial decisions. The table below defines the knowledge domains that this Strategy identifies as necessary for a Maltese citizen to be financially capable.

Table 05: Knowledge and Skills Domains for a Maltese Citizen to be Financially Capable	
Manages debt	This relates to both persons with a debt problem or who hold a debt [consumption (a new car), business, or a home loan]. Persons may face a debt problem because they are unable to balance expenditure on basic household items with income earned, because they find themselves suddenly unemployed, or because their business is struggling due to adverse economic conditions. A financially capable person is able to manage his debt, seek bank advice if facing monetary issues, feel able to restructure his expenditure on the basis of a debt repayment plan, and meet the obligations of such a repayment plan.
Manages daily budget	This includes setting up and keeping to a budget, tracking income and expenditure, prioritising what is essential for the family, shopping around for best deals and hence maximising income, paying bills in full and on time, etc.
Builds a safety net	This includes building a savings buffer for unexpected circumstances, saving for short to medium term planned expenses, and taking out appropriate insurance.
Plans for the future	This includes saving for longer term goals and building a retirement savings egg nest that allows persons to bridge the gap between income during employment and pension income and hence improve their quality of life in retirement.

Understands basics of the financial landscape	A person should accrue sufficient knowledge on investment risks of different financial products and the ability to differentiate between basic and complex products, understand the importance of compounding, inflation, credit card interest, etc.
Understands basic consumer rights	This includes persons knowing their basic consumer rights – what constitutes mis-selling, basic rules providers must follow, where to seek advice, how to lodge a complaint, etc.

This Strategy, therefore, underscores that financial capability is a **key life skill** for current and future generations.

Action 04

Financial capability is a **key life skill** for current and future generations. The Strategy sets out pathways to guide Maltese citizens to acquire the necessary financial capability behaviour in the following domains:

- Managing debt.
- Managing a daily budget.
- Building a safety net.
- Planning for the future.
- Understanding the basics of the financial landscape.Understanding basic consumer rights.
- Understanding basic consumer rights

03.3 Establishing a Review Framework for Retirement and Financial Capability

The Strategy covers the period 2017-2019, but it will not be etched in stone. It will be monitored annually and calibrated in synch with changing circumstances to ensure meaningful implementation. The Strategy will be reviewed every three years.

Action 05

The Strategy covers the period 2017-2019 and will be annually monitored to calibrate it to reflect changing circumstances. The Strategy will be reviewed every three years, with the first review taking place in 2019.

03.4 Public Reporting on the Outputs and Outcomes of the Strategy

The Retirement and Financial Capability Group (RFCG) will establish a number of performance metrics, introduced gradually, so that it is in a position to monitor the effectiveness of its policy actions, identify lessons learnt, and calibrate its actions as appropriate. The RFCG will within 4 weeks from the start of a new year submit an annual report on its performance to the House of Representatives and its Social Affairs Committee.

Action 06

Performance metrics will be introduced to evaluate the effectiveness of the Strategy and four weeks from the start of a new year an annual report on the implementation of the Strategy will be presented to the House of Representatives and its Social Affairs Committee.

03. 5 Strategic Prongs

The strategic prongs discussed hereunder constitute the kernel of the Strategy.

(a) Use of Educational Pathways to Promulgate Knowledge on Retirement Income and Financial Capability

The recommendations presented in the draft national Strategy under Thrust 1 – 'Use of Educational Pathways to Promulgate Knowledge on Retirement and Financial Capability' will, in the main, are initiated during the term of the Strategy.

Action 07

The following recommendations presented in the draft national Strategy under Thrust 1 titled - '***Use of Educational Pathways to Promulgate Knowledge on Retirement Income and Financial Capability***' - will be implemented:

2017

01. Initiate drafting of the Retirement and Financial Capability Framework and reconcile it with the learning outcomes framework (LOF) of the National Curriculum.
02. Initiate work on a teaching resources portal.
03. Work with compulsory education to see how the Retirement and Financial Capability Framework can be implemented across Levels 8, 9 and 10 of secondary education; and work with stakeholders in higher and further education to create knowledge routes on retirement and financial capability
04. Work with interested stakeholders to put together a gamification portfolio.
05. Work with local communities, unions, employers, NGOs, etc. to design and deliver financial education programmes covering different life-cycle stages.
06. Discuss with stakeholders whether Malta should participate in the 2018 PISA survey and if yes initiate appropriate work.

2018

Continue work on initiatives 1 to 6 initiated in 2017.

2019

Continue work on initiatives 1 to 6 initiated in 2017.

(b) Trusted and Independent Knowledge, Education and Information to Build and Reinforce Retirement and Financial Capability across Maltese Society

One cannot adopt a one size fits all to build and reinforce retirement and financial capability. The Maltese population must be segmented and specifically targeted through knowledge, education, and information communication strategies. The mix of mediums and tools applied are to be tailored for each specific target cohort.

Teenagers are digitally DNAed with all having access to the Internet and many are in possession of a smart phone. The retirement income and financial capability communication strategies for teenagers should be positioned to provide them with quick access to information and a high level of interaction. This means that such strategies have to be underpinned by mobile apps, Internet pop-ups, digital gamification, podcasts whilst supported by traditional measures such as posters in schools, etc.

On the other hand, elderly persons are less likely to be digitally literate. They favour 'face-to-face' interaction and use of material they can refer to. The knowledge, education, and information communication strategies for retirement and financial capability for elderly persons, therefore, are more likely to be successful if carried out by a trusted source, providing information in a supportive and understanding environment, and in a simple way (MINCO, 2007).

The Strategy recommends that specifically designed and targeted knowledge, education, and information communication strategies for retirement and financial capability should be provided for the population cohorts discussed hereunder.

(i) Teenagers (13-19 years old)

Financial literacy is taught to all secondary students during compulsory education up to Level 7. Between Levels 8 and 10 it is taught only to students who follow home economics, consumer affairs, and commerce related subjects. Students who choose different streams such as science and mathematics are not exposed to financial literacy beyond Level 7. There is no linkage on financial literacy between compulsory education and higher education, and between higher education and further education. Once again, exposure is limited to students who follow commerce and nutrition, family and consumer related studies.

According to the latest demographic review, 6.04% of the Maltese population is aged between 15 and 19 years – (24,926 teenagers of which 11,941 are female). It is in further and higher education that young people start making financial decisions on their own, including those about housing (for example, Gozitan students following higher or further education in Malta), discretionary spending, banking, and the use of a credit card.

Additionally, late teenage-hood is a time of great change for many youths. As students leave post-secondary education and make the transition to the workplace, they face for the first time critical decisions about employment, spending, long-term saving, managing current expenses, etc. Decisions about which goals to prioritise (entering into a loan for the purchase of a computer or a car, saving for emergencies or traveling abroad, participation in a retirement plan, etc.) have important implications to a teenager's financial trajectory.

The number and complexity of such decisions that teenagers face today provide an important "teachable moment" to introduce, ideally strengthen, the financial capability of teenagers by equipping them with 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, may generate concerns on credit card debt that students may accrue placing them at a greater financial risk on graduation. Such debt increases stress and anxiety, which in turn impacts academic performance and, potentially, long-term financial health. Research overseas suggests that financial capability and positive academic outcomes are often correlated: students who exhibit positive financial behaviours perform better academically (Financial Literacy and Education Commission, 2015).

Practically all teenagers and young adults between 16 to 24 years of age use the computer and the Internet respectively. Over 150,000 persons owned a smartphone in 2016, with over 80% accessing the Internet. Malta is a technology dominated society and it is, thus, reasonable to assume that the younger generation is far more ICT and smart phone savvy than prior generations, and makes greater use of tablets, iPads, and smart phones to access the Internet.

(ii) Adults

The adult population is categorised in a number of population targeted cohorts. These are discussed below.

(01) Young Adults (20-34 year old)

This is a diverse group experiencing different life events. Many persons in the 20 to 25 age group will experience financial independence for the first time. It is also the time when young adults set lifetime goals. Many think about travelling, moving out of home, choosing their first job, purchasing a vehicle, etc. Young adults in the 26-34 year group will make decisions on settling down, buying a home, raising a family, etc. Some may see their relationship break down and get separated or divorced. These present different challenges. This life event cycle is, perhaps, one of the key cycles in a young adult's life. This is because it is in this cycle that they are likely to spend far more that they will save – on their mortgage, on the education of their children, on consumer demands for themselves and their children. This results in trade-offs between managing money for immediate needs and saving for the medium term to create a buffer against the unexpected, and saving for retirement.

Both age groups face the behaviour limiting heuristics discussed earlier – which curb their readiness to save for the future. The major impact on increasing financial wealth is 'compounding'. Small amounts of savings made early in a young adult's early life cycle will accrue considerably over the long term. The undertaking of behavioural changing knowledge, education, and information campaigns are necessary to nudge young adults to plan long term and act accordingly.

The use of computer and the Internet amongst young adults is extremely high at slightly below 95% with use embracing online reading, information on goods and services, and listening to web. Young adults aged between 20 and 34 years constitute 15.82% of the Maltese population – a total of 67,219 of which 48.27% (32,295) are female. Research shows that Generation Y, born between 1980 and 1999, are more responsive to action words such as dynamic, progressive, friendly and new. Targeted education messages for young adults should be communicated in a way that is interesting and that is made relevant to young adults' lifestyles. A core underpinning message is the communication of the advantages of saving early for retirement. Magazines are also an effective tool to disseminate and educate young adults about retirement income and financial capability.

(02) Female Young Adults (20-34 year old)

The communication messages for young adults, whether for knowledge, education, or information, must be tailored to account for women. This is for a number of reasons. First the social security pension impacts women differently than men, as women:

- Have interrupted work patterns as they take time out of employment to raise a family or informally take care of elderly parents or relatives.

- May not necessarily re-enter the labour market on a full-time basis but rather do so on a reduced hours or part-time basis so that they can balance career with family responsibilities.

Whatever the reason, a shorter contributory history or a lower paid social security contribution results in a women receiving a lower social security pension income compared to the male counterpart. They need to be aware that government is recognisant of this fact and has introduced child raring and human development credits.

Secondly, in many local households, the female is the 'house manager' – the person who plans and manages the monthly household budget. Assisting women in building money management, budgeting, planning, prioritisation, etc. skills will strengthen their household budget management abilities.

(03) Adults (35 year old to pre-retirement)

As discussed in this document, households' capacity for savings increases once structured costs such as education and mortgage are paid off. Knowledge, education and information communication strategies with particular regard to saving for retirement constitute a critical message for this cohort.

Communication messages should show that savings investment made at the age of 40 or even later can, still, make a difference in the quality of their life in retirement when added to the social security pension income. The value of such investment, as discussed earlier, will increase as a result of compound interest.

(04) Female Adults (35 year old to pre-retirement)

Once again, communication messages for adults need to be tailored to account for women. Women who exited the labour market on the birth of their child and never returned to employment may not know that they will not receive a social security pension if they have not paid a minimum 12 year contribution.

Furthermore, a woman who worked part-time whilst raising a family can decide to start working full-time again once the children have grown to a certain age, thereby allowing her to accrue a higher paid contribution than that paid on part-time income. This allows her to improve her social security pension income.

As mentioned above credits relating to child rearing and formal education are introduced in the pension system and it is important for women to know what impact these would have on their pension income when combined with contributions earned.

(05) Self Employed Persons

Experience suggests that persons in self-employment tend to under-declare their earnings so as to reduce social security costs, which are seen as taxation, without realising the consequential impact this would have on their social security pension.

The key communication message with this cohort of persons is imbuing the knowledge that social security contribution is not a tax. They should be made to realise that short term income gains made during employment by not paying the contribution may likely leave them and their spouses facing poverty during retirement – particularly so if they have not provided for alternative retirement income other than the social security pension.

(06) Adults (and families) in Low Income Employment or in a State of Deprivation

Persons in low income employment or in a state of deprivation are likely to have a low retirement and financial capability resulting in the smallest of buffers for emergencies. Saving for retirement is nowhere on their radar screen.

The number of persons employed in elementary occupations is 13,228, in plant and machine operations 10,761, in craft and related trades work 11,768, and in sales and sales assistance 32,710 – (NSO, 2016).

The key communication messages with this cohort is imbuing financial capability in terms of improved money management, budgeting, prioritising, bills payment management, debt management, handling of credit cards, building an emergency buffer, and putting money aside for the long term.

(07) Adults in Employment and Not Having their Social Security Contribution Paid

It is known that there are persons in employment but who, together with their employers, do not pay the weekly social security contribution. One particular example relates to family workers engaged in self-employment – stationeries, butcher shops, etc., or providing administrative support. Anecdotal data suggests that a number of such persons either do not pay or their employer does not pay the social security contributions. Other situations tend to be the result of casual as well as 'permanent' work carried in the shadow economy – construction, home care, domestic cleaning, waitering, etc.

In any of the examples mentioned the worker, or their spouse, may face poverty in retirement as they would not have accrued the necessary social security contributions to qualify for a full pension.

The key communication message with this cohort of persons and their spouses is that of imbuing an understanding that they may face poverty in old age due to failing to pay the social security contributions.

(08) Separated and Divorced Women

Women who separate or divorce undergo a significant change in their lives. In such situations women are particularly vulnerable when dealing with their future economic security. During these often emotional times it is essential for women to have access to accurate, unbiased advice to inform their future financial wellbeing.

Research (Kelly and Harding, 2010) suggests that women's greater economic vulnerability post-separation or divorce can be attributed to a combination of social and economic factors including that she may:

- Assumed greater responsibility for staying home and caring for children during marriage, therefore, undergoing an immediate loss of a larger salary at separation, plus a diminished earning capacity, and lower social security paid contributions due to an interrupted career pattern.

- Are more likely to stay in the family home and care for the children post-separation, therefore having limited opportunity to work and increase their social security contributions.

Women are also vulnerable to what is labelled as "sexually transmitted debt." This occurs when a woman finds herself responsible for the debt of a former partner because they guaranteed a loan or agreed to be a director in the partner's company. It is during separation or divorce that the impact of sexually transmitted debts becomes apparent and women need to be educated about the effects these would have on their future economic security.

Separating assets and determining future financial arrangements are key points of negotiation during separation and divorce. The desire to finalise arrangements and reduce contact with a former partner can result in women overlooking pension income and it can be difficult to encourage women to consider such a technical subject in what is often a stressful time. Separation and divorce can be a chaotic time for women.

Ensuring that women consider their long term financial position when they separate is also important. Research indicates that women may use their retirement savings for day-to-day expenses following divorce or separation and will tend to use any extra funds they have on their family's immediate expenses rather than adding to their retirement savings.

The key communication messages for women undergoing separation or divorce should target matters such as splitting assets including the pension, relationship debt, benefit entitlements, returning to work, and the adjustments needed to live on one source of income.

(09) Older Women (60+) and Women in Widowhood

Women live longer than men. The average life expectancy for women in Malta today is 84 years. If a woman lives to 65 she can expect to live another 19 years. Of those currently aged between 60 and 69, 54.28% are female. This percentage of females increases the older the age cohort. Thus, for the 70 and over age cohort the number of women increases by 4.2% - a total of 58.42% being women.

The possibility that a woman will live the final years of her life widowed is high. Older women may have experienced early exits from the labour market which would be detrimental to their financial well-being and may possibly lead to a decline in expected retirement living standards – particularly if they did not manage to accumulate sufficient contributory history to qualify for the social security pension in their own right. Married women may find themselves in the same position if their husband did not pay his social security contribution or if she was employed by him and he failed to pay her contribution, or he was self-employed and under-declared income earned on which the contribution was paid.

Widows often take responsibility late in life – on the death of their spouse - for their financial affairs and, unless they have developed good financial capability, may find themselves vulnerable to unsound advice from family members, or even subject to financial abuse. Taking responsibility particularly late in life for a range of financial and other functions that may have been their husband's domain may contribute to a confusing and difficult time for women suffering the loss of their partner.

The key targeted communication messages with older women and widows should be the management of inheritance, money management, prevention of financial abuse amongst others.

(10) Single Parents

Single parents face the challenge of becoming financially independent. Challenges that single parents face include managing finances from one financial emergency to the next, which means there is little scope for long-term financial planning; or social isolation and resulting depression.

A key challenge in targeting single parents is raising their awareness of the relevance and importance of retirement savings so it becomes a priority for them, particularly as they are not as likely as other groups to have surplus funds. Single parents are often time-poor and reaching them through traditional means can be difficult. Providing information through avenues, for example, such as their children's interests, child care, school, or supermarkets may be useful.

The key communication message for single mothers should be that of imbuing an understanding on the importance that they work and pay the social security contribution as this will increase their pension income during retirement, and that remaining dependent on benefits will leave them with a lower pension income as they will only be eligible for the non-contributory means tested Old Age pension.

Action 08

In the application of trusted and independent knowledge, education, and information to build and reinforce retirement and financial capability across Maltese society communication messages must be segmented and targeting specific population and employment cohorts. Communication strategies will be designed and implemented for:

- Young Adults (20-34 year old).
- Female Young Adults (20-34 year old).
- Adults (35 year old to pre-retirement).
- Female Adults (35 year old to pre-retirement).
- Self Employed Persons.
- Adults (and families) in Low Income Employment or in a State of Deprivation.
- Adults in Employment and Not Having their Social Security Contribution Paid.
- Separated and Divorced Women.
- Older Women (60+) and Women in Widowhood.
- Single Mothers.

The recommendations presented in the draft national Strategy under Thrust 2 – 'Trusted and Independent Information provider' will be initiated during the term of the Strategy.

Action 09

The following recommendations presented in the draft Strategy under Thrust 2 titled - '***Trusted and Independent Information provider***' - will be implemented:

2017

01. Establish a portal designed to provide official, trustworthy, motivating, and accessible information.

02. Engage with stakeholders to ensure persons are aware of, and have access to, effective financial education, tools, information, and assistance relating to the social security pension.

03. Work with stakeholders to establish a programme that ensures pensioners are aware of State benefits they are entitled to.

04. Work with DSS on developing and launching social security pension on-line tools and calculators.

05. Together with the Kunsill Malti initiate drawing up of a compendium of Maltese terms for retirement income and financial capability as well as communication messages in simple Maltese.

2018

Continue with the implementation of measures 1 to 5 above.

2019

Continue with the implementation of measures 1 to 5 above.

03.4.3 Work in Partnerships to Strengthen the Connections between All Parties Involved in Retirement and Financial Capability

The success of the Strategy fundamentally rests on the stakeholders working responsibly and closely together to strengthen retirement and financial capability amongst Maltese citizens. The vision cannot be realised without the combined efforts of individuals, families, Government, local communities, financial service providers, employers, labour organisations, business, and non-governmental organisations.

Effective partnerships will result in an on-going and systematic liaison and consultation and the continuous and efficient sharing of resources.

The recommendations presented in the draft Strategy under Thrust 3 – 'Work in partnerships to strengthen the connections among all parties involved in retirement income and financial capability' will, in the main, be initiated during the term of the Strategy.

Action 10

The following recommendations presented in the draft national Strategy under Thrust 3 – '***Work in partnerships to strengthen connections among all parties involved in retirement and financial capability***' - will be implemented:

2017

01. Establish partnership relations with all local stakeholders.
02. Establish partnership relations with similar organisations overseas to tap into their experiences and knowledge base.

2018

Continue to build on actions 1 and 2 above.

2019

Continue to build on actions 1 and 2 above.

Realising the Strategy for Retirement and Financial Capability

Chapter 04

A Retirement and Financial Capability Group (RFCG) will be established under the Pension Strategy Group with the mandate to coordinate and work with stakeholders to implement the actions presented in the Strategy.

The RFCG will be stewarded by MFSS and will include representatives from:

- Ministry for Finance.
- Ministry for Education and Employment.
- Ministry for Social Dialogue, Consumer Affairs and Civil Liberties.
- Department for Social Security.
- FinanceMalta.
- Office of the Permanent Secretary, MFSS.

The RFCG will establish sub-committees to involve partner stakeholders in the work of separate streams under the Strategy.

The RFCG will require financing to implement the Strategy. The Strategy proposes that the budget of the RFCG will be constituted as shown in the Table below.

Table 10: Financing the Retirement Income and Financial Capability Group

Structured Yearly Financial Contribution or in-Kind Support	The Ministry for Family and Social Solidarity
	Appropriate government regulatory and operating entities.
Non-structured benefits or in-kind support	Malta Bankers' Association
	Malta Insurance Association
	Malta Institute of Accountants
	National Lotteries Good Causes Fund
	Malta Chamber of Commerce, Enterprise and Industry
	Malta Employers' Association
	General Retailers and Traders Union
	General Workers' Union
	Union Ħaddiema Magħqudin – Voice of the People
	Others
Members and Affiliate Members	Instilling retirement and financial capability knowledge, education and information as a Corporate Social Responsibility amongst 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 MFSS' contribution will include:

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

Action 11

A Retirement and Financial Capability Group is established under the Pension Strategy Group with the mandate to coordinate and work with stakeholders to implement the actions presented in the Strategy.

Annex

Consultation

The drafting team held a multi-pronged communications and discussion process on the draft Strategy on Retirement Income and Financial Literacy.

The drafting team invited constituted bodies and civil society to partake in the consultation process. The bodies shown hereunder accepted the invitation. A synthesis of the feedback presented is presented in this Annex.

Table: Bodies that Accepted the Invitation to Participate in the Consultation Process

Malta Council for Economic and Social Development.
National Council for Women.
Department of Banking, University of Malta.
Malta Association of Small Shareholders.
Local Councils Association.
Malta Association of Insurers.
General Retailers and Traders Union.
General Workers Union.
Chamber of Commerce, Enterprise and Industry.
National Confederation of Women's Organisations.
Central Bank of Malta.
Il-Kunsill Malti.
Malta Institute of Taxation.
Association for Consumer Rights.
Department of Health, Physical Education and Consumer Studies, University of Malta.
Institute of Business Management and Commerce, Malta College for Arts, Science and Technology.
National Commission for the Protection of Equality.
Nisa Laburisti.
Department of Sociology, University of Malta.
Foundation for Social Welfare Studies.
Malta Stock Exchange.
Malta Funds Industry Association.

Synthesis of Feedback	
Malta Council for Economic and Social Development	The social dimension of financial education is pivotal and should have long been implemented. Government should implement – should avoid inaction as happened for 12 years with regard to third pension and still underway with regard to a voluntary occupational retirement pension.
National Council for Women	Home economics is not the correct portfolio for financial education – as public perception of home economics is that this is a subject for women. Vulnerable groups include: • Unemployed persons. • Persons in precarious work. • Persons in situations of addiction such as gambling, alcohol, etc. • Households in over debtness. • Persons with a disability. • Early school leavers. • Separated or divorced persons. • Families in situations of domestic violence. • Prison inmates. Implementation requires a partnership approach with civil society; private sector; trade unions, education providers. Financial education should not be restricted to Levels 6 and 7 in the senior schools but should extend to the compulsory education, higher and further education, and adult / employee training. Partnerships with the media should be established for effective financial education dissemination.

Department of Banking, University of Malta	Vision should be much broader than retirement income and financial literacy: but on well-being. Education should be targeted and monitored to ensure its effectiveness. Department ready to participate to develop an evaluation mechanism. Degree Plus programme at the University of Malta incorporates financial education. Work with NGOs and the Malta Consumer and Competition Affairs Authority to establish an online portal that assesses financial services products, operators, and contracts offered. Strategic documents should have made stronger emphasis on home ownership given its high prevalence in Malta and home equity release. The financial services providers are key stakeholders and it is important that they are brought on board. They need to understand that it is in their interest that they are transparent, sell appropriate products, etc.
Malta Association of Small Shareholders	Express concern on the recently introduced third pension incentive schemes that is not seen to go far enough to nudge persons to invest in them. A separate coordinating body should be established so that there is undiluted focus. Association's experience is that it is difficult to attract interest on financial education despite that they have today a comprehensive programme of activities.
Local Councils Association	Agrees that a central owner for dissemination of knowledge is in place and that it should work with the Association to undertake community based programmes. A balance is required in financial education in the curriculum between examinations and electives where in the later may result in the subject not being taken seriously. Knowledge should not be limited to pensions and retirement but to social services, income tax, VAT, etc. The public must have full trust in financial services providers and hence the regulatory framework must guarantee this. Poverty and financial education are intertwined: budget management by low-income families may not necessarily focus on priorities – for example, betting. Need to inculcate culture of responsibilisation: people's expectation that the pension would allow them to retain their standard of living whilst in retirement is not realistic.
Malta Association of Insurers	Underline the importance of the Strategy and the need to have in place a focused coordinating body.

General Retailers and Traders Union	Previous attempts to inculcate a culture of saving for retirement have not worked – paltry as they may have been. Focused and sustained approach is necessary and new models should be applied – primarily setting a national commission to spear head this initiative.
General Workers Union	Trade unions have a significant role to play to bring financial education to the work place. Sees merit in partnering to design and launch an accredited course on financial education for employees. Sees merit in having trained persons assigned with it, voluntary or otherwise, to provide knowledge to its membership.
Chamber of Commerce, Enterprise and Industry	Financial services demand trust – trust that can easily be undermined by 'bad apples' in the industry. The regulatory powers of the MFSA must be strengthened significantly.
National Confederation of Women's Organisations	With regard to vulnerable groups, one-to-one communications is likely to be more effective. Concentrated efforts should be directed to inculcate long term planning amongst teenagers and young adults. The recommendations presented are all admirable but their implementation requires financing. If the government is not prepared to finance and establish mechanisms for other stakeholders, such as private sector operators to financially support this initiative than it would be better to retain the status quo. Otherwise expectations will be built which would not be met.
Il-Kunsill Malti	Imperative that communication is in Maltese which demands the articulation of a glossary to ensure common understanding of terms used. Messaging in communications should be in simple Maltese and it is important that the coordinating body works with the Council together and professional marketing firms to develop such messages. Messages should be evaluated to ensure effectiveness of their impact.

Central Bank of Malta	Strategy should take into account the importance of home ownership and the release of this asset for pension income – which, given the high ownership population in Malta – will have a positive impact on middle-income families on retirement. Culture where everything is expected from government but private assets is to be used for personal purposes (for example bequeathing a family home) has to be changed. This is a sensitive matter and requires both education and behavioural changing policy instruments. Current middle-income families are unlikely to be negatively impacted in retirement due to (i) potential home equity release) and (ii) financial and other assets legacy from their parents. Future generations, however, are likely to be 'poorer' than current generations. Financial education has a pervasive impact on poverty: focus for cohorts at risk of poverty should be on budgeting, cash management, prioritisation, etc. Communications strategies have to be carefully messaged – the 'voice' of the State is powerful and hence can result in negative repercussions – and staggered – one cannot go from no communication to sophisticated communication such as the presentation of an 'Orange' Envelope overnight. As communications messages are disseminated this will result in queries and an independent mechanism to provide such queries needs to be planned for. The coordinating body should not be set-up as a separate vehicle: may not survive over the long term. Should be established as a 'semi-independent' body on an existing institution such as MFSA or the recently established Ombudsman for Financial Services – and thus draw on their resources.
Malta Institute of Taxation	Retirement schemes are and have to be tax driven. Wording in the Income Tax Act re exemptions need to be better aligned with the Special Funds (Regulations) Act. Personal deductions or exemptions with regard to contributions on pensions paid by a person and / or their employer should be introduced – including changing to rules related to fringe benefits. 15% tax payable on maturity of life insurance should be refunded to the person if the matured funds are locked into a pension scheme. Possible impact of VAT on pension and other retirement arrangements require further study.

Association for Consumer Rights	Over indebtedness arises following an unexpected drop in income and measures are required to address this issues – which include: • Definition of over indebtedness. • Education, prevention, and appropriate procedures for integrating over debted people into normal economic life. • Should be integrated with financial education and home economics. • Financial education should include budgeting, cash management, prioritisation, etc. Gambling will impact household income and may lead to over indebtedness, potentially at usury rates, with particular regard to low income families.
Department of Health, Physical Education and Consumer Studies, University of Malta	A need for the setting up of a network of stakeholders involved in higher education to determine a financial education strategy and oversee its implementation. Facilitating human and physical resources from government and the private sector to train teachers in the compulsory cycle of education. Strengthening health and consumer education in compulsory formal education. Financing and assisting in the setting up of a National Centre for Health and Consumer Education as a joint venture between MSDCA, MFSS, MEDE, MFSA and UoM. Increasing initiatives to encourage home ownership. Assisting financially insecure elderly homeowners to take out house and content insurance. Regulating home ownership reversion schemes. Setting up of an independent one stop advisory facility within MFSS and MFSA.
Institute of Business Management and Commerce, Malta College for Arts, Science and Technology	Financial education should be initiated from the age of 11 years. Change behaviour programmes for children and young adults such as savings programmes should be introduced. Introduce Mobile Apps to inculcate financial education. Introduce an on-line calculator to allow people to project the pension income they will receive when they retire on the basis of social security contributions paid.
National Commission for the Protection of Equality	Research shows that experiences of women and men in relation to finances are different and, thus, specifically targeted initiatives should be designed. The Strategy should target persons who migrated to Malta and who will have specific concerns and issues re pensions.

Nisa Laburisti	Retirement income and financial literacy must be viewed from the social dimension and not the technical aspect only. Absence of planning for the future and lack of knowledge on the management of money have a direct link with poverty. Building a culture and changing behaviour on retirement income and financial education will not happen on their own – whilst many initiatives are underway there is no synergy and a national coordinating body should be established. The financial services market has a strategic interest in ensuring that no scandals take place: legislative measures should be introduced for this sector to finance financial education either as a CSR or a premium on sale of products. Youths must be educated to assume greater responsibility for the quality of life when they retire. Government should introduce a voluntary top-up on social security contribution that would be ring fenced and individually account based. MFSA should introduce a Quality Services Mark for financial service providers with an excellent track record.
Department of Sociology, University of Malta	Positive that action is proposed with regard to increased financial education and regulation of home equity release.
Foundation for Social Welfare Studies	Strategy should place more emphasis on the importance of financial education and poverty alleviation. In designing messaging and communications, population should not be seen as a monolith but should be stratified and ad hoc messages designed for the different target groups. Financial literacy should form part of a broader education strategy – one that focuses on personal wellbeing. Introduce community-banking vehicle that provides independent advice on retirement income and financial literacy.
Malta Stock Exchange	Underline the importance of the Strategy and the need to have in place a focused coordinating body. Emphasise that MSE is taking a more active role in educating investors and to make sure that the MSE is accessible to investors – though the challenge to achieve this is not to be underestimated.
Malta Funds Industry Association	Underline the importance of the Strategy and the need to have in place a focused coordinating body.

Financial Wealth of Low Income Households - Below Secondary Education (Central Bank of Malta, 2013)

Below Secondary Education	Employee Income	S/E Income	Income from Pensions	Income from Benefits	Rental Income	Financial Investment	Other Household Income	Median
Share of household gross income sources in total gross income	43.20		34.40	1.80		9.70		
Median value of household gross income conditional on participation	€ 15,917		€ 6,645	€ 1,471		€ 987		
Household net wealth	0.37		0.81					€ 129,469
	Main Residence	**Other Real Estate**	**S/E Business**	**Vehicles**	**Valuables**			
Share of household real assets components in total real assets	65	21.7		2.2	0.8			
Median value of household real assets conditional on participation	€ 162,294	€ 103,892		€ 4,732	€ 2,330			
	Non interest bearing deposits	**Interest bearing deposits**	**Mutual funds**	**Securities**	**Listed shares**	**Voluntary pension scheme or life insurance**	**Other**	
Share of household financial assets components in total financial assets	9.3	56.1		16.6	5.9			
Median value of household financial assets conditional on participation	€ 2,159	€ 13,304		€ 17,004	€ 9,937			
	Mortgage debt on main residence	**Mortgage debt on other property**	**Total mortgage debt**	**Other non mortgage debt**				
Share of household debt components in total debt				41				
Median value of household debt assets conditional on participation				€ 6,860				
	Ration of debt repayments to gross HH income	**Ration of debt to HH income**	**Ration of debt to gross HH income**					
Household debt burden (all debt)	10.2	29.5	15.3					
Mortgage debt burden	:	:	:					
	Amount spent on food in home	**Amount spent on food outside of home**	**Annual amount transfer to 3rd parties**	**Annual amount spend on rent**	**Annual amount spent on utilities**	**Expenditure on school fees and medical**	**Saving**	
Median value of household expenses and saving conditional on participation	€ 3,717	€ 1,003		€ 192.00	€ 1,573.00	€ 378.00	€ 750.00	

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