



投資者及理財教育委員會
Investor and Financial
Education Council

Policy Innovation and Co-ordination Office
26/F, West Wing
Central Government Offices
2 Tim Mei Avenue
Tamar, Hong Kong

13 September, 2019

Dear Sir/Madam

Responses to the 2019 Policy Address Public Consultation

On behalf of the Investor and Financial Education Council (IFEC), I am pleased to share IFEC's views for the 2019 Policy Address public consultation. With heightening economic challenges in mind, we believe financial literacy is an essential life skill which can help address many socio-economic issues and urge that financial education, a process intended to increase the population's financial literacy level, be integrated in the 2019 Policy Address.

Policy Addresses in previous years have encompassed a wide range of policy areas all targeted to improve people's livelihood and overall well-being. In fact, many of these policy areas could benefit from higher financial literacy level of Hong Kong people. If the financial literacy of the targeted segments is factored in when developing these policies and financial education is integrated into the corresponding initiatives, the effectiveness and sustainability of these policies and initiatives can likely be enhanced.

We believe the following policy areas could benefit from an increased financial literacy level of Hong Kong people:

Low-income families

Even with government's assistance, low income families still need to be meticulous when managing money in order to make ends meet. Financial education can help low-income people become more self-reliant, reducing further burden on public expenditure. Parents with proper financial skills and attitudes to manage their limited household income well can also act as a good role model for their children. This would help encourage their children to build assets, provide them with a roadmap for upward mobility and ultimately help reduce intergenerational poverty. The provisions of financial assistance or relief measures to those in need are good windows to provide financial education to the recipients to help them make the most of their limited income and build resilience against financial adversities.

Youth development

Financial independence, considered as one of the building blocks of the government's youth development strategy, is correlated with home ownership. However, the unaffordable cost of housing has discouraged many young people from planning for their future. Frustrated over limited upward mobility and prospects, many adopt a "live for today and let tomorrow take care of itself" attitude. Easy credit and consumerism are also leading to looming debt issues. Financial education can help instil a more positive mind-set among young people. With the appropriate financial attitudes and money management skills, young people can establish and work towards their future personal goals. Financial education should be introduced or strengthened in all tertiary institutions and more channels to access financial education be provided to young working adults.

Financial literacy is also increasingly recognised as an essential subject matter among schoolchildren across the globe. The OCED/INFE recommends that "financial education should



ideally be a core part of the school curriculum” and the World Economic Forum has included financial literacy as one of the six foundational literacies students require for the 21st century. Unfortunately, curriculum development in Hong Kong has been unable to keep up with the pace of change. “Financially literate” can be included as a distinct value and attribute in the curriculum framework and a holistic approach needs to be adopted to ensure that the various financial literacy elements are adequately covered in the school curriculum.

Ageing population

A growing elderly population and longer life span of people have led to an increasing demand for public healthcare and social welfare in Hong Kong. The resources and support required by the elderly are expected to increase the burden on society, which may be difficult to sustain in the long term. Investor and financial education can help prepare future generations of retired people to be more self-reliant. With the appropriate financial skills and attitudes, they can better plan for their and their spouses’ retirement and utilise the different retirement pillars. This could reduce their need to depend on family members and social support.

With the introduction of various government-led financial products for retirement, there is a need for public resources to be made available to educate pre-retirees on how to holistically plan for their retirement. As a reference, in the UK, citizens are entitled to a free and impartial government pension guidance by the [Pension Advice Service](#).

Scams and fraudulent activities

The rapid development of mobile technology and social media has led to increasing risks of investment scams and other fraudulent activities. As Hong Kong has an active retail investor market, fraudsters can easily lure victims to investments such as Initial Coin Offerings (ICOs), pre-IPOs and loco London gold. Eager for quick profits, many financial consumers are prone to financial loss caused by loan intermediaries, unscrupulous sales practices or misrepresentations of financial products. Prevention is better than cure. Investor education can help people, especially the more vulnerable and less literate groups, to be more alert to frauds and safeguard themselves against investment scams and malpractices. The government can support those stakeholders serving vulnerable groups to provide investor and financial education to these targets that are generally harder to reach.

Financial inclusion

Fintech has brought about many benefits including improving financial inclusion in certain areas. However, this also encourages inadvertent spending and consumerism. The evolution to a cashless society is leading to loose money management practices among younger generations. Meanwhile, Fintech may cause financial exclusion. Virtual financial services and reduced accessibility of physical outlets may exclude some people who are less literate or tech-savvy. Raising financial literacy can help these people enjoy the benefits that Fintech brings. Financial education can also help people build a healthy money management attitude amidst technological advancement. The government can take the lead in its services and also encourage financial industry to put financial inclusion into practice when developing businesses.

Housing

Buying a flat is one of the top financial goals for many Hong Kong people. The desire of owning a home preoccupies many young adults and even their parents. To many, this has an adverse effect on how they view and manage their finances. Irrational financial choices may eventually impact the stability of the economy. If property prices fall, the high gearing levels of many mortgage loans will be exacerbated, causing negative equity. Rental increases have also outpaced the median income growth of households, impairing those who seek other housing arrangements. Financial education can help people better evaluate the total costs of housing and assess the impact of external economic factors. With higher financial literacy, they may be able to make more informed

and rational decisions before committing to any housing options that require significant and long term financial obligations.

Many socio-economic issues, which impact people's overall well-being, can be exacerbated by their poor money management. While the Government is introducing relief measures to help Hong Kong people weather the economic challenges, the effectiveness of such measures could be significantly undermined if people do not manage their finances well. Through financial education, people can become more capable to deal with these issues and benefit from the relief measures. While the whole Hong Kong population can benefit from higher financial literacy, different social segments, from school children, youth, working adults, elderly to vulnerable groups (which may include low-income families, ethnic minorities, new immigrants, foreign domestic helpers and the disabled), have their unique characteristics, challenges in managing their finances and need for financial education. Financial literacy can be highly relevant to many policies and financial education should be integrated into the respective policies.

Yours faithfully

David Kneebone
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