

9th March 2019

Dear Chris,

I have been having a bit of a think about the Working Party and just wanted to share with you some ideas on how we might take this forward, partly inspired by the latest problem with consumer understanding: <https://www.bbc.co.uk/news/uk-england-47454328> (London Capital & Finance).

I wanted to run my ideas by you before wider circulation to the rest of the group, if you feel that is appropriate.

Although the Principles of Financial Literacy (PFL) are a step in the right direction, I think they might just collapse into ‘motherhood and apple pie’ or the lowest common denominator. I also think, on reflection that some overlap and some are missing. In practice, the first principle is more of an umbrella for the others, so I would suggest the others are sub-points. I think it would also be nice to give them titles that are thematised – so here is a suggestion:

Principles of Financial Literacy (Suggested Revision)

Actively managing and engaging with your finances can make a huge difference across your lifetime. In essence, each area of your finances needs thought and planning:

1. Plan Your Spending – Have a clear picture of what you *have* to spend and what you *want* to spend. Many products are priced differently for the same thing or the provider increases the cost to those who are not watching closely. Shop around regularly for good deals, but make sure you are comparing like for like.
2. Plan For Emergencies – Try to have a fund (such as a bank deposit account) that you can use to cover unexpected issues, like replacing a broken fridge, and consider using insurance for bigger emergencies, like being burgled.
3. Plan Your Borrowing – It is almost inevitable that most people will have debts at points in their life, such as a mortgage, bank overdraft etc. However, the interest rates charged on debt vary enormously. Shop around but also try to avoid high-interest debt by planning spending and allowing for emergencies.
4. Plan Your Savings – Most of us will acquire both short-term savings and long-term savings like a pension. Generally, the more we can save the better. However, once we move away from simple products like a deposit account with a high street bank, the more the dangers and risks are for the unwary.

5. Plan For Advice – Managing your finances can be complex, don't be afraid to seek *properly regulated* advice. However, beware of those who approach you and protect yourself by being aware of common tricks used by fraudsters.

I would then suggest that the way forward for the working party is for you to take the lead on getting the Principles established generally and acquiring buy-in from the IFoA. Then for five members of the Working Party to each take the lead on one of the five sub-principles. Perhaps with the aim of producing a short booklet/PDF for discussion and review by the wider Working Party?

Best wishes,

Peter