

Gesamtverband der Deutschen Versicherungswirtschaft e.V.

# Financial Education in the Field of Pensions – the Activities of GDV

EU Conference „Increasing Financial Capability“

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## GDV shares the OECD's view on the general tasks of financial education in the field of pensions\* ...

- ✓ Developing consumers skills and confidence to become more aware of financial risks and opportunities;
- ✓ Providing orientation knowledge on general product types and their major characteristics;
- ✓ Providing orientation knowledge on how to gather further information (when) needed on products;

Since motivation is the precondition of any learning process it is necessary, in addition, to **foster the motivation to deal with financial matters on one's own** (reinforcing cultural change)

\* OECD: Financial education and private pensions (DAF/AS/PEN/WD(2005)27/REV1)

## ... and is actively engaged in financial education

Tasks	Instruments
Fostering the motivation to deal with financial matters on one's own	-> integrated pension information („Eigenvorsorge-Report“); -> Klipp + Klar (information center of the German insurers): several activities -> pensions education award
Developing consumers skills and confidence to become more aware of financial risks and opportunities	-> „Eigenvorsorge-Report“; -> Klipp + Klar: several activities -> pensions education award
Providing orientation knowledge on general product types available	-> Klipp + Klar: several activities
Providing orientation knowledge on how to gather further information on products	-> Klipp + Klar: several activities

# Agenda

- 1. Eigenvorsorge-Report: Provision of integrated pension information**
- 2. Klipp + Klar: The activity spectrum of the information center of the German insurers**
- 3. Future project: The pensions education award**
- 4. Financial education as a means to achieve a critical mass of pension ownership**

# 1. Eigenvorsorge-Report: Provision of integrated pension information

## Empirical study on pension planning in Germany (Annex I)

- Existing annual pension information provided by the statutory PAYG-financed pension system and by occupational and private pension providers have a positive influence on actual behavior:
  - Inducement for engaging in the field of old age provision;
  - Intensive usage in the pension planning process.
  
- Major causes for sofar undone pension planning :
  - Subjectively perceived impossibility to find out how much money is available in old age;
  - „Lack of time“, „necessary effort prohibitively high“; „complexity prohibitively high“.

## Eigenvorsorge-Report: The basic idea

- Support for systematic combination of existing pension information (statutory PAYG-financed pension system, occupational pensions, private pensions)
  
- Alleviation of regular pension planning :
  - Insureds are enabled to getting an overview on their individual total pension provision of all three pillars;
  - By comparing the current pension provision with their individually fixed provision goals insureds can calculate their individual pension needs and – if necessary – fill their pension gaps.

## The concept in detail

- Declaration of monthly pension benefits in the age of 65 (analogous to pension information of statutory PAYG-financed pension system);
- Declaration of an annuity factor for the conversion of a capital sum available in the age of 65 into monthly pension benefits;
- Declaration of monthly disability benefits (analogous to pension information of statutory PAYG-financed pension system);
- Inflation note (analogous to pension information of statutory PAYG-financed pension system);
- Gross income approach (information on taxes and social security contributions);
- simultaneous mailing with annual pension information of occupational and private pensions;
- Completion by electronic pension calculator ([www.eigenvorsorge-report.de](http://www.eigenvorsorge-report.de)).

# Eigenvorsorge-Report print version: basic scheme

Overview of the expected monthly benefits ...			
	In old age <sup>①</sup>		In the disability case <sup>③</sup>
	Pensions in the age of 65*	thereof already today guaranteed <sup>②</sup>	(partial / total disability benefits)
... by private pensions <sup>④</sup>			
... by occupational pensions <sup>⑤</sup>			
... by the statutory PAYG-financed pension system <sup>⑥</sup>			
<b>SUM</b>			

\* The surplus profit included in this value is not guaranteed. Please, note our explanations on the not-binding nature of the surplus profits in our annual pension information.

## In the case of lump-sum payments: declaration of an annuity factor

„In case that you plan to annuitize a lump sum payment from private or occupational old age provision contracts (e.g. from a life insurance), you can convert this payment into a monthly annuity and add it to the other monthly pension benefits. From today's perspective and according to a rule of thumb a capital payment of 10.000 Euro in your 65th year will lead to a life long monthly annuity of approximately 45 to 50 Euro.”

## Indication of the impact of inflation

„When revaluating the expected benefits, please, take into account that when you arrive the age of 65 an amount of 100 Euro, e.g. in the case of an average annual inflation rate of **1,5 %**, will have a purchasing power of only \_\_\_\_\_ \* Euro measured in today's prices.“

\* This field is to be individually completed by insurance companies/ staff insurance companies/ pension funds in accordance to the corresponding year of birth. In the case of a person aged 35 today the purchasing power of 100 Euro in 30 years will amount to only 63,50 Euro.

## Who gets the print version of the Eigenvorsorge-Report?

- Insurance clients having private or occupational pension contracts (Riester annuity, new basic annuity, private annuities, life insurance, occupational pension vehicles having the form of insurance);
- Precondition: duration of the contract at least until the age of 60;
- Base for implementation by insurance companies: recommendation of the German Insurance Association (not-binding);
- Introduction: 2006 (coverage rate of companies representing almost 50% of the market until the end of 2006 ).

## [www.eigenvorsorge-report.de](http://www.eigenvorsorge-report.de)

The Eigenvorsorge-Report print version is completed by an electronic pension calculator:

- Assistance in comparing the individually fixed provision goals with the total expected benefits from all three pillars;
- Comparison of results with and without incorporation of inflation effects;
- Accessible also for persons having not placed an occupational or private pension contract yet;
- Integration in the consumer-oriented website of the information center of the German insurance industry „Versicherungen Klipp + Klar“.

# Electronic Pension Calculator: [www.eigenvorsorge-report.de](http://www.eigenvorsorge-report.de) (also integrated into the website of Klipp & Klar: [www.versicherungen-klippundklar.de](http://www.versicherungen-klippundklar.de))

**Rechnen Sie mit der Rente!**

Sind Sie ausreichend abgesichert, um im Alter finanziell gut versorgt zu sein? Was müssen Sie tun, damit Sie als Rentner den von Ihnen gewünschten Lebensstandard haben? Und wie wirkt sich die Inflation auf Ihre späteren Bezüge aus?

Aus der gesetzlichen Renteninformation und den jährlichen Standmitteilungen Ihres Versicherungsunternehmens, Ihrer Pensionskasse oder Ihres Pensionsfonds wissen Sie, welche jeweiligen monatlichen Rentenleistungen Sie im Alter von 65 oder im Invaliditätsfall (Erwerbs- beziehungsweise Berufsunfähigkeit) zu erwarten haben. Mit Hilfe des [Eigenvorsorge-Reports](#) (PDF, 37 KB), den Sie von vielen Versicherungsunternehmen, Pensionskassen oder Pensionsfonds ab 2006 regelmäßig erhalten, können Sie sich einen Überblick über Ihre Gesamtleistungen im Alter sowie über Ihre Gesamtleistungen im Invaliditätsfall verschaffen.

Dieser Online-Rechner will Ihnen darüber hinaus dabei helfen, Ihre Versorgungssituation zu klären. Für die vier Arbeitsschritte werden Sie nicht länger als 15 Minuten benötigen. Es ist lediglich erforderlich, dass Sie Ihre aktuelle gesetzliche Renteninformation (i) und Ihre aktuellen Standmitteilungen (ii) der betrieblichen und privaten Altersvorsorge zur Hand nehmen. Die Daten, die Sie in die Formulare des Eigenvorsorge-Report Rentenrechners eingeben, sind anonym und werden nicht gespeichert.

[zum Rentenrechner](#)

**EIGENVORSORGE-REPORT RENTENRECHNER**

**Angaben zu Ihrem Geburtsjahr, Ihrem Bruttoeinkommen und Ihrem gewünschten Versorgungsziel**

Erforderliche Schritte ① ② ③ ④

Damit wir Ihr Versorgungsziel im Alter und bei Invalidität sowie Ihre im Alter von 65 Jahren zu erwartenden Leistungen hochrechnen können, benötigen wir einige Informationen.

Ihr Geburtsjahr 19

Ihr aktuelles monatliches Bruttoeinkommen  Euro *i*

Ihr Ziel (In Prozent des aktuellen Bruttoeinkommens) *i*

für Ihre Versorgung im Alter 60% *i*

für Ihre Versorgung im Invaliditätsfall (Erwerbs- bzw. Berufsunfähigkeit) 60% *i*

**Bitte beachten Sie, dass auch die Leistungen im Alter und im Invaliditätsfall teilweise steuerpflichtig sowie kranken- und pflegeversicherungspflichtig sein können!**

**Zur aktuellen Versorgungssituation** ▶

## 2. The information center of the German insurers

- was founded by GDV in 1999
- is the central contact point for consumers with regard to insurance related topics,
- provides up-to-date tips and recommendations on financial planning and security,
- informs factually and in a competition-neutral way,
- is perceived as a credible and competent institution,
- does **not** give any product-related recommendations **nor** provides any comparison between products,
- does **not** handle any complaints (-> Ombudsman, [www.versicherungsombudsmann.de](http://www.versicherungsombudsmann.de)),
- does **not** provide legal advice.

## Flexible communication: the service spectrum of Klipp + Klar

- Service and information hotline for consumers
  - free of charge
  - Main topics 2004/05:
    - life insurance (disability insurance, private annuities, occupational pensions, „Riester annuity“)
    - vehicle insurance
- Order service (by phone, fax, mail or online)
  - Booklets
    - 8 ZUKUNFT klipp + klar life cycle booklets
    - 15 product specific booklets
  - Literature lists, address and link lists
  - Teaching materials (CD-ROM, DVD, print material)
- Internet
  - Providing online information: [www.klipp-und-klar.de](http://www.klipp-und-klar.de)
- User data: **Annex II**



# ZUKUNFT klipp + klar: group specific life cycle booklet series

- Tips and information for **school leavers**  
Jetzt geht's los
- Tips and information for **graduates**  
Startklar
- Tips and information for **employed and employment-seeking persons**  
Lebenslauf
- Tips and information for **founders of new businesses**  
Aufbruch
- Tips and information for **singles**  
Einzelausgabe
- Tips and information for **young couples**  
Zeit zu zweit
- Tips and information for **parents**  
Menschenskinder
- Tips and information for the **retirement**  
Fortschritt



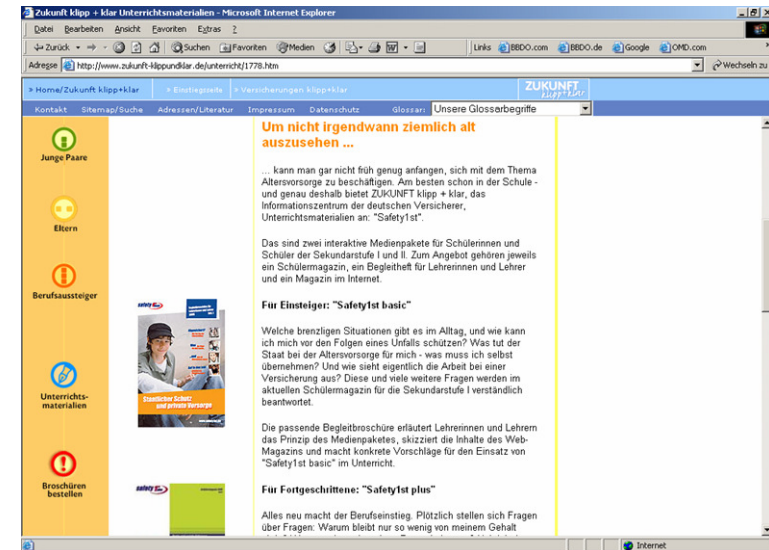
# Versicherungen klipp + klar: product specific booklet series

- Insurance: public and private  
**Sozial- und Individualversicherung in Deutschland (Statutory and private insurance in Germany)**
- Attractive for employers and employees  
**Die betriebliche Altersversorgung (occupational pensions)**
- Old age provision and term coverage  
**Lebensversicherung – Ihre private Vorsorge (life insurance)**
- Insurance products for self-employed persons  
**Mehr Sicherheit für Betriebe und Freiberufler (more security for companies and professional persons)**
- Old age provision with security  
**Die neue Rente (the new pension annuity)**
- Term coverage and disability provision  
**Die private Berufsunfähigkeitsversicherung (The private disability insurance)**



# The media package „Safety1<sup>st</sup>”

- students' magazin, teachers' book, internet platform
  - Safety1<sup>st</sup> basic  
(for beginners; classes 8 to 10/ Sek. I  
at secondary schools)
  - Safety1<sup>st</sup> plus  
(for advanced; classes 11 to 13/ Sek. II at  
grammar schools)
- Topics
  - Social security system
  - Pensions and old age provision
  - Insurance and career start
- Winner of the Comenius-Siegel, an award for didact multi-media products



## How is the teaching material's neutrality with respect to specific products and providers ensured?

- As an industry association GDV does neither offer insurance products itself nor promotes certain providers;
- Material is developed in cooperation with the reputable Working Group „Jugend und Bildung“ (Members: didactics experts of the ministries of education of the Länder, of the social partners, the European Parliament, associations and companies) in strict orientation at the curricula of the Länder
- Check for hidden advertisements by a public institution (Konferenz der Landesfilmdienste).
- Regular evaluation and testing of acceptance by teachers (questionnaires); Extensive realization of the proposals by teachers;
- Gain of various awards provide additional evidence for the quality (-> **Annex II**)

## Cooperations with public and private institutions provide distribution channels for Safety 1st

- Unterrichtshilfe Finanzkompetenz Verbraucherverbände, in Zusammenarbeit mit dem Bundesministerium Familie, Senioren, Frauen und Jugend
- Informationsportal Kursraum Geld Initiative Finanzstandort Deutschland
- Bundesarbeitsgemeinschaft Kinder- und Jugendschutz Broschüre „Richtig Geld ausgeben“
- Bundesarbeitsgemeinschaft Schule/Wirtschaft Broschüre „Wirtschaft informiert Schule“
- Lehrer online Bundesministerium Bildung und Forschung
- Stiftung Jugend und Bildung Veranstaltungsreihe Finanzielle Allgemeinbildung
- NRW-Netzwerk „Gewusst wie!“ Arbeitsgruppen Finanzwissen Ministerium für Umwelt und Naturschutz, Landwirtschaft und Verbraucherschutz NRW
- Handelsblatt macht Schule
- Jugendzeitschriften
  - handfest Jugendmagazin des Handwerks
  - Spießer
- Berufsbildungswerk der Deutschen Versicherungswirtschaft Deutsche Versicherungsakademie

### 3. Future project: GDV pensions education award

- Due to the federal structure of Germany the organisation of education is within the responsibility and competence of the 16 Länder
- In school curricula „pensions education“ is typically split to different subjects (mathematics, social studies, economics, ethics ...);
- Lack of integratedness of pensions education?
- GDV award for teacher colleges in general school for the best multidisciplinary conception of pensions education
  - Awarded are multidisciplinary conceptions of a pensions course (approved as well as new ones)
  - Cooperation with foundation „Jugend und Bildung“

## 4. Financial education as a means to achieve a critical mass of pension ownership

- In Germany, the ratio of benefit recipients to contributors in the dominant PAYG financed pension system will almost double until 2050 due to population ageing;
- If living standard is to be sustained in retirement supplementary funded pensions are increasingly necessary.

⇒ Double challenge for financial education:

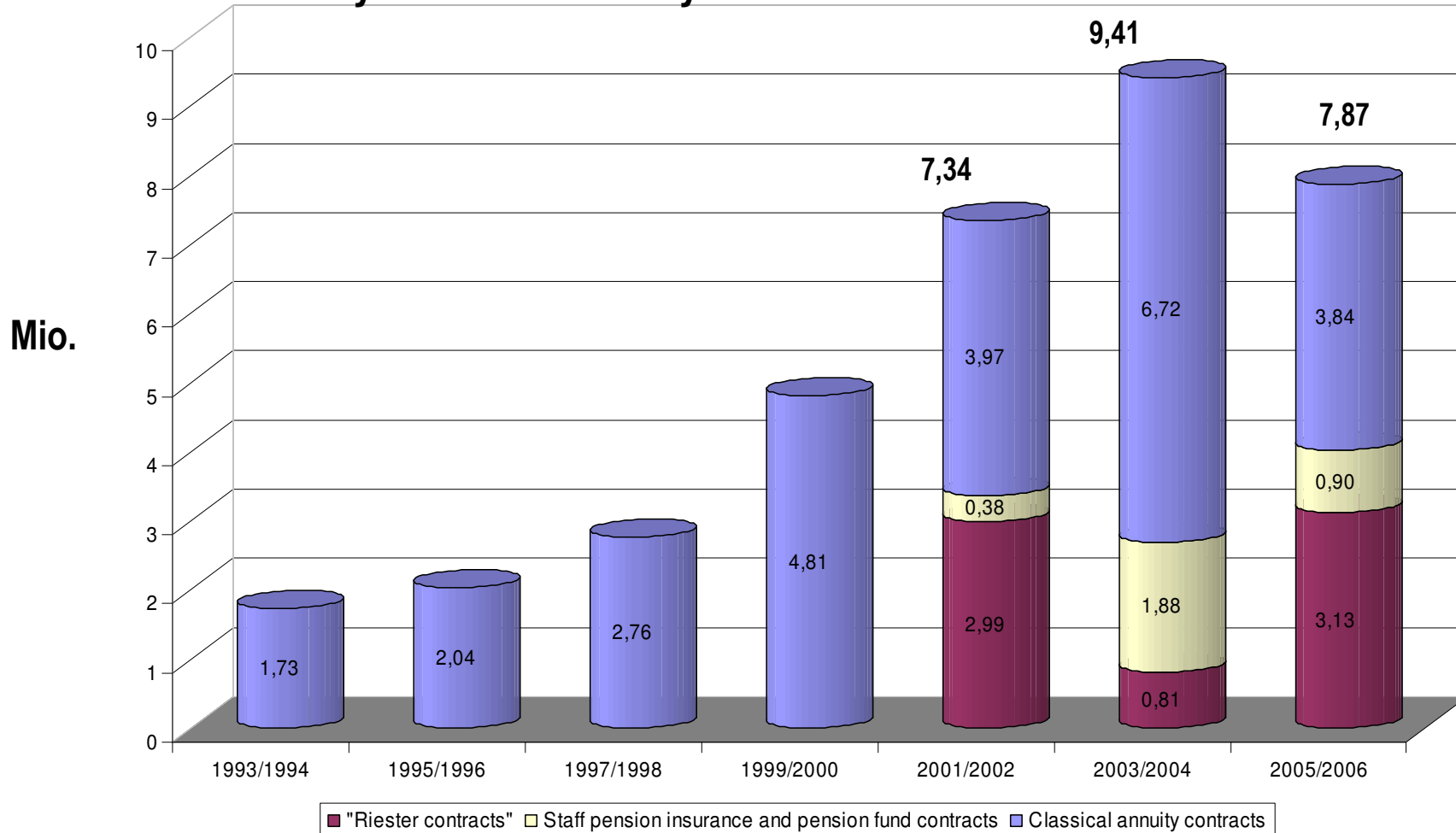
1. Contributing to a high participation rate of funded products complementing PAYG financed benefits while simultaneously
2. enabling consumers to make the best of their choices according to their individual situation.

# Automatic enrolment versus financial education

	<b>Automatic enrolment</b>	<b>Financial education</b>
<b>Starting point/ Hypothesis</b>	Diffusion of complementary funded pensions does not take place sufficiently fast	Diffusion of complementary funded pensions does not take place sufficiently fast
<b>Causal analysis</b>	in principle, people are willing to provide but are prevented from acting by passivity and inertness	People lack awareness of the necessity to provide for old age as well as “absorptive capacity” that is necessary for selecting and understanding useful information:
<b>Underlying behavioural assumption</b>	People often behave irrationally; Human behaviour is static.	People may often behave irrationally but they are capable of learning; Human behaviour is dynamic
<b>solution</b>	Introducing opting-out in occupational pensions together with defaults on standard products and contribution rates (meritoric want approach)	Fostering a critical mass by 1. Propagating new attitudes (from governmental to (partly) individual provision); 2. Improving awareness of financial risks in old age; 3. Developing consumers’ financial skills.

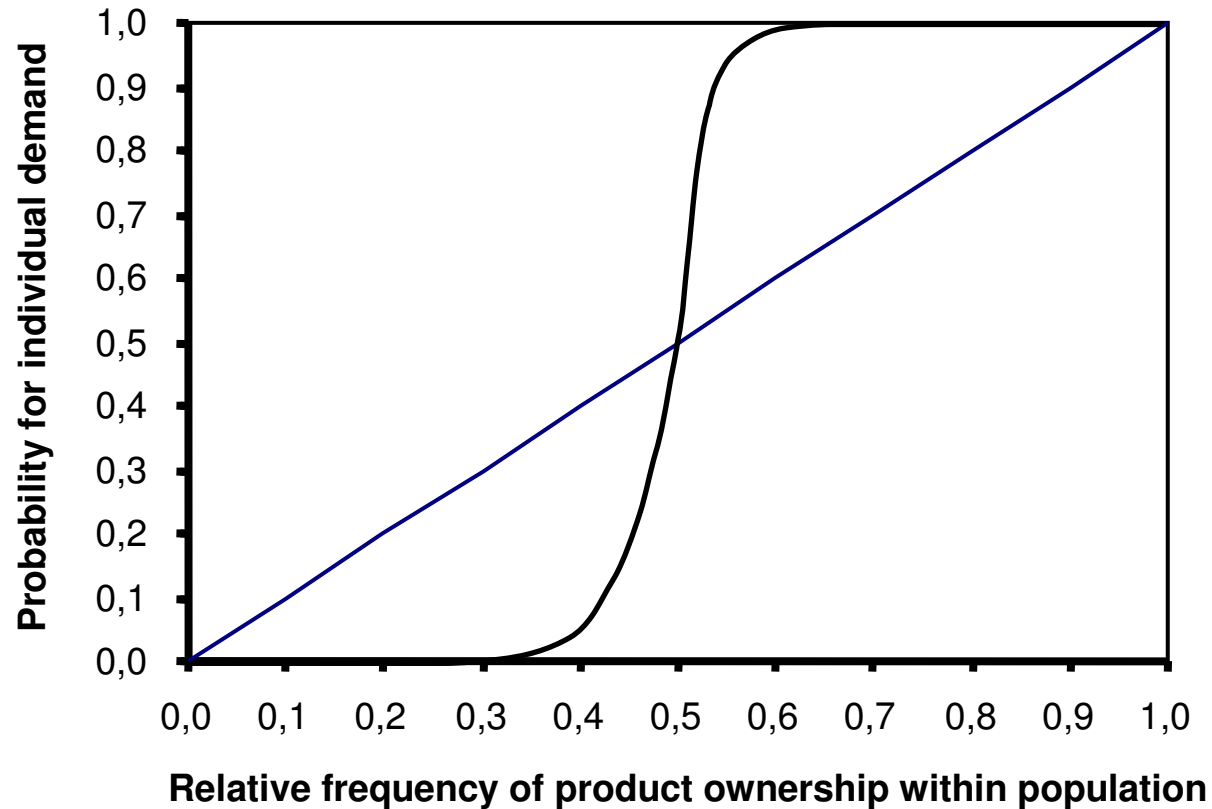
# In Germany, the acceptance of funded pension annuities is increasing

## Newly effected annuity insurance contracts since 1993\*



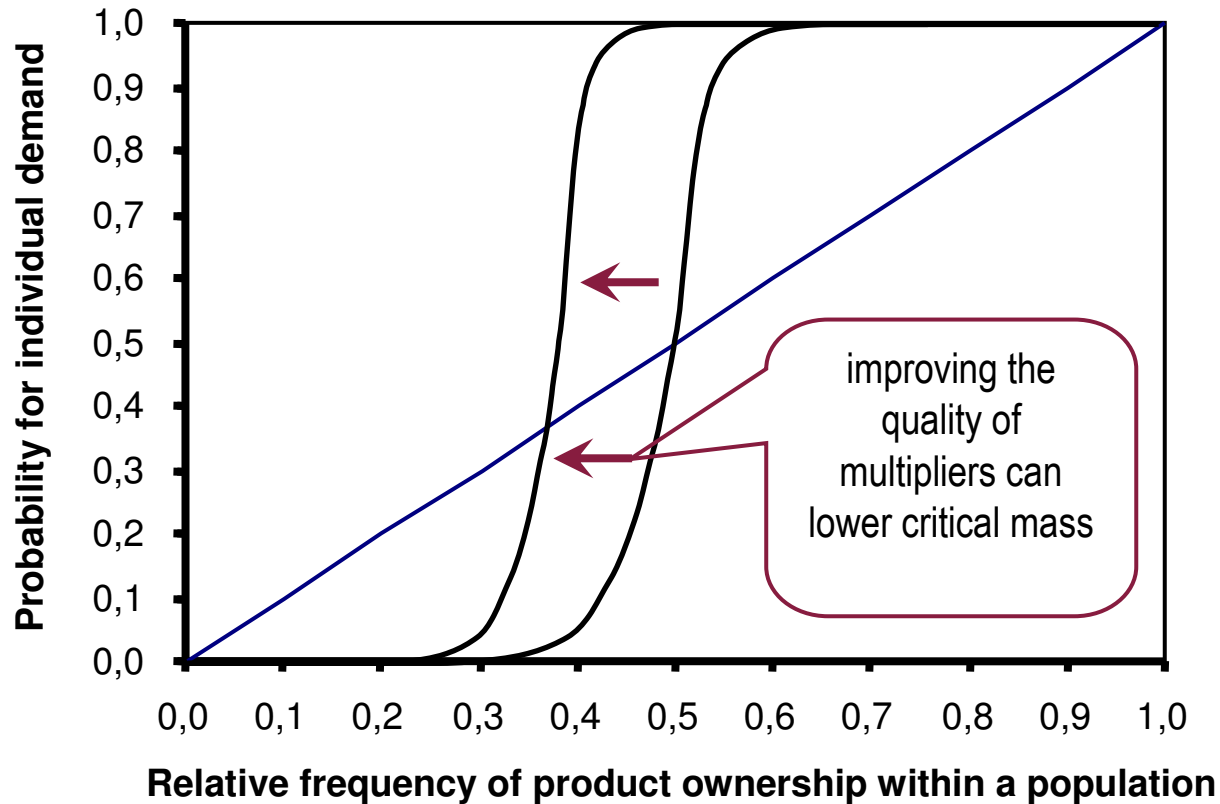
\*Direct insurance contracts, staff pension insurance contracts and pension fund contracts recorded by GDV

## The concept of critical masses: the „frequency – dependency effect“



Source: U. Witt: "Lock-in" versus "Critical Masses" - Industrial Change under Network Externalities, in: International Journal of Industrial Organisation Vol. 15/ 6 (1997), S. 753 - 773.

# Efficient financial education contributes not only to attain but also to lower the critical mass!



Source: U. Witt: "Lock-in" versus "Critical Masses" - Industrial Change under Network Externalities, in: International Journal of Industrial Organisation Vol. 15/ 6 (1997), S. 753 - 773.

# Automatic enrolment contradicts financial education's „enlightenment objective“

1. Setting standard defaults undermines the citizens' own initiative that is a precondition for the success of financial education;
2. When passivity and inertness of people are to be exploited in order to increase the participation of funded pensions an answer has to be given to the question of who is responsible when it turns out after decades that
  - the default product did not serve the individual consumer needs or
  - the default contribution rate has been too low (Choi, J. et al. (2004): For better or for worse. Default effects and 401 (k) savings behaviour, University of Chicago Press)?

# Thank you for your attention!

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## Annex I

# Selected results of an empirical study on retirement planning behaviour in Germany 2006

## Inducements for an examination of existing old age provision

25- to 60 year old persons, who have already considered their financial situation in old age

	%
“talk to friends, peers, relatives”	45
“media reports”	40
“feeling that it would be about time to approach this issue“	30
“received information on the expected benefits out of the statutory pension system”	28
“Change of personal situation”	27
“talk to an insurance agent”	21
“talk to a bank advisor”	12
“talk to my employer”	9
“talk to my accountant”	9
“received information on the expected benefits out of my occupational or private pension”	9
“advice in (vocational) school”	1

Data: Germany, 25- to 60 year old persons, who had already reflected their financial situation in old age  
Source: Allensbacher Archiv, IfD-Umfrage 9624

## Reasons for insufficient concern with the topic

25- to 60 year old persons, being convinced of paying too little attention to their old age provision

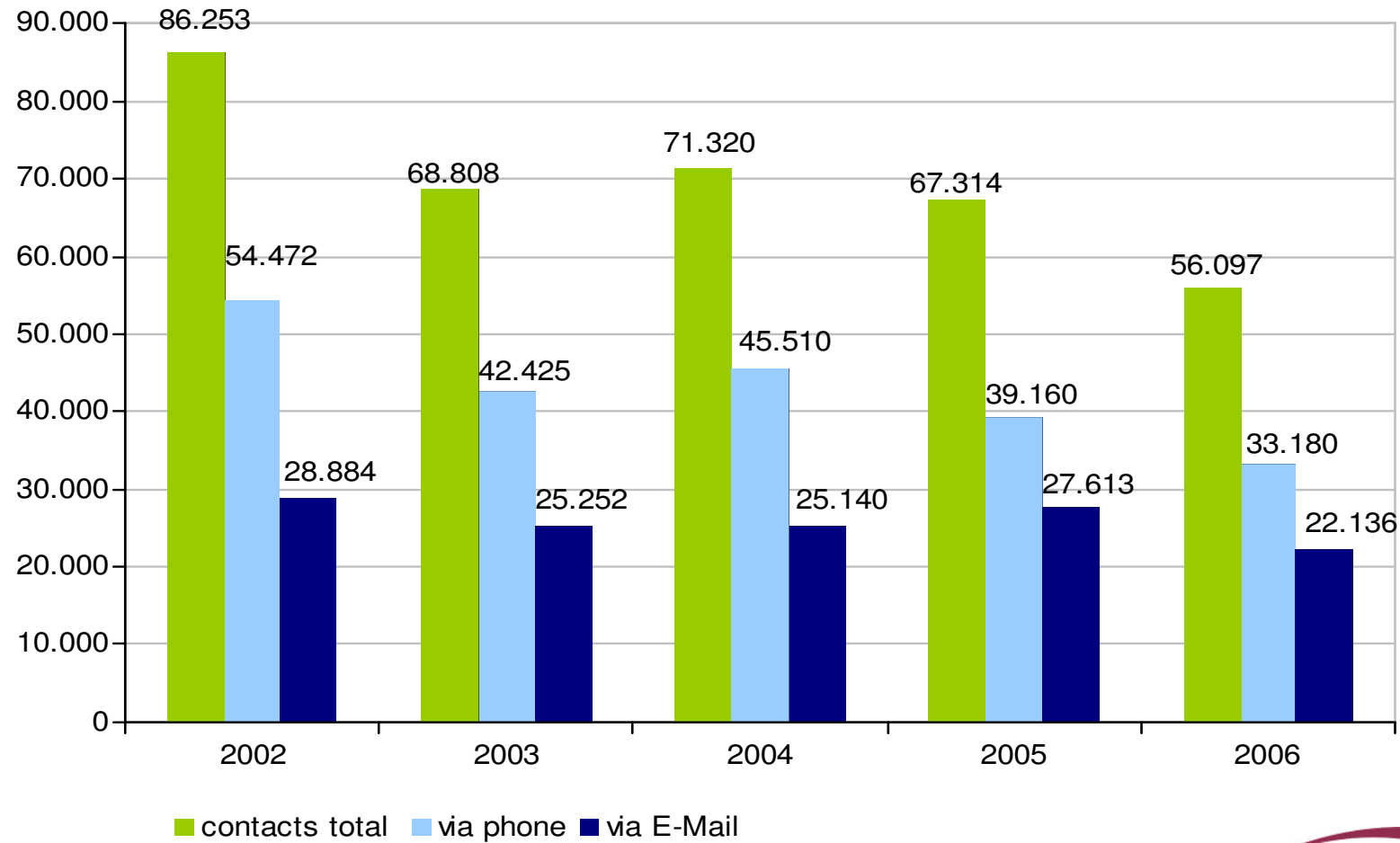
	%
“It is impossible to know in advance the amount of money that will be available in old age”	58
“Since I can not foresee my financial situation in old age, it does not make sense to think of it”	52
“I do not like thinking of old age and of how I will be then”	32
“I am worried to have too little money in old age, therefore, I avoid thinking of it”	29
“too difficult, too complex”	28
“I feel too young to deal with stuff like that”	22
“lack of time”	20
“too cumbersome, too intricate”	19
“It is up to the government to provide sufficient pensions for its citizens”	11
“too little interest in this topic”	9

Data: Germany, 25- to 60 year old persons, who had already reflected their financial situation in old age  
Source: Allensbacher Archiv, IfD-Umfrage 9624

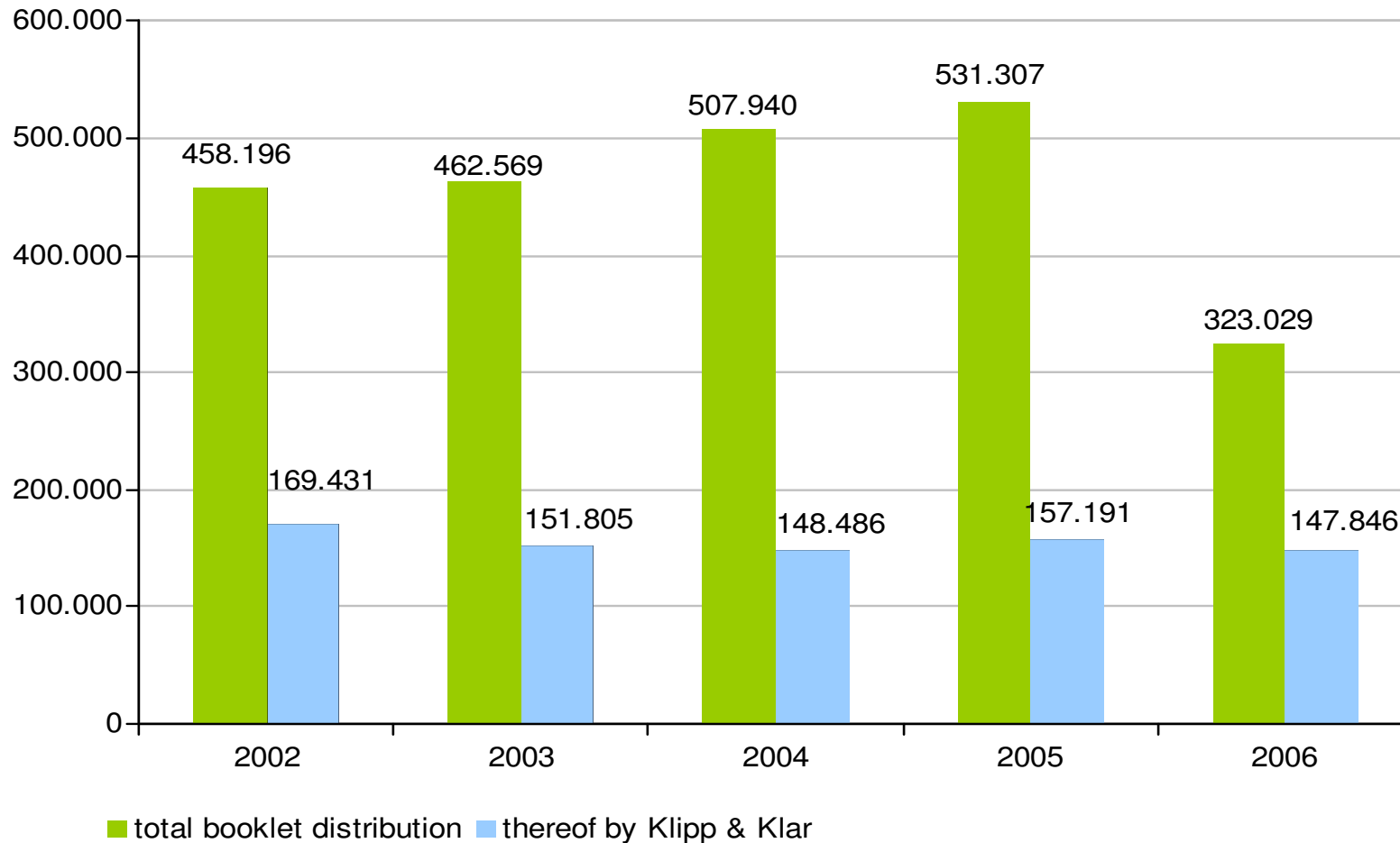
## Annex II

# User Data Klipp + Klar

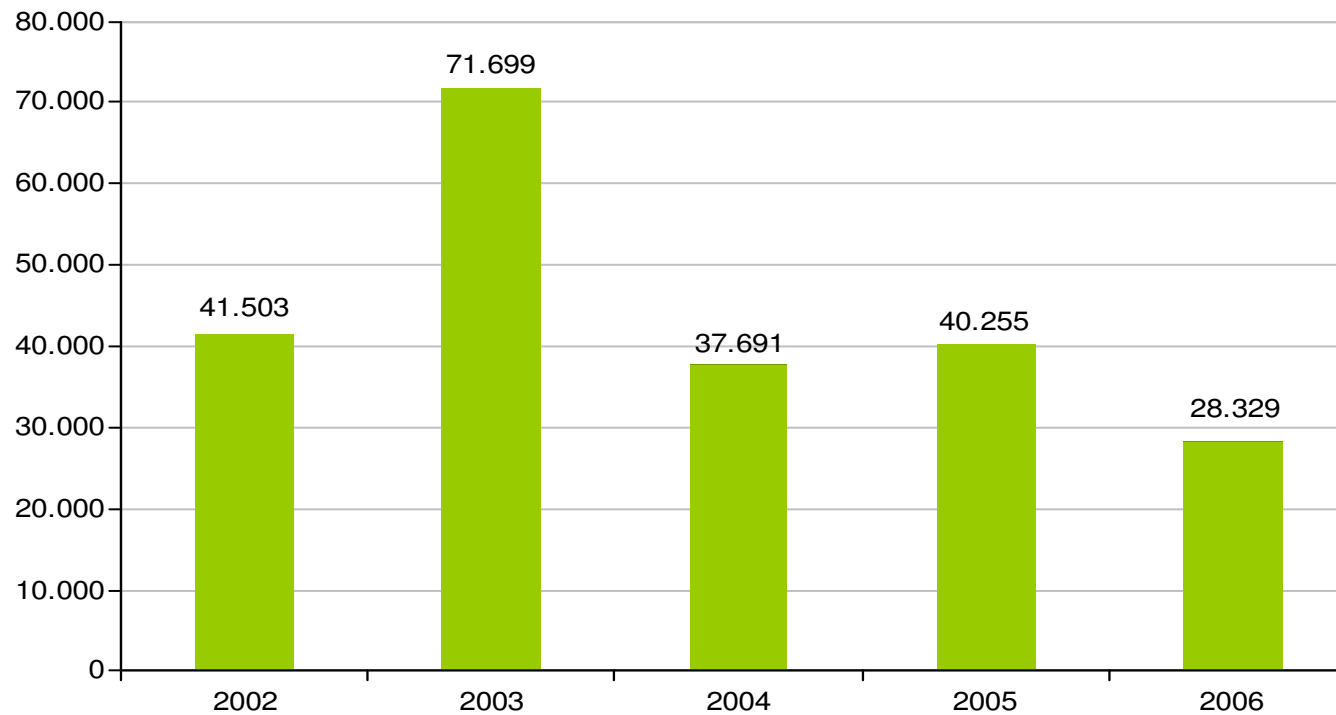
## Usage of the service: consumer contacts



## Usage of the service: booklet distribution

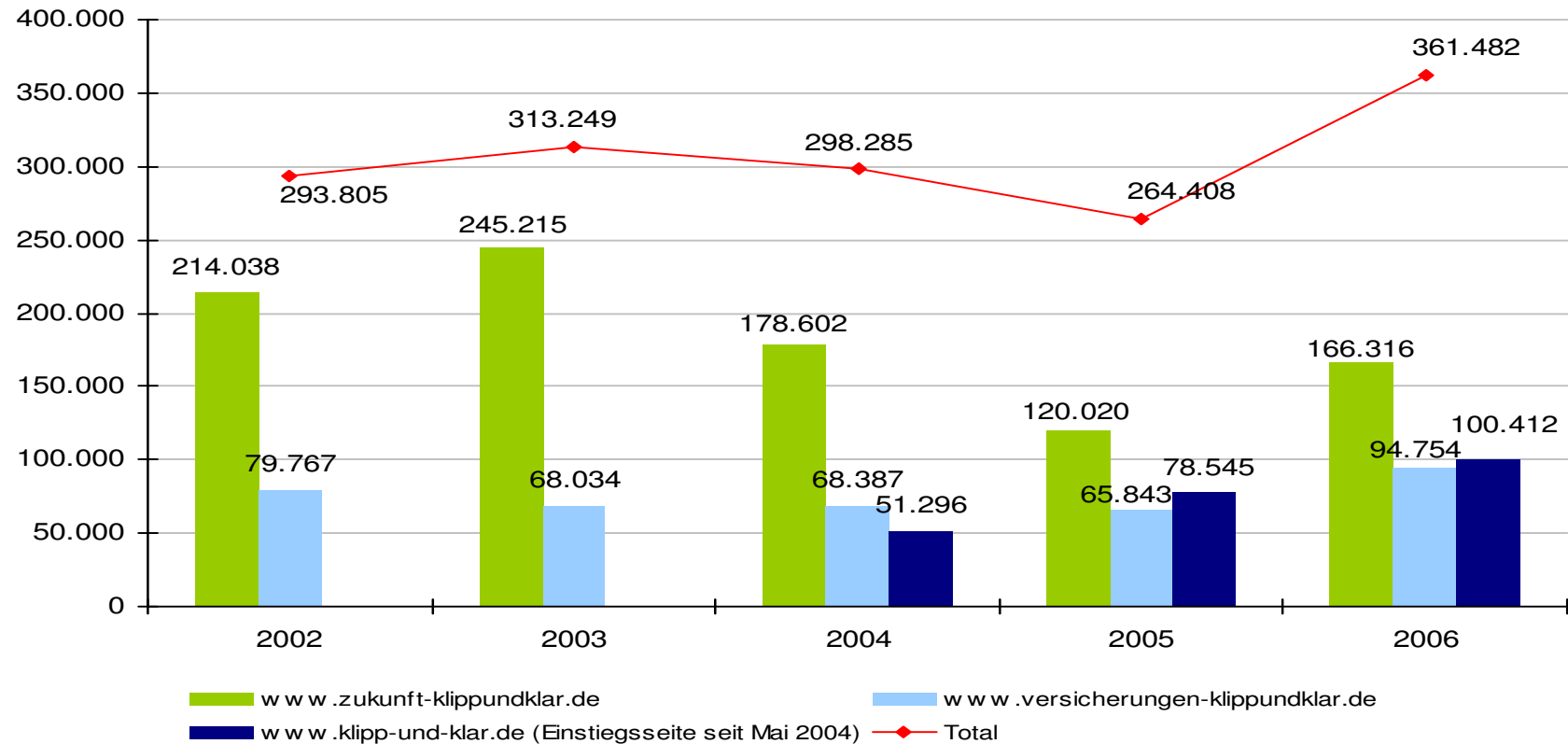


## Usage of the service: distribution of address lists and references

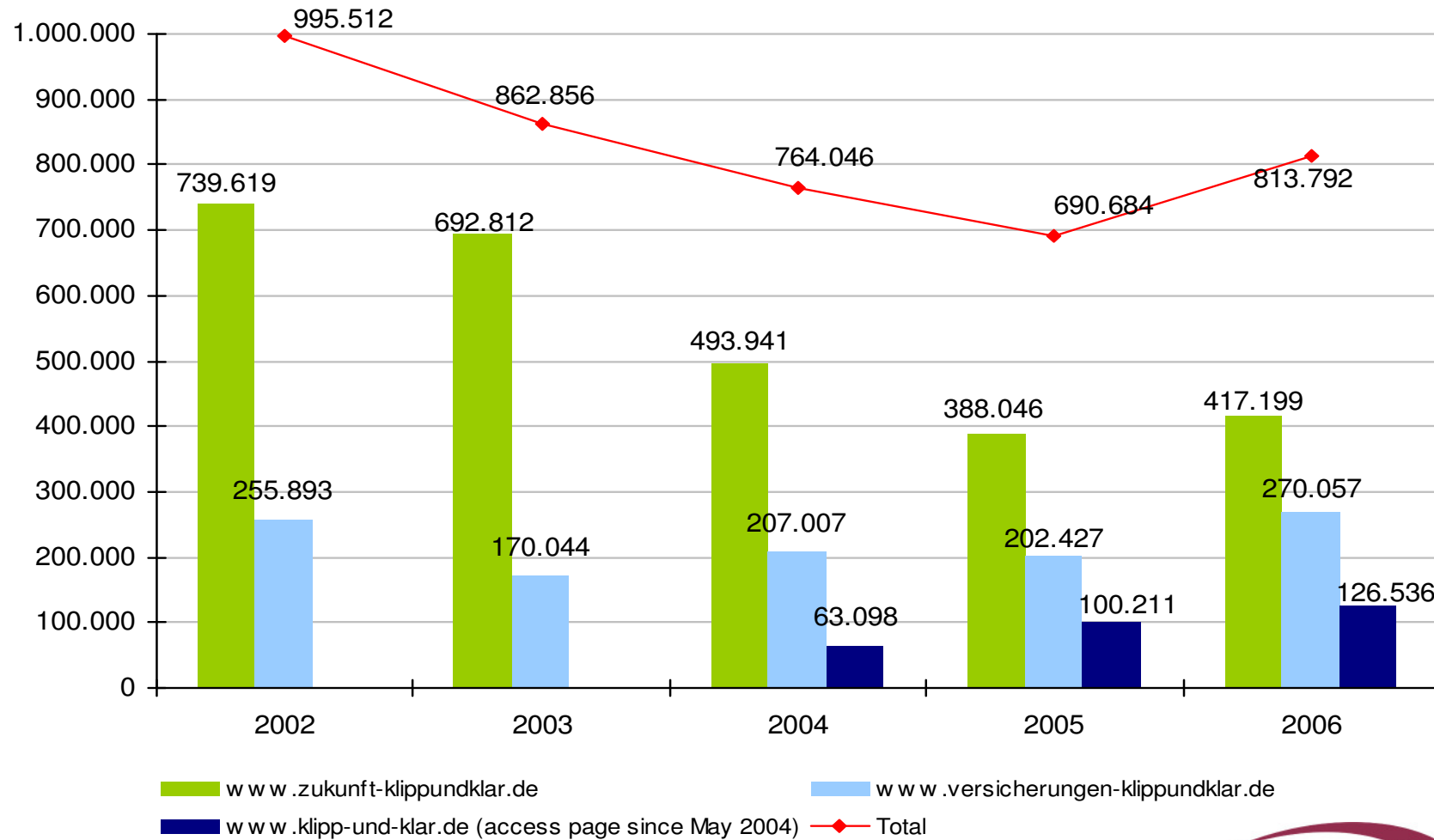


■ number of address lists

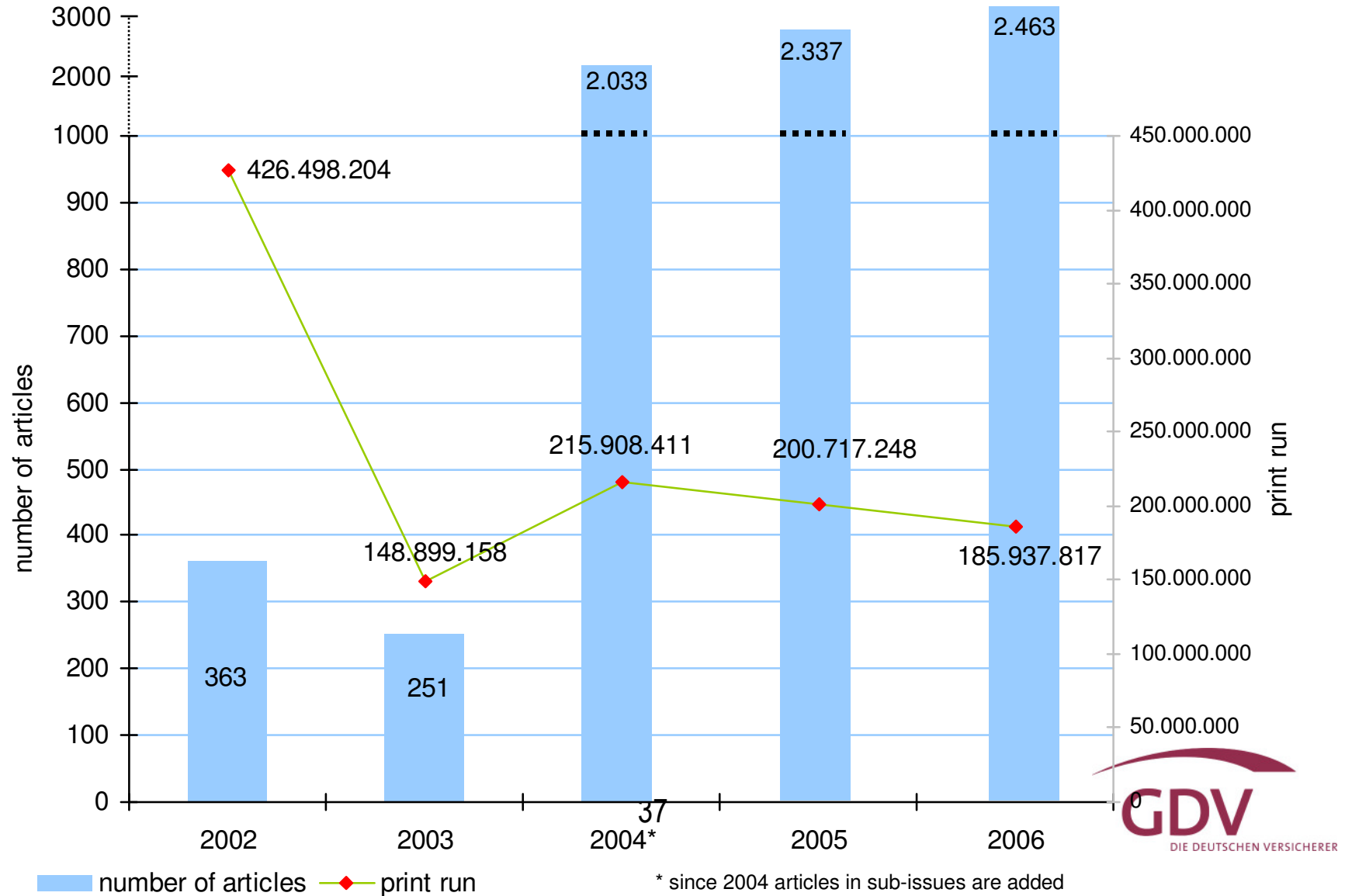
## Usage of the service: internet visitors



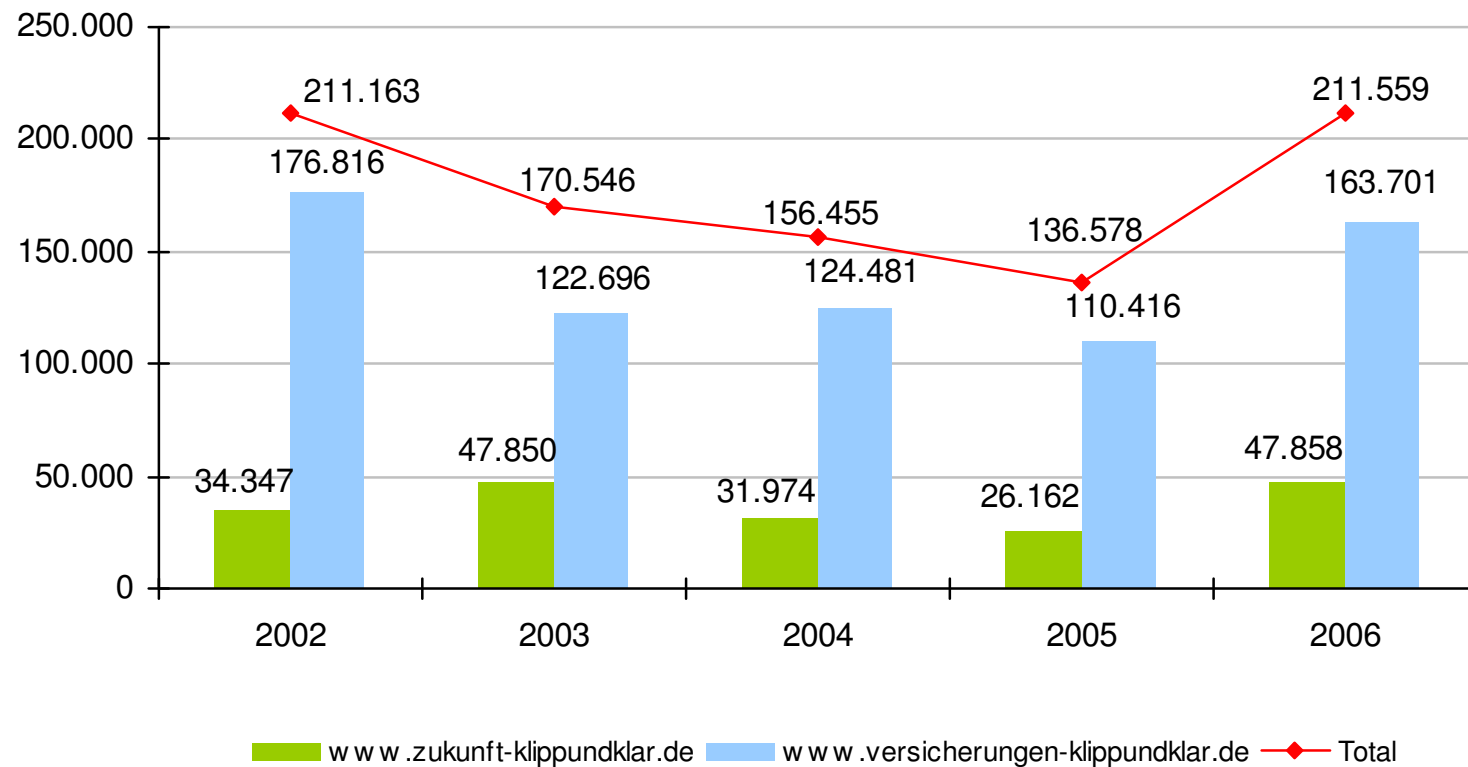
## Usage of the service: page views in the internet



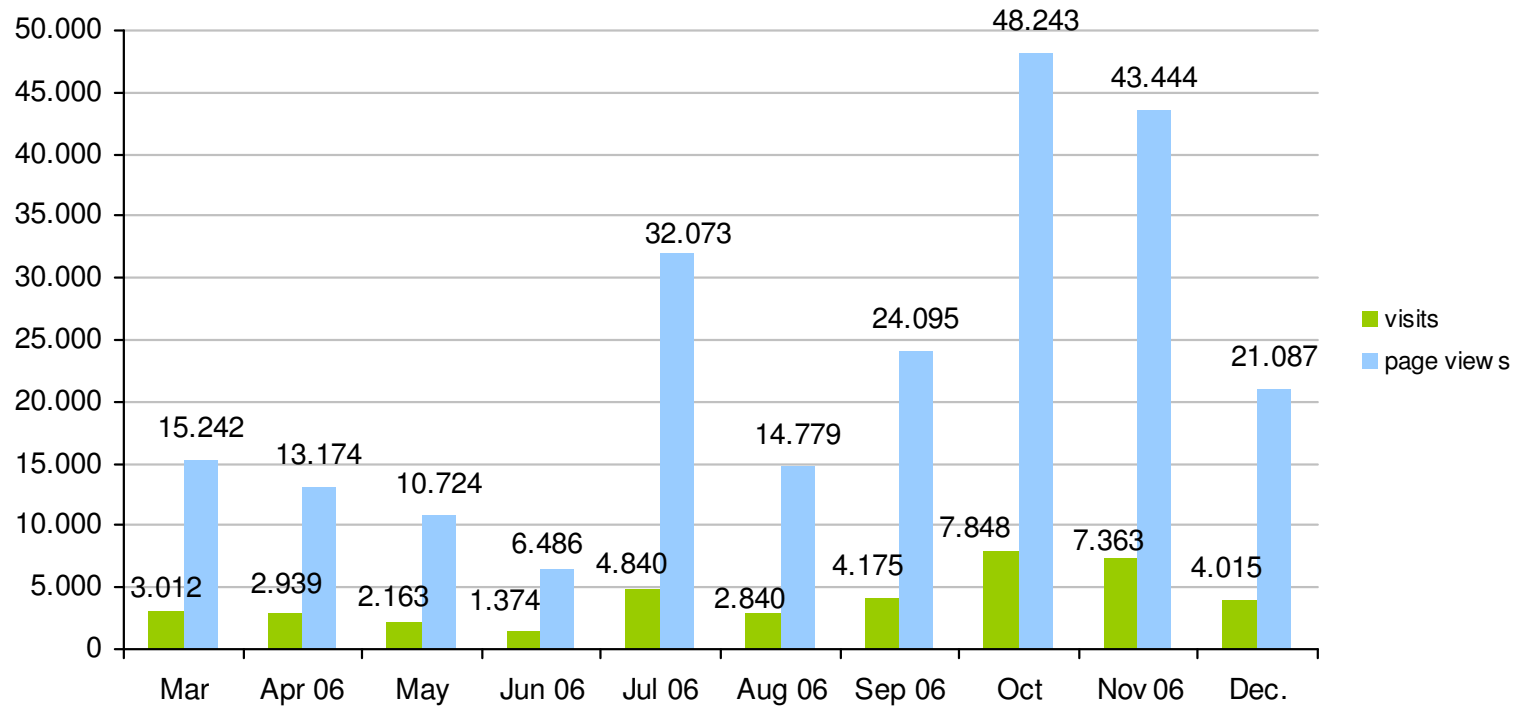
# The information center in the media: articles and print run



## Usage of the service: number of downloads



# www.eigenvorsorge-report.de\*: usage



- Sofar 40.569 visitors and 229.347 page views (total)
- 40 % of the visitors complete their old age provision analysis

## Awards won by the information center for its teaching material

- 2001: Award of Master  
Bundesverband der Film- und AV-Produzenten e.V.
- 2002: Award of Master  
Förderungsgemeinschaft AV COM
- 2003: Deutscher Wirtschaftsfilmpreis in Silber  
Bundesministerium für Wirtschaft und Arbeit
- 2003: intermedia-globe SILVER  
WorldMediaFestival Hamburg
- 2004: Prix Victoria in Silber  
Internationale Wirtschaftsfilmtage Österreich
- 2005: Comenius-Siegel  
Gesellschaft für Pädagogik und Information
- 2006 Comenius EduMedia Siegel  
Gesellschaft für Pädagogik und Information