

An introduction to financial health checks

A concept paper by New Financial – February 2022

1) Big life moments, big decisions - and a big idea

Think about the big moments in your adult life.

Turning 18. Leaving school. Deciding whether to go to university, into technical education or straight into work or an apprenticeship. Graduating. Getting your own place. Starting your first job. Moving in with friends. Moving in with someone special. Buying your first car. Changing job. Setting up your own business or becoming self-employed. Getting married. Buying your first house. Having a baby or two, maybe more. Turning 40. Turning 50. Or maybe falling ill, losing your job, losing a parent, or splitting up. Settling into retirement. Losing your partner. And ultimately, preparing for your final months, and dying.

Every one of these big moments involves big decisions with big and often long-term financial implications for individuals and their families. Somehow, we are expected to know how to make the right decisions at the right time about confusing and complicated issues (often full of jargon) as we go along - with no formal training and no clear source of simple and impartial information and guidance. It's often hard to feel that we are taking control of our money rather than being controlled by it.

Taking the right decision at the right time - with a little bit of help - can lead to far better outcomes in the long-term. Better financial well-being. More financial resilience. Less worry. Better mental and physical health. Taking the wrong decision – or more often, not taking a decision at all – can have profound consequences that might only become clear when it is too late to do anything about it.

In a parallel universe, look back at your life so far and imagine if every few years or if at every one of these big life moments you had received a gentle nudge from a trusted source such as your school, your university, your employer, the health service, the tax authorities, or the government.

These nudges would point you in the right direction of a simple financial health check tailored to your age, life stage or circumstances. They would provide some simple, free and impartial information, and point you towards additional resources. They wouldn't tell you what to do. They wouldn't be selling you anything, and they wouldn't share or record any personal financial information.

Instead, they would nudge you to think about how to ask the right questions about your money and to consider your options - and provide you with just enough information at just the right time to help you think them through. That's what a system of regular financial health checks might look like.

Now, imagine for a moment that the EU developed this idea alongside its work in digital government, open finance and digital IDs, and developed an open digital platform to provide these financial health checks that could be tailored by individual countries to their local system and culture. And that hundreds of millions of people a year received these nudges.

We think it could be a hugely powerful tool to empower and engage millions of citizens across Europe, to help improve their financial well-being, financial resilience, and financial literacy - and to provide a long-term boost to the European economy.

2) Introduction:

This paper outlines a big but simple concept of ‘financial health checks’. These financial health checks borrow from the established practice of physical health checks, which are used in many countries to help spot or prevent illness at an early stage and encourage people to take some simple steps and develop good habits to improve their health.

They also borrow from the world of behavioural economics and the concept of ‘nudges’ that incentivise and encourage people to do something in their interest (and in the interest of wider society) without telling or forcing them to do so. And they build on and help provide a proactive and regular link to the wide range of existing financial literacy programmes and other initiatives to improve financial hygiene and well-being.

At a basic level, financial health checks involve a regular but infrequent ‘nudge’ from a trusted source (such as schools, universities, employers, the health service, the tax authorities, or the government) for individuals to take a quick online financial health check at a particular age or at a specific life stage or life event (such as graduation, starting work, getting married, buying a home, or having children).

These high-level health checks would encourage people to think about basic concepts of financial hygiene (such as budgeting, saving and long-term planning) and direct them to simple, impartial and relevant financial information about basic financial concepts, themes and products (this content would be based on the recently published EU / OECD financial competence framework). It could also point them to further resources where they can get more personalised support and advice.

These health checks and the supporting information would be overseen by government and regulators, and run in partnership with civil society groups (who might even provide some face-to-face health checks). They would not provide financial advice or specific product advice. Instead, the aim of these health checks would be to empower people to engage more with their money and financial matters, to help improve their financial literacy, and better equip them to ask the right questions at the right time to help improve their financial resilience and well-being.

The paper outlines an ambitious vision of how the EU could build a pan-European platform for financial health checks that could work alongside existing EU initiatives like digital ID and financial literacy, and put citizens at the heart of the EU, at the heart of initiatives like capital markets union, and at the heart of financial services industry. In doing so, it would help improve the long-term financial outcomes for millions of people, provide a big boost to the European economy – and show how the EU working together with its member states can have a direct positive impact on the lives of its citizens.

While an EU level project would be challenging, the concept of financial health checks would work well in any countries that have advanced financial literacy programmes or high levels of digital government. Or indeed, in any country at all.

This is very much a concept paper and a work in progress that was triggered by a throwaway comment in discussion with a senior European supervisor this year. It may be naïve about the many practical and cultural challenges involved, but I hope that the more you think about it, the more you will feel (as I do) that the concept is do-able and valuable. It doesn’t pretend to have all the answers, but I hope it asks a lot of the right questions. Thank you to the many people who have shared their experience and expertise on this topic. And I look forward to any feedback, comments, and suggestions as to how we can turn this idea into reality.

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3) Executive summary

Here is a 10- point summary / elevator pitch for the concept of financial health checks:

- 1) **Regular financial check-ups:** this paper outlines the concept of regular financial health checks for all EU citizens to improve their financial engagement, resilience and well-being. This would involve a series of age-based or life stage based ‘nudges’ from government or another trusted source for citizens to take a short online (or potentially in person) financial health check tailored to their circumstances, to help them form good financial habits and engage more with their money.
- 2) **The problem:** the combination of low levels of financial literacy, financial participation, and trust in the financial industry in Europe (along with a cultural reluctance to talk about money) translates into low levels of financial well-being and resilience, and a low level of engagement by European citizens with their money and financial matters. Financial health checks would help connect citizens with their money and drive traction with existing financial literacy programmes.
- 3) **The value proposition:** financial health checks would lead to higher levels of financial well-being and resilience, better financial literacy, more trust in the financial services industry, and higher levels of participation in financial services. More citizens would feel more in control of their money.
- 4) **Parallels with health checks:** many countries have a system of physical health checks, which offers plenty of parallels for financial health checks, including: the value of collective solutions; universal coverage; the concepts of cohorts: early detection and prevention is better than a cure; simple nudges, maxims and rules of thumb; the link between physical, mental and financial health.
- 5) **Style & content:** these health checks would be high level and more focused on concepts such as budgeting, savings, long-term financial planning, and understanding risk, rather than granular financial calculators. They would aim to encourage good habits to support financial hygiene, well-being and resilience.
- 6) **Frequency:** at a basic level, citizens could receive annual or age-based ‘nudges’ to take a basic financial health check. A more advanced system would involve ‘life stage’ nudges (such as leaving school, starting work, buying a house, having children). The key is to provide regular and relevant nudges to engage people in thinking more about money and financial matters at the right time.
- 7) **Source and delivery:** the sources of the regular ‘nudges’ would be a trusted source from a combination of government, employers, or healthcare providers. The content or ‘curriculum’ would be developed in partnership between governments, regulators and civil society groups (based on existing frameworks). Face-to-face health checks could even be conducted by civil society groups.
- 8) **What they are NOT:** financial health checks are not a replacement for existing financial literacy programmes (they would instead drive traction to them); not about going back to school; not compulsory; not low-level financial advice; not just online; not a product comparison site; and not a retirement calculator.
- 9) **The policy angle:** an EU wide system of financial health check would build on existing EU initiatives such as financial literacy and digital IDs; support ‘an EU that works for its citizens’; help put ‘citizens at the heart of CMU’. The EU’s convening power and technical expertise would create a cost-effective common platform.
- 10) **The likely pushback:** an EU-wide projects would face many challenges (complexity, cost, priorities, government intrusion, privacy concerns). However, the cost, time and effort involved would be far less than is current expended on thousands of pages of detailed financial regulation – and the benefits of higher levels of financial literacy, higher financial participation and better financial well-being and resilience for millions of EU citizens would more than offset the costs involved.

4) Financial health checks at a glance:

There are three key elements to this concept of financial health checks:

- 1) **The nudge:** citizens receive a regular ‘nudge’ from a highly trusted source that links them to...
- 2) **The health check:** a short high-level survey tailored to the age / life-stage of the citizens about their financial health and options. This would be digital first but could also be delivered face-to-face via civil society groups...
- 3) **Supporting information:** the results of the survey would lead citizens to relevant supporting information, and where to get help or find more personalised financial advice and support

The **key difference** between the concept of financial health checks and existing financial literacy and education programmes is that the health checks provide repeated and regular nudges to individuals that would direct them towards these existing programmes at moments when they are most likely to be thinking about their future and their finances.

A simple schematic of a system of financial health checks

1) The nudge

Citizens receive a regular ‘nudge’ that could be:

- Annual
- Age-based
- Life stage based

These nudges would come from a source trusted by individuals.

Depending on type of nudge, these sources could include:

- School, university
- Employer
- Government
- Tax authorities
- Health care providers
- Community / faith groups

2) The health check

These nudges lead citizens to an age or life-stage relevant financial health check.

The key themes of a baseline health check would be: short, online, generic, high-level survey to encourage people to think about their options and form good habits.

Options could include:

- citizens can opt-in for a more detailed survey, based on their income and financial circumstances
- citizens can book a face-to-face financial health check provided a civil society group.

3) Supporting information

These health checks would be backed up by and link to relevant supporting information on specific topics (eg. savings, mortgages, pensions, life insurance, investment). Much of this information is already available through existing financial literacy programmes.

Links to additional financial information such as: online budgeting / savings tools and calculators, visual aids and infographics, quizzes, games etc

Links to further resources with more information on helplines for financial problems; where to find more personalised advice and support

5) What is the problem we are trying to solve?

The combination of low levels of financial literacy, financial participation, and trust in the financial industry in Europe translates into low levels of financial well-being and resilience, and a low level of engagement by European citizens with their money and financial matters. This helps feed a culture of risk aversion which has significant long-term consequences for individuals and for the wider economy.

- **Low financial literacy:** around half of the EU adult population does not have a good enough understanding of basic financial concepts such as compound interest, risk and return, and diversification, according to the [OECD](#).
- **Low financial participation:** while more than 90% of EU households have a current account, less than half have a savings account, less than one in five hold any form of investment outside of their pension, and less than one in 10 own individual stocks. When they do save, many Europeans put their money into property, which can help increase social and economic inequality.
- **Low levels of trust:** less than 40% of European citizens trust the financial services industry according to research by [Edelman](#). The country with the highest level of trust is the Netherlands (with just 52% trusting the industry) and in countries like France and Spain barely a third of the population trust the industry.

These three factors feed each other and contribute towards low levels of financial well-being and resilience.

Around one third of households in the EU would be unable to meet an unexpected bill equivalent to one month's income [according to Bruegel](#) even before the Covid crisis (the numbers were much higher in smaller and southern European economies, and fell to around 20% in the Netherlands and Sweden). Around 40% of households worry about meeting their weekly expenses, according to the OECD.

More [recent research](#) in the US by Annamaria Lusardi, director of the Global Financial Literacy Excellence Centre at George Washington University, highlights the impact of the pandemic: one fifth of households can't make ends meet, nearly a third are struggling with debt, 40% have no savings to deal with an emergency, and just under half are anxious about their household finances.

Lusardi, whose research pioneered the concept of 'financial fragility', has also found a clear link between financial literacy and financial resilience: for example, in the US two thirds of people with poor levels of financial literacy are financially fragile, compared to just one third of people with good financial knowledge.

Of course, there are many initiatives across Europe to help improve financial literacy, but they all face the challenge of traction: how do you engage European citizens en masse with financial education programmes? The concept of financial health checks – with regular and repeated nudges – would help connect millions of citizens to engage with these excellent initiatives.

These factors help feed 'the risk of not taking risk': not thinking ahead or planning for retirement, keeping money in the form of low return but guaranteed bank savings (which guarantees a negative real return), instead of investing more of those savings with a much higher likelihood of a longer-term positive return. With the return of inflation, however short term, the value of citizens' savings is being eaten away. To maintain living standards, we need to encourage citizens to take steps to ensure their savings keep up with inflation.

This culture and the 'risk of not taking risk' is reflected in the distribution of European household financial assets: in the EU27, 30% of all financial wealth is in the form of bank deposits. This is more than double the level in economies like Denmark, the Netherlands, Sweden and the US.

6) What is the potential value of financial health checks to individuals / the European economy?

Financial health checks on their own are not a silver bullet to address these problems, but regular nudges to think about financial behaviour and concepts combined with simple and impartial information would help empower individuals to engage more with their money and their financial futures.

Over time, financial health checks would help drive:

- **Higher levels of financial literacy:** a better understanding of basic concepts and healthy financial behaviours
- **Higher levels of financial participation:** better long-term planning with more savings, more investment and more pensions savings.
- **Higher levels of trust in the financial services industry:** less suspicion of the complex and often jargon-filled world of financial services.
- **Higher levels of financial resilience:** more savings, more long-term investments, less problem debt, and less financial worry.

This would translate into a significant boost for the European economy. If more European citizens felt more empowered about financial matters, it would lead to better mental and physical health, higher productivity, and a higher level of comfort in retirement. In the longer term this would feed through to higher levels of consumer spending and lower demands on state support, better financial resilience and high financial capability.

For example, if citizens across the EU closed half the gap between how much they save in the bank and how much people in Denmark, the Netherlands, Sweden and the US do (moving from 30% to 22% of household wealth), it would unlock around €3 trillion that could be invested more productively over the long-term in the European economy.

Over the 10 years from the financial crisis in 2008, households in the EU added more than €4 trillion to their savings. But if half of those savings had been invested instead, they would have been worth an additional €1.2 trillion, according to research by Efama.

Increased retail participation in capital markets is one of the central planks of the capital markets union project, and the European Commission will be publishing a retail action plan in 2022. We think that you cannot have a significantly higher level of participation in capital markets without higher levels of financial engagement.

7) What are the parallels between physical healthcare checks and financial healthcare?

In many ways, the concept of financial health checks is about transplanting elements of physical health care in Europe (with which we are all familiar) and applying them to people's financial health and well-being. There are a number of parallels and links between healthcare systems and financial health:

- Healthcare demonstrates the value of collective solutions mobilised by government and the private sector to people's individual health issues and physical / mental wellbeing.
- Healthcare underlines the value and feasibility of providing a baseline coverage for everyone regardless of their financial circumstances or the state of their health.
- Healthcare highlights the notion of cohorts: how we all run a similar risk of experiencing similar problems at particular stages of our lives.
- Healthcare highlights the value of early detection and prevention instead of simply focusing on the cure.
- Healthcare has developed some strong examples of simple nudges and good habits: 'make sure you eat five a day' -the guidance for eating fruit and vegetables in the UK - or '10 a day' in France.
- Healthcare has clear 'rules of thumb' where virtually everyone knows the universal basics: smoking is bad for you, don't drink too much, do a little exercise and look after you heart, watch your weight, don't eat too many sweets or chocolate.
- Healthcare demonstrates the value and feasibility the idea of age-based or 'life stage' check-ups: babies undergo health and developmental checks at specific ages, cancer screening is available at specific ages for women, and some systems provide regular detailed medical check-ups (like France with the *bilan de santé* or *examen de prevention en santé*), or less frequent checks (like in the UK at the age of 40).
- Healthcare demonstrates the relationship and circularity between physical health, mental health and financial health. Good health in its broadest sense is an asset that empowers people and enables them to flourish. On the other hand, poor physical, mental or financial health can feed each other and become a vicious circle.
- Healthcare delivery has become increasingly digital with millions of European citizens downloading digital healthcare apps in the last two years. It shouldn't be too much of a jump to download a financial health app.

8) What would financial health checks look like and how would they work?

The key question for governments and the EU is: how much do you value the financial well-being, resilience and empowerment of your citizens? And how ambitious do you want to be? Imagine a world in which the EU developed a simple online and app-based platform that provided regular nudges for citizens to take a financial health check, linked to a common framework on financial literacy, and backed up by a clear and engaging digital brand and identity.

At its core it would build on the wide range of experience excellent work that has already been done in member states like the Netherlands with its [Money Wise](#) platform or the [Estonian e-government](#) platform in Estonia. And it would be flexible enough for each member state to tailor the functionality, available information and timing of nudges to ensure that the platform was appropriate to different tax, employments, health care, pensions and benefits systems, different cultural norms, and different financial systems.

The big difference between a system of financial health checks and existing programmes that encourage promote financial literacy and financial well-being is that under a system of financial health checks people would receive regular but infrequent and systematic ‘nudges’ directing them to the platform.

These nudges in the form of text messages, emails or prompts within existing e-government platforms (or from other trusted and relevant sources such as employers or healthcare providers) would be based on age or life-stages, and would invite people to take a high-level financial health check that was directly relevant to their age or particular life-stage. These health checks could be conducted online or potentially face-to-face in partnership with civil society and community groups. In doing so, it would point them towards the impartial information on the platform about different aspects of money and financial matters that are particularly relevant to them at that time.

These health checks would focus on the basics of financial hygiene: encouraging people to think about budgeting, savings for a rainy day, or long-term planning for retirement. At different stages of life these health checks would be more specific (for younger people, they might focus on budgeting and saving a little; for older individuals, they would shift more towards life insurance and retirement planning).

Key concepts*	Tools & resources	Product hierarchy
<ul style="list-style-type: none"> • Regular check-ups • Financial hygiene, resilience & wellness • Money & transactions • Planning & managing finances • Risk & reward • The financial landscape • Digital finance • Sustainable finance • Financial worry & mental health 	<ul style="list-style-type: none"> • Health check calculators (either qualitative or quantitative) • Practical checklists • Budgeting tools • Key information on financial concepts, topics & products • Quizzes & games • Visual aids • Links to more information and advice • Potential face-to-face consultations • Helplines in case of problems 	<ul style="list-style-type: none"> • Bank account • Savings account • Credit & borrowing • Mortgages • Insurance • Pensions • Investments

* the key concepts and topics would reflect the recently published [EU / OECD financial competence framework](#) based around six key topics; and three broad areas competence: i) awareness, knowledge & understanding; ii) skills & behaviours; and iii) confidence, motivation & attitudes.

While the platform would be digital-first, it would also be backed up by accessible printed literature that could be distributed along with day-to-day government (or healthcare / employer) interactions to ensure that people who are wary of using the internet or struggle to keep up with technology have access to the same information and nudges.

The system would, of course, be voluntary. Nobody would be required to take a financial health check, sit a test, or prove that they had read a particular page before they take out a mortgage, start a new job or have children. But the platform would be so easy to use and so useful that more and more people would *want* to use it and doing so would become second nature. As with health and fitness, these financial health checks would encourage good financial habits.

The system would be built around clear and impartial information and would focus more on visual aids, cultural references and concepts than on hard numbers. For example, Australia and the UK use a series of lifestyle guides to encourage people to think about their future retirement (such as how often they would like to eat out in restaurants or go on holiday).

It wouldn't try to be an exhaustive encyclopaedia of financial knowledge but would always point people who were interested towards other carefully chosen resources and offer advice on where to find and how to choose firms who might be able to provide and services without recommending or linking to them.

There would be no advertising, no sponsorship, and no online tracking, so people who look up some information on mortgages or pensions would not be haunted by online adverts for them for weeks afterwards. No financial information would be saved on the platform, and no information about you or your use of the platform would be shared or sold on to financial services firms to bombard you with marketing.

9) Style, content and information

Health checks:

The financial health checks would take the form of a short online survey that would be tailored to the age / life stage of the individual (although a more sophisticated version could involve face-to-face consultations with civil society and community groups).

To encourage participation, reduce the time involved, prompt people to think about their options, and reduce concerns about privacy, the baseline questions would not need to be based on specific numbers (unless people opted in for a more detailed health check). Instead, they could be framed in generic terms around how people feel about their money and be non-judgemental.

At every opportunity, the questions would involve multiple choice answers with just a few options. Here are some examples based on the Spanish initiative '[Finance for everybody](#)' which has a great financial health calculator that doesn't involve entering any financial information at all.

What NOT to ask	What to ask	Options
Could you afford to pay an unexpected expense equivalent to one month's salary?	What resources do you have in case you needed to get money quickly in an emergency?	<ul style="list-style-type: none"> • I have some money saved for this purpose • I could probably get some money • I don't know. I guess I would have trouble getting it
What percentage of your salary do you save each month?	Normally, how do you make ends meet?	<ul style="list-style-type: none"> • No problem. In general, I can afford what I want and save at the end of the month. • In general, I cover my needs and indulge myself, but I don't have much money left at the end of the month. • It's hard for me to make ends meet.
How much debt do you have?	Which of the following phrases best describes your debt situation?	<ul style="list-style-type: none"> • No problem. The only debt is the mortgage and I always pay it on time. I also don't have deferred credit card payments. • Under control. I know how I am going to pay my debts. • Sometimes it is difficult to keep up with all payments. I am not sure how to pay all the debts. I have arrears on my mortgage and other debts.
Do you have life insurance?	If you or your partner died tomorrow, would you / your partner have enough money to cope?	<ul style="list-style-type: none"> • Yes, I / they would be fine • Probably not • I'm not sure.
What will your projected income be when you retire?	Apart from you state pension, will you have any other income once you retire?	<ul style="list-style-type: none"> • Yes, I have some additional savings and investments • No, I won't have other sources of income • I'm not sure
What percentage of your salary do you spend on your mortgage	Have you checked whether you could reduce your monthly mortgage payments?	<ul style="list-style-type: none"> • Yes, I have check regularly and have a great deal • Yes, but I'm not sure whether I have a good deal • No / I'm not sure I'm comfortable choosing the best option.

The ‘result’ of the financial health check could then be presented in generic and non-judgemental terms, in broad areas such as:

- Day-to-day spending and budgeting
- Dealing with emergencies
- Paying my mortgage
- Thinking about the future (short, medium, and longer-term)
- Financial well-being

And under each category, the health check would point individuals towards more information that is particularly relevant to their financial health and well-being, and to further resources such as where to find more information on more personalised support and advice. You could build additional engagement tools into the app: for example, as with many training courses, the app could help users develop a plan of what they are going to do in response. Or users could opt-in for additional nudges or reminders.

This information could include more detailed health checks in specific areas using specific numbers, checklists, quizzes and games, visual aids, and clear, short, and impartial content. This would enable governments to add additional information relevant to their citizens, but we would suggest keeping the baseline health checks at quite a generic level.

Supporting content and information:

The platform would build on existing financial literacy and education initiatives and follow the [OECD’s best practice guidelines](#) for financial education and information programmes:

- **Keep it short:** if the information is too long people won’t bother reading it. Use more visuals than words.
- **Keep it simple:** use simple everyday language, cut the jargon and focus on visual aids, and simple rules of thumb (‘eat five a day’, ‘the higher the return, the higher the risk’, ‘if it looks too good to be true, it probably is’).
- **Include flags and ‘speed breaks’:** include questions to slow people down and think before taking a decision.
- **Positive framing:** people are more likely to engage with the platform (and with their money) if the information is framed in terms of the potential positive outcomes (empowerment, financial well-being, financial resilience) rather than negative outcomes.
- **The right timing:** while all the information and checklists would be freely publicly available at all times, the key to success is nudging people toward relevant information at the right time. There’s no point nudging people to think about how mortgages work when they have just left school, or the financial implications of having a baby as they approach retirement.

10) How frequently would people receive a nudge to take a financial health checks?

The information on the platform behind the health checks would be freely available to anyone at any time, but there are three main options for the frequency of nudges to individuals to take a quick financial health check: annual, age-based, and life stages.

Annual:

An annual invitation to take a financial health check.

Triggers could be people's birthday, annual tax statement (tailored to employment status), annual pension statement, annual bank statement, name day (in countries like France), election (or other regular form of civic engagement), but *not* New Year (people beat themselves up enough with New Year's resolutions already!).

Advantages:

- Regular reminder, administrative simplicity

Disadvantages:

- Too much communication, fatigue / participation

Age-based:

People would receive a nudge at specific ages, perhaps along the following lines with the health check and information tailored to their approximate life stage:

16/18	Leaving school
25	Settling into work
35	Starting a family / settling down
45	Mid-career
55	Winding down / thinking ahead
65	Retirement

Advantages:

- Commonality and simplicity

Disadvantages:

- Relevance? Age may not correlate with need or life stage: someone who has their first child at the age of 24 will have different priorities from someone who doesn't have children until their thirties.

Life stages:

A more advanced system would base the nudges on clearly identifiable life stages, such as leaving school, leaving university, starting work, moving jobs or losing a job, getting married, having children, buying a house or retiring. These big moments are when people are particularly likely to be thinking about the future.

Advantages:

- High relevance, clear administrative trigger
- Points in life when citizens are likely to be more interested in thinking about the future

Disadvantages:

- More complex administration (potentially across different potential government departments / agencies)

'Point of sale' nudges:

A more ambitious system could also include 'point of sale' nudges, where as part of the process of taking out any financial product, people would receive a nudge from the financial services provider to link back to the platform to access 'just enough, just in time' financial education. While financial education and literacy programmes are valuable, the knowledge gained from them decays over time, [according to research](#).

Individuals could receive regular boosters of directly relevant, product-related financial education material

when they are taking out a mortgage, buying life insurance, of starting a pension scheme. While the nudges would come from a financial services firm, the health check and financial information would not be provided by them.

Here is a summary of the different potential life stages and life events that could trigger a ‘nudge’ to take a financial health check, and the potential source for those nudges:

Life stages & potential ‘triggers’	Potential source (s) of ‘nudges’
Growing up and studying <ul style="list-style-type: none"> • Leaving school / training • Graduation 	School, university, college Local / central government
Work <ul style="list-style-type: none"> • First job / apprenticeship • Setting up a company / self-employment • Moving job • Losing a job • Joining a pension system 	Employer Tax agency Trade unions
Relationships <ul style="list-style-type: none"> • Marriage • Divorce 	Local / central government Tax agency Community groups / faith organisations
Home <ul style="list-style-type: none"> • Renting a home • Buying a home 	Local / central government Letting agency Bank / mortgage provider Notary or legal professional
Family <ul style="list-style-type: none"> • Birth of a child • Child starting school • Serious illness / death of a family member 	Healthcare providers (healthcare system, family doctors, nurses or midwives) Local / central government Community groups / faith organisations
Health <ul style="list-style-type: none"> • Physical health check • Serious illness • Mental health 	Healthcare providers (healthcare system, family doctors, nurses or midwives)
Retirement <ul style="list-style-type: none"> • Joining a pension scheme • Age-based prompts counting down to retirement • Retirement 	Employer Tax agency Pension provider
Later life <ul style="list-style-type: none"> • Health problems • Going into care • Death 	Local / central government Healthcare providers (healthcare system, family doctors, nurses or midwives)

11) And what would financial health checks NOT involve?

A helpful way of think about what a system of financial health checks is to frame them in terms of what would not be. They are:

- **Not a replacement for financial literacy and financial education programmes:** they would build on and help integrate existing programmes and – crucially – help drive traction by providing a regular link and connection to those programmes; provide a consistent and basic level of financial education across the EU; and would regularly nudge people towards them to encourage more participation. Importantly they could help to reinforce existing financial capability initiatives in the EU.
- **Not about going ‘back to school’:** while the platform could include games, quizzes and tests, it is not about formal learning, sitting in a classroom, being forced to study your least favourite subject at school and take an exam.
- **Not compulsory:** nobody would be required to take a financial health check, sit a test, or prove that that they had read a particular page before they take out a mortgage, choose a pension, or start a new job. (That said, it might be a good idea for anyone working in banking and finance to have to study the information more closely and perhaps pass a professional exam before being let loose on customers)
- **Not a replacement for independent financial advice (or for robo-advice):** financial health checks aren’t designed to provide financial advice but to prompt people to think about their money at particular times and provide them with enough information to ask the right questions and to find out more. On the flipside, it could be an incentive for financial services firms to frame their communications in language which mirrors the financial health checks.
- **Not just online:** while a baseline system of financial health checks would be online only, there would be scope to develop a more advanced system of face-to-face consultations funded by government and provided by civil society and community groups.
- **Not a price comparison product site:** this platform would not mention individual firms or products, let alone direct users towards them or compare their products and services.
- **Not a retirement calculator:** it may be the case that certain countries might want to include a tailored retirement calculator (and enable citizens to opt-in to it) or link it to their pension dashboard, but this platform is not designed as a replacement for either of them.

12) Why should policymakers be interested?

Much of the day-to-day work in European policymaking in banking and finance is about things that different countries *disagree* on, often because of different financial, tax, legal and pensions systems across the EU and different social and cultural values when it comes to issue like money, savings, investing and pensions.

And there are thousands of pages of regulation protecting citizens when they interact with providers of financial services - but far less focus on answering the basic questions that the consumers or potential consumers of those services are asking. This leads to a lack of empowerment or the sense that financial services aren't for 'people like me'.

One constant is the need to address low levels of financial literacy, financial participation, and financial resilience. Financial health checks would be an opportunity for policymakers and governments across Europe to work together on something positive on which they all agree, something that would help empower and improve the lives of hundreds of millions of people, and something which would put European citizens at the heart projects like capital markets union and of the European banking and finance system.

What role could the EU take?

Traditionally the EU and the European Commission have focused most of their work in banking and finance at a technical and legislative level. For example, the vast majority of the recent consultation on retail participation is about technical issues and firm or product level regulation. They have been reluctant to engage in higher level issues that are more cultural in nature and where the solution may involve more nudges than new regulations. We think there would be huge value in the EU playing a central role in any system of financial health checks.

- **An EU that works for its citizens:** for the EU, its economy and its citizen to flourish, the interests and well-being of its citizens need to be at the heart of everything the EU does. A system of financial health checks would be a clear and tangible demonstration of this.
- **Citizens at the heart of CMU:** if the CMU project is to flourish, it need to be less about the technicalities of legislation and regulation and more about individuals. European Commissioner Mairead McGuinness has highlighted her ambition to put people 'front and centre' in CMU and other initiatives.
- **Building on existing programmes:** the EU has the reach and capacity to co-ordinate and build on existing programmes and competency frameworks, such as its Digital ID project, open finance, and financial education and skills initiatives.
- **Convening power:** the EU could use its convening power at every level of government to help drive political support and momentum, painting a high-level vision of the value of more financial engagement.
- **A common framework:** only the EU can create a common framework and platform that is consistent enough to provide a base level of functionality across Europe and flexible enough to be tailored to the different systems in different member states.
- **A technical role:** only the EU can provide the right level of technical assistance to member states, share best practice, and monitor implementation, participation and outcomes.

What role could national authorities take?

Under this model led by the EU, national authorities would have an important role to play (while potentially saving a huge amount of time, money and effort by building their own system from scratch.

- Developing the framework and future platform under EU guidance and co-ordination
- Sharing best practice and their own experience of what does and doesn't work
- Tailoring the platform to local systems, local needs and local cultures.
- Promotion and raising awareness through existing government channels
- Sending out the 'nudges' to their citizens through existing government channels

13) Who would deliver or provide these health checks?

We think it is important to distinguish between the source of the ‘nudges’, the **content** of the health check and further financial information, and the **provision** of the health check itself. In every case, the nudge, health check and content must come from a source that is inherently trusted by individuals. It’s imperative that any system of financial checks is managed and operated by a trusted source for several reasons:

- First, in a digital age many people are rightly concerned by cybersecurity and phishing, so they would need to have confidence that any nudge to run a financial health check or access some impartial financial information was from a legitimate and trusted source.
- Second, even though these financial health checks are not about providing financial advice, marketing or selling a particular product, they would only work if they were seen to be entirely impartial.
- Third, government in one form or another is the only party that would already have the key information on people’s age, life stages, income, tax status and potentially health over time to make the system work.
- And fourth, government in one form or another is the only potential provider to oversee and co-ordinate delivery consistently over time between different potential providers.

Depending on the type of financial health check and the age or life stage at which it is offered, the source of the ‘nudge’ to take a health check could be any one of the following:

- **Central or local government** would be best placed to nudge people at particular life stages using the day-to-day records generated by interaction with government (such as leaving school, turning 18, moving house, getting married or getting divorced).
- **Healthcare systems** and people’s medical records follow them through their entire lives, and would be ideally placed to provide nudges at life stages such as having children or when a family member dies. Primary healthcare providers (family doctors, community nurses, midwives) are particularly trusted.
- **Tax authorities and social security systems** would be best placed to provide financial health check nudges on any matters relating to jobs, work, benefits, or state pensions
- **Schools, universities and employers** could be the most effective way to provide regular and timely access to a government-led system of health checks through their day-to-day interaction with students and employees.
- **Financial services firms** would not provide any of the content of these financial health checks but could be encouraged (or even required) to point people towards the system to access ‘just enough and just in time’ impartial financial information before individuals buy a particular product.

The **content** or ‘curriculum’ of the health checks and further financial information could be provided by a partnership of government, regulators, civil society groups already active in financial education and resilience programmes, community groups and – at arm’s length – the financial services industry.

The **provision** of the health checks would be the same for a basic online only system. However, there is scope for face-to-face financial health checks provided by civil society and community groups following the standard ‘curriculum’. This provision could be funded by existing government spending on financial literacy programmes and supplemented by indirect funding from the industry.

14) What is the likely pushback to financial health checks and from whom?

The idea of financial health checks is likely to generate lots of pushback from different parties. Here are some of the most likely objections:

- **It's too complex and too difficult:** if building a system that involves sending regular nudges from governments to their citizens at specific ages or life stages (based on information the government already has) to direct them to take an online financial health check and find out more and engage with their money is 'too complicated' then we're all in trouble. The shift online and to mobile over the past decades shows people are comfortable with this sort of communication, and the recent Covid pandemic has shown the speed with which governments can create public health apps successfully. To address concerns about complexity, start simple and build in feedback loops and sunset clauses to improve the programme over time.
- **It's too expensive / not worth it:** Really? How much do you think it would cost? Also, have you thought about the long-term cost of not doing it?
- **We have too many other priorities:** governments always have other priorities. The best time to have done this would have been about 30 years ago. If not now, when?
- **It's an intrusion by government:** no, it's a behavioural nudge based on information that the government already has (your age, income, employment status, marital status, family etc). The system wouldn't involve saving, monitoring or collecting financial information on anyone using it.
- **It won't work at an EU level:** it may be difficult to get it to work at an EU level, but the benefits of making it work mean it would be worth trying. Besides, there is nothing to stop any individual country setting up their own trial or version of the system.
- **People won't use it:** maybe not, but let's assume that only 10% of people who receive a nudge actually use it. Given that there are around 280m people in the EU between the ages of 18 and 65, that translates into 28m people. And given that people might receive five or six nudges over the course of their lifetime under a basic system – and potentially many times that on a more ambitious platform – it could mean hundreds of millions of people using it over time.
- **(From the financial services industry) This is unfair: we use 'free financial health checks' as part of marketing and customer acquisition:** This system is not about marketing or product advice, and it wouldn't point people towards any particular firm. It's likely that more people would end up buying more financial products as a result of this system, so you would have a bigger sea in which to fish.
- **Most people don't have enough money to even think about this:** true, for far too many people across Europe the idea of saving anything let alone investing or planning for their long-term future is an impossible luxury. This system could be helpful for people who are financially vulnerable by nudging them to think about their options and learn the basic concepts of financial hygiene, and providing them with information to reduce the risk that they take decisions that could make a bad situation worse.
- **Why should we give more money to greedy bankers and asset managers?:** This system is not about recommending specific products or firms, but is instead focused on improving financial hygiene, financial well-being and financial resilience. Users would be more confident, better informed and more empowered - for any future dealings with financial services providers.
- **What about privacy and cybersecurity?:** This system would be based entirely on records and information that governments already have on their citizens. The health checks would not require individuals to share any unique personal financial information, and any data would not be saved or shared. If you are comfortable filing your taxes online, paying a parking ticket online, or accessing any tax, health, pension or government services online, there is no reason why you shouldn't be comfortable with this system.