

## **Ewart S Williams: National Financial Literacy Programme of Trinidad and Tobago**

Opening remarks by Mr Ewart S Williams, Governor of the Central Bank of Trinidad and Tobago, at the launch of the National Financial Literacy Programme, Port-of-Spain, 22 January 2008.

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Ladies and Gentlemen, I am delighted that you are able to join us in recognizing (and celebrating) the one-year anniversary of the launch of the National Financial Literacy Programme (NFLP). We are also taking the occasion of the anniversary to release the results of the National Financial Literacy Survey conducted last year.

Roughly one year ago (on January 31, 2007 to be exact), following the announcement of the programme by the Honourable Prime Minister in his budget speech, the Bank launched the NFLP whose major objective is to provide citizens of Trinidad and Tobago with the knowledge and skills to enable them to make informed financial decisions. One year along the way, we can be pleased that we have made an auspicious start but we can also confirm that this is going to be a long journey. If there are two things that stand out from the first year experience, they are:

- (i) the recognition that financial literacy must be a critical element for successful monetary policy implementation and financial market development; and
- (ii) that we have increased the awareness of the population of the need to become more financially literate.

Ladies and Gentlemen, as you all know, inflation has been one of our principal economic challenges. One of the main contributors to our current inflationary momentum is the continued significant growth in credit expansion, particularly credit expansion for consumer purposes. This has happened in the face of increasing interest rates, induced by Central Bank liquidity absorption measures. The figures show, for instance:

- Consumer Credit has been increasing at a rate of 24 percent a year, compared with 9 percent a few years ago;
- Credit for automobiles has risen by about 52 percent in the past year; while
- Outstanding credit card debt has more than doubled since 2000.

Ladies and Gentlemen if there is a silver lining to the high level of food inflation, it is that it is beginning to force consumers to be more discerning and more price conscious in their purchases. I am also told that backyard gardening is making a comeback. We would hope that the financial literacy Programme would bring an even greater level of consumer awareness into people's financial dealings.

Over the past year we have been able to make a number of important interventions under the National Financial Literacy Programme. For example:

- We have held financial education classes in 140 primary schools and, in a pilot project, in 28 secondary schools.
- We have had 75 work-place "lunch and learn" sessions, sponsored by employers but with instructors and material provided by the programme.
- We have accepted invitations from several trade unions to conduct financial management seminars for employees in receipt of back-pay or other lump-sum payments.
- We have had several interventions at the community level, mostly in rural areas.

- We have used the wider pathways, the print and electronic media and other publications to disseminate basic financial information and types that could be useful to consumers of financial services.

Ladies and Gentlemen, when we launched this programme we emphasized that financial literacy should be the business of the entire society and sought the support of all those who were in a position to help. We even suggested that some individuals with financial skills should see the financial literacy programme as a way of giving back to society. We are pleased that many people have responded to our invitation. We have been able to sign some 150 volunteers, many from the financial sector but other interested persons from all walks of life. We are now trying to encourage sixth form students to join the programme to provide instructions to their peers and to other students.

I would like to express our deep appreciation to those volunteers who have devoted their time and talents to this very worthwhile venture. Thanks also to our service providers who have helped get the programme off to a successful start.

We saw the programme as an opportunity for good corporate citizenship and much of that has been forthcoming. Some corporations have contributed through the financing of lunch and learn sessions for their employees. A few have provided or have pledged financing. In this context, we would like to recognize and express our special appreciation to:

- Bankers' Association of Trinidad and Tobago (BATT)
- Trinidad and Tobago Petroleum Company (PETROTRIN)
- BP Trinidad and Tobago (BPTT)
- Telecommunications Services of Trinidad and Tobago (TSTT)
- Trinidad and Tobago Unit Trust Corporation (UTC)
- Trinidad and Tobago Mortgage Finance (TTMF)
- Association of Trinidad and Tobago Insurance Company (ATTIC)

Ladies and Gentlemen, this programme will in time have tremendous payoffs for our entire society. The economy has been going through a period of strong growth with increasing employment and rising incomes. It is critically important that the current gains in real income have a sustainable impact on our economic welfare. And this will only happen if more and more people in the society learn to make the right financial decisions.

And thus I invite those of you here who have not yet got involved, to join the programme. I urge you to get your friends and colleagues, who are not here, to also get involved. It can be done in many ways.

- Get your employers to sponsor lunch and learn sessions, in the workplace.
- Volunteer to organize and provide financial literacy classes to your community groups; your church groups; and your social clubs.
- Teach your kids good financial habits and seek to get financial literacy as part of the school curriculum. We will provide or arrange for the training, the materials and other **back-stopping support**.

We continue to look for financing for the programme. The three year budget calls for an expenditure of \$10 million of which about one-half is earmarked to come from the Central Government and the Central Bank. We would like to raise the remainder from stakeholders. As I said, financial literacy is a national imperative and we would hope to convince a broad cross section of the community to get on the national financial literacy bandwagon.

At this point, I would now like to share some of the results of the base-line national literacy survey which was initiated to give us a general idea of the current level of financial literacy in

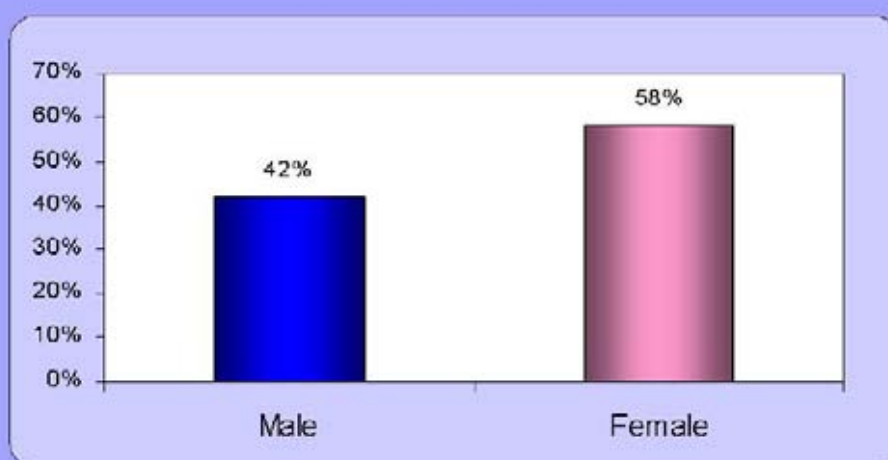
the country. The survey results will also help us to make more targeted interventions as we move forward. We plan to conduct follow-up surveys to track the progress being made under the programme.

The survey was conducted ....

## 1. Key Elements of the Survey

- Conducted July-August 2007
- Entailed approx. 1000 households
- Covered several areas including:
  - Demographics
  - Money Management
  - Savings Behaviour
  - Financial Vulnerability
  - Planning Ahead
  - Financial Choices; and
  - Retirement

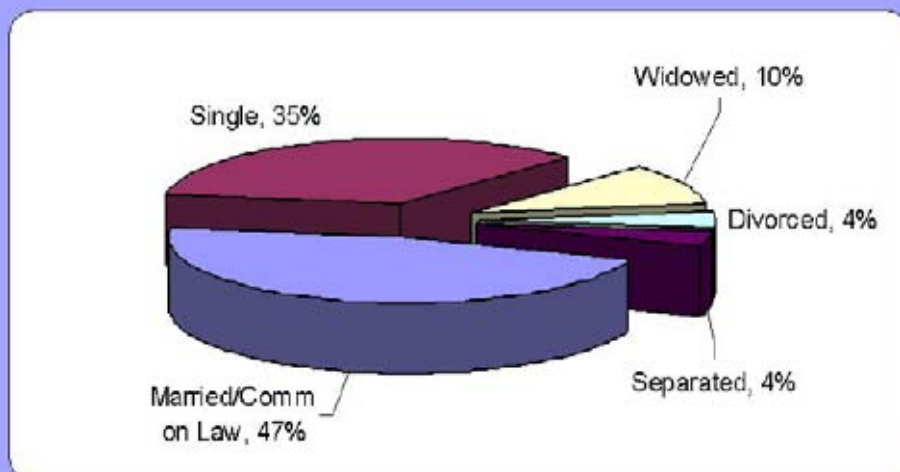
## 2. Gender of Respondents



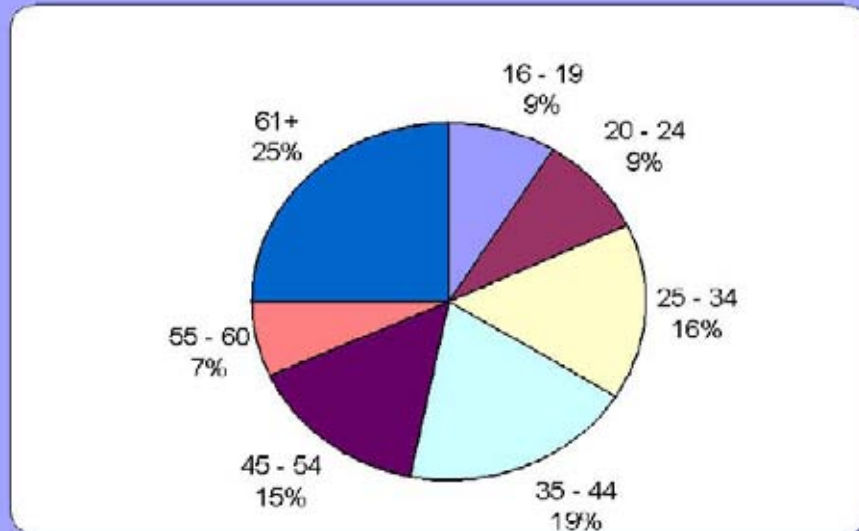
### 3. Monthly Income of Respondents



### 4. Marital Status of Respondents



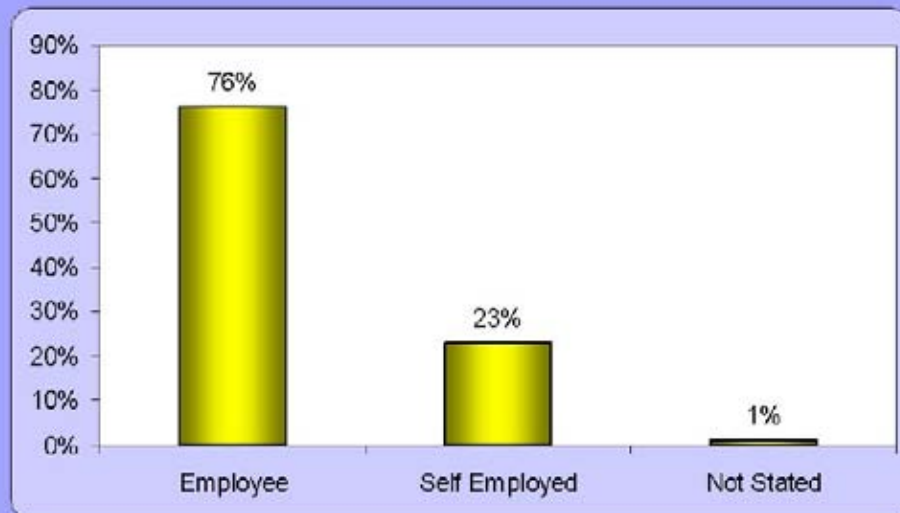
## 5. Age Distribution of Respondents



## 6. Occupation of Respondents

Occupation	Percentage
Student	6%
Employed	
Full Time	33%
Part Time	14%
Housewife	18%
Retired	16%
Unemployed	9%
Job Training Program	1%
Disabled	2%

## 7. Type of Employment of Respondents

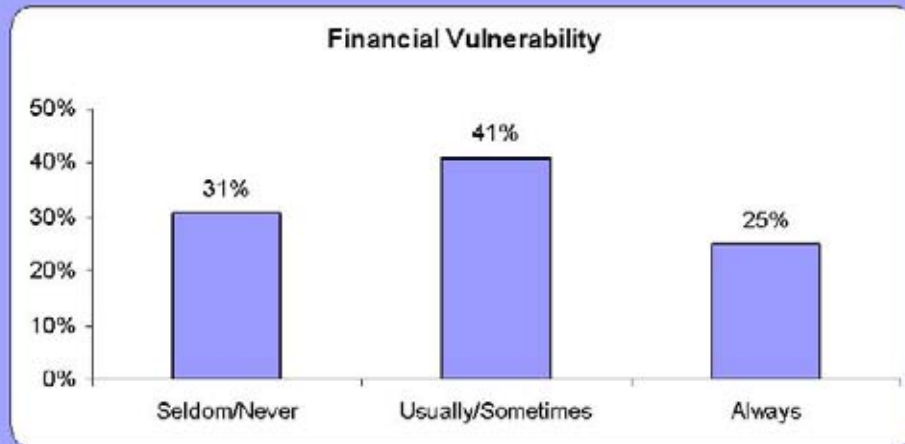


## 8. Financial Literacy Issues Covered

- Financial Vulnerability
- Spending and Saving Habits
- Planning Ahead
- Crisis Management
- Use of Financial Products
- Insurance Protection
- Retirement Planning

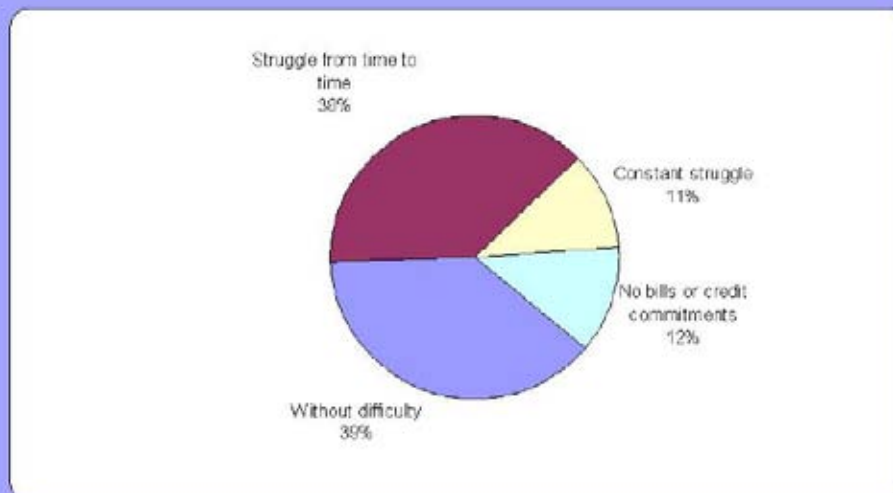
## 9. Financial Vulnerability

How often do you have money left over at the end of the month?



## 10. Financial Vulnerability (cont'd)

How do you keep up with bills and credit commitments?



## 11. Financial Vulnerability (cont'd)

- Of the sample respondents females were less likely to make ends meet (23%) v.s Males (18%)
- In terms of marital status those who are separated (32%) have the highest incidence of difficulty making ends meet.
- Based on the sample the ability to make ends meet is inversely related to education
  - 12% of those with Tertiary Education have difficulty in making ends meet; compared with
  - 39% of those with technical vocational/apprenticeship

## 12. Saving and Spending

- Impulsive when buying things – 15%.
- Consider themselves savers rather than spenders – 71%
- Would rather cut back than use a credit card which they could not fully repay – 70%
- Consider themselves to be very organised in managing their money – 83%
- Are never late in paying bills - 69%



## 13. Planning Ahead

- Only 25% set aside funds specifically for unanticipated expenses (e.g. job loss, illness)
- However 78% of respondents plan ahead for “lumpy” payments (e.g. water rates, land tax etc.)
- 13% have no need to because there is always enough money to pay for such expenses
- 9% don't plan ahead

## 14. Crises Management

- 42% run out of money before the end of the week or month at least “sometimes”

When people run out of money:

- 51% cut back on spending
- 40% borrow from family/friends
- 13% draw money out of savings

Multiple response question – does not add to 100%

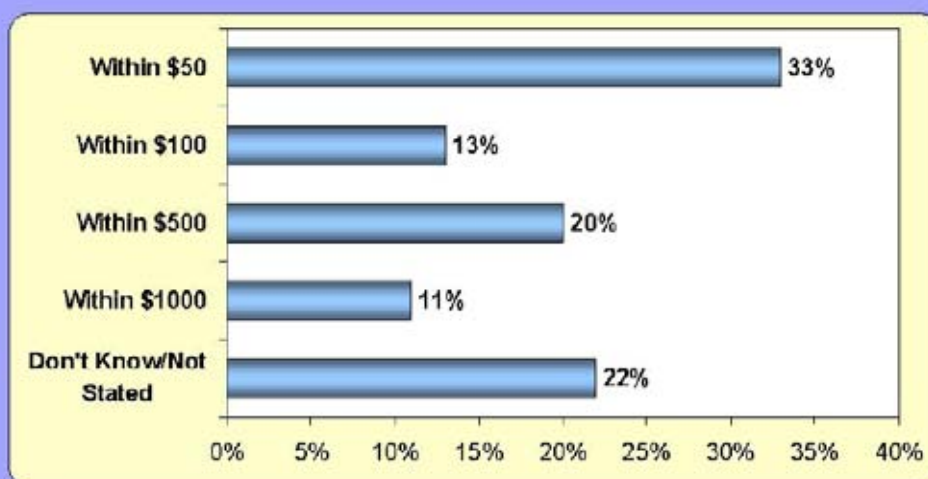
## 15. Banking Characteristics

- No Bank Account: 21%
- Of those with Bank Accounts:

Ordinary Savings	44%
Special Savings	25%
Chequing	12%
Fixed Deposit	10%
Other	9%

## 16. Record Keeping

How accurately do you know your account balance ?



## 17. Financial Products

- Savings account with a bank (Not "Pass Through") 45%
- Credit Union account/shares 23%
- Unit trust 20%
- Life insurance 17%
- Current account 12%
- Credit card 10%
- Personal pension/Annuities 9%
- Fixed (Term) deposits 8%
- Mortgage 7%
- Stocks and shares 6%
- Bonds 1%

## 18. Protection Against Loss

- With respect to protection of person and property 56% of the respondents had none.
- Life insurance 18%
- Critical illness insurance 8%
- Income protection insurance 2%
- Payment protection insurance 1%
- Home contents insurance 5%
- Buildings insurance 7%
- Motor insurance 18%
- Private medical/dental insurance 7%

## 19. Retirement Planning

- One in three (33%) persons over the age of 60 continue to work because they need additional income
- 54% of retirees do not have an occupational or personal pension. Only 13% ever considered taking out a personal pension plan
- The main reason for not doing so was lack of money. (A few said that they did not get around to doing so)

## 20. Retirement Planning (cont'd)

- Almost half of retirees (45%) report that their current {household} income was insufficient to give them the standard of living they hoped to have in their retirement
- A substantial percentage of respondents (69%) are relying on government pensions (NIS/Old Age) for their retirement income.