



REPUBLIC OF ESTONIA
MINISTRY OF FINANCE

MONEY SMART ESTONIA

Strategy for developing
the financial wisdom of the
inhabitants of Estonia
for 2021–2030

MONEY SMART ESTONIA

ACCESSIBLE FOR EVERYONE

- EDUCATION POSSIBILITIES FOR EVERYONE
- SYSTEMATIC EDUCATION FROM KINDERGARTEN TO UNIVERSITY
- TRAINING IS ENSURED, POSSIBILITIES FOR CONTINUED EDUCATION, STUDY MATERIALS

USED FOR MAKING DECISIONS IN EVERYDAY LIFE

- PLANNING *INCL.*
 - MAKING SHORT AND LONG TERM PLANS
 - SETTING ASIDE MONEY REGULARLY
 - FINANCIAL POSSIBILITIES AND ACTUAL NEEDS ARE CONSIDERED IN DECISION MAKING
- PRODUCTS AND SERVICES ARE COMPARED
- ASSISTANCE IS AVAILABLE AND USABLE IN THE CASE OF DIFFICULTIES
- THERE IS COURAGE AND CONVENIENT POSSIBILITIES FOR INVESTING
- STARTING WITH ENTREPRENEURSHIP AND RAISING CAPITAL

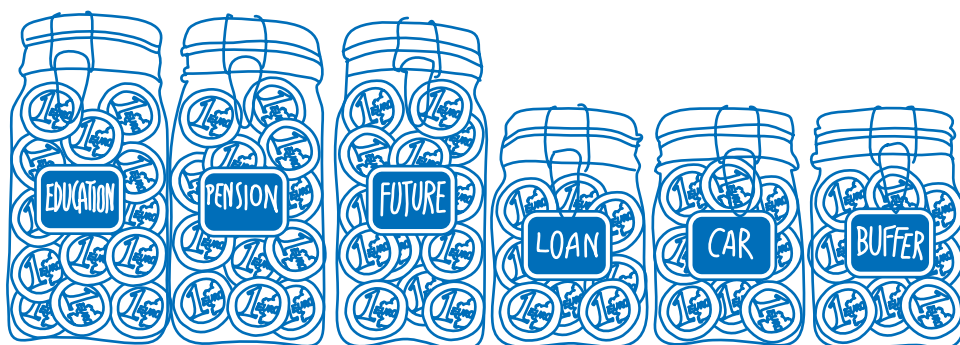
A SUPPORTIVE ENVIRONMENT ENCOURAGES USE

- FINANCIAL SERVICE PROVIDERS ARE RESPONSIBLE AND APPROACH FROM THE WELLBEING OF THE CLIENT
- THE FINANCIAL ENVIRONMENT FAVOURS A BROAD SELECTION OF INVESTMENT PRODUCTS
- THE LEGAL ENVIRONMENT SUPPORTS AND PROTECTS CONSUMERS
- ACCESSIBLE TOOLS FOR MAKING FINANCIAL DECISIONS
- PEOPLE RECOGNISE FINANCIAL FRAUD

COOPERATION WITH PARTNERS

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Preface by the Minister of Finance



Dear reader!

The wealth of Estonia is its wise and smart people. I am very happy that increasingly more people of Estonia, but especially young people, are interested in financial wisdom, *incl.* saving and investing.

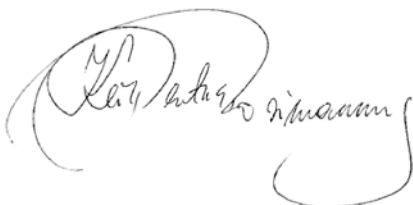
A part of the knowledge of financial wisdom is passed on from generation to generation. Wise words from parents and grandparents always have been that “Ignited savings and borrowed bread will not last long”, as well as “money is to be counted and the horse tied”. The possibilities for making financial decisions have broadened over time, especially with the increase in e-services. It is thus that even more so that the knowledge and skills must catch up, as the larger selection of services requires more making of decisions on one’s own, as well as taking responsibility. The general knowledge is that to still make financially wise decisions, one needs to prepare in good times for worse and more difficult times, as well as for acquiring new skills, there is a consistent need for learning. Financially smarter citizens also know how to ask more from and contribute to the activities of the state.

How to do so that the state would wisely and successfully be of support to its citizens in the planning and organizing of their finances? Especially when knowledge and skills among the inhabitants vary: one lacks investment wisdom, the other lacks support in freeing themselves from debt. How to orientate in continually new financial services, when there is a lack of knowledge for making decisions? We all still have the same aim, even if the starting point in the knowledge of financial wisdom is different – to wisely organise our financial matters.

You are holding in your hand the strategy for furthering the financial literacy of Estonia for 2021–2030. The strategy gives the directions to ensure that financial wisdom reaches every person in Estonia and is used in making everyday decisions, and a supportive environment encourages the decision making. Many stakeholders from the public as well as private sector are contributing into the successful realisation of the strategy. Everyone’s contribution is important here. We have taken the clear aim to make Estonia money smart!

I wish that the people of Estonia continue to have discipline, courage and curiosity to consistently gain more knowledge about financial wisdom and put the knowledge into practice. In the end, the fact if the state has its financial matters well kept and organised, also depends on if we have people that know how to organise their own finances so they can also expect and desire it from the state. How things go for the whole of our Estonia depends on the finances of the state being in order.

A money smart Estonia is not just a dream – we can make it happen together!



Introduction

The first programme for furthering financial wisdom or financial literacy, compiled at the initiative of the Ministry of Finance for the inhabitants of Estonia, covered the period 2013–2020¹. The current document includes the strategy for furthering the financial wisdom of the people of Estonia for the years 2021 to 2030, highlighting the general need for financial wisdom, main concerns of the field and what has already been done to improve them. A vision for the future is presented, together with the principle aims and indicators.



Financial wisdom and **its necessity** for Estonia

Financial wisdom or financial literacy is a collection of skills, knowledge, attitudes and behaviours that are required for making sensible decisions in financial matters and for ensuring the financial wellbeing of one's family². Financial literacy is for example the ability to compile a family budget, the existence of a sufficient buffer of savings for unexpected situations, the ability to compare financial products and services, and knowledge about the principal truths about investing.

Financial wisdom is a collection of skills, knowledge, attitudes and behaviours that are required for making sensible decisions in financial matters and for ensuring the financial wellbeing of one's family.

The aim of furthering financial wisdom is to increase the satisfaction and quality of life of people, such that through better management they can afford more for themselves and that they would feel more secure in making daily decisions. There is thus aside from talking about financial literacy also talk about financial welfare or financial capability. The emphasis of both additional terms is on using knowledge for the sake of improving one's own situation – purely awareness is no longer sufficient for knowing what is right and what to do, but the emphasis is on the perception of one's financial wellbeing and capability that can only be improved by taking real practical steps. Corporate financial wisdom is meant to mean the awareness of people about entrepreneurship as a possible investment opportunity, as well as the awareness of entrepreneurs to manage wisely and raise capital if needed.

¹ https://www.rahandusministeerium.ee/sites/default/files/finantskirjaoskusprogramm_20130213_kinnitatud_2.pdf

² <https://www.oecd.org/finance/financial-education/49319977.pdf>

The furthering of financial wisdom is important for the following reasons:

- **for increasing feelings of certainty and reducing the level of stress**, it is important to teach people how to cope with their financial matters in the existing financial environment, such that there is no constant worrying about money related matters;
- **the responsibility of people** for planning their financial matters throughout the course of life **is in an increasing trend** (voluntary pension pillars, reduced social security, greater selection of financial products and services)³;
- **for ensuring** in conditions of an ageing population (longer period of retirement, probable future reductions in social securities), **a level of wellbeing that matches expectations**, even if people are no longer able or willing to work;
- **increasingly more complex**, though at the same time **more easily accessible, financial products or services** require consumers that understand and know how to use them⁴;
- user-friendly, simple and economical investment solutions **assist in popularising consistent investment and making long term plans** among residents, as well as reduce the consumption culture and impact on the environment;
- the global COVID-19 pandemic showed how vulnerable people are in a situation where **their incomes are significantly reduced or even totally lost** – increasing the level of financial wisdom, sufficient savings and right decisions at the time of crisis can assist in softening such situations;
- **businesses**, especially small and medium sized enterprises, **can better realise their potential** through knowledge and the skill of using different financing models, thereby offering a potential for the development of capital markets.

The rate of relative poverty and social exclusion increased in 2019 to 20.7% in Estonia, exceeding the average result of the European Union (EU)⁵. The rate of financial poverty is highest among people with a low level of education, as well as senior citizens: **48.8%**⁶ of old-age pensioners as of 2019 must manage with a monthly amount that is lower than the median income of 60% of the population⁷. The changes to the pension system approved in 2020 at the same time offer people more choices, but also a greater responsibility for planning their future and they must be supported in doing so.

Over 70% of the population has basic knowledge about financial wisdom.

A survey of the financial wisdom of the inhabitants of Estonia, conducted in 2019, showed that changing the financial behaviour of people is a very long process. Previous studies have confirmed that although the required knowledge exists (more than 70% of the population has basic financial literacy knowledge or knows how and why money should be saved, put aside and invested for pensions, can compare financial products, as well as record and analyse expenses and revenues), a large proportion of the inhabitants do not apply the knowledge acquired (only 58.8% of the population acts according to the knowledge of basic financial wisdom). A third of the population does

³ <http://www.oecd.org/finance/financial-education/37087833.pdf>

⁴ https://read.oecd-ilibrary.org/education/pisa-2018-results-volume-iv_48ebd1ba-en#page35

⁵ <https://www.stat.ee/et/avasta-statistikat/valdkonnad/heaolu/sotsiaalne-torjutus-ja-vaesus/suhteline-vaesus>

⁶ <http://andmebaas.stat.ee/Index.aspx?lang=et&DataSetCode=LES62>

⁷ https://www.sm.ee/sites/default/files/vanemaealiste_majanduslik_toimetulek_ja_vaesus.pdf

not feel confident about the management of finances, but has done nothing about it – 32% are worried if they can cover their monthly expenses, 37% admit that financial matters limit their lives, 28% of the people never or only rarely have money left over at the end of the month, 31% of people have not saved any money

within the last year and the same share of respondents have experienced situations within the last 12 months where expenses are not covered by revenues. At the same time the proverb “debts belong to strangers” applies to Estonians – 95% of the respondents pay their bills on time⁸.

The cooperation network of financial wisdom is one of the greatest assets for furthering the field in Estonia.

The percentage of people who think that they have very high or high financial wisdom is *approx.* 17% (the results of a 2015 study even indicated 30%). One of the most complex subjects that arises is compound interest and investment related matters that is also referenced by the lesser awareness and use of investment products (the most mentioned investment products were pension funds – 28% of respondents – and savings – 16%). The best known financial services were a bank account and loan based products, such as a home loan, credit card, car leasing.

The international comparison compiled by the Organization for Economic Cooperation and Development (OECD) in 2020⁹ showed that among the 26 countries participating, Estonia together with Indonesia shared 5th place in financial wisdom. The results of the financial literacy test, conducted within the Program for International Student Assessment (PISA), showed that the Estonian 15-year-old students were the first in the world¹⁰. The level of financial wisdom is still worryingly low throughout the world and the basic knowledge and skills are lacking in nearly 40% of people (36.5% in the case of Estonia)¹¹.

Summary of the first strategy programme

The initiative that gave the idea to launch the first strategic programme for furthering financial wisdom¹² was a study of financial literacy in 2010¹³ that strongly highlighted the need to develop the financial literacy of the inhabitants of Estonia. The programme was established for the period 2013–2020 and it had three aims:

1. people are aware of the importance of planning financial matters and their attitudes are supported by making sensible financial decisions;
2. people understand financial services and know how to organise their finances with the assistance of those services at every stage of their lives;
3. financial services are offered responsibly.

⁸ https://www.rahandusministeerium.ee/sites/default/files/eesti_elanike_finantskirjaoskuse_aruanne_loplik_november_2019_.pdf

⁹ <https://www.oecd.org/financial/education/oecd-infe-2020-international-survey-of-adult-financial-literacy.pdf>

¹⁰ <https://www.innove.ee/wp-content/uploads/2020/05/PISA-2018-FIN-RAPORT.pdf>

¹¹ <https://www.oecd.org/financial/education/oecd-infe-2020-international-survey-of-adult-financial-literacy.pdf>

¹² https://www.rahandusministeerium.ee/sites/default/files/finantskirjaoskusprogramm_20130213_kinnitatud_2.pdf

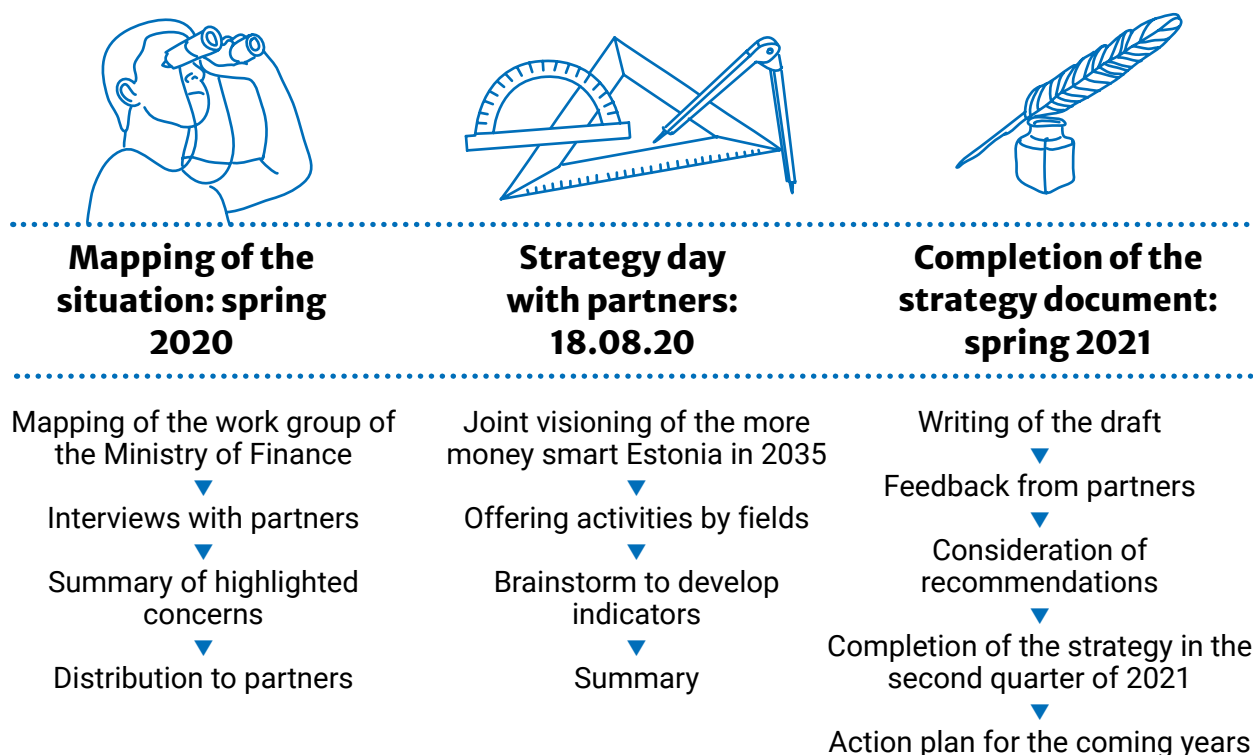
¹³ https://www.fi.ee/sites/default/files/finantskirjaoskuse_uuring.pdf

The aims to a large extent were not achieved, according to the results of the established indicators, and the success of some agreed upon indicators could not be evaluated due to a lack of data. The field of education received the greatest attention within the first strategic programme, the furthering of which showed the greatest impact.

A certain regularity has been achieved for events that convey financial wisdom: for example Eesti Pank and the Financial Supervision Authority jointly organise annual family days, teachers are offered seminars in Estonian as well as Russian, conferences take place in the field of investment (the conference of the fictional character investor Toomas, created by Äripäev, Club of Investing Women Conference) and the annual investment festival, study groups focused on different topics get together, advice is sought from corresponding social media groups on financial wisdom. March of each year is seen as the month of financial wisdom, in the framework of which schools are offered guest lessons, students have different quizzes and competitions, not to mention the countless trainings, *incl.* online.

The cooperation network of financial wisdom is one of the biggest assets for furthering the field in Estonia, as through cooperation already many good projects have been created. Joint activities motivate and stimulate, as well as synergy leads to active activities, addressing more precisely positioned target groups or more numerous the inhabitants. The partners themselves have at the same time highlighted that cooperation could be even better planned and executed, with greater success than currently to use the entire resource potential. In addition, Estonia as a full member of the INFE of the OECD cooperates with other countries on the international level.

Strategy making **process**



The compilation of the strategy for financial wisdom has been based on the experience of other countries (foremost, the financial wisdom strategies of New Zealand, Portugal and the United Kingdom), various studies and their results, the programme for furthering the financial literacy of the inhabitants of Estonia 2013–2020¹⁴ and its results. Representatives of the following organisations were interviewed and their feedback requested to the initial mapping, when mapping the more current concerns: the Bank of Estonia, Financial Supervision Authority, Consumer Protection and Technical Regulatory Authority, Estonian Debt Counselling Association, Chamber of Bailiffs, Ministry of Education and Research, Ministry of Finance, Ministry of Economic Affairs and Communications, county development centres, network Enterprising School, Ministry of Social Affairs, Banking Association, representatives of major credit institutions, Tallinn Stock Exchange, Estonian Insurance Association, FinanceEstonia, Estonian Crypto Currency Association, Redgate Capital, EstateGuru, Äripäev, Investment Club, Foundation Innove (current HARNO), Estonian Association of Teachers of Economics, Estonian Association of Teachers of History and Social Studies, Junior Achievement, University of Tartu Lifelong Learning Centre, Tallinn Secondary School of Science, Võru Secondary School, Pärnu Rääma Basic School, Tartu Jaan Poska Secondary School, Estonian Entrepreneurship University of Applied Sciences Mainor, association of students, Changemakers Academy, NGO Rahatarkus (Financial Wisdom), Estonian Business School, private investors and application MyFinancier.

A strategy day took place on the 18th of August 2020 with the participation of representatives of the aforementioned organisations. An attempt was made in the framework of table discussions to establish a vision of the new strategy until 2035. The vision highlighted important problematic spots through the solution of which to reach the desired result, as well as how to recognise that the result has been achieved. A draft of the strategy was compiled, based on the input from the event that had close to 40 participants, the feedbacking of which resulted in the final document.



Strategy day of financial wisdom in August 2020. Photo by: Liis Treimann

¹⁴ https://www.rahandusministeerium.ee/sites/default/files/finantskirjaoskusprogramm_20130213_kinnitatud_2.pdf

Current **bottlenecks** and what has already been accomplished



Problems and fields that require thorough dealing with were clearly identified in the interviews with people and organisations active in the field, ideas offered at the strategy day and the studies conducted. The following describes five larger areas that were highlighted (education, beliefs and attitudes of people, trustworthiness of the financial environment, specifics of the target groups, as well as the organisation of coordination of cooperation) and explanations are given for what has already been done for solving them.

Education

The field that comes first to mind and has one of the greatest impacts is education, through which it is possible to reach people of all ages. Students are one of the important target groups because the citizens of tomorrow are concerned, who will start making the monetary decisions for their own personal use, as well as in the interests of the entire state. Their attitudes and knowledge are also still in a phase of being established that allows them to be more easily guided and shaped. Teaching in schools also directs discussions on money matters to take place in homes or also makes parents and close relatives of children to think about money matters.

The study “Analysis of the possibilities of developing financial literacy in Estonian general education and vocational schools”¹⁵, conducted in 2020, showed that for effective studies in school, teachers require logically structured, updated and easily findable teaching materials (*incl.* in Russian) and concrete agreed upon study results. There is also a need to contribute to the (supplementary) training and motivation of teachers, so that they would develop the readiness, courage and desire to teach the subject, either separately or in integration with other learning outcomes. Financial wisdom reaches children and youths through the cooperation of the school and home, which assumes good knowledge of the field from teachers, as well as parents, into whose knowledge of the field contributions must also be made. Both teachers and parents think that the start of financial education should be in the early grades and to a certain extent already in kindergarten.

The subject of financial wisdom is a compulsory part of social education in basic schools, as well as secondary schools (study programme approved in 2010 and updated in 2011 and 2014)¹⁶. Financial wisdom is also a part of the elective subjects of entrepreneurial studies, compiled by the

¹⁵ Civitta Estonia AS. (2020). Analysis of the possibilities of developing financial literacy in Estonian general education and vocational schools: <https://www.rahandusministeerium.ee/et/uudised/rahatarkuse-opetamine-koolides-teeb-edusamme-kuid-vajab-susteemset-lahenemist>

¹⁶ National curriculum for basic schools: <https://www.riigiteataja.ee/akt/129082014020?leiaKehtiv> and national curriculum of upper secondary school: <https://www.riigiteataja.ee/akt/129082014021?leiaKehtiv>

programme “Edu ja Tegu” (Success and Deed), for which separate curricula have been made for basic school (III school level) and secondary school level, integration guide for all subjects and school levels, as well as a model for entrepreneurial competence. The entrepreneurship module has been taken into use by 76% of the educational institutions¹⁷.

In the academic year 2020/2021 there is an e-course on financial wisdom being tested in 30 schools¹⁸ throughout Estonia as an elective subject for the secondary school level. Students have the possibility to study the elective subject of personal finances, based on the subject syllabus of the Tallinn University of Technology. Separate attention is drawn to financial matters at the Estonian Entrepreneurship University of Applied Sciences Mainor, where a course in personal finances is also offered in Russian. The e-guest lessons with curricula, prepared with the cooperation of the Estonian Banking Association and the citizen initiative “Back to school”, are accessible free of charge to all students in grades 6–9 since the spring of 2020¹⁹. The competitive moment is held high through the annual investment game Stock Shark, held in autumn²⁰. There is also a yearlong Estonian Monetary Olympics for secondary school students²¹ and a money quiz for basic school students. Competitions for younger age groups are lacking. There is a need for gamely (digital) solutions and cooperation with hobby education, as well as youth workers.

The general conclusion from the study “Analysis of the possibilities of developing financial literacy in Estonian general education and vocational schools”, conducted in 2020, is that teachers who have a personal interest in the subject will find possibilities. The same study has indicated that the training of teachers in the field of financial wisdom, as part of the formal education acquired within the adult education system, is hampered by the limited financial knowledge of professors themselves and the already large extent of specialisation study programmes of teachers, wherefore future teachers are not offered preparation in the field of financial wisdom.

Teachers of different fields have since 2013 received refresher courses in the field of financial wisdom. Financial wisdom is since 2019 a part of the six month training programme for teachers of entrepreneurship. Financial wisdom as a part of entrepreneurship training is treated from the perspective of a private person as well as a company. Junior Achievement Estonia, which already since 1992 has been developing teaching of economics and business, has integrated money matters into its programmes for all school levels and offers for their application teaching programmes to the teachers in schools that participate in the programme²². During the academic year 2020–2021 there will be a pilot for mentor clubs on financial wisdom for teachers, regardless of the subject they teach, with the aim to offer the teachers financial education and the possibility to discuss with their colleagues the best experiences and integration opportunities of the gained knowledge to their students. There is a separate section on the consumer website of the Financial Supervision Authority, minuraha.ee²³ that has collected together materials for students of all age levels in Estonian as well as Russian.

¹⁷ Ministry of Education and Research programme of entrepreneurial studies “Systematic development of entrepreneurship and entrepreneurship studies for all levels of education” (entrepreneurship studies programme Edu ja Tegu) 2020 Mid-term review II as of 30.09.2020.

¹⁸ As of 20.01.2021

¹⁹ <https://pangaliit.ee/finantskirjaoskus/rahatarkuse-e-kulalistunnid-2020>

²⁰ <https://www.lhv.ee/hai>

²¹ <http://tuulberg.ee/ol%C3%BCmpiaad/>

²² <http://www.ja.ee//programmid.html>

²³ <https://www.minuraha.ee>

LARGER BOTTLENECKS

- The topics and aims of financial wisdom are not clearly highlighted in national curricula.
- The teaching of financial wisdom is neither systematic nor happening throughout the entire educational path of students.
- Little time is devoted to the subject of financial wisdom, wherefore only teachers interested in the subject find possibilities to explain things more thoroughly.
- We lack formal education acquired within the adult education system in the field of financial wisdom for teachers and refresher training is not sufficiently accessible for all teachers.
- Teaching materials for financial wisdom are difficult to find and outdated for teachers, so they require excessive additional work for using in classes.
- The knowledge obtained from school does not get sufficient support and confirmation at home, as the financial knowledge of parents is limited.



Workshop on financial wisdom for grades 1–3 of the Rakvere Basic School. Photo by: Liisi Kirch

Knowledge, attitudes, beliefs, behaviour of people

The OECD work group, International Network for Financial Education (INFE), uses a methodology consisting of three components for evaluating financial wisdom: knowledge, attitudes and behaviour. Knowledge alone is not of assistance, if people themselves do not believe in improving their financial wellbeing and the accompanying increase in quality of life that it brings. There is also no practical value in having the right attitudes and knowledge, if these are not expressed in behaviour. Changing of attitudes and behavioural habits are factors why increasing the level of financial wisdom is a slow process and is becoming continually more complex, as the age of people increases.

The interviews with experts highlighted among the bottlenecks related to attitudes, beliefs and behaviour that people are not motivated to make long term plans, organise money matters, compare loan products because the results of such behaviour are not immediately expressed and it is difficult to see the long term effects. A part is played by habits, as well as historical memory – the subject of money is still considered to be a taboo, investing is seen as a risky activity and the existing knowledge is not evaluated as sufficient. Sometimes people don't see that there are such great shortcomings in the skills to organise financial matters that these would force to react.

Financial wisdom is evaluated based on three components: knowledge, attitudes and behaviour.

Consumption decisions, in which one goes along with advertising campaigns, where consumption is immediate, based on emotions and, in the absence of choices, with instalment payments, as it is seen as a social norm, have a great impact. A separate concern is seen in the multitude of choices and the fear to make a mistake, for which reason some choices are not made at all (e.g. in the case of investment products), although financially it would be wiser to compare many products, as well as find the most suitable and economical solution (e.g. in the case of credit products). Regarding tax wisdom, many people have no clarity why taxes are needed, how the state and a person is affected by envelope wages, and often the entire additional earnings are considered as belonging to oneself as the employer has already paid taxes on behalf of the person.

Although the level of knowledge is sufficiently high, assistance is required for putting it into practice, by reminding at the right moment what is the later impact of consumption and savings decisions. The information has been made accessible for everyone, for example through the following portals: The Tax and Customs Board (MTA)²⁴, Financial Supervision Authority (FI) consumer web minuraha.ee²⁵, as well as the websites of the Pensionikeskus (Pension Centre)(PK)²⁶, Social Insurance Board (SKA)²⁷ and the Consumer Protection and Technical Regulatory Authority (TTJA)²⁸. Banks offer financial advice that in some cases is centred only on their own products, but at the same time explain the functioning of different financial products and services. Events organised in the

²⁴ <https://www.emta.ee/et>

²⁵ <https://www.minuraha.ee/>

²⁶ <https://www.pensionikeskus.ee/>

²⁷ <https://www.sotsiaalkindlustusamet.ee/et>

²⁸ <https://www.ttja.ee/et>

field (mainly about investment) have made their contribution to supplementing the knowledge of adults and promoting attitudes, also many authors-bloggers have gained recognition. Different social media groups (e.g. savings diary, financial freedom, etc.), allow to learn from others who are not experts but share a similar background.

LARGER BOTTLENECKS

- **People are not motivated to deal with money matters because the results of better behaviour are not expressed immediately.**
- **The selection in the case of some financial products is too wide, so it is easier not to decide.**
- **The knowledge is not put into practice.**
- **It is easier to go along with advertising campaigns and social consumption norms.**



Trustworthiness of the financial environment

Sometimes the financial environment and previous experiences within the financial world set restrictions on financially wise behaviour, even if a person has the knowledge of what constitutes best behaviour. The distrust can thereby be increased or decreased by changes in the regulatory environment, political decisions, concrete one-off experiences, regardless if they are personal or stories shared by acquaintances. One of the pillars of a trustworthy financial environment is the awareness of people in their rights and obligations, as well as the courage to ask for assistance or advice and the skill to delve deeper into the materials (laws, contracts, guidelines, etc.).

The problems highlighted by different partners were the limited understandings of consumers of the terminology of the field and documentation, the fragmentation of information and the slightly different conditions of each service provider that make comparisons difficult. The large number of products and services offered is not useful either (for example in the case of selecting a pension fund it sometimes seems easier not to select one at all). The relaxation of rules would encourage investing, for example simplifying investing for children, giving securities as gifts, etc. The number of people that have become victims of fraud schemes has increased: in 2019 there were 169 cases of investment fraud registered and the fraudsters seized close to 3.4 million Euros. The loss in 2020 with 170 cases was 5.6 million Euros²⁹.

People do not know how or where to turn to in case they have concerns. The power position of financial institutions is intimidating and the belief is widespread that the service provider is only interested in maximising its profits. Organisations that deal with debtors and people in distress highlighted that the principles of responsible lending are not observed in practice, which together with the spread of a culture of consumption in turn causes, as a result of limited awareness, many concerns for borrowers. Credit providers however complained that they in part lack required mechanisms to verify the information presented to them, for example a well-functioning system of data exchange on financial liabilities of people.

Irresponsible lending is one side of the problem, the other side being the accessibility of debt counselling services, as well as the interest of people in using the service. It is compulsory for each municipal government to offer a debt counselling service, but those in need are still also assisted by members of the Chamber of Bailiffs and Trustees in Bankruptcy, social workers of municipal governments, Töötukassa (Unemployment Insurance Fund), debt advisers, the Social Insurance Board and support persons, so the service requires further development. Advising benefits few, as it is hindered by lack of knowledge where to turn to, feelings of shame and lack of motivation (as of February 2021 there were 73,000 debtors in enforcement proceedings and approx. 413,000 enforcement proceedings)³⁰. At the same time, debt counselling service organised by municipal governments was for example in 2019 provided to about 2,000 people³¹.

²⁹ Statistics of the Police and Border Guard Board

³⁰ Data from the analysis by the Ministry of Social Affairs and the Ministry of Justice as of 10.02.2021

³¹ Statistics of the Ministry of Social Affairs

A few draft laws that protect consumers are nearing completion. Many partners (MTA, TTJA, FI, Police and Border Guard Board or PPA), are actively dealing with informing people through using campaigns as well as e-channels and media. Public debates and speeches that lead to discussions on the effects of political decisions also provide an opportunity to increase awareness, as well as to see the different facets of decisions, a good example being the highlighting of the subject of pensions due to the reform.

LARGER BOTTLENECKS

- **The limited understanding of consumers of terminology of the field and poor understanding of documentation.**
- **People lack the habits and good tools for comparing services.**
- **A lack of understanding where to turn to in case of concerns.**
- **The number of victims of fraudulent schemes has increased.**
- **People often do not have a good overview about the extent of their financial obligations that makes it more difficult for financial service providers to follow the principles of responsible lending.**
- **Debtors have little motivation to deal with the problem, and the debt counselling service in municipal governments also requires development.**



Specifics of the target groups

Stakeholders agreed with the international practice that different target groups must be treated according to their specifics. Special attention is paid in many countries to women. There is also in Estonia, functioning very successfully, the NGO Club of Women Investors and for example the social media group #Kogumispäevik (savings diary), the membership of which is predominantly female^{32,33}. It is however required to think separately about the Russian speaking population and also other people living in Estonia, who for example communicate in English. It has become apparent from the results of studies³⁴ that a poorer level of financial literacy is among people with a lower level of education and people living further away from Tallinn, in the case of whom, additional problems are low incomes and a lack of motivation to deal with financial matters. A separate group is formed by the middle class, with good incomes and large expenses, that lives from one salary to the next, known as the financially squeezed middle class.

The share of investors in Estonia is small, compared to the old European countries (the number of active securities accounts as of 2020 is only 42,000)³⁵, though the recent years show an upward trend. There is also the question hereby how many people should be involved with actively investing or should there be a greater focus on increasing the number of people who have joined the pension pillars (for comparison: 760,000 people are holders of pension pillars, *incl.*, according to data from 2020, 167,000 persons that have joined the voluntary funded pensions)³⁶ and improving the pension products. Corporate financial wisdom, which is meant to mean the sharing of information about financing possibilities in different life cycles of a company, important information related to accounting and contracts, in organising the financial matters of the company etc., has so far been an unfocused topic, which is superficially treated in business training and organisations related to the matter. It is more difficult to address older people in personal finance matters, who are influenced by historically rooted attitudes and experiences.

The Investment Club³⁷, Club of Women Investors, Russian speaking Investment Club³⁸, the reports, workshops and conferences of the fictional character investor Toomas created by Äripäev³⁹, not to mention the numerous private individuals who maintain thematic blogs, have written books, organise workshops and trainings or record podcasts⁴⁰, have specialised on investors. The commercial association of Tuleva needs to be highlighted as having done a great job of informing, with little expenses about savings for retirement. Unbiased information on all important financial services can be found in Estonian as well as Russian on the consumer web of the Financial Supervision Authority, minuraha.ee⁴¹.

³² <https://naisinvestoriteklubi.ee/>

³³ <https://www.facebook.com/groups/1310707785627509/>

³⁴ https://www.rahandusministeerium.ee/sites/default/files/eesti_elanike_finantskirjaoskuse_aruanne_loplik_november_2019_.pdf

³⁵ NASDAQ OMX Tallinn Stock Exchange statistics

³⁶ <https://www.pensionikeskus.ee/wp-content/uploads/page/rahandusministeeriumi-statistika/Jaanuar2021.pdf>

³⁷ <https://investeerimisklubi.ee/>

³⁸ <https://www.facebook.com/investingaslifestyle>

³⁹ <https://www.aripaev.ee/investor-toomas>

⁴⁰ <https://rahajutud.ee/>

⁴¹ <https://www.minuraha.ee/>

LARGER BOTTLENECKS

- **Scarcity of materials, low distribution to target groups that do not speak Estonian.**
- **The people who have a lower level of financial wisdom are those that have a lower level of education and live at a greater distance from Tallinn.**
- **Low use of investment products.**
- **Business training and organisations related to the matter only briefly treat the subjects of corporate financial wisdom.**



Organisation of the furthering of financial wisdom

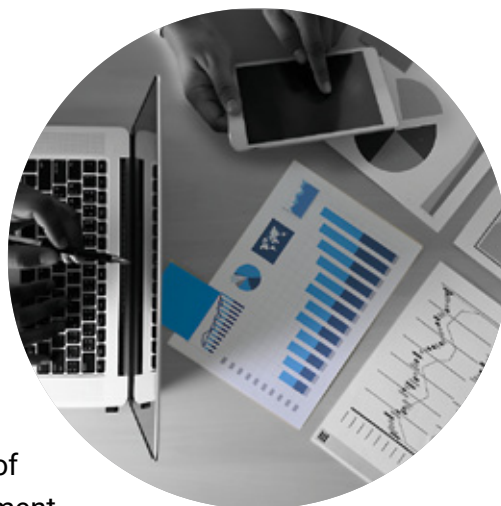
A longer term view of activities and systematic coordination of joint cooperation is important in furthering financial wisdom, to avoid the situation in which each organisation participates on its own, to the extent of their capacity. A hardly used point of synergy is the making of agreements in the field of marketing and communication, jointly agreeing upon longitudinal studies together with a research plan. There has been a lack of a long term plan concerning the systematic furthering of financial wisdom within different target groups, as well as a joint vision document.

The current strategy of financial wisdom formulates jointly agreed upon aims, prioritising within its period of validity the important fields and directions of activity, as well as indicators for achieving results through cooperation. The Ministry of Finance will continue to coordinate the field, fulfilling the role of a central collector and distributor of information, mediating possible cooperation contacts, as well as monitoring the more general developments in the field through periodic summaries.



Relationships with other strategies

The field of financial wisdom is related to the fields of education, economics and entrepreneurship, social security and coping, as well as the financial environment. The long term strategy document of the state, “Estonia 2035”, classifies the importance of financial literacy together with health and social security. The system of retirement pensions under preferred conditions and retirement pensions for years worked should be contemporised, the spread of



employer pensions encouraged, **and the financial awareness of people increased**, to ensure the **sustainability of the pension system and wellbeing of pensioners**. It is written in the block on the economy and climate: “We shape a flexible and secure economic environment that encourages innovative and responsible entrepreneurship, as well as fair competition: we are developing the **banking and capital market** to improve the capacity to cope with crisis and the **possibilities to finance companies in all regions**.” It has been highlighted concerning the plans for **skills and the labour market to shape the knowledge and skills required for future work...**, and the **development of entrepreneurship and entrepreneurial competence (incl. financial wisdom) at all levels and types of education, incl. increasing the readiness of students to start businesses**.

The field of education continues to be strongly related to furthering financial wisdom. The aims of the Education and Youth Programme, 2021–2024 stipulate: “The people of Estonia have the knowledge, skills and attitudes that enable them to realise themselves in personal work and the society, as well as support the furthering of Estonian life and the global sustainable development.” There is a more precise relationship with the measure 3: relationships between education, society and the labour market that highlight entrepreneurship and entrepreneurship studies, of which one part is also financial literacy, is to be systematically developed at all levels of education.

Nearing completion is the development plan for 2021-2035 for the field of education, as well as the development plan for 2021-2035 for the field of youths^{42 43}. Both emphasise the furthering of lifelong general competences (*incl.* financial literacy) and entrepreneurship studies at all levels and types of education (*incl.* kindergarten and university education, as well as informal education such as hobby education and youth work).

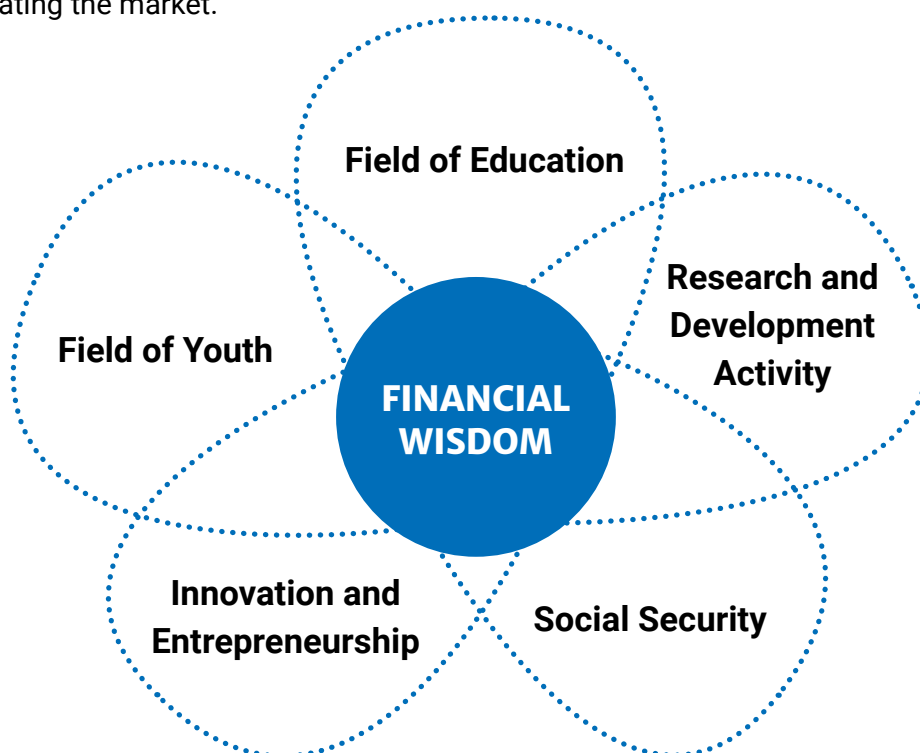
The financial policy programme of the Ministry of Finance, which in turn is an input to the activity based state budget, sets as its aim the creation of a business and financial environment that is reliable and capable of competition, where an important pillar of functioning is a high level of financial literacy among the inhabitants, together with its application. The following has been

⁴² <https://www.hm.ee/et/kaasamine-osalemine/strateegiline-planeerimine-aastateks-2021-2035/eesti-haridusvaldkonna-arengukava>

⁴³ <https://www.hm.ee/et/noortekava-2035>

noted: “**The systematic and coordinated furthering of financial literacy**, as well as **regulatory initiatives** should lead to a **better coping of the inhabitants of Estonia in their finances.**” The Estonian research, development activities, innovation and business development plan 2021–2035 is being compiled by the Ministry of Economic Affairs and Communications, as well as Ministry of Education and Research⁴⁴, which highlights the systematic development of entrepreneurship and adapting to future work, where among important skills is also financial literacy. This through **furthering entrepreneurship studies** at all levels and types of education, to encourage the more efficient application of the labour market potential of adults (*incl.* starting with entrepreneurship), as well as **improving the financing possibilities for businesses**, a part of which is also the passing on of knowledge of financial wisdom to entrepreneurs. A joint vision is being sought within the framework of the wellbeing development plan 2016–2023, led by the Ministry of Social Affairs⁴⁵, to support activities related to debtors and changes to the pension system.

One of the three main aims of the development plans of the European Commission for capital markets clearly stipulates⁴⁶: saving and long term investing must be made even more secure for individuals within the EU. This includes measures for increasing the contributions of retail investors, as well as for their fairer remuneration, improving the trustworthiness of capital markets, avoiding an overly complex financial system and ensuring the better comparability of financial services. The plan of the commission mentions the making of correct decisions, **the importance of financial literacy as a basis for economic wellbeing**, highlights **the importance of long term investing** under the conditions of an ageing population, as well as **the availability of capital** for small and medium sized businesses, which in turn is important for realising their growth potential and stimulating the market.



⁴⁴ <https://www.hm.ee/et/TAIE-2035>

⁴⁵ <https://www.sm.ee/et/heaolu-arengukava-2016-2023>

⁴⁶ https://eur-lex.europa.eu/resource.html?uri=cellar:61042990-fe46-11ea-b44f-01aa75ed71a1.0004.02/DOC_1&format=PDF

Vision of a money smart Estonia

All interest groups must have access to at least the basic knowledge of financial wisdom and a little more, in order to build a money smarter Estonia. The knowledge about how to sensibly handle one's money is required for everyone and enables improving the quality of life of everyone who is ready to use this knowledge in practice. A positive attitude of people towards financial wisdom and the capacity to apply financial knowledge are important for achieving this. In order to simplify the making of better decisions, a trustworthy financial environment that takes into consideration the interests of consumers as well as offers good tools and possibilities for understanding one's and one's family's money matters, for comparing financial products and services and investing into the future, are also important.

Educational institutions play an important role in making knowledge accessible. There is a need for materials, as well as teachers or instructors with relevant training that are the best practitioners of financial wisdom, in order to allow for students of all ages to have accessibility to knowledge about financial wisdom. The systematicity of studies is of no less importance, for the affirmation of knowledge than constant repetition and increasing the level, according to growth in capacity. Systematic studies at the same time do not only encompass the education system – it is important to find possibilities for guiding adult, interested in the matter, who in turn would shape the positive attitudes of children and youths towards the necessity and importance of daily use of financial wisdom.

The practical application of financial wisdom is an especially important keyword in Estonia, as relying on the results of studies, a part of the wealth of existing knowledge does not find application in everyday life. It is difficult to maintain and improve the wellbeing of oneself or the family, if there is a lack of courage, desire, access to assistance in case of concerns or knowledge of how to take into consideration the principles of reasonable management in the long term, when considering daily decisions. Studies have proven that the thinking about the future me is one of the levers that makes people genuinely think about retirement.

A secure financial environment that favours the consumer and enables a person to make long term plans that improve one's wellbeing helps in the obtaining of knowledge and in its use. People have knowledge and possibilities for defending their rights and they are supported by a reliable environment with easily comprehensible and functional solutions that informed users help supplement, forcing service providers to constantly develop themselves. Legislation is sufficient but not restrictive, maintaining the level of bureaucracy reasonable and encouraging the daily use of financial wisdom. This also requires a review of existing norms and shaping the environment into such that hindrances are lacking, for example for investing.

Money smart Estonia develops in cooperation with partners, which is also the basis for achieving the three main aims of the strategy. Transparent information exchange, regular format and outputs

of meetings are an important part of the realisation of the strategy. It is possible to learn, find the best solutions, to encourage and motivate one another through sharing experiences, achieving with each next project a continually wider circle of appliers of financial wisdom.

Aims of the strategy of financial wisdom

The big aims of the current strategy are divided into three:

1

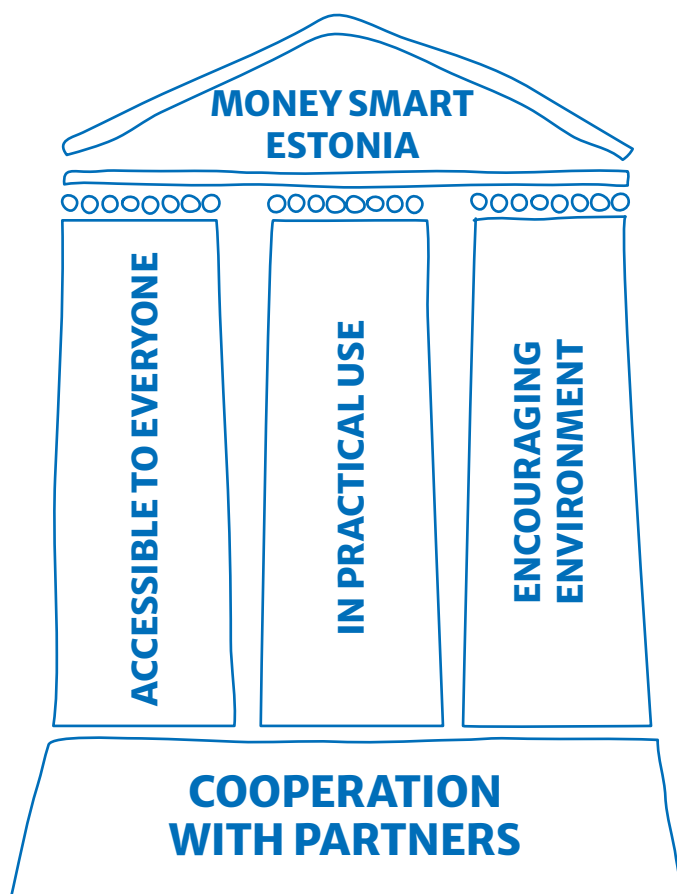
FINANCIAL WISDOM IS ACCESSIBLE TO EVERYONE

2

FINANCIAL WISDOM IS USED FOR MAKING DECISIONS OF EVERYDAY LIFE

3

A SUPPORTIVE ENVIRONMENT ENCOURAGES THE APPLICATION OF FINANCIAL WISDOM



The basis for these aims is the close cooperation between the private, public and third sector, for the exchange of experiences, for achieving the effect of synergy, as well as jointly reaching more target groups.

The indicators for understanding the achievement of each aim have been selected approached from the content of the aim and availability of data. These are supplemented in the action plans with short term aims together with indicators, and therefore in the current document only the most important indicators that characterise the progress towards the three main aims are presented. All indicators presented in the current document have an evaluation scale of growth/decline that allows for evaluating if we are moving in the right direction at every moment when the latest statistics of the corresponding indicator become public.

1 Financial wisdom is available for everyone



STUDYING POSSIBILITIES

- The possibilities of obtaining financial wisdom have been created for everyone.

SYSTEMATIC STUDIES

- Financial wisdom is taught consistently from kindergarten to university.

PATHFINDERS

- Teachers and instructors have been ensured with training, refreshment possibilities and teaching materials.

Financial wisdom is available for everyone, regardless of age, socioeconomic background, place of residence or linguistic preferences, for shaping attitudes and making conscious choices in financial matters. Contemporary materials on financial wisdom have been created that take into consideration the peculiarities of the target group (for example, kindergarten children or the Russian speaking population). All teachers and other instructors have been ensured refresher training and training for integrating financial wisdom into the learning outcomes of the programme of each subject and age level. Financial wisdom is an organic part of business education and also brings to the students the practical side of financial wisdom.

INDICATOR	SOURCE	INITIAL LEVEL	TARGET LEVEL
Share of educational institutions that have taken the entrepreneurship module into use	Report of the entrepreneurship programme	55% (2020)	Growing
Channels through which financial wisdom is available, as evaluated by the people	Survey of the financial literacy or financial wisdom of the inhabitants of Estonia ⁴⁷	Advice of friends and close ones: 34% Not available: 13% Information from school/university/vocational school (from teachers and lecturers): 3% (2019)	Declining channels from “friend”, “not available” and growing “information from school/university/vocational school (teacher and lecturer)
Share of people that evaluate their level of financial wisdom as high or very high	Survey of the financial literacy or financial wisdom of the inhabitants of Estonia	17% (2019)	Growing

⁴⁷ https://www.rahandusministeerium.ee/sites/default/files/eesti_elanike_finantskirjaoskuse_aruanne_loplik_november_2019_.pdf

2 Financial wisdom is used for making decisions of everyday life



PLANNING

- Planning of one's own finances in the shorter as well as longer term is a natural part of life.
- Putting money aside or saving is a regular and continuous activity.
- Decisions are made, taking into consideration one's financial possibilities and actual needs.
- Products and services are compared with other equivalent offers.

ASSISTANCE IN THE CASE OF DIFFICULTIES

- Debt counselling service is available in every county of Estonia and people use it.

INVESTING

- People are courageous about starting investing and do it in the long term.
- Convenient possibilities have been created for investing and people use them.

ENTREPRENEURSHIP

- Entrepreneurs know what the possibilities for raising capital are.
- People know how to start with entrepreneurship.

Increasingly more people are using the knowledge of financial wisdom in practice for preserving and improving their wellbeing. Money matters are planned for the given purpose in the short as well as long term, and a money buffer is set aside and kept for unexpected events. The necessity and justification are considered before making a purchasing decision, as well as the prices and conditions of different products and services from many suppliers are compared. It is possible, according to desire and need, at one's place of residence, to obtain personal quality debt advice for improving one's personal financial situation. People have the knowledge, courage and opportunities to invest their money or to start with entrepreneurship.

An entrepreneur from Estonia knows how to find and use financing possibilities for realising one's ideas. People know how to start with entrepreneurship and from where to find the required information and assistance, understand the role of entrepreneurship in improving their financial situation.

INDICATOR	SOURCE	INITIAL LEVEL	TARGET LEVEL
Number of people having joined the III pillar / volume of contributions	Ministry of Finance ⁴⁸	167,200 / €45.4 million (2020)	Growing
Number of people with a buffer greater than the expenses of three months	Survey of the financial literacy or financial wisdom of the inhabitants of Estonia ⁴⁹	39% (2019)	Growing
Number of security accounts with at least one security traded on the Baltic Exchange	Statistics of the Tallinn Exchange	45,124 accounts (2020)	Growing
Number of troubled debtors / Number of enforcement procedures	Chamber of Bailiffs	73,000 / 413,000 (02.2021)	Declining
Share of people that compare financial services with each other	Survey of the financial literacy or financial wisdom of the inhabitants of Estonia	55% (2019)	Growing



⁴⁸ <https://www.pensionikeskus.ee/wp-content/uploads/page/rahandusministeeriumi-statistika/Jaanuar2021.pdf>

⁴⁹ https://www.rahandusministeerium.ee/sites/default/files/eesti_elanike_finantskirjaoskuse_aruanne_loplik_november_2019_.pdf

3 A supportive **environ-** **ment encourages** the application of financial wisdom



FINANCIAL SERVICE PROVIDERS

- Financial products and services are offered responsibly.
- Financial service providers approach from the interests and long term wellbeing of the client when giving advice.
- The financial environment favours a broad selection of investment products and the development of financial services.

CONSUMER AWARENESS

- The legislative environment supports and protects the consumer.
- The state and the private sector make tools for making financial decisions available to the people.
- People recognise financial fraud and know where to turn to in order to protect their rights.

A trustworthy environment supports the use of financial wisdom, because people understand the financial system and the related services (*incl.* insurance, leasing, loan, instalment payment, payment in many parts, etc.), as well as know the way and dare to stand up for their rights when disputes arise. The client, during advising, is introduced to their possibilities for using services, together with the accompanying positive and negative consequences. Informed clients in turn make the service providers make more effort. The regulations of financial services protect consumers from taking excessive risk. The state creates a favourable investment environment, *incl.* ensuring the elimination of unreasonable regulatory barriers, and encourages investing. The different tools offered by the public and/or private sector (calculators, money planners, etc.), are practical and well accessible, offering support and motivating people to make wise decisions in their financial matters.

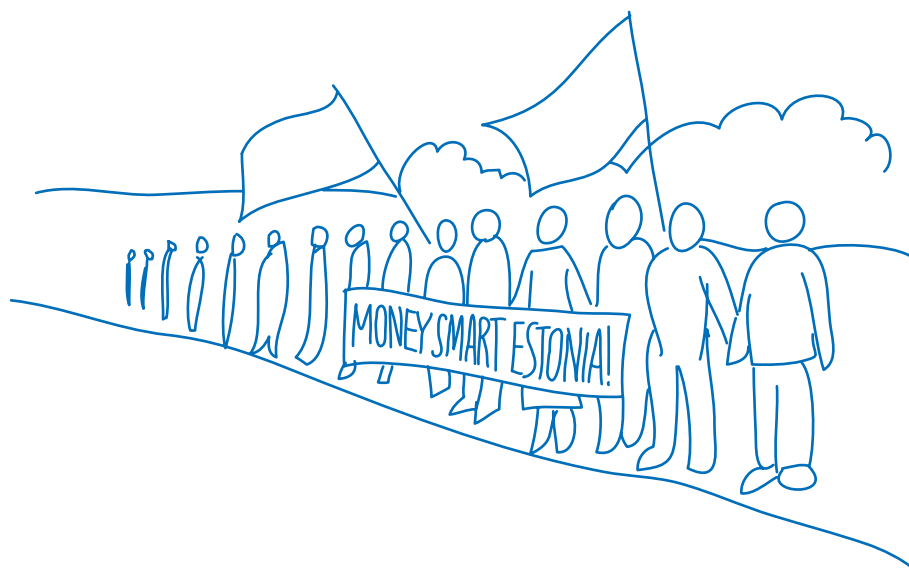
INDICATOR	SOURCE	INITIAL LEVEL	TARGET LEVEL
Share of people that know from where to obtain advice/assistance	Future study	Will be established with a future study	Growing
Total volume of investment fraud	Police and Border Guard Board	€5.6 million / 170 cases (2020)	Declining
Use of pension calculators	Social Insurance Board	Pension calculator on the website pensioniplaan.ee: 91,832 visits I quarter 2021	Growing

4 Cooperation with partners is a basis for furthering financial wisdom



- **The network of furthering financial wisdom unites partners in the private, public, as well as third sector and directs as well as centrally supports cooperation.**
- **We share enthusiasm and experiences in the mission “Money smart Estonia” and thus reach a larger number of target groups.**

An effective format will be launched for a mutual exchange of contacts and information. Financial knowledge will be jointly made accessible to as many inhabitants of Estonia as possible, so that they can start using them. Feedback will be systematically collected for measuring results. This includes studies, combined indicators of the level of financial wisdom, as well as cooperation with researchers.





REPUBLIC OF ESTONIA
MINISTRY OF FINANCE

TALLINN 2021