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NEWS RELEASE

Retirement income prospects not improved by financial education

Governments should instead nudge workers to boost retirement savings

Montreal – The role that financial education can play in helping Canadians deal with retirement planning issues is limited, at best, according to a new study published by the Institute for Research on Public Policy (IRPP). With respect to financial matters, rather than relying on a national strategy to improve financial literacy, governments should put more emphasis on consumer protection.

In the study *Can Financial Education Improve Financial Literacy and Retirement Planning?*, author Saul Schwartz argues that financial education should not be the primary policy instrument to ensure Canadians have adequate retirement income. Research shows that inherent biases in people's decision-making prevent financial education from having any great impact on financial literacy, or on outcomes such as improved retirement planning and income.

“The evidence suggests that accounting for decision-making biases in the design of retirement programs will have a far greater impact on individuals' retirement income prospects than financial education may have,” explains Schwartz.

The author suggests that rather than attempting to improve Canadians' financial literacy, governments should seek to lessen their need for it. Among other initiatives, he recommends redesigning private pension plans in favour of mechanisms such as automatic enrolment, and ensuring access to impartial third-party financial advice.

Schwartz says he hopes that the soon-to-be-tabled report of the Task Force on Financial Literacy does not recommend broadly based financial education as the policy of choice to address Canadians' limited financial literacy.

“Danger lurks when financial education is viewed as a substitute for, rather than a complement to, other policies related to retirement planning,” he adds.

The study, *Can Financial Education Improve Financial Literacy and Retirement Planning?*, can be downloaded free of charge from the Institute's Web site (www.irpp.org).

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