

Bringing children and youth into the financial mainstream



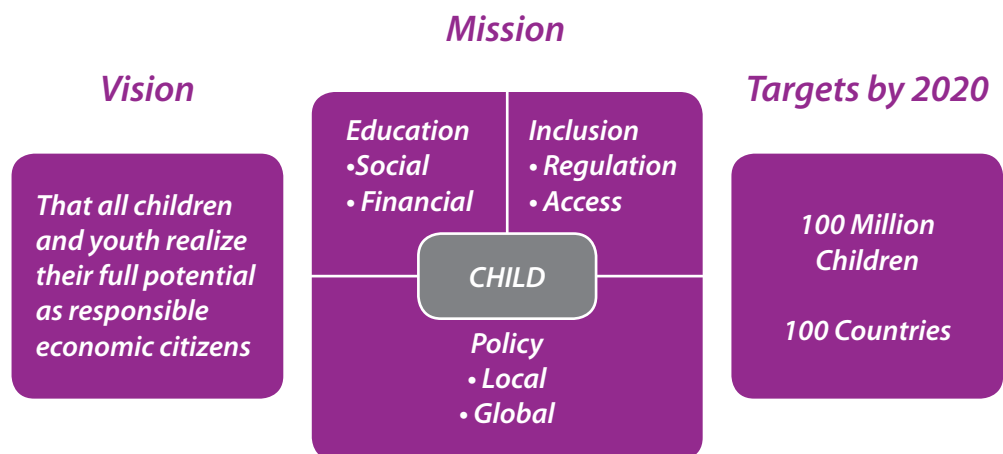
ChildFinance

Background

In June of 2010, a group of experts from the international financial, education, academic and development sectors met in the Netherlands to tackle the lack of financial capability and access among children and youth in both developed and developing countries. Of approximately 3 billion people under the age of 25, less than 5% have access to financial services and products. This gap in access to appropriate banking services limits the ability of children and youth to develop positive financial behaviors with significant consequences for their long-term financial well-being and stability. This gap also leads to higher levels of poverty, especially among the unbanked.

The meeting in 2010 launched the **ChildFinance** movement, an international initiative designed to encourage the creation of ChildFriendly banking services as well as to expand access to high quality and holistic financial education. The initiative will define minimum criteria for ChildFriendly banking services and their distribution, and will strive to address legal and regulatory issues related to financial services for children and youth, initially focusing on savings and current accounts. The initiative seeks to raise awareness about the importance of financial access in establishing an educated, responsible new generation of banking services users.

What is ChildFinance and what is its vision?



ChildFinance is an international, collaborative effort whose vision is that all children realize their full potential as responsible economic citizens through access to high-quality financial services and education that will help them build the foundation for financial stability and allow them to realize their full potential as economic citizens. **ChildFinance focuses on individuals under and including the age of 18 years.**

This vision is grounded in existing research on financial education, which has shown that to achieve true financial capability, children and youth need not only the ability to act (knowledge, skills, confidence, and motivation), but also the opportunity to act through access to beneficial financial banking services and institutions. Together, ability and opportunity contribute to a person's financial well-being and quality of life.

To achieve this vision, **ChildFinance** will work to create and strengthen systems, structures and policies which provide children and youth with choices, inform them of their rights, instill in them values, and empower them to make sound financial decisions, build their assets and invest in their own futures.

Why and how does ChildFinance focus on expanding access to ChildFriendly financial banking services?

ChildFinance does not aim to solve all the problems related to financial decision-making. We do know through research, however, that financial access is a critical component of financial capability. While the basics of financial education have not changed drastically over time, innovation in the financial services sector means that children and youth are generally exposed to new products and services. Financial institutions should be committed partners in advancing financial education efforts, not just in developing educational resources, but also in developing and distributing safe products for children and youth.

Learning theory also supports this approach. In order for financial knowledge to be relevant, children and youth must have the opportunity to apply the knowledge learned. Without access to safe banking products, they will not learn how to apply the lessons learned from financial education, and will not build the skills necessary to learn how to use financial services in a productive and responsible manner. Moreover, growing evidence shows that children and youth who can access savings products specifically designed to facilitate financial education and accumulation of assets at an early age experience multiple positive outcomes, including greater educational attendance and entrepreneurship, and ultimately economic and social advancement for themselves and their families.

Initial analysis has shown that while some banking services are offered to children and youth under the age of 18, many of these vary greatly in their characteristics. **ChildFinance** will define and establish baseline criteria for certifying ChildFriendly banking services, which will focus on both the empowerment and protection of children and youth, while enabling banking institutions to offer appropriate banking services for their clients of tomorrow. ChildFriendly banking services will be certified by an independent body and receive exposure through the **ChildFinance** network.

Why is this important now?

There is no better time than today for this effort.

The recent financial crisis has shown us the consequences of not investing in financial education in a marketplace flooded with a wide range of complex financial products that allowed both individuals and institutions to become over-leveraged or use banking services without full understanding of potential risks. Financial decisions are much more complicated today than they were twenty years ago, and even with improved regulatory oversight, the importance of understanding financial services will only increase over the next twenty. Too little attention has been focused on creating responsible and educated banking services users of tomorrow, the world's children and youth.

These investments are critical. Children and youth are the future economic actors whose financial decisions will dictate the state of world economies. Promoting a positive financial culture in children and youth is essential to ensuring a financially literate population, capable of making well-informed decisions. Furthermore, children and youth who have the opportunity to develop healthy and enduring relationships with financial institutions are more likely to carry a trust and loyalty in mainstream financial institutions into adulthood. Ultimately, participating financial institutions will also benefit, as this generation of financially capable children and youth grow up to be responsible investors and entrepreneurs. **ChildFinance** will also work to enhance public/private relationships between financial institutions, governments, communities and NGOs.

Why is a global movement necessary? Doesn't something like this already exist?

Currently there is no effort addressing **ChildFinance** either on this scale or with this holistic approach.

Therefore, we need to build a global movement to bring attention to the financial needs of children and youth and to bring in the views of a diverse set of stakeholders with a shared vision and commitment. The movement has already started. Governments and their agencies, central banks, regulatory authorities, multi-lateral institutions, financial institutions, NGOs, academics and others are actively engaged to help support this goal.

A detailed review of the field of financial education has shown that many organizations focus on one piece of the puzzle, for example, promoting entrepreneurship, providing financial education, or advocating for children's savings accounts at birth. We believe that all these efforts deserve to be raised to greater prominence, and linked to safe, ChildFriendly banking services. This is the gap **ChildFinance** will fill – a way for a broad range of stakeholders committed to both financial education and children's development to advocate for and establish ChildFriendly banking services.

Why should a Financial Institution support ChildFinance?

Supporting ChildFinance by becoming a member provides several benefits to a Financial Institution:

1. Access to a multi-disciplinary network of experts on issues related to delivering ChildFriendly banking services. This includes support in developing educational and other outreach programs to expand ChildFriendly banking services.
2. Ability to have banking services independently certified as being ChildFriendly and the related branding benefits for these products. This includes including use of the ChildFriendly logo and exposure through the ChildFinance network and communications.
3. Development of financial capabilities among children and youth creating future financially capable clients for additional financial products and services.
4. Participation in a collective effort to create a legal and regulatory framework favorable to ChildFriendly banking services.
5. Involvement in addressing a critical issue facing society in general and the specific communities in which the Financial Institution operates.

How can a Financial Institution support ChildFinance?

1. Participate in the ChildFinance survey building the fact base regarding existing availability of child friendly banking services.
(www.childfinance.org/survey)
2. Support the development of the ChildFinance movement by participating in a ChildFinance working group, providing commentary and support to legal and regulatory changes favorable to ChildFriendly banking services
3. Become a member of the ChildFinance movement which includes a membership fee (*see overleaf*)
4. Apply for ChildFriendly certification of banking services offered (*final process to be approved by ChildFinance Board*).