



# Consumer Financial Advice - DG SANCO Training courses for Non-profit entities

15.45-16.40: What role can non-profit entities play in providing advice to consumers?



7 February 2012 | European Parliament (room PHS 5B001)

Given by:

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## Tasks set by DG SANCO

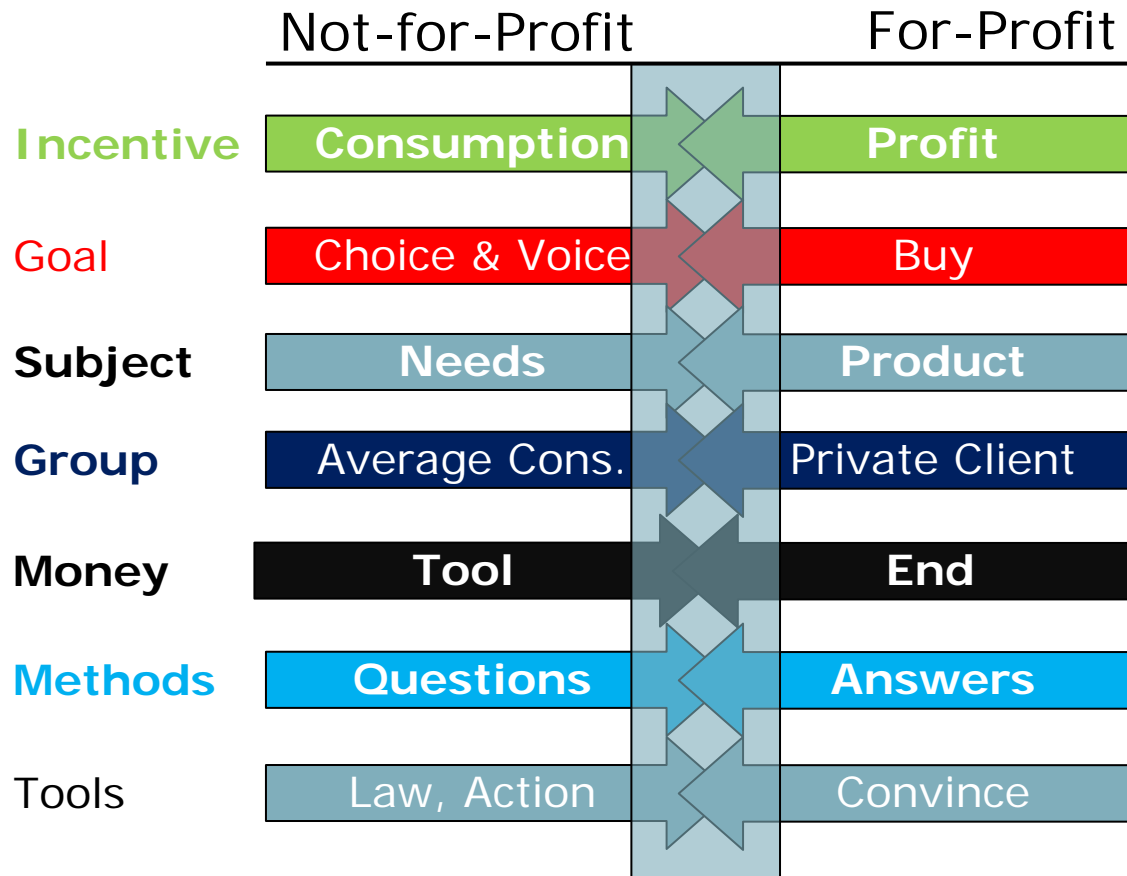
1. *"The current **financial crisis** has highlighted consumers' low level of understanding of financial services. Many cannot cope alone with the complexity of financial matters and need advice.*
2. *Specific advice on products and/or comprehensive financial planning from **financial services providers** may **not** be **suitable**.*
3. *Alternative sources of advice for consumers are **non-profit entities** that provide general financial advice or help in navigating the financial services. They provide confidence and understanding.*
4. *General financial advice consists of guidance on how to buy smartly from any financial provider. It **excludes recommendations** of specific products or providers.*
5. *The European Commission aims at **raising** the **capacity of non-profit organisations** that provide such general financial advice to consumers."*

## Definition: Consumer Financial Advice (ConFinAd)

*Advice given to natural persons that use market offered financial services to further their consumption motivated non-profit goals, provided through consumer organisations and other non-profit entities.*

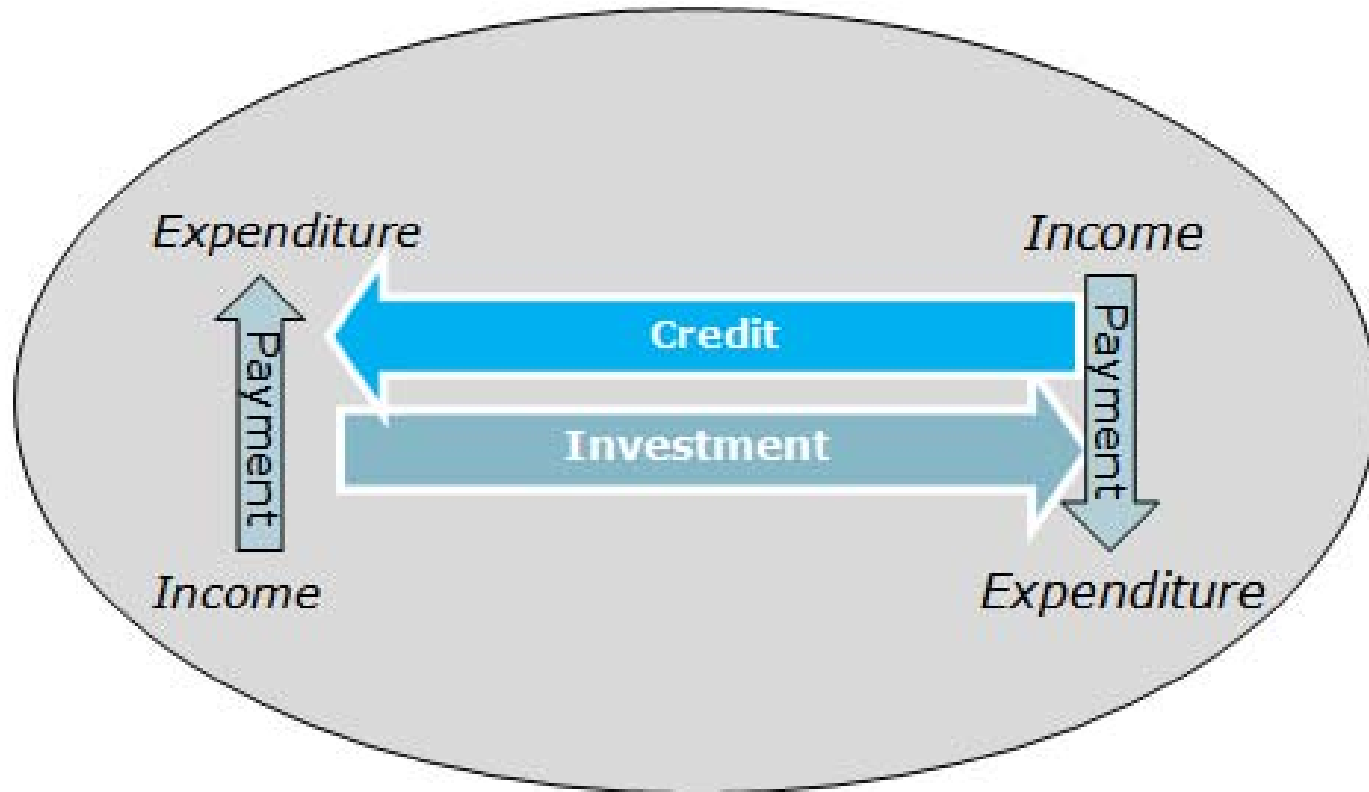
*Strengthen the position of consumers vis-à-vis the supplier side in order to enable own autonomous decisions using competition, consumer power and legal rights.*

# Alternatives: Financial Advice for Consumers





# Understand: Income to Expenditures

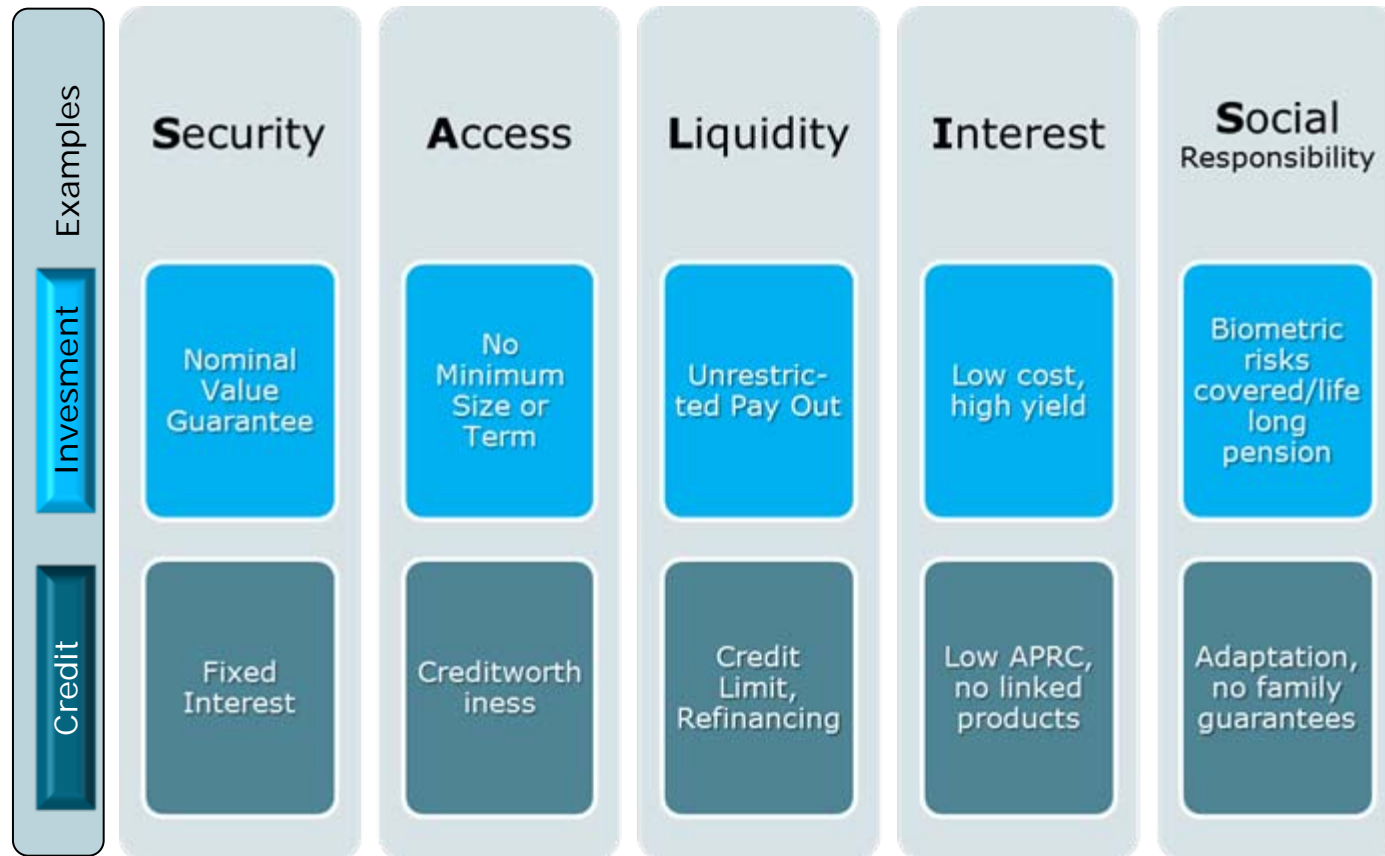


# Complexity/Simplicity: Inflow and Outflow Cash Flow of a Loan

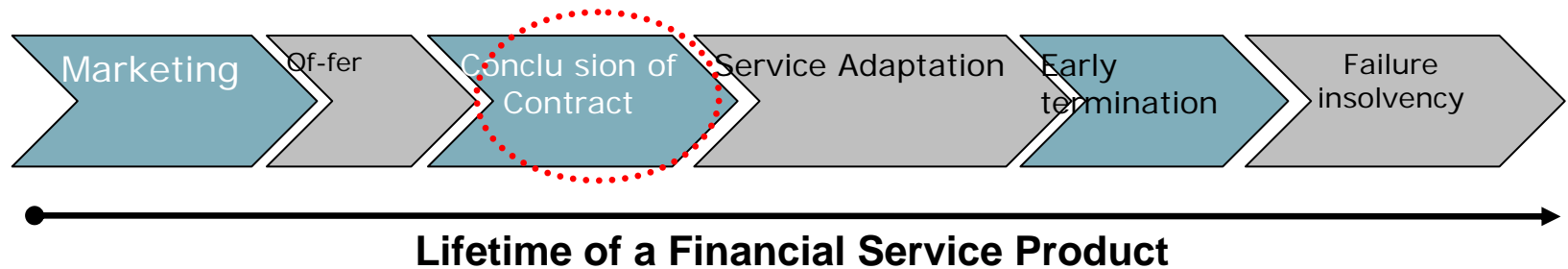
Time	In	Cost	Out	Saldo	Remark
01.02.2012	30,000 €	1,000 €		29,000 €	Borrowed Money + Closing fee
01.03.2012		400 €	500 €	28,900 €	Interest Instalment
01.93.2012		1,500 €	29,400 €	0 €	Provision



# Select: "Good" Products SALIS



# Advice: "Just-In-Time" – Lifecycle





# iff & BEUC



# Content: Example

## Models of advice

- Advisory universe
- Advisor/counsellor/coach
- Restricted advice
- Suitability check
- Guided sales/simplified advice
- Advice on existing financial products
- Personalised i.e. with analysis of consumer circumstances

## Use of advice (take-up)

- Availability
- Lack of awareness & engagement in finances
- Inability to judge the quality of advice
- Lack of trust
- Inability to understand advice
- Distinguish between financial education, information, advice

## Advice areas

- General knowledge for future plans
- Handling problems (legal aid, debts)
- Skills (budgeting, smart buying)
- Financial Planning

# Content: Consumer Problems

	<b>Credit</b>	<b>Savings/ Pensions</b>	<b>Insurance</b>	<b>Payment</b>
<b>Consumer Product</b>				
<b>Price</b>	Usury, extra fees, kick-back provisions	Fees, provisions, churning	Fees, provisions, churning	High and opaque fees
<b>Capital</b>	Financed fees, premiums, refinancing deductions	Deductions, spread between nominal and real value, losses from risky investments	Negative initial value,	
<b>Liquidity</b>	Early termination, revolving	Frozen assets, high losses for early termination, "just-out-of-time"	no risk coverage, exemption clauses, unnecessary	Extended time for transfer
<b>Access</b>	Denied or risk based pricing	Minimum requirements, threatening fees	Black listing	Intimidating fees and interest for low income
<b>Enforcement</b>	Foreclosure, debt collection, black listing			
<b>Consumer Choice</b>				
<b>Competition</b>	Cartel, fair competition			
<b>Information</b>	Transparency, APRC, yield, prospects, changes etc.			
<b>Advice</b>	Explanation, documentation, liability			

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Please encourage non-profit entities from your country to apply for their course by first registering themselves in MyConFinAd



**Thank you and wish us well**



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