



BEUC The European
Consumer
Organisation

The Consumer Voice in Europe

**The reasons
that led the FSUG
to take an interest
in Financial Guidance**

Financial Guidance Seminar

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Outline

- ❖ WHAT'S THE FINANCIAL SERVICES USER GROUP?
- ❖ WHY MAKING FINANCIAL DECISIONS HAVE NEVER BEEN MADE SO DIFFICULT?
- ❖ THE FSUG INITIATIVE

The Financial Services User Group (FSUG)

- ❖ **Expert group** set up by the European Commission
- ❖ **20 members** representing consumers, retail investors, financial services end-users, sms & academics
- ❖ **Mission:**
 - To advise the Commission in the context of the preparation of legislative acts or other policy initiatives affecting users of financial services
 - To provide the Commission with insight, opinion and advice concerning the practical implementation of such policies
 - To identify key financial services issues which affect users of financial services

Why making financial decisions have never been made so difficult?

Circumstances affecting incomes that are difficult to anticipate:

- Multiple professional changes during a lifetime, less and less linear careers, periods of unemployment
- Increased number of separations and divorces

More and more decisions have to be taken by individual consumers in many areas where default products previously existed

Financial services:

- have the characteristic of not being attractive per se but being boring.
- have become more numerous and increasingly complex over the years, but also often unsuitable to meet most of consumers' needs

Why making financial decisions have never been made so difficult?

Making a financial decision does not necessarily mean choosing a financial service:

- save more, consider cuts in the family budget, better prioritise spending,
- renegotiate the mortgage, repay consumer loans,
- take out life insurance to protect the family,
- start investing in retirement products,
- change car insurance, switch bank,
- sell the house for a smaller one,
- invest in non-financial assets,
- take advantage of tax benefits

But for most people, it is difficult to

- develop an individual financial strategy
- combine different types of measures or products together
- assess the impact of their decisions in the long run, including tax implications

Why making financial decisions have never been made so difficult?

What are the solutions for the average consumer?

- ❖ Financial education?
- ❖ Financial advice provided by financial institutions or their intermediaries?
 - Primarily salespeople
 - No comprehensive approach of the individual financial situation of the consumer

In other areas, people have access to trusted advisors such as doctors, lawyers, notaries, tax advisors:

- highly qualified and competent, and
- fully centred on our interests when making recommendations.

Why does financial advice not meet the same standards in most EU member states?

Why making financial decisions have never been made so difficult?

- ❖ Individuals cannot afford to make the wrong financial decisions, especially when it comes to long-term commitments (e.g. pension funding) and large amounts (mortgage loans)
- ❖ Impact of some decisions can only be seen in the medium or long term, sometimes too late or too costly to be reversible
- ❖ Cost of a wrong decision can be detrimental:
 - ❖ for the financial health of anyone and lead to over-indebtedness or to a too low income at retirement time,
 - ❖ for the whole society (e.g.: mortgage loans in foreign currencies in Eastern Europe).

The FSUG initiative

- Real need to think about what would really and effectively help consumers make better financial decisions on the basis of existing good practices that have proven successful:
 - ❖ A study on 'financial guidance' was commissioned, following an invitation to tender issued by the European Commission on the basis of specifications drawn up by the FSUG members
 - ❖ A list of recommendations was adopted by the FSUG to develop financial guidance in Europe

The FSUG initiative

Financial guidance is not:

- Debt advice
- Generic advice
- Financial education

Financial guidance is a process of determining an individual's financial goals, purposes in life and life's priorities, and after considering his resources, risk profile and current lifestyle, to detail a balanced and realistic plan to meet those goals.

Financial guidance provides a detailed strategy tailored to a client's specific situation, for meeting a client's specific goals covering various aspects of personal finance which includes cash flow management, education planning, retirement planning, investment planning risk management and insurance planning, tax planning, estate planning and succession planning but excludes the recommendation to purchase a particular financial product.

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Thank you for your attention

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