

FINANCIAL GUIDANCE: EXAMPLE FROM GERMAN CONSUMER CENTRES

Seminar on Financial Guidance, Brussels, 13 June 2017

verbraucherzentrale

Bundesverband

OUTLINE

1. THE SETTING

2. WHO WE ARE AND WHAT WE DO

3. EXAMPLE: INVESTMENT AND PRIVATE PENSION ADVICE

THE SETTING

- High information asymmetries in financial markets → consumers need guidance/advice.
- Existing services are usually:
 - ❖ Fragmented/non-comprehensive
 - ❖ Non-independent
- Debate on comprehensive financial guidance important.



WHO WE ARE AND WHAT WE DO

VZBV

- Federation of German Consumer Organisations.
- Advocacy of consumer interests on national and European level.
- Broad member base: ~ 40 member Organisations from all areas of civil society.
- Key members: 16 Consumer Centres.



CONSUMER CENTRES

- Non-state-non-profit organisations.
- 6 independent organisations running ~ 200 advice centres.
- All types of consumer advice: health, food, energy etc.
- Consumer financial advice:
 - ❖ Supports consumers taking financial decisions.
 - ❖ Generic: no buying/selling recommendations.
 - ❖ Independent from sales incentives.



EXAMPLE: INVESTMENT AND PRIVATE PENSION ADVICE

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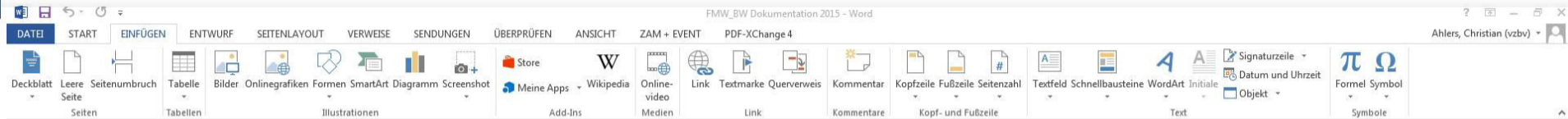
- Analysis of existing portfolio or recently offered contracts against individual background.
- Key indicators: risk, flexibility, diversification, costs.
- Considers **credits, risk and liquidity management**.
 - ❖ Not comprehensive guidance as concentrated on investment decisions.
 - ❖ More comprehensive than (fragmented) investment advice under MiFID1/2.



EXAMPLE: INVESTMENT & PRIVATE PENSION ADVICE

- We collect information on the following points:
 - ❖ Personal information
 - ❖ **Financial situation**
 - ❖ Reason for seeking advice
 - ❖ Investment goals
 - ❖ Investment horizon
 - ❖ Knowledge, experience and time able to spend on financial issues
 - ❖ **Risk aversion and risk-bearing capacity**

EXAMPLE: INVESTMENT & PRIVATE PENSION ADVICE



Beratungsdokumentation Geldanlage/Altersvorsorge

Ort: Berater: Beginn: "Datum Uhrzeit"

1. Persönliche Daten der Verbraucherin/des Verbrauchers

Daten des Ratsuchenden (Person 1)	Ggf. Daten des Partners/der Partnerin (Person 2)
Name und Adresse	Name und Adresse
Familienstand: <input type="radio"/> ledig/alleinstehend <input type="radio"/> verheiratet <input type="radio"/> geschieden/ verwitwet <input type="radio"/> eheähnliche Gemeinschaft <input type="radio"/> Heirat geplant	Familienstand: <input type="radio"/> ledig/alleinstehend <input type="radio"/> verheiratet <input type="radio"/> geschieden/ verwitwet <input type="radio"/> eheähnliche Gemeinschaft <input type="radio"/> Heirat geplant
Alter: <input type="text"/>	Alter: <input type="text"/>
Tätigkeit: <input type="radio"/> abhängig beschäftigt als: <input type="text"/> <input type="radio"/> Selbständig als: <input type="text"/> <input type="radio"/> Beamter/Beamtin <input type="radio"/> <input type="text"/>	Tätigkeit: <input type="radio"/> abhängig beschäftigt als: <input type="text"/> <input type="radio"/> Selbständig als: <input type="text"/> <input type="radio"/> Beamter/Beamtin <input type="radio"/> <input type="text"/>
Besteht ein Arbeitsplatzrisiko? (Probezeit, befristeter Vertrag etc.): <input type="text"/>	Besteht ein Arbeitsplatzrisiko? (Probezeit, befristeter Vertrag etc.): <input type="text"/>
Kinder (Anzahl und Alter): Geplant: <input type="text"/>	

2. Finanzielle Verhältnisse

2.1. Einnahmen, Ausgaben

Monatliche Gesamt-Einnahmen:

(auch Kindergeld, Rente, Mieteinnahmen, sonstige Einnahmen)

Person 1: €

Person 2: €

Monatliche Gesamt-Ausgaben:

(feste und unregelmäßige Ausgaben wie Wohnkosten, allgemeine Lebenshaltungskosten, Fahrtkosten, Versicherungsbeiträge, Sparraten, Kreditraten, Unterhalt, Abos, Mitgliedschaften, Hobbys...)

Person 1 und 2 gemeinsam: €

Was passiert mit dieser Differenz?

2.2. Folgendes Vermögen ist vorhanden

(Wertpapiere, Sparverträge, Renten-/Lebensversicherungen, Bausparverträge, Vermögenswirksame Leistungen, Immobilien etc.)

Nr.	Guthaben in €	Sparrate p.M. in €	Produktinformationen, Laufzeit	Explizit zu beraten? (ja/nein)	Anmerkungen
1					
2					
3					
4					
5					
6					
7					
8					
Summe	0	0			
Zu beratendes Guthaben					<input type="text"/> €
Zu beratende Sparrate					<input type="text"/> €

Der jährliche Sparerpauschbetrag beträgt 801 € für Ledige und 1.602 € für Verheiratete. Prüfen Sie gegebenenfalls, ob die erteilten Freistellungsaufträge geändert werden müssen.

2.3. Folgende Verbindlichkeiten sind vorhanden

(Kredite, Bürgschaften, Steuerverbindlichkeiten etc.)

- keine vorhanden
- nachfolgend aufgeführte Verbindlichkeiten:

Nr.	Verwendungszweck	Betrag in €	Rate in €	Zinssatz in%	Zinsbindung	Sondertilgungsmöglichkeit
1						
2						

FINANCIAL SITUATION

- Information important to decide whether (1) investment makes sense at all and if so (2) what amount can be invested and (3) how:
 - ❖ Regular difference between income and spending
 - ❖ Existing assets (i.e., shares, housing, life-insurance)
 - ❖ Existing debts and obligations following from debt (mortgage, consumer credit for car or kitchen)
 - ❖ Liquidity management (amount available in short time to cover unexpected spending)
 - ❖ Risk management (are there important risks that are unmanaged?)

SIMPLIFIED CASE (PURE FICTION)

- Mr. June wants to save for retirement:
 - ❖ Regular difference between income (3000 Euro) and spending (2700 Euro) are 300 Euro per month.
 - ❖ No existing assets but a mortgage of 100.000 Euro (6%) and a consumer credit of 15.000 Euro (4%).
 - ❖ Liquidity reserve of 3000 Euro.
 - ❖ Personal liability and householder's insurance.
- Questions from guidance framework:
 - ❖ All important risks managed? Critical disease insurance?
 - ❖ Pay back credits with definite negative performance of 6% and 4%?
 - ❖ Build up higher liquidity reserve?

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TWO CONCEPTS FOR RISK ASSESSMENT

- Subjective risk-aversion:
 - ❖ Describes the consumer's self-perception and feeling towards risks.
- Objective risk-bearing capacity:
 - ❖ Given by the advisor.
 - ❖ Against financial situation, investment goals and other information.
- If both measures differ, the lower one determines the maximum degree of risk a portfolio should bear.

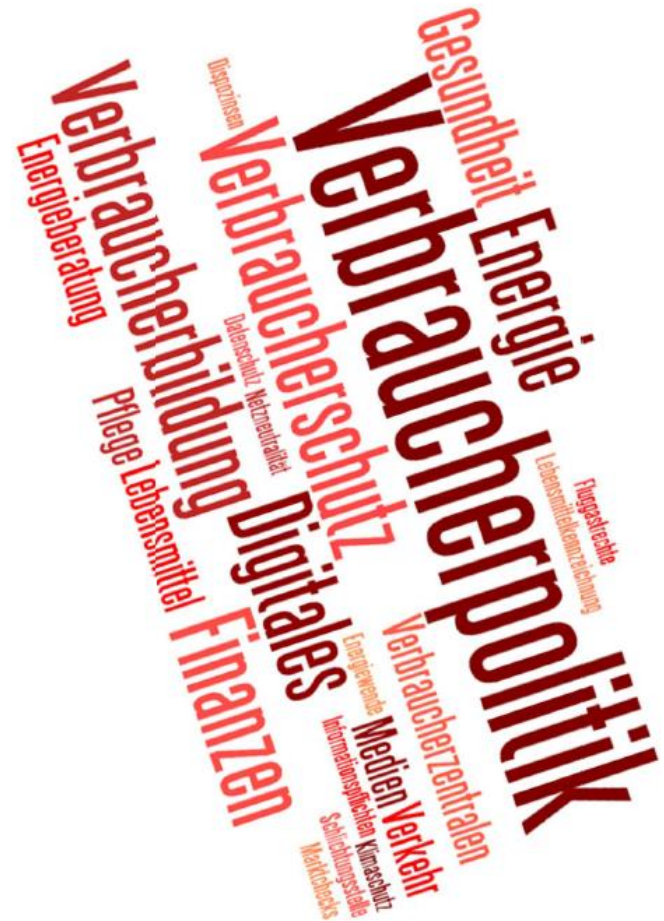


TWO CONCEPTS FOR RISK ASSESSMENT

- Hard to work out true attitude towards risk.
- We use codes that help consumers to find their individual risk-aversion:
 - ❖ The nominal of all assets must be preserved over the whole investment term (conservative or guarantee products only).
 - ❖ The nominal of all assets can vary by $x\%$ over the investment term if there is a realistic chance for recovery.
 - ❖ The nominal of all assets should be preserved at the end of the investment term.
 - ❖ The nominal of all assets can be reduced by losses at the end of the investment term because I know that there is no free lunch.

SUMMARY

- Existing services usually fragmentend and non-independet.
- Debate on financial guidance important.
- Investment advice of consumer centres:
 - ❖ Not comprehensive financial guidance.
 - ❖ But more comprehensive than formal investment advice.
 - ❖ Shows how debt, risk and liquidity management can be integrated.



**THANK YOU VERY MUCH FOR YOUR
ATTENTION!**

Impressum

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