Aging and financial inclusion

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* Views expressed are those of the author and not necessarily the views of the BIS

Financial exclusion among older people

Top 10 factors contributing to financial exclusion among older persons reported by financial consumer protection authorities:

- Low digital capability
- Low financial literacy
- Cognitive decline
- Physical decline
- Social isolation
- Living on a fixed income, pension or annuity
- Reliance on family members
- Difficulty accessing financial advice
- Lack of financial products for older persons
- Reliance on financial professionals

Opportunities and challenges

- Aging creates opportunities and challenges for individuals, society and the economy in both developed and developing countries
- But aging poses challenges for financial inclusion: the more longevity people enjoy, the more financial needs they have to plan and manage particularly, but not only, in later life
- In high-income economies 46% of adults save money for old age, against only 16% in low- and middle-income economies
- The challenges are greater for many women, as they tend to live longer than men and are more likely to be poorer in old age

G20 Fukuoka Policy Priorities on Aging and Financial Inclusion

The GPFI has identified eight priorities: these aim to help policy makers, financial service providers, consumers and other actors in the real economy to identify and address the challenges associated with aging populations and the global increase in longevity.

The eight priorities: 1 –> 3

- Use data and evidence
  - Use various sources of data and evidence to show which policies are working and identify what else needs to be done

  ➡ Financial inclusion policies are most effective when they are evidence based

- Strengthen digital and financial literacy
  - Aim to provide everyone with practical skills and knowledge to manage in a changing financial landscape

  ➡ There is a need to support the digital and financial literacy skills of older people

- Support lifetime financial planning
  - Develop programs and products to encourage long-term plans

  ➡ A combination of financial guidance, advice and product design, with appropriate consumer protection, can support lifetime financial planning

The eight priorities: 4 –> 6

- Customise – address the diverse needs of older people
  - Create products and services that are tailored to the range of needs of older people

  ➡ It is important that financial inclusion policies and approaches address the diverse financial needs of older consumers in a customised way

- Innovate – harness inclusive technologies
  - Make the most of technologies in developing financial products, protecting consumers and delivering financial education

  ➡ Technology can play an important role in realising the opportunities and addressing the challenges for financial inclusion associated with aging

- Protect – tackle financial abuse and fraud of older people
  - Identify problems quickly and use multi-pronged approaches to prevent older people from becoming victims of financial abuse or fraud

  ➡ Older investors are at greater risk than other investors of losing money to fraud or being taken advantage of

The eight priorities: 7 –> 8

- Encourage stakeholder engagement – a multi-sectoral approach
  - Work with different sectors to ensure a consistent and comprehensive approach towards financial inclusion

  ➔ It is important that organisations from financial and non-financial sectors work together to support the financial inclusion of older consumers and older entrepreneurs
- Target key audiences – address vulnerabilities
  - Consider the needs of groups who may be vulnerable or underserved

  ➔ Some financial inclusion issues are particularly pressing for specific target audiences, members of which may be more likely to be disadvantaged or underserved.

Focus on inclusive technology

- Access to digital financial services depends in part on access to mobile phones and the internet: fewer than half of the eldest adults in low and middle income economies have a mobile phone, and less than 10% have internet access
- Technology can create barriers for some older consumers who may prefer traditional forms of transacting or those who may lack the familiarity, confidence or digital literacy to engage with digital financial services
- Innovation can support financial inclusion. For example, in some jurisdictions advancements in biometrics and identification verification technologies have been employed in government and financial service provision, including in remote areas
- Voice commands and dictation can also be used in place of keyboard or touchscreen controls to help with online access to financial accounts
- Innovative digital financial services using algorithms could identify actions or patterns of behaviour that indicate a client may have made a mistake or misunderstood something

Conclusion

- Financial inclusion, supported by financial consumer protection and financial education, can also contribute to greater financial system stability and reduce pressure on public pension schemes – where they exist – including by increases in formal saving, the avoidance of old-age poverty, improved lifetime financial planning and intergenerational equality