

## SAFE Finance Blog

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### Hesse needs a financial education strategy

Christine Laudenbach and Vincent Lindner: To promote financial education among children, young people, and adults in the long term, comprehensive information services must reach the entire population in Germany with the help of cooperation partners. Talking about finances can no longer be a taboo subject



**T**he topic of financial education is becoming increasingly important and is taking up more and more space in the public debate. Although financial education in Germany is high by international standards, there is a high degree of variation between different demographic groups regarding gender, age, and socioeconomic situation. These educational needs have not been addressed in a comprehensive government strategy even though the federal government has started to act this year. The European Union and the Organization for Economic Cooperation and Development (OECD) launched financial education frameworks for adults, children, and young people in 2022 and 2023, respectively.

The joint EU and OECD frameworks encourage member states to implement their own financial education strategies and specify possible topics, target groups, and educational objectives. The state of Hesse has also taken up the issue of financial education, for example, by supporting the Future Day for schoolchildren, which was held for the first time in Kassel in 2019 and is now taking place throughout Germany. The task now is to build on the many initiatives such as this one for schoolchildren, but also especially for adults, and jointly proclaim a strategy to promote financial education for children, young people, and adults as a goal in Hesse's next state government's program.

The reasons for this are two-fold: First, states are responsible for education policy. For financial education programs and concepts to reach the people on the ground, they must be implemented by the federal states in cooperation with the municipalities. Second, Hesse can draw on a unique locational advantage and further establish itself as the German state with financial expertise: Hardly anywhere else in Germany is the density of financial knowledge as high as in the financial center of Frankfurt am Main. To develop a financial education strategy, the state of Hesse can draw on expertise from the financial sector, academia, and central banks. From the point of view of the Leibniz Institute for Financial Research SAFE, two points are decisive.

#### A holistic approach to education as a model for success

In line with the EU/OECD competence frameworks, financial education must not be limited to specific groups (e.g., schoolchildren). Rather, it must focus on the entire population and its different realities, financial situations, and educational needs. This includes, in particular, topics such as budgeting, investing, credit, family planning, and retirement planning. The goal of Hesse's financial education strategy must be to identify these needs and, in cooperation with partners, to provide information, particularly to strengthen self-confidence in dealing with financial decisions. The educational goal is to enable citizens to assess the quality and trustworthiness of the comprehensive range of information on offer and make informed decisions. To avoid a one-sided focus on financial education in schools, it may be helpful to follow the example of the EU and OECD and present separate strategies for children/young people and adults.

The focus of financial education in schools should be on the low-threshold teaching of financial topics so that they become part of students' everyday knowledge. This includes, in particular, thinking in terms of alternatives (consumption vs. investment decisions), a basic understanding of phenomena such as money, credit, interest and compound interest, as well as the importance of different time horizons (short, medium, long term) for risk assessment and related decision making. While it is not clear from the empirical literature whether a separate school subject for "finance" is necessary, the fragmentation of financial topics across different subjects (mathematics, politics and economics, work studies, etc.) has not proved sustainable. Financial education should be integrated into the curricula of one subject for each type of school.

## A multi-stakeholder approach

The need for a holistic approach means that the state of Hesse must involve stakeholders at an early stage, such as companies, trade unions and social associations, financial service providers, and non-formal education institutions such as adult education centers, which can contribute to financial education at different points in life. Such an approach can present financial education as a positive value, giving individuals freedom of choice and agency, and prevent that the political debate turns into a trench war over "right" and "wrong" financial decisions. Financial education should not be polarizing. Various stakeholders may also be seen as trustworthy by different parts of the population that the Hessian state government would like to reach but may need help. Providing information via stakeholders and in different locations can contribute significantly to the spread of financial education.

Companies have an essential role to play in financial education. [Studies have shown](#) that workplace financial education positively impacts employees' investment in private and occupational pension schemes, especially if education interventions address their lifecycle situations. In line with a social partnership approach, trade unions should also be involved at an early stage. They represent employees in collective bargaining and are interested in important aspects of social security (e.g., occupational pension systems). Like employers, they have been present in the daily lives of employees for decades and are also active in shaping the educational landscape through their educational institutions.

The third pillar of a holistic approach are German welfare organizations. They often see themselves as advocates for marginalized groups who need more resources to represent their interests independently. These include the unemployed, single parents (especially women), and people experiencing homelessness. At the same time, these groups have a high need for primary financial education. As actors in the field of social work, welfare organizations are also the first point of contact for debt counseling, consumer protection issues, or advice on family separation.

Finally, promoting research on financial education in Germany and EU countries is vital. Most of the findings rely on studies of the situation in the United States (especially in the case of [workplace studies](#)). Thus, they may only be transferable to a limited extent. Interdisciplinary scientific support is essential for developing, implementing, and evaluating the financial education strategy. Academics can formulate objectives, provide and evaluate data, and review approaches. For example, it would be helpful to support projects that provide an overview of the existing financial education of the Hessian population, as well as regional and target-group-specific test laboratories with experimental research designs.

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*Christine Laudenbach is a behavioral economist, Director of the SAFE Research Department Household Finance and Professor of Finance at Goethe University Frankfurt.*

*Vincent Lindner is Financial Policy Officer at the SAFE Policy Center.*

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Dr. Vincent R. Lindner  
*Financial Policy Officer*



Prof. Dr. Christine Laudenbach  
*Director Research Department  
"Household Finance"*



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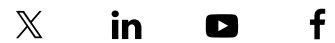
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Leibniz Institute for  
Financial Research SAFE

Theodor-W.-Adorno-Platz 3  
60323 Frankfurt am Main

Phone: +49 69 798 30080  
Fax: +49 69 798 30077  
Email: [info@safe-frankfurt.de](mailto:info@safe-frankfurt.de)

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