

Sverker Åstrom Foundation scholarship report

Financial literacy training. Swedish experience.

Igor Grabucha, 2021

Gratitude

First of all I want to express my gratitude to all board members and staff of Sverker Åstrom Foundation for the opportunity to visit Sweden, study my topic, meet new people, get to know new different cultures, explore new places and get new experience in general.

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Topic

The topic of my research is “Financial literacy training. Swedish experience”. I have chosen this topic because I believe that the high-level of financial literacy of the general population always leads countries to a higher quality of life and prosperity, and also helps to reduce inequality.

According to a Standard & Poor’s survey Russia has only 38% of adults who are financially literate, it is the 55th place in the world. Meanwhile, Sweden shares first place with Norway and Denmark with 71% of financially literate adults each.

So I wanted to discover Swedish best practices to study how we can improve financial literacy level in Russia.

Research

My research consisted of studying articles, educational programs, and a series of face-to-face meetings that allowed me to dive deeper into the subject. All this time I was in Stockholm.

My first meeting was with Therese Ekman who is a Coordinator of financial education in Sweden. It is from her that I learned that in Sweden every three years they do surveys among the adult population, which helps to identify the proportion of financially literate people. The same questions are asked every year, so that it is possible to track the dynamics correctly. The questions relate to the understanding of compound interest, inflation and other basic economic concepts that can affect the daily life of the population.

According to the latest survey, 71% of the adult Swedish population is recognized as financially literate. The goal of the state program Gilla Din Ekonomi (in English - The Swedish National Network on Financial Education) is 100% of the financially literate population. Additionally, work is underway to allocate different study programs for different groups. First of all, we are talking about the most vulnerable segments of the population - migrants, people without education, orphans. For such groups special training programs are being prepared that differ from the general ones.

In Sweden it is believed that financial literacy is the basic knowledge that everyone needs in everyday life, without which it is impossible to learn anything else deeply. The program works with basic household knowledge, presenting them in such a way that it would be interesting to study them. The content in the program mainly deals with the topics of conscious consumption, loans, debt and compound interest. The participants are not taught to invest and earn a lot. They are trained how to properly and effectively manage the money and the assets that are available.

An important aspect is that the state does not interfere in the lives of citizens and does not tell them what decisions they should make. The

task of the government is to inform citizens about all the possibilities and to teach them to manage personal finances. But the final decisions and the final responsibility for those decisions are individual.

Cultural characteristics and attitudes towards loans

Local features of the mentality in each country leave their imprint on financial behavior as well. In Sweden, in general, conspicuous consumption, which allows you to demonstrate the presence of money to the society, is not accepted. And if there is no need to prove one's status, there are no rash purchases of luxury items and other goods that do not carry practical value, but which are only socio-emotional.

The attitude towards debt in Sweden is generally neutral, but with a slight bias towards the negative. At a young and middle age, it is considered normal to have small debts because they believe that there is a whole life ahead and there will be plenty of opportunities to pay the debts back. However, at a more mature age, debts are a symbol of lack of freedom. Therefore, by the age of 40, everyone basically tries to close debts and not take on new ones.

Most often, debts are residential real estate. One's own house or apartment is also a symbol of freedom and security. In case of any financial problems, real estate can always be sold. Mortgages in Sweden are considered more beneficial and generally more correct than just consumer loans. Real estate in Sweden is very expensive, especially in Stockholm. Therefore, few citizens can afford to buy an apartment without a mortgage. However, a stable financial system allows banks to issue mortgages at very low rates which generally offset high prices.

There is a regular program on TV where people with big debts come and talk about their journey. About how they generally came to their current situation, what mistakes they made and what they have to sacrifice now in order to correct their situation. The program has a certain popularity and helps ordinary citizens to see with their own eyes what can come if they do not manage their finances competently. This generally reduces

the demand for loans that are taken for the purposes of current consumption.

Previously, it was possible that large debts of parents were transferred to their children. Sometimes children were born with large debts and were forced to pay for them all their lives. But now it is prohibited by law. Children are not financially responsible for their parents' debts and are only responsible for their own ones.

Stock market

In general, the stock market in Sweden is relatively popular. But basically, this interest was created by the government. After the pension reform in the early 2000s, citizens were able to start investing their money in the stock market. The reform was accompanied by the promotion of the idea that citizens could be co-owners of local Swedish companies. This idea gained popularity and people began to invest actively. However, most of these investments are made through mutual funds, and not in the capital of companies directly.

Within the country, the distribution of income among the population is fairly even. There are practically no extremely rich and extremely poor people. Therefore, even those who do not earn very much can actually afford to save and invest.

Conclusion

I would like to once again express my gratitude to the Foundation, its staff and Disa for the opportunity to study the experience of Swedish colleagues in building a financial literacy dissemination system.