



PRESS RELEASE

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People in Slovakia need more experience with investing

In the area of financial literacy Slovakia is lagging behind the neighbouring countries. More distressing is the fact that knowledge level among young people on how to manage their finances is decreasing every year. This fact was confirmed by recently published international study PISA 2015, in which the students from OECD countries were assessed.

Poor knowledge of financial products and missing experience with investing promptly projects to financial health of Slovak households. *„The Slovaks are running into debts at a record-breaking speed what results into increasing number of distraintment orders and personal bankruptcies. The fact that young people are not thinking about their future brings a bleak outlook. Only 30 percent of people who started career entered the second pillar pension scheme in the last nine years.”* stated Róbert Kopál, Director of Association of Stock Brokers.

People often make wrong decisions, impact of which they are trying to reverse by another wrong decision. *„Lack of knowledge turns each attempt to invest into adventure with uncertain results. In such case a good decision is just a matter of chance.”* warns Martin Wiedermann, Managing Director of Centrálny depozitár cenných papierov SR, a.s. *„Many times people have made mistakes when they chose financial or investment products because they did not insist on alternative options. They choose or let others to persuade them to invest into products which are not suitable for their needs and possibilities.”* details M. Wiedermann.

Many people get into trouble because of their desire to make the fortune quickly. They are allured by possibility of gaining quick profits and accept inadequate risk instead of long-term thinking – continuous saving and investing. *„If people had better knowledge and experience it would be easier for them to detect unfair practice and con men would have a smaller reach.”* recalls M. Wiedermann.

On the other hand, though an unhealthy prudence does not have to be observed as it deprives people of sensible increase in the value of their savings. *„Today more than 1 million of citizens participate in the second pillar pension scheme. Majority of them keep their savings in conservative funds which earn only minimum returns and can hardly create needed financial reserve.”* R. Kopál is judging the situation.

The government attempts to solve these problems by tightening the consumer protection and regulation of financial market, but also by other steps like subsidising the pensions or declaring the amnesty for enforcement. These steps, however, do not solve the root causes of situation and are not sustainable from a long-term perspective. *„The only way how to break this vicious circle is to increase the level of knowledge and experience in the area of finance. This is the only way how people can gain the necessary level of competency to handle their finances and to become capable of taking the responsibility for their decisions.”* claims M. Wiedermann.



Improvement of financial literacy is a long-distance run and it is important to start off with children. *„Parents should teach their kids how to handle the cash at first on a small scale – reward them for accomplishing the task, for helping out, but also to guide them to reasonable spending or investing. It is important to be aware of the fact that the knowledge can be gained only through application of information in practice.”* R. Kopál is giving his advice.

Similarly, financial education should be also included in the synopses at school. Synopses of primary and secondary schools should definitely contain the lessons on existing financial institutions, their purpose and what financial products exist – what is their meaning and what are the risks linked to them. *„Task of the teacher is not only to hand over the information, but also to help the kids to understand more deeply what they are being taught.”* points out M. Wiedermann.

As with anything else, gaining the financial or investment skills is mostly a matter of practice. According to M. Wiedermann, their improvement is based on three basic abilities: ability to watch – what is successful investor doing differently compared to the failing one, ability to learn – to broaden the knowledge of financial products, to study the rules of making the investments etc. Third ability is to practice. His advice to inexperienced investor is to start with simple financial instruments, for example with index funds or government bonds. Along with positive experience from making the investments, their self-confidence will increase and motivate them to even higher activity.

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