

The background is a complex, abstract composition of overlapping, three-dimensional geometric shapes, primarily cubes and rectangular prisms. These shapes are rendered in a palette of deep blues, navy, and black, with some faces highlighted in a vibrant, textured yellow. The lighting creates a sense of depth and perspective, with some shapes appearing to recede into the distance while others are in sharp focus in the foreground. The overall effect is a dynamic, architectural space.

WIRED

Rethinking Financial Education

New approaches for a disrupted world

<epam>



An increasingly complex financial landscape is becoming harder to navigate

In 2021, EPAM Continuum launched its Consumer Banking Report which shared insights from over 21,000 consumers. This highlighted that the majority of consumers are looking for better advice and guidance from their financial services providers and, in particular, their banks.

In response to this consumer need, in November 2021, EPAM partnered with WIRED Consulting to convene a group of senior leaders in finance for a virtual roundtable to explore this topic and discuss how needs might be better served.

This report is informed by the roundtable and sets out to shed light on the increasingly complex landscape of financial advice and guidance, the current challenges and potential new approaches to build a better future.

Financial decision making: why do so many of us get it wrong?

If you were to look at the state of consumer finance in late 2021, you would be forgiven for thinking that the whole sector had taken a bizarre turn. From people sharing memes about buying Lamborghinis with Bitcoin, to Elon Musk's tongue-in-cheek tweeting of financial advice, and the birth of GameFi—a sector comprising of a handful of blockchain-based video games where players are able to earn digital currency that can later be swapped for crypto—the situation is in a complete state of disarray.

The events of the past few years have upset almost all aspects of our everyday lives, but there is perhaps nowhere where this disruption is as visible as in financial services. In this industry, long associated with tech-driven innovation, the pandemic, with its resulting confusion and skyrocketing hours of screen-time, was just the final link in a chain of events that led us to where we are today.

As a result of technological advances and a changing regulatory landscape, the number of digital providers of financial products catering to the everyday user has ballooned—with some of them adopting increasingly aggressive marketing strategies. And yet, while the range of financial products expands, the number of unbanked or underbanked people in countries such as the US **remains high**, at 14.1 million and 48.9 million respectively. This, in turn, is pushing some underserved individuals to shun the system entirely, stockpiling savings within their homes. Perhaps more worryingly, others are risking their finances by turning to less conventional, and sometimes less reliable, financial services providers.

The risk of poor financial decision-making is compounded by an informational landscape where noise is the norm and meaningful information is scarce. But the challenge here is not limited to the usual hustlers shouting about passive income and fanciful investment

opportunities from online pop-up windows. The problem has become much broader: it is about well-established “finfluencers” on TikTok sharing tips with millennials and zoomers about the latest crypto coin; it is about the anonymous accounts on reddit talking about their favourite stocks to pump via zero-commission trading apps like Robinhood; it is about friends and online connections advising about money and trading, sometimes competently, sometimes less so.

“If you think about a younger generation—anecdotally, they’ll say things like, ‘The current financial system isn’t designed for us, you have to invest in cryptocurrency if you want to make some money in the future’,” says Ijaz Akram, Chief Technology and Platform Officer



Despite the wealth of information, it's not easy to know who, or what, to trust

“You can’t have financial inclusion without digital inclusion”

Kelly Devine

UK and Ireland President at Mastercard

at Lloyds Banking Group. In this landscape, Akram says, financial education can at times seem to have become the preserve of the dwellers of internet forums and crypto-exchanges.

Despite high levels of brand awareness and widespread consumer trust, banks can struggle to achieve the same degree of influence among their customers, simply because they are not as successful at reaching them online as the “finfluencer” du jour.

But the cohort of social media-savvy consumers, impacted by misinformation, are just part of the story. Another facet of the financial education challenge has to do with the digitally excluded or the digitally unconfident—people who lack basic skills to access or navigate digital services. This predicament is compounded by the closure of more and more physical branches: in the pre-pandemic UK, the number of bank branches halved between 2010 and 2020, according to data by the Office for National Statistics.

“You can’t have financial inclusion without digital inclusion,” says Kelly Devine, UK and Ireland President at Mastercard. “There’s no shortage of information out there: it’s just whether it’s reaching the people who most need it.” Addressing that problem is a daunting challenge: in the UK alone, the digitally excluded have been estimated to amount to 22 percent of the population (or 11.9 million) in a 2019 study by Lloyds—although the pandemic might have led to some improvement in the past couple of years.

Whatever the reasons, more and more people are suffering the consequences of that lack of appropriate financial education, advice

or guidance. In the most cut-and-dried cases they are being outright defrauded. “The high level of APP [Authorised Push Payment] scams we’re seeing at the moment is another specific area where we need to think about making the right choices,” Devine says.

Another issue is the soaring popularity of “Buy Now, Pay Later” schemes, which in the [US accounted](#) for nearly \$100 billion in purchases as of September 2021—leaping up from \$24 billion in 2020. “How on earth is that model viable?” says Edward Twiddy, Chief Customer Officer at Atom Bank. “Some poor soul is going to wake up one morning realizing the ‘free’ period has elapsed and suddenly they’re paying 50 percent—some people are making decisions which they can’t afford, and others are getting something for free off the back of that.”

And then, of course, there is cryptocurrency—a novel, volatile asset whose value can be pulverised by sudden crashes, scams, hacks, or simply by forgetting the password to your “digital “wallet”.

“Sixty-two percent of consumers don’t trust cryptocurrency providers to keep their money safe,” says Panos Archondakis, Head of Banking and Wealth Management at [EPAM Systems](#), citing data from EPAM’s recent [Consumer Banking Report](#). “I think this is a good thing.”

In the midst of this confusing landscape, most consumers are not spurning financial education: quite the opposite—there is a great deal of interest in it. EPAM’s recent [report](#) found that 61 percent of Gen-Z respondents would like more advice from their bank on how to best manage their money; overall, 29 percent of respondents from all generations said that they would be more likely to go to a physical bank branch if its services included financial education sessions. As Archondakis notes, “Younger generations have a far greater appetite for financial education [than older generations], but they feel that their needs are not being served.”

It would seem that the problem of consumer education is not driven by a lack of demand, but by a lack of reliable and accessible supply.

A growing problem with no clear solution?

While the situation appears to be worsening, in many ways, this is not a new issue. So why is this such a hard nut to crack? Simply put, the current conundrum is the outcome of a range of factors well beyond the control of any single institution, no matter how established and well-respected they might be.



The lure of ‘sexy’ new products can drive poor decisions

At the most basic level, one would hope that financial education would form part of every school's curriculum—given that the current, extensive poor grasp of the fundamentals of finance poses society-wide challenges. However, this doesn't appear to be the case. And that education is unlikely to be imparted to children by their family, given that most parents will also have a middling grasp of the subject. "I think we should teach less Pythagoras, more pensions," says Kat Mann, Head of PR and Savings and Investments specialist at Nutmeg. "There should be some basic education around how credit works, how a bank account works, what an interest rate looks like. And it should be mandatory."

"The system right now is not designed to help people develop a financial health mindset. The same way the fast-food industry is set up—designed to make you go for instant gratification and not to help you build good habits—the same thing is happening with financial services"

Norris Koppel

CEO & Founder at Monese

This means starting with the language of financial services itself. "We need to make sure that people understand early on what liability and asset mean: for instance, when you get a mortgage on a house, that is not actually an asset—it's a liability. It's important for people to understand that early on," says Norris Koppel, CEO & Founder at Monese.

But, on top of a lack of basic financial education, another key driver of poor financial decision making—and perhaps the hardest to overcome—is human nature itself. Hype about digital financial products and zany crypto-assets tap into our species' notorious quirks: from short-termism and the need for instant gratification to the lure of new and "sexier" fintech solutions.

"The system right now is not designed to help people develop a financial health mindset," says Koppel. "The same way the fast-food industry is set up—designed to make you go for instant gratification and not to help you build good habits—the same thing is happening with financial services."

The real question, at the end of the day, might be about who really should be in charge of this. In the limbo between now and the hopefully-impending ramp-up of financial education courses across every country's school system, who is in charge of providing that essential education? And the answer is: no one knows. That has partly to do with bureaucratic and regulatory snags, but at the core, it is a question of incentives for financial services organisations.

"It's not really a revenue-generating activity for a bank," says Archondakis. "When you've got shareholders that are looking at your returns, and you're trying to balance budgets, and invest in the right areas, it's often an area that gets overlooked."

In overcoming these issues, and creating solutions that help consumers to access the services they need, and keep themselves and their money safe, it is clear that the solution is greater than any existing financial services provider.

New approaches for a disrupted world

Is there a better path ahead—and can anything be done? In short, yes, but it is complicated. The realities on the ground are dire. First of all, no one is really in charge of making sure people are financially educated. On some hot topics, such as cryptocurrency, traditional financial organisations have little incentive to engage with a risky and largely unregulated asset class. Similarly, the fintech startups that provide access to crypto are not responsible for warning their customers about the risks and pitfalls. In other words, no one “owns” the issue and, in general, no one “owns” financial education; any kind of action is left to each individual’s initiative or to an organisation’s goodwill. Even in situations where a bank is putting out appropriate and informative material, it often isn’t reaching the right people.

According to Atom Bank’s Twiddy, a dramatic shift in focus is required. “This whole education debate should be turned on its head, it’s not just about helping consumers to understand products but also, who pays for them,” he says.

Bringing about that change necessitates a deeper understanding of the consumers’ needs, behaviours, and habits, and then acting accordingly. “We need to listen to customers to understand what their needs and their pain points are,” says Jan Marc Kuelper, Vice President for eCash USA at Paysafecash. For that reason, the full gamut of outreach methods should be considered, tailor-making interventions to different demographics’ features and needs: some people will be more responsive to phone calls, others to texts, others to social media campaigns, others still would be more comfortable with face-to-face interactions in a physical bank branch. That is to say, banks and financial services providers will have to strive to meet their customers on their terms, where they already are—whether that is on an online forum or in their town’s main square. “The best a bank can do is get the right message out in the channels where consumers are likely to see it,” says Archondakis. “And I think that’s the responsibility that banks have now.”



With better education, the path ahead can be much clearer

In partnership with local charities, who brought crucial on-the-ground experience, Mastercard launched a financial education outreach campaign—which included providing free financial advice to the patrons of a famous London barbershop. A great example of meeting consumers on their terms, in their contexts. According to Mastercard’s Devine, “We spent time putting our money health counsellors into barbershops, as we were trying to find an environment where people already are—and an environment where they feel comfortable talking about digital and financial challenges.”

Even when financial services companies do not feel they have the time, resources, or network to orchestrate a far-reaching

“[We need] almost like a set of standards about how you talk about these things, as we go forward, and as the landscape becomes a little bit more complex”

Ijaz Akram

Chief Technology and Platform Officer at Lloyds Banking Group

education initiative, there are still things they can do to improve the situation. Customers should be encouraged to seek advice about their financial worries or doubts from reputable, competent and impartial sources—ranging from the specialised financial press, to websites like consumer choice publication Which?, to journalist and analyst Martin Lewis, of MoneySavingExpert.com fame, to charities such as Citizens Advice, to the NHS’s financial wellbeing personnel. And, ideally, new trusted sources will emerge over time, says Kuelper. “Out of the hundreds of millions of information points consumers are getting every day, having an information channel which is decentralized but trusted would be a good start.” Right now, however, that definitive trusted voice is elusive: no one, barring perhaps the venerable Martin Lewis himself, can claim the role of reliable, impartial, and influential financial chaperone—and in an information-saturated online ecosystem, that is a problem that will need addressing with increased urgency.

In the meantime, one way to go about getting people’s attention and earning their trust might come from striking partnerships with recognised brands, able to help generate the right buzz and reach a wider user base. “A 17-year-old living in an urban area is probably going to have a better relationship with a brand like Nike than they may do with one of the big traditional financial institutions,” says Lloyds’ Akram.

By necessity, if they are to be successful, initiatives aimed at raising levels of financial education and making advice available to all, will eventually have to evolve into something more structured and methodical. For example, the financial services sector should put some effort into aligning their ways of talking about financial education, and possibly developing industry-wide best practices. After all, if the sector itself is not aligned on lingo, what hope do consumers have? “[We need] almost like a set of standards about how you talk about these things, as we go forward, and as the landscape becomes a little bit more complex,” says Akram.

Any effective strategy will, by necessity, have to hinge on leveraging the data financial services companies can gather about their customers. Better use of their data will help financial services companies spot in a timely manner the pain points and the challenges affecting their customers—and possibly nudge them towards offering better solutions, while tackling risks before they become larger issues.

“There are things we can do to help [our customers] before they know they might want to ask a question,” says Nutmeg’s Mann. “For example, if you’re a person who usually logs in once a month to check your account, and then that login becomes once a day—we can see there’s been a change in that behaviour. And we could then ask whether something is going on.”

That kind of data can also be interrogated and used to deliver more personalised services, suggestions, or educational prompts. And on how to best deliver those prompts, it is worth underlining that financial services providers should not shy away from harnessing some of the techniques that have made some of the newer—and sometimes riskier—financial products very popular in the first place. “Take gamification,” says Monese’s Koppel.

“How do you teach people to build up saving habits? It doesn’t need to be in a traditional way that becomes incredibly laborious and unattractive—I’m thinking about the gamification of saving, and bringing gamification into people’s daily lives, so they don’t even notice that they actually are saving.”

Owing to the fintech revolution—which has been a boon in many regards—customers will keep being presented with an extensive offering of new products cropping up almost daily.

“If we fast forward ten years, the whole ecosystem and range of options open to consumers is just going to exponentially increase.” Akram says. “Way beyond anything we can imagine.” For those with less financial education or a lack of trusted advice or guidance, this will introduce further risk. And while some areas of advice and guidance will inevitably improve, whether out of corporate responsibility or thanks to increased regulatory pressure, many others will remain perilously inadequate for a significant chunk of the population.

It will take hard work and bold new approaches to get this right. The disruption of finance is underway: the question is who will step into the breach to offer solutions that help consumers to navigate this disrupted world and keep themselves and their money safe?

**The disruption of
finance is underway:
the question is
who will step into
the breach to offer
solutions that
help consumers
to navigate this
disrupted world
and keep themselves
and their money safe?**

About EPAM

Since 1993, EPAM Systems, Inc. (NYSE: EPAM) has leveraged its advanced software engineering heritage to become the foremost global digital transformation services provider—leading the industry in digital and physical product development and digital platform engineering services. Through its innovative strategy, integrated advisory, consulting and design capabilities, and unique “Engineering DNA,” EPAM’s globally deployed hybrid teams help make the future real for clients and communities around the world by powering better enterprise, education and health platforms that connect people, optimize experiences, and improve people’s lives. Selected by Newsweek as a 2021 Most Loved Workplace, EPAM’s global multi-disciplinary teams serve customers in more than 40 countries across five continents.

As a recognized leader, EPAM is listed among the top 15 companies in Information Technology Services on the Fortune 1000 and ranked as the top IT services company on Fortune’s 100 Fastest-Growing Companies list for the last three consecutive years. EPAM is also listed among Ad Age’s top 25 World’s Largest Agency Companies and in 2020, Consulting Magazine named EPAM Continuum a top 20 Fastest-Growing Firm.

Learn more at epam.com.



About WIRED Consulting

WIRED is known for its fresh thinking and deep expertise on the technological, scientific and societal trends that are shaping our world.

Consulting is a division of WIRED dedicated to taking the unique WIRED network, knowledge and brand to commercial organisations —helping them to build internal knowledge, develop strategy and create thought leading content that positions their brand at the cutting edge of trends.

Discover more at consulting.wired.co.uk.

