

A close-up, artistic photograph of a stack of coins, likely British Virgin Islands dollars, showing the intricate details of the ridges and grooves on the edges. The lighting is dramatic, highlighting the metallic texture and creating deep shadows.

FINANCIAL LITERACY SURVEY REPORT 2011



The British Virgin Islands
Financial Services Commission

Contents

From the Managing Director	4
Executive Summary	5
Background and Objectives	9
Research Methodology	10
Detailed Findings	11
I. Demographics	11
II. Financial Management	20
III. Awareness and Use of Financial Products	27
IV. Choosing Financial Products	29
V. Financial Control and Making Ends Meet	31
VI. Saving	41
VII. Financial Planning	42
VIII. Knowledge and Understanding	47
Analysis and Conclusion	48
Appendix	51



From The **Managing Director**

The chain of events that precipitated the global financial crisis were a wake-up call to financial regulators and other watchdogs that financial regulation must work in tandem with financial literacy and education. Financial literacy is now recognized globally as an essential life skill for individuals. By increasing people's financial literacy and capability, it empowers and equips them to make sound financial decisions and to become more vigilant consumers.

The onus still remains, however, on policy makers to ensure that financial consumers receive the requisite education to make them financially literate. Earlier this year we felt that it was incumbent on us, the BVI Financial Services Commission, as the financial regulator to establish the financial literacy programme which in part allows us to live up to our statutory mandate and obligation to educate the general public about matters relating to financial services in the British Virgin Islands.

Conducting a survey of the financial literacy levels of the BVI adult population was a crucial step in providing us the fundamental information needed to decipher the strengths, weaknesses, opportunities and threats to the population's financial competence. The results in this report elucidate several areas of average to high financial competence and others of low competence. It also shows particular areas of opportunities for educating the public and areas where there is a need to avert possible threats if vital information is not provided.

The study shows that people's encounter of problems in handling their financial affairs relates to their income levels and other demographic factors. The BVI does not have a homogeneous population and the report clearly shows that an individual's financial literacy is determined by his/her individual situation, cultural and other influences. This principle is understood across the international community and has resulted in the development of corresponding models to provide financial education to the varying constituencies.

While the Financial Services Commission's financial literacy programme adopts international best practices and standards for financial literacy, the Commission does not presume that the general international knowledge, attitudes and behavior of people with regard to financial matters are applicable to the BVI. It is important through this survey to capture the BVI population's particularities and nuances. This is underscored, for example, in the divergence between how the general international community behaves when seeking financial advice and how the BVI population behaves when doing the same. Unlike many other studies, the BVI study does not find that when people want financial advice they turn first to their family and friends. To the contrary, people in the BVI are most influenced by the sellers of financial products when deciding which products to take out; turning to family and friends falls lower on the totem pole. The potential ramifications of placing the most reliance on the sellers of financial products for advice raise serious concerns.

The Commission through its financial literacy programme endeavors to provide the best and most appropriate education to BVI financial consumers. We recognize that achieving the desired outcome of creating a financially literate BVI population is a long-term process, but this report confirms that the goal is achievable with incremental steps.

Robert Mathavious

Managing Director/CEO



EXECUTIVE SUMMARY

This report presents the results of the first national survey on financial literacy levels of adults in the British Virgin Islands. The BVI Financial Services Commission conducted the phone survey using a questionnaire developed by the OECD International Network on Financial Education (INFE) for its members.

As a member of the OECD INFE, the BVI Financial Services Commission joined other countries in conducting the financial literacy survey, which aims to:

1. Measure financial literacy and provide national benchmarks;
2. Describe levels of financial literacy in terms of key socio-demographic groups and explanatory variables and identify needs and gaps; and
3. Compare levels of financial literacy across countries.

RESEARCH METHOD

A national survey of 535 people aged 18 and older was carried out between 19 April 2011 and 13 May 2011. All interviews were conducted over the phone from a random pool of anonymous phone numbers. The average interview length was 20 minutes and the response rate was 36 percent. Although not weighted, the demographic data marginally corresponds with the BVI adult population.

KEY FINDINGS

I. DEMOGRAPHICS

The demographic categories of the survey results marginally correspond with proportions of the BVI adult (18 years and older) population. It is important to note, however, that these categories – gender, age, residency, education, ethnicity, citizenship, marital status, employment status, household income and size - are not weighted to align with actual proportions in the population.

The survey respondents comprise more females than men. The majority of respondents are between ages 30 to 59. Respondents reside, in order of frequency, in Tortola, Virgin Gorda, Jost Van Dyke, Anegada and other outer islands. About half of persons have attained university level education or higher. A very significant majority of the respondents are Black, and the majority of minorities are White. Most of the survey respondents are Virgin Islanders, followed by nationals from other Caribbean countries, Americans and then British nationals. Close to half of the respondents are married. Three quarters of the respondents are in full-time employment.

Respondents are evenly distributed across the three income categories. Americans appear to be the highest income earners, followed by United Kingdom nationals, Virgin Islanders and then, as a group, nationals from the other Caribbean countries. Whites seem to be the highest income earners of the ethnic groups.

A significant majority of respondents have no children (persons under age 18) living in their household with them.

A substantial portion of respondents have only one other adult living in their household with them.



II. FINANCIAL MANAGEMENT

A significant portion of the BVI adults appear to be taking responsibility for their own finances and do not rely on a partner or anyone else to manage their money for them. Men, by a small margin, appear to have more responsibility for the day to day money management in their households than women.

Less than 3 in 5 respondents (56%) say they are responsible for the day to day money management in their households. Less than a quarter of respondents (23%) say they and their partners are responsible for the day to day money management in their households.

A significant portion of BVI adults are keeping track of how they spend their money, but the majority do not have a household budget. Slightly less than half of adults (47%) have a household budget; more than half (51%) do not have a household budget.

Males are more likely to have a household budget than females. Married people are much more likely to have a household budget than single people. Blacks and Whites are just as likely to have or not have a household budget. Persons with higher incomes are more likely to have a household budget than those with lower incomes.

III. AWARENESS AND USE OF FINANCIAL PRODUCTS

People are generally familiar with and have above average to high levels of awareness of most financial products. There is a large disparity between the use and awareness of some financial products, such as savings account, and other financial products, such as investment accounts. More than 70% of respondents have heard about most of the financial products, with one exception; only 57% have heard of an investment account. The most popularly used financial products are savings account, insurance, credit card and current account in descending order of usage. The least popularly used financial products in descending order of usage are investment accounts, stocks and shares, and bonds.

Except for current accounts, people are purchasing very few new financial products.

IV. CHOOSING FINANCIAL PRODUCTS

In general, people appear not to do a lot of shopping around when choosing their financial products and services. Notably less than half of adults (44%) consider products from different financial companies before making their decision about which financial product to take out.

People primarily make their decisions based on advice from banks - information picked up at the branch, and from information picked up from sales staff providing the products. The other secondary sources of advice relied on in financial decision-making are friends and relatives and then the internet.

V. FINANCIAL CONTROL AND MAKING ENDS MEET

While people are not doing a lot of shopping around for the most favorable financial products, most are more assiduous when spending their money. Significant numbers of the BVI adults are careful about their spending habits. Close to 3 in 4 adults (72%) adults say they carefully consider whether they can afford it before they buy something. Adults with lower educational attainment levels are even more likely to carefully consider whether they can afford it before buying something than those who had attained higher educational levels.



BVI adults, however, are less meticulous about paying their bills on time and keeping watch on their financial affairs. Less than 2 in 3 adults (64%) say they pay their bills on time. Fewer (59%) keep close personal watch on financial affairs. Higher and lower income earners are more likely to keep close personal watch on their financial affairs than mid level income earners.

Most adults have varying attitudes and beliefs on spending money. Slightly more than 1 in 3 adults (34%) agree that money is there to be spent. About the same percentage (31%) disagree that money is there to be spent. Men are more likely to completely agree that money is there to be spent than women.

While significant numbers of the BVI adults are careful about their spending habits and keeping close watch on their financial affairs, some still experience problems making ends meet. When asked if at any time during the last 12 months their income did not quite cover their living costs, many respondents answered yes. Slightly more than 2 in 5 adults (41%) say that they have had problems in the last year having their income cover their living costs. This was significant, although the majority (58%) did not have problems during the last 12 months having their income cover their living costs.

People with lower incomes are more likely to have trouble making ends meet than people in higher income brackets. Blacks are more likely than Whites to have problems making ends meet. Virgin Gorda residents are also more likely to have problems covering their living costs than Tortola residents. Similarly, nationals of the other Caribbean countries, as a group, are more likely than other nationalities to have problems covering their living costs. Women also appear to have more problems than men making ends meet. Full-time workers are having more problems than retirees making ends meet.

When adults find their incomes do not quite cover their living costs, to make ends meet the majority choose to cut back on spending or do without, second take money from savings, and third used credit cards. After employing those measures, people then borrow food or money from family or friends.

VI. SAVING

A more than significant portion of the BVI adults (65%) are saving money. Most are building up balances in their bank accounts or putting money into savings accounts. Less are saving money at home or using informal savings clubs, such as partner hands or sou sou. Only a small portion of adults are using investment products to save.

VII. FINANCIAL PLANNING

Compared to managing, saving and using their money, fewer numbers of BVI adults are planning for the future or saving for a rainy day. Less than 1 in 2 adults (48%) have enough money saved that would last them more than six months if they lost their main source of income. One in 5 adults (19%) have enough money saved to last at least three months, but not six months. One in 8 adults (12%) have enough money saved to last at least one month, but not three months. A small percentage of adults only have enough savings to last less than a month.

People in higher income brackets appear to be saving at a greater rate than people in lower income brackets. Men appear to be saving at a higher rate than women. Whites appear to be saving at a considerably much higher rate than Blacks. Other Caribbean nationals as a group appear to be saving at a lower rate than all other national groups. British nationals appear to have the far highest saving rate, followed by Americans, and then Virgin Islanders. Of all age categories, adults ages 20 to 29 have the lowest rate of savings and adults ages 80 to 89 have the highest rate of savings.



Although only half of adults say they have enough money saved to last them more than six months, significantly more adults (68%) agree that they set long term financial goals and strive to achieve them.

People in the higher income brackets, however, are more likely to agree that they set long term financial goals and strive to achieve them than people in the lowest income bracket.

A significant portion of BVI adults prefer to defer spending today in order to save for tomorrow. Only a small percentage of adults find it more satisfying to spend money than to save it. Correspondingly, only small fractions tend to live for today and let tomorrow take care of itself.

VIII. KNOWLEDGE AND UNDERSTANDING

BVI adults generally have above average knowledge and understanding of financial products and are mostly competent when dealing with their money. The majority have high levels of understanding on regular financial issues, such as savings, simple interest, working out simple percentages and division. While they have high levels on the meaning of inflation, when it comes to understanding the concept and how it works, their levels are low. They have even lower levels in understanding more complex issues like investing and compound interest.

Overall, survey respondents scored 68% on the knowledge and understanding questions of the financial literacy survey. Almost all respondents answered correctly the question about simple interest. Close to 90 percent of respondents answered the question correctly about the meaning of inflation. Respondents scored similarly on the questions about working out the percentage of a number and on division. Respondents scored average on the question on savings increasing with simple interest. Respondents scored low on the question on investment of stocks/mutual funds and, similarly, low on understanding the impact of inflation. The lowest scores were in the question designed to test understanding the principle of compound interest in relation to a savings accounts.

BACKGROUND AND OBJECTIVES

The BVI Financial Services Commission, as part of its statutory mandate to inform the general public of its functions and about matters relating to or affecting any financial services businesses in the British Virgin Islands, established the Financial Literacy Programme in 2011.

Financial literacy is recognized globally as an essential life skill for individuals and consumer financial literacy or capability goes in tandem with regulation to ensure the highest efficiency in the financial services industry.

Accordingly, one of the primary objectives of the Financial Literacy Programme is to create a financially literate BVI public by educating them on the basics of finance and how to manage their money as well as their general estate. An important component of this objective is reviewing the financial literacy levels of the BVI population.

As the first phase of this review, the BVI Financial Services Commission in April and May 2011 conducted this baseline survey to gauge the knowledge, behaviour and attitudes of the BVI population with regards to financial literacy.

The survey questionnaire was developed by the Organisation for Economic Cooperation and Development (OECD) International Network on Financial Education (INFE) to:

1. Measure financial literacy and provide national benchmarks;
2. Describe levels of financial literacy in terms of key socio-demographic groups and explanatory variables and identify needs and gaps; and
3. Compare levels of financial literacy across countries.

The questions in the survey are designed to capture a mixture of people's behavior, attitudes and knowledge with regards to money matters. The questions cover a range of contexts, including assessing financial services, being able to meet immediate financial requirements, and planning for the future.

As a member of the OECD INFE, the BVI Financial Services Commission joined other countries in conducting the financial literacy survey.

In literature reviews, there is no consensus on the definition of financial literacy. The definition that the OECD INFE used to create the financial literacy questionnaire and develop analysis strategy is as follows:

“A combination of awareness, knowledge, skills, attitudes and behaviors necessary to make sound financial decisions and ultimately achieve individual financial wellbeing.”

RESEARCH METHODOLOGY

The survey was conducted over a three-week period from 19 April 2011 to 13 May 2011. Interviewers made telephone calls on weekdays between 4:00 p.m. to 9:00 p.m., and on Saturdays between 10:00 a.m. to 9:00 p.m. The numbers dialed, both cellular and landlines, were selected from a random sample of anonymous phone numbers.

Interviewers asked the questions in order as they were laid out in the questionnaire and recorded the responses directly to the computer. The survey was of individuals age 18 and older.

The survey was supervised by a professional from the Development Planning Unit.

Survey at a Glance

- Survey conducted by the BVI Financial Services Commission (FSC) and supervised by Mr. Michael Malone of the Development Planning Unit.
- Mr. Malone collated and produced data results of the answers to the questionnaire.
- The interviewers were 12 students hired by the FSC from the H. Lavity Stoutt Community College (HLSCC).
- All calls were made and monitored at the offices of the BVI Financial Services Commission.
- The phone interviews were conducted from 19 April to 13 May 2011.
- A total of 1,489 telephone calls were made territory-wide.
- Of the calls made, phone interviews were successfully conducted with 535 people age 18 and older.
- Interviewees answered a total of 31 questions testing their financial knowledge (what they know), and attitude and behaviors (what they think and what they do) and on demographic factors.
- The questions were organized in the following categories: Demographics; Financial Management; Awareness and Use of Financial Products; Choosing Financial Products; Financial Control and Making Ends Meet; Saving; Financial Planning; Knowledge and Understanding and Demographics.
- Interviews took 20 minutes on average to complete the questionnaire.
- Interviewers input responses directly in the computer as they were being answered.
- A response rate of 36% was achieved. The response rate was calculated by dividing the total number of interviews by the total number of phone calls made. There was no incentive for taking part in the interview.
- The demographic categories - gender, age, residency, education, ethnicity, citizenship, marital status, employment status, and household income and size - used in the survey marginally correspond to population proportions.
- This financial literacy survey, like most sample surveys and polls, is subject to multiple sources of error which are not possible to quantify or estimate



DETAILED FINDINGS

I. Demographics

Financial literacy is not a one-size-fits-all approach. People's awareness, knowledge, skills, attitudes and behaviors toward money matters may be impacted by cultural and other demographics influences. Having demographic profiles are important to take account of specific groups' varying approaches to money matters that may affect their financial literacy levels. Although the British Virgin Islands is a relatively small country, it is not a homogenous community but has one of the most diverse populations of perhaps any country in the world. This section, therefore, seeks to profile the demographic makeup of respondents along categories of gender, age, residency, education, ethnicity, citizenship, marital status, employment status, and household income and size. This information helps to provide the context within which an individual is operating.

The demographic categories of the survey results marginally correspond with proportions of the BVI adult (18 years and older) population. It is important to note, however, that these categories are not weighted to align with actual proportions in the population.

The survey respondents comprise more females than men. The majority of respondents are between ages 30 to 59. Respondents reside, in order of frequency, in Tortola, Virgin Gorda, Jost Van Dyke, Anegada and other outer islands. About half of persons have attained university level education or higher. A very significant majority of the respondents are Black, and the majority of minorities are White. Most of the survey respondents are Virgin Islanders, followed by nationals from other Caribbean countries, Americans and then British nationals. Close to half of the respondents are married. Three quarters of the respondents are in full-time employment.

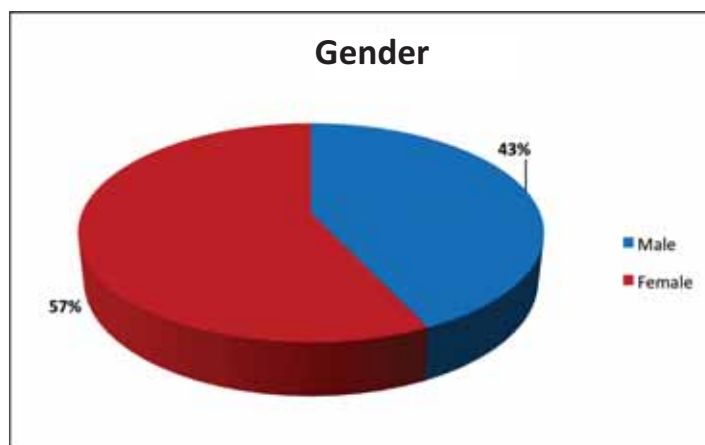
Respondents are evenly distributed across the three income categories. Americans appear to be the highest income earners, followed by United Kingdom nationals, Virgin Islanders and then as a group, nationals from the other Caribbean islands. Whites seem to be the highest income earners of the ethnic groups.

A significant majority of respondents have no children (persons under age 18) living in their household with them.

A substantial portion of respondents have only one other adult living in their household with them.

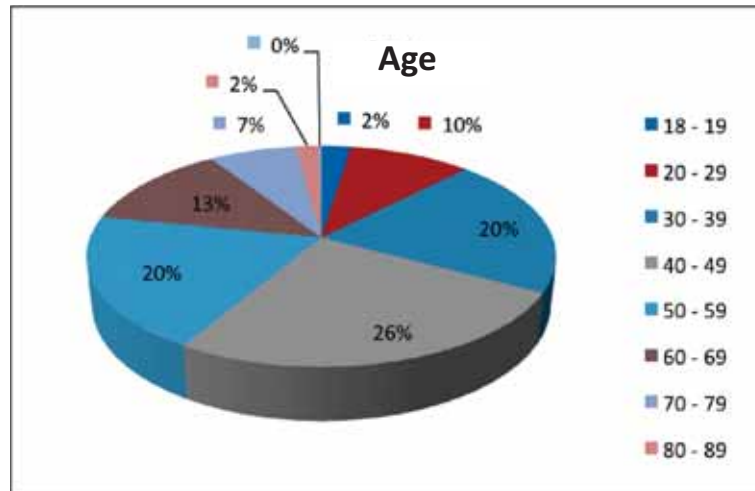
Gender

- Forty-three percent (43%) of adults completing the survey are males.
- Fifty-seven percent (57%) of adults completing the survey are females.



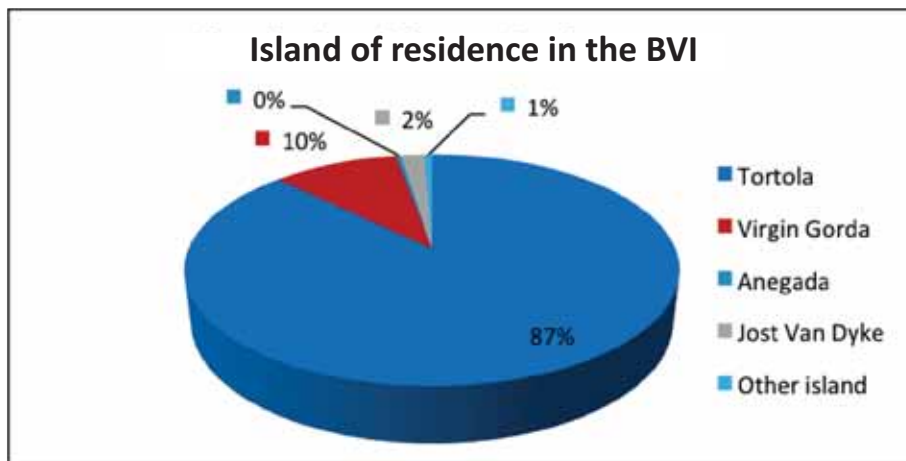
Age

- The majority of people (66%) completing the survey are between ages 30 - 59.



Residency

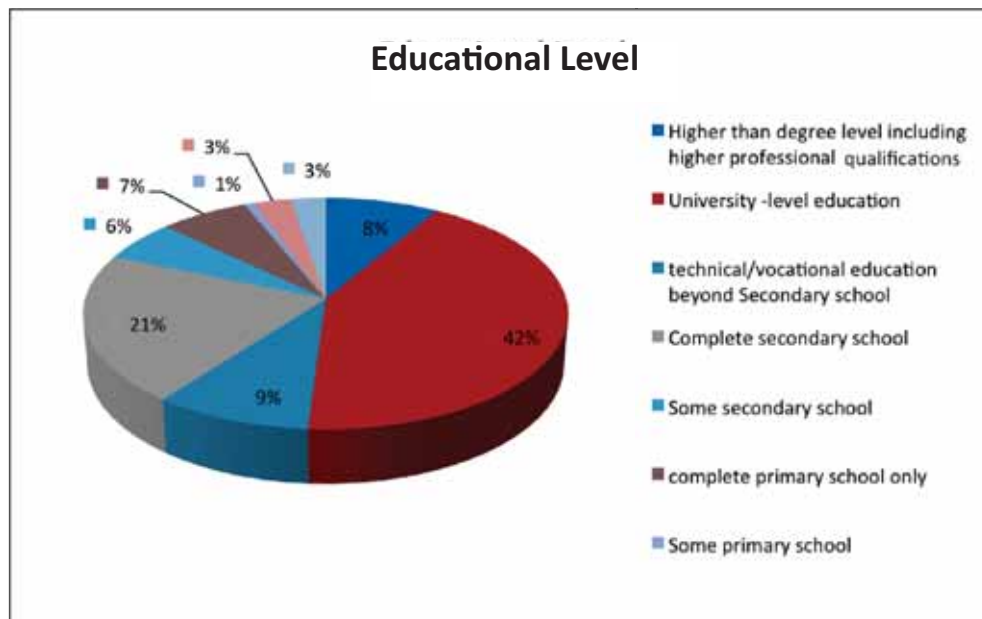
- Respondents from the survey reside in Tortola, Virgin Gorda, Jost Van Dyke and Anegada in order of frequency of residence.
- Tortola – Close to 9 in 10 (87%) of adults completing the survey live in Tortola.
- Virgin Gorda – About 1 in 10 (10%) of adults completing the survey live in Virgin Gorda.
- Jost Van Dyke – Close to 2% of adults completing the survey live in Jost Van Dyke.
- Anegada and outer islands - less than 1% of those completing the survey live on Anegada and the other outer islands.



Education level

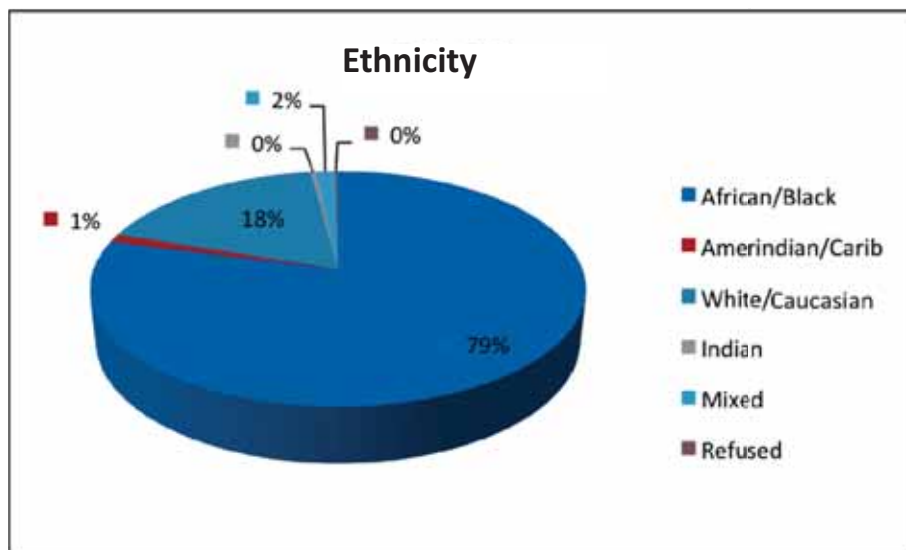
- About half of persons completing the survey have university level education or higher.
- More than 2 in 5 adults (42%) completing the survey have university level education.
- About 1 in 5 (21%) adults completing the survey have up to secondary school level education.

- About 1 in 10 (11%) adults completing the survey have only up to primary school education.



Ethnicity

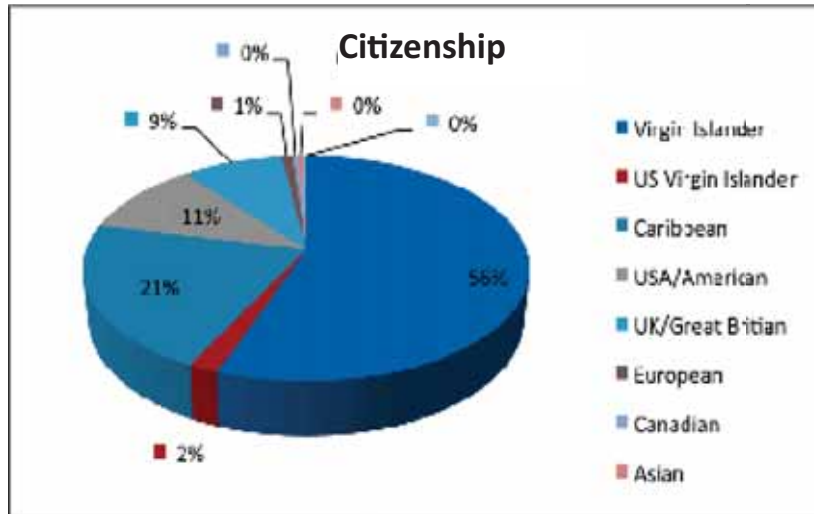
- Close to 4 in 5 of the adults (79%) completing the survey are Black.
- Close to 1 in 5 of the adults (18%) completing the survey are White.



Citizenship

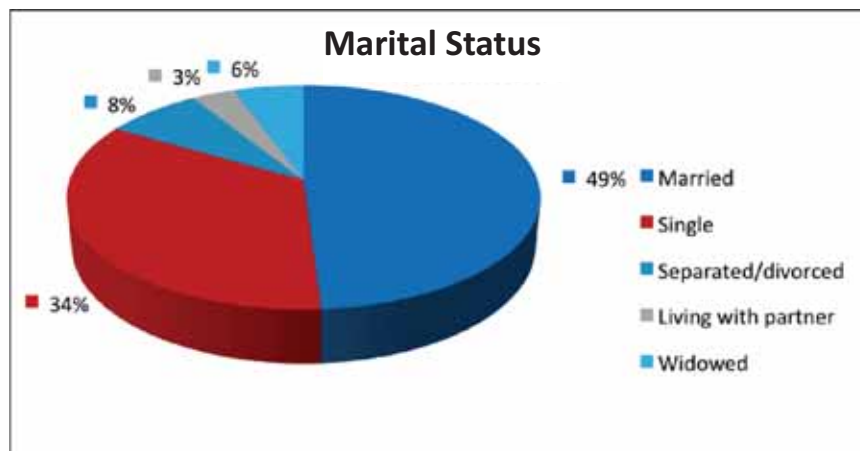
- **Most of the survey respondents are Virgin Islanders, followed by nationals from other Caribbean countries, Americans and then British nationals.**
- Close to 3 in 5 of the adults (56%) completing the survey are Virgin Islanders.
- Slightly more than 1 in 5 of the adults (21%) completing the survey are nationals of other Caribbean countries.

- Slightly more than 1 in 10 of respondents (11%) are Americans.
- Slightly less than 1 in 10 of respondents (9%) are British.



Marital status

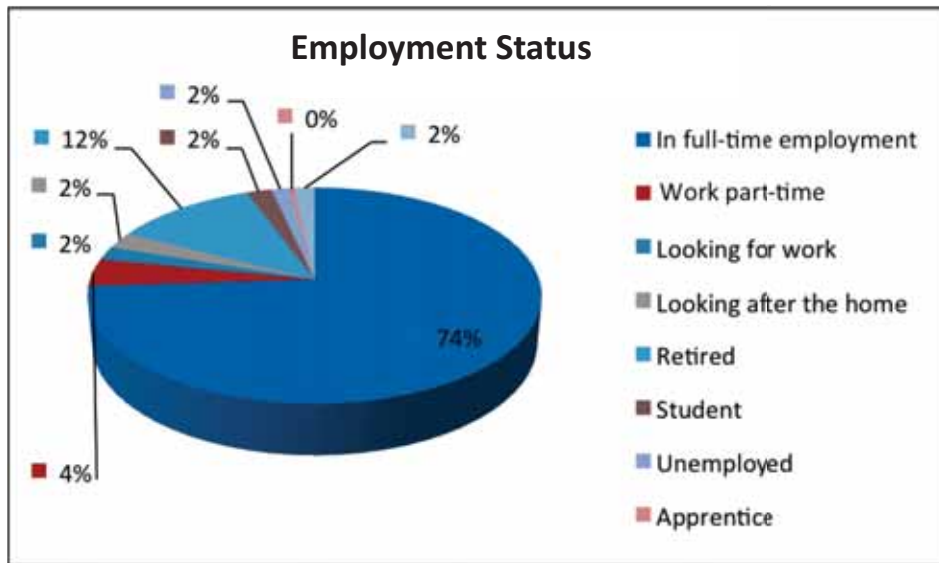
- Of the respondents to the survey, close to 1 in 2 (49%) are married.
- Of the respondents to the survey, slightly more than 1 in 3 (34%) are single.
- Less than 1 in 10 of survey respondents (7%) are separated or divorced.
- Three percent live with a partner.
- Six percent are widowed.



Employment status

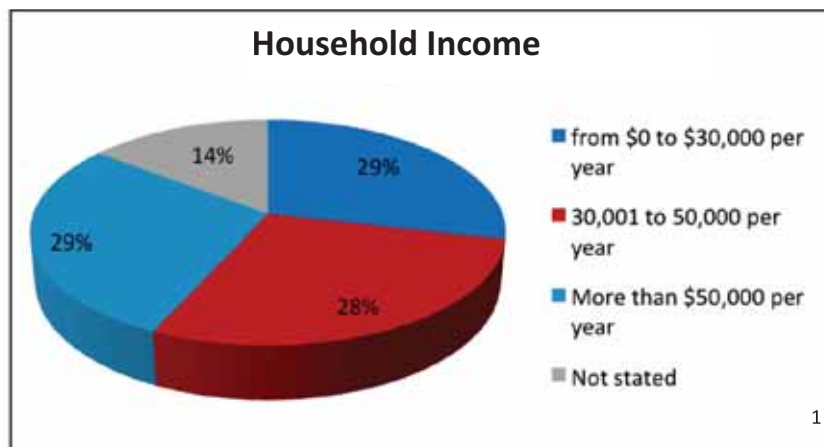
- Close to 3 in 4 respondents (74%) are in full - time employment.
- About 1 in 8 respondents (12%) are retired.

- Only a very small number of respondents (4%) are working part time.
- A very small number of respondents (2%) are looking for work.
- A very small number of respondents (2%) are looking after the home.
- A very small number of respondents (2%) are students.
- A very small number of respondents (2%) are unemployed.



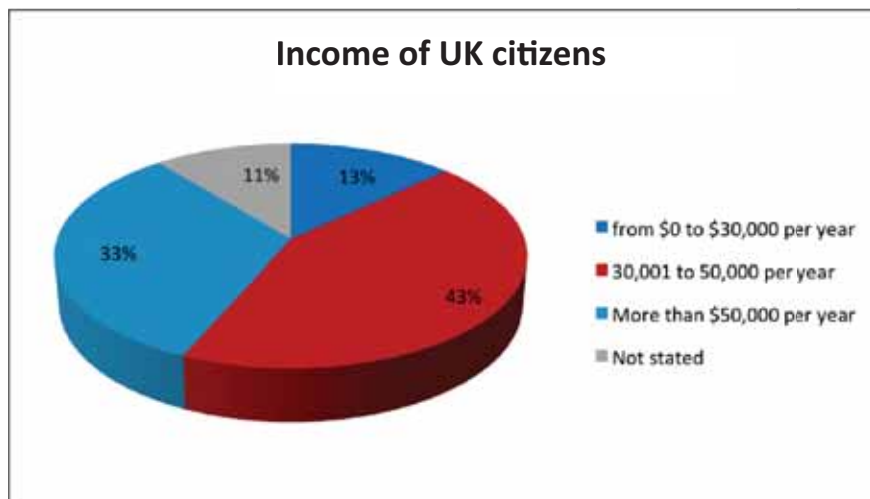
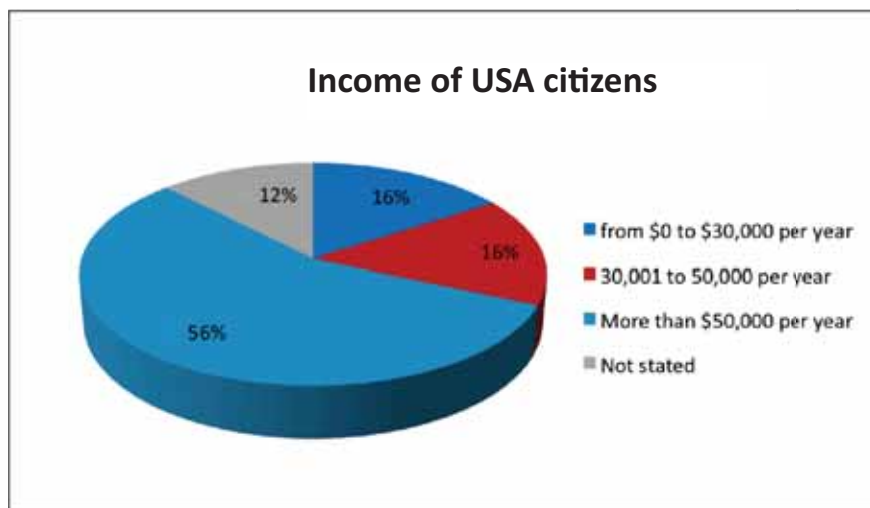
Household income

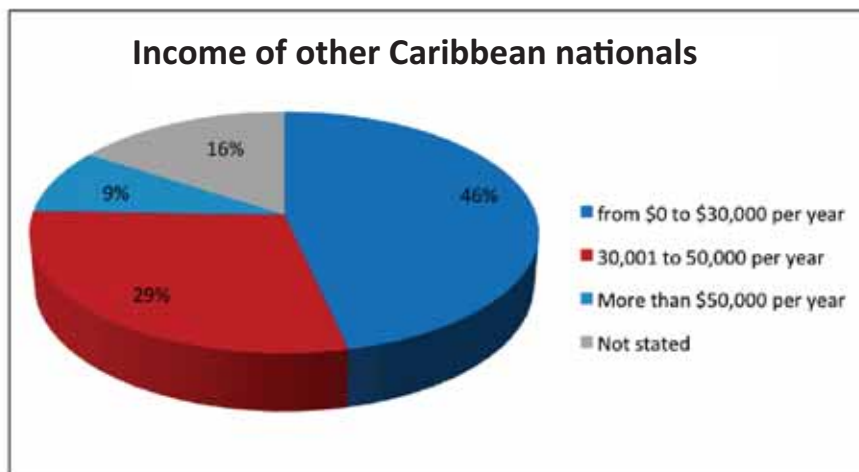
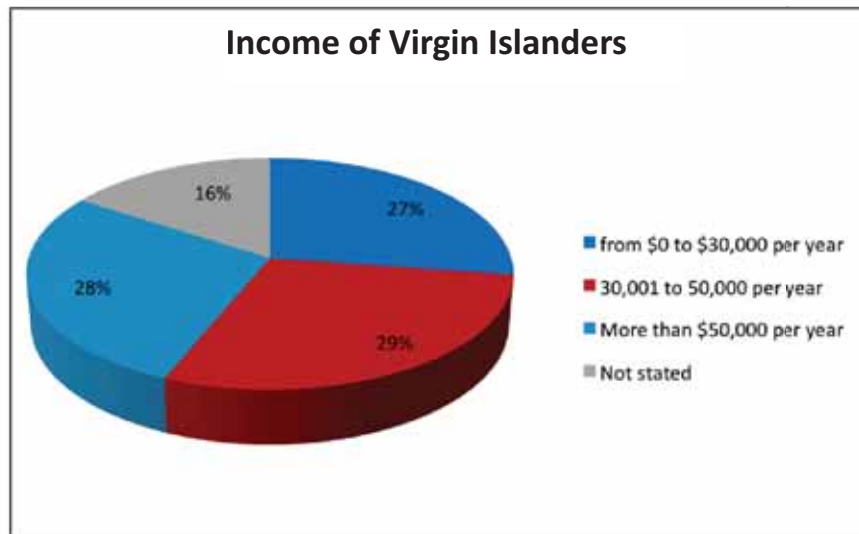
- Respondents to the questionnaire are evenly distributed across the three income categories.



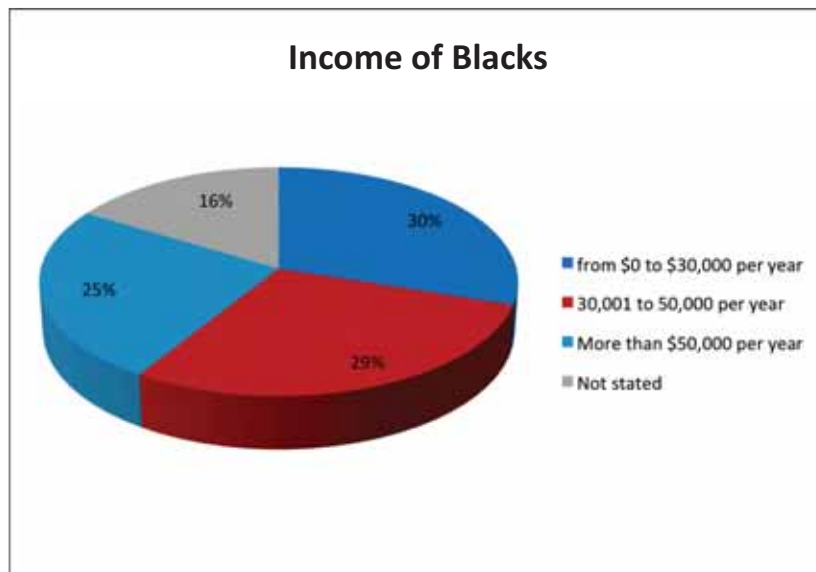
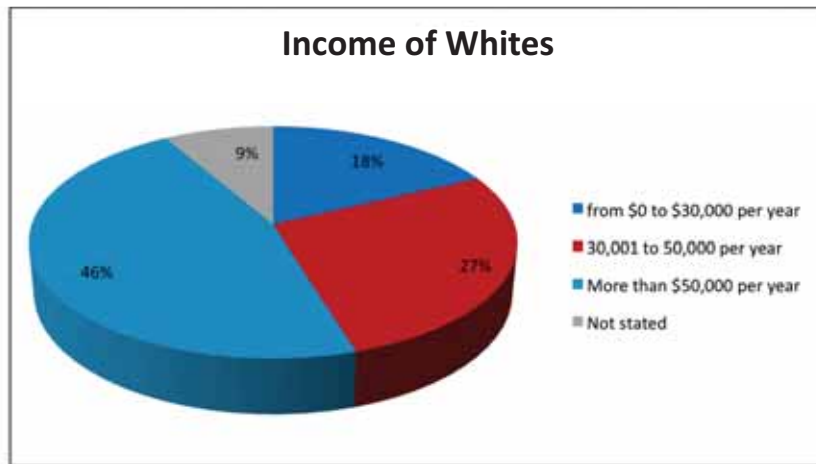
¹ The income classifications do not accurately represent the categories of household income distribution in the British Virgin Islands. The questionnaire required the use of the median (middle number) household income to be categorized as follows: Low income (up to 75% of median household income); median income; and high income (more than 125% of median household income). Unfortunately, a figure for the median household income was not available for use in the survey. According to the BVI Household Expenditure Survey 09/10, the average (medium) household income per annum in the BVI is \$67,777. This average was calculated using the 421 individuals belonging to 159 households who reported income in the HES 09/10. The total gross income reported from these individuals in the Household Expenditure Survey was estimated as \$28,534,139. The average of \$67,777 could not be substituted as the median income, as it obscures the wide income disparities inflating this average. Using the HES average, low income would be less than \$51,000, median \$51,000 - \$85,000, and high income more than \$85,000. Accordingly, in our survey results close to 3 in 5 adults (57%) would have been classified as low income. Nonetheless, the income categories used above are still useful in helping to determine people's behavior, attitudes and knowledge with regard to money matters.

- **Americans appear to be the highest income earners, followed by UK nationals, Virgin Islanders and then as a group, nationals from the other Caribbean islands.**
- Close to 3 in 5 Americans (56%) have a household income of more than \$50,000.
- Close to 1 in 3 Britons (33%) have a household income of more than \$50,000.
- More than 1 in 4 Virgin Islanders (28%) have a household income of more than \$50,000.
- Less than 1 in 10 nationals from the other Caribbean countries (9%) have a household income of more than \$50,000.





- Whites seem to be the highest income earners of the ethnic groups in the Virgin Islands.
- Close to 1 in 2 Whites (46%) earn in the highest income bracket as compared to 1 in 4 Blacks (25%).



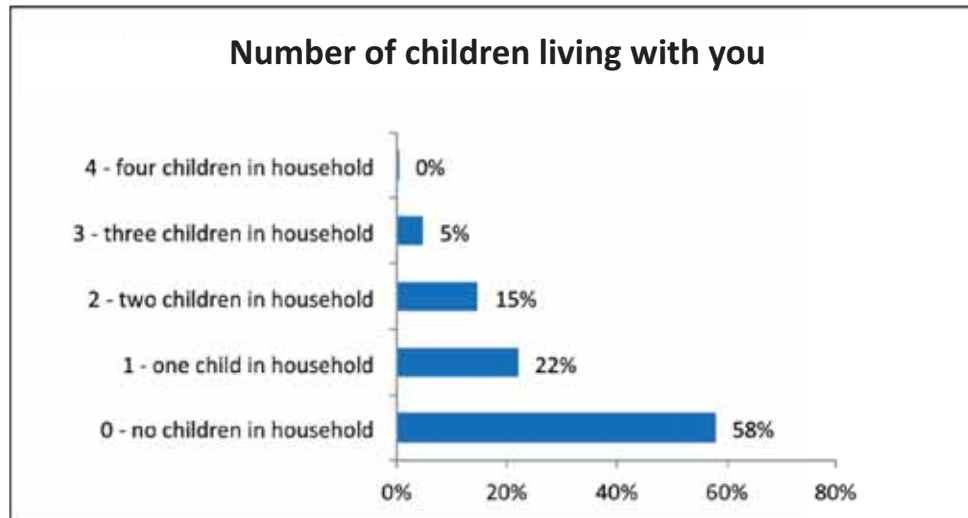
Household Size

*Number of children in household*²

- Close to 3 in 5 adults (58%) have no children under the age of 18 living in their household.
- More than 1 in 5 adults (22%) have one child under the age of 18 living in their household.
- Close to 1 in 6 adults (15%) have two children under the age of 18 living in their household.

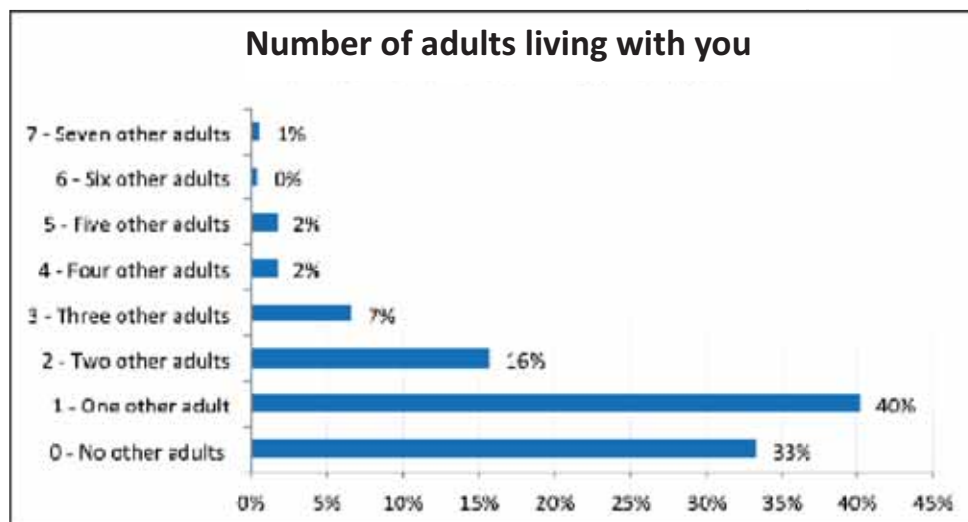
² Children are persons under the age of 18 years

- A very small number of adults (5%) have three children under the age of 18 living in their household.
- A minute number of adults have four children under the age of 18 living in their household.



*Number of adults in household*³

- One in three adults (33%) have no other adults living in their household.
- Two in five adults (40%) have one (1) other adult living in their household.
- One in six adults (16%) have two (2) other adults living in their household.
- Less than 1 in 8 adults (12%) have three or more other adults living in their household.



³ Adults are persons age 18 years and older

II. Financial Management

Financial management is at the core of financial literacy. When people are responsible for their own finances, it helps to build their skills and competency levels in money management. Budgeting is one of the most important tools that a financially literate person can have at their disposal and successful budgeting is essential to good financial management. In its simplest form, budgeting is a plan for income and expenses that provides a picture of what money is coming in and what money is going out. It should also provide a clear plan for spending and saving. This section seeks to determine if people are being responsible for the day to day money management in their households and if they are budgeting.

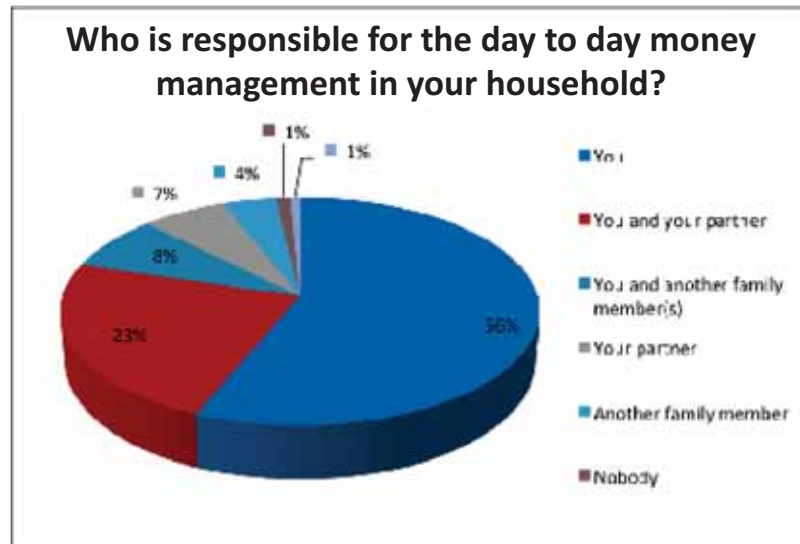
Most BVI adults appear to be taking responsibility for their own finances and do not rely on a partner or anyone else to manage their money for them. Men, by a small margin, appear to have more responsibility for the day to day money management in their households than women.

Less than 3 in 5 respondents (56%) say they are responsible for the day to day money management in their households. Less than a quarter of respondents (23%) say they and their partners are responsible for the day to day money management in their households.

A significant portion of BVI adults are keeping track of how they spend their money, but the majority do not have a household budget. Males are more likely to have a household budget than females. Married people are more likely to have a household budget than single people. Blacks and Whites are just as likely to have or not have a household budget. Persons with higher incomes are more likely to have a household budget than those with lower incomes.

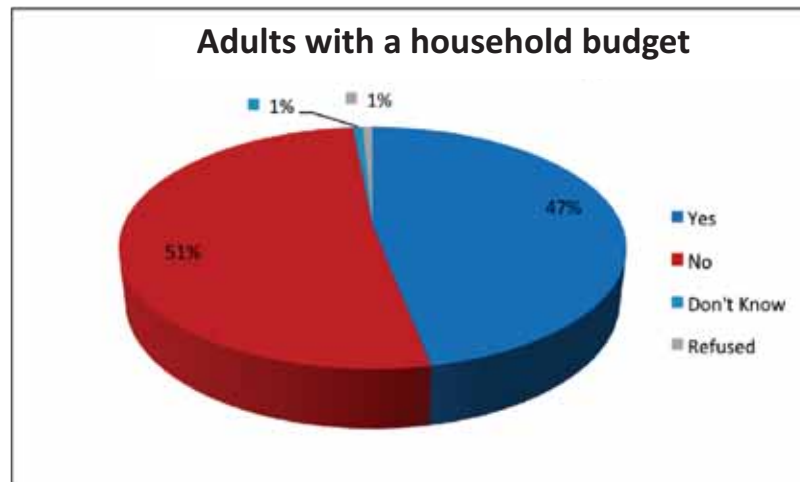
Responsible for Money Management

- **Less than 3 in 5 respondents (56%) say they are responsible for the day to day money management in their households.**
- **Close to 1 in 4 respondents (23%) say they and their partners are responsible for the day to day money management in their households.**
- **Only 1 in 10 adults (10%) say their partner or another family member is responsible for day to day money management in their household.**
- Close to 3 in 5 men (58%) say they are responsible for the day to day money management in their households.
- More than 1 in 2 women (54%) say they are responsible for the day to day money management in their households.

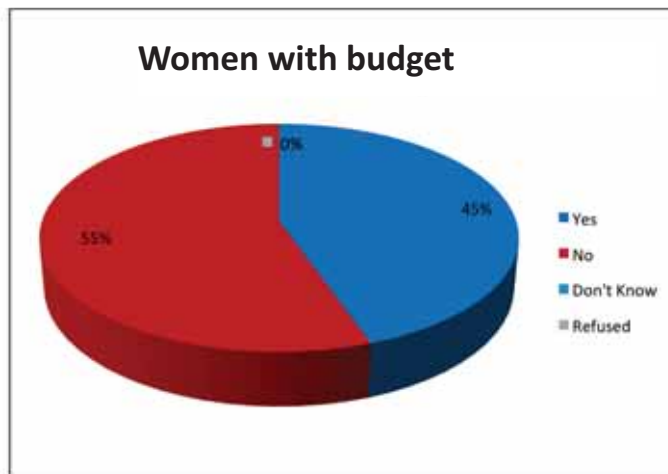
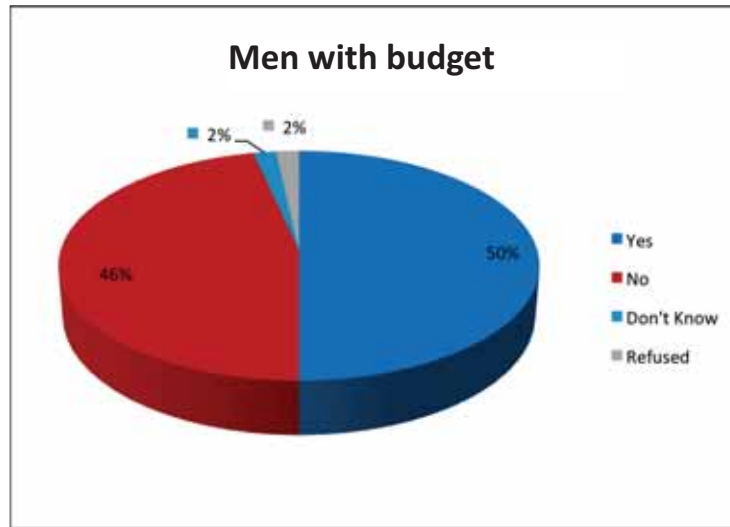


Household Budget

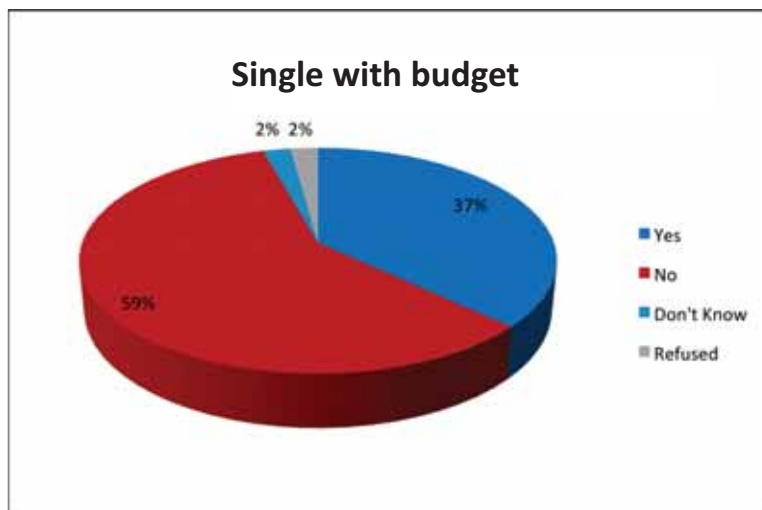
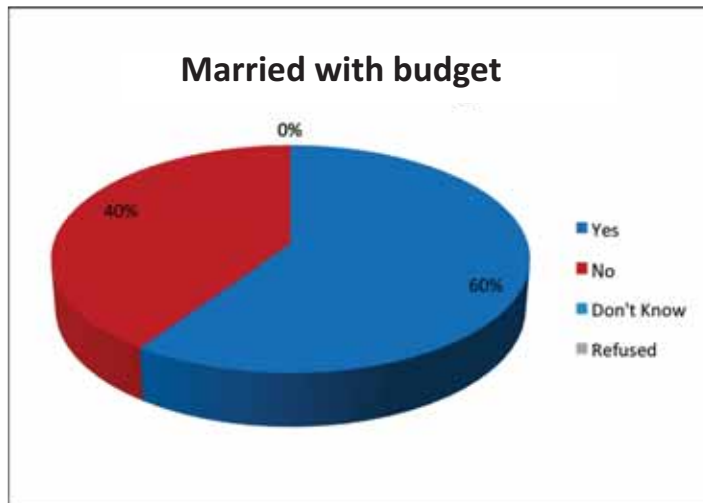
- Slightly more than half of adults (51%) do not have a household budget.
- Slightly less than half of adults (47%) have a household budget.



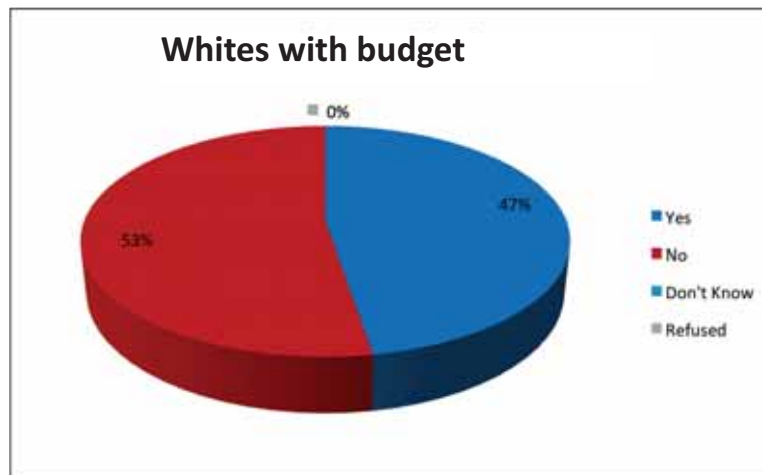
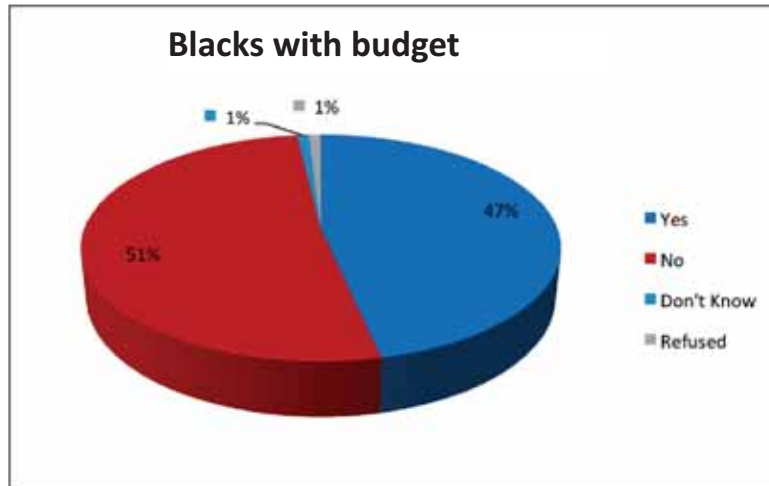
- **Males were more likely to have a household budget than females.** One in 2 males (50%) have a household budget, while less than 1 in 2 females (45%) have a household budget.



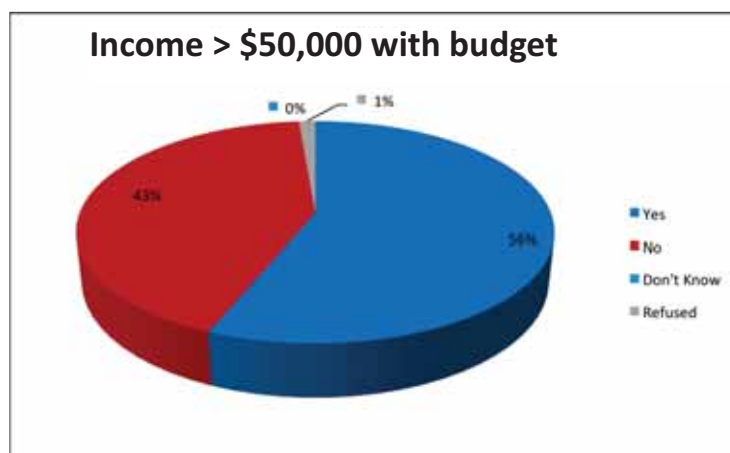
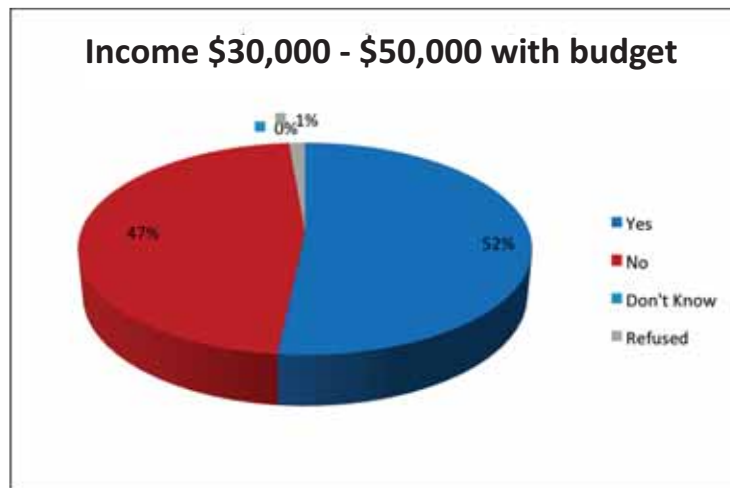
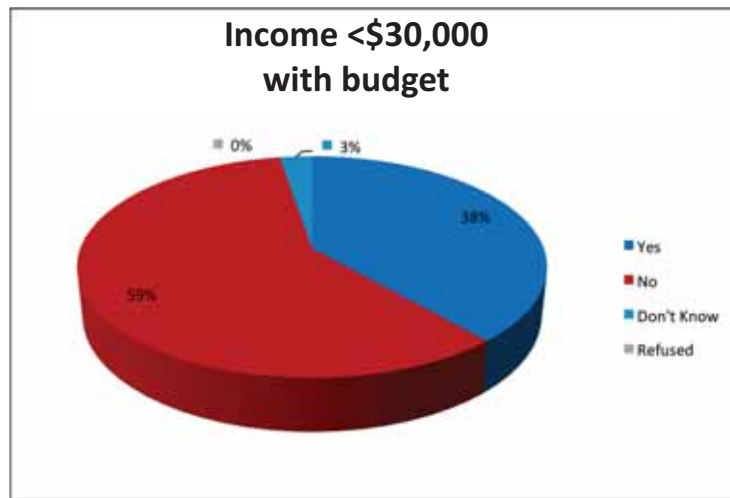
- **Married people were more likely to have a household budget than single people.**
- Three in 5 married people (60%) have a household budget.
- Less than 2 in 5 single people (37%) have a household budget.



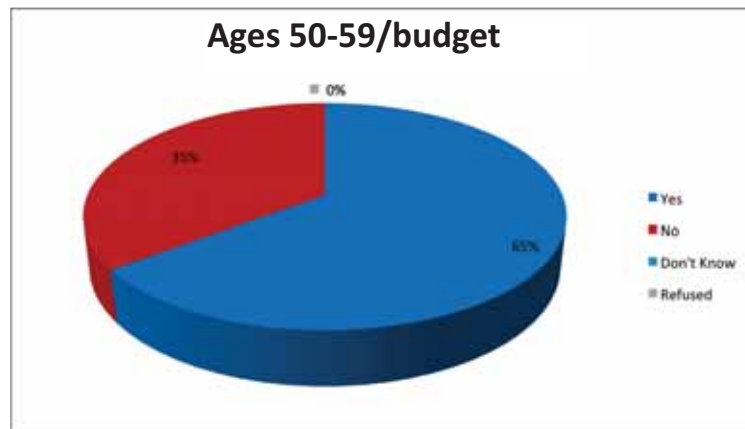
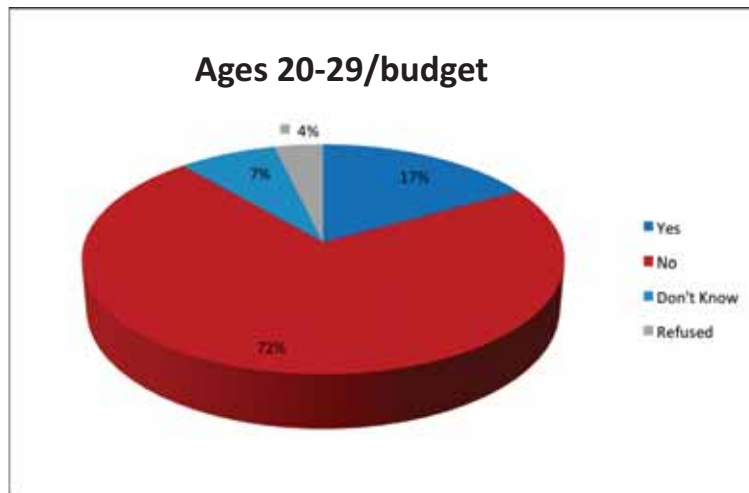
- **Blacks and Whites were just as likely to have or not have a household budget.**
- Close to 1 in 2 of both Blacks and Whites (47%) have a household budget.
- Slightly more than 1 in 2 of both Blacks and Whites (51% and 53% respectively) do not have a household budget.



- **Persons with higher incomes are more likely to have a household budget than those with lower incomes.**
- Close to 2 in 5 adults (38%) in the lowest income bracket have a household budget.
- Close to 1 in 2 adults (52%) in the middle income bracket have a household budget.
- Close to 3 in 5 adults (56%) in the highest income bracket have a household budget.



- Persons ages 50 to 59 are most likely of all age groups to have a household budget.
- Persons ages 20 to 29 are least likely of all age groups to have a household budget.



III. Awareness and Use of Financial Products

Having knowledge about the wide range of financial products being offered in the market and being able to choose what is most suitable for their financial wellbeing is a vital aspect of adult financial literacy. This section seeks to determine which financial products people have general awareness of and which financial products they use.

People are generally familiar with and have above average to high levels of awareness of most financial products. There is a large disparity between the use and awareness of some financial products, such as savings account, and other financial products, such as an investment account. More than 70% of respondents have heard about most of the financial products, with one exception; only 57% have heard of an investment account. The most popularly used financial products are savings account, insurance, credit card and current account in descending order of usage. The least popularly used financial products in descending order of usage are investment accounts, stocks and shares, and bonds.

Except for current accounts, people are purchasing very few new financial products.

Pension fund

- More than 4 in 5 adults (86 %) have heard of a pension fund, but close to 7 in 10 adults (69%) do not currently hold a pension fund.

Investment Account

- Less than 3 in 5 adults (57%) have heard of an investment account, but more than 4 in 5 adults (82%) do not hold an investment account.

Mortgage

- More than 4 in 5 adults (87%) have heard of a mortgage, but 3 in 4 adults (74%) do not currently hold a mortgage.

Bank loan secured on property

- About 7 in 10 adults (70%) have heard of a bank loan secured on property, but 4 in 5 adults (80%) do not currently have a bank loan secured on property.

Unsecured bank loan

- Close to 7 in 10 adults (69%) have heard of an unsecured bank loan, but more than 4 in 5 adults (85%) do not currently hold an unsecured bank loan.

Credit card

- More than 9 in 10 adults (94%) have heard of a credit card and more than 3 in 5 adults (63%) currently hold a credit card.



Current account

- More than 4 in 5 adults (86%) have heard of a current account and close to 3 in 5 adults (59%) currently hold a current account.

Savings account

- More than 9 in 10 adults (94%) have heard of a savings account and close to 9 in 10 adults (88%) currently hold a savings account.

Insurance

- More than 9 in 10 adults (95%) have heard of insurance and 3 in 4 adults (74%) currently hold an insurance plan.

Stocks and shares

- More than 7 in 10 adults (72%) have heard of stocks and shares, but more than 4 in 5 adults (83%) do not currently hold stocks and shares.

Bonds

- More than 7 in 10 adults (72%) have heard of bonds, but more than 9 in 10 adults (92%) do not currently hold bonds.

Purchase of products

- **In the last two years very few BVI adults have purchased new financial products.**⁴
- In the last two years, current accounts at 41% were the most frequently purchased financial product, followed by credit cards (16%) and savings accounts (12%).

⁴ Respondents were asked not to include products that are renewed automatically. This likely resulted in, for example, insurance having only 1% frequency of purchase in the last two years.



IV. Choosing Financial Products

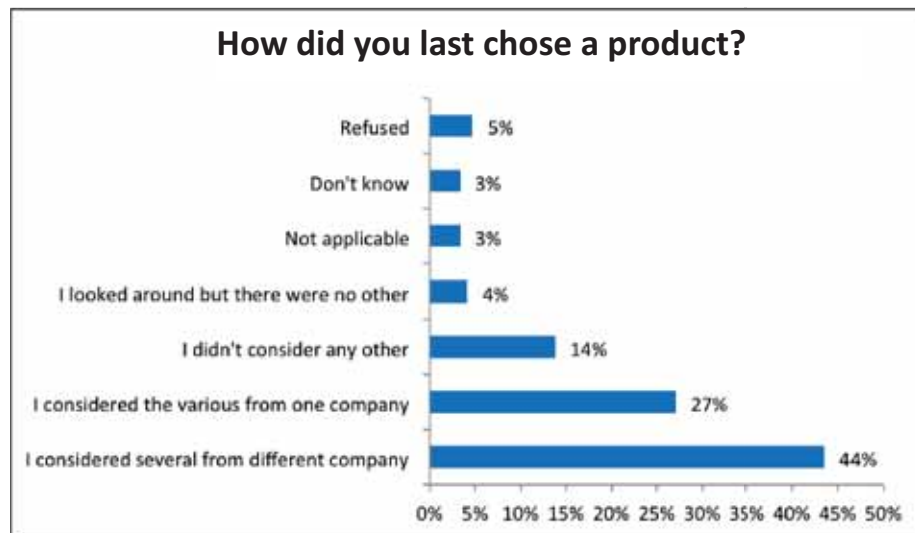
From the array of choices offered, people need to be able to choose financial products that are best suited to their needs. Most people, unless they are highly financially literate, don't generally have the skills, knowledge or confidence to know which financial products, especially the more complex ones, to choose. This section seeks to determine how people are choosing their financial products. Are they shopping around and comparing costs and products in order to find the most favorable products? Further, the section seeks to determine what are some of the main influences on people's decision-making in selecting financial products. The answers will help to give insight into whether financial consumers are researching before purchasing or whether they are simply accepting information wholesale that is given to them.

In general, people appear not to do a lot of shopping around when choosing their financial products. Notably less than half of adults consider products from different financial companies before making their decision about which financial product to take out.

People primarily make their decisions based on advice from banks - information picked up at the branch, and from information picked up from sales staff providing the products. The other secondary sources of advice relied on in financial decision-making are friends and relatives and then the internet.

Choosing Financial Products

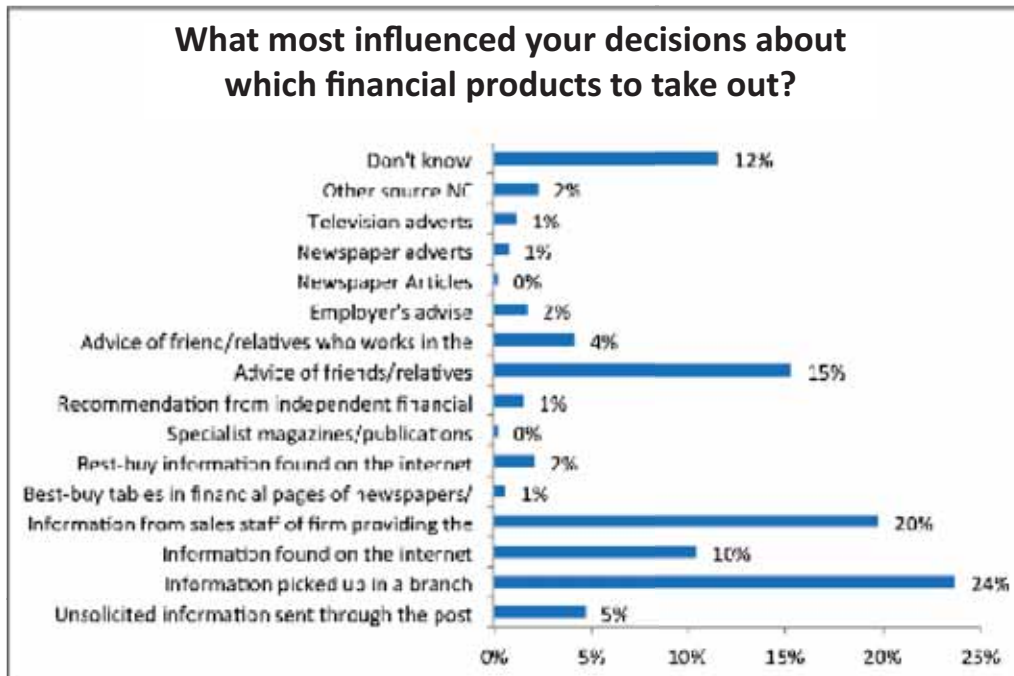
- When choosing financial products, less than half of adults who made financial purchases (44%) consider products from different financial companies before making their decision.



Financial Advice

- In choosing what financial products to take out, people are most influenced in their decision making by banks - information picked up at the branch, and by information picked up from sales staff providing the product. The other primary sources of influence on financial decision-making are friends and relatives and then the internet.

- Close to 1 in 4 adults (24%) say they are most influenced by information picked up at the branch when deciding which financial product to take out.
- One in 5 adults (20%) say they are most influenced by information from the sales staff of firm providing the products when deciding which products to take out.
- Less than 1 in 7 adults (15%) are most influenced by advice of friends or relatives who work in the financial services industry.



V. Financial Control and Making Ends Meet

Financially competent people take control of their finances, live within their means, pay their bills on time and keep records to know where they stand financially. They think responsibly about money and develop realistic approaches to living within their means. This section seeks to determine how capable people are and how they behave in respect to managing their money matters. It queries if people consider whether they can afford it or not before making purchases. Are they paying their bills on time and keeping close watch on their financial affairs? This section also investigates if people are having problems making ends meet and what strategies they employ to help make ends meet.

While people are not doing a lot of shopping around for the most favorable financial products, most, however, are more assiduous when spending their money. Significant numbers of the BVI adults are careful about their spending habits. Close to 3 in 4 adults (72%) adults say they carefully consider whether they can afford it before they buy something. Adults with lower educational attainment levels are even more likely to carefully consider whether they can afford it before buying something than those who had attained higher educational levels.

BVI adults, however, are less meticulous about paying their bills on time and keeping watch on their financial affairs. Less than 2 in 3 adults (64%) say they pay their bills on time. Fewer (59%) keep close personal watch on their financial affairs. Higher and lower income earners are more likely to keep close personal watch on their financial affairs than mid level income earners.

Most adults have varying attitudes and beliefs on spending money. Slightly more than 1 in 3 adults (34%) agree that money is there to be spent. About the same percentage (31%) disagree that money is there to be spent. Men are more likely to completely agree that money is there to be spent than women.

While significant numbers of BVI adults are careful about their spending habits and keeping close watch on their financial affairs, some still experience problems making ends meet. When asked if at any time during the last 12 months their income did not quite cover their living costs, a reasonably significant number of respondents answered yes. Slightly more than 2 in 5 adults (41%) say that they have had problems in the last year having their income cover their living costs. This was significant, although the majority (58%) did not have problems during the last 12 months having their income cover their living costs.

People with lower incomes are more likely to have trouble making ends meet than people in higher income brackets. Blacks are more likely than Whites to have problems making ends meet. Virgin Gorda residents are also more likely to have problems covering their living costs than Tortola residents. Similarly, nationals of the other Caribbean countries, as a group, are more likely than other nationalities to have problems covering their living costs. Women also appear to be having more problems making ends meet than men. Fulltime workers are having more problems than retirees making ends meet.

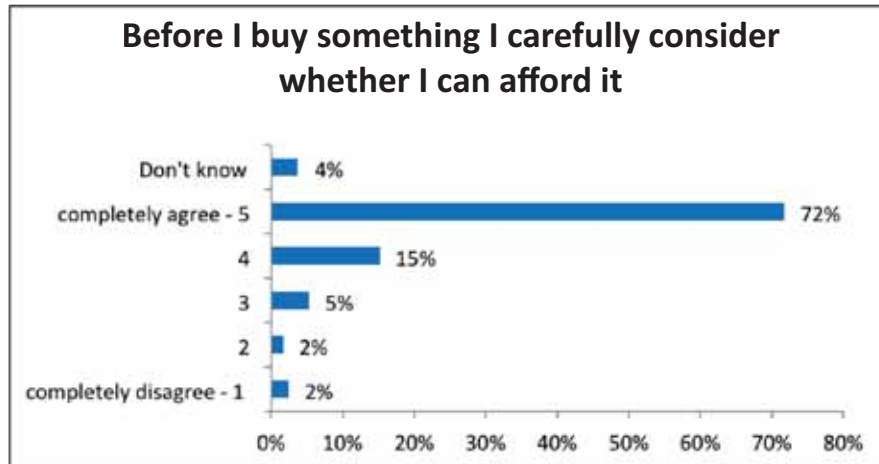
When adults find their incomes do not quite cover their living costs, to make ends meet the majority choose to cut back on spending, second take money from savings, and third used a credit card. After employing those measures, people then borrow food or money from family or friends.



Financial control

Can I afford it?

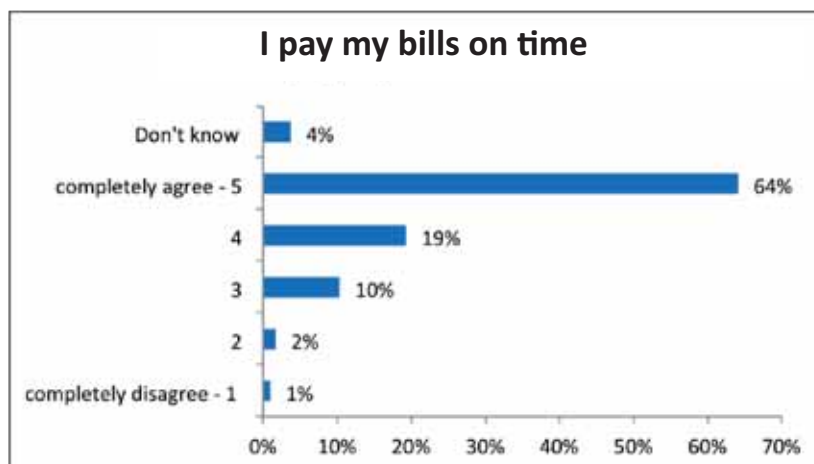
- More than 7 in 10 adults (72%) carefully consider whether they can afford it before they buy something.



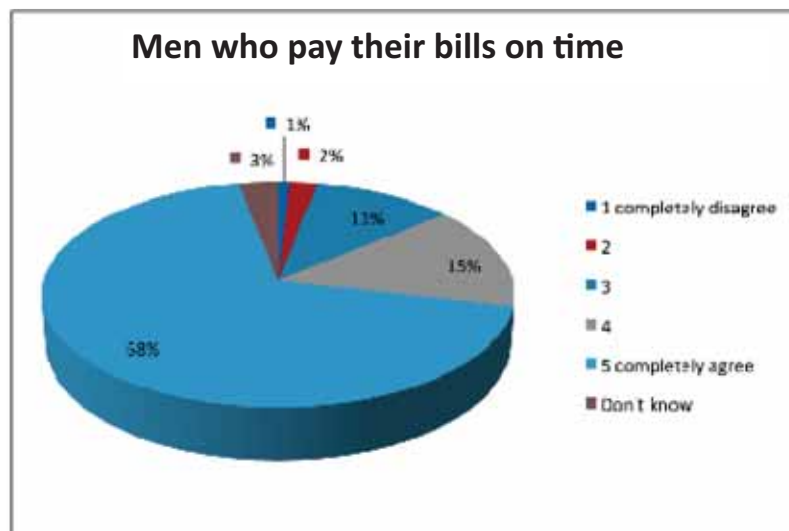
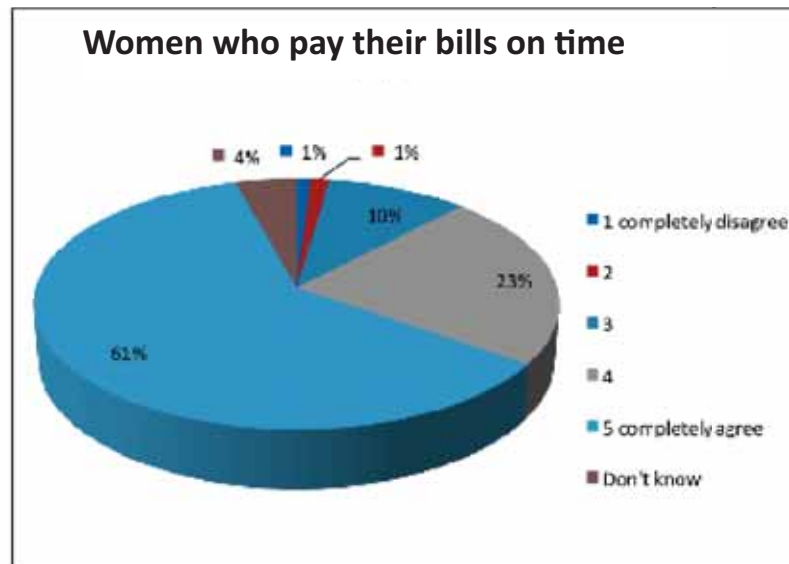
- A higher percentage of adults with lower educational attainment levels are even more likely to carefully consider whether they can afford it before they buy something than those who have attained higher educational levels.
- Of all the age groups, those aged 18 -19 years-old are most likely to carefully consider whether they can afford it before they buy something. About 9 in 10 adults age 18 – 19 years-old (92%) strongly agree that before they buy something they carefully consider whether they can afford it. Persons in different categories of household income did not behave differently with respect to carefully considering whether they can afford it before buying something.

Pay Bills on Time

- Almost 2 in 3 adults (64%) pay their bills on time.

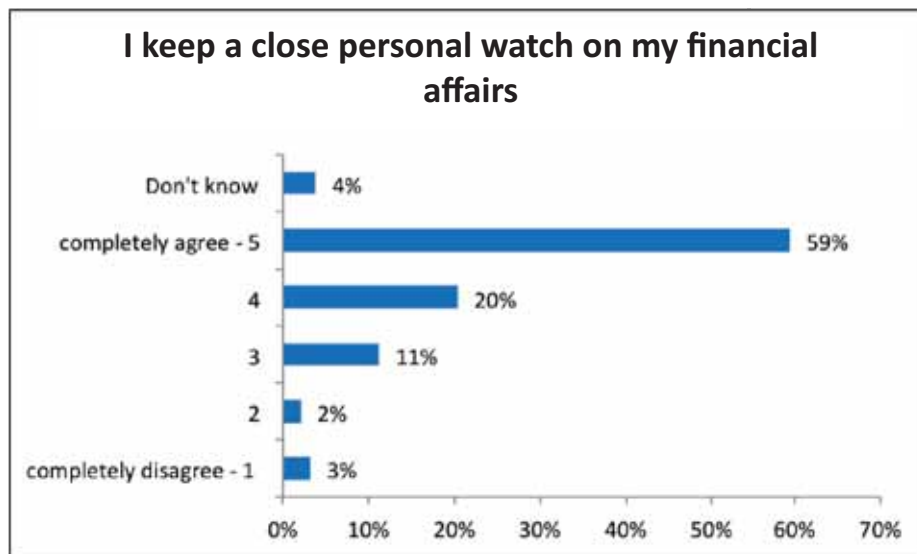


- People with higher household incomes are slightly more likely to pay their bills on time than households with lower incomes.
- Two in 3 adults (66%) with household incomes more than \$50,000 pay their bills on time as compared to 3 in 5 adults (60%) of those with incomes less than \$50,000 who pay their bills on time.
- Men are more likely to pay their bills on time than women. Close to 7 in 10 men (68%) pay their bills on time as compared to 6 in 10 women (61%) who pay their bills on time.



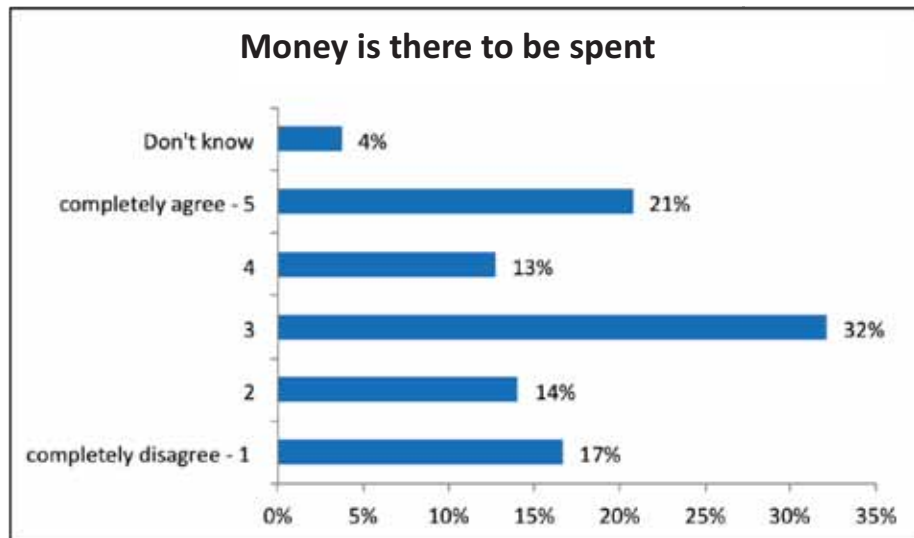
Keep close personal watch on financial affairs

- Almost 3 in 5 adults (59%) keep a close personal watch on their financial affairs.
- Higher and lower income earners are more likely to keep close personal watch on their financial affairs than mid level income earners.
- About 3 in 5 adults (61%) in the higher income brackets completely agree that they keep close personal watch on their financial affairs.
- One in 2 adults (50%) in the middle income bracket completely agree that they keep close personal watch on their financial affairs.
- Close to 3 in 5 of lower income earners (59%) completely agree that they keep close personal watch on their financial affairs.
- Women and men (60% and 59% respectively) in close to equal percentages completely agree that they keep close personal watch on their financial affairs.

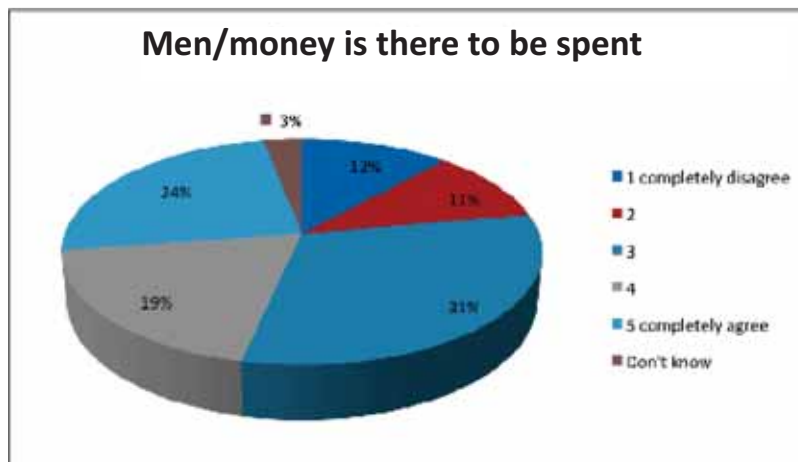


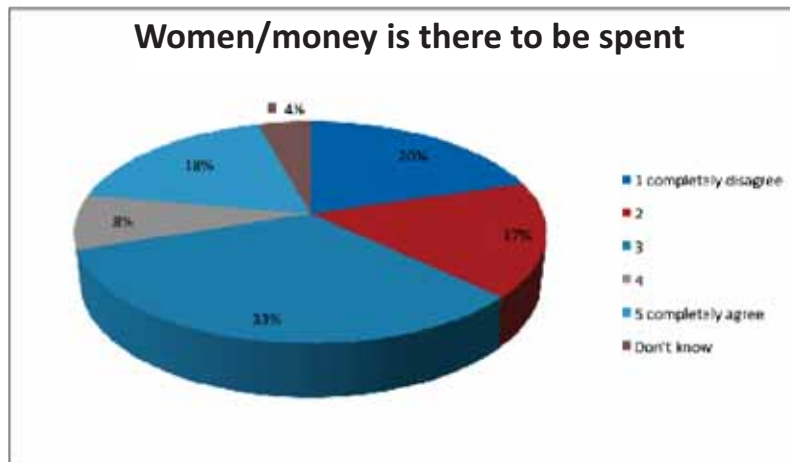
Money is there to be spent

- **Most adults have varying views on spending money. While slightly more than 1 in 5 adults (21%) completely agree that money is there to be spent, less than 1 in 5 adults (17%) completely disagree that money is there to be spent.**



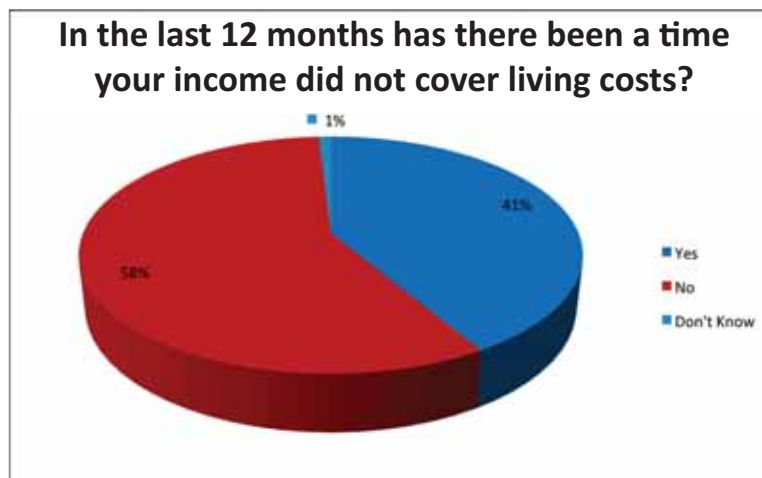
- **Men were more likely to completely agree that money is there to be spent than women.**
- Close to 1 in 4 men (24%) completely agree that money is there to be spent. Combined, about 2 in 5 men (43%) agree that money is there to be spent.
- Less than 1 in 5 women (18%) completely agree that money is there to be spent. Combined, slightly more than 1 in 4 women (26%) agree that money is there to be spent.





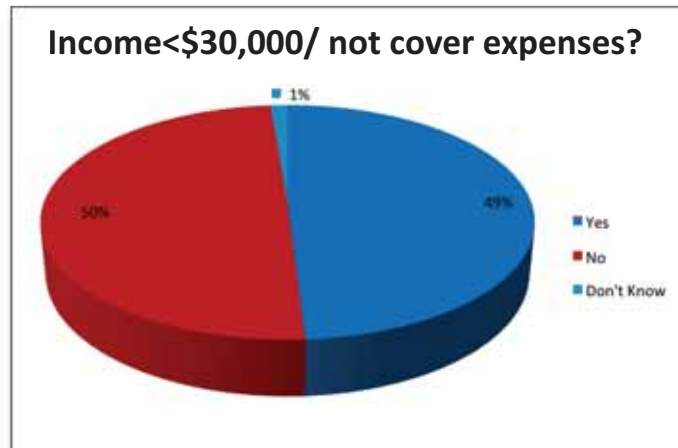
Making ends meet

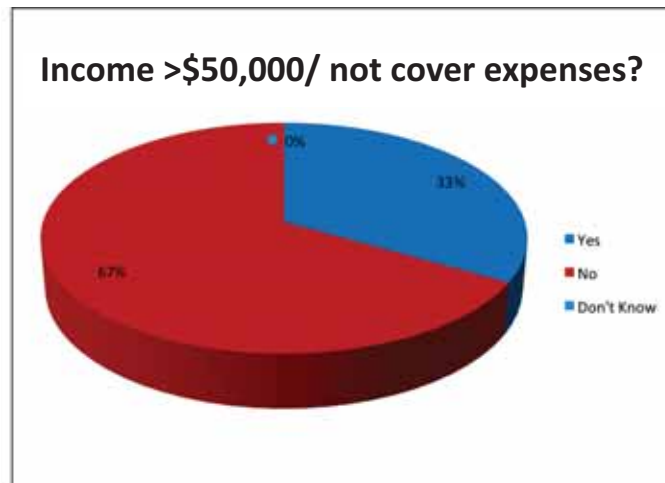
- At some point during the last year, more than 2 in 5 adults (41%) have found that their income did not quite cover their living costs.
- Close to 3 in 5 adults (58%) did not have problems during the last 12 months having their income cover their living costs.



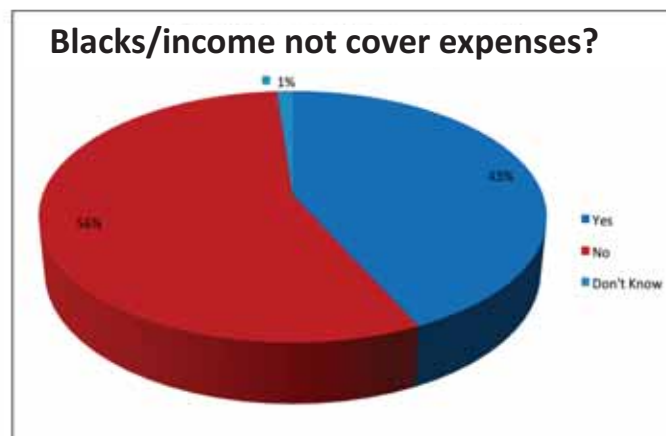
- People with lower incomes are more likely to have trouble having their income cover their living costs than people in higher income brackets.
- About 1 in 2 adults (49%) with household incomes below \$30,000 had trouble in the last 12 months having their income cover their living costs.

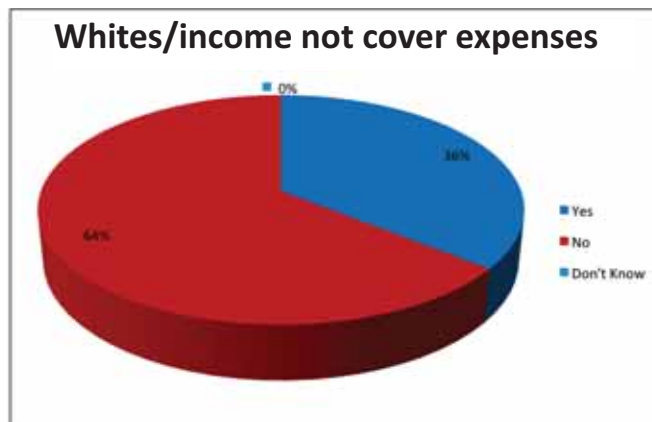
- Less people, 2 in 5 adults (40%) with household incomes between \$30,000 and \$50,000 had trouble having their incomes cover their living costs during the last 12 months.
- Even less, 1 in 3 adults (33%) with household incomes greater than \$50,000 had trouble having their incomes cover their living costs during the last 12 months.





- **More Blacks than Whites have had problems in the last 12 months having their income cover their living expenses.**
- More than 2 in 5 Blacks (43%) as compared to more than 1 in 3 Whites (36%) had problems making their income cover their living expenses.





- **More people in Virgin Gorda have had problems in the last 12 months having their income cover their living expenses than those in Tortola.**
- Close to 1 in 2 adults (49%) in Virgin Gorda as compared to 2 in 5 adults (41%) in Tortola had problems making their income cover their living expenses in the last 12 months.
- **As a group, nationals of the other Caribbean countries have more problems than other nationalities making ends meet.**
- In the last 12 months 3 in 5 nationals (60%) from other Caribbean countries had problems having their income cover their living costs.
- Two in five Virgin Islanders (40%) had problems having their income cover their living costs.
- Only 3 in 10 British nationals (30%) had problems having their income cover their living costs.
- Less than 3 in 10 Americans (26%) had problems having their income cover their living costs.
- **Women are having more problems than men making ends meet.**
- In the last 12 months close to 1 in 2 women (45%) found that their income did not cover their living expenses.
- In the last 12 months more than 1 in 3 (36%) men found that their income did not cover their living expenses.
- **Full time workers are having more problems than retirees making ends meet.**
- More than 2 in 5 full time workers (43%) found that their income did not cover their living costs in the last 12 months.

- Only 1 in 5 retirees (20%) found that their income did not cover their living costs in the last 12 months.
- **When adults find their incomes do not quite cover their living costs, to make ends meet the majority choose to cut back on spending or do without, then take money from savings, then used a credit card, and least preferably, borrow food or money from family or friends**
- To make ends meet, more than 1 in 3 adults (36%) cut back on spending, spend less or do without.
- To make ends meet, 1 in 7 adults (15%) take money out of their savings.
- To make ends meet, close to 1 in 8 adults (13%) use a credit card for a cash advance or to pay bills or buy food.
- To make ends meet, 1 in 10 adults (10%) pay their bills late or miss payments.
- To make ends meet, 1 in 8 adults (12%) borrow money or food from family and friends.

VI. Saving

Saving is the concept of storing money away instead of spending it. Through successful saving, people are more likely to have an improved ability to cope with unexpected expenses or financial emergencies. This section explores whether people are saving, their saving habits, and in what forms they are saving or storing their money.

A significant portion of the BVI adults are saving money. Most are building up balances in their bank accounts or putting money into savings accounts. Less are saving money at home or using informal savings clubs, such as partner hands or sou sou. Only a small portion of adults are using investment products to save.

- About 2 in 3 adults (66%) have been building up a balance of money in their bank accounts.
- Close to 2 in 3 adults (65%) have been paying money into a savings account.
- More than 1 in 4 adults (27%) have been saving cash at home or in their wallets.
- About 1 in 5 adults (20%) have been saving in informal savings clubs, such as a partner-hand or sou-sou.
- Only 1 in 7 adults (14%) have been buying financial investment products, such as bonds, stocks and shares.

VII. Financial Planning

Financial planning is the ability to cope with unexpected events and to make provision for the long term. Like saving, financial planning provides one of the best ways to achieve financial security. This section seeks to determine how people will cope if they unexpectedly lose their main source of income or have some other unpredicted event in their lives. It answers the question of how long they will be able to survive on the money they have saved. This section further determines if people are setting long term financial goals and trying to achieve them. It delves into whether people's attitudes and beliefs about money are consistent with their financial planning.

Compared to managing, saving and using their money, fewer numbers of the BVI adults are planning for the future or saving for a rainy day. Less than 1 in 2 adults (48%) have enough money saved that would last them more than six months if they lost their main source of income. One in 5 adults (19%) have enough money saved to last at least three months, but not six months. One in 8 adults (12%) have enough money saved to last at least one month, but not three months. A small percentage of adults only have enough savings to last less than a month.

People in higher income brackets appear to be saving at a greater rate than people in lower income brackets. Men appear to be saving at a higher rate than women. Whites appear to be saving at a much higher rate than Blacks. Other Caribbean nationals as a group appear to be saving at a lower rate than all other national groups. British nationals appear to have the far highest saving rate, followed by Americans, and then Virgin Islanders. Of all age categories, adults ages 20 to 29 have the lowest rate of savings, and adults ages 80 to 89 have the highest rate of savings.

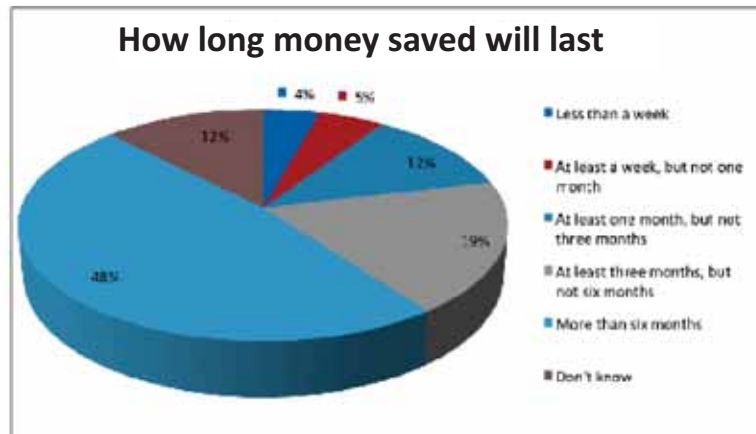
Although only half of adults say they have enough money saved to last them more than six months, significantly more adults (68%) agree that they set long term financial goals and strive to achieve them. People in the higher income brackets, however, are more likely to agree that they set long term financial goals and strive to achieve them than people in the lowest income bracket.

A significant portion of BVI adults prefer to defer spending today in order to save for tomorrow. Only a small percentage of adults find it more satisfying to spend money than to save it. Correspondingly, only small fractions tend to live for today and let tomorrow take care of itself.

How long savings will last

- **Close to 1 in 2 two adults (48%) have enough money saved so far that would last them more than six months if they lost their main source of income.**
- **One in 5 adults (19%) have enough money saved to last at least three months, but not six months.**
- **One in 8 adults (12%) have enough money saved to last at least one month, but not three months.**
- **Close to 1 in 10 adults (9%) only have enough money saved that would last less than one month.**
- **People in higher income brackets appear to be saving at a greater rate than people in lower income brackets.**
- **Close to 3 in 5 adults in the higher income brackets (57% and 55% respectively) have enough money saved that would last them more than six months if they lost their main source of income.**



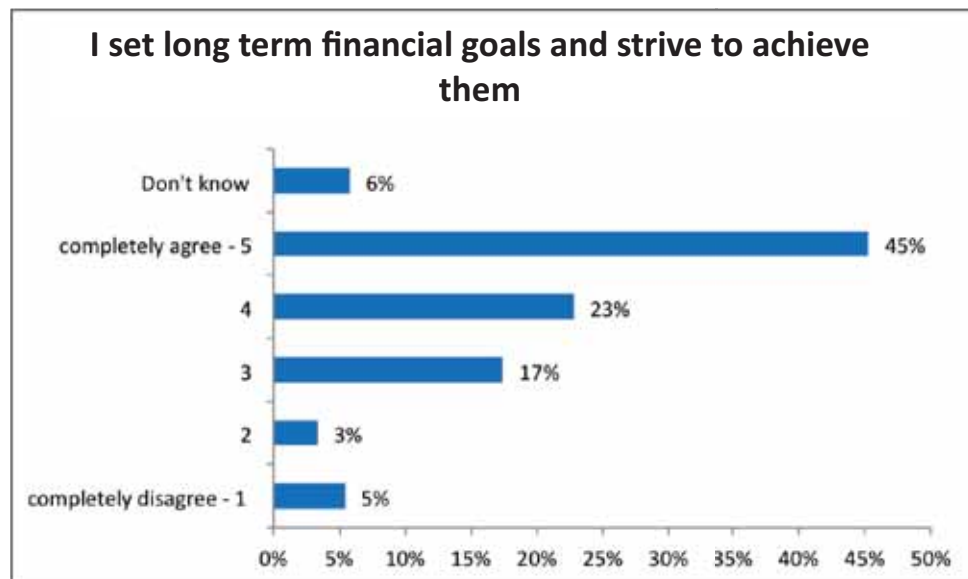


- Close to 2 in 5 adults (39%) in the lower income bracket have enough money saved that would last them more than six months if they lost their main source of income.
- **Men are saving at a higher rate than women.**
- Close to 3 in 5 men (58%) have enough money save that would last them more than six months if they lost their main source of income. Only 1 in 6 men (16%) say that their money saved would last them less than three months.
- Two in 5 women (40%) have enough money saved that would last them more than six months if they lost their main source of income. More than 1 in 4 women (26%) say they only have enough money saved that would last them less than three months.
- **Whites appear to be saving at a considerably much higher rate than Blacks.**
- More than 7 in 10 Whites (72%) have enough money saved that would last them more than six months if they lost their main source of income. Less than 1 in 10 Whites (8%) say the money saved would last them less than three months.
- More than 2 in 5 Blacks (43%) have enough money saved that would last them more than six months if they lost their main source of income. But close to 1 in 4 Blacks (24%) say they only have enough money to last less than three months.
- **Other Caribbean nationals as a group appear to be saving at a lower rate than all other national groups. The British have the highest saving rate, followed by Americans, and then Virgin Islanders.**
- Only 2 in 5 nationals from the other Caribbean countries as a group (39%) have enough money saved that would last them more than six months if they lost their main source of income. Close to 1 in 3 other Caribbean nationals (32%) only have enough money saved that would last them less than three months.
- Close to 1 in 2 Virgin Islanders (46%) have enough money saved that would last them more than six months if they lost their main source of income. One in 5 Virgin Islanders (20%) only have

- enough money saved to last them less than three months if they lost their main source of income.
- Close to 3 in 5 Americans (56%) have enough money saved that would last them more than six months if they lost their main source of income. Just 1 in 6 Americans (16%) only have money that would last them less than three months.
- Close to 3 in 4 Britons (72%) have enough money saved that would last them more than six months if they lost their main source of income. Less than 1 in 10 Britons (8%) only have enough money saved that would last them less than three months.
- **Of all age categories, adults ages 20 to 29 have the lowest rate of savings.** More than 1 in 3 adults ages 20 to 29 (36%) say they have enough savings to last them more than six months if they lost their main source of income. About 2 in 5 adults (23%) ages 20 to 29 only have enough money saved that would last them less than three months.
- **Of all age categories, adults ages 80 to 89 have the highest rate of savings.** In that group, 3 in 5 adults (60%) have enough money saved that would last them more than six months if they lost their main source of income. Of that group, 9 in 10 adults (90%) have enough savings that would last them more than three months.

Financial goals

- **Less than 1 in 2 adults (45%) completely agree that they set long term financial goals and strive to achieve them. Overall, close to 7 in 10 adults (68%) agree that they set long term financial goals and strive to achieve them.**

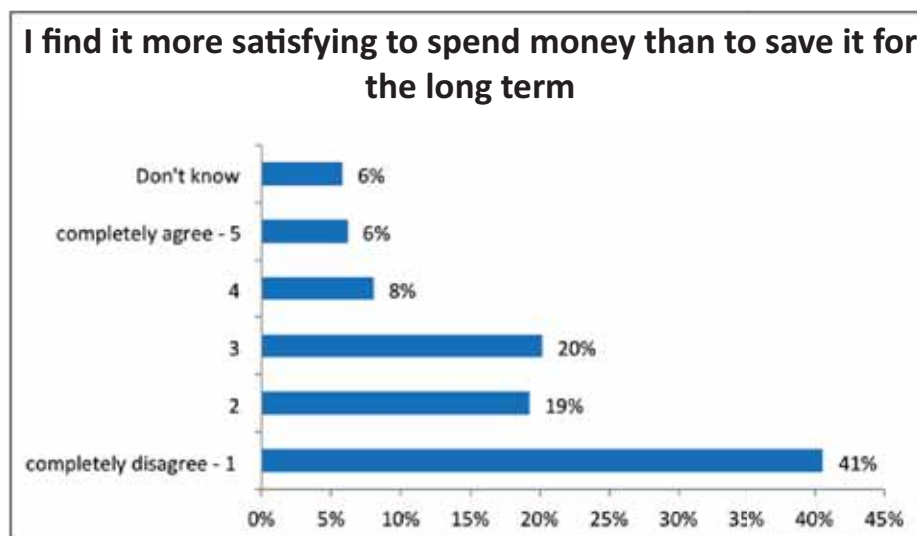


- More than 1 in 2 men (52%) completely agree that they set long term financial goals and strive to achieve them.

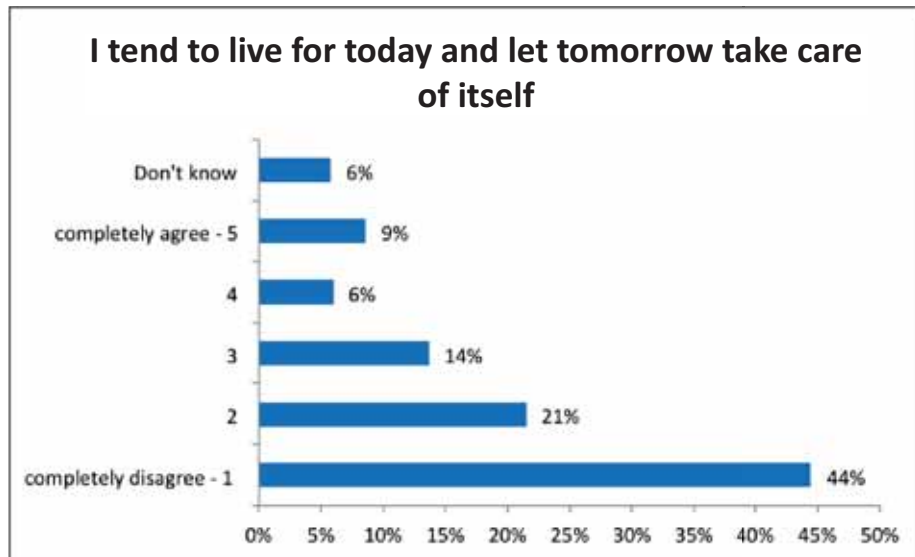
- Just 2 in 5 women (40%) completely agree that they set long term financial goals and strive to achieve them.
- **People in the higher income brackets are more likely to set long term financial goals and strive to achieve them than people in the lowest income bracket.**
- Almost 2 in 5 adults (38%) in the lowest income bracket completely agree that they set long term financial goals and strive to achieve them. Combined, close to 3 in 5 adults (57%) in the lower income brackets agree that they set long term financial goals and strive to achieve them.
- Close to 1 in 2 adults (48%) in the middle income brackets completely agree that they set long term financial goals and strive to achieve them. Combined, more than 7 in 10 adults (71%) in the middle income brackets agree that they set long term financial goals and try to achieve them. Close to 1 in 2 adults (45%) in the higher income brackets completely agree that they set long term financial goals and strive to achieve them. Combined, close to 4 in 5 adults (78%) in the highest income bracket agree that they set long term financial goals and strive to achieve them.

Spending

- About 3 in 5 adults (60%) disagree that they find it more satisfying to spend money than to save it for the long term.
- Less than 1 in 7 adults (14%) agree that they find it more satisfying to spend money than to save it for the long term.

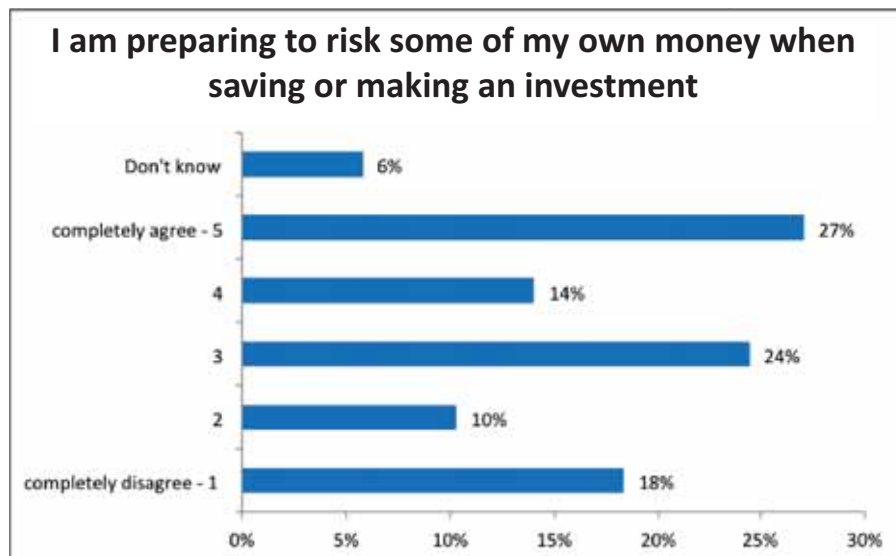


- Close to 2 in 3 adults (65%) disagree that they tend to live for today and let tomorrow take care of itself.
- Close to 1 in 7 adults (15%) agree that they tend to live for today and let tomorrow take care of itself.



Risks

- More people are not averse to taking risk with their money than those who are averse to risk taking.
- Close to 3 in 10 adults (27%) completely agree that they are prepared to risk some of their own money when saving or making an investment, while less than 1 in 5 adults (18%) completely disagree.



VIII. Knowledge and Understanding

Financial knowledge and understanding is the ability to make sense of and manipulate money in its different forms, uses and functions. Financial knowledge and understanding allows people to acquire the skills they need to deal with everyday financial matters and make the right choices for their needs. This section seeks to determine if people have the skills they need to manage their money and deal with routine money matters. It seeks to determine what are their strengths or high areas of competency, and where are there weaknesses or areas of low competency.

Overall survey respondents scored 68% on the knowledge and understanding questions of the financial literacy survey. Almost all respondents (99%) answered correctly the question about simple interest. Close to 90 percent of respondents (87%) answered the question correctly about the meaning of inflation. Respondents scored similarly on the working out percentage of a number (87%) and on the division question (85%). Respondents scored average on the question on savings increasing with simple interest. Respondents scored low on the question on investment of stocks/mutual funds and similarly low on understanding the impact of inflation. The lowest scores were in understanding the principle of compound interest.

- Almost 9 in 10 adults (87%) correctly answered the question on percentage of a number.
- More than 4 in 5 adults (85%) correctly answered the question on division.
- Only 2 in 5 adults (40%) correctly answered the question on the impact of inflation.
- Most adults (99%) correctly answered the question on the basic principle of interest.
- Almost 2 in 3 adults (63%) correctly answered the question on the increasing value of savings with simple interest.
- Only 3 in 10 adults (30%) correctly answered the question on compound interest.
- More than 4 in 5 adults (83%) answered correctly that an investment with a higher than average return is likely to have a higher than average risk.
- Close to 9 in 10 adults (87%) answered correctly that high inflation means that the cost of living is increasing rapidly.
- Only 2 in 5 adults (41%) answered correctly that a single company's stock doesn't usually prove a safer return than a stock mutual fund.



ANALYSIS AND CONCLUSION

The findings in this report reveal a pattern of average to good financial management skills among BVI adults. They have high knowledge, use and understanding of basic financial products, but low knowledge, use and understanding of the more complex ones. Some findings appear to be consistent, while others raise concerns and questions because of inconsistencies. In general, the results provide insight into BVI adults' behavior, attitudes and knowledge with regard to money matters.

There is a high correlation between low income and financial difficulties. The lower the income, the more likely people are to have financial difficulties. This inverse relationship is likely the result of people's incomes being insufficient to meet the extremely high cost of living in the BVI, rather than them being incapable money managers, although this may be a contributing factor. What becomes evident, however, is that inadequate or low incomes make the process of money management more difficult.

Low incomes also make saving a challenge. Low income earners, whose incomes are already overtaxed trying to make ends meet, naturally don't have extra money to save. Conversely, people who earn more, have higher rates of saving, as their incomes are more than sufficient to meet their living costs.

Like savings, budgeting correlates positively with income. The higher their income, the more likely people are to have a household budget and the lower the income, the less likely people are to have a household budget.

Budgeting is also one of the areas where there is inconsistency between what people believe they do and what they actually do. A large percentage of people say they keep a close personal watch on their financial affairs, yet less have a household budget. An even greater discrepancy exists between people who say they carefully consider if they can afford it before buying something and those who have a household budget.

These inconsistencies may suggest that they do not understand budgeting as a concept or that they have a different meaning of keeping close watch on their financial affairs. Keeping close personal watch on financial affairs and carefully considering if they can afford it before making a purchase should both entail consulting a budget.

As a caveat, the survey question takes for granted that people understand what a budget is, and simply asks, "Do you have a household budget?" The results raise the question: what do people define as a budget? Culturally in the BVI, when people say, "I'm on a budget," it means that they are cutting back or operating on meager resources. When budgeting is defined and understood correctly, it may turn out to be a stronger variable in people's ability to make ends meet and ultimately in their money management capabilities.

Although the rate of saving varies with income, most people still appear to be saving or at least trying to save in some form or another, whether they are building up a balance in their bank accounts or using informal saving clubs, such as a partner hand. The concern arises with how much they are actually saving and how long their savings will last if they lose their main source of income. Too few have enough money saved that will last them a reasonable length of time in, for example, unemployment.

Financial experts used to recommend that people have enough money saved in an emergency fund to cover between three to six months worth of living expenses. With the financial crisis leaving more people unemployed for longer periods, some experts now say that the amount saved should be able to cover at least eight months of living costs.



A further concern is that the people who already have the most problems making ends meet are the same ones that have the smallest security cushions. Losing their main source of income or having to deal with an emergency would undoubtedly push them even deeper into financial difficulties. People in this most vulnerable group are likely working class expatriates, whose incomes may also be heavily taxed by remittances to meet financial obligations in their home countries.

Also of interest is that most people say they set long term financial goals and strive to achieve them, yet not enough are planning for retirement, if the low percentage of those who hold a pension fund is used as an indicator. With most people in full time employment, the number of people without a pension fund (70%) is startlingly high. This will have to be addressed to conform with the Labour Code which now requires employers to provide pension plans to their permanent employees. As a prerequisite to joining a pension plan, however, consumers must be educated on general retirement planning, investing, risks, returns and diversification, seeing that their knowledge and understanding of these financial concepts are low.

It will not augur well for the BVI's financial services if consumers are uninformed about the products they are purchasing. People in the BVI appear to be passive consumers of financial products. Many do not do a lot of shopping around and principally rely on the advice of sellers to help them choose which products to take out. This can be detrimental if consumers end up in the hands of unscrupulous or predatory sellers.

With pyramid, Ponzi schemes and other fraudulent ventures on the rise, consumers need to be informed and alert to avert being scammed. They must know the right questions to ask and what to look out for before making purchases of financial products.

Overall, these findings suggest that people are more likely to be managing their money day to day, than planning for the long term. Many are having challenges making ends meet and finding it hard to save for a rainy day. The corollary is that most people are trying to be responsible and live within their means, no matter how difficult. For the majority, their approach to making ends meet is to cut back on spending or do without, rather than to use credit or borrow. This is reassuring and suggests that people desire to manage their money better.

People in all demographics and income levels need to learn how to live within their means and survive and thrive financially. It is understood that financial literacy is not a one-size-fits-all approach and must address people's individual needs and circumstances as they go through the various stages of life. Experience shows that people learn best if they are taught at their most "teachable moments." Thus, information must be readily at their disposal and in accessible format when they are ready for it.

With the coming on stream of *Money Matters BVI*⁵ and the increased education on financial matters it provides, hopefully, there should be marked improvement in overall financial literacy of the BVI population, particularly in areas identified as deficient. It is unlikely that *Money Matters BVI* will be able to affect BVI's high cost of living or inadequate incomes which constrain money management, but it will provide people with useful tools and education on how better to manage their money, choose favorable financial products, and plan for the future.

⁵ Money Matters BVI is the financial literacy programme of the BVI Financial Services Commission. Money Matters BVI will provide financial education for people as they go through the various stages of their lives using a variety of media.

APPENDIX

INTERNATIONAL NETWORK ON FINANCIAL EDUCATION

FINANCIAL LITERACY MEASUREMENT QUESTIONS & SOCIO-DEMOGRAPHICS

I would like to start by asking you a few background questions, so that we can put the main part of the survey into context.

QD1)	Please could you tell me your marital status?	a) Married b) Single c) Separated/divorced d) Living with partner e) Widowed f) Don't know g) Refused	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
QD2 a)	How many children under the age of 18 live with you?	a) Record number --- b) Don't know c) Refused	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
QD2 b)	How many people aged 18 and over live with you, Please do not count yourself.	a) Record number --- b) Don't know c) Refused	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>

Now I am going to move on to ask about money matters. Please can you start by telling me:

QF1)	Who is responsible for day to day money management (paying the bills) in your household?	a) You b) You and your partner c) You and another family member (or family members) d) Your partner e) Another family member f) Nobody g) Don't know h) Refused	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
QF2)	Do you have a household budget?	a) Yes b) No c) Don't know d) Refused	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
QC1_a)	Please can you tell me whether you have heard of any of these types of financial products.	Mark All that apply 1. A pension fund 2. An investment account, such as a unit trust 3. A mortgage 4. A bank loan secured on property 5. An unsecured bank loan 6. A credit card 7. A <current> account 8. A savings account 9. A microfinance loan 10. Insurance 11. Stocks and shares 12. Bonds (Don't know, refused)	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>

QC3) Which source of information do you feel most influenced your decision about which to take out?

DO NOT READ OUT _1 Product-specific information

- a) Unsolicited information sent through the post
- b) Information picked up in a branch

DO NOT READ OUT _2 Best buy guidance

- c) Information found on the internet
- d) Information from sales staff of firm providing the products (including quotes)

DO NOT READ OUT _3 General advice

- e) Best-buy tables in financial pages of newspapers/magazines
- f) Best-buy information found on the internet
- g) Specialist magazines/publications
- h) Recommendation from independent financial adviser or broker

DO NOT READ OUT _4 Media coverage

- i) Advice of friends/relatives (not working in the financial services industry)
- j) Advice of friends/relatives (who work in the financial services industry)
- k) Employer’s advice

DO NOT READ OUT _5 Adverts

- l) Newspaper articles
- m) Television or radio programmes

DO NOT READ OUT _6 Other

- n) Newspaper adverts
- o) Television adverts
- p) Other advertising
- q) Other source
- r) Don’t know
- s) Not applicable
- t) Refused

We are now going to talk about more general money matters. Remember that there are no particular wrong or right answers: everyone has their own way of doing things.

<p>QM1 Using a scale of 1 to 5, where 1 is completely disagree and 5 is completely agree, please can you tell me how much you disagree or agree with each of the following statements:</p>	<p>a) Before I buy something I carefully consider whether I can afford it b) I pay my bills on time c) Money is there to be spent d) I keep a close personal watch on my financial affairs</p>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
<p>QM2) Sometimes people find that their income does not quite cover their living costs. In the last 12 months, has this happened to you?</p>	<p>a) Yes b) No c) Don't know d) Refused</p>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
<p>QM3) What did you do to make ends meet the last time this happened? Mark all that are relevant. DO NOT READ OUT _1 Existing resources</p>	<p>a) Draw money out of savings or transfer savings into current account</p>	<input type="text"/> <input type="text"/>
<p>DO NOT READ OUT _2 Creating resources DO NOT READ OUT _3 Access credit by using existing contacts or resources</p>	<p>b) Cut back on spending, spend less, do without c) Sell something that I own d) Work overtime, earn extra money e) Borrow food or money from family or friends f) Borrow from employer/salary advance g) Pawn something that I own h) Take a loan from my savings and loans clubs</p>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
<p>DO NOT READ OUT _4 Borrow from existing credit line</p>	<p>i) Take money out of a flexible mortgage account j) Apply for loan/withdrawal on pension fund k) Use authorised, arranged overdraft or line of credit l) Use credit card for a cash advance or to pay bills/buy food</p>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
<p>DO NOT READ OUT _5 Access additional credit</p>	<p>m) Take out a personal loan from a financial service provider (including bank, credit union or microfinance) n) Take out a payday loan o) Take out a loan from an informal provider/moneylender</p>	<input type="text"/> <input type="text"/> <input type="text"/>
<p>DO NOT READ OUT _6 Fall behind/ go beyond arranged amount</p>	<p>p) Use unauthorised overdraft q) Pay my bills late; miss payments</p>	<input type="text"/> <input type="text"/>
<p>DO NOT READ OUT _7 Other responses</p>	<p>r) Other s) Don't know t) Refused</p>	<input type="text"/> <input type="text"/> <input type="text"/>



QP1) In the past 12 months have you been saving money in any of the following ways? **Mark all that apply.**
 INTERVIEWER: Read categories to respondent.

a) Saving cash at home or in your wallet	<input type="checkbox"/>
b) Building up a balance of money in your bank account	<input type="checkbox"/>
c) Paying money into a savings account	<input type="checkbox"/>
d) Giving money to family to save on your behalf	<input type="checkbox"/>
e) Saving in <an informal savings club>	<input type="checkbox"/>
f) Buying financial investment products [examples such as bonds, investment trusts, stocks and shares]	<input type="checkbox"/>
g) Or in some other way (including remittances, buying livestock or property) (Don't know, refused)	<input type="checkbox"/>

QP2) Thinking about all the money that you have saved so far, how long would this money last you for if you lost your main source of income. (Interviewer stress if necessary, that is, how long could you continue to cover your expenses for without borrowing any money?)

INTERVIEWER: READ OUT a-e

a) Less than a week	<input type="checkbox"/>
b) At least a week, but not one month	<input type="checkbox"/>
c) At least one month, but not three months	<input type="checkbox"/>
d) At least three months, but not six months	<input type="checkbox"/>
e) More than six months.	<input type="checkbox"/>
f) Don't know	<input type="checkbox"/>
g) Refused	<input type="checkbox"/>

QP3) Now, again using a scale of 1 to 5, where 1 is completely disagree and 5 is completely agree, I would like to know how much you disagree or agree with each of the following statements:
 INTERVIEWER: READ OUT EACH STATEMENT AND WAIT FOR RESPONSE

a) I set long term financial goals and strive to achieve them	<input type="checkbox"/>
b) I find it more satisfying to spend money than to save it for the long term	<input type="checkbox"/>
c) I tend to live for today and let tomorrow take care of itself	<input type="checkbox"/>
d) I am prepared to risk some of my own money when saving or making an investment	<input type="checkbox"/>

The next section of the questionnaire is more like a quiz. If you don't know the answer, just say so.

INTERVIEWER: READ QUESTION AGAIN IF ASKED

- | | | | |
|--------|---|---|--|
| QK1) | If a person takes home \$1400 and 50% of this goes on rent, how much is their monthly rent? | a) Record response - - -
b) Don't know
c) Refused | <input type="text"/>
<input type="text"/>
<input type="text"/> |
| QK2) | Imagine you are in a lottery syndicate that wins \$10,000. If there are five of you in the syndicate how much does each person get? | a) Record response - - -
b) Don't know
c) Refused | <input type="text"/>
<input type="text"/>
<input type="text"/> |
| QK3) | Imagine now that the lottery prize fund is empty, and your lottery syndicate has to wait for one year to get the \$10,000. In one year's time will you be able to buy: | a. More with the prize money than you could today;
b. The same amount;
c. Or, less than you could buy today.

d. It depends on inflation
e. Don't know
f. Refused | <input type="text"/>
<input type="text"/>
<input type="text"/>
<input type="text"/>
<input type="text"/>
<input type="text"/> |
| QK4) | You lend \$25 to a friend one evening and he gives you \$25 back the next day. How much interest has he paid on this loan? | a) Record response - - -
b) Don't know
c) Refused | <input type="text"/>
<input type="text"/>
<input type="text"/> |
| QK5_a) | Suppose you put \$100 into a savings account and the guaranteed interest rate is 2% per year. You don't make any further payments into this account. How much would be in the account at the end of the first year? | a) Record response - - -
b) Don't know
c) Refused | <input type="text"/>
<input type="text"/>
<input type="text"/> |
| QK5_b) | and how much would be in the account at the end of five years? Would it be: | a) More than \$110
b) Exactly \$110
c) Less than \$110
d) Or is it impossible to tell from the information given
e) Don't know
f) Refused | <input type="text"/>
<input type="text"/>
<input type="text"/>
<input type="text"/>
<input type="text"/>
<input type="text"/> |
| QK6) | I would like to know whether you think the following statements are true or false: | a) An investment with a higher than average return is likely to have higher than average risk
b) High inflation means that the cost of living is increasing rapidly
c) Buying a single company's stock usually proved a safer return than a stock mutual fund | <input type="text"/>
<input type="text"/>
<input type="text"/> |

IF answered correctly (\$102) at QK2_a ask:



I would now like to ask you a few more questions about yourself and your household. We want to make sure that we have talked to people from all kinds of households, to reflect our national population.

ASK everyone the questions in this section			
QDi)	(GENDER) Interviewer to record gender	a) Male b) Female	<input type="text"/> <input type="text"/>
QDii)	(REGION) On which of the Virgin Islands do you live	a) Tortola b) Virgin Gorda c) Anegada d) Jost Van Dyke e) Other Out Islands	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
QD3)	(AGE) Please could you tell me how old you are, currently or what year were you born	a) RECORD AGE --- b) Year of birth b) Refused	<input type="text"/> <input type="text"/> <input type="text"/>
QD4)	(ETHNIC) Please can you tell me how you would describe your ethnicity?	a) African/Black b) Amerindian c) White/Caucasian d) Chinese e) Indian f) Philippions g) Asian h) Mixed i) Don't know j) Refused	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
QD5)	(WORKSTAT) And which of these best describes your current work situation? INTERVIEWER: READ OUT: stop and mark the first that applies	a) In full time employment b) In part time employment c) Looking for work d) Looking after the home e) Unable to work due to sickness or ill-health f) Retired g) Student h) Not working and not looking for work i) Apprentice j) Other k) Don't know l) Refused	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
QD 6)	People get income from a wide range of sources. This might include wages and salaries, benefit payments, pensions or maintenance payments. Considering all the sources of income coming into your household each month, which of these categories does your household income usually fall into?	a) [Low income (up to 75% of median household income) b) [Average income] c) [High income (more than 125% of median household income)] d) Don't know e) Refused	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>



QD7) (INCSTAB) Which of the following describe how regular or reliable your household income is?

INTERVIEWER: READ OUT a-c: mark all that apply:

- a) My [our] income varies from week to week, month to month, or season to season
- b) Sometimes I [we] do not receive my [our] income on time
- c) Sometimes I [we] do not receive any money at all
- d) Don't know
- e) Refused

QD8) (EDU) And finally, What is the highest educational level that you have attained? **[NOTE: if respondent indicates that they are a student at QD4, code highest level s/he expects to complete]:**

READ OUT: stop and mark the first that applies

- a) Higher than degree level, including higher professional qualifications
- b) University-level education
- c) Technical/vocational education beyond secondary school level
- d) Complete secondary school
- e) Some secondary school
- f) Complete primary school
- g) Some primary school
- h) No formal education
- i) Refused



