

KEY INFORMATION FOR CONSUMERS

for government subsidised old age pension schemes in Germany

Final Report for the Federal Ministry of Finance (BMF)
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Executive Summary

With the current study, the institut für finanzdienstleistungen (*iff*) presents a standardised information sheet for certified old-age pension schemes that are subsidised by the German government (Riester-Rente, Basis-Rente). The product information on the sheets cover different financial investment and saving products such as annuity insurances, investment funds, savings plans, building society home savings accounts, mortgage loans and combined products.

The content of the information sheet was provided by the German Federal Ministry of Finance (BMF) in a first legal draft for key information. Disclosure was restricted to a document of two pages, with a maximum of three pages in the case of insurance products. The objective is for the key information to be used on the World Wide Web as a first source of information (model form) and during the advisory process (individual form). The focus of the study was on the most appropriate linguistic and graphic presentation and transposition of the government requested content, elaborated and developed through the testing of the sheets with consumers.

Key information has two main functions: Consumers use them in their decision-making process when choosing to buy a product; and providers use them to explain products, the characteristics of the product including future developments of these over time under different market scenarios and in situations of change in personal living conditions of the consumer. Information must be “usable, useful and used”. The economic effect of information provision should be a development of the market towards better products for consumers.

Findings of the study showed that the key elements were a clear and comprehensible language, short sentences without technical terms, and a logical structure in the presentation of the information. The target of the product information was the consumer without a specific knowledge about financial products. The developed key information was tested on 194 consumers. The results showed that the majority of consumers understood the information and were able to compare products and prices based on the use of the key information.

iff developed different options for the presentation of risk classification and cost elements together with illustrations of expected annual yields. A parameter for ‘reduction in yield’ is proposed accompanied with effective costs given in Euro. The key information also includes a notice concerning the effect of inflation and the costs to be incurred in case of switching to another provider or early cancelation.

For this study, the institut für finanzdienstleistungen (*iff*) worked together with experts for language and consumer information (Grunert/Rohn, tedieva), graphic designers (Götz/Fritze) and a financial economist in relation to scenarios for annual yields and the amount of nominal capital and old-age pensions (Jaroszek, ZEW).