



*everyone's family*

**Submission to the  
Australian Securities &  
Investment Commission's  
*Shaping a National Financial Literacy  
Strategy for 2014-16* Consultation Paper**

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The Smith Family welcomes the opportunity to respond to ASIC's national financial literacy strategy 2014-16 consultation process. We are pleased to see this important work being continued given the role such a strategy can play in supporting and sustaining the prosperity of our society and unlocking opportunities for disadvantaged families to participate more fully. Research and evaluation have shown the multiple gains in wellbeing resulting from higher levels of financial literacy, including increased household stability, greater social connectedness and improved health.<sup>1</sup> It also has an important role to play in increasing economic participation.

Our comments below do not seek to respond to each question posed in the consultation paper, but rather to comment on those areas where we feel we have a contribution to make to this important national framework.

## **Background on The Smith Family**

The Smith Family is a national, independent charity committed to increasing the educational participation and achievement of Australian children and young people in need. Our belief is that every child deserves a chance and our mission is to create opportunities for young Australians in need, by providing long-term support for their participation in education.

The Smith Family provides holistic and long-term support to children and young people, from pre-school, through primary and secondary school and on to tertiary studies. In 2011-12, it supported over 106,000 children, young people and parents/carers nationally. This included close to 43,000 children, young people and parents/carers through our suite of *Learning for Life* programs. Over 34,000 young people were supported through an educational scholarship, of whom 14% were of Aboriginal or Torres Strait Islander background.

Significant numbers of children, young people and parents/carers also participated in programs facilitated by The Smith Family, including a range of programs aimed at explicitly supporting the development of financial literacy skills and aspirations of secondary and tertiary students and parents and carers. These programs recognise that sound financial capability is an essential skill for functioning in modern society and is increasingly important to the long-term wellbeing of individuals and the community.<sup>2</sup> Our current programs addressing financial literacy include: Saver Plus, Financial Literacy Certificate 1 (for both parents and secondary school students), Money for Wellbeing and Money Minded.<sup>3</sup>

As well as this explicit focus, our emphasis is on educational engagement and attainment which are keys in the longer term for breaking the cycle of disadvantage. Given that there is strong evidence that those who achieve higher levels of education generally enjoy greater earning capacity and achieve higher levels of all aspects of financial literacy, including financial control, we consider that this premise is fundamental to changing the landscape of financial literacy in Australia.

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<sup>1</sup> M. Sherraden, 'Assets, Poverty and Public Policy', Presentation at the 'International Year of Microcredit' Conference, Melbourne 2005

<sup>2</sup> ANZ, *Financial literacy and inclusion*, <http://www.anz.com/aus/aboutanz/Community/Programs/FinLit.asp>, 2008 Accessed 16<sup>th</sup> February 2013

<sup>3</sup> Further details on all of these programs can be provided.

## The Smith Family's approach to supporting children and young people

The Smith Family's approach focuses on the multiple influences which impact on a young person's wellbeing and participation in education, namely:

- Personal characteristics/attributes – for example social skills, self esteem, attitudes, intentions.
- Family – for example the resources they have access to, parental aspirations and engagement in child's learning.
- Peers – for example aspirations, attitudes to education, risk taking behaviour.
- Learning and care institutions such as schools – for example teacher quality, student mix, school ethos, expectations of students.
- Community – for example the economic and infrastructure resources available, role models, social capital/cohesion and safety.
- Society – for example norms and values relating to diversity, equity.

## Developing and defining financial literacy

- **Do you agree with the proposed definition of financial literacy?**

The proposed definition is consistent with the OECD definition and incorporates a number of factors essential to the achievement of financial literacy skills. However, whilst ASIC has noted that those with limited financial resources face additional challenges with regard to financial stability, and that adequacy of income is a key factor in determining available financial resources, the proposed definition does not reflect this. There are a broad range of factors that shape an individual's financial circumstances including but not limited to, their skills and abilities. Research has revealed a convincing link between socio-economic status (SES) and adult financial literacy levels. In Australia in particular, the following characteristics have been consistently demonstrated in ANZ-commissioned studies, as being strongly associated with lower levels of financial literacy:<sup>4</sup>

- People who are relatively young (under 25 years);
- People with no formal post-secondary education;
- People with relatively low levels of income and assets (e.g. those whose main source of income is a Government benefit or allowance; those with annual household incomes below \$25,000; those with less than \$2,000 in savings and investments);
- Those working in lower blue collar occupations; and
- Females.

TSF proposes that the definition acknowledge that circumstances have a major influence with regards to the achievement of financial literacy. This could be incorporated through the addition of the underlined text below:

*“Financial literacy is a combination of financial awareness, knowledge, skills, attitudes and behaviours necessary to make sound financial decisions based on their personal circumstances, and ultimately achieve individual financial wellbeing.”*

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<sup>4</sup> ANZ Survey of Adult Financial Literacy in Australia (2011)  
<http://www.anz.com.au/resources/f/9/f9fc9800493e8ac695c3d7fc8cff90cd/2011-Adult-Financial-Literacy-Full.pdf.pdf?> Accessed 16 June 2013

Given our understanding of the intergenerational nature of disadvantage, TSF would like to see a reference to the role that parents/carers play in supporting their children to develop financial capability (in its broadest sense), reflected in the definition and broader approach.

## Related issues or policies

### What are the key related issues or policies that we should take into account in shaping the 2014-16 strategy?

- The Smith Family welcomes the recent trials including financial literacy inclusion in the National Curriculum for Schools. The implementation of the curriculum content should incorporate what we know about youth learning and behavioural change. The current approach through the Economics and Business curriculum has a primary focus on knowledge, skills and attitudes. It is important for the approach to also include aspects of behavioural economics and opportunities to explore social, cognitive, and emotional factors that influence people's behaviour with money. Strong financial education needs to be relevant to the target cohort and there must be *teachable moments* to have the greatest impact. Educators should be trained to make content relevant to students' lives and appeal to student's self-interest. Financial education has to go beyond the mechanics to have appeal to young people and have a lasting impact.
- Financial crisis affects around 6% of the adult population who struggle to live on an individual weekly income of up to \$200 and a further 12% of the population whose weekly income is up to \$300<sup>5</sup>. This represents almost three million Australians who do not have assets or wealth to fall back on, and many of whom rely on access to income support, food, clothing or other support through not for profit community services and low-cost financial products to survive. Increasing income, participation and wellbeing for these people is a social imperative but also makes sound economic sense in terms of improving the capability of Australia's financially excluded. Enabling the financial mobility of Australians with inadequate income is estimated to be worth billions to Australia's economy.
- ASIC has acknowledged in a number of reports and online communications, the increasing complexity of financial products and the changing nature of the sector. The financial decisions individuals are making are more complicated than they were in the past, and this is a particular issue for people on low incomes and/or of lower educational or English literacy background. The Smith Family advocates a strategy to fill the gaps in the availability of low-cost financial products and services for low income families, providing them with options other than turning to payday lending or emergency relief services for help. We encourage moves by financial institutions to offer no-fee banking and low-interest credit products that are designed to help financially excluded people.

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<sup>5</sup> Daymark/Good Shepherd Microfinance, *Financial inclusion continuum*, 2012

## Related issues and policies

ASIC's Background paper to this consultation as well as the consultation paper itself identifies a number of related issues and policies. Of these, The Smith Family considers that the following are key to supporting increased financial literacy, in particular for disadvantaged families:

### i. Monitoring the digital divide

Access to and capacity to utilise the internet is increasingly critical to daily functioning in Australia. Full participation in education (homework and school assignments), as well as an increase in the availability of online financial products and services requires consistent home access to a computer and internet connection, as well as the capability to utilise these resources. Increasingly organisations, including ASIC, are providing important information on financial products, skills and resources through websites (eg MoneySmart website). People who do not have this access face additional barriers to full participation in broader society, including financial communities.

The Commonwealth Social Inclusion Board's Reports, *How Australia is faring* (2010 and 2012), include data on access to a computer and the Internet and show that people with lower levels of educational attainment, people who have been jobless long-term, people with a disability and people from a non-English speaking background, are much less likely than others to use the Internet at home:

- 55% of the lowest income quintile households have home internet access compared to 95% of households in the highest income quintile.<sup>6</sup>

Children growing up in households where there is no access to the internet face additional barriers in relation to their potential to achieve at school and break the cycle of disadvantage. The Smith Family has recently produced a report showing that over 30% of children aged 5 to 14 years who were living in Australia's most disadvantaged communities did not access the internet at home over the last 12 months.<sup>7</sup> This is placing them at a significant disadvantage given the pervasive role digital technology now plays in Australia.

### ii. Links to literacy and numeracy

Financial decisions require some level of capacity to undertake calculations, and to understand basic (and in some instances more complex) mathematical ideas. Studies and surveys implemented in Australia and a number of other countries show that levels of numeracy (and comprehension literacy) are lower amongst people from lower socio-economic status backgrounds and those who have lower levels of educational attainment. This has potential consequences for individuals and for society as a whole because numeracy is linked to many financial decisions. Now more than ever, numeracy and financial literacy are lifetime skills necessary to succeed in today's complex economic environment.

## Strategic goals and areas of focus

- **What do you see as the three most important strategic goals for the 2014-16 strategy?**

The 2011 ANZ survey of adult financial literacy shows clearly that there are groups of people in our communities who consistently demonstrate below average levels of financial literacy. These include younger people, people on low incomes or in receipt of government benefits, and Aboriginal and Torres Strait Islander peoples.

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<sup>6</sup> ABS, Household Use of Information Technology Survey, 2010-11 cat no. 8146.0, in ASIB, *How Australia is faring*, 2012 p50

<sup>7</sup> *Sport, culture and the internet: Are Australian children participating?* (2013) The Smith Family

The Smith Family considers that outcomes for people on low incomes in particular, could be strengthened through the provision of low-cost financial products. These products would reduce the likelihood of them needing to seek emergency help through high cost lending outlets (given that they are too high a credit risk for mainstream financial services). While a number of banks and financial institutions are focussing aspects of their corporate social responsibility on partnerships with government and community sector not-for-profits to deliver financial education programs for low income families, these institutions could also focus resources on providing no-fee banking and appropriate credit products designed to support financial inclusion of a broader range of people. The Smith family also supports recent progress in developing financial literacy skills through schools, and recent ASIC programs to engage younger people through online financial literacy products. We would see that there is a potential opportunity to leverage this development to also engage parents/carers of children, in particular in low SES schools, through the extension of the opportunity to participate in after-school financial literacy workshops.

Approaches to working with Aboriginal and Torres Strait Islander families and communities should be underpinned by principles of working in partnership to strengthen Aboriginal and Torres Strait Islander organisations to develop and deliver culturally appropriate educational resources and products, recognising the specific cultural concerns which may underpin financial transactions in these communities.

Another ongoing challenge for building financial literacy is expanding the coordination of efforts that support young people and adults to acquire the knowledge, skills and behaviours that underpin financial capability. To achieve this, people need first to become aware that there is a problem to be dealt with, and then learn how to overcome it. This sometimes requires taking responsibility for breaking poor habits and replacing them with positive financial behaviours.

Financial education delivered in isolation of an understanding of the circumstances of those whom it is targeting will ultimately be unsuccessful. A life-skills approach to financial literacy education helps to achieve self-management and coping skills, critical thinking, decision-making skills and interpersonal skills.<sup>8</sup> For service delivery to achieve these changes, sustained mentoring and support in the community is also required.

## **Key actions**

### **What are the key actions that will have the most impact on people's behaviour?**

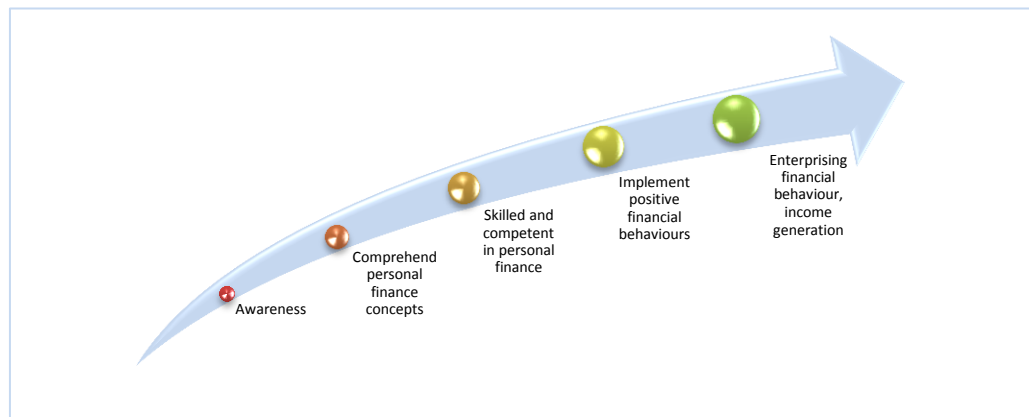
The process of achieving changed financial habits includes raising awareness and acceptance that there is a problem, and then building required knowledge and skills. However, to be financially literate, and to change circumstances, an individual must also implement these financial skills and behaviours. At the end of this continuum of financial literacy, enterprise and entrepreneurial behaviour require resourcefulness and innovation to generate wealth.<sup>9</sup>

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<sup>8</sup> UNESCO/Delors, Learning to know, 1996 in The Smith Family/AXA *Money for Wellbeing*, p42

<sup>9</sup> The Smith Family/ AXA Applied Research, *Money for wellbeing: developing emotional resilience and financial responsibility*, unpublished 2009 p10

Figure 2 Continuum from financial awareness to enterprising financial behaviour



The Smith Family/AXA Applied Research  
Money for wellbeing: developing emotional resilience and financial responsibility, 2009 [unpublished]

### Successful approaches for working with people to change financial literacy behaviours

Research by the UK Cabinet Office<sup>10</sup> on the implications of behavioural change found a core set of successful strategies for policy development and service delivery, including to:

1. Build on existing successful policy;
2. Offer early intervention to build financial capability before people reach crisis points;
3. Increase community referral points and information outreach through related services; and
4. Target people who are ready to act or ready to move towards it.

Many financial literacy programs are designed to raise awareness and build knowledge of personal financial issues and concepts. Research has found that few mainstream programs are designed to develop positive attitudes and behaviours around money.<sup>11</sup> Therefore, a focus on behaviour change should be a core part of the curriculum offering in any financial education program, and recognise that changing behaviour is a complex mix of motivation, confidence, and a range of emotional and psychological factors.

### Are there particular segments of the community that should receive more or less priority?

Those cohorts identified in the ANZ 2011 survey should be given priority, given the available evidence. As noted, The Smith Family supports the ongoing work of ASIC in ensuring that young people have access to financial literacy information through a range of media. We note that young people are increasingly targeted by marketing products turning them into consumers at an ever younger age. It has been estimated that tweens (children aged 6 to 13 years) account for \$4 billion worth of direct and indirect consumer decisions in Australia and that two thirds of major retailers worldwide actively target kids.<sup>12</sup>

<sup>10</sup> Halpern et al, *Personal Responsibility and Changing Behaviour: The State of Knowledge and Its Implications for Public Policy*

UK Cabinet Office, Prime Minister's Strategy Unit, 2004 p10 at <http://www.strategy.gov.uk>

<sup>11</sup> The Smith Family/AXA Applied Research, *Money for wellbeing: developing emotional resilience and financial responsibility*, unpublished 2009 p10

<sup>12</sup> Source: Global Trend Marketing 2005; Bridges and Briesch 2006; McNeal 1998 as cited in Downie and Glazebrook, Australia Institute Research paper No.41, February 2007

We also note the importance of ensuring that children and young people growing up in low income households receive additional support to ensure that they can access appropriate information and resources. Integrating financial literacy into a range of existing service provision (eg school events or youth services) for these children, young people and their families, enables them to access information through a soft entry approach in a non-threatening way.

### **Gaps and opportunities**

Ultimately, the acquisition of a good education that equips young people with a range of skills, including adequate literacy and numeracy skills, enabling them to access knowledge of financial matters is a key preventative measure to ensure future financial capability outcomes. Research shows clearly that achievement of Year 12 or equivalent is the key catalyst to breaking the cycle of intergenerational financial disadvantage, by providing the skills required to achieve employment and earning potential. The Smith Family notes that while the overall proportion of young people attaining Year 12 or Certificate II is rising, Australia continues to have geographic and socio-economic divides in educational outcomes.

Opportunities in the short to medium term are to:

- Build on the current approach to teaching financial literacy skills in schools
- Ensure that Aboriginal and Torres Strait Islander peoples have access to culturally appropriate support, which recognises cultural mores and commitments
- Ensure an integrated approach rather than stand-alone services when seeking to target support services to low SES communities. This includes building on existing initiatives in a place-based way.
- Build on good longitudinal data currently being collected through for example *Saver Plus*, *Money Minded* programs but also delve a bit more deeply into what works for whom and why.