



everyone's family

Submission to the Australian Securities & Investment Commission's National Financial Literacy Strategy Consultation

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The Smith Family welcomes the opportunity to respond to ASIC's National Financial Literacy Strategy Consultation 2017, providing input to refine and update the National Strategy for 2018. We acknowledge the importance of a national strategy in the area of financial literacy continuing, and the ongoing significance for government, community and business to work together to improve the financial knowledge of Australians and in particular the priority audiences.

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 strategy.

Background on The Smith Family

The Smith Family is the largest Australian children's education charity helping disadvantaged young Australians to succeed at school, so they can create better futures for themselves.

Today, one in seven children and young people are living in poverty across Australia¹, where even life's basics are hard to come by. When families are experiencing financial disadvantage, children can fall behind in their learning, leaving them more vulnerable to experiencing hardship themselves later in life.

Investing in the education of a disadvantaged child today has long-term benefits for them, their families and the communities they live in. Supporting a disadvantaged child to participate fully in their education opens their mind to a world of opportunity and positive change. Helping them to succeed at school has a lasting impact on their lives and potentially the generations to come.

In the last year our work reached more than 127,000 disadvantaged children and families in 94 communities across Australia.

The Smith Family offers a number of programs that aim to increase financial literacy and capability: Saver Plus, Money Minded and Certificate 1 in Financial Services. These programs aim to increase knowledge and skills to improve money management.

P1. Updating the language of the National Strategy from 'financial literacy' to 'financial capability'

The Smith Family supports the proposal to update language of the National Strategy from financial literacy to financial capability. We recognise that financial literacy is a vital and important component of the broader concept of financial capability, but that there is the potential for the concept to limit thinking to the pure acquisition of financial knowledge

¹ ACOSS & SPRC (2016), Poverty in Australia, 2016, Australian Council of Social Services, Sydney.

or skills. The concept of financial capability incorporates knowledge and skills, but also has the capacity to incorporate other important factors which influence financial behaviour.

The concept of capability incorporates having the power or practical ability necessary for doing something. Viewed this way, *financial capability* refers to the full set of factors that shape a person's financial circumstances, including but not limited to, their skills and abilities. As determined by the discussions of the Social Inclusion Board, financial capability can be broken down into four components, which together determine a person's financial possibilities:

Adequacy of Income Financial skills and access to financial services cannot address a shortfall where an individual or household income is insufficient to meet nondiscretionary expenses such as food, rent, medical, transport and utility bills². While access to appropriate credit to address unforeseen expenditure is important to people on low incomes individuals, it is only helpful if they have the capacity to repay.

Financial Literacy refers to a broad range of skills, knowledge and behaviours which enable people to make good financial decisions based on their circumstances, and an individual's capacity to understand the benefits and risks of various financial products and services. *Financial literacy* reflects the individuals' decision making power, not their financial circumstances³.

Financial Exclusion generally refers to exclusion from mainstream financial products and services. This can occur due to individuals being perceived by mainstream financial services as 'too risky to price' because of many factors, including: low income and no assets; a lack of a positive or local credit history or identification documents; geographical barriers; poor education; low income; and the high cost of basic financial services. Self-exclusion occurs where individuals do not approach mainstream services based on negative prior experiences, negative expectations; the cost of financial products; cultural factors; or lack of awareness.

Financial Autonomy and Agency—points to the financial decision-making power of an individual within a relationship, household or extended family, as well as an individual's ability to access financial products and services. Personal financial management often does not occur at the individual level, and can be affected by relationship dynamics and family obligations. A higher proportion of Aboriginal and Torres Strait Islander Australians and migrants or humanitarian entrants experience a range of barriers to accessing financial products which can affect people's financial agency. These include: a lack of identification documentation; lack of a credit history (for migrants, lack of a local credit history); a lack of culturally appropriate financial products, or poor English

² South Australian Council of Social Service, *Cost of Living Update*, February 2011

³ Australian Securities and Investment Commission, *National Financial Literacy Strategy*, March 2011

skills which limits communication, understanding and the ability to make informed decisions¹

P3. Propose that the 2018 National Strategy will emphasise the following core behaviours that support improved financial capability: managing money day-to-day, planning for the future; and making informed decisions

The Smith Family supports the National Strategy moving towards behaviour based outcomes in the 2018 Strategy.

Behavioural changes around managing money day-to-day and making informed decisions have higher potential for long term positive impact for low income families. The research shows that improved financial capability can lead to increases in health and welfare. The 10 year review of the Saver Plus program reported that building self-efficacy of participants has a positive effect on a person's wellbeing, including reducing stress, knowledge enabling participants to develop long term saving habits, and increased spending on education for themselves and their children⁴

The ANZ Survey of Adult Financial Literacy in Australia (2015)⁵ found that people with higher levels of education and income had greater knowledge of financial services. The core behaviours therefore need to be tailored to those in greater need, including low income families, women and young people. Initiatives should be communicated in a way that is targeted, inclusive and understandable by these groups. Liaising with subject matter experts in these areas will be key to implementing successful educational initiatives. Organisations that already have trusted relationships should be approached to communicate and educate around these core behaviours⁶.

The Smith Family has shown that gaining financial literacy is a process of first raising awareness, building knowledge and skills. To be financially literate, a person needs to implement these financial skills and behaviours. At the end of this continuum of financial literacy, enterprise and entrepreneurial behaviour require resourcefulness and innovation to create income generation⁷.

Research has questioned whether existing financial educational programs meet the needs of individuals in managing their daily financial responsibilities and long-term retirement goals, noting there is a wide gap

⁴ Russell, R, Steward, M, Cull, F, (2015) Saver Plus: A Decade of Impact. RMIT University

⁵ ANZ (2015), ANZ Survey of Adult Financial Literacy in Australia: Summary of Findings

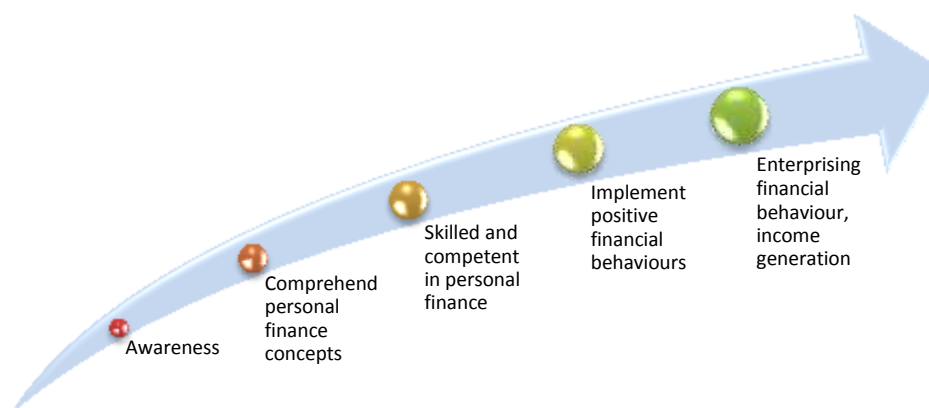
⁶ Wilson, G, Grant, A (2017): Not Without Me: A Digital World for all

⁷ The Smith Family and AXA Applied Research, Money for wellbeing: developing emotional resilience and financial responsibility, unpublished 2009 p10

between some programs to increase financial literacy, and the skills individuals need to manage their finances⁸.

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 money⁹. A life-skills approach to financial literacy education can help to achieve self-management and coping skills, critical thinking and decision-making skills and interpersonal skills¹⁰.

Continuum from financial awareness to enterprising financial behaviour



The Smith Family and AXA Applied Research, 2009 unpublished p10
Money for wellbeing: developing emotional resilience and financial responsibility

Priority Audiences

- **A number of priority audiences have been identified under previous National Strategies. What are the most important priority audiences for the 2018 National Strategy to focus on?**
- **[those identified are: people with disability NDIS, people in newly-arrived communities, sole parents who may be experiencing long periods of financial hardship]**

The Smith Family acknowledges and supports the proposal to add three new priority audiences to the National Strategy.

⁸ Taylor & Wagland, University of Western Sydney, *The Solution to the Financial Literacy Problem Is To Educate the Young- Where are we now?*, 2011

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

¹⁰ UNESCO, Delors Report: *Learning to know*, 1996 in TSF&AXA *Money for Wellbeing* p42

From a policy perspective, we believe that capability building across a range of settings needs to consider the multiple factors that impact on and influence outcomes for particular cohorts of people and target support to them accordingly. Social and financial inclusion is influenced by complex and compounding interplays of factors. Our experience is that unless appropriate support is provided, these impacts are intergenerational.

There is clear evidence that in Australia low income creates a barrier to accessing mainstream financial products and services. In general, people with low income or poor financial literacy are excluded from accessing financial products and services because of the high cost of financial products; a lack of affordable small-amount credit products; language or locational barriers; or in many instances manipulative conduct by rogue businesses such as pay day lenders.

Demographic characteristics common to many financially excluded people include:

- low educational attainment and poor literacy and numeracy;
- non-English speaking background;
- lone parent (particularly female);
- low or no access to financial products such as a transaction account, credit card and basic insurance;
- low income or Government income support recipient; and
- public housing tenant or private renter¹¹.

Research by the Centre for Social Impact found a number of other factors that contribute to financial exclusion in Australia¹². These include:

- physical /geographical exclusion in regional and remote areas;
- lack of appropriate products (lack of basic low cost financial products or not promoted; unscrupulous practices by traders); and
- self-exclusion (negative credit history, cultural practice, preference for face-to-face transactions).

¹¹ For example research by the Personal Finance Research Centre, University of Bristol and Financial Services Authority UK, *Levels of Financial Capability in the UK: Results of a baseline survey 2006*, accessed online at <http://www.esds.ac.uk/doc/5697%5Cmrdoc%5Cpdf%5C5697results.pdf>

¹² CSI & NAB, *Measuring financial exclusion in Australia*, 2012 available online at <http://www.csi.edu.au/assets/assetdoc/67877789328ec931/Measuring%20Financial%20Exclusion%20in%20Australia%20May%202012.pdf>

The addition of sole parents is a priority group is supported by The Smith Family as it builds on the previous National Strategy and the priority audience of women. The 2016 Census results show that 82% of sole parents with children aged 0 – 17 are women¹³. Sole mothers struggle with long term financial planning as they are often negotiating financial crisis¹⁴. Providing greater information and education to this group will have a positive impact on the children they are supporting.

The Saver Plus 10 Year review¹⁵ indicates that by providing financial education to an individual, that this information filters down to their family members. Therefore, by providing financial information to sole parents, it is likely that some of the financial knowledge will be passed to their children, and go some way to ending disadvantage.

We are also very aware of the additional inclusion challenges faced by people impacted by chronic health or disability issues. 40% of students and 50% of parents supported by The Smith Family through our Learning for Life program have a health or disability issue

Broadening stakeholder reach and engagement with the National Strategy

D2.1 Working collaboratively has been an essential element of previous National Strategies. What are the most effective ways of broadening stakeholder reach and engagement with the National Strategy?

Firstly, we would like to commend ASIC for work to date in ensuring that this issue is on the national agenda and in engaging a wide range of stakeholders in your work to date. The opportunities for discussion, information and practice sharing and enabling collaboration are highly valued.

The Smith Family have successfully forged a number of partnerships including government, corporate and not-for-profits to increase students and families engagement with learning. The following outlines strategies that have successfully increased our reach and may be relevant to the National Strategy:

- Develop a clear and resourced advocacy agenda to engage stakeholders
- Use existing networks to cascade information to untapped areas.
- Hiring experts in key stakeholder engagement e.g. government/education sector to develop and maintain partners

¹³ ABS (2016): Accessed:

http://www.censusdata.abs.gov.au/census_services/getproduct/census/2016/quickstat/036

¹⁴ Women's Advisors Meeting Working Group on Superannuation and Financial Literacy (2007): Effectively communicating superannuation and financial literacy messages to woman

¹⁵ Russell. R, Steward. M, Cull. F, (2015) Saver Plus: A Decade of Impact. RMIT University

- 'How to' resources that clearly outline partner and stakeholder responsibilities
- Professional advisory groups with the purpose of increasing reach and engagement

In addition to the initiatives already underway, The Smith Family would be interested in the establishment of an online hub or national clearing house to support collaborative approach across sectors. While we appreciate that some of this function is being performed by Financial Literacy Australia, we believe that the involvement of ASIC could provide deeper engagement across sectors on a number of financial issues and a resource for best practice in providing information to the key priority groups.

D2.2 How could initiatives aligned with the National Strategy strengthen the capabilities of professional practitioners and intermediaries to assist Australians with money matters and financial decision making?

The Smith Family agrees that one of the challenges is strengthening the capability of practitioners working in financial assistance service delivery. This has also been a challenge for our organisation with availability of skilled facilitators to provide in-class training within our communities.

The Smith Family encourages the creation of a network of practitioners with a Certificate IV in Training and Assessment that are also trained in standard concepts around financial literacy that could be accessed by a number of organisations implementing financial literacy programs. This could be of benefit both to organisations knowing that practitioners all have a standard level of knowledge (prior to program specific training), and also to the individuals as a way of specialising in this area and having more consistent work available.

Digital delivery methods are a mechanism to increase participation in programs and provide an opportunity to deliver with consistency and quality. The Smith Family is investigating digitising our Certificate 1 in Financial Services as a way of enabling the program to be available to more high school students.

Emerging Opportunities and challenges

D3.1 When updating the National Strategy, what emerging opportunities should be considered?

The Smith Family supports the idea of increasing financial resilience, particularly with families of low income. It is important that families are equipped with knowledge and behaviours to withstand financial shocks.

We recognise through the delivery of *Saver Plus* that providing a person with appropriate tools can lead to a decrease in financial insecurity. Some of the secondary outcomes of *Saver Plus* have been reduced reliance on Government benefits, decreased household debt, and continued investment in education¹⁶.

The Smith Family's *Learning for Life* program recognises that disadvantaged children need extra support to stay at school and go on to further studies or a job. *Learning for Life* helps create better futures for children in need by providing:

- financial assistance from a sponsor to help disadvantaged families afford the cost of their child's education;
- support from a *Learning for Life* Program Coordinator to connect the child and their family to local learning opportunities and other supports; and
- access to Smith Family educational programs to help children get the most out of their school years.

This financial assistance, combined with support and educational programs is an approach that our organisation has found strongly encourages engagement and achievement in education. Programs with a similar approach regarding financial resilience may also be successful.

Building financial resilience is a positive step in supporting priority groups, but the messages must be targeted appropriately, rather than a standard approach. Organisations that already have trusted relationships with the priority groups should lead or identify those who might benefit from particular strategies¹⁷

D3.2 Are there issues that might require greater emphasis in the 2018 National Strategy?

The Smith Family acknowledges the significant work undertaken by ASIC to engage young people in financial capability building. However, the data continues to indicate that further effort is needed in this regard. Increasing numbers of young people are not accessing information about financial matters and are less engaged than in previous years¹⁸. While we believe that the inclusion of financial literacy in the National Curriculum, and the MoneySmart professional development offered to teachers, there needs to be a continued focus on young people and ensuring that

¹⁶ Russell, R, Steward, M, Cull, F, (2015) *Saver Plus: A Decade of Impact*. RMIT University

¹⁷ Wilson, G, Grant, A (2017): *Not Without Me: A Digital World for all*

¹⁸ ANZ (2015), *ANZ Survey of Adult Financial Literacy in Australia: Summary of Findings*

financial understanding is provided early in primary and through high school.

The Smith Family would welcome a continued emphasis on the curriculum and ensuring that the content stays relevant for young people. The subject should be taught in an engaging manner, but also with a level of relevance that is locally specific or immediately useful.^{19 20} The most recent PISA report measuring 15 year olds found that in Australia approximately 20% do not have basic financial literacy^{21 22}. In particular those from low income families, Aboriginal or Torres Strait Islander and rural backgrounds struggled with financial literacy. The increase in participants in the Certificate 1 Financial Services offered by The Smith Family, demonstrates that schools are seeing this opportunity that is of benefit to high school students.

D3.3 What are the potential challenges to be considered in the 2018 National Strategy?

The impact of digital access as led to a more connected world, however while increasing numbers of people are accessing online information they may not necessarily have the skills or knowledge to access financial information appropriately. Digital inclusion considers access, affordability and digital ability. Those who are digitally excluded have low levels of income, education and employment²³. These are among the same groups considered to have lower levels of financial literacy²⁴ Reports show increasing use of financial products; however young people and women are two groups that aren't informing themselves around financial matters²⁵. It is often presumed that young people are not an 'at risk' group due to their engagement with digital devices. However, technically able young people may still need support in developing their skills, particularly around digital safety²⁶ and accessing appropriate financial information.

A key preventative measure to ensuring positive financial behaviours is ensuring adequate literacy and numeracy skills. The research states that those with lower education have lower financial literacy skills²⁷.

¹⁹ Wilson, G, Grant, A (2017): Not Without Me: A Digital World for all

²⁰ Sawatzki, C (2017): Why is Australian 15 year olds financial literacy declining, accessed <https://theconversation.com/why-is-australian-15-year-olds-financial-literacy-declining-78332>

²¹ OECD (2017): PISA 2015 Results (Volume IV), Students' Financial Literacy

²² Sawatzki, C (2017): Why is Australian 15 year olds financial literacy declining, accessed <https://theconversation.com/why-is-australian-15-year-olds-financial-literacy-declining-78332>

²³ Thomas, J, Barraket, J, Wilson, C, Ewing, S, MacDonald, T, Tucker, J & Rennie, E, 2017, Measuring Australia's Digital Divide: The Australian Digital Inclusion Index 2017, RMIT University, Melbourne, for Telstra

²⁴ ANZ (2015), ANZ Survey of Adult Financial Literacy in Australia: Summary of Findings

²⁵ ANZ (2015), ANZ Survey of Adult Financial Literacy in Australia: Summary of Findings

²⁶ Wilson, G, Grant, A (2017): Not Without Me: A Digital World for all

²⁷ ANZ (2015), ANZ Survey of Adult Financial Literacy in Australia: Summary of Findings

Achievement of Year 12 or equivalent is key to breaking the cycle of intergenerational financial disadvantage, by providing the skills to achieve employment and earning potential. Literacy and numeracy skills need to be tackled alongside increasing financial understanding.

Approaches to working with Aboriginal and Torres Strait Islander families and communities should be underpinned by principles of working in partnership. The Strategy should look to working with Aboriginal and Torres Strait Islander organisations to develop and deliver culturally appropriate tools, recognising the specific cultural concerns which may underpin financial transitions within these communities.

Research, measurement and evaluation

D4.1 How can we collectively improve research, measurement and evaluation of financial capability initiatives aligned with the National Strategy?

The Smith Family strongly believes in evidence based research and evaluation of programs targeting vulnerable Australians. We ensure that our programs and support that respond effectively and efficiently to the needs of the disadvantaged children, young people, families and communities we help. Therefore, we are very encouraged by ASIC's commitment to improving this area as part of the National Strategy and strongly support a system where results can be shared across sectors.

Our organisation supports the creation of a national financial capability research plan to guide activity and enhance coordination. Some examples are an online hub or national clearing house that supported a collaborative approach across the sectors. We would encourage financial support and partnerships with community organisations to allow for external evaluations. We would welcome shared information around capturing behavioural change and longitudinal data, as areas that The Smith Family is interested in evaluating more closely within the financial literacy context.