



Australian Government
Department of Health and Ageing

NATIONAL ADVISORY COMMITTEE ON AGEING

The Secretariat
Consumer and Financial Literacy Taskforce, SCGSD
Department of the Treasury
Langton Crescent
PARKES ACT 2600

Dear Sir/Madam

Submission on the Discussion Paper
Australian Consumers and Money

I am writing on behalf of the National Advisory Committee on Ageing (NACOA) in response to your Taskforce's call for comments on the Discussion Paper *Australian Consumers and Money*.

NACOA was established in 2002 to advise the Minister for Ageing about issues of national relevance to the ageing of Australia's population. NACOA promotes discussion on, and raises awareness of, significant issues associated with the ageing of the Australian community. Its membership includes representatives appointed by the Minister for Ageing from a wide spectrum of Australian experience and perspectives on ageing, for example, academia, the financial sector, seniors' organisations, aged care service providers and the community.

An issue of concern identified by NACOA is adult financial literacy. A presentation to Committee members in July 2003 on the "ANZ Survey of Adult Financial Literacy in Australia" by the ANZ Banking Group provided insight into the extent of financial illiteracy in Australian adults. The survey, which had been conducted through 3500 telephone surveys and 250 face-to-face interviews, found (amongst other things) that:

- there is a strong link between socio-economic status and financial literacy;
- only 27% of those surveyed had made an effort to work out how much money they would need in retirement;
- 39% of respondents either do not read or do not understand their superannuation statements; and
- 40% of those aged over 35 with inadequate savings thought they would be living in retirement "at least as comfortably as they live today."

These are disturbing findings. NACOA therefore welcomes the Australian Government's decision to address the issue of financial literacy across the whole population, and is pleased to have the opportunity to contribute to the Taskforce's deliberations.

Role of the financial sector

NACOA recognises that consumers currently face difficulties accessing appropriate financial information and having to make decisions based on their understanding of it. NACOA suggests that the financial sector needs to provide information in a more user-friendly format, that is, in plain English that avoids legal and technical jargon as far as possible.

Investments, loans, credit etc

There is a particular need to help people of all ages to understand the benefits and pitfalls of investments, loans, credit and credit cards. Many people do not fully understand the financial and other implications of obtaining housing loans, car loans and other forms of credit, or of making only the minimum payments specified on their monthly credit card statements.

Financial management and planning

The usefulness of financial management and planning may be reduced if conducted in isolation. A more broadly based and holistic approach would be desirable, particularly with respect to considering issues such as retirement income.

Role of employers

NACOA believes that consideration needs to be given to the role that employers can play in helping their employees better understand, inter alia, their financial needs in retirement. Employer sponsored seminars could be one mechanism for achieving this.

The proposed coordinating body

NACOA supports the Taskforce's proposal to establish a new coordinating body to better connect information providers with consumers. Such a body could be funded jointly by the public and private sectors and should be able to offer unbiased and independent advice to consumers as well as members of the financial and other relevant sectors. The coordinating body's terms of reference should specifically include addressing the financial literacy needs of older people in Australia.

Starting at an early age

NACOA appreciates that raising awareness about financial matters needs to start from an early age. Learning about ageing and financial literacy, should be recognised and supported from the primary years of schooling. Financial literacy skills are required at all ages.

Gender variables

NACOA noted that women face discreet challenges in achieving financial independence and in managing their financial affairs. Such challenges can have a significant impact on issues such as their decisions about retirement and retirement income.

Retirement decisions

Older people who are either approaching retirement or have retired have to make a number of decisions on matters such as housing choices, superannuation, pension products and estate planning. NACOA suggests that there is a need for further research into the best ways of

providing financial education to older people and how to assist them in developing their skills in this arena.

Housing equity

NACOA believes there is a need for older people who own their own homes to have access to easy-to-understand information about ways of using the equity in their housing to generate income streams in their retirement years. Older people may need personalised advice on the applicability of these products to their particular circumstances. This advice needs to address the opportunities of products as well as the levels of risk involved in leveraging home equity to fund retirement living. Consumers should be encouraged to seek advice from properly licensed and qualified practitioners who do not have a potential conflict of interest.

Financial abuse of the elderly

NACOA believes it is important to address the issue of financial abuse of the elderly. Providing older people with proper financial skills and/or access to reliable information sources will help them to better understand, and be less likely to be misled by, some financial advisers. The elderly would also be better equipped to resist undue pressure from family and friends when considering financial questions such as investments, going guarantor for another person, signing a power of attorney, authorising access to bank accounts, and so on.

Entry to retirement villages and aged care

Frail older people who may be considering entry into a retirement village or an aged care service facility face significant financial decisions. Such people and their family members need to have access to reliable and comprehensive information regarding their options and the costs associated with each of those options. This role is currently being performed to some extent through agencies such as Centrelink and brochures from the Department of Health and Ageing.

NACOA was recently briefed on Housing Equity in Retirement Living by Mr Kevin Bailey, CFP. Mr Bailey is a NACOA member as well as founder of Money Managers Limited. Mr Bailey is available on telephone (03) 9614 1929 to comment further on the Committee's submission as appropriate. I can be also contacted on telephone (02) 6289 5212 should you require further information.

Yours sincerely

(signed)

Kevin Vassarotti
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NACOA Secretariat
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