

THE AUSTRALIAN CENTRE FOR INVESTOR EDUCATION © proudly presents  
**THE SHAREHOLDERS' AND INVESTORS' CENTRE**

Correspondence to:  
Mr Ted Hook  
GPO Box 1844  
BRISBANE 4001

The aim of The Centre is to promote financial literacy by providing educational resources for members and their families to research and analyse general information about money, savings and investing as they plan for the future.

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Wednesday 4 August, 2004

Mr Paul Clitheroe  
Chairman  
Consumer & Literacy Taskforce  
Langton Crescent  
Canberra 2600

Dear Paul

Thank you for the kind invitation to attend the Public Meeting held at Legends Hotel on the Gold Coast on 2 July. Members of The Centre appreciated the opportunity to meet with you and some of your fellow Taskforce members and to learn more about the philosophy and import of the Taskforce.

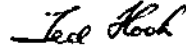
Please find attached The Centre's written response to the Discussion Paper. We have taken some time to circularise all our members as set out in a copy of our newsletter. We believe it is important to canvass as wide a view as possible for this most important challenge facing the nation.

We believe that The Centre is, in a small way, carrying out some of the objectives and proposed activities outlined in the Taskforce's Discussion paper. The Centre will continue to develop its PACE for its members and their families and for the general public. We will continue to target our two markets - AFL and FLY - as described in our response.

The Centre would be pleased to assist you further in your important deliberations and would welcome you or any of your colleagues who may wish to visit or attend any of our activities.

In commending you on the work you are doing for the nation, The Centre looks forward to being able to continue to improve its work and therefore seeks your advice and encouragement concerning a Capacity Building Grant.

Yours sincerely



(Ted Hook)

Att.

The Centre is a meeting place providing educational and general information about financial literacy. The Centre contains resources on general financial information but does NOT provide specific financial advice. It is a place for members and their families to become better informed about asset allocation, budgeting, savings and investing. In The Centre, Personal Members meet and exchange ideas between themselves or organise meetings with The Centre's Corporate supporters. The Centre is the main activity of the Australian Centre for Investor Education, a not-for-profit organisation to help people of all age groups become better informed about their financial management and planning.

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**SUBMISSION FROM THE AUSTRALIAN CENTRE FOR INVESTOR EDUCATION in response to AUSTRALIAN CONSUMERS AND MONEY – A Discussion Paper by the Consumer and Financial Literacy Taskforce.**

**INTRODUCTION:** The Australian Centre for Investor Education (The Centre) is pleased to accept the invitation of the previous Minister for Revenue and Assistant Treasurer, Senator Helen Coonan to make a submission on the Discussion Paper prepared by The Consumer and Financial Literacy Taskforce. Some members of The Centre's management met with Mr Paul Clitheroe, Chairman of The Taskforce on 2 July, 2004 at Legends Hotel, Surfers Paradise. They also met with Taskforce members David Deans, Andre Lewis and John Kening as well as Vicki Stylianou of The Secretariat. The Centre has also been forwarding responses to the questionnaire from its members and from young people.

**THE CENTRE'S SUBMISSION**

The Centre's submission is arranged as follows:

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# **Consumer Literacy Taskforce – Draft Submission**

## **FROM THE AUSTRALIAN CENTRE FOR INVESTOR EDUCATION (THE CENTRE)**

### **Section 1: Functions of the Australian Centre for Investor Education**

Since 2001, the Australian Centre for Investor Education (ACIE or The Centre) has provided the following services:

- 1 The Centre conducts an ongoing program of morning workshops and half day seminars (topic details appear in Appendix 3). These are conducted by members of The Centre where the emphasis is on consumer and financial literacy, especially for the following age groups –
  - young people aged 15 to 25 years who are often secondary students, apprentices, trainees, college or university students or recent graduates
  - people in the age range 25-55 years in full time employment who are realizing the importance of financial education for themselves and the future of their families.
  - mature age people aged 55 years and over, many who are self funded retirees, part pensioners and retired people who have made a significant contribution to the nation but are now concerned about coping adequately with their sunset years.
- 2 An information resource library consisting of textbooks, journals, company reports, research by financial analysts and Internet access. Resources are accessible to members and their families for educational and self-help purposes to further their own financial literacy and to learn more about money management and increasing their net worth.
- 3 The Centre occupies a small but well-equipped space provided by corporate and individual members and therefore is able to be a venue where new and more experienced shareholders and investors can come together to discuss matters of mutual interest.
- 4 Displays detailing the services provided by Corporate members. While The Centre does not endorse the displayed products, it encourages members to make informed decisions by carrying out their own analysis and research and to exercise due diligence.
- 5 The Centre has among its corporate and individual members:
  - persons licensed to provide various types of financial advice;
  - people from finance-related professions such as accountants and bankers;
  - experienced, registered teachers and university lecturers; and
  - people with a business backgroundall of whom assist in various ways to the success of The Centre.

## **Section 2: The Centre's Response to the Consumer and Financial Literacy Taskforce Discussion Paper (The Paper)**

The Centre and many of its members have read The Paper and support its philosophy and recommendations. In particular, The Centre would like to highlight its concurrence with the following points:

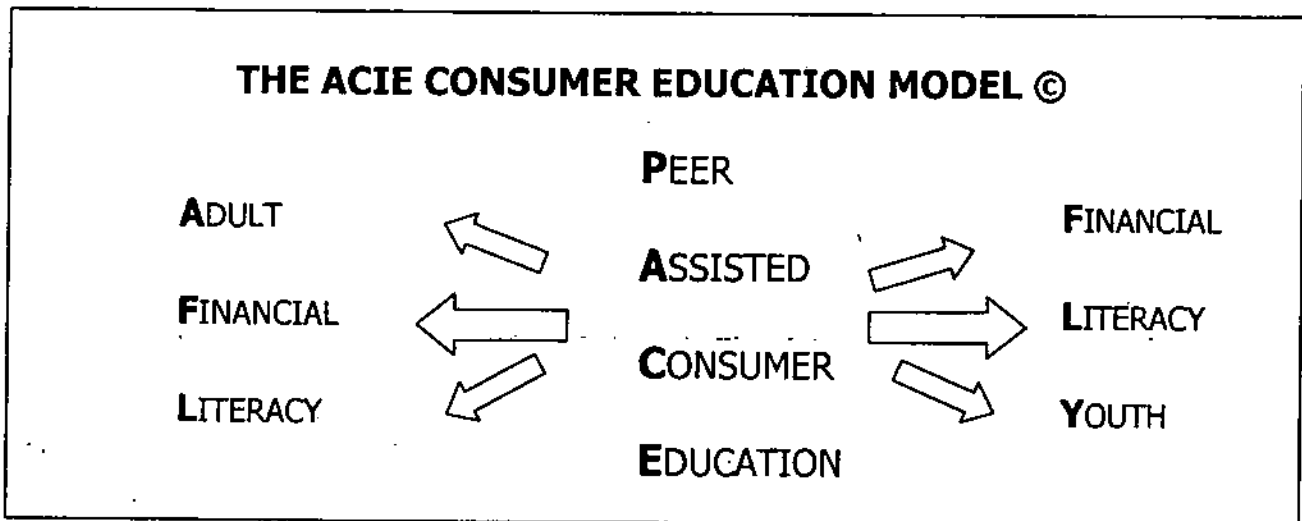
1. Chapter 4 of The Paper which proposes that a central coordinating body be established to bring together the growing volume of consumer and financial information. However, it seems likely that those consumers who are least informed about financial decision making would be unlikely to make use of a clearing-house website or work their way through the information provided.
2. As outlined in Chapter 2, The Centre acknowledges the complexity of consumer decision making and agrees that a multi-disciplinary approach is needed. We agree that significant life stages and life events trigger the need for more information and skills to assist in making financial decisions. This provides the "teachable moment" when individuals are more likely to actively engage in learning. At other times when people are not so motivated it is often the case that, no matter how well-prepared, targeted and presented information may be, little if anything is achieved. Some of these life events are well-known and it is to those people finishing school/starting tertiary study or work, and to those people retiring or planning for retirement that The Centre has directed its attention.

The Centre also agrees that it is important to understand that each person is different, with different backgrounds and experiences that impinge on their need for and interpretation of information and the nature of their decision-making. There is a limit to how well any information provider can "tune in" to the specific needs of individuals and to the cultural nuances that shape their acceptance and understanding of information and the ways in which they make their decisions. That is one reason why The Centre uses a peer-assisted model where members of the group are more likely to approach a topic from a similar perspective. We agree with the Taskforce that understandings obtained in this way have more consistent success than those obtained under an "information asymmetry" assumption.

3. With reference to Chapter 3, The Centre, in its research, also finds consumer and financial education in Australia to be disjointed and inconsistent.
4. The Centre agrees with the conclusions in The Paper that Australia needs –
  - a) An effective framework to understand financial literacy
  - b) An effective structure to improve information provision across sectors.
5. To meet these needs, The Centre acknowledges that the Consumer Behaviour Model appearing on page 9 of The Paper is a useful starting tool for understanding the factors contributing to consumer decision-making and providing a framework within which information may be provided to consumers in a timely, effective and appropriate way.
6. The Centre acknowledges the congruency of the objectives and functions of the body proposed by the Taskforce (pp77-78) with The Centre's services, outlined previously in Section 1.

### Section 3: Peer Assisted Consumer Education (PACE) – An initiative of The Centre

1. Since its inception, The Centre has supported the concept of learning from others. This has been built upon to create a structured program whereby members can assist each other in a conducive environment.
2. This structured program has two audiences – mature age people and younger people, who are often secondary and tertiary students. The diagram below depicts this idea:



PACE is an interactive learning approach where, under the guidance of group leaders, participants learn from each other by sharing experiences, listening to speakers, analysing research papers, debating issues and carrying out cost-benefit analyses of consumer and financial products.

PACE focuses on learning new concepts and building knowledge in order to assist people in making informed decisions as consumers, particularly with relation to financial products. By learning from the actual experiences of peers, participants will be experiencing real life situations rather than only textbook theories and hypothetical case studies.

3. Themes which have been or are currently being developed for both AFL and FLY are shown in Appendix 1. Content in these modules is illustrated through the principle of "Pay Yourself First" as shown at Appendix 2. The program of seminars, talks and workshops for Centre members over the last 12 months is attached at Appendix 3

## **Section 4: Application for Capacity Building Grant**

1. The Centre would like to highlight that it currently performs some of the functions of a central coordinating body on a smaller scale. The Centre is willing to assist such a body by sharing its resources for consumers in Queensland. Members of The Centre have been active in the past three years in conducting Financial Education programs in regional centres of Queensland.
2. To assist The Centre research and further develop its financial education services, The Centre wishes to apply for a Capacity Building Grant as referred to in Fig. 4.3, page 72 of The Paper.
3. The priorities The Centre sees for the use of funding are to:
  - Expedite the development of modules already in preparation or proposed – finalise presentations, train more peer group facilitators and assemble support materials.
  - Extend The Centre's services to geographical areas outside Brisbane.
  - Extend The Centre's services to other community groups eg. to local Community Centre which have self-identified needs within their clientele.
  - Develop our work with families which is at a very early stage. The Centre sees this as vital in view of the paucity of financial education in the nation's schools, colleges and universities.
  - Enhance our existing network of corporate and professional contacts and with them, collaboratively provide a multi-disciplinary approach to improve the awareness, sustainability and effectiveness of PACE and reduce unnecessary duplication.
  - Continue the process of evaluation and renewal of existing programs and where appropriate, co-operate with or be part of accrediting agencies.

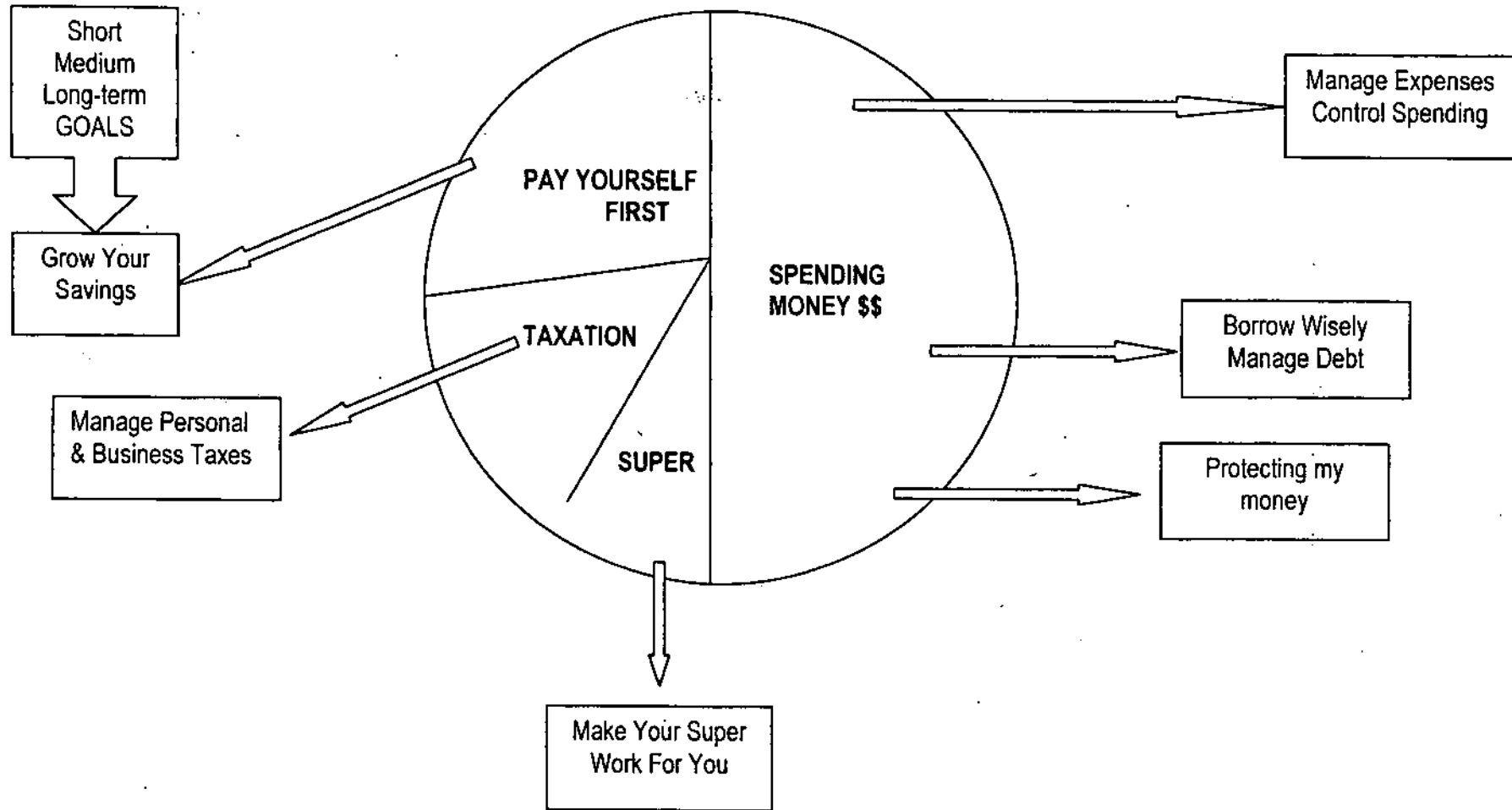
**COURSE CONTENT OF PACE ©**

<b>Module</b>	<b>FLY</b>	<b>AFL</b>
1. SETTING FINANCIAL GOALS	Determining weekly/monthly income and spending capacity Budgeting basics	Simple and complex budgets Determining monthly income Calculating your net worth
2. GROWING SAVINGS AND BUILDING ASSETS	What to do with my income Types of accounts – transaction vs higher interest accounts Compound interest Investment options for young people	Different forms of investment How to determine wise investments Asset allocation Tax implications for investors
3. PROTECTING MONEY	Insurance – different types and how they work Internet banking	Choosing between Insurance policies Managing investment risks How to manage lump sums of money eg Inheritances, insurance payouts etc Internet banking – pros and cons
4. MANAGING EXPENSES	Mobile phones – pre-paid vs contracts Impulse buying/instant gratification Expenses associated with becoming independent eg moving out of home, car/transport, social life University expenses	Prioritising expenses Buying expensive items Types of expenses – fixed vs variable
5. SUPERANNUATION AND SAVING FOR RETIREMENT	How do super funds work How to choose the best super fund for my needs	How to evaluate different super funds 'Do It Yourself' vs managed funds
6. BORROWING MONEY	How do loans work Good debt vs bad debt Borrowing options Alternatives to banks Debit vs credit cards	Implications of long-term loans Evaluating different loans How much is too much
7. MANAGING TAX	How much tax do I have to pay How to lodge an individual tax return	Tax offsets Dividend imputation Business Activity Statements

Appendix 2

THE FOUNDATION OF FINANCIAL EDUCATION - PAY YOURSELF FIRST. ©

(To begin a sound Financial Education it is important to understand the Economic principle that -  
**Income = Consumption + Savings**)





## Appendix 3

### SOME SEMINAR AND WORKSHOP TOPICS HELD AT THE CENTRE.

1. Asset Allocation – Is it time to challenge current investment theories?
2. Asset Allocation – Some practical case studies
3. Buffet's philosophy – Is it still relevant?
4. Christmas for Queenslanders – What can we expect from investing in equities and property?
5. Company Reports – Developing a framework to obtain MAXIMUM shareholder value.
6. Company research – what to look for before making investment decisions
7. Dividend yield discussion
8. Duties of Company Directors in today's companies
9. Farming my money – what to grow/plant in each paddock?
10. Financial products linked to shares
11. Funds Managers – Which Ones? Do I Need One?
12. Future Investment Opportunities for Queenslanders
13. Independent financial advisers – What services should we expect?
14. International accounting standards and the impact on Australian companies
15. Introduction to the Australian sharemarket & understanding the financial press
16. Investor education and the financial press
17. Managing money to make it grow
18. Opportunities in Equities
19. Property Investment – What are the opportunities?
20. Record keeping for asset allocation
21. Self managed funds – Can they grow net worth?
22. Superannuation – How safe is it in today's economic climate and what are the alternatives?
23. Understanding the Sharemarket
24. Warrants – should they be part of your Investment Plan?
25. Warrants and other financial products

(Acknowledgement: The Centre wishes to acknowledge the valuable contributions made in the preparation of this submission by Mesdames Margaret O'Donnell, Joan Murphy and Joanne Holmes, Messers Pat Condon, Harald Berents and Ted Hook and Dr Jon Stanford and Dr Dick Schoorl. The Centre also acknowledges the important contributions of a group of university students led by Miss Eloise O'Mara and Miss Natalie Kent. For further comment on this submission the reader is invited to contact The Centre's Director, Mr Ted Hook as shown on Page 1.)