

Submission to:

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Consumer and Financial Literacy Taskforce

From:

Rosemary Osman,

**Director and joint founder-owner of Accumulus Ltd.,
a successful financial planning business which was sold in June 2002.**

Rosemary's principal career objective is to work in ways that make a difference in people's lives. She is values-driven, cherishing honesty and respect for others.

Rosemary was one of the founders and Directors of Accumulus Ltd, a South Australian company offering professional financial planning services. In 2002, Rosemary and John Wotherspoon sold Accumulus to Investor Group Ltd, a publicly listed company, and merged Accumulus with Prescott Consultants Ltd. Rosemary was a Director of Prescott Consultants for 12 months and retired from financial planning in June 2003. She is currently enjoying a well-earned rest and a long holiday while researching new opportunities.

Rosemary holds an Honours degree in Applied Mathematics from Adelaide University, a Post Graduate degree in Educational Psychology from London University and a Diploma in Financial Planning. She is also a Member of the Australian Institute of Company Directors.

Her first career, in the public sector, spanned educational research, professional development, training and the development of childcare across the state. A mid-point career reassessment saw Rosemary qualify as one of the first Certified Financial Planners in SA, join the inaugural team of the Women's Investment Network before she and John Wotherspoon established Accumulus in 1994.

Rosemary was on the Board of the Women and Children's Hospital from 1993 to 1998 and is currently a Governor of the Wyatt Benevolent Institution.

In 2000, Rosemary won the South Australian Telstra Business Woman of the Year award in the Business owner category. This year she is one of the judges for the Telstra Small Business awards in South Australia.

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I would like to commend the Taskforce on an excellent and readable analysis of many of the issues concerning financial literacy, especially the acknowledgement given to the importance of “money personality”, as well as money skills and situational needs.

Question 2.3 and Question 3.1

Money personality

Most people make their money decisions based on attitudes and values which remain subconscious. For example

- Some divorced women spend money on their children (not themselves) because they feel guilty or they want to show their kids they love them
- Many people can stick to a budget most of the time, but if they get depressed they spend money to help themselves feel better
- Many people subconsciously believe that if you get a promotion you need to work longer hours to justify the extra money. They then spend more on takeaways, eating out and holidays (because they are working so hard and deserve the break). They end up on the cycle of the more they earn the more they spend and do not actually increase their savings.
- Some people are so sceptical of financial advisers or institutions that they do not know who to trust so they do nothing.
- Some people buy expensive cars to “look successful” even though it is all on credit.

Often successful diet programs look at the different emotional triggers and situations which encourage some people to over-eat. They provide healthy eating “rules of thumb” as well as emotional support and motivation through mentoring or groups.

Similarly successful money programs need to help people identify their subconscious attitudes and values and how these affect their money decisions. With this knowledge together with some financial “rules of thumb” people can then choose to put in place a strategy that works with their strengths and helps prevent them from sabotaging their longer term financial goals.

For example,

- Emotional spenders may choose to put very low limits on their credit card (or make a decision to not hold a credit card) so that they can balance their budget and achieve their longer term goals. They can also carry with them a priority spending list of items within their budget so that if they really need to spend they buy something they need within their budget.
- People who are sceptical need to work out and articulate how someone earns their trust.

Question 2.5

Life triggers

Life triggers provide the motivation for people to make financial decisions. This is an excellent starting point for information providers because it is immediately relevant to individual's needs.

However it is also important to consider the diversity of life events and not assume everyone follows a similar life pathway. It is important to use non-sexist language and non-traditional case studies so that part of the audience is not excluded. For example, some women buying a car for the first time may be recently divorced or separated, not teenagers.

As a community we would also like people to plan for their long term security as well as making a series of one-off decisions, short-term decisions. Saving and investing for retirement is never urgent when people are young. For many women if it is a choice between education for their children or money for their own retirement, then they will choose to help their children.

Question 2.6

Consumer and financial skills

Most of our education concentrates on teaching people how to earn their incomes, but until now most have not been taught how to manage their money.

From my experience most successful career people including academics, lawyers and teachers, do not understand compound interest, percentages and inflation. Basic concepts need to always be spelt out and a conclusion reached which is translated back to dollar terms in today's money.

Being "intelligent" or being an achiever in your career also does not equate with mathematical or personal financial ability. I have often said that many successful career people have a concrete wall in their brains, where work budgeting and finance skills do not cross over into their personal lives.

I believe that this is because work finances are handled in a more structured, logical manner whereas personal finances come with emotions, money attitudes and family messages.

I think these money myths could be discussed in schools. For example, the myths "money is the root of all evil", or "take care of the pennies and the pounds take care of themselves".

Other important consumer and financial skills are goal setting ,setting priorities and communication skills.

Question 2.7

How important are intermediaries in delivering outcomes for consumers?

I believe that is critical to have a coach or financial educator, who is accredited by a reputable body.

I am concerned about the continued reference to “information provider”. You make the analogy to diets, giving up smoking and exercise programs. Reading that junk food is bad for your health is a different issue from changing your behaviour and making healthy food choices.

I believe that there is only a small proportion of the population who will study money skills in a rational manner without a teacher (intermediary or coach). For most people, money issues come with emotions especially anxiety, which impedes their ability to learn.

I believe that there is a need for a new profession of “independent” financial educators or money coach, who are not selling a financial product and do not have the same perceived conflicts as financial planners or financial institutions.

It is admirable to ask schools to include financial literacy in, or across the curriculum, (or to ask workplaces to run programs) but first of all you need to address the attitudes and skills of the teachers. I believe many teachers don't trust financial institutions (sometimes for good reasons) and often there is a distrust and scepticism of those who work for profit. I also have concerns about asking teachers to do the training because I believe that often many teachers are not that confident in their own money skills (or basic mathematics).

Often financial counsellors provide valuable and timely help for people who have had a major financial crisis. But in this instance we are talking about improving financial literacy across the community, not just those in crisis. There is a role for the “safety net” services as well as the mainstream services.

Most people will learn in a safe environment with a trusted advisor or teacher who is confident and knowledgeable and that can tell appropriate stories which are relevant to the consumer or group. It is important to note that people like to be given ideas and choices so that they feel in control, and so that they build self-esteem and confidence in money management. This is a different concept from receiving “help” from a welfare agency.

Money and Relationships

The Report does not address the complex issues of money and relationships. Often people do not discuss money issues before they make a commitment to each other but money can become a major issue in their relationship.

Many of these issues arise because most people do not understand their own attitudes to money, and are unable to communicate their concerns with their partner or understand that their partner's attitudes could be different to their own.

By improving consumer and financial skills across the community it is possible that many relationship and family breakdowns could be avoided.

Question 4.1

Is a co-ordinating body necessary?

Yes, there is a need for a Co-ordinating Body and I think the brief is excellent. This initiative has the potential to impact on the quality of life for all Australians.

The establishment of this body is also very timely given the choice in superannuation legislation that will come into effect on 1 July 2005.

Funding

Ideally the body would be Government funded so that is perceived to be independent of any financial institutions and potential conflicts of interest. I hope that a body such as this is given significant funding so that it can realise it's potential.

Functions

All the functions outlined in the report are necessary and unlikely to happen without a body such as this. I think the recommendations are based on excellent research and obviously show a major commitment from all the taskforce members.

In addition, I would like the taskforce to explore the possibility of facilitating the development of "train- the-trainer" courses for financial educators.