

Mr Simon Cobcroft  
Consumer and Financial Literacy Taskforce Secretariat  
Department of the Treasury  
Langton Crescent  
PARKES ACT 2600

Dear Mr Cobcroft

The *Finance First* partnership welcomes the opportunity to comment on the Consumer and Financial Literacy Taskforce discussion paper, *Australian Consumers and Money*.

*Finance First* is a partnership between Citigroup Australia and the YWCA NSW, which has developed a financial education program for low-income parents and primary school aged children in disadvantaged areas of New South Wales. *Finance First* is the only financial literacy education program in Australia to target adults and children simultaneously and it is the first curriculum-based program to target primary school aged children (6-12 year olds). The purpose of the program is to contribute to generational change by providing life long skills and increased understanding of financial management in families.

The Finance First project including its research, piloting and evaluation has been developed and implemented over a three year period. We respond to the taskforce paper from the foundation of the experience and knowledge our partnership has gained from the project. We have now considerable evidence to show that financial education in primary school is possible, valuable and can contribute to attitudinal change among young children. It will require significant long term evaluation to demonstrate more substantial results.

We can also demonstrate that adults and in our case, parents, are interested in improving their own and their families' financial education.

Implementation of the primary school program within the wider school community is a key objective of the program. The partnership is working closely with the NSW Department of Education and Training throughout the development and implementation stages to support this objective.

Attached to this letter is the *Finance First* partnership response to the key questions asked in the Taskforce discussion paper. We would like to thank the Taskforce for the opportunity to contribute to this important initiative.

Yours sincerely  
Ron Bunker  
Chairman, Finance First Advisory Board  
on behalf of the Finance First Partnership

## **Are socio-economic and demographic factor important? How should they be factored into what information providers produce?**

The *Finance First* partnership has created – through research, development, testing and evaluation – a curriculum-based financial literacy course for primary school aged children and a complementary course aimed at parents. A body of international research underpins the *Finance First* curriculum materials. The UK-based Centre for Research in Social Policy at Loughborough University (2000) found that for young people, from all socio economic backgrounds, financial literacy is a priority if they are to effectively manage their personal financial resources. The research also indicates that:

- young people from high socioeconomic backgrounds have a reduced capacity to handle money and lack an awareness of the cost of domestic living
- young people from low socioeconomic backgrounds have a reduced understanding of financial services such as banking and investing
- young people and adults from low socioeconomic backgrounds do not have access to the same pool of resources to develop understanding, competence, enterprise and responsibility to enhance personal financial literacy.

The research that was conducted during the development of the *Finance First* program highlighted the need for a financial education program focusing on the development of basic financial skills such as budgeting, planning, saving and debt management.

Related to socio-economic and demographic factors is the issue of information delivery. Information and support materials need to reflect the diversity of learning styles as well as the range of financial issues that people want to learn about. It is important that materials are presented in a range of languages and through a range of media. Ideally there should be increased services to provide consumers with independent personal advice on financial matters, such as provided by financial counsellors. Our research indicated that people do not know who to trust when seeking information and often just wish to increase their understanding of a matter to ensure they can make the right decisions.

*Finance First* has successfully incorporated a range of resources for children and parents, such as written materials, web based resources, real life scenarios, interactive materials and game-based activities, to stimulate and capture attention.

## **Is an appreciation of needs and aspirations useful?**

Distinguishing between needs and wants is a core component of the *Finance First* program. Basic financial skills relating to planning, budgeting and saving are dependent upon an ability to make this essential distinction.

Anecdotal evidence from our adult program suggests that the ability to distinguish between needs and aspirations is fundamental to explaining basic money concepts to young children. The

*Finance First* program incorporates real life activities that require participants to demonstrate between wants and needs and which require participants to demonstrate choice behaviours.

### **What skills are important to consumers? How can we benchmark these skills over time?**

While there is some correlation between consumer and financial skills, an understanding of consumer behaviour can best be enhanced through a dialogue with consumer advocacy and consumer regulatory bodies. For example, consumer advocacy groups such as the Australian Consumers Association and the Financial Counsellors Association should have input into the development of the national strategy and any resulting coordination body.

From our research with families for *Finance First*, parents indicated they would like to improve their skills in budgeting and financial management, understanding credit and how to take control of it, avoiding financial scams and predators and understanding their consumer rights. As well they indicated very strongly that they would like to see their children's financial knowledge increase and they would like practical assistance in ways to help them. This included supporting more education in schools, but also providing them with helpful ways to teach financial skills at home.

The benchmarking of consumer and financial literacy skills should be considered as part of a broader educational strategy so that educational initiatives can be assessed and improved using benchmark data. With regards to benchmarking there are a number of issues to be considered:

- the ANZ survey into adult financial literacy provides a useful benchmarking tool for measuring levels of financial literacy in the adult population over time
- if benchmarking is to be conducted at the school level, the existing assessment and reporting methodologies operating in Australian school systems provide a useful and established mechanism for measuring the development of financial skills in the school population.
- Benchmarking at the school level can only be achieved if financial education is incorporated into existing curriculum. While benchmarking does not require the Australian school sector to establish a single national financial education curriculum, financial education would need to be incorporated into relevant curriculum within every state in Australia. The *Finance First* partnership has already developed, tested and established a curriculum-based financial education program through our collaboration with the NSW Department of Education and Training. The Department's Curriculum Development Directorate has already done substantial work to map the NSW curriculum against the curriculum of the other States and Territories. Over time, improvements in financial literacy understanding among students can also be tracked through questions in the basic skills test for example.
- Equally with the adult education sector it is important to establish competency levels that include learning in all situations, not just the vocational sector. General literacy and

numeracy skill levels must be taken into account in the development of any training or information provided to consumers.

- If benchmarking is incorporated into the national financial and consumer strategy, it is essential that:
  - adequate resources are made available to support the testing, measurement and appropriate reporting of financial literacy skills
  - there is adequate consultation with key stakeholders such as the teachers' unions parents and citizens associations, community organisations and consumer advocacy groups
  - the national and state? education leaders take the lead on developing benchmarks through the Ministerial Council process.

**What information sources do consumers trust? Are consumers confused by different information on the same issue? Is information tailored to the learning style of the target audience? How important are intermediaries such as financial advisors in delivering outcomes for consumers?**

Research conducted by the UK Department for Education and Employment and the Scottish Consultative Council on Curriculum identified a number of important factors in the success of financial education programs including:

- Breaking down financial literacy into knowledge, skills and values
- Involving people employed in financial services and other members of the community including parents
- Relating personal financial education to existing curriculum, and
- Providing young people with opportunities to identify, engage with and discuss “real world” financial contexts.

The *Finance First* partnership addressed each of these elements during the development of the *Finance First* program.

This was achieved in a number of ways:

- By teaching school students and their parents simultaneously we encourage a parent-child dialog about money. We identified during research and subsequent evaluation that programs that adopt a whole-of-family approach are more effective in achieving long-term benefits (Paull 2004; Mitchell 2000; Nelson et al 2003)
- We tailored our parent program after conducting research with these communities about their needs and interests. As we were working with parents from low income

backgrounds it was vital that the finance course was designed with their particular needs and interests in mind. This has proved successful as our evaluation indicates that parents responded well to the information and especially to the delivery by qualified financial counsellors.

- As mentioned we employed financial counsellors to deliver the parent program. Parents felt able to trust the counsellors because with their experience of assisting people in financial difficulties they displayed significant empathy with the groups' circumstances. They are also trained to provide advice about ways to overcome debt and do not provide any wealth creation or product advice. Our research indicated that people do want non-commercial advice and have little access or knowledge of how to obtain it.

Therefore it is evident that non-biased financial advice would be welcome.

- We have relevant industry experience on our Advisory Board including representatives from ASIC, the Financial Counsellors Association of New South Wales and the NSW Department of Education and Training
- the NSW Department of Education and Training has developed and tested materials that are embedded in the existing HSIE curriculum. This provides the benchmarks necessary by which teachers can assess the students work on agreed curriculum outcomes.
- the NSW Department of Education and Training and the University of Technology, Sydney developed real life scenarios and interactive activities to stimulate and engage participants, and
- all of the curriculum and resource materials produced for the adult and student programs are free from commercial bias and product placement.

One of the major success factors of *Finance First*, is the department-developed curriculum and resource materials. It is essential that materials written for a school audience be developed by teachers and for teachers.

Additionally, our experience with the NSW school sector indicates that while teachers are willing to embrace materials prepared by the financial sector, they are more inclined to use materials that are:

- produced and developed by teachers in an education setting
- unbranded and free from commercial bias
- supported through a professional development program that develops a skill based amongst teachers.

*Finance First* incorporates a professional development program, developed and delivered by teacher trainers, that focuses on familiarising teachers with the curriculum materials, provides

direction with lesson planning and teaching ideas and ensures that teachers understand the financial concepts contained within the program.

**To what extent are Australians' needs met by the currently available consumer and financial education programs, including availability of information, awareness of information sources, access to information, the quality of information and the allocation of resources?**

Our research in developing the Finance First project indicated that there were no curriculum based school programs for students in primary in Australia. It identified that more materials were available to high school students, but little for primary school. The NSW Department of Education and Training research also demonstrated that there were few curriculum based materials overseas for primary school children.

With the development and successful piloting of the primary school materials for Finance First, we have demonstrated that students and teachers responded well to the information and delivery of the course. The subject of financial education can engage primary school children particularly if it is designed with age relevant activities and real life scenarios.

While it is clear that there is an ongoing need for financial education throughout life, the *Finance First* partnership has embraced the notion that financial literacy skills can be taught to children from an early age. Children begin to handle money from about the age of five when they begin school.

*Finance First* teaches a range of skills and concepts including:

- using money
- identifying financial resources
- budgeting and spending money
- distinguishing between needs and wants
- identifying the influences on how we spend and save
- basic money management concepts such as budgeting and spending wisely
- developing short term and long term financial goals
- managing fixed, flexible and unexpected expenses
- awareness of banking services, credit and debt management, and
- understanding consumer rights.

**Is a coordinating body necessary? Should it be Government or industry funded? What function should it perform?**

There is already a substantial body of financial education resources that target the needs of consumers. Financial institutions, not-for-profit community organisations and government agencies are already putting substantial resources into the development and delivery of materials that meet a range of consumer needs. However, these efforts could be improved by heightening the awareness of the importance of consumer and financial literacy amongst the general population. It would appear appropriate to establish a short term working body to develop a strategy to heighten awareness through:

- marketing campaigns encouraging consumers to find out more about products and services before making important financial decisions. This would have to be linked to relevant website or services where such information can be obtained
- a central repository of information along the lines of the national vocational education and training portal, Educational Network Australia (EdNA), which is an online service that is funded by Commonwealth and State and Territory Governments that provides links to Australian and international resources, fosters collaboration and communication between the education sectors, and
- benchmarking of financial skills so that we can measure the effectiveness of efforts and develop consistent and useful information services.
- Quality marking of materials that meet an agreed set of criteria for consumer use.

To enable it to maintain independence, it is vital that the body receives government funding rather than industry support at least as far as the day to day operation. It is possible that industry funding could be used to develop specific programs as long as agreed guidelines were established regarding recognition and influence on program development