FINANCIAL LITERACY: A STUDENT AND YOUNG ADULT PERSPECTIVE

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INTRODUCTION

In a number of reports into financial literacy, university students and young adults were identified as being amongst the demographic groups that consistently demonstrated a poor level of financial literacy[1]. This finding is disturbing given a number of factors exposing young adults increasingly to the financial landscape, including:

- Increasing numbers of university students also engaging in part-time work
- The growing cost of financing a tertiary education
- The importance of superannuation for young adults against the backdrop of an ageing Australian population
- The growing power of young adults as consumer groups
- The expansion of financial products, especially loans and insurance, becoming accessible to this demographic

Much has been made of the absence of school-based financial education and the importance of augmenting financial literacy as at a young age. However, education programs for young adults *beyond* school should not be overlooked. The lack of financial literacy displayed by those aged 18-24 is not only a result of insufficient financial-based education at the school level. It is also a function of the lack of financial education programs available to young adults *after* school and also the apathy on the part of this demographic group itself. A successful program embedding financial literacy in the youth culture must combat these problems and also find effective methods to reach this demographic.

This report addresses two equally important components of such a financial education program. Firstly, previously undiscussed methods by which financial literacy programs and information can be delivered to this demographic are examined. Secondly, the report outlines the necessary characteristics that the content of such programs should ideally have to effectively instil, in the 18-24 year old group, the capacity to make responsible, prudent and well-educated financial decisions.

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[1] This is emphasized in particular by the *ANZ Report on Financial Literacy* (2003), conducted by Roy Morgan Research

METHODS OF REACH

'ON CAMPUS' PROGRAMS

The research and experience of this writer has shown that there is a potential platform for reaching a large portion of the 18-24 young adult population through University campuses. With the support of Universities or particular faculties therein, an external group could initiate a campus-based financial education campaign, holding regular and well-publicized seminars addressing selected financial literacy issues. The external group could promote its campaign through existing student organisations which possess the network to reach a large young adult audience.

This program, while held on University campuses for their centrality and identifiability, should not be exclusive to tertiary education students. Instead, they should be seen as a venue for holding financial education programs for the entire young adult demographic. Attracting non-student young adults would require innovative marketing and publicity approaches, including possible distribution of promotional material to workplaces/areas that have a tendency to be concentrated by young adults (for example, shopping centres and retail outlets).

The campus-based program could be trialled at one particular University, with the results being used to formulate broader curriculum to be applied to Universities across Australia. Early trials could also be an excellent source of research, with the attendees of the program being asked to provide brief feedback on the seminar and areas of potential improvement.

INTERNET BASED RESOURCES: A WEBSITE AND CHAT-ROOM

As has been proposed by the CFL report, an internet presence which coordinates the resources available to consumers and those interested in financial literacy would be an effective starting point in an individual's quest for financial information.

One internet-based development in the UK relevant to such an idea is the combined HSBC and Yahoo! Website entitled "Student Zone"[2]. This site combines general information about student-related matters with an additional focus on how students and young adults can best utilise financial services. The idea of creating a financial literacy site especially for the young adult/student demographic in Australia has merit as it can be customised to appeal to the individuals within that group.

Another idea which could assist the establishment of a broader 'national body' Internet presence is the establishment of a chat-room designed specially to allow consumers and individuals to discuss their financial experiences, both good and bad. Such a development has occurred in the US[3], albeit on a relatively informal level, and implementing a similar

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[2] http://uk.biz.yahoo.com/student/index.html

[3] In his article "As Cash Fades, America Becomes A Plastic Nation", *Wall Street Journal*, July 23 2004, Sapsford cites the 'Da Money' chat room allowing consumers to discuss financial tips

project in Australia, targeting young adults, would complement the CFL-proposed Internet presence and provide an accessible forum for people to discuss financial literacy issues. Given the frequent use of the Internet by young adults, this could be a valuable means by which to engage the demographic, making it more susceptible to other avenues of information/education distribution.

SUGGESTED FEATURES OF FINANCIAL EDUCATION CONTENT

'EXPERIENCE/EVENT BASED' VS 'SKILLS BASED' APPROACHES

The general apathy of the young adult demographic to financial matters is a problem in designing any financial education program. To overcome this, any such program should be based, at least substantially if not predominantly, on financial *experiences* rather than financial *principles*. For instance, while the skills outlined in the CFL Full report, including planning, investing and risk management[4], should be the ultimate goal of a financial literacy program, a young-adult based program should adopt a structure focussing on the best way individuals should deal with different consumer events[5] rather than a purely skills based approach. This would once more engage the demographic by presenting financial literacy as directly relevant to their lives, rather than a set of skills which, while invaluable, may have the tendency of being viewed as slightly inaccessible from the perspective of a sceptical 18 year old.

INTERACTIVE

One possible method by which an 'events-based' structure could simultaneously convey the importance of developing financial skills is through a focus on interactivity within informational sessions and seminars. An example would be, during the seminar, discussing the need to budget for large purchases through a practical budgeting exercise where participants list their personal income and expenditure and calculate savings targets for a potential desired purchase (for instance, a car). This would effectively combine a discussion of the way in which young adults should approach this particular 'consumer life event' while also imbuing them with relevant financial skills which can be applied to personal financial management in general.

INFORMATION PROVISION

In addition to providing guidelines on how to approach common financial experiences and fostering financial skills, the young adult financial education program should provide guidance on how best to research financial products and raise market awareness. The 18-24 demographic generally has little experience with financial services but as lending, insurance and other financial products become more accessible to them, young adults need to be equipped with the ability to find information regarding and then discern between these products. However, this report suggests that a failure to clearly separate

[4] Consumer and Financial Literacy Taskforce, *Australian Consumers and Money: Full Report*, www.cfltaskforce.treasury.gov.au, June 2004, p 35
[5] Note 3, at p 32

the educative elements from the market information elements of the program could give rise to a belief that such a program is merely a marketing exercise for financial service providers. Separation of the two elements would acknowledge their complementary nature but also ensure that ‘market awareness’ is itself seen as a skill, rather than motivated by the interests of financial institutions.

CONCLUSION

These are only few of the potential ideas that could assist a body to design an effective financial literacy program targeting the young adult demographic. Such a program would ideally acknowledge the unique characteristics of this demographic and be customised to deal with the issues and problems that are prevalent among this population segment. Ultimately, any national financial education and literacy campaign should not only aim to instil financial literacy at the school level but also target the young adult group in order to augment broader financial skills as individuals are exposed to the often intimidating world of consumer choice and personal finance.

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