



ASIC

Australian Securities & Investments Commission

CONSULTATION PAPER 9

Educating financial services consumers

July 2000

Published by the Australian Securities and Investments Commission

National Office Sydney, GPO Box 4866, Sydney, New South Wales, 1042

July 2000

Website: www.asic.gov.au

ASIC Infoline: 1300 300 630

Contents

INTRODUCTION.....	4
BACKGROUND.....	7
The case for consumer education.....	7
Our role in consumer education	10
Recent research in consumer education.....	12
DEVELOPING A CONSUMER EDUCATION STRATEGY	15
What are our priorities?	16
Reaching our audience	18
OTHER ISSUES.....	24
Working with others	24
Measuring our effectiveness	29
Further research	30
Resources	32
PROPOSED STRATEGY AND ACTION POINTS.....	33
A. General.....	33
B. Working with others.....	33
C. Research/studies	34
D. Specific education initiatives.....	34
OUR CONSUMER EDUCATION ACTIVITIES	38
LIST OF QUESTIONS	41

Introduction

This paper sets out a draft consumer education strategy to guide ASIC's education activities.

Our current and previous work programs have included a broad range of education activities, such as the Millennium Bug Insurance Campaign, and our regular consumer alerts. These activities have all been well received. However, this is the first time that we have prepared a comprehensive strategy covering all our consumer/investor areas of responsibility.

We have used our experience in consumer education to inform this strategy. The paper sets out our initial priority areas and proposed action points for future activities. We invite comments on the proposed strategy and on the issues raised in this paper.

Our role

ASIC is well placed to be a catalyst for financial services consumer education. Since mid-1998, we have been the primary Australian consumer protection regulator in the financial services sector. Our regulatory aims now include the requirement to "promote the confident and informed participation of investors and consumers in the financial system".¹ We are responsible for:

- enforcing prohibitions against misleading, deceptive and other unfair conduct in relation to banking and deposit-taking, securities (eg shares), futures contracts, general insurance, life insurance, retirement savings accounts, and superannuation;
- administering industry-specific consumer protection legislation for life insurance and general insurance;
- regulating insurance agents and brokers;
- monitoring compliance with codes of practice in the deposit-taking and insurance industries; and
- approving external complaints resolution schemes.

Some of our responsibilities in these areas will also change or expand when the proposed Financial Services Reform Bill is implemented.

We also continue our traditional role in ensuring market integrity and administering the Corporations Law and related instruments.

Consumer education is a key part of our regulatory tool-kit. While enforcement and compliance activities remain the core of our regulatory work, consumer education is vital for promoting consumer confidence, helping consumers avoid unsuitable or misleading services, and helping them understand their options if they do encounter problems. We will seek to focus our education efforts on areas where consumers are at greater financial risk and where the education activity can make an impact.

In other words, consumer education activities complement our enforcement, compliance and supervisory work. Additionally, unlike much enforcement

¹ Australian Securities and Investments Commission Act 1989, section 1(2)(b).

and compliance work, we see that our consumer education work gives us the opportunity to collaborate with other organisations. Such collaboration can expand the reach and effectiveness of education initiatives.

Consumer education activities require both considerable resources and expertise. ASIC cannot meet all the consumer education needs in the finance sector, and the efforts of others will therefore be critical in improving consumer knowledge and confidence. We know that other organisations — in government, the private sector, and the community sector — are already involved in producing and distributing consumer education materials. We hope that this paper will promote discussion about ways in which interested organisations can work in partnership with us, or with each other, to expand the effectiveness, scope and reach of consumer education initiatives.

In summary, through our strategy, we aim to ensure that consumers gain:

- an improved understanding of the nature of different financial products and services;
- a greater ability to compare financial products and services and make informed choices;
- a greater ability to protect themselves from fraud and deception; and
- a greater ability to take appropriate action when they do encounter problems.

Many of our stakeholders will be interested in our proposals. We have therefore released this paper for comment on whether our approach is appropriate.

Once we have received and considered comments and suggestions, we will release a final strategy document and begin its implementation.

Outline of discussion paper

As well as outlining our proposed strategy and action points, the paper discusses a number of issues that can impact on the effectiveness of a consumer education program.

Section 1 provides relevant background information, including the results of research commissioned by our Consumer Advisory Panel. It summarises how we see our role in providing consumer education.

Section 2 outlines some key issues that we have examined in developing our proposed strategy and individual action points. We look at what our priorities should be for consumer education, and we examine possible ways of effectively reaching our target audiences.

Section 3 looks at out how we might be able to work with other organisations to increase the scope and effectiveness of our consumer education activities. We also raise some questions about measuring our effectiveness, the need for further research on consumer education issues, and the mechanics of deciding what resources should be devoted to consumer education.

Section 4 summarises key proposals and priorities for action.

Throughout the paper, we raise specific questions to focus responses. However, other comments are also most welcome.

Comments

Comments on the discussion paper and proposed draft strategy should be forwarded to the following address:

Consumer Education Strategy
Office of Consumer Protection
Australian Securities and Investments Commission
GPO Box 4866
SYDNEY NSW 1042

Fax: (02) 9911 2642
Email: nicola.howell@asic.gov.au

Comments should be provided by **8 September 2000**.

Enquiries concerning the discussion paper and draft strategy can be made to Nicola Howell on (02) 9911 2410.

Responses to this paper will **not** be considered confidential unless the respondent makes a specific request for confidential treatment.

Section 1

Background

The case for consumer education

Why is consumer education necessary?

Consumer education improves consumer confidence and market outcomes. It helps consumers make the right choices and avoid falling for scams.

Much has been written about information difficulties for consumers and investors in the financial services sector. The very nature of financial products means that consumers face additional challenges in assessing and choosing the right product for them. Financial products and services are typically intangible, they are often complex and/or long-term, and most products are not purchased on a regular basis.

Our 1995 *Good Advice* report noted that, while there was a high level of competition in the market for financial advisory services, there were a number of market imperfections, the most significant of which included:

- inadequate investor information and an imbalance of knowledge between advisers and investors (asymmetric information);
- difficulties in ascertaining the quality of an investment advisory service at the point of purchase because of the long term nature of financial contracts;
- the tendency of investors to use imperfect substitutes (such as referral from a friend or high profile advertising) for reliable information;
- issues relating to conflicts of interest between investor and adviser; and
- the complexities of financial markets and technicalities of some financial products.²

Similar difficulties arise for other financial products and services. The difficulties are magnified further for less financially sophisticated consumers, who may be in the market for basic financial products and services, rather than investment products.

In recent years, regulatory intervention in the form of mandatory disclosure requirements has been introduced to reduce some of these market difficulties. However, provision of information is not sufficient to ensure informed participation by all, or even most, consumers. Consumer education helps overcome these problems by giving consumers the skills and information to make informed decisions and avoid costly mistakes.

² *Licensing review report — “Good Advice”*, Australian Securities Commission, November 1995, p. 5.

Better educated consumers may also contribute to reductions in fraudulent activity through identifying and reporting such activity to the regulator in a more timely fashion. They can, for example, alert the regulator to investment scams that they see on the internet.

Interestingly, Australia is not the only country where finance sector regulators are putting greater emphasis on education activities. In recent years, regulators in other countries, including the United States, United Kingdom, and Hong Kong, have also been devoting significant resources to consumer and investor education.

We have been encouraged by the strong commitment to improving and expanding consumer education voiced by a wide range of industry, consumer and community organisations. However, it is important to note that consumer education is not the solution to all consumer problems in the finance sector. A well resourced and effective consumer education program does not displace the need for traditional supervisory and regulatory activities. We need to be realistic about what consumer education can achieve.

Literacy and numeracy

As well as information, consumers need the skills and knowledge to be able to interpret and use that information — that is, they need general literacy and numeracy skills. In the financial services market, they also need financial literacy skills.

While a small percentage of Australians have high literacy skills, a large proportion do not. In 1996, the Australian Bureau of Statistics conducted a national survey of Australians' prose literacy, document literacy, and quantitative literacy skills.³ The survey did not specifically consider financial literacy skills. However, quantitative literacy, which tests the ability to perform arithmetic operations using numbers in printed texts or documents, does cover some aspects of financial literacy.

The survey found that almost 20% of Australians aged 15–74 had very poor literacy skills, for all three types of literacy. People with very poor literacy skills could be expected to experience considerable difficulties in using many of the texts and documents printed in English that they encounter in daily life. About 28% had poor skills, and could be expected to experience some difficulties.⁴

Thus, nearly half of all adult Australians do not have the literacy skills they need to readily cope with many of the literacy demands of daily life and work.

We need to be aware of these issues when designing education initiatives, particularly when designing content and choosing target audiences. For example, given the literacy difficulties of many consumers, it may sometimes be useful to target consumer education material to those who help consumers make better decisions, such as financial counsellors, education providers, government agencies, investment advisers and others. In exploring

³ *Aspects of literacy: Assessed literacy skills 1996*, ABS Catalogue 4228.0.

⁴ *Ibid.*

these opportunities, we will need to consider the impact of such reliance, and any resourcing implications for those intermediaries.

We will also consider whether there are opportunities for us to promote greater financial literacy in the community.

Greater participation in the finance sector

Today, consumers are being made more responsible for providing for their financial needs, particularly in retirement. For example, superannuation policy both compels and encourages people to rely on sources other than government pensions to provide retirement income and savings. This will require individual effort and investment know-how.

In addition, the amount of money required for a comfortable retirement will increase as life expectancy increases. Expectations about the level of income desired in retirement have also increased.

These changes point to a need for more consumer education, so that consumers are able to make appropriate decisions in relation to their savings and investments.

Consumers themselves are asking for more education and information about financial services. We recently commissioned a Consumer Issues Survey,⁵ in which the focus groups mentioned the need for more education of the average consumer in financial affairs, products and services.

What is consumer education?

The phrases “consumer education” and “consumer information” are sometimes used interchangeably. In our view, however, they do not necessarily mean the same thing.

Part of the role of consumer education is to impart information. However, consumer information is not always “education” material. It can also include product or service specific information such as that found in disclosure documents that are mandated by legislation. (Some examples in the financial services sector include Advisory Services Guides, prospectuses, and pre- and post- sale notices for insurance contracts.)

Our education strategy does not consider consumer information which is product or service specific. However, these documents provide information that is important for consumer decision making, so alerting consumers to the existence and value of disclosure documents will often be a useful component of consumer education.

Similarly, we do not consider pure marketing or promotional material to be consumer education material, and we have not therefore referred to such material in our strategy.

Formal education through schools and tertiary institutions can also include consumer education. We have not sought to examine existing initiatives in formal education, although we do ask whether there may be opportunities for us to consult with relevant agencies on the possibility of expanding

⁵ *Consumer issues in financial services, Market research interim report*, Chant Link & Associates, September 1999.

coverage of personal finance issues in the school curriculum. We also welcome comments on relevant educational activities in the formal education system.

For the purposes of this paper, we have taken the phrase “consumer education” to encompass initiatives that provide consumers with the skills and knowledge needed to participate in the financial services market. This includes initiatives that provide consumers (or a particular group of consumers) with the skills and knowledge to:

- assess their own financial needs;
- understand the nature and purpose of different types of financial products and services, as well as issues of risk;
- make use of disclosure information provided by suppliers and make informed choices about products or services, including advisers and advisory services;
- improve confidence in financial services, especially new financial services, and increase use of financial services;
- protect themselves from fraud and scams and avoid cheats and incompetents; and
- use the most effective avenues for resolving complaints and disputes.

Our role in consumer education

One of our aims under the *Australian Securities and Investments Commission Act* (ASIC Act) is to promote the confident and informed participation of investors and consumers in the financial system. In our view, consumer education is an essential element of any strategy to promote participation.

Initially, we see our role as:

- providing consumer information and advice to help consumers to properly consider their financial requirements and make informed choices (particularly where there are gaps in the material provided by other organisations);
- educating consumers about financial fraud and misleading conduct, and how to avoid it;
- educating consumers about their rights in the financial sector, including their options for resolving complaints;
- improving financial literacy and numeracy;
- educating consumers about our role, and about other resources and places to go for further information.

Section 4 provides more detail about our planned education activities.

Our education role, however, does not extend to providing financial advice. It is not appropriate for us to recommend the purchase or sale of particular products, nor particular strategies to guide individual consumers’ financial decisions. We need to ensure that consumers and consumer representatives or advisers understand this limitation. Education about the regulator’s role — what it can and cannot do — is therefore also an important facet of our consumer education work.

Q1 Are the five areas listed the most appropriate focus for our consumer education work? Are there other areas or aspects of consumer education that we should be focusing on?

Our consumer education activities

Consumer and investor education is not a new area for us. We undertake a broad range of consumer education activities, both in our old and new jurisdictions. Both our National and our Regional Offices are involved in this work. Appendix A summarises some of our activities since we took on our consumer protection role. These include:

- consumer booklets and other publications;
- Millennium Bug insurance scam and other April Fool's Day hoaxes;
- Gull Awards;
- consumer alerts;
- online directory of consumer education material;
- Watchdog, our consumer website;
- Infoline;
- investor forums and 'ASIC speaks' seminars; and
- making staff available for public meetings.

This experience has informed our ideas about our proposed strategy.

Constraints on ASIC's role

Ensuring that consumers are fully informed and educated about financial services is a huge and continuing task. Consumers themselves are not homogeneous. They have different levels of understanding and skills in respect of financial services, and thus have different needs. One agency alone cannot hope to meet all of those needs.

Like all organisations, we have limited resources. Inevitably, we will have to prioritise and rationalise the list of proposed activities for our final strategy.

We will need to look at ways in which we can work in partnership with other organisations to make best use of our resources, both in developing content and maximising distribution. In some circumstances, we may also be able to add value to the existing initiatives of other organisations.

In addition, much consumer education — particularly in this sector — needs to focus on issues of general literacy and numeracy. These are issues that go beyond financial services policy. Federal and State/Territory governments, education specialists and others all have a keen interest in these areas, and are actively developing strategies to improve literacy and numeracy within the Australian community.

Many financial services issues also have close links with other government agencies and other organisations. Organisations involved in providing consumer education include State and Territory Consumer Affairs Agencies, community organisations, industry members, and industry associations.

Understanding what other organisations already do can help prevent unnecessary duplication.

Some financial services issues are outside our current jurisdiction. For example, we do not currently regulate credit products or the activities of credit providers. However, when current financial services reform proposals are implemented, credit will be regulated under the ASIC Act.⁶

We also take the view that industry members and associations have key responsibilities in educating consumers. General education initiatives by industry can complement disclosure obligations, and can contribute to more positive relationships between industry and consumers.

Recent research in consumer education

In November 1998, we established the Consumer Advisory Panel (CAP) to advise on consumer protection issues and provide feedback on ASIC activities. The panel includes experienced consumer and investor advocates from across the financial services industry, with an independent Chair.

CAP commissioned two surveys which have provided important background information for our consumer education strategy.

Stocktake of consumer education

The first study was a stocktake of consumer education in financial services (Consumer Education Stocktake). We wanted to find out what education material was already available, and whether there were any particular gaps in the provision of the material.

The Consumer Education Stocktake involved collecting existing information from Australian organisations, online and electronic searching, and a brief review of relevant literature. Approximately 150 organisations provided material, and approximately 100 relevant websites were reviewed.

We released a report on the Consumer Education Stocktake in September 1999.⁷ Copies are available on our website (www.asic.gov.au). Among other things, the report commented on the general quality and effectiveness of available education material, and identified areas or issues where consumer education material was strongest, or was lacking.

The report found that education material was strongest in the areas of credit and debt, budgeting, and consumer rights (complaints).⁸

Areas where education material was weakest, or where there were gaps in the provision of material included superannuation choice, new technology

⁶ See *Financial Services Reform Bill Commentary on the draft provisions*, The Treasury, February 2000, p. 9. Note that there is no proposal to give ASIC jurisdiction over the detailed regulation of credit that is contained in the Uniform Consumer Credit Code.

⁷ *Stocktake of Consumer Education in Financial Services*, Research and reports by the Financial Services Consumer Policy Centre for ASIC, July 1999.

⁸ *Ibid.* p. 16.

financial services, tax effective investment schemes, retirement savings accounts, deeming, internet transactions, and direct share investment.⁹

The report also made a number of recommendations for the future provision of consumer education in financial services. These included the following:

- to explore the establishment of a central source of data on consumer education material;
- to implement measures to improve coordination of consumer education materials;
- to explore options for systemic evaluation of consumer education material;
- to issue general guidance on the fundamentals of consumer education; and
- to consider further research on key consumer education issues.¹⁰

These recommendations and their implications for our education strategy are discussed later in this paper.

Consumer Issues Survey

The second research project was a “Consumer Issues Survey”.¹¹ We wanted to identify the key issues arising within our consumer protection jurisdiction, with a view to:

- testing our current perceptions about consumer issues against consumer, regulator and market concerns;
- identifying any new issues that require either our prompt attention and/or longer term strategic consideration;
- helping consumer and community organisations understand that we are a regulator they can contact if they have financial services concerns; and
- assisting the Consumer Advisory Panel in defining its priorities.

The research involved interviews with staff in a number of relevant organisations, focus groups with consumers in two locations in Victoria, and a mailed questionnaire to agencies dealing with consumer issues in the financial services sector.

The results of the survey did raise many areas where consumers would like more information or education, although different groups of consumers wanted education about different topics. The survey also confirmed that many of our stakeholders think that education activities should be an important part of our role. We have used the results of the survey to inform our initial thoughts on priorities for action.

⁹ Ibid. p. 16–18.

¹⁰ Ibid. p. 21–23.

¹¹ *Consumer issues in financial services, Market research interim report* Chant Link & Associates, September 1999, *Consumer issues audit — financial services, Market research report 2: Quantitative survey findings*, Chant Link & Associates, December 1999.

Section 2

Developing a consumer education strategy

To develop a coherent consumer education strategy, we must first set priorities. The financial services sector is large, and the potential for education initiatives, enormous. We must be realistic about what we can achieve (either alone or working with others).

Our approach is to ensure that our education activities are focused on the areas where consumers are most at risk of financial detriment through lack of knowledge.

We also believe that it is important to focus on areas where we can make an impact, especially in circumstances where enforcement and compliance activities may be difficult to implement. That is, our approach will be based on an assessment of risks, not simply on an analysis of where there are gaps in current provision of education material. It is nonetheless useful to have an understanding about where the gaps exist.

It is also worth noting that an abundance of information about another product or service does not necessarily mean that there is no need for additional material, which could, for example, be better targeted or distributed, or could deal with different aspects of the same topic.

Here is a summary of the findings from the Consumer Education Stocktake.

Consumer education material weakest	Consumer education material average
<ul style="list-style-type: none"> ● superannuation choice ● new technology financial services ● tax effective investment schemes ● Retirement Savings Accounts ● deeming ● internet transactions ● direct share investment¹² 	<ul style="list-style-type: none"> ● life insurance ● general insurance ● investments ● superannuation (excluding choice) ● banking; ● scams and swindles and ● home lending¹³

As noted above, education material was strongest in the areas of credit and debt, budgeting and consumer rights.

Many of the areas identified in the Consumer Education Stocktake were also independently raised as important education issues in the Consumer

¹² *Stocktake of Consumer Education in Financial Services*, Research and reports by the Financial Services Consumer Policy Centre for ASIC, July 1999, p. 16-18.

¹³ *Ibid.* p. 16.

Issues Survey. Other issues seen as important by the consumers surveyed included:

- financial affairs, products and services generally;
- selecting an adviser, and understanding the independence or sources of bias of advisers;
- understanding financial institutions' fees and charges;
- how to purchase and manage a range of financial products, including deposit and transaction accounts, superannuation, real estate products and services, life insurance, general insurance, and investment products; and
- e-commerce.¹⁴

What are our priorities?

Given the results of these surveys, our initial view is that our consumer education initiatives should be focused on:

- promoting the role of ASIC and general consumer rights in financial services — particularly to community intermediaries;
- investment issues (including education about the share market, financial advisers, online broking, and related issues such as margin lending) — particularly for novice and inexperienced investors;
- avoiding scams and fraud (including how best to report such activities);
- improving financial literacy for adults;
- issues in banking and deposit-taking — particularly for low income consumers;
- superannuation, in conjunction with other relevant agencies;
- internet banking and new technologies;
- planning for retirement (superannuation), including for consumers on low incomes or in transient/insecure employment; and
- general insurance issues.

Q2 Are the items identified the most appropriate general priority areas for ASIC? Are there other areas that should be included because of the financial risks faced by consumers? Which areas should have the highest priority?

What information do consumers need?

Before developing particular initiatives or choosing particular topic areas, we need to have a clear idea about what information is relevant to consumers, and what is the best way to present this information.

¹⁴ *Consumer issues in financial services, Market research interim report* Chant Link & Associates, September 1999, *Consumer issues audit — financial services, Market research report 2: Quantitative survey findings*, Chant Link & Associates, December 1999.

Careful consideration of the intended audience, or audiences, is critical in designing content. Some consumer education material may best be provided via intermediaries from community or government agencies or industry advisers. We will usually want to consult with experts on the content of material, and in some cases, may engage in partnerships to develop content.

Providing key information in smaller, more digestible chunks, pointing to where more information can be obtained, and carefully targeting material can also help.

Key criteria: our 10 point checklist

We believe the checklist below should be applied to writing and publishing consumer education material.

ASIC's 10 point checklist for writing and publishing consumer education material

Providers of consumer education material should:

1. clearly identify the target group;
2. include a prominent date of publication and/or currency of the law;
3. include a prominent statement about coverage or jurisdiction;
4. use clear titles and headings;
5. focus on the consumers' needs and level of understanding;
6. be concise or provide a clear guide to contents;
7. check accuracy carefully;
8. include relevant contact details;
9. avoid using, or clearly explain, all technical terms and industry or legal jargon;
10. carefully consider the best means for distributing material.

Q3 Are there other general techniques for enhancing the attractiveness of consumer education material on financial services?

Format and delivery

Consumer education material can be provided in a variety of formats, each with different advantages and disadvantages. Some common formats include pamphlets, booklets, specialised magazines and newsletters, books, kits, internet, CD-ROMs, videos, posters, postcards or swap cards, public seminars, continuing education or community education courses, media (television, radio, newspapers, magazines), and use of intermediaries (eg community workers).

In the past, much consumer education has focused on providing written information, often in the form of brochures and pamphlets. These are usually relatively simple to produce, and can use traditional distribution channels (although such channels may not always be cheap). However, the effectiveness of distribution of brochures and pamphlets to target audiences is not always easy to assess. Nor is it always easy to assess the effect of the documentation on consumer behaviour.

We intend to continue using a mix of available formats for our consumer education material. The format(s) used for any particular initiative will be assessed depending on the nature and content of the message, the characteristics of the target group, the distribution opportunities, and the budget available.

In choosing formats, we will also take account of stakeholder views and any research identifying the formats in which consumers prefer to receive educational messages.

Q4 Which formats are most effective for delivering consumer education on financial services? Are there any formats that are more useful or appropriate in particular circumstances, or for particular target groups?

Reaching our audience

Education materials will have little impact if they do not reach their target audience. Distribution is therefore a critical issue for an effective consumer education strategy. Too often, this issue is not made an integral part of an education initiative.

We intend to ensure that, for each education initiative developed, proper consideration will be given to the issue of distribution. It should influence the priority attached to different education projects. We also intend to develop appropriate partnerships and relationships with other organisations and agencies in order to maximise the distribution opportunities available to us.

We note that distribution is, more often than not, the most expensive part of an education campaign. This is particularly the case when an education campaign includes printed material that is to be distributed widely.

Methods of distribution

Distribution issues need to encompass both distribution of the consumer education material, and publicity about the availability of that material.

Effective distribution not only depends on making the best use of resources, but also on understanding the ways that consumers currently receive information and/or would prefer to receive information.

The media provides an effective way of ensuring consumer understanding of financial services, and we will continue to work with media to ensure that important consumer messages are conveyed to as wide an audience as possible.

There has been limited research in Australia into the preferred education/learning methods of consumers. One study, conducted by Treasury's Consumer Affairs Division in 1997, asked 1000 rural and remote consumers which sources of information they relied on for general consumer issues.¹⁵

The sources relied on most extensively were word of mouth and print publications — newspapers, magazines, and newsletters — a third or more of the respondents relied on these two sources extensively and half the responses relied on these to some extent.¹⁶

Other sources scoring high in this question were information from retailers and product packaging and labelling. However, these distribution methods may be more suitable for product specific information, rather than consumer education material.¹⁷

In contrast, over 90% of respondents indicated that they did not rely on, or had never used, information provided by the internet or information provided by Pay TV. Only 1 per cent of consumers said they would like to use the internet most; and 72 per cent said that they would not like to use the internet at all as a source of consumer information.¹⁸

The Consumer Affairs Division recently researched the consumer education needs of Australians on low incomes. As part of that research, 59 community organisations involved in providing support/services to Australians on low incomes were invited to participate in an information survey. The survey identified presentation of consumer information as a key issue.

Initial results indicate that the most useful sources of consumer information for Australians on low income are friends, relatives and community leaders, and the media (including current affairs programs, talk-back radio, magazines and TV advertisements). Excessively wordy and technical brochures, posters and authoritarian presentations were the least successful methods of information delivery.

These survey results are consistent with a general understanding that consumers rely heavily on family and friends for information about products and services.

These surveys related to general consumer education, and were not specifically focused on education about financial services and products. They were also limited in scope. However, they do present some challenges for how we develop our distribution plans.

One important lesson that can be drawn from the surveys is that there is no single major channel that should be used to distribute material.

¹⁵ *The Consumer Education Needs of Rural and Remote Australians*, Consumer Affairs Division, Department of Industry Science and Tourism, 1997.

¹⁶ *Ibid.* p. 35.

¹⁷ *Ibid.* p. 35.

¹⁸ *Ibid.* p. 37.

The surveys also point to some limitations with particular methods of distribution.

For example, there was relatively little preference for information being provided in booklets or pamphlets, which has been a common way of providing education material in the past.

Also, there was a very strong preference for receiving information face to face, or through talking to an individual. Clearly, educating consumers individually in this way would be extremely costly. However, using intermediaries and advisers may often be an effective way to distribute educational messages.

There was also a clear preference in the Consumer Affairs Division rural survey against using the internet for obtaining information. It is worth noting, however, that this survey is now several years old, and was relatively limited in scope. Access and use of the internet has increased rapidly since the survey.¹⁹ The internet is also heavily used by particular sections of the community (eg younger people).

We will continue to use the internet (especially Watchdog, our consumer website) to provide consumer education and information. It is a cheap and efficient form of distribution, and, for those who are able to access it and prefer to use it, the internet can provide search and other features that are not available in other formats. There is also potential for the internet to deliver education material in different, interactive formats. We will continue to explore these possibilities.

It should also be noted that the internet can be an effective mechanism for distributing material to intermediaries such as community workers or financial advisers.

However, the survey does demonstrate that it will not always be appropriate to rely heavily on the internet for distribution.

There are also other factors that mitigate against heavy reliance on the internet as a source of information, including the relatively low numbers of some consumer groups who have access to the internet (particularly for low income consumers, rural and regional consumers, and older consumers).²⁰

¹⁹ An estimated six million adults (44% of Australia's adult population) accessed the internet in the 12 months to November 1999, compared to 4.2 million adults (31%) in the 12 months to November 1998 (*Use of the Internet by households, Australia, Nov 1999*, Australian Bureau of Statistics Catalogue No 8147.0).

²⁰ *Use of the Internet by households, Australia, Nov 1999*, Australian Bureau of Statistics Catalogue No 8147.0. This study estimated that:

- just under 30% of capital city households had home internet access compared with 17% of households in other areas of Australia;
- 73% of 18 – 24 year olds accessed the internet in the 12 months to November 1999, compared to 16% of persons aged 55 and over;
- nearly 60% of adults employed full-time accessed the internet in the 12 months to November 1999, compared to 50% of adults employed part-time, 50% of unemployed adults, and 16% of adults not in the labour force.

It is also important for providers to consider the fact that merely placing information on the internet does not mean that it will be accessed. Strategies are also needed to direct traffic to the site.

However, the survey results show that it would be inappropriate to rely primarily on either the internet or any other single distribution channel if our education activities are to meet the needs of a wide range of consumers. We will need to be creative in how we deliver our consumer education initiatives.

Q5 What are the most and least effective means of distributing consumer education material and activities:

- to the general public?
- to particular target groups?

Do you expect this to change in the future?

Timing

We must make sure that the distribution of education material and messages is timely. Effective targeting should ensure that consumers receive relevant material around the time that they are making key decisions. For example, when an employee is due to retire, it would be beneficial if they were able to access material about options for post-retirement financial security.

Even if consumers do read relevant information at another time, they are unlikely to recall all the details at the time they are making a decision.

Targeting

Much consumer education material is not specifically targeted at one group, but is developed for the general consumer population as a whole. In some cases, this will be appropriate.

However, it is probably true to say that the more targeted education material is, the more likely it is to be received and absorbed. The Consumer Education Stocktake report noted that, although there is relatively little consumer education material targeted at specific groups, the targeted material that did exist was usually of a very high quality. The Consumer Education Stocktake report suggested that the focus on particular consumers seemed to assist in the clarity of expression and the attractiveness of the material.²¹

Education material can be targeted to particular subgroups of consumers where a particular risk or need is identified. Often the particular risk or need will result from disadvantage, but this is not always the case.

Targeting can be geographical. ASIC's regional offices can target educational activities towards local issues or take advantage of local events such as investor expos or conferences.

²¹ *Stocktake of Consumer Education in Financial Services*, Research and reports by the Financial Services Consumer Policy Centre for ASIC, July 1999, p. 12 – 13.

Education material can also be targeted to consumers at particular lifestyle stage (eg moving out of home, buying a home, having children, nearing retirement).

Education material can be targeted at consumers who are relatively inexperienced in choosing and purchasing financial services or at consumers who already have high levels of financial literacy and experience.

Another important target for education material is intermediaries. Here we mean both professional advisers (eg brokers, investment advisers), and also consumer and community advisers/workers and community members who may play a less formal advisory role. In fact, in terms of meeting the educational needs of many disadvantaged consumers, information targeted at trusted intermediaries may be more effective than trying to target those consumers directly.

Vulnerable consumers

We recognise that consumers are not homogenous, and their needs for education material differ. In the past, consumer education material may not have been effective in reaching the more vulnerable consumers of financial services, including those consumers who:

- are inexperienced with respect to financial services; and/or
- have low incomes; and/or
- have low literacy and/or numeracy skills; and/or
- do not speak English as their first language; and/or
- are of Aboriginal or Torres Strait Islander descent; and/or
- have physical or mental disabilities; and/or
- are elderly or young.

Consumers in these groups may need consumer education strategies specifically targeted to their needs if we want to increase their participation, and the effectiveness of their participation, in the financial services market.

Education in languages other than English

The Consumer Education Stocktake found that most financial services education material and information was provided in English.²²

Some complaints schemes and fair trading agencies provided information in other languages and most have arrangements in place to communicate with consumers through interpreter services. However, overall, there is little information available to consumers in languages other than English.

One obvious means of meeting the education needs of consumers from non-English speaking backgrounds is to translate copies of existing material (consumer alerts, brochures etc) into other languages.

However, translating existing material can be a costly exercise. Additionally, there will always be difficulties in deciding which languages should be used, given the many languages spoken in Australia.

²² *Stocktake of Consumer Education in Financial Services*, Research and reports by the Financial Services Consumer Policy Centre for ASIC, July 1999, p. 13.

Other possibilities for meeting the education needs of consumers from non-English speaking backgrounds might include:

- providing access to internet translation services through our website;
- targeting material to relevant intermediaries in ethnic communities (eg community workers, migrant resource centres, and others);
- developing specific material for consumers from non-English speaking backgrounds;
- holding seminars in conjunction with local migrant or ethnic community associations;
- providing relevant material to ethnic community radio programs; and
- publishing articles in ethnic community newsletters.

Q6 There are also likely to be many other effective mechanisms and we are interested to hear of relevant research and the experiences of other organisations in this area. How and when should ASIC target its educational activities:

- to the general public?
- to consumers at a particular lifestyle stage?
- to inexperienced and/or experienced consumers?
- to intermediaries and if so, which intermediaries?

Q7 Are there specific ways that ASIC can better target educational material to vulnerable consumers?

Q8 Which mechanisms are most effective for targeting education material to consumers from non-English speaking backgrounds?

Section 3

Other issues

Working with others

We are not the only agency or organisation that has a role in providing consumer education in financial services. Indeed, we take the view that all players — relevant government agencies, industry associations, industry members, consumer and community organisations — have a role in consumer education.

Much useful consumer education material in this sector is already provided by organisations other than ASIC. However, organisations often do not know of the activities of other education producers or distributors, and so may miss opportunities to:

- benefit from relevant expertise of other organisations;
- use effective distribution channels; and/or
- share resources and so minimise expenditure.

Currently there is no simple national system for coordinating education strategies or exchanging information on consumer education in the financial sector. The report on the Consumer Education Stocktake suggested that this lack of a coordinating strategy has resulted in a number of gaps and overlaps in consumer education on financial services.

We note that coordination efforts can range from voluntary information exchange through to more directed attempts to ensure that certain education activities are undertaken by particular organisations. The latter approach is likely to be resource intensive and difficult to achieve.

However, we consider that there is scope for both improved coordination and, in some cases partnerships, between organisations involved in providing consumer education in this sector.

Activities of other Australian Government agencies

Other government agencies that have an interest in, or responsibility for, aspects of consumer education in this sector include:

- Australian Taxation Office (ATO);
- Commonwealth Department of Family and Community Services;
- Centrelink, especially their Financial Information Service;
- Consumer Affairs Division, Treasury;
- Federal, State and Territory Education Departments;
- State and Territory Consumer Affairs/Fair Trading agencies;
- Ministerial Council on Consumer Affairs (MCCA);
- Australian Competition and Consumer Commission (ACCC); and
- Ministerial Council for Corporations.

Some of the work currently underway or planned by these agencies includes:

- education campaign on superannuation choice (ATO);
- identifying and addressing the consumer education needs of Australians on low incomes, Australians living in rural and remote communities, and young consumers (Consumer Affairs Division, Treasury);
- publications such as *Investing Money — Your Choices*, *Age Pension News*, etc (Centrelink); and
- a consumer education campaign for young consumers to highlight National Consumer Day 2000 (MCCA).

Q9 Are there other projects currently planned or underway by Government agencies that ASIC should be aware of when developing its education strategy for financial services consumers? Would any of these benefit from ASIC involvement?

Industry activities

Many organisations and individual businesses within the private sector provide consumer education materials. Some material is directed at promoting the offerings of a specific firm. Other material, however, is more generic and gives guidance on different topics.

From our perspective, it is in the interests of different industries to contribute to, and often play a major role in, consumer education initiatives. Involvement in consumer education can have a variety of positive outcomes for industries. Some of these outcomes will be more immediate and tangible, however, all are important.

For example, consumer education activities conducted by industry associations and/or individual businesses can:

- improve consumer awareness and understanding of financial products — informed and confident consumers are more likely to be high users of financial products;
- reduce the potential for complaints and confusion;
- encourage consumers to expand the range of products included in their portfolio.
- generate goodwill for an industry or an individual business; and
- in the case of industry associations, draw attention to the services that their members can offer.

Consumer education initiatives can also benefit from industry involvement. Private sector organisations have the technical knowledge and industry understanding that is needed for consumer education material, and are well placed to anticipate emerging issues. They are also well placed to ensure targeted and timely distribution.

Consumer and community organisations

Consumer and community organisations also play a key role in providing consumer education in financial services. Often material produced by consumer and community organisations is targeted to a particular class of consumers, and is designed to meet an identified gap or need.

Consumer and community organisations are often hampered in the scope of their education activities by funding limitations. However, as they often have direct and regular contact with consumers, they are well placed to identify emerging problems and education needs.

There are also some examples of partnerships between private sector bodies and community organisations. For example, the 'Dollars and Sense' booklet produced by the Australian Pensioners and Superannuants' Federation was partially funded by Westpac Banking Corporation.

Q10 Are there projects currently planned or underway in the private sector or community sector that ASIC should be aware of when developing education strategy for financial services consumers? Would any of these benefit from ASIC involvement?

Mechanisms for coordination

The Consumer Education Stocktake report recommended that a mechanism be established to improve coordination of consumer education materials. We note again that coordination can be a more or less intensive exercise, ranging from information exchange through to the establishment of a large scale coordination group.

One form of coordination is already underway. Together with the Securities Institute of Australia, we are developing a central database on consumer education material. The database will be available on the internet, and will include details of relevant consumer education material and where it can be obtained. Once it is available, we would encourage people to visit this site and comment on its usefulness, how it might be improved, and whether there are other organisations that should also participate.

However, this database may not alone secure coordination — an additional mechanism may be needed.

In the UK, the Financial Services Authority established a Consumer Education Forum, which includes key industry, government, consumer and other stakeholder representatives. The Forum meets on a regular basis, and its role is to coordinate the overall public awareness/consumer education program and identify how existing and planned initiatives can best fit into an overall program.

One way to improve coordination in Australia may be to establish a similar forum, either under the auspices of ASIC or another agency or organisation. It could include representatives from relevant Government agencies, industry organisations, industry members, and consumer and community organisations. It could test ideas and propositions for education initiatives

and allow more effective exchange of information about the activities being undertaken by different organisations.

Establishing and maintaining such a forum would, however, require significant financial and administrative resources. Consideration needs to be given to whether such resources would be best spent on coordination or directly on providing education to consumers.

Other forms of coordination may also be effective. For example, a less intensive form of coordination might be to establish, within the online Consumer Education Directory website, a section or forum for providers of consumer education material. Providers could then, on a voluntary basis, advise of future education plans, seek out partnership possibilities, and share information on both effective and less effective techniques or activities.

Q11 How can coordination of consumer education initiatives on financial services issues best be achieved?

Q12 If a consumer education forum is the best way to achieve coordination, who should manage the forum? How should it be resourced?

Partnerships

We see partnerships with other organisations as a very effective means for expanding our distribution and education opportunities. For example, our booklet *Don't kiss your money goodbye*, a guide to choosing a financial adviser, was produced in conjunction with the Financial Planning Association (FPA). By working with the FPA, we were able to distribute 350,000 copies over seven years to consumers at a time when they needed the information.

Developing appropriate partnerships with different organisations (industry groups, industry members, consumer and community organisations) means that our material can reach a wider audience, and our distribution can be more targeted. In appropriate circumstances, partners can also be involved in developing content.

Partnerships can also be used to distribute material in formats other than in print. For example, we could seek out opportunities to link in with relevant seminars and meetings organised by community and/or industry groups and other government agencies.

Other partnership opportunities may arise through industry training organisations, such as the National Finance Industry Trading Advisory Board. These organisations could play a role in distributing messages to industry members about consumer education responsibilities and opportunities.

We hope that partnership opportunities will also be identified by other organisations, and we welcome direct approaches from other organisations about opportunities for partnerships.

However, we will have to choose our partnership opportunities carefully and on a case by case basis to avoid a risk that a particular partnership may dilute the message intended to be given. Perceptions of a lack of independence can impact on the credibility of education material on which we place our stamp. This is particularly true where the partnership also involves joint production of the content.

Q13 What groups or organisations should ASIC approach to increase the production and/or distribution of consumer education materials and messages?

Q14 Are there circumstances in which we should not engage in partnerships or collaborations? If so, what are these circumstances? Should we collaborate with industry members, either individually or through their associations?

Q15 What steps can we take to ensure that, when we engage in partnerships, our education activities are not at risk of lacking independence or being seen to lack independence?

International cooperation

Increasingly, financial and securities regulators in other Western countries are devoting significant resources to consumer and investor education. For example, the Financial Services Authority in the UK has recently released a consumer education strategy,²³ the Securities and Exchange Commission in the USA has established an office specifically dedicated to consumer education (the Office of Investor Education and Assistance), and the Hong Kong Securities and Futures Commission has developed a detailed investor education section on their internet site.

This trend is likely to continue, and it therefore makes sense to consider whether there is scope for us to work with regulators in other countries on consumer education initiatives.

Financial systems and available products and services differ markedly between countries, therefore making it generally inappropriate to coordinate the provision of education material with international and overseas organisations.

However, there is scope for sharing of information on successful campaigns and techniques relating to consumer education. This could be facilitated using the internet. There is also some scope for developing cooperative activities

²³ *Consumer Education: a strategy for promoting public understanding of the financial system*, Financial Services Authority, May 1999.

(such as international coordinated surveillance/enforcement activities, or international “money days” or campaigns on savings and investment).²⁴

Q16 What opportunities, if any, are there for international projects or campaigns relevant to consumer education in financial services?

Measuring our effectiveness

Testing and evaluation should be key components of a consumer education strategy. Before we finalise an education initiative, we want to be confident that it meets the needs that we have identified. Similarly, after a project has been undertaken, we may, depending on the project’s size and significance, want to assess the impact that it has had on consumers and their behaviour.

Comprehensive testing and evaluation can be an expensive and resource intensive exercise. It is simply impossible to undertake such comprehensive analysis for every consumer education project. It is therefore important that we think carefully about cost-effective ways to evaluate consumer education. Similarly, when we do decide to undertake comprehensive evaluation, we will need to choose the project carefully.

Possible means of testing include consumer focus groups, questionnaires and internet based surveys, pilot initiatives, and diagnostic testing (used in our policy on consumer testing for Advisory Service Guides).²⁵ Ways to measure the effect of consumer education initiatives might include qualitative and quantitative surveys of consumer views, behaviour and reasons for behaviour, media coverage of relevant issues, number of publications distributed, and complaint levels.

We are interested in stakeholder views on when and how testing and evaluation is best undertaken. We believe that it is important for other providers to consider how best to evaluate their education activities, and we are interested in any such evaluation that has taken place.

The Consumer Education Stocktake report discussed whether there was a need for systemic evaluation of consumer education material, perhaps by creating standards. However, it did not recommend devoting time and resources to the development of standards at this stage. Instead, it suggested that it may be useful to develop some general guidance on the production and distribution of education material on financial services.²⁶

²⁴ In 1998, the SEC, together with other government agencies, consumer organisations, and financial sector groups, established a national campaign on savings and investing. This ongoing effort aims to motivate individuals to learn how to save and invest wisely (see <http://www.sec.gov/consumer/camp99/getfacts.htm>, downloaded 11/5/00).

²⁵ *Investment advisory services: retail investor protection requirements*, ASIC Policy Statement 121, Attachment E.

²⁶ *Stocktake of Consumer Education in Financial Services*, Research and reports by the Financial Services Consumer Policy Centre for ASIC, July 1999, p. 21 – 22.

- Q17 Has there been any research or evaluation of consumer education projects or campaigns that may provide useful information for ASIC?
- Q18 How should ASIC test its consumer education material and initiatives, and/or measure the effects of these initiatives? How can we assess whether an initiative has been a success?
- Q19 Is there a need for general guidance for those producing and distributing education material on financial services? If so, is preparation of guidance (along the lines of the '10 point checklist' in section 2) an appropriate role for ASIC or another organisation?

Further research

Research on consumer education issues can be an important way to improve education initiatives. Although there is a large volume of consumer education material in Australia relevant to financial services, there has been limited research on this topic or on the topic of general consumer education.

We have limited resources for research, and we will have to carefully consider our priorities before we commit to any research project. There may also be other organisations who could usefully undertake some of this work.

The Consumer Education Stocktake report recommended a number of areas where further research could be considered:²⁷

- Financial literacy — the report suggested that information on financial literacy in Australia would be useful. It noted that financial literacy should be explored further, rather than solely relying on current information about general literacy. A better understanding of financial literacy in Australia, and of how the levels of financial literacy differ between different groups, is essential if we are to appropriately target our consumer education initiatives.
- Reach and distribution — the report suggested that work on developing a mechanism for measuring the reach of consumer education material would be extremely useful to both providers and consumers.
- Targeting — the report suggested that further work on targeting selected vulnerable groups (especially those from non-English speaking backgrounds) would be useful.
- Media — the report did not consider the role of consumer education through the media, however, it suggested that research on the role of the media would be useful.

²⁷ Ibid. p. 22-23.

- Formal education courses — the report did not consider either formal or informal courses. However, it suggested that informal courses appear to be an important aspect of consumer education in financial services, requiring further exploration. It also suggested that it may be worthwhile to consider the issue of financial education in the workplace. In the UK, the Financial Services Authority is examining existing adult education programs and investigating opportunities to deliver learning and teaching materials through the workplace and through community based organisations with an educational remit.²⁸

There are also other research topics that may be worth considering, including:

- Format for consumer education material — as noted earlier, there is only limited research on the most effective and preferred formats for delivering consumer education and information, and this research is not specific to financial services. A better understanding of this issue would assist in improving the effectiveness of our education initiatives and perhaps also those of other organisations.
- Comparative information — the complexities of financial products and services mean that consumers can often find it difficult to compare the offerings of different suppliers, and to choose the most appropriate product. Providing information in a format that can allow easy comparisons between products and suppliers may address some of these difficulties. It may be useful to undertake research into the possibility, and best means of, developing comparative information for some or all financial products. The UK Financial Services Authority is one agency that has begun exploring this issue.²⁹
- Financial literacy through schools — educating children about financial issues can ensure that community levels of financial literacy and participation in the financial system increase over time. We understand that consumer affairs agencies in the States and Territories already work closely with education authorities to promote consumer education issues in the school curriculum, and some of this material includes financial sector issues. However, research on the ways in which ASIC could best contribute to the existing initiatives and further promote financial literacy and personal finance issues in the school curriculum may be valuable.

Q20 Should ASIC undertake or commission research on any of these topics? If so, which should have highest priority?

Q21 Are there other areas in consumer education where further research is needed and where ASIC or other

²⁸ *Consumer Education: A strategy for promoting public understanding of the financial system*, Financial Services Authority (UK), May 1999, p. 21 – 22.

²⁹ *Comparative information for financial services*, Financial Services Authority Consultation paper 28, October 1999.

organisations should conduct or commission that research?

Resources

Any organisation considering consumer education will be limited by available resources. Consumer education can be an expensive exercise, particularly if a wide audience is being targeted with detailed material.

Consumer education is also a long term project. The benefits of particular initiatives may take some time to become apparent. ASIC will have to carefully consider its priorities for education in the context of our overall budget and our other regulatory and enforcement activities. We will have to carefully assess the responses to this discussion paper and proposed strategy in light of our overall resource constraints.

As we have already discussed, we see that partnerships with other organisations are an important way to maximise the available resources.

We also take the view that industry should play a key role in developing and providing consumer education material. We would be interested to hear of other views on the role that industry could, or should, take in relation to consumer education.

Q22 How do other organisations decide what resources they should devote to consumer education?

Q23 Are there particular types or areas of consumer education that have proven to be particularly cost-effective?

Q24 To what extent can industry fund additional consumer education activities? What are the main barriers (if any) to further activities?

Section 4

Proposed strategy and action points

This chapter sets out our draft consumer education strategy and action points for comment. It covers four main areas:

- general issues;
- working with others;
- research; and
- specific education initiatives.

Some of the action points build on existing initiatives, while others are new initiatives. Although not specifically identified in the outline below, it is intended that some proposals would be suitable for partnerships with other organisations.

As well as comments on the specific proposals, we would appreciate views on what actions should be given the highest priority. This is because budgetary considerations will play an important role in determining how many activities we can undertake and when these will occur. We are not proposing to undertake all of the activities suggested.

A. General

A.1 Consult on and produce a final paper on ASIC's Consumer Education Strategy. The release of this discussion paper represents the first stage of this process.

A.2 General guidance. In consultation with relevant stakeholders, ASIC will prepare and distribute general guidance on producing and distributing consumer education materials on financial services.

B. Working with others

B.1 Online directory of consumer education materials. In partnership with the Securities Institute of Australia, develop and launch an online database of available consumer education materials on financial services. The database will include details of materials and their sources, and will be accessible through ASIC's internet site.

B.2 Develop an internet site that financial services consumer education providers can use to share information, seek out partnership opportunities, and advise of future plans. This site could be a subsite within the online consumer education directory referred to in B.1.

B.3 Consumer education forum. Explore the value, resource requirements and feasibility of establishing a financial services consumer education forum. This would include consideration of which organisation should be responsible for running such a forum, the extent of the coordination role envisaged for the forum, and how often it should meet.

C. Research/studies

ASIC's ability to undertake any of these studies will depend on resources. We would appreciate feedback on the priority that should attach to the projects outlined below, and whether any other organisations are well placed to undertake such studies.

Short term studies

C.1 Financial literacy. Begin discussions with the Australian Bureau of Statistics and other relevant organisations about the possibilities for measuring and surveying levels of financial literacy.

C.2 Education for consumers from non-English speaking backgrounds. Undertake or commission research on effective means of targeting education initiatives to consumers from non-English speaking backgrounds.

C.3 Format for delivering consumer education. Undertake or commission research with the aim of assessing the most preferred and most effective formats and mechanisms for delivering consumer education material about financial services.

Long term studies

C.4 Comparative information. Undertake or commission research into the opportunity for developing comparative information and indicators (eg price, flexibility, financial strength, risk and return, range of funds, minimum payments, etc) for some or all financial services and products.

C.5 Financial literacy for adults. Examine current range of adult education courses, and opportunities for delivering financial services education material through the workplace and community forums.

C.6 Financial literacy and consumer education in schools. Begin discussions with education authorities and other consumer agencies about the opportunities for expanding consumer education and personal finance in school curriculums.

D. Specific education initiatives

Current and continuing initiatives

D.1 Consumer Alerts. Prepare and release Consumer Alerts on topical issues. Distribute to relevant media, intermediaries, and others, and publish on the internet.

D.2 *Super Decisions*. Review Super Decisions booklet to ensure that it continues to meet the needs of consumers, including those who are on low incomes or insecure employment.

D.3 Consumer brochures or guides. Publish further brochures or guides on financial services issues (along the lines of *Don't Kiss Your Money Goodbye* and *Super Decisions*). These could include brochures on general insurance, flood insurance (see D.11), investment guidance (see D.12), banking products

(see D.13), rights under the EFT Code (see D.14), shareholder rights (see D.23), and mortgage brokers (see D.24).

D.4 Consumer website. Continue to develop and improve Watchdog, ASIC's dedicated consumer website.

D.5 Scams education. Continue to develop and implement education campaigns warning of scams and encouraging consumers to make use of basic safety checks (similar to Millennium Bug campaign in 1999).

D.6 ASIC Speaks seminars. Continue to hold ad hoc ASIC Speaks seminars, with regular seminars targeted at consumer representatives.

D.7 Investor forums. Continue to hold ad hoc investor forums, discussing basic advice for investing and common problems to avoid. A percentage of seminars to be targeted at less sophisticated consumers and/or in rural and regional centres.

D.8 Infoline. Continue to operate Infoline as a key source of information for consumers on financial matters.

D.9 Regional consumers. Conduct pilot series of seminars in regional areas for community members and workers on ASIC's role and consumer rights.

D.10 Media. Continue to work with media on distributing key consumer education messages, and ensuring that those messages reach front line staff within financial institutions.

D.11 Flood insurance. Look at ways to distribute ASIC's recently issued flood insurance consumer education brochure.

Possible new initiatives

D.12 Investment guidance. Prepare general education material on general investment issues and options. This could be targeted at low income retirees, who have some superannuation to invest, and/or to the general public.

D.13 Banking guidance. Prepare education material to help consumers identify key features of banking and deposit-taking products, and key questions to ask when choosing products.

D.14 New technologies in financial services. Prepare education material about new technologies in financial services. An initial project could be a guide to the expanded EFT Code of Conduct.

D.15 Community intermediaries. Explore opportunities for:

- (i) conducting seminars/training sessions with community workers — explaining consumer issues and rights;
- (ii) developing a kit on financial services issues for community workers; and/or
- (iii) including information about financial services issues into existing community worker resources.

D.16 Print media coverage. Work in partnership with the print media to distribute ASIC material on financial services relevant to their audience, and to explore opportunities for incorporating financial services stories and issues in all types of publications (including “women’s magazines”, lifestyle magazines, and general entertainment magazines).

D.17 Broadcast media coverage. Work in partnership with broadcast media to run campaigns across all channels (including current affairs, lifestyle programs, national and local radio, general entertainment, plot-lines in television series, etc) to ensure a greater profile for financial services issues.

D.18 Consumer codes and ADR schemes. Prepare reference sheets for community workers and other intermediaries on the availability of consumer codes and ADR schemes. A similar guide could also be targeted at consumers (including information about using the schemes).

D.19 Savings/investing campaign. Develop, in conjunction with relevant stakeholders, a national campaign to promote savings and investing (similar to the campaign run by the Securities and Exchange Commission in the USA).

D.20 International campaign. Explore opportunities for an international campaign with other financial services regulators. (Perhaps in conjunction with D.18.)

D.21 Financial sector intermediaries. Explore options with financial sector intermediaries (and perhaps also businesses such as ISPs) for making their customers aware of information available from ASIC (including by placing on their webpages hotlinks to ASIC’s consumer alerts and consumer website).

D.22 Centrelink Financial Information Service. Explore opportunities for including material about investing etc in seminars and publications provided by the Financial Information Service to retired consumers.

D.23 Shareholder rights. Develop general education material on the rights and obligations of individuals who directly own shares. This could include information on AGMs, takeovers, demutualisations, capital gains tax issues, etc, and could be targeted at investors who own shares in only a small number of companies.

D.24 Mortgage brokers. Develop general education material on mortgage broking, including questions to ask when considering using a broker.

D.25 Young consumers. Explore opportunities for contributing to the MCCA education activities targeted at young consumers for World Consumer Rights Day (28 October 2000).

Q25 What are your views on the proposed strategy and action points? Have you any further suggestions?

Q26 What priority, and what time scale, would you wish to see for those initiatives you support?

Appendix A

Our consumer education activities

This Appendix summarises the consumer education activities undertaken by our National and Regional Offices.

Consumer booklets and other publications

Don't Kiss Your Money Goodbye is a step by step guide to choosing the right financial adviser, produced in conjunction with the Financial Planning Association (FPA). By working with the FPA and its members we have distributed 350,000 copies of this brochure in the last seven years at a time when consumers need it. We have had a lot of positive feedback that consumers find the booklet very useful.

Super Decisions, produced with the Association of Superannuation Funds of Australia, helps address the problems which people may face when choosing a superannuation fund. By distributing it through ASFA we help ensure that the booklet gets into consumers' hands at the time they are considering their superannuation purchase.

We have also published a book, *Scams and Swindlers*, which describes real life case studies and provides advice for consumers on how to avoid investment disasters.

Millennium Bug Insurance scam — April Fool's Day hoax

In April 1999, we set up a fake Internet site which claimed that people could triple their money in 15 months if they invested in Swiss Millennium Bug Insurance (SMBI). SMBI insured companies against losses caused by the millennium bug. Investors could invest in \$10,000 and \$50,000 packages.

When the site was revealed as a hoax, 233 investors had pledged \$4 million, 1212 people asked for more information, and 10,200 visitors hit to the site. After the hoax was revealed, we sent emails to all those who asked for information or pledged funds, explaining why we ran the scam and what steps investors can take to protect themselves from similar scams in the future.

As part of the campaign, we set up a new web page telling people about our free internet searches and how they can do the searches. We received 2,736 hits in two weeks.

The goals of the project included:

- educating consumers about investing on the internet and warning people about possible fraud;
- telling consumers about the basic internet safety checks they should do before investing, including free searches on our website;

- increasing consumer awareness of the information offered on our website and letting them know that they can complain to ASIC if they know of financial scams on the internet; and
- increasing consumer awareness of the different ways people can lose their money through shonky internet schemes.

We were awarded a Public Relations Institute of Australia “Golden Target Award” for the success of the campaign. We also received international recognition from the International Public Relations Association who named our consumer protection campaign as one of the best public relations campaigns run in the world in 1999.

The Gull Awards

The Gull Awards page on our website is a collection of true stories about outrageous financial scams. We encourage the public to alert us to Gulls, and each month the best Gull wins the Gull of the Month Award. The monthly award generates ongoing publicity to educate people about investment scams.

Consumer Alerts

We regularly release “Consumer Alerts”—press releases which warn consumers about topical problems or educate them about commonly misunderstood areas. Consumer Alerts are sometimes associated with broader campaigns such as our “cold calling campaign” in 1999 which warned consumers about unlicensed people “cold calling” from overseas, offering often shonky investment opportunities.

The Commission has a series of Consumer Alerts planned for 2000. We have already released Consumer Alerts on online broking, margin lending and spam scams. Future topics under consideration include a warning about acting on chat room/bulletin board investment advice and an educational alert about consumer rights under the EFT Code.

The Consumer Alerts are circulated widely through the media, and are also available on our consumer website www.watchdog.asic.au.

Online directory of consumer education material

We have entered into a collaborative arrangement with the Securities Institute of Australia to provide Australia’s first online directory of consumer education material for financial services.

Watchdog: our new consumer website

Watchdog, a new separate website for consumers, is part of our upgraded internet site which was launched in March 2000.

Infoline

Infoline is our principal call centre for regulatory and enforcement activities. It distributes publications, provides general advice, and refers callers with more detailed queries to appropriate sources, both within and outside ASIC.

Investor forums

Over the last 18 months ASIC Chairman Alan Cameron has held a series of public meetings around Australia which focus on basic advice for investing and common problems to avoid. ASIC Regional Commissioners also give presentations to groups of investors on a regular basis.

“ASIC Speaks” seminars

During 2000, some of our ad hoc public seminars, entitled “ASIC Speaks”, will be targeted at consumer representatives.

Making staff available for public meetings

ASIC staff at regional and national levels regularly talk to community groups, groups of retirees and others about basic consumer protection issues in financial services.

Appendix B

List of questions

SECTION 1: Background	
Our role	Q1 Are the five areas listed the most appropriate focus for our consumer education work? Are there other areas or aspects of consumer education we should be focusing on?
SECTION 2: Developing a consumer education strategy	
What are our priorities	Q2 Are the items identified the most appropriate general priority areas for ASIC? Are there other areas that should be included because of the financial risks faced by consumers? Which areas should have the highest priority?
What information do consumers need	Q3 Are there other general techniques for enhancing the attractiveness of consumer education material on financial services? Q4 Which formats are most effective for delivering consumer education on financial services? Are there any formats that are more useful or appropriate in particular circumstances, or for particular target groups?
Reaching our audience	Q5 What are the most and least effective means of distributing consumer education material and activities: <ul style="list-style-type: none"> • to the general public? • to particular target groups? Do you expect this to change in the future? Q6 How and when should ASIC target its educational activities: <ul style="list-style-type: none"> • to the general public? • to consumers at a particular lifestyle stage? • to inexperienced and/or experienced consumers? • to intermediaries and if so, which intermediaries? Q7 Are there specific ways that ASIC can better target educational material to vulnerable consumers? Q8 What mechanisms are most effective for targeting education material to consumers from non-English speaking backgrounds?

SECTION 3: Other issues	
Working with others	<p>Q9 Are there other projects currently planned or underway by Government agencies that ASIC should be aware of when developing its education strategy for financial services consumers? Would any of these benefit from ASIC involvement?</p> <p>Q10 Are there projects currently planned or underway in the private sector or community sector that ASIC should be aware of when developing its education strategy for financial services consumers? Would any of these benefit from ASIC involvement?</p> <p>Q11 How can coordination of education initiatives on financial services issues be best achieved?</p> <p>Q12 If a consumer education forum is the best way to achieve coordination, who should manage the forum? How should it be resourced?</p>
Partnerships	<p>Q13 What groups or organisations should ASIC approach to increase the production and/or distribution of consumer education materials and messages?</p> <p>Q14 Are there circumstances in which we should not engage in partnerships or collaborations? If so, what are these circumstances? Should we collaborate with industry members, either individually or through their associations?</p> <p>Q15 What steps can we take to ensure that, when we engage in partnerships, our education activities are not at risk of lacking independence or being seen to lack independence?</p>
International cooperation	<p>Q16 What opportunities, if any, are there for international projects or campaigns relevant to consumer education in financial services?</p>
Evaluating our effectiveness	<p>Q17 Has there been any research or evaluation of consumer education projects or campaigns that may provide useful information for ASIC?</p> <p>Q18 How should ASIC test its consumer education material and initiatives and/or measure the effects of these initiatives? How can we assess whether an initiative has been a success?</p> <p>Q19 Is there a need for general guidance for those producing and distributing education material on financial services? If so, is preparation of guidance (along the lines of the “10 point checklist” in section 2) an appropriate role for ASIC or another organisation?</p>

SECTION 3: Other issues (cont)	
Further research	<p>Q20 Should ASIC undertake or commission research on any of these topics? If so, which should have highest priority?</p> <p>Q21 Are there other areas in consumer education where further research is needed and where ASIC or other organisations should conduct or commission that research?</p>
Resources	<p>Q22 How do other organisations decide what resources they should devote to consumer education?</p> <p>Q23 Are there particular types or areas of consumer education that have proven to be particularly cost-effective?</p> <p>Q24 To what extent can industry fund additional consumer education activities? What are the main barriers (if any) to further activities?</p>
SECTION 4: Proposed strategy and action points	
	<p>Q25 What are your views on the proposed strategy and action points? Have you any further suggestions?</p> <p>Q26 What priority, and what time scale, would you wish to see for those initiatives you support?</p>