



National Financial Literacy Strategy

Shaping a National Financial Literacy Strategy for 2014–16

Consultation paper



ASIC

Australian Securities & Investments Commission

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Note: For ASIC purposes, this is ASIC Consultation Paper 206. It is available on the ASIC website at www.asic.gov.au/cp and at www.financialliteracy.gov.au.

What this consultation is about

In 2008, the Australian Securities and Investments Commission (ASIC) was appointed as the Australian Government agency responsible for coordinating financial literacy. This was done in recognition that financial literacy is a critical skill for the 21st century and makes a major difference to people's lives.

In 2011, ASIC published a National Financial Literacy Strategy for 2011–13 (2011 Strategy). The 2011 Strategy recognises that improving financial literacy is a long-term journey over at least a generation.

ASIC is now leading a review of the 2011 Strategy to take stock of progress and develop a refreshed strategy that addresses key priorities over the coming years.

As part of this process, we are consulting with stakeholders on issues and priorities in shaping a National Financial Literacy Strategy for 2014–16 (2014–16 Strategy).

We will also conduct a stocktake of existing financial literacy initiatives across Australia to provide a snapshot of current activity related to improving Australians' financial literacy. The results of the stocktake will inform the 2014–16 Strategy by identifying gaps in coverage and opportunities for better using existing resources.

This consultation paper should be read in conjunction with the background report (see Report 339 *Review of the National Financial Literacy Strategy* (REP 339) at www.asic.gov.au/reports) and the 2011 Strategy (available at www.financialliteracy.gov.au).

The background report provides information on:

- progress under the 2011 Strategy;
- insights from the 2011 survey of adult financial literacy in Australia conducted by the Australia and New Zealand Banking Group Limited (2011 ANZ survey) and other recent research; and
- examples of recent initiatives.

The 2011 Strategy has extensive commentary on strategic considerations and the interplay between different factors.

Together, these documents will stimulate thought about issues and priorities for the 2014–16 Strategy. They will also support discussion at the National Financial Literacy Forum and other stakeholder consultation meetings: see 'How you can contribute'.

The 2014–16 Strategy is expected to be released in early 2014.

How you can contribute

We welcome the views of stakeholders on how to refresh the National Financial Literacy Strategy.

A one-day National Financial Literacy Forum is being held in Sydney on 30 April 2013. This Forum will launch the consultation process and will provide one opportunity for interested stakeholders to contribute to shaping the 2014–16 Strategy.

Participants will include representatives from the business, community, education and government sectors. Outcomes from the Forum will be shared at www.financialliteracy.gov.au.

You can also contribute your views on directions for 2014–16 Strategy by responding to the questions in this paper and submitting your response to submission@financialliteracy.gov.au, preferably by 30 June 2013.

ASIC will also be conducting targeted consultations and focus group discussions during 2013.

If your organisation delivers a financial literacy program, we encourage you to participate in the stocktake survey. The online survey will be live on the www.financialliteracy.gov.au website from 30 April 2013 until 30 June 2013.

Refreshing the National Financial Literacy Strategy

Significant progress has been achieved under the 2011 Strategy. Even before we conduct the stocktake, we know that in Australia today there is a rich diversity of initiatives being carried out by a wide range of organisations to improve Australians' financial literacy. Examples of these initiatives are noted in the background report.

Progress has been made under each of the 2011 Strategy headings:

- education pathways;
- trusted and independent information;
- developing innovative solutions to change behaviour;
- working in partnership; and
- measuring impact and promoting best practice.

No one sector or organisation alone can improve the financial literacy of Australians, as shown by the growing number of partnerships over the past two years. The 2014–16 Strategy is an opportunity to better reflect this collaborative approach to create a useful framework for organisations in all sectors.

It is now time to build on the solid foundation of the 2011 Strategy, take stock of what has been done, consider what has been learned and how best we can take this work forward over the next few years, so that together we can make a difference.

Your views on a 2014–16 Strategy

We recognise that achieving a significant change in Australians' financial literacy levels is a long-term journey—one that will take at least a generation.

The consultation on the 2014–16 Strategy will help develop a shared framework for action, clearly identifying the key priorities to focus on for the next few years and who is best placed to lead this work.

The following sections seek your views on specific elements of the 2014–16 Strategy relating to:

- defining financial literacy;
- related issues or policies;
- strategic goals and areas of focus;
- key actions;
- gaps and opportunities; and
- measures of progress.

You can submit your response to the questions by emailing us at submission@financialliteracy.gov.au.

Defining financial literacy

Financial literacy helps people to make better financial decisions and act on them, given the opportunities available to them.

It is not just about increasing people's knowledge of money matters and financial skills. It is also about people's attitudes. In particular, knowledge will often not lead to action without motivation: see Figure 1.

While personal financial literacy is important in achieving good financial outcomes, it is not sufficient in itself to achieve financial wellbeing. Other factors include:

- income sufficiency;
- availability of suitable financial products at an affordable price; and
- appropriate regulation.

There is currently no widely agreed upon definition of financial literacy. The definition used in the 2011 Strategy was chosen for national consistency and international comparability at the time:

[financial literacy is]...the ability to make informed judgements and to take effective decisions regarding the use and management of money.¹

Since 2011, dialogue on financial literacy has increasingly focused on behaviour and action. Some countries prefer to use the term 'financial capability' as they believe it better reflects the behavioural and other factors that contribute to making sound financial decisions.

For the 2014–16 Strategy, we propose to adopt the following definition used by the International Network on Financial Education of the Organisation for Economic Co-operation and Development (OECD) in its guiding principles on national strategies:

Financial literacy is a combination of financial awareness, knowledge, skills, attitudes and behaviours necessary to make sound financial decisions and ultimately achieve individual financial wellbeing.²

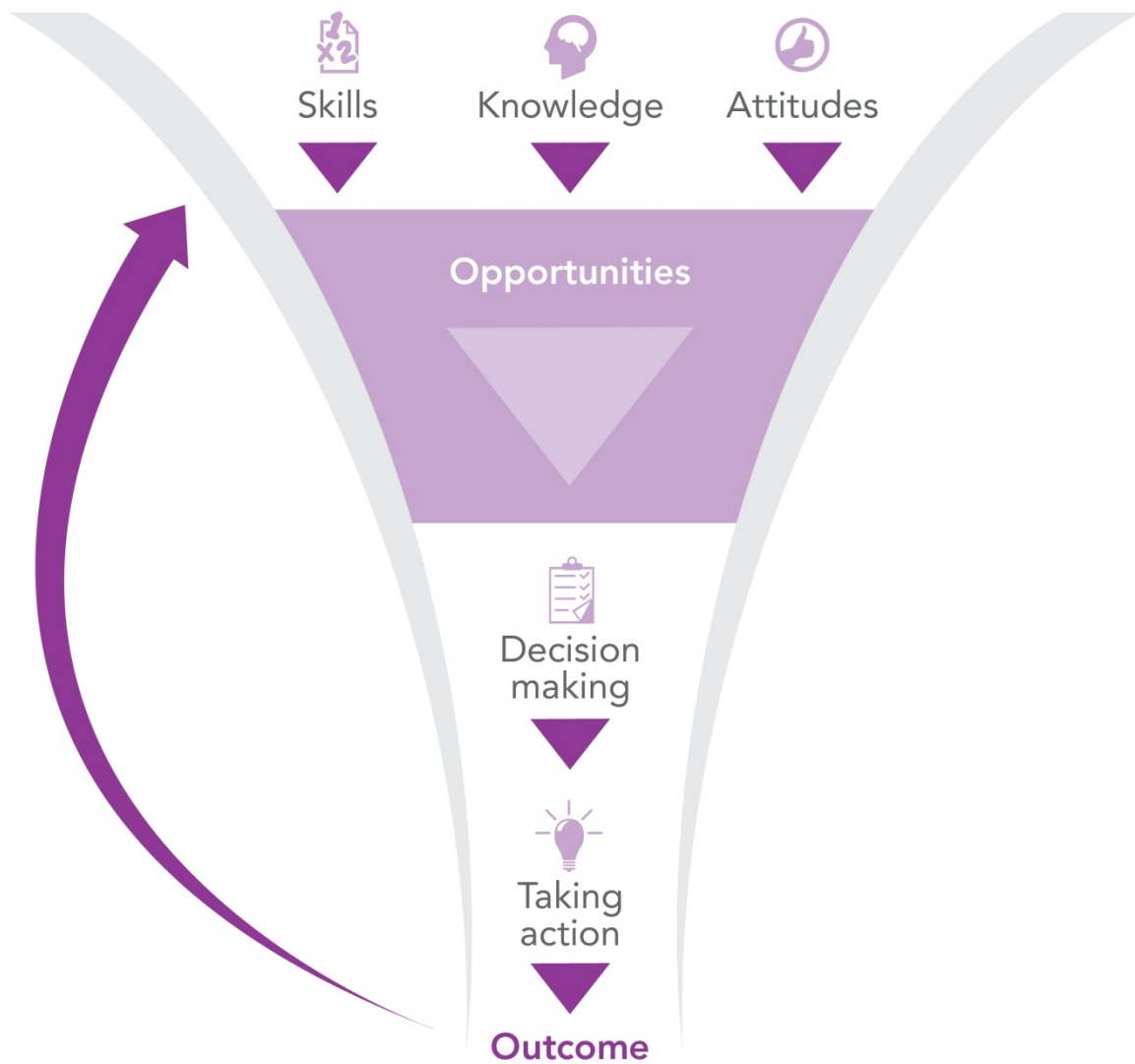
For discussion: Defining financial literacy

- Do you agree with the proposed definition of financial literacy? Please suggest any specific enhancements.

¹ ASIC, 2011 Strategy, p. 12.

² OECD/INFE, *OECD/INFE high-level principles on national strategies for financial education*, 2012, www.oecd.org.

Figure 1: How financial literacy works



Source: ASIC

Related issues or policies

The vision of a national financial literacy strategy is a long-term one.

A wide range of policies and programs are being undertaken to improve the education, health, social and economic outcomes of Australians. Financial literacy is either related to, or a contributing factor, to many of these. For example, financial literacy:

- is a key factor in social inclusion;
- contributes to overall literacy and numeracy;
- complements efforts to effectively regulate the financial services sector;
- is critical to implementation of programs such as the aged care reform package; and
- is a core part of entrepreneurship programs.

It is important that the National Financial Literacy Strategy complements other policies and programs, rather than being viewed in isolation.

For discussion: Related issues or policies

- What are the key related issues or policies that we should take into account in shaping a 2014–16 Strategy?
- How can we better coordinate links with other relevant national policies, programs and services?
- Are there strategic networks we can build on?

Strategic goals and areas of focus

Specific goals help track progress and measure success.

A common feature of other countries' national strategies on financial education is the inclusion of overarching goals. For example, New Zealand's National Strategy for Financial Literacy identifies the following four strategic goals:

- *developing quality* through our research, evaluation and frameworks to inform good practice in financial education;
- *extending delivery* through our free, independent and impartial financial information and resources;
- *sharing what works* through our leadership and coordination of the National Strategy for Financial Literacy; and
- *working together* through our collaboration with a network of national and international financial literacy stakeholders.³

The National Strategy for Financial Literacy in the United States also identifies four specific goals to support identified priorities:

- increase awareness of and access to effective financial education;
- determine and integrate core financial competencies;
- improve financial education infrastructure; and
- identify, enhance, and share effective practices.⁴

The strategic goals and areas of focus for the 2014–16 Strategy will be informed by consultation with stakeholders. Strategic considerations could include the following:

- What will create widespread and ongoing improvements in financial literacy?
- What issues cause the greatest problems?
- Which groups in society most need help?
- What resources are available to carry out programs?

Given what we already know, possible areas of focus could include:

- expanding financial literacy in the formal education sector;
- expanding access to trusted information and problem solving tools where and when people need it most;
- including programs with greater levels of assistance for disadvantaged people when mere information is not enough;
- facilitating partnerships and cooperation between and within sectors; and
- using evidence from evaluation studies to build support for future financial literacy initiatives.

³ Commission for Financial Literacy and Retirement Income, National Strategy for Financial Literacy, 2012. The strategy is available at www.financialliteracy.org.nz.

⁴ Financial Literacy and Education Commission, *Promoting financial success in the United States: National strategy for financial literacy*, 2011. The strategy is available at www.mymoney.gov/sites/default/files/downloads/NationalStrategyBook_12310.pdf.

For discussion: Strategic goals and areas of focus

- What do you see as the three most important strategic goals for the 2014–16 Strategy?
- What do you consider are three key areas of focus to frame action under the 2014–16 Strategy?

Key actions

Key actions support the strategic goals and will be grouped under each area of focus.

For example, specific key actions might include:

- training more teachers to teach financial literacy in schools;
- improving access to the right information, tools and resources; and
- increasing numbers of financial counsellors to provide targeted guidance and support to those most at risk (e.g. to complement social inclusion policies).

For discussion: Key actions

- Given the opportunities and resources that are likely to be available, what are the key actions that will have most impact on people's behaviour?
- What resources are needed to effectively support these key actions?
- Are there particular segments of the community that should receive more or less priority?

Gaps and opportunities

The responsibility for developing and delivering financial literacy programs is shared between stakeholders.

Integration of financial literacy into formal education pathways (schools, vocational education and at university) is a particular priority.

The background report highlights the range and diversity of financial literacy programs being delivered in Australia.⁵ The stocktake survey will gather a more complete picture of this activity.

We know that partnerships are particularly effective in extending the reach and building the sustainability of programs. However, we do not currently have a formal mechanism for sharing lessons learnt or what works best. Neither do we have a formal mechanism for coordinating this action across sectors and organisations.

Similarly, there are a wide range of sources of financial information, tools and resources that have been produced by various organisations. However, it is difficult to know if people's needs are being met, or the most effective channels are being used.⁶

As part of the consultation process, we want to explore ways in which we can improve coordination of the range of activities happening across the country to maximise the potential impact. We also want to be better able to track if our efforts are making a difference.

If your organisation delivers a financial literacy program, we encourage you to participate in the stocktake survey. The online survey will be live on the www.financialliteracy.gov.au website from 30 April 2013 until 30 June 2013.

For discussion: Gaps and opportunities

- How can we encourage partnerships across sectors to deliver financial literacy initiatives?
- What are some ways we can improve how we work together across government, private and community sectors?
- How can we better share what works and lessons learnt?
- In what way could your organisation contribute to the 2014–16 Strategy?
- How could a partner help your organisation? What kind of partnerships could you offer?

⁵ ASIC, REP 339, www.asic.gov.au/reports.

⁶ According to the 2011 ANZ survey, sources of financial information most likely to have been used in the past 12 months were the financial section of the newspapers and financial sites on the internet. Family and friends also feature strongly (46%) as a source of advice ever used by respondents.

Measures of progress

Measures of progress recognise that people's behaviours can be influenced in many different ways and that financial literacy is a long-term journey.

The 2011 ANZ survey provides an excellent benchmark measure every three years.

In New Zealand, a six-monthly Financial Behaviour Index survey is used to track New Zealanders' key financial behaviours, such as goal setting, budgeting, saving and investing.

Evaluation of programs can be difficult. This is because there are many external influences on people's behaviour, and the impact may be spread over many years. It can be expensive to survey a control group of people who have not been exposed to the program.

Some financial literacy programs have evaluation systems built in; others rely on more indirect indicators of their impact.

For discussion: Measuring progress

- How should we gather information to track the effectiveness of key actions under the 2014–16 Strategy?
- Are there useful indicators that could be measured?
- Are there critical areas where research or measurement is needed?
- How can we help foster more evaluation?