

National Financial Literacy Strategy Consultation 2017

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ASIC
Australian Securities &
Investments Commission

**National Financial
Literacy Strategy**

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How to become a National Strategy supporter

If your organisation delivers a financial capability initiative that aligns with National Strategy priorities (see 'Strategic priorities', page 8), we encourage you to become a supporter. Supporter activities are showcased on the National Strategy website and in annual highlights reports.

To find out more, go to financialliteracy.gov.au/supporters.

Note: This is ASIC Consultation Paper 295. It is available on the ASIC website at consultation.asic.gov.au.

The consultation process

The National Financial Literacy Strategy (National Strategy) provides a framework to guide financial literacy initiatives (see 'About the National Financial Literacy Strategy', page 7). The National Financial Literacy Strategy 2014–17, led by the Australian Securities and Investments Commission (ASIC), was released in 2014.

ASIC is now leading a consultation process, to refine and update the National Strategy for 2018. This is an opportunity to further strengthen partnerships and collaborative efforts, and broaden stakeholder reach and engagement with the National Strategy.

We have released this consultation paper for comment and to stimulate further discussion.

Request for comment

This consultation paper seeks views from all interested stakeholders to inform the 2018 National Strategy, so that it can effectively support and promote relevant policy and program initiatives.

We invite feedback on our proposals to:

- update the language of the National Strategy from 'financial literacy' to 'financial capability';
- set the timeframe that the next National Strategy will cover; and
- strengthen the National Strategy's focus on behavioural change by emphasising the core behaviours that support financial capability.

We also welcome your input on the following key issues for discussion:

- priority audiences for the National Strategy;
- broadening stakeholder reach and engagement with the National Strategy;
- emerging opportunities and challenges to be considered;
- improving research, measurement and evaluation; and
- encouraging more organisations to get involved with the National Strategy.

How you can contribute

You can share your views by responding to the questions in this paper:

Online: complete the online survey at consultation.asic.gov.au; or

By email: send your response to submission@financialliteracy.gov.au.

Closing date for submissions

The closing date for submitting survey or email submissions is Friday
17 November 2017.

How your feedback will be used

Your feedback will inform the development of the 2018 National Strategy.

To facilitate an open consultation process, we intend to treat all submissions received as public and publish them on ASIC's consultation website. Should you prefer us to treat your submission as confidential—either by publishing as an anonymous response or by not publishing it at all—please indicate accordingly.

For details on our privacy policy and how we handle personal information, see asic.gov.au/privacy.

Financial literacy: The Australian context

Financial literacy is an essential everyday life skill. The financial landscape is constantly evolving, and digital innovation is impacting the way people interact with products and services.

Whether they are looking for ways to save, deciding which credit card represents the best value, choosing a home loan, establishing a small business or planning for retirement, it is critical that all Australians have the capability to manage their money and make sound financial decisions.

While many Australians say they feel confident about managing their money day-to-day, 42% do not. As well, 36% of Australians say they find dealing with money stressful and overwhelming, and 21% have difficulty understanding financial matters.¹

Yet almost every Australian holds one or more financial products. There are close to 17 million credit cards in this country,² around 3.2 million households have a mortgage over their family home,³ and there is approximately \$2.7 trillion held in managed funds (including superannuation).⁴

Managing debt is a big issue for many Australians. Around 20% say they are struggling to meet their mortgage repayment obligations.⁵ Credit card debt in Australia is close to \$32.5 billion,⁶ with fewer than 60% of credit card holders reporting that they pay their balance in full each month.⁷ In addition, the Reserve Bank of Australia recently noted that the ratio of household debt to household income is at a record high.⁸

Since the global financial crisis, there has been greater recognition internationally of the need to reinforce core financial literacy concepts. This ranges from day-to-day budgeting and the use of credit, to longer-term planning and the role of diversification in balancing risk and reward.

It is clear that Australians need the know-how to understand and negotiate the financial landscape, manage money and financial risks effectively, and avoid financial pitfalls.

Financial decision making can be complex and highly contextual. Motivation, opportunity and personal circumstances all play a role in shaping money attitudes and behaviours.

¹ ASIC, Report 541 [Australian Financial Attitudes and Behaviour Tracker: Wave 5 Key Findings](#) (PDF 3.1MB) (REP 541).

² Finder, [Australian credit card and debit card statistics 2017](#), webpage.

³ Australian Bureau of Statistics, *Catalogue 3236.0 - Household and Family Projections, Australia, 2011 to 2036*, Table 1.1, March 2015.

⁴ Australian Bureau of Statistics, [Managed Funds Australia, March 2017](#), webpage.

⁵ Australian National University, [Attitudes to house and affordability: Pressures, Problems and Solutions](#), report, May 2017.

⁶ Finder, [Australian credit card and debit card statistics 2017](#), webpage.

⁷ [REP 541](#) (PDF 3.1MB).

⁸ Reserve Bank of Australia, [Household debt, housing prices and resilience](#), speech, 4 May 2017.

ASIC's role in financial literacy

As Australia's integrated corporate, markets, financial services and consumer credit regulator, ASIC contributes to Australia's economic reputation and the financial wellbeing of Australians. ASIC was appointed as the lead Australian Government agency with responsibility for coordinating financial literacy in 2008.

ASIC provides information and guidance to assist Australians to build their knowledge and skills and to support and promote attitudes and behaviours that help them to effectively manage their personal finances.

Through a National Strategy, ASIC coordinates and drives activity—both within and across sectors—and recognises that bringing about significant change in Australians' financial capability requires a long-term commitment and sustained action by multiple stakeholders.

About the National Financial Literacy Strategy

The National Strategy is a framework to guide policies, programs and activities that aim to strengthen Australians' financial literacy and capability. Through a collaborative and coordinated approach, it aims to improve the financial wellbeing of individuals, families and communities.

There is currently a broad range of initiatives across the government, business, community and education sectors that are contributing to the financial wellbeing of Australians.

2011 National Strategy

Australia's first National Financial Literacy Strategy was released by ASIC in 2011, with the intention to review and update it in three years' time. The National Strategy set out core principles and themes, and identified particular actions to be taken by key agencies. ASIC developed and continues to support a website, financialliteracy.gov.au, to disseminate information and promote the National Strategy.

Under the 2011 Strategy, ASIC, often in collaboration with stakeholders, developed a range of financial literacy initiatives. This included launching a new consumer website, moneysmart.gov.au, developing a range of targeted consumer resources and campaigns, and taking steps to embed financial literacy education into the Australian Curriculum.

2014 National Strategy

In developing the 2014 National Strategy, ASIC worked with stakeholders to review, update and build on the elements of the 2011 National Strategy.

Consultation process

The consultation and update process included:

- conducting a stocktake survey to better understand the scope of financial literacy programs and activity across Australia;⁹
- hosting a national consultation forum, which brought together 140 stakeholders from the business, community, education and government sectors to reflect on progress to date and share their views;
- circulating a consultation paper and companion background report to support and inform the consultation process; and
- exploring significant issues and priorities through formal and informal meetings with stakeholders.

The 2014 National Strategy was designed as a flexible framework for action to encourage active participation across a broader range of stakeholders, including all levels of government, financial institutions, large and small businesses, community organisations and the education sector.

⁹ ASIC, Report 375 [National Financial Literacy Stocktake Survey 2013](#) (PDF 1.9MB) (REP 375).

Strategic priorities

The 2014 National Strategy articulates five priorities to support strategic action:

1. Educate the next generation, particularly through the formal education system.
2. Increase the use of free, impartial information, tools and resources.
3. Provide quality targeted guidance and support.
4. Strengthen coordination and effective partnerships.
5. Improve research, measurement and evaluation.¹⁰

The first three priorities guide initiatives that build the capability of individuals, families and communities. The other two priorities provide direction to organisations involved in research, policy development and program delivery.

Annual reporting on progress

The two annual highlights reports released to date showcase financial literacy initiatives undertaken by stakeholders who actively support the National Strategy.¹¹

The reports provide a snapshot of the richness and diversity of activity across Australia, including:

- targeted programs and activities;
- money management programs delivered by stakeholders, including financial institutions;
- financial education programs in schools;
- the availability of free and impartial information and guidance; and
- research and evaluation.

Towards a 2018 National Strategy

In working towards developing a 2018 National Strategy, ASIC has been engaging with stakeholders to update and refine key elements of the current National Strategy.

To date, the consultation process has consisted of ongoing dialogue with stakeholders, as well as a series of roundtable discussions held in December 2016 with representatives from the government, business, community and education sectors. These discussions included feedback on the effectiveness of the National Strategy's strategic framework, and explored key issues for consultation.

Strategic priorities

At the 2016 roundtable discussions, there was widespread agreement that the strategic priorities outlined in the 2014 National Strategy remain relevant and in alignment with national and international developments.

¹⁰ ASIC, Report 403 [National Financial Literacy Strategy 2014–17](#) (PDF 2MB) (REP 403).

¹¹ ASIC, Report 510 [National Financial Literacy Strategy: Annual highlights report 2015–16](#) (PDF 3.1MB) (REP 510) and Report 458 [National Financial Literacy Strategy: Annual highlights report 2014–15](#) (PDF 4.2MB) (REP 458).

Considerable progress has been made under the five strategic priorities of the 2014 National Strategy. Over 50 organisations support around 80 initiatives aligned with the National Strategy, with two in five of these initiatives delivered or supported through partnerships.¹²

We acknowledge that there is more work to be done in each of the priority areas, and aim to build on existing activity and the growing knowledge and research base to support the 2018 National Strategy.

The 2018 National Strategy will seek to further strengthen partnerships and collaborative efforts, and enhance the effectiveness of a coordinated approach.

Research and knowledge base

Nationally and internationally, there have been significant developments in furthering the understanding of the importance of financial capability. There is a recognised need to continue to build a strong evidence base to inform and support financial capability initiatives.

Australia's approach is aligned with international good practice guidelines developed by the Organisation for Economic Co-operation and Development's (OECD) International Network for Financial Education (INFE).¹³

Financial capability continues to feature in the OECD and G20 agendas. In Australia, there is ongoing investment by Government in deepening the understanding of what it means to be financially capable, and how this may contribute to financial wellbeing.

Examples of some key pieces of research undertaken over the last few years are referenced in this paper. Others can be found on the National Strategy website at financialliteracy.gov.au/research-and-evaluation.

The 2018 National Strategy will reflect and promote this growing body of work.

Understanding financial capability

The current National Strategy defines 'financial literacy' as:

...a combination of financial knowledge, skills, attitudes and behaviours necessary to make sound financial decisions, based on personal circumstances, to improve financial wellbeing.¹⁴

This definition, while based on the definition used by the OECD's INFE in their [High level principles on national strategies for financial education](#) (PDF 627KB), was refined through extensive consultation with Australian stakeholders in 2013, and reflects the Australian context.¹⁵

We deliberately moved beyond a narrow definition of financial literacy as relating solely to financial knowledge and skills, to expand the definition to emphasise the role of attitudes and behaviours which are key attributes of financial capability. This definition highlights the importance of considering personal circumstances.¹⁶

¹² [REP 510](#) (PDF 3.1MB).

¹³ OECD/INFE, [Guidelines for private and not-for-profit stakeholders in financial education](#) (PDF 532KB), OECD, November 2014.

¹⁴ [REP 403](#) (PDF 2MB).

¹⁵ ASIC, Report 374 [Shaping a National Financial Literacy Strategy for 2014–17: Consultation feedback report](#) (REP 374).

¹⁶ [REP 403](#) (PDF 2MB).

The research and knowledge base in this field has continued to grow and stakeholders have expressed a clear preference for the 2018 National Strategy to go beyond ‘financial literacy’ and reflect a more nuanced understanding of what being capable with money means.

The United Kingdom and New Zealand both have well-established national financial capability strategies in place. For example, the United Kingdom identifies ‘financially capable behaviours’ such as: keeping track of finances, saving regularly, managing credit use, and working towards longer-term goals.¹⁷ New Zealand’s approach is to frame financial capability activity around five streams of work: talk, learn, plan, debt-smart, save/invest.¹⁸

Several recent studies have focused on conceptualising financial wellbeing. For example, a 2015 US study takes a consumer-centred approach, identifying four core components of financial wellbeing and encompassing both a present and future focus.¹⁹

A 2016 paper, analysing results of the latest UK Financial Capability Survey, explores the different drivers of present financial wellbeing (e.g. financial confidence) and future financial wellbeing (e.g. building resilience).²⁰

More recently, research undertaken by the Centre for Social Impact and Social Policy Research Centre (UNSW Sydney) for Financial Literacy Australia takes an ‘ecological systems approach’ to understanding financial wellbeing, identifying a complex interaction of influences at societal, community, household and individual levels and articulating three interrelated dimensions of financial wellbeing.²¹

The 2018 National Strategy will support initiatives that aim to build all aspects of financial capability. It will also encourage collective efforts towards long-term behavioural change that contributes to financial wellbeing.

Financial attitudes and behaviours

Insights from the growing field of behavioural science suggests that the way people approach financial decisions varies widely and is influenced by shifting—and sometimes conflicting—factors, including:

- their life stage and past experiences;
- emotional impulses and cognitive biases;
- psychological, social and cultural factors;
- the decision context, including the way information and choices are presented; and
- other external environmental factors.²²

The 2018 National Strategy will reflect a stronger focus on interventions that support behavioural change, to lay the foundation for a more financially capable nation.

¹⁷ Money Advice Service, [The Financial Capability Strategy for the UK](#) (PDF 1.1MB), October 2015.

¹⁸ Commission for Financial Capability, [National Strategy for Financial Capability](#) (PDF 3.6MB), June 2015.

¹⁹ Consumer Financial Protection Bureau, [Financial well-being: The goal of financial education](#), report, January 2015.

²⁰ Money Advice Service, [Measuring financial capability – identifying the building blocks](#) (PDF 2MB), report, November 2016.

²¹ Muir, K., Hamilton, M., Noone, J.H., Marjolin, A., Salignac, F. and Saunders, P., [Exploring Financial Wellbeing in the Australian Context](#) (PDF 2.7MB), report, Centre for Social Impact and Social Policy Research Centre – University of New South Wales Sydney, for Financial Literacy Australia, September 2017.

²² ASIC, [ASIC’s Corporate Plan 2016–17 to 2019–20: Focus 2016–17](#), 2016.

Our proposals

From ‘financial literacy’ to ‘financial capability’

The term ‘financial capability’ is widely used, both in Australia and internationally. Building financial capability is generally understood to be an ongoing and dynamic process that takes into account personal circumstances, as well as cultural, societal and structural factors which can affect the way people interact with, and make decisions about, money.

Initial consultations with stakeholders suggest that changing the language of the National Strategy to ‘financial capability’ will more accurately reflect current initiatives and better support intended outcomes.

Accordingly, we propose to update the language of the National Strategy from ‘financial literacy’ to ‘financial capability’.

Proposal

P1 We propose to update the language of the National Strategy from ‘financial literacy’ to ‘financial capability’.

Your feedback

P1.1 Do you agree with this proposal?

P1.2 Do you wish to comment further on this proposal?

Timeframe for 2018 National Strategy

It is envisaged that the 2018 National Strategy will have a longer timeframe than previous National Strategies.

Learnings from the 2014 National Strategy suggest that the nature and focus of financial capability initiatives would be better supported within a framework that extends beyond three years. A longer timeframe may also more appropriately support interventions that are designed to change attitudes and behaviours over time.

To guide and support sustained action over time, other countries, such as the United Kingdom, have developed 10-year financial capability strategies.

Now that financial literacy activities within Australia are well-established, we propose to extend the timeframe for renewing the National Strategy to up to 10 years, with a review at mid-point or as appropriate.

Proposal

P2 We propose to extend the timeframe of the next National Strategy to up to 10 years.

Your feedback

P2.1 Do you agree with this proposal?

P2.2 Do you wish to comment further on this proposal?

Core financial capability behaviours

In the 2018 National Strategy, we intend to focus more clearly on behavioural change. We propose to do this by incorporating an additional element to emphasise the importance of core behaviours that support financial capability.

Stakeholder feedback to date confirms that the 2014 National Strategy's strategic framework remains relevant to the Australian context today. The existing elements of this framework include:

- articulating a vision we're collectively working towards;
- identifying strategic priorities and action;
- supporting collaboration; and
- improving research and measurement.

An additional element of promoting core behaviours will underpin initiatives aligned with the National Strategy and will address:

- *managing money day-to-day*: keeping track of money in and money out; controlling spending, and managing debt and credit use effectively; protecting your assets with insurance, and building a savings buffer to weather financial shocks;
- *planning for the future*: setting and working towards savings goals; understanding and engaging with superannuation; planning and investing for retirement and lifestyle choices;
- *making informed decisions*: having confidence to make money decisions and interact with financial products and services; knowing how to access impartial information and financial education, and get guidance or help when you need it; being comfortable talking about money with family and friends.

Proposal

P3 We propose that the 2018 National Strategy will emphasise the following core behaviours that support improved financial capability:

- (a) managing money day-to-day;
- (b) planning for the future; and
- (c) making informed decisions.

Your feedback

P3.1 Do you agree with this proposal?

P3.2 Do you wish to comment further on the proposed core behaviours?

Issues for discussion

Priority audiences

The current National Strategy calls out a number of priority audiences for particular attention: Indigenous Australians, people from culturally and linguistically diverse backgrounds, pre-retirees and seniors, and women.

While it remains important to continue to target these audiences, we would like your feedback on whether there are additional groups that should be considered as priority audiences in the 2018 National Strategy.

Recent discussions with key stakeholders have highlighted a number of issues that may support the inclusion of such additional target audiences as, for example:

- people with disability (and their families or carers) who are navigating choices and options under the National Disability Insurance Scheme;
- people in newly-arrived communities who are attempting to understand and access financial services; and
- sole parents who may be experiencing long periods of financial hardship or difficulty.

We welcome your views as to which groups should be considered as priority audiences in the 2018 National Strategy.

D1. For discussion: Priority audiences

D1.1. A number of priority audiences have been identified under previous National Strategies. What are the most important priority audiences for the 2018 National Strategy to focus on?

Broadening stakeholder reach and engagement with the National Strategy

Through the 2018 National Strategy we intend to broaden stakeholder reach and engagement, with the aim of increasing collective impact, and would welcome ideas about the most effective ways of doing this.

There are a number of financial capability initiatives across Australia that have the potential to influence and support systemic change. One example of this is ASIC's MoneySmart Teaching program, which was developed with input from the states and territories, and delivered through jurisdictions under a National Partnership Agreement.

Evaluation findings to date have highlighted the extensive reach of online resources and professional learning. However, in future, the challenge will be to better understand the impact of this engagement on the teaching workforce and in the classroom.

Stakeholders have consistently suggested there would also be value in greater collaboration to develop tools and resources to further strengthen the capacity and capability of practitioners and intermediaries to assist Australians with money matters and financial decision making.

There are a number of ways we could work collaboratively to respond to this opportunity. For example, we could:

- develop cross-government approaches to upskilling frontline workers;
- tap into national networks of workplace trainers and practitioners; and
- explore ways to increase participation in programs and activities offered by community educators.

We believe there is value in expanding both the number and nature of active contributors whose initiatives align with the 2018 National Strategy, and developing specific initiatives to broaden stakeholder reach and engagement with the National Strategy.

D2. For discussion: Broadening stakeholder reach and

D2.1 Working collaboratively has been an essential element of previous National Strategies. What are the most effective ways of broadening stakeholder reach and engagement with the National Strategy?

D2.2 How could initiatives aligned with the National Strategy strengthen the capabilities of professional practitioners and intermediaries to assist Australians with money matters and financial decision making?

Emerging opportunities and challenges

Currently there are a number of areas of work that collectively contribute to a richer and more holistic understanding of financial wellbeing. The National Strategy's financial capability focus enables us to identify and address the unique needs of different groups within the Australian population.

There may be further opportunities to identify and emphasise key issues that are being addressed by particular initiatives aligned with the 2018 National Strategy, such as:

- *Financial inclusion*: There has been growing activity in this area in recent years, notably through the [Financial Inclusion Action Plan](#) (FIAP) program led by Good Shepherd Microfinance, and developed in partnership with the Australian Government, EY and the Centre for Social Impact. FIAPs provide a plan of action to help organisations address financial inclusion, and encourage economic mobility and resilience.
- *Financial resilience*: Following years of research into financial exclusion, in 2015 NAB partnered with the Centre for Social Impact to closely consider the financial health of Australians by better understanding the population's financial resilience. This provides insights into a person's ability to cope with financial difficulty and reach financial security.²³

Some of the key challenges for the 2018 National Strategy to consider may include:

- *Social isolation*: Consumers are living in a more digitally connected world, and are increasingly expected to be digitally proficient and engaged with mobile technology. Yet for many Australians, particularly seniors and people from culturally and linguistically diverse backgrounds, opportunities to engage with the 'human face' of financial (and other) services are diminishing, which potentially increases social isolation.
- *Financial abuse*: There has been growing recognition of the importance of addressing financial abuse²⁴ and the complex dynamics associated with it. Several community organisations have developed tools and resources to support individuals who are experiencing domestic violence,²⁵ and a number of government agencies are leading work that aims to protect potentially vulnerable individuals and groups.²⁶

It is important for the 2018 National Strategy to support the many different factors that contribute to financial wellbeing. A broad range of initiatives provide flexibility and scope to respond to evolving needs and emerging issues that impact on Australians.

²³ NAB, '[Financial resilience](#)' webpage.

²⁴ See ASIC's MoneySmart, '[Financial abuse](#)' webpage.

²⁵ For an example of such a resource, see the Women's Legal Service Queensland's webpage on the [Penda app](#).

²⁶ For example, see the Australian Law Reform Commission's report, [Elder Abuse—A National Legal Response](#).

We welcome your views on opportunities, gaps and challenges that should be considered in developing a 2018 National Strategy.

D3. For discussion: Emerging opportunities and challenges

- D3.1. When updating the National Strategy, what emerging opportunities should be considered?
- D3.2. Are there issues that might require greater emphasis in the 2018 National Strategy?
- D3.3. What are the potential challenges to be considered in the 2018 National Strategy?

Research, measurement and evaluation

There has been widespread agreement amongst stakeholders we have consulted to date that a commitment to building a stronger evidence base is essential to inform effective financial capability interventions.

A core component of the 2018 National Strategy will be a continued focus on strengthening research, measurement and evaluation, with the aim of better understanding the impact and outcomes of financial capability programs and activities.

We know that sharing knowledge and experience is a crucial part of building an evidence base, in order to:

- identify program success factors, and articulate and understand outcomes for participants;
- identify the enablers and barriers to building capability and influencing behavioural change; and
- better understand how such efforts may collectively contribute to improving the financial wellbeing of Australians.

Assessing the impact and effectiveness of programs aligned with the National Strategy is an ongoing challenge. The 2018 National Strategy will seek to more clearly build a research and knowledge base to deepen our understanding of what works and why.

We are exploring a number of options to focus and strengthen stakeholder efforts in research, measurement and evaluation, including developing a national financial capability research plan to guide activity and enhance coordination.

We are also considering forming a strategic working group of experts in research, measurement and evaluation to periodically exchange insights and discuss relevant issues.

We welcome your input into ways we can collectively improve research, measurement and evaluation of financial capability initiatives.

D4. For discussion: Research, measurement and evaluation

- D4.1. How can we collectively improve research, measurement and evaluation of financial capability initiatives aligned with the National Strategy?
- D4.2. What are the most effective ways of disseminating learnings from financial capability initiatives?

Getting involved

While ASIC has a core responsibility to lead the National Strategy and deliver initiatives under it, strengthening the financial capabilities of all Australians is a challenge that requires a multi-faceted and coordinated approach.

Many organisations and partnerships are already actively contributing to building financial capability. Continuing to work collaboratively is essential to sustaining action over time and supporting long-term behavioural change.

The 2018 National Strategy is an opportunity to further strengthen partnerships and collaborative efforts, and broaden stakeholder reach and engagement. To this end, we are exploring ways to grow the National Strategy's supporter base by encouraging others to get involved.

D5. For discussion: Getting involved

D5.1 How could we encourage more organisations to get involved with the National Strategy?

List of proposals and issues for discussion

List of proposals

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