

Leading Financial Literacy in Australia

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In Australia financial literacy work nationally is guided by the principles of the National Financial Literacy Strategy, a collaborative multi-agency strategy coordinated by the Australian Securities and Investments Commission (ASIC). This provides a framework for many agencies and organisations to work in partnership to develop and deliver initiatives to improve the financial literacy of all Australians. This article highlights the thinking behind the strategy, presents examples of the strategy in action, and foreshadows next steps. Above all, it argues that the challenges of improving financial literacy are best shared – i.e. that a collaborative approach between sectors and countries remains the most effective way forward

Keywords: Financial literacy, financial knowledge, financial education, financial exclusion, financial inclusion, behavioural change, Australia

1. Defining and shaping financial literacy in Australia

In Australia financial literacy is generally defined as ‘The ability to make informed judgements and to take effective decisions regarding the use and management of money’.¹ This definition acknowledges that financial literacy means more than just understanding how things work. It also encompasses making good choices and applying them.

In 2011 ASIC released a National Financial Literacy Strategy (the Strategy) (ASIC, 2011a).² The Strategy was informed by a stocktake of available research about financial literacy and behavioural change (ASIC, 2011b). Among other things that research found that:

- Australians have differing attitudes to financial matters and varying levels of financial knowledge;
- Knowledge alone is not enough. People don’t always act in their own best interests (e.g. by not engaging at all or by making ‘bad’ decisions) and their financial decisions appear to be hampered by core behavioural biases³; and
- Best-practice principles for financial literacy interventions and evaluations are still developing, and it is widely recognised that both are inherently difficult.

With these barriers in mind, the research examined principles of social marketing to help develop a framework in which to build a practical strategy. These key principles are listed in Table 1.

Table 1: Key social marketing principles

No.	Principle
01	Take advantage of prior and existing campaigns
02	Target people most ready for action
03	Promote single, doable behaviours one at a time
04	Identify and remove barriers to behavioural change
05	Bring real benefits into the present
06	Highlight costs of competing behaviours
07	Promote a tangible object or service to help target audiences perform the behaviour
08	Consider non-monetary incentives in the form of recognition and appreciation
09	Have a little fun with messages
10	Use media channels at the point of decision making
11	Get commitments and pledges
12	Use prompts for sustainability

Source: These 12 key principles of an effective social marketing approach were devised by Kotler and Lee, advocated and described by the Australian Public Service Commission (APSC) (2007) and cited in ASIC (2011b).

Under this model, an efficient way to prioritise resources is to focus on those most likely to act. One common way to classify and identify people is the ‘stages of change’ model, sometimes referred to as the ‘transtheoretical model of change’ (see Table 2). In considering how to target its various strategies, ASIC has also drawn from this model. Although people do not necessarily move through these stages in a linear direction and may be caught in one stage for long periods of time, the notion of layered prioritisation is particularly important given the finite resources available to meet the challenges faced by financial literacy.

Table 2: ‘Stages of change’ model

Phase	Characteristics
Pre-contemplation	Oblivious to or in denial about need to change. No intention to change behaviour.
Contemplation	Beginning to think about changing, and might be aware of the need for and/or the benefits of change. No commitment to change behaviour.
Preparation/action	Commitment to new behaviour and possibly some observable change in behaviour but new behaviour is not yet habit.
Maintenance	Maintaining commitment and regularly performing new behaviour but managing/avoiding ‘relapses’.
Termination	New behaviour is a fully integrated habit.

Source: Adapted from information in APSC (2007); Xiao & Wu (2006); and O’Neill et al. (1999). The TTM was developed by Prochaska et al.

2. The Strategy in action

The Strategy has four pillars:

- I. Education through schools and other pathways;
- II. Providing trusted and independent information, tools and ongoing support;
- III. Recognising the limits of education and information and developing additional innovative solutions to drive improved financial wellbeing and behavioural change; and
- IV. Working in partnership with the many sectors involved

with financial literacy, measuring our impact and promoting best practice.

The Strategy recognises that improving financial literacy is a complex and long term behavioural change initiative. Nevertheless ASIC and its partner agencies have made considerable progress since the Strategy was launched in March 2011, with numerous initiatives under way in each area of work. While not canvassed in this article, there have also been many developments across the country in specific programs and initiatives led by the community and business sectors.

The Strategy is promoted and supported by the Australian Government Financial Literacy Board, a non-statutory body that provides strategic advice to government and ASIC on financial literacy issues. Members are drawn from across the business, education and community sectors. They volunteer their services and use their experience and networks to advocate the importance of financial literacy and promote many of the initiatives summarised below. Harnessing the support of high profile advocates such as the Board members is critical to creating momentum for financial literacy activities and sustaining that momentum over the long term.

2.1: Education through schools and other pathways

ASIC and others have successfully lobbied for financial literacy to be included in the new Australian Curriculum being phased in over the next few years. This ensures it is a core component of learning rather than a discretionary ‘add-on’ that competes with other priorities. The first phase will cover financial literacy within the Mathematics, English and Science disciplines for students aged five to 16. It is also likely to be part of a new Economics and Business subject that will be compulsory for those aged 10 to 13.

MoneySmart Teaching

Against that background, ASIC is working with Australian state and territory education authorities to deliver the ‘MoneySmart Teaching’ program. This provides professional learning for teachers, online resources for teaching and learning and materials to help parents give their children sound financial education from an early age. MoneySmart Teaching will teach young people how to understand the language of money and manage their finances by spending, saving, donating or investing wisely.

ASIC’s MoneySmart Teaching website (www.teaching.moneysmart.gov.au) gives educators a range of free resources, including videos and digital activities to help them integrate financial literacy into the classroom.

Activities will be available from early 2013 and are designed to be used on computers, iPads and interactive whiteboards. The program also includes online professional learning modules for primary and secondary teachers, with expert interviews, case studies and scenarios. By the end of 2013, the program aims to have delivered face-to-face professional learning to 6,000 teachers in Australian primary and secondary schools.

Schools in Australia can become 'MoneySmart Schools' when they embed consumer and financial literacy into their curriculum. ASIC is developing MoneySmart Teaching packages with teacher guides, units of work and resources for parents. All MoneySmart Teaching resources are linked to the Australian Curriculum. The program is also aligned to the National Professional Standards for Teachers developed by the Australian Institute for Teaching and School Leadership, and counts towards the requirements for teacher accreditation and renewal of teacher registration.

Financial literacy in vocational education and training

ASIC is also promoting financial literacy skills for students in vocational education and training. This is being done in partnership with the Australian Taxation Office, Innovation and Business Skills Australia (the Australian national skills council for the financial services industry) and Group Training Australia to develop two new MoneySmart competencies that will be trialled by apprentices.

Being *MoneySmart* is an apprentice trade level competency comprising a financial health check, money management, personal tax, insurance and superannuation. *Being MoneySmart in Business* is a licensing

level competency that will cover establishing a small business, being a contractor, business planning, managing business finance and compliance. Both will be freely available as self-assessing online modules.

2.2: Providing trusted and independent information, tools and ongoing support

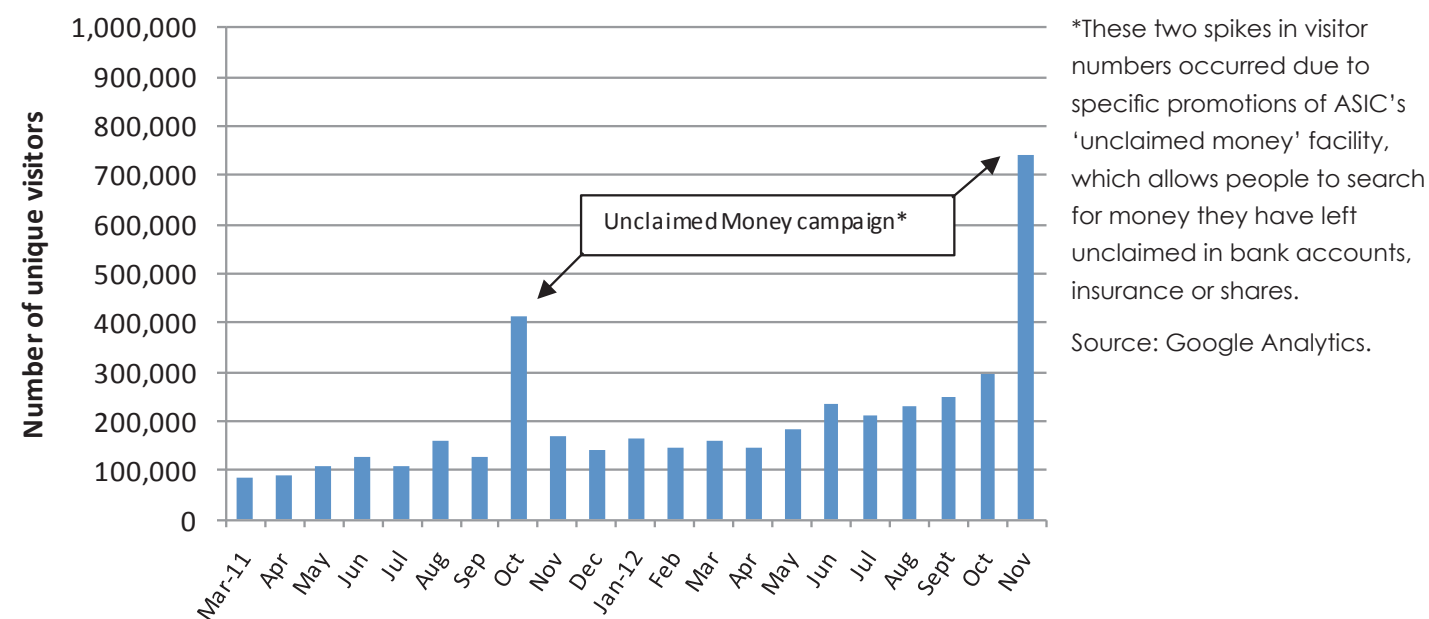
Research tells us there are widely differing levels of financial knowledge across the Australian population. Some financial products and decisions are less well understood than others and people have different preferences about how and from whom they want to receive information. The Australian efforts to promote financial literacy acknowledge that in order to be effective, they must respond to these differences.

ASIC's MoneySmart website

ASIC's MoneySmart website (www.moneysmart.gov.au) is a key plank of the Strategy and was launched in March 2011. It has over 400 pages of content, with information available in 26 languages. There are 26 free, independent and high quality calculators and tools, including mobile calculators in a smart phone app, as well as video content and print publications.

Figure 1 shows the unique visitors to the Money Smart website over time. Between its launch and November 2012, the MoneySmart website had over 3.8 million unique visitors. Average daily visits to MoneySmart continue to grow – in the last six months of 2012 reaching an average of 13,900 people each day.

Figure 1: Unique visitors to the Money Smart website since its launch



Targeted materials and outreach

Because people have different preferences about how they want to receive information and not everyone has ready Internet access, ASIC's MoneySmart team works to ensure its material is also distributed by other means such as print, radio and face-to-face. This means it reaches people via channels they can access and that best suit them.

For example the team runs radio campaigns for specific audiences, such as community radio segments for Australia's culturally and linguistically diverse population and its Indigenous communities on issues that matter most to them, such as money management, credit and debt.

MoneySmart also features over 70 publications that can be ordered for free or downloaded from the website. Around 25,000 printed publications are distributed per month, both to organisations and individual consumers. There are publications on credit, debt, investing, superannuation and retirement, as well as less common products such as bonds and debentures.

To make sure its resources reach the broader community, ASIC also has a consumer education outreach team that works in partnership with community organizations, consumer advocates and other government agencies to deliver community education to consumers on issues most relevant to them, and provide support to intermediaries that work with those consumers. The outreach team also delivers education and training in regional areas, in particular to intermediaries who use ASIC's resources in their work.

For example in 2011 ASIC ran a campaign on mortgage health, encouraging people to take action if experiencing mortgage stress. In March 2012 the team launched the Money Management Kit, a suite of translated online and printed resources originally developed for settlement workers supporting newly arrived Australians, and now used more widely by intermediaries in the community sector.

ASIC also has a specific Indigenous outreach program, which supports Indigenous people in understanding and making decisions about financial services. This team liaises with Australia's Indigenous community, looks into their complaints about financial services issues and promotes resources for Indigenous Australians about topics such as managing money, banking and credit, insurance, superannuation and scams.

2.3: Developing additional innovative solutions to drive behavioural change

The Strategy also recognises that financial literacy is not just about increasing knowledge of money matters and financial products, but importantly also about helping and empowering people to take action to achieve greater financial wellbeing. The end goal is behavioural change, and the Strategy acknowledges that it must look beyond education and information provision.

Interactive, action-oriented tools

The MoneySmart website provides personalised money guidance tools designed to engage people and motivate them to act. The calculators are highly interactive and personalised so as to maximise return visits. They help people set goals, act on the guidance they receive and stick with their plan over time. Users can log in and save and retrieve their results for many of the calculators, including the budget planner, savings goal calculator, mortgage switching calculator and retirement planner. That encourages repeat use and adherence to an ongoing program of money management. In August 2012 the MoneySmart team released an interactive 'money health check' that helps people identify the areas where their finances are not in order, and lets them take away and print out the top five actions they should take to address these areas.⁴ MoneySmart's calculators are progressively being upgraded so they will all work on mobile tablets.

Other regulatory responses

The Strategy also acknowledges that education programs alone are not sufficient to improve behaviour. Additional complementary strategies are needed, especially in a financial market characterised by increasingly innovative, complex and high-risk products.

Thus ASIC's work includes issuing guidance about advertising of financial products and services⁵ and proactive monitoring of misleading or deceptive advertising, with action taken to stop such advertising where that is warranted. Over the last two years ASIC's actions have resulted in over 100 advertisements across the financial services sector being withdrawn or remedied in response to concerns about poor practices and potentially misleading or deceptive conduct⁶.

ASIC has also begun to enter the debate about the suitability of certain products for retail investors, and whether it is appropriate that complex products such as synthetic exchange-traded funds, collateralised debt obligations and hybrids, can be freely sold to all⁷.

2.4: Working in partnership

Partnerships are at the core of Australia's financial literacy initiatives. There are many agencies and organisations working hard to improve financial literacy levels in Australia and the Strategy relies on effective partnerships and coordination between all those involved in financial literacy work. Some of the key initiatives ASIC has used to promote effective partnerships are outlined below.

MoneySmart Week

Australia's first annual MoneySmart Week was held in September 2012. It was a collaborative event involving over 100 industry, community and government organizations. It was coordinated by a non-profit company established by the Australian Government Financial Literacy Board and involved teams of volunteers working on different aspects of the initiative. A key objective of the Week was to promote partnerships between government, community organisations and the corporate sector.

The main call to action was for people to do MoneySmart's money health check. In all 15,824 people used the Money health check tool during MoneySmart Week.

There were 160 events conducted during MoneySmart Week, including webinars, presentations, financial quizzes, workplace seminars, online competitions for school students and the MoneySmart Week Awards, which were presented to a wide range of organisations for advancing Australians' financial literacy across categories such as research, schools, workplaces and the community⁸.

Financial Literacy Community of Practice

Since 2009 ASIC has hosted monthly video meetings of the Financial Literacy Community of Practice (CoP), which promotes dialogue, partnerships and information exchange between those involved in financial literacy work. The CoP has over 400 external participants from Australia and New Zealand, of whom around 100 attend each month. Speakers and topics are varied and cover issues such as Indigenous financial literacy, money issues affecting the most vulnerable sectors of the community, current international and Australian research work and results of programs run by various agencies. Participants include community, education, financial services and government sector representatives from across Australia and New Zealand.

Supporting programs and materials used within other government agencies

In 2011 ASIC offered an investor education program, 'Investing between the flags', in partnership with the Australian

Department of Human Services' Centrelink Financial Information Service (FIS)⁹ officers. 'Investing between the flags' is targeted at beginner investors and covers the basics of how to invest (risk and return, diversification, asset allocation), as well as how to manage investing risk in a way that suits a person's risk tolerance and investment goals. Program resources included web content on MoneySmart, a print booklet and a 90-minute face-to-face seminar.

ASIC has also formally partnered with the Australian Defence Force Financial Services Consumer Council. Through this partnership ASIC has helped the Council develop a range of financial literacy resources in print and online.

International partnerships and contributions

ASIC represents Australia on the Organization for Economic Cooperation and Development (OECD) International Network for Financial Education (INFE), a policy forum for governments to exchange views, experiences and research and develop tools to promote and implement strategies for financial education. ASIC participates in INFE working groups and provides input to INFE policy positions on issues such as financial inclusion, financial education in schools and delivery and measurement of education programs.

ASIC also supports the international Programme for International Student Assessment (PISA) Financial Literacy Assessment, which will establish the first international benchmark of the level of financial literacy and financial behaviours of students when they finish the compulsory Australian school curriculum.

Contributing to research

As well as producing its own research, ASIC has provided advisory services to others researching financial literacy and related issues across government, community and business sectors. It has also contributed to international research, such as that led by the INFE.

A landmark piece of research in Australia is the ANZ's *Adult financial literacy in Australia* survey, first published in 2003. The fourth survey in this series was released in late 2011. For the first time, this latest survey compared peoples' subjective, self-rated financial literacy levels against their assessed financial literacy levels. It also explored a number of behavioural indicators of financial literacy¹⁰ and their associations with various characteristics such as age, education, household circumstances, financial knowledge, numeracy and financial attitudes.

Measuring impact and promoting best practice

Robust evaluation is essential to draw reliable conclusions about financial literacy interventions. Without evaluation, an intervention is unproven. Without appropriate evaluation, an intervention's impact might be misinterpreted.

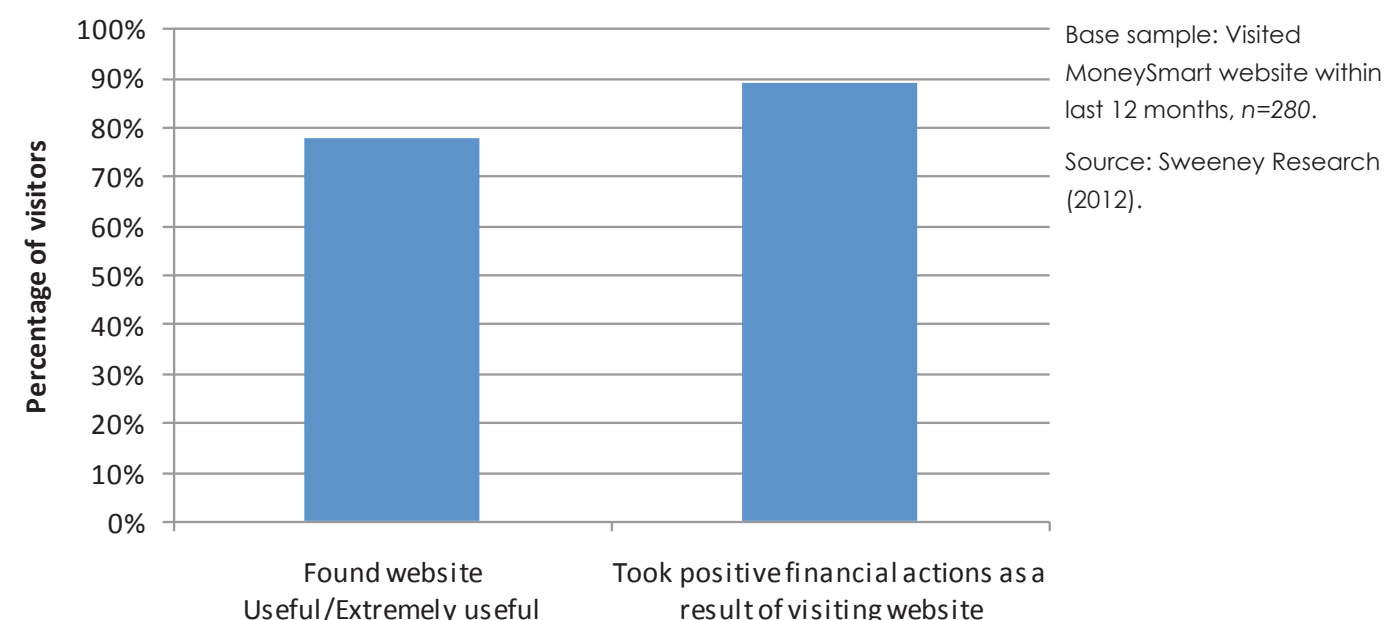
Financial literacy leaders and practitioners accept that financial literacy is difficult to measure. Learning and developing best practice is an iterative and collaborative process. This sharing occurs at both a local and international level (e.g. via CoPs and active INFE membership and contributions).

The measures ASIC uses to assess impact of its financial literacy work are both qualitative and quantitative. Increasingly ASIC is looking for opportunities to measure changes in behaviour; both initial action and sustained shifts.

For example, ASIC regularly surveys internet users to measure their awareness of its MoneySmart website, how many people use the site and whether they find it useful. The survey also examines whether people took action to understand and/or improve their finances as a result of using the site. The most recent survey, conducted by Sweeney Research in August 2012, showed that 78% of site users found MoneySmart useful or better, with 38% saying it was extremely useful. Nine in 10 site visitors reported taking some positive financial action as a result of visiting MoneySmart. The top three reported actions were:

- Keeping a closer eye on spending;
- Preparing or updating a budget; and
- Shopping around for better deal.

Chart 2: MoneySmart visitor assessment and site impact (August 2012)



As noted earlier, ASIC also measures usage of its money health check, a tool which prompts people to take concrete steps to improve their situation.

Other, less behavioural, quantitative measures include the number of subscribers to our e-newsletter, the number of publications distributed, the number of teachers who receive professional training and the number of schools participating in the pilot MoneySmart schools program.

In the more specific arena of school education, the inclusion of consumer and financial literacy in PISA 2012 and PISA 2015 will provide data and analytical tools to assess gaps and needs in consumer and financial literacy

and evaluate the efficiency of educational initiatives in this area in Australia. This data in turn will contribute to informing an evidence-based approach for policy development and allow for international comparisons on consumer and financial literacy levels and financial behaviours of young people.

Finally, ASIC also actively contributes to collective efforts to better understand and address financial exclusion. Australia now has an annual measure of financial exclusion (Connolly et al., 2012, 2011), and the role of financial education in financial inclusion is one of a number of policy issues on which the INFE is focusing its attention in 2012 to 2014.

3. Conclusion

Since the Strategy was released in early 2011 ASIC has found that a collaborative approach between agencies works well, and that partnerships across sectors are essential. Like others, we are still learning about what channels work best in terms of impact, and what approaches are most effective in prompting people to change their behaviour.

The Strategy will be publicly reviewed during 2013, to refine its focus based on consultation and input from all sectors. We hope to maintain the momentum of the last two years with a refreshed Strategy so that together, ASIC and its partner agencies keep making a difference to the financial wellbeing of all Australians.

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Note

1. The 2011 Strategy (ASIC, 2011a) acknowledged that the UK term 'financial capability' perhaps better expresses the concept of acting on knowledge gained; but 'financial literacy' is a term well embedded in Australia and to change that language (at that time) might be counterproductive.
2. The Strategy and underlying research are available at: www.financialliteracy.gov.au.
3. Such as those canvassed in behavioural economics (also known as behavioural finance).
4. The money health check is available at: www.moneysmart.gov.au/tools-and-resources/calculators-and-tools/money-health-check.
5. See ASIC Regulatory Guide RG 234 Advertising financial products and advice services: Good practice guidance, issued 14 February 2012 and the updated guide RG 234 Advertising financial products and services (including credit): Good practice guidance issued 15 November 2012.
6. See ASIC Media Release 12-23 MR ASIC releases guidance on advertising issued 14 February 2012.
7. See for example ASIC Chairman's address to Financial Services Institute of Australasia (FINSIA) Conference, 10 October 2012: www.asic.gov.au/asic/asic.nsf/byHeadline/Speeches%20portal.
8. For information about the results of MoneySmart Week 2012 see the MoneySmart Week 2012 Executive Report at: www.moneysmartweek.org.au/about-moneysmart-week/results-from-2012.
9. For more information about the FIS see: www.humanservices.gov.au/customer/services/centrelink/financial-information-service
10. The behaviours were: Keeping track of finances; Planning ahead; Choosing financial products, Staying informed; and Financial control. The development of these behaviours incorporated work done by the Personal Finance Research Centre at the University of Bristol, e.g. Kempson et al (2005).

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