



ASIC

Australian Securities & Investments Commission

REPORT 229

National financial literacy strategy

March 2011

About this report

This report sets out a strategy for the development and delivery of initiatives to improve the financial literacy of all Australians and enhance their financial wellbeing. It is a framework for many agencies and organisations working in partnership.

This strategy is a living document that will be publicly reviewed and consulted on two years after it is released.

About ASIC regulatory documents

In administering legislation ASIC issues the following types of regulatory documents.

Consultation papers: seek feedback from stakeholders on matters ASIC is considering, such as proposed relief or proposed regulatory guidance.

Regulatory guides: give guidance to regulated entities by:

- explaining when and how ASIC will exercise specific powers under legislation (primarily the Corporations Act)
- explaining how ASIC interprets the law
- describing the principles underlying ASIC's approach
- giving practical guidance (e.g. describing the steps of a process such as applying for a licence or giving practical examples of how regulated entities may decide to meet their obligations).

Information sheets: provide concise guidance on a specific process or compliance issue or an overview of detailed guidance.

Reports: describe ASIC compliance or relief activity or the results of a research project.

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Executive summary

- 1 Financial literacy is about understanding money and finances and being able to confidently apply that knowledge to make effective financial decisions.
- 2 Knowing how to make sound money decisions is a core skill in today's world, regardless of age. It affects quality of life, opportunities we can pursue, our sense of security and the overall economic health of our society.¹
- 3 Because financial literacy is so important, the Government has asked ASIC to prepare a National Financial Literacy Strategy (the Strategy).
- 4 We have prepared this Strategy in consultation with key financial literacy partners and stakeholders, and after conducting considerable research into what Australians know and don't know about money matters and what we do and don't do in this area.
- 5 The Strategy builds on existing initiatives and achievements in Australia and overseas. In particular, it builds on the work of the former Financial Literacy Foundation, whose responsibilities were transferred to ASIC in 2008, and has benefited from input from the Australian Government Financial Literacy Board, who have endorsed the Strategy. We have also learnt much from the work done by the United Kingdom, New Zealand, the Organisation for Economic Co-operation and Development (OECD) and others.²

Why do we need a financial literacy strategy?

- 6 The evolution of Australian society and the Australian financial system have made financial literacy a necessary and critical skill for consumers and investors.
- 7 The growing range of financial products available, changes in demography, and increases in consumer responsibility for superannuation decisions and retirement incomes have all increased the importance of having sound financial literacy skills.
- 8 Research has shown that there are significant disparities in knowledge and understanding of financial matters across different groups in the community. Overall, people seem to be more knowledgeable and confident about simple and familiar finance topics such as budgeting; and less knowledgeable and confident about more complex and unfamiliar topics such as investing and saving for retirement.

¹ The more knowledgeable consumers are in the way they interact with the financial services sector, the more effective and efficient that sector will become, creating savings and ideally reducing the need for regulatory intervention.

² See Retirement Commission (2008); Thoresen (2008); de Meza et al (2008); HM Treasury (2007); HM Treasury and FSA (2008); PFRC (2008).

- 9 Improving financial literacy can have significant benefits for everyone, no matter what their age or income. By developing confidence, knowledge and skills to manage financial products and services, individuals will be better able to overcome or avoid financial exclusion. Such exclusion impacts on the opportunities individuals can pursue, their sense of security and their overall emotional and physical wellbeing.
- 10 Good financial literacy skills help individuals and families make the most of opportunities, meet their goals and secure their financial wellbeing, as well as contribute to the economic health of society.
- 11 Improved financial literacy can increase economic participation and social inclusion, drive competition and market efficiency in the financial services sector, and potentially reduce regulatory intervention.

Principles underpinning this Strategy

- 12 This national Strategy to improve financial literacy is founded upon the following core principles:
- *inclusiveness*—reaching all Australians, particularly those most in need and future generations of consumers and investors;
 - *engagement*—helping all Australians appreciate the importance of financial literacy and that small things done regularly make a real difference;
 - *diversity*—delivering learning that recognises the different ways people learn and allows all Australians to participate;
 - *knowledge and empowerment*—giving all Australians access to information, tools and ongoing support systems;
 - *improving outcomes*—recognising that information alone is not always enough and using additional mechanisms to achieve better outcomes;
 - *partnerships*—mapping and building on existing foundations to fill gaps and ensure all sectors and agencies work cooperatively; and
 - *measurement*—evaluating our work to know what is and is not effective, and learning from and sharing these evaluations.
- 13 These principles guide how this Strategy has been formulated, what initiatives it focuses on, which demographic groups it focuses on and how we propose to implement it.

Elements of the Strategy

- 14 Overall this Strategy aims to help Australians improve their financial wellbeing by providing a national framework and focus for financial literacy

education and services in Australia. Implicit in the Strategy is that this must be a long-term endeavour that spans generations.

- 15 There are four core elements of the Strategy:
- using educational pathways to build financial literacy for all Australians;
 - providing Australians with trusted and independent information, tools and ongoing support;
 - recognising the limits of education and information, and developing additional innovative solutions to drive improved financial wellbeing and behavioural change; and
 - working in partnership and promoting best practice.

Using educational pathways to build financial literacy for all Australians

16 Financial literacy education through established education and training pathways is a key element of this Strategy, which is elaborated in Section B.

17 Effective integration of financial education into school education is the cornerstone to bringing about long-term generational change in knowledge, attitudes and behaviours. For this reason, much of this Strategy and ASIC's attention is focused on strengthening financial literacy education at school.

18 However, this Strategy recognises that learning is not confined to childhood or the classroom, but takes place throughout life and requires targeted approaches that match content, learning styles and delivery channels to different audience needs.

19 Further education pathways (through vocational education institutions, universities, workplaces, and established adult and community education networks) are important avenues for building, consolidating and extending financial literacy skills and knowledge.

20 The financial literacy programs delivered by industry and other government agencies play an important role in this element of the Strategy. While different agencies will focus on different aspects of financial literacy, our focus is on:

- areas with the greatest potential to achieve broad generational change, using school and further education systems, workplaces and established community sector networks;
- groups most in need of financial literacy assistance—retirees and pre-retirees, young people, Indigenous Australians, women and others over-represented in the lowest financial literacy quintiles or excluded from traditional avenues for financial information and advice; and

- financial issues and products that are poorly understood and whose misuse or non-use can cause the greatest harm.

21 In order to reach these groups, this Strategy contains initiatives and priorities to be utilised across the lifelong learning continuum.

Providing Australians with trusted and independent information, tools and ongoing support

22 People today are increasingly responsible for their own long-term financial health and need ongoing support to manage this responsibility in a constantly changing financial services landscape. This work will give all Australians access to the basic information, tools and support systems they need to manage their money better.

23 ASIC's key initiative in this area is the development of a new consumer website, MoneySmart (www.moneysmart.gov.au). It draws on the best of the FIDO (www.fido.gov.au) and Understanding Money (www.understandingmoney.gov.au) sites and improves on them. The site is designed to be trustworthy, motivating and accessible. It aims to engage people and help consumers and investors make financial decisions that improve their lives, by providing information, tools, guidance and motivation.

Beyond the provision of education and information to create behavioural change and improve financial outcomes

24 Financial literacy is not just about increasing knowledge of money matters and financial products, but actually assisting and empowering consumers and investors to make better financial decisions and take action to achieve better financial wellbeing.

25 Moving beyond the provision of information to actually effecting positive action and achieving desirable outcomes requires the employment of a range of regulatory strategies. This Strategy recognises this and suggests new and innovative approaches to promoting financial wellbeing.

26 In particular, through our new MoneySmart website, we will develop and progressively provide Australians with independent, free, reliable and accessible personalised money guidance tools, designed to engage people and lead to positive action.

Working in partnership and promoting best practice

27 This Strategy relies on effective partnerships and coordination between all those involved in financial literacy work. Key partners in the development and implementation of this Strategy are other government departments and agencies, schools, higher education, financial institutions, businesses, unions

- and non-government organisations, including community groups and charities.
- 28 Our approach stresses the importance of research as the foundation of sound, evidence-based proposals, and evaluation to help us understand what works and what does not.
- 29 ASIC is taking a lead role because our position as Australia's consumer protection regulator for financial services exposes us daily to the issues central to this Strategy.
- 30 We can also bring multiple regulatory tools to the task of improving Australians' financial wellbeing from communication, education and guidance through to enforcement action where required.

Financial literacy and the global financial crisis

- 31 This Strategy was developed against the background of the global financial crisis.
- 32 As noted at the third meeting of the OECD's International Network on Financial Education (INFE), conducted in May 2009:
- The widening financial crisis is not stemming from a single cause. It was rather prompted by a combination of risky and improper behaviours and decisions of various stakeholders. Among those, financial institutions, experts and sometimes regulators unquestionably carry most of the responsibility. But the lack of understanding of households on financial issues and, in particular, on credit and investment, has also a major role. As a result, individuals have accepted (sometimes unknowingly) to support more financial risk than what they could afford.³
- 33 Restoring the confidence of consumers and investors and encouraging them to make informed financial decisions is key to promoting effective, competitive markets and ultimately underpins economic recovery.
- 34 The crisis clearly highlighted the importance of improving financial literacy levels and the need to reinforce core financial literacy concepts such as budgeting and saving, responsible use of credit, diversification and investing only in products that are understood.

Map of the National Financial Literacy Strategy

- 35 We have deliberately sought to keep down the length of this document. The research and studies that underpin much of it are set out in a companion

³ OECD INFE (2009)

report entitled *Financial literacy and behavioural change*.⁴ That report looks in greater detail at what Australians know about money matters, what we actually do or do not do when making money decisions and why, and how to achieve behavioural change.

- 36 This document sets out core principles and themes, and some of the specific actions to be taken by the agencies involved. It does not contain detailed work plans, but describes some initiatives in more detail for illustrative purposes or because they are central to the Strategy.
- 37 An overall map of the Strategy is set out in Table 1. ASIC will report annually to the Government on our progress in implementing this Strategy.

⁴ ASIC (2011).

Table 1: Map of the National Financial Literacy Strategy

VISION			
To enhance the financial wellbeing of all Australians by improving financial literacy levels			
Underpinning principles			
<p>Inclusiveness—reach all Australians, particularly those most in need and future generations of consumers and investors</p> <p>Engagement—help all Australians appreciate the importance of financial literacy and that small things done regularly make a real difference</p> <p>Diversity—deliver learning that recognises the different ways people learn and allows all Australians to participate</p> <p>Knowledge and empowerment—give all Australians access to independent and reliable information, tools and ongoing support</p> <p>Improving outcomes—recognise that information alone is not always enough and use additional mechanisms to achieve better outcomes</p> <p>Partnerships—map and build on existing foundations to fill gaps and ensure all sectors and agencies work cooperatively</p> <p>Measurement—evaluate our work to know what is and isn't effective, and learn from and share these evaluations</p>			
How we will do this			
Education	Information and ongoing support	Achieving behavioural change	Coordination and the long haul
<p>Integrate and embed financial literacy into the Australian Curriculum</p> <p>Ensure sustainability of school programs through strategic partnerships with education stakeholders, professional learning for teachers and access to high-quality resources</p> <p>Increase the take-up of financial literacy options in further education, especially VET and teacher pre-service education</p> <p>Expand the take-up of financial literacy training in the workplace, especially for small business</p> <p>Work with relevant government agencies, the community sector and others to deliver financial literacy programs to adults, with a focus on those most in need and on issues and products causing the greatest problems</p>	<p>Create a continuum from engagement, to knowledge, to skills, to support, to action</p> <p>Understand people's information needs and learning preferences and design tools and materials to match them</p> <p>Develop a new interactive ASIC website that equips people for action and gives ongoing support</p> <p>Recognise the ongoing need to engage with non-web-based materials</p> <p>Develop resources relevant to and designed to reach people at key 'teachable moments'</p>	<p>Understand why consumers behave as they do—learn from behavioural economists and social marketing experts</p> <p>Apply this knowledge to the design of financial literacy programs</p> <p>Recognise that more than educational solutions are needed if better outcomes are to be achieved</p> <p>Influence public policy and product design settings to maximise outcomes that promote financial wellbeing</p> <p>Give Australians access to personalised money guidance and direct them to product comparison services</p> <p>Work with FaHCSIA and financial counsellors to assist in the development of an online diagnostic tool for people with debt problems</p>	<p>Identify and foster partnerships with sectors best placed to design, fund, deliver and measure initiatives</p> <p>Build on and establish new mechanisms to improve coordination, knowledge sharing and networking</p> <p>Contribute to international work on best-practice evaluation mechanisms for financial literacy—including the OECD's trial testing of financial literacy through the Program for International Student Assessment (PISA) in 2012</p> <p>Apply appropriate measures for each initiative</p> <p>Measure and track overall Australian financial literacy rates</p>

A Why we need a financial literacy strategy

Key points

This section covers:

- what we mean by financial literacy;
- the benefits of financial literacy;
- the increasing importance of financial literacy;
- current financial literacy levels;
- Australia's financial literacy landscape; and
- the principles behind this Strategy.

What we mean by financial literacy

38 Financial literacy encompasses both knowing about money matters and being equipped to utilise that knowledge by applying it across a range of contexts. What a person needs to know to be financially literate will vary depending upon their circumstances and needs. Generally, however, it will involve an understanding of:

- a person's own values and priorities;
- budgeting, savings and how to manage money;
- credit;
- the importance of insurance and protecting against risk;
- investment basics;
- superannuation;
- retirement planning;
- the benefits of shopping around and how to compare products;
- where to go for advice and additional information, guidance and support;
- how to recognise a potential conflict of interest; and
- how to recognise and avoid scams.

39 Many definitions of 'financial literacy' are currently used in Australia and internationally.⁵

⁵ For example, the OECD has its own definition: see OECD (2005), p. 26. For more definitions, see the companion report to this document: ASIC (2011).

40 For the sake of consistency and international comparability, we use the definition originally developed in the United Kingdom and appearing in the Australian ANZ national adult financial literacy surveys (ANZ surveys) of 2003, 2005 and 2008.⁶ The definition was also recently adopted by New Zealand:

The ability to make informed judgements and to take effective decisions regarding the use and management of money.

41 This definition acknowledges that financial literacy means more than just understanding how things work. It also encompasses making good choices and applying them.⁷

42 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 now might be counterproductive.

43 That said, there is considerable anecdotal evidence to show that the term ‘financial literacy’ is not currently understood in many circles, and many of those we want to target with financial literacy programs find the term off-putting. We therefore plan to further consult on the right language to use to pursue our agenda of enhancing the financial wellbeing of Australians by improving financial literacy levels, when we undertake our review of this strategy in two years time.

The increasing importance of financial literacy

44 Particular factors contributing to the importance of financial literacy include:

- the growing complexity and range of financial products available;
- the increased interaction young Australians now have with financial issues, be they dealing with mobile phone bills or choosing their first superannuation account;
- changes in demography; and
- consumers having greater responsibility for their own financial decisions on topics such as superannuation and retirement incomes.

45 Deregulation of Australia’s financial markets started over 20 years ago with deregulation of the banking sector; and since then the range and complexity of financial products and services available to consumers has increased

⁶ This definition was first articulated by Schagen (1997). The definition was recently adopted by the Retirement Commission (NZ) in their National Strategy document: Retirement Commission (2008), p. 9.

⁷ This is also reflected in the definition agreed in 2005 by the then Ministerial Council on Education, Employment, Training and Youth Affairs (MCEETYA) to guide financial literacy education in schools. The definition underpinning the National Framework is ‘the application of knowledge, understandings, skills and values in consumer and financial contexts and the related decisions that impact on self, others, the community and the environment’.

- dramatically.⁸ Developments in information technology have also significantly contributed to the number and type of products on offer.
- 46 Australia's baby boomers are beginning to retire, and an increasing number of retirees can expect to live longer in retirement.⁹ As the number of people entering retirement grows and their life expectancy increases, government support for retirees, pensions, health care and retirement accommodation comes under ever-greater pressure. Many retirees will need to rely more heavily on personal savings and retirement income, and be more competent in a range of financial management strategies (such as asset management, tax and estate planning, and insurance) than previous generations have needed to.
- 47 Australia's policy on compulsory superannuation is predicated on this greater self-reliance in retirement. In particular, responsibility for investment decisions affecting retirement is shifting from employers to employees. Since 2005, for example, millions more Australian employees have been able to choose the fund for their employer Superannuation Guarantee contributions.
- 48 Availability of defined-benefit schemes has declined, in favour of defined-contribution schemes that require members to make decisions such as whether to make additional contributions and how to allocate contributions across investment options. Employees also need to consider the fees, commissions and charges of different providers.
- 49 At the point of retirement, superannuants also need to make decisions about their payout, and consider rollovers, lump sums, products delivering an income stream, combinations between lump sum and income stream, and effects on government pension eligibility for them and their partners.
- 50 Finally, Australians have also experienced—until the global financial crisis—an extended period of growing wealth, and more opportunity to save, borrow, spend and invest than at any time in our history.
- 51 All these factors highlight the importance of financial literacy. It is a skill increasingly focused upon in recent years, both in Australia and internationally.¹⁰

⁸ For example, a once-simple bank savings account is now variously available with: low interest but no fees, higher interest but account keeping and/or transaction fees, bonus interest where deposits but no withdrawals are made, or interest offset against mortgage interest.

⁹ According to ABS (2007), since the 1900s Australians' life expectancies have increased from 55 to 79 years for men and from 59 to 83 years for women; and by 2047 are expected to reach 86 years for men and 90 years for women. Australia's population is projected to be 28.5 million by 2047, with a quarter of that projected to be aged 65 and over; and while there are currently 5 people of working age to support every person aged 65 and over, by 2047 there will only be 2.4.

¹⁰ FLF (2007); OECD (2005); Retirement Commission (2008).

- 52 Yet both local and international studies¹¹ show that many people have been left behind in their financial knowledge and lack the capability to take advantage of opportunities or avoid the risks that come with greater choice.
- 53 For all these reasons, the Government has asked ASIC to prepare the Strategy.
- 54 Since that request was made, the financial crisis has had global implications, and much of this Strategy has been developed against the background of that crisis.
- 55 The crisis clearly highlighted the importance of financial literacy and the need to reinforce core financial literacy concepts such as budgeting and saving, living within one's means, responsible use of credit, diversification and investing only in products that are understood.

How financially literate are we?

- 56 Considerable research has been done in Australia on the issue of how financially literate we are, from large-scale national surveys to smaller studies about specific products and services.¹² Some key research is referred to below.
- 57 The ANZ survey¹³—generally recognised as the most comprehensive adult financial literacy survey in Australia, with reports published in 2003, 2005 and 2008, and a commitment to continue conducting the survey going forward—enables us to measure movements in literacy levels over the long term. Other pieces of work include a survey conducted by the former Financial Literacy Foundation of 7500 Australians aged 12 to 75¹⁴ and studies conducted for the Commonwealth Bank, which in some cases focused on youth, in others the broader population.¹⁵ The companion research report to this Strategy contains more detail about the surveys conducted in Australia and their findings.¹⁶
- 58 These reports tell us that, while most Australians have reasonable levels of financial literacy, clearly some groups have greater difficulties than others with financial concepts, and some financial products cause considerably more problems than others.

¹¹ ANZ (2008a); de Meza et al (2008); Retirement Commission (2008).

¹² These surveys have used both subjective approaches that test people's perceptions, attitudes and self-assessed levels of financial knowledge and capability, as well as objective approaches that measure people's actual knowledge and what they do in practice. The OECD has observed that combining both approaches helps reveal the gaps between what people believe they know and what they actually know: OECD (2005), pp. 44–45; ASIC (2009).

¹³ ANZ (2008a); ANZ (2005a); ANZ (2003).

¹⁴ FLF (2007).

¹⁵ See, for example: CBF (2006); CBF (2004).

¹⁶ ASIC (2011).

- 59 Similar to earlier surveys, the 2008 ANZ survey¹⁷ found that overall the lowest levels of financial literacy are associated with:
- those aged 18 to 24 years and people 70 years and over;
 - females, particularly aged 70 years and over;
 - people with lower levels of education (Year 10 or less);
 - people not working (for a range of reasons) or in unskilled work;
 - people with lower incomes (household incomes under \$25,000 p.a.);
 - people who speak a language other than English at home; and
 - people of Aboriginal or Torres Strait Islander descent.¹⁸
- 60 It should be noted that the survey also showed that members of each of these groups are also included among those with the highest levels of financial literacy.
- 61 Overall, people seem to be more knowledgeable and confident about simple and familiar finance topics such as budgeting, credit, savings and debt; and less knowledgeable and confident about more complex and unfamiliar topics such as investing, superannuation and saving for retirement.
- 62 Factors that influence people's knowledge and understanding of financial matters include their attitudes and beliefs about money, confidence levels, interest and engagement levels, and socio-demographic backgrounds.¹⁹
- 63 It is also clear that people don't always know what they don't know. Studies show a significant mismatch between what people say they know and what they do know.²⁰
- 64 Sometimes this is for psychological reasons (discussed in Section D), but in other instances it is simple lack of knowledge—particularly dangerous since, if they don't know what they don't know, people are unlikely to seek assistance.
- 65 These results, when considered together with Australian Bureau of Statistics' (ABS) research into Australians' general document literacy and numeracy, in particular their ability to meet the complex demands of a knowledge-based economy,²¹ suggest that about one in two Australians do not have the

¹⁷ ANZ (2008a), pp. 4–5.

¹⁸ Aboriginal and Torres Strait Islander results should be treated with some caution due to the small sample size, n=54: ANZ (2008a), pp. 1–2.

¹⁹ FLF (2007); ANZ (2008a).

²⁰ OECD (2005), pp. 43–44; '67% of respondents said that they understood the principle of compound interest, but only 28% were rated with a 'good level' of comprehension when they solved the problem': ANZ (2008a), p. 19.

²¹ As part of an international study, the ABS measured skills in document literacy, prose literacy, numeracy and problem solving and found that approximately 7 million (46%) of Australians (and 7.9 million (53%) of Australians aged 15 to 74) had proficiency less than 'the minimum required for individuals to meet the complex demands of everyday life and work emerging in the knowledge-based economy' for document literacy and numeracy respectively': ABS (2006), p. 5.

skills required to make informed choices in their interactions with the financial services sector.²²

- 66 There is also an identifiable age link, with document proficiency tending to decrease with age.²³

Benefits of improving financial literacy

- 67 Financial literacy is a skill for life, with significant benefits for everyone no matter what their age or income. It affects the opportunities we can pursue, our sense of security and our overall emotional—and often physical—health. In the United Kingdom, for instance, it has been estimated that moving a person with a relatively low level of financial literacy to an average level of literacy improves their psychological wellbeing by about 6% (compared to an 8% deterioration in wellbeing associated with being divorced or a 10% deterioration from being unemployed).²⁴ Good financial literacy skills help individuals and families make the most of opportunities, meet their goals and secure their financial wellbeing. They are essential for social inclusion.
- 68 Financial literacy also contributes to the economic health of society. More capable consumers and investors offer the prospect of improved household savings performance, reduced dependence on government allowances and lower levels of problem debt.
- 69 More broadly, improved financial literacy can increase economic participation, drive competition and market efficiency in the financial services sector, and potentially reduce regulatory intervention.

Principles behind the Strategy

- 70 Against that background, the Strategy is based on seven core principles:
- *inclusiveness*—reaching all Australians, particularly those most in need and future generations of consumers and investors;
 - *engagement*—helping all Australians appreciate the importance of financial literacy and that small things done regularly make a real difference;
 - *diversity*—delivering learning that recognises the different ways people learn and allows all Australians to participate;

²² ABS (2006). These findings have implications for our regulatory regime, which relies upon disclosure as a critical element of our consumer protection system.

²³ The exception was the 15- to 19-year-old group, who had lower levels of proficiency than the 20- to 24-year-old group (ABS (2006), p. 43).

²⁴ Taylor et al (2009).

- *knowledge and empowerment*—giving all Australians access to information, tools and ongoing support systems;
- *improving outcomes*—recognising that information alone is not always enough and using additional mechanisms to achieve better outcomes;
- *partnerships*—mapping and building on existing foundations to fill gaps and ensure all sectors and agencies work cooperatively; and
- *measurement*—evaluating our work to know what is and is not effective, and learning from and sharing these evaluations.

B Using educational pathways to build financial literacy

Key points

This section covers:

- financial literacy in the school curriculum;
- further education;
- adult and community education; and
- education in the workplace.

Educational pathways

- 71 Education has long been recognised as a critical driver for delivering equal opportunity in society.²⁵ It is central to this Strategy. Our approach recognises that learning is a lifelong endeavour and acknowledges that people learn in many different ways.
- 72 If we are striving to foster the skills, knowledge, attitudes and values needed to build financial resilience for all Australians, then an important element must be education through established pathways.
- 73 In Australia, ‘educational pathways’ usually comprise early childhood education, school education, further education (which includes vocational education and training, and university education), and adult and community education.
- 74 Financial literacy education at school is particularly important and is a central concern of this Strategy. We know that young people today are increasingly interacting with money from an earlier age, and are increasingly targeted by corporate interests and consumer marketing through social media (e.g. MySpace, Facebook and Twitter) and through mobile phones. More than ever before, it is vital that students leave school:
- equipped for life’s financial decisions;
 - more attuned to their own consumer behaviour;
 - knowing the questions to ask to make smart financial decisions; and
 - armed with the knowledge and skills to be able to secure and improve their financial wellbeing.

²⁵ CAF (2007).

- 75 At present, all education sectors in Australia are undergoing significant reform and this has created both new opportunities and challenges. This Strategy recognises the critical need for strong partnerships between ASIC and the key players in federal and state governments, as well as in all education sectors. It also recognises the need for flexibility and responsiveness to take advantage of opportunities as they arise.

Financial literacy in the school curriculum: where are we up to?

- 76 Steady progress has been made since the development of a National Consumer and Financial Literacy Framework (the National Framework) in 2005, agreed through the then Ministerial Council for Education, Employment, Training and Youth Affairs (MCEETYA).²⁶
- 77 The National Framework sets out an agreed national approach to integrating consumer and financial literacy in the compulsory years of schooling from Kindergarten to Year 10, to provide students with a sound basis for making informed financial decisions, as well as the related decisions that impact themselves, others, the community and the environment.
- 78 In particular, the National Framework supports the integration of consumer and financial literacy across relevant curriculum areas such as English, Mathematics, Science, the Humanities (Business, Commerce, Economics, Technology and Enterprise), Civics and Citizenship, and Information and Communication Technology. Key elements covered in the Framework include:
- understanding money (the focus for lower primary);
 - consumer literacy (upper primary);
 - personal finance (lower secondary); and
 - money management (upper secondary).
- 79 To support implementation of the National Framework, we facilitated a national train-the-trainer professional learning program²⁷ for primary and secondary school teachers in partnership with the federal and state departments of education and the non-government education sector in 2008 and 2009. A consumer and financial literacy website for teachers and other educators, www.financialliteracy.edu.au, was also created in 2008.

²⁶ The National Framework was developed for MCEETYA by a national working party comprised of representatives from state and territory government and non-government education systems, the federal Department of Education, Science and Training, the Financial Literacy Foundation and state and territory departments of fair trading. The Ministerial Council is now called the Ministerial Council for Education, Early Childhood Development and Youth Affairs (MCEECDYA). The Rationale for the National Framework was updated in 2009 to make links with the new *Melbourne Declaration on Educational Goals for Young Australians* agreed by Ministers for Education in December 2008. The updated National Framework is available at www.mceecdya.edu.au/mceecdya/default.asp?id=14429.

²⁷ The professional learning program and materials were developed by the Financial Literacy Foundation in 2007–08.

80 This work has provided a sound foundation for ASIC's efforts to strengthen financial literacy education in schools in 2011 and beyond.

The new Australian Curriculum

81 As part of the Government's education reform agenda, the Australian Curriculum is being developed and phased in from 2011–13.²⁸ This curriculum will detail what teachers are expected to teach and what students are expected to learn for each year of schooling. It will support the attainment of the second goal articulated in the *Melbourne Declaration on Educational Goals for Young Australians*, to ensure that 'all young Australians become successful learners, confident and creative individuals, and active and informed citizens'.²⁹

82 ASIC is committed to ensuring that consumer and financial literacy skills are integrated and embedded in the new curriculum. This is vital if we are to build on the progress made to date and equip our young people with the skills, knowledge and attributes to make responsible and informed consumer and financial decisions.

83 Supported by the Australian Government Financial Literacy Board, we have actively lobbied the new Australian Curriculum, Assessment and Reporting Authority (ACARA) for the inclusion of financial literacy in the new Australian Curriculum. We have also worked in partnership with relevant teacher professional associations to submit detailed responses to ACARA on the draft curriculum documents for Mathematics, Science and English, Foundation to Year 10 and Years 11–12. As a result, there are strengthened links to financial literacy contexts in these curriculum areas, most prominently in the learning area of Mathematics where there is a 'Money and financial mathematics' sub-strand within the 'Number and algebra' content strand.

84 ASIC is continuing to work with relevant teacher professional associations to scope resource gaps and identify teacher professional learning needs for integrating financial literacy into their teaching and learning.

85 We will actively participate in the public consultations on the development of the second and third phases of the Australian Curriculum as documents are released.

86 In consultation with key education stakeholders, we also plan to revisit the scope and content of the learning descriptions outlined in the National

²⁸ Phase 1 will include English, Mathematics, the Sciences and History; Phase 2 will include Geography, Languages and the Arts; and Phase 3 will include Design and Technology, Health and Physical Education, Information and Communication Technology, Economics, Business, and Civics and Citizenship.

²⁹ The *Melbourne Declaration on Educational Goals for Young Australians 2008* (www.mceecdya.edu.au/mceecdya/melbourne_declaration.25979.html) supersedes the *National Goals of Schooling* released in 1999.

Framework so they are better aligned with the Australian Curriculum's architecture and content links.

Ongoing professional learning for teachers

- 87 Teachers play a pivotal role in financial literacy education at school—especially in the development of values, critical thinking capabilities and the confidence to apply knowledge and skills in a range of situations. Ongoing professional learning is vital. So too is access to quality classroom resources. The extent to which financial literacy is successfully taught in schools depends very much upon effective teaching, which in turn relies upon professional learning that builds capacity in teachers to develop the relevant knowledge and skills as well as confidence.
- 88 ASIC has re-developed the architecture and 'look and feel' of the former financial literacy website for educators to align with ASIC's new MoneySmart website. It is now called Teaching Financial Literacy and is accessible at www.teaching.moneysmart.gov.au. An introductory online professional learning module has also been developed, drawing on the previous professional learning materials created in 2007–08. The site also contains a searchable collection of financial literacy resources suitable for use in the classroom.
- 89 We plan to progressively upgrade and extend the content and functionality of the MoneySmart Teaching website to enable a more interactive experience for teachers—for example, offering them the opportunity to network and share strategies online. We will also create professional learning modules and classroom resources linked to the Australian Curriculum.

Work in Indigenous school communities

- 90 Reducing the educational disadvantage of Indigenous students is a key element of the current education reform agenda—it also supports the Government's aims to improve social inclusion. Ensuring financial literacy education at school meets the needs of Indigenous students, teachers and communities is an important objective of our schools work.
- 91 In 2010–11, ASIC is supporting a pilot program in partnership with the Queensland Department of Education and Training. The pilot involves developing a program for primary school and one for secondary. Trialling of the primary school program began in 2010 in Queensland and the Northern Territory. The program involves a range of activities to engage students in exploring wants and needs, and earning and budgeting money in very practical, hands-on ways. Feedback from students, parents and staff has been very positive to date.

- 92 The secondary program has also been developed and is being trialled in 2011. A website to house the resources has also been created, called *Milba Djunga (Smart Money)* and is accessible at www.milbadjunga.net.au.

Next steps

- 93 A key priority for ASIC in the next few years is strengthening financial literacy education in schools through professional learning and classroom resources linked to the Australian Curriculum.
- 94 We will also implement a targeted communication strategy to raise awareness of the importance of consumer and financial literacy education and its links with relevant areas of the Australian Curriculum.
- 95 As highlighted above, the implementation of the new Australian Curriculum means the scope and content of the National Framework is likely to require adjustment to ensure it remains relevant to the school curriculum.
- 96 Re-visiting the scope of the National Framework will provide opportunities to promote consumer and financial literacy to schools and teachers, to include new curriculum connections where there were previously none (e.g. Environmental Science), and to make the case for extending the National Framework to include Years 11 and 12.
- 97 A national reference group³⁰ established by ASIC to provide strategic advice on its work in the schools sector will guide this work. Input will also be sought from a range of other key stakeholders, including relevant teacher professional associations.
- 98 This Strategy is also supportive of international efforts to test the financial literacy of school children. To this end, we are supporting Australia's participation in a new financial literacy component of the 2012 Program for International Student Assessment test.³¹ Table 6 in the Appendix summarises our priorities for the schools sector.

Further education

- 99 Most people's interaction with the financial system increases rapidly after school, and the complexities of this interaction give them a strong incentive to learn. Since learning is most effective when immediately relevant, there need to be opportunities to acquire financial literacy knowledge and skills beyond the school years.

³⁰ In 2010, ASIC formed a high-level reference group made up of representatives from each state and territory department of education and training, the Catholic and independent sectors, two representatives from fair trading departments and representation from the Department of Education, Employment and Workplace Relations (DEEWR). The main purpose of establishing this national reference group was to ensure that the strategies we employ to address our priorities are effective and relevant to the Australian school education context.

³¹ PISA measures international trends in educational performance of 15-year-old students.

100 We know that young Australian adults in particular are keen to learn more about managing money.³² This is significant given that, while they consider themselves reasonably well informed and to have good money habits, they are in fact notably over-represented among the percentage of the population with the lowest financial literacy levels.³³

101 There is, therefore, an important role for the further education sector in financial literacy learning; and although there are many competing priorities in this sector, strategic partnerships and existing structures provide an excellent starting point.

102 ASIC has two high priorities relevant to the further education pathway:

- increasing the take-up of financial literacy options in courses for apprentices and cadets; and
- influencing the content of teacher pre-service education.

Vocational education and training

103 An important part of this Strategy involves improving the take-up of financial literacy options through the vocational education and training (VET) system.

104 VET is education and training for industry and work. The Australian VET system is industry-led, with employers, unions and professional associations defining the outcomes required from training; and state, territory and Australian governments, in partnership with industry and training providers, jointly managing the system.³⁴ In 2009 there were approximately 1.7 million people in Australia undertaking some form of vocational study. Just over 43% were young people aged 15–24 years.³⁵

105 VET training can be accessed by all Australians as single units of competency or a series of competencies that make up a fully certified, nationally recognised qualification.

106 The take-up of financial literacy options through the VET system can happen both through:

- users of the VET system self-selecting financial literacy options; and
- particular professions and/or industry associations making it a compulsory part of their training/licensing requirements.

107 There are currently 10 specific financial literacy competencies, with many other business and management competencies to complement them.

³² FLF (2007), p. 57.

³³ ANZ (2005a), p. 33.

³⁴ www.training.com.au/portal/site/public/menuitem.34755cb3fd32de15af17bfae17a62dbc/.

³⁵ NCVET (2010)

- 108 In particular, there are four relevant entry-level competencies that can be selected singly or collectively and imported to existing VET courses as electives. They are:
- developing and using a personal budget;
 - developing and using a savings plan;
 - understanding debt and consumer credit; and
 - understanding superannuation.³⁶
- 109 These competencies have a potentially wide application and can be used in all education pathways by registered training organisations (RTOs), or in organisations that partner with an RTO. There are also several pilot programs and industry partnerships that have proved effective in this sector.³⁷
- 110 As with other sectors of education in Australia, the VET sector is undergoing a period of significant reform.
- 111 We are focused on developing strategic partnerships in the VET sector with skills councils, industry associations and relevant government agencies, including the Australian Taxation Office (ATO) and the Department of Education, Employment and Workplace Relations (DEEWR), to promote the importance of financial and business literacy. The forward work program in the medium term includes:
- assisting the VET sector to adopt a more coherent and comprehensive approach to financial literacy, from trade schools to qualified trade training and licensing; and
 - supporting this work by developing digital and online resources in partnership with skills councils, Australian Government agencies and TAFE to assist the integration of financial and business competencies at Certificate 3, Diploma and Advanced Diploma levels.

Universities

- 112 Preliminary research on this sector highlights the complexity of attempting to integrate financial literacy across formal university courses. Issues include lack of time, resources and opportunities within formal learning pathways.
- 113 However, there are significant channels for information and communication within universities. These include student services, career education support,

³⁶ See VET courses: FNSFLIT 201B; 202B; 203B and 204B.

³⁷ We are working with organisations such as the Oz Help Foundation to include financial literacy education in industry training, including in the building and construction and electro-technology industries and the public and private sectors through a cadetship program; a partnership with the national skills council for Innovation and Business Skills Australia that allows four core financial literacy competencies to be included in a range of accredited vocational training programs; and commissioning a report from Industry Training Australia to help establish the extent to which the financial literacy competency standards can be integrated into a sample of qualification levels within nominated training packages.

residential halls and alumni groups. Accessing these channels is a medium to longer term focus for this Strategy.

- 114 The Strategy's top and immediate priority in the universities sector is training of pre-service teachers and integrating financial literacy into all university schools of education programs. The very recent establishment of a new Australian Institute for Teaching and School Leadership (AITSL) may provide new opportunities and we plan to engage with AITSL and other interested parties to achieve these pre-service teaching goals.
- 115 Other priorities will be explored further by ASIC and partner agencies in the medium to longer term.

Adult and community education

- 116 Adult and community education is widely acknowledged as an important means of reaching adult learners, as it provides informal learning opportunities and creates social inclusion benefits by connecting people to local community organisations (such as a community centre).
- 117 People outside formal school and further education, and not in workplaces that offer financial literacy assistance, must also be able to access financial literacy education, particularly as this group is over-represented among those with the lowest financial literacy levels.³⁸
- 118 Many programs already deliver financial literacy learning opportunities to these and other groups.³⁹ Partnerships can be very effective in this area, with many established programs funded by government and financial institutions and delivered by community organisations. Some of the most successful create strong links between learning and doing, and recognise and value the diversity of the participating adult learner groups.
- 119 In the community space there remains, however, a need for ongoing work to identify and fill gaps in the delivery of programs to those in need, to ensure proper coordination and cross-learning, and to foster best practice and partnerships: see Section E. This will remain an ongoing focus of the Strategy. ASIC's Financial Literacy, Indigenous and Credit Outreach teams are all working closely with the community sector to deliver programs that complement and support but don't duplicate the work of others.

³⁸ ANZ (2008a), p. 10.

³⁹ For example, FaHCSIA's Financial Management Program funds services like Commonwealth Financial Counselling, Money Management, Saver Plus, the No Interest Loans Scheme®, the Community Development Financial Institutions Pilot, Information on Saving for Retirement and Retirement Investments. These services are mainly funded through community organisations to help disadvantaged people overcome financial difficulty and better manage their money. Some of these services also include a community sector capacity building component, such as through funding of: the Australian Financial Counselling and Credit Reform Association (AFCCRA) to develop tools for financial counsellors; the National Institute on Retirement Investments to provide support to Centrelink's Financial Information Service, financial counsellors and others; and Matrix on Board's tools for Money Management workers. For further information, see www.fahcsia.gov.au/sa/communities/progserv/financial_management_program/Pages/default.aspx.

Indigenous education

- 120 The Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) also funds a number of financial literacy programs that target Indigenous Australians, particularly those in rural and remote communities. Some of these programs have been running for some time, others have been introduced in response to ‘the intervention’.⁴⁰
- 121 Apart from the Indigenous school community pilot mentioned above, ASIC, through its Indigenous Outreach team, combines financial literacy and case work across urban, rural and remote Indigenous communities in partnership with government agencies and non-government organisations.
- 122 Table 8 in the Appendix summarises the priorities and next steps for Indigenous, adult and community education.

Education in the workplace

- 123 The workplace presents a key learning opportunity for financial literacy. Both employers and employees must make numerous financial decisions about issues such as remuneration, superannuation and retirement planning.
- 124 Many employers, especially the larger ones, already deliver financial literacy programs in the workplace.⁴¹ Some develop in-house programs and others use various private sector providers. This Strategy recognises the importance of these programs and encourages their use and further development.
- 125 Research conducted by the Financial Literacy Foundation found that support for small business enterprises is an area of specific need. There is great potential for effective partnerships in this area, and ASIC will pursue this as part of its medium-term agenda.

⁴⁰ For example, the Family Income Management (FIM) is a voluntary, confidential and free service especially designed to meet the particular needs of Indigenous individuals and families, with education, information and ongoing support needed to manage their own money: www.capeyorkpartnerships.com/family-income-management. The Money Management program has been implemented in partnership with ANZ and delivered to six sites since 2005: Galiwinku, Nguiu, Tennant Creek and Katherine in the Northern Territory; and Kununurra and Geraldton in Western Australia. Money management services have been expanded since 2008. For further information see:

www.fahcsia.gov.au/sa/indigenous/progserv/money/Pages/IndigenousMoneyMgmt.aspx. In addition to FIM and the Money Management program, the Home Ownership on Indigenous Land (HOIL) measure also assists Indigenous Australians living on Indigenous community-titled land to purchase homes by providing access to finance, assistance with purchase and financial money management information and support. For further information see:

www.fahcsia.gov.au/sa/indigenous/progserv/housing/Pages/HomeOwnershiponIndigenousLand.aspx

⁴¹ For example, the financial literacy program and resources developed for the Australian Defence Force by the Australian Defence Force Financial Services Consumer Council (ADFFSCC): www.adfconsumer.gov.au/. We have worked closely with the ADFFSCC since 2007 and the ASIC Chairman contributes monthly articles on financial issues to the three Service newspapers. Other recent examples include: the comprehensive workplace financial education program, *Money for Keeps*, launched in 2005 by Australia Post; Flight Centre’s *Moneywise* program, which is a complete financial planning service for Flight Centre employees and immediate families; and Westpac’s *Financial First Steps*, an initiative to improve the financial literacy of Westpac employees, senior high school students and external employee groups.

C Providing Australians with trusted and independent information and ongoing support

Key points

This section covers:

- the information needs of Australian consumers and investors;
- how people want to receive information;
- maximising the appeal and effectiveness of financial literacy information;
- target groups, priorities and campaigns;
- ASIC as a key information source;
- our new consumer and investor website;
- social media; and
- other channels.

Behavioural change

- 126 This Strategy recognises that knowledge alone is not enough. We all know exercise is good for us, and eating too many trans-fats and sweets are bad for us, but that does not mean we act accordingly. It is the same for financial literacy, where our ultimate goal is to change behaviour.
- 127 The challenge is to move from where we are currently to having ‘confident and empowered consumers’ who can, as the Productivity Commission says, ‘secure better outcomes for themselves and society as a whole’.⁴² How do we do this?

Information needs of Australian consumers

- 128 Research tells us that there are widely differing levels of financial knowledge across the population, some financial products and decisions are less well understood than others,⁴³ and people have different preferences about how and from whom they want to receive information.
- 129 In order to be effective, financial literacy efforts must respond to these differences.

⁴² Productivity Commission (2008).

⁴³ ANZ (2008a).

- 130 The 2008 ANZ survey found that 51% of respondents felt they needed further education or information about financial matters.⁴⁴
- 131 Several surveys have also found that the main issues consumers want additional information on are: investing, superannuation and general planning for their long-term future.⁴⁵ Significant numbers also want assistance with all other areas of their finances, including budgeting (the budget planner has consistently been the most popular page of the Understanding Money site⁴⁶ and one of the most used on FIDO).⁴⁷
- 132 Such survey data helps prioritise the efforts of those involved in financial literacy work.

How do people want to receive information?

- 133 Research indicates that most people rely on a wide range of information and advice services when researching financial decisions or trying to gain financial knowledge. They have different preferences for sources of information and delivery channels.
- 134 As to sources of information, the 2008 ANZ survey⁴⁸ found that:
- 27% of respondents wanted information to be available from financial institutions;
 - 23% wanted information from government bodies, in particular about superannuation (31%), tax (36%), budgeting (27%) and investment (18%);
 - 9% wanted information through formal courses, such as TAFE; and
 - 5% wanted information from a financial adviser or planner.
- 135 ASIC's research⁴⁹ into investor behaviour has also found that, when making decisions, investors draw from a wide range of information and advice sources. The top five sources used by investors were:
- financial institution/bank/building society/credit union (18%);
 - friend or family member (17%);
 - professional financial adviser (15%);

⁴⁴ Those under 35 were most likely to feel in need of this (64%) while those aged 60 or over were least likely (26%)—an interesting result, given those over 70 are among the segments of the population with lowest financial literacy levels: ANZ (2008a), p. 111.

⁴⁵ See FLF (2007), p. 36; ANZ (2008a), p. 111.

⁴⁶ From 1 April to 30 September 2010, the budget planner was the most visited page on Understanding Money with 82,741 page views, which is an average of 13,790 page views per month.

⁴⁷ From 1 April to 30 September 2010, the budget calculator was among the most visited pages on FIDO with 50,174 page views, which is an average of 8362 page views per month. The companion report to this Strategy, ASIC (2011), contains more detail on the issues about which people want more information and education.

⁴⁸ ANZ (2008a), p. 113.

⁴⁹ ASIC (2008), p. 31.

- daily newspapers (14%); and
- internet (11%).⁵⁰

136 As to the top five preferred delivery channels, the 2008 ANZ survey⁵¹ also found that they were:

- the internet (38%);
- books on finance (15%);
- newspaper or magazine articles (14%);
- television/radio advertising (8%); and
- personal, face-to-face contact (7%).

137 ASIC contributed to research recently commissioned by FaHCSIA to understand the financial management needs of Australians and identify whether appropriate solutions are available to meet those needs. Completed in 2009, it provides a number of insights about how financial information should be delivered and targeted. Relevant findings include the following:

- There was a 78% approval for a ‘central information and service gateway’.
- The qualitative research identified four hypothetical mindsets that impacted on financial decision making: creating wealth, living for today, self-protection, and comfort and security. Financial management information and tools should be designed with these four audiences in mind; there cannot be a ‘one size fits all’ approach.
- A key issue with consumers is a lack of perceived need for information and a lack of knowledge about trustworthy and accurate sources—thus engaging people and winning their trust has to be a central consideration in how information is provided.
- Although there are a plethora of financial management tools available to consumers, many are unlikely to access information, advice or education modules until they experience financial hardship or they need a particular financial product.
- People preferred online resources for receiving straightforward information; however, for receiving advice, face-to-face options are preferred.⁵²

⁵⁰ The percentage of people wanting information through the internet has in all probability increased since this survey was taken.

⁵¹ ANZ (2008a), p. 113.

⁵² Colmar Brunton (2009).

Maximising the appeal and effectiveness of financial literacy information

- 138 Simply providing information, even if it improves knowledge, is unlikely to change most people's behaviour. Adding to the already bewildering array of financial information consumers receive simply compounds the problem of 'information overload'.⁵³
- 139 Those working on financial literacy initiatives must therefore identify and adopt techniques that maximise the probability of behavioural change.
- 140 To do this, we must base our financial literacy resources and campaigns on sound social marketing and behavioural change principles, and research about which messages and delivery channels work best for which audience.
- 141 With these social marketing and behavioural change frameworks in mind, we have outlined suggested strategies to maximise the appeal and effectiveness of financial literacy information in Table 2. They can be used by all those involved in program design and delivery, and will guide our financial literacy work.

Table 2: How to maximise the appeal and effectiveness of financial literacy information

Suggested strategies	
1	Tailor and target all messages and materials to ensure they address the needs of particular target groups
2	Have clear, simple calls to action
3	Consumer-test messages and materials to ensure they resonate clearly with target audiences
4	Work with and coordinate efforts of stakeholders to maximise distribution of messages and minimise duplication and information overload
5	Make messages available in a range of formats and channels to cater to diverse information needs and preferences
6	Meet the information needs of people at specific or unplanned life events, or when they have a particular financial or investment decision to make
7	Provide practical tools and resources that allow people to test their understanding of finance and investment concepts
8	Provide means for consumers to commit to their goals and receive prompts, tips, encouragement and reinforcement
9	Evaluate campaigns and programs and use the results of the evaluation for continuous improvement

⁵³ Fear (2008).

Target groups, priorities and campaigns

- 142 Financial literacy information is important for the general population, but particularly so for anyone experiencing a specific or unplanned event that impacts on their financial situation, such as buying a house or car, having a baby, getting divorced, being retrenched or retiring. Information should be packaged so that those experiencing such events can easily find it.
- 143 Survey findings about relative financial literacy are important for those deciding where to direct scarce financial literacy resources. These show certain groups in our society that need particular assistance (i.e. those found to have the lowest levels of financial literacy).⁵⁴
- 144 Sometimes moments in history also dictate where resources must be channelled. For example, we are currently in a period characterised by:
- the retirement or imminent retirement of baby boomers, who will need to engage with investment issues many are unprepared for and possibly face retirement without the resources they need; and
 - the recent financial crisis, in which many investments dissolved or shrank, causing financial hardship for many.
- 145 When allocating financial literacy resources, it is vital that we and our partners consider:
- what will create broad-based generational improvements;
 - which groups in society most need assistance; and
 - what issues cause the greatest problems.
- 146 For the reasons set out above, key information-related priorities for us and our partner stakeholders over the next three years are:
- a new consumer website, as set out at paragraphs 149–155;
 - a campaign using the theme *Investing between the flags*, to help retail investors make better decisions;
 - a focus on assisting people to make good retirement income choices, including a guide to planning for retirement and a focus on quality of financial retirement advice;
 - a new credit education campaign following the transfer of responsibility for credit regulation to the Australian Government—involving both new consumer resources and outreach workers who can deliver face-to-face programs and work with community sector workers—to help Australians avoid problems with credit; and
 - helping Australians, especially those who suffered as a result of the financial crisis, deal with budgeting, credit and debt issues including:

⁵⁴ ANZ (2008a), pp. 1–2.

- working with FaHCSIA and financial counsellors to assist with the development of an online diagnostic tool for people with debt problems; and
- developing and promoting online modules that take a whole-person and whole-of-government approach to assisting people who are experiencing financial difficulty.

Table 3: Our priority campaigns and initiatives

Priorities	Timeline
New consumer website	Short–medium
<i>Investing between the flags</i> campaign	Short–medium
Working with FaHCSIA and financial counsellors to assist with the development of an online diagnostic tool for people with debt problems	Short–medium
Helping all Australians deal with budgeting, credit and debt issues	Ongoing
Helping Australian make good decisions about their retirement	Short–medium

ASIC as a key information source

- 147 Because consumers and investors want to receive information in different ways from different sources, there is room for many players to develop and deliver financial literacy materials. Section E sets out how partnerships can work within an overall coordinated framework.
- 148 While recognising the advantages of multiple and diverse information sources, in our view there is a need for a single, independent, government-run, trusted source for information on all matters financial. This need is backed up by the Colmar Brunton research referred to at paragraph 137. As the consumer protection regulator for financial services and the agency charged with leading the Government’s financial literacy work, ASIC is ideally placed to be that source.⁵⁵

New ASIC consumer website

- 149 The internet is increasingly a preferred information channel for consumers and investors, and maintaining a dedicated website as a central portal for consumer information is a core ASIC commitment under this Strategy.
- 150 Until 2011, there were two government websites that offered financial information to consumers and investors: ASIC’s FIDO site and the Financial

⁵⁵ Section 1(2)(b) of the *Australian Securities and Investments Commission Act 2001* (ASIC Act) requires us to strive to ‘promote the confident and informed participation of investors and consumers in the financial system’.

Literacy Foundation's Understanding Money site, for which we became responsible from mid-2008. Both were popular, received large numbers of visitors,⁵⁶ were supported by research and had their own brand and personality. There were, however, significant overlaps in the material provided and running two sites was resource draining and inefficient in terms of promotion.

151 A key ASIC commitment under this Strategy has been to consolidate the two sites, keep the best of both and create one better, more interactive website called MoneySmart.

152 This website aims to:

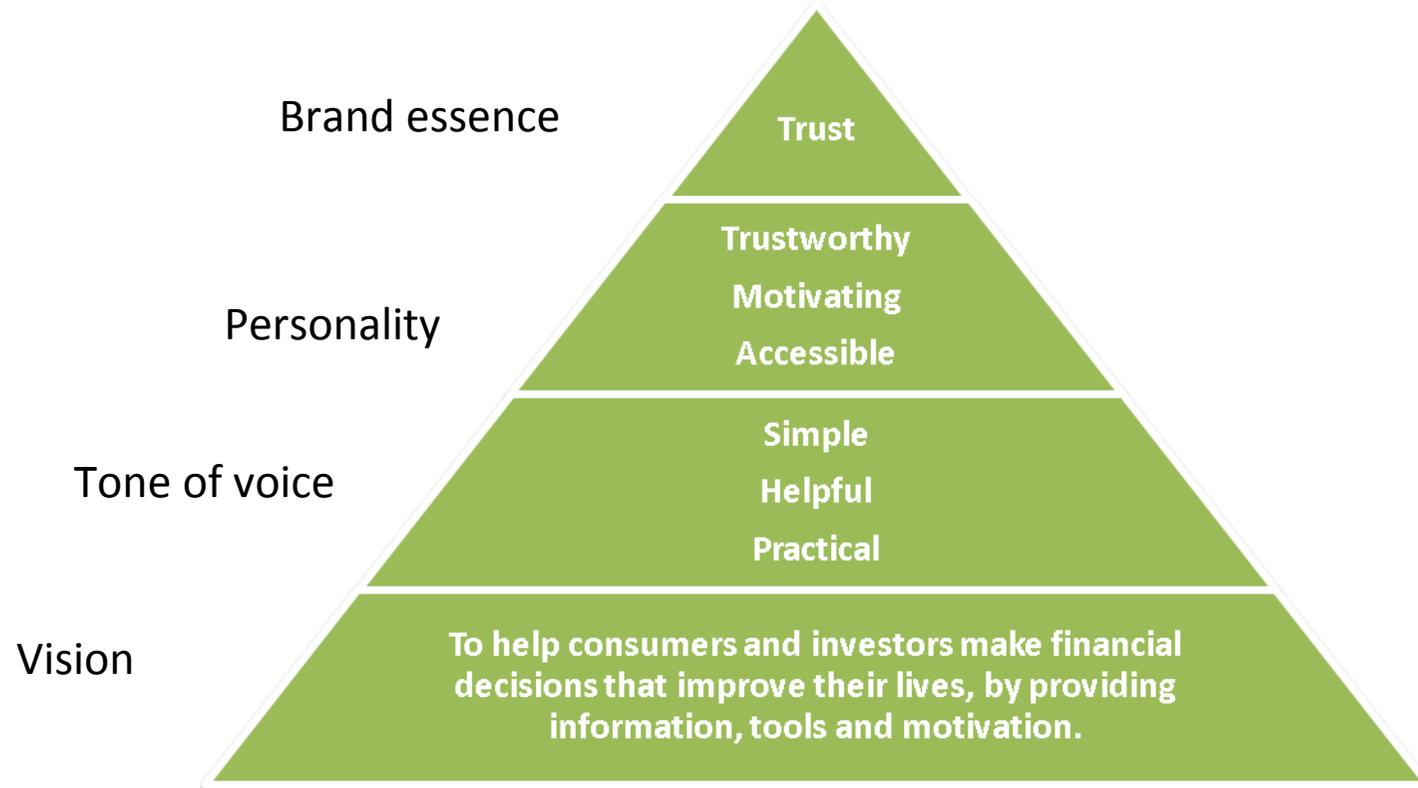
- help consumers and investors make financial decisions that improve their lives, by providing information, tools and motivation;
- provide Australians with online personalised financial guidance (see Section D);
- provide links to financial literacy information, programs and resources produced by other content providers; and
- demonstrate its effectiveness through evaluation such as usage statistics, expert reviews, user feedback and surveys.

153 ASIC will also provide:

- a nationally coordinated entry point for financial literacy information and resources for educators at the MoneySmart Teaching website; and
- a means for stakeholders to access financial literacy research to help promote best practice and share learning.

154 The new MoneySmart site relies on research by ASIC and the Financial Literacy Foundation to ensure the site is relevant, engaging and useful. Core features of the new site are shown in the diagram on the next page and in Table 4.

⁵⁶ In 2009–10, FIDO received over 2.195 million website visitors and Understanding Money received approx 332,451.



When we apply these principles...	we lead the reader...
Engage	Stop and consider the topic under discussion.
Summarise	Think about the content and gain a brief insight into personal implications.
Guide	Act on the information and help we are giving consumers, to make positive changes in their money management.

Table 4: Core features of the new ASIC consumer website

Change step	Feature
Knowledge	<p>Present information effectively so users can intuitively navigate through content and tools provided</p> <p>Include life stages to help users quickly find information relevant to their personal situation</p> <p>Provide additional reading, either through internal links or other external sites</p> <p>Pitch the style and content at users with different levels of knowledge, to engage a wider audience base</p> <p>Cater for different learning styles</p> <p>Provide site content that is easy to scan and absorb</p> <p>Provide information and tools that can both engage users in a very short timeframe and provide depth for users who have a longer timeframe</p>
Desire	<p>Use positive and aspirational tone and content</p> <p>Reflect real-world scenarios and tasks</p>
Skills	<p>Offer skills progression to allow novices to develop basic skills that evolve into complex skills</p> <p>Allow users to learn new skills quickly</p> <p>Provide an expanded range of easy-to-use interactive tools (such as calculators and quizzes) that communicate clear success outcomes to encourage users to return</p>
Facilitation	<p>Provide step-by-step support and guidance to facilitate the education process, for example:</p> <ul style="list-style-type: none"> • personalised money guidance (see Section D); • instructions, including voiceovers; • FAQs; • examples; and • demonstrations <p>Provide a 'next steps' section giving users additional direction and supplementary resources to further their skills or execute their decisions</p>
Stimulate and reinforce	<p>Use personalised content based on interests and ability—for example, to allow users to work out financial goals, save them and return to the site to measure progress</p> <p>Allow users to sign up to receive prompts, reminders and newsletters via email</p> <p>Encourage users to return to a site, for example by:</p> <ul style="list-style-type: none"> • excellent and regularly refreshed site content • interactive content • regular newsletters, and • support groups

155

Features such as these will allow us to use the website to measure whether people are changing their behaviour. For example, by allowing people to sign up to email prompts, we can seek feedback about whether people have changed their financial habits and how.

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Social media

- 156 As new communications channels emerge, it is important that all organisations, especially government agencies, communicate with people in the way they want to receive information. Social media provides an opportunity to engage consumers in a two-way conversation about financial matters.
- 157 Along with the creation of a new consumer website, we are also employing social media channels—such as Facebook, Twitter and YouTube—to engage consumers and investors on financial literacy themes.

Other channels

- 158 It is worth reiterating, however, that research shows that electronic information sources are not everyone's preferred channels. We also know that certain formats provide better learning environments than others. For example, evidence suggests face-to-face interaction greatly enhances the effectiveness of attempts at behavioural change.⁵⁷
- 159 This means that to maximise their reach, financial literacy initiatives run by government, industry, educators or the community sector must continue to adopt a range of approaches to distributing information and resources. See Section E for more on partnerships.

⁵⁷ APSC (2007).

D Achieving positive behavioural change

Key points

This section covers:

- what we know consumers do and do not do;
- traditional strategies beyond education and information;
- new strategies such as soft compulsion;
- gaps in existing advice services; and
- a proposal for personalised money guidance by ASIC.

160 This Strategy needs to look beyond education and information provision because our end goal is not just improved knowledge and understanding of money matters. Our end goal is the *behavioural change* that helps consumers and investors achieve better financial outcomes and ultimately improved financial wellbeing (on this point it is important to note, as New Zealand did in its national strategy, that financial literacy is only one component of personal financial wellbeing).⁵⁸

161 Financial literacy is a relatively new field and more research is needed to understand fully which programs will and will not deliver long-term results. However, work conducted to date suggests that the problems financial literacy seeks to address are unlikely to be resolved by educational initiatives alone.⁵⁹

162 In 2008, the FSA reviewed its own and others' financial literacy initiatives and work done by behavioural economists, and concluded that:

The indirect evidence from behavioural economics is that low financial capability is more to do with psychology than with knowledge. Institutional design and regulation are probably far more effective than education, though crisis counselling may be helpful.⁶⁰

163 On a more optimistic note, in 2010 the new UK Consumer Financial Education Body (CFEB) commissioned a further report⁶¹ to explore in more detail the potential for interventions that influence financial decision making. This report shows that we can draw on the learning from the fields of

⁵⁸ In the NZ National Strategy it is noted that the components of personal financial wellbeing include: efficient and effective regulation with compliance costs minimised; consumers exercising market power; consumer protection from fraud and scams; a trusted financial sector with transparent and plain language offerings; a strong social security safety net; a financially literate population; a diversified market for financial products and services; and a thriving economy with competitive and efficient markets: Retirement Commission (2008), p. 3.

⁵⁹ HM Treasury and FSA (2008); de Meza et al (2008).

⁶⁰ De Meza et al (2008), p. 4.

⁶¹ Elliot et al (2010).

psychology and sociology to foster behaviour change. This is in line with ASIC's own research.⁶²

164 We believe a lot more can be done in program design and evaluation methodologies.

165 However, we recognise that if this Strategy is to truly contribute toward enhancing the financial wellbeing of Australians, it must focus on the actual specific barriers to improved financial behaviour and, for each one, find the most efficient response—be it education, incentives, product design, improved advice, regulation, some other solution or (most likely) a combination of these.

166 It is important that those involved in financial literacy work continue to gather data on what Australians do and don't do in relation to money matters to present the 'demand-side' perspective in the wider financial services environment.

How consumers and investors make decisions and why

167 As noted earlier, knowing the right thing to do does not mean we always do it. People do not always act in their own best interests—sometimes not engaging at all with particular financial decisions, and sometimes making objectively bad decisions. Why is this?

168 This is a question asked in the field of behavioural finance (sometimes called behavioural economics), and an issue researched by ASIC, the Financial Literacy Foundation, ANZ and others.⁶³ This work has uncovered a range of related barriers that can prevent people making good financial decisions, including:

- information and choice overload;
- complexity and uncertainty;
- time effects and pressures;
- over (and under) confidence;
- self-control problems; and
- framing effects.⁶⁴

169 While research in this area (particularly applied research in 'real' financial settings) is still developing, there is much to learn from the behavioural finance findings to date.

⁶² ASIC (2011).

⁶³ ANZ (2005b); FLF (2007); ASIC (2011).

⁶⁴ There is an increasingly vast literature on behavioural finance that has emerged in recent years. One of the most enjoyable pieces of work to read is Sunstein et al (2008). See also the companion publication to this Strategy, ASIC (2011), which includes an expanded version of the discussion here. Also, HM Treasury and FSA (2008) and Fear (2008).

- 170 In particular, the work explores how people’s thought processes affect their ability to make financial decisions; and argues that the ‘rational’ consumer that underpins traditional economic theory does not exist.
- 171 Instead, people are affected by behavioural ‘biases’ when making everyday decisions, particularly complex financial decisions. These biases in decision making are not limited to certain types of people and can affect all of us—even professional financial services providers.
- 172 Common consumer and investor behaviour regarding (complex) financial decisions is to:
- disengage, by putting off a decision or deferring it to someone else, because of information or choice overload or complexity and uncertainty;
 - make less than optimal choices, because of:
 - overconfidence;
 - loss aversion;
 - hyperbolic discounting—postponing costs, even those that generate high future benefits, while advancing benefits, even if they imply high future costs;⁶⁵
 - reliance on heuristics or ‘rules of thumb’—that is, the way we solve problems (e.g. mental accounting leading to seemingly irrational decisions such as saving at low interest rates while simultaneously borrowing at high rates);
 - lack of self-control; and
 - framing effects—where people are susceptible to the way options and information are presented, a bias that heavily informs legitimate commercial advertising and is widely exploited in scams and frauds (e.g. marketing high-risk products as safe).
- 173 To be effective, this Strategy must look beyond imparting knowledge to understanding how and why consumers and retail investors make choices, and ask whether education programs alone are sufficient to improve financial behaviour or whether alternative or additional strategies are required.

Traditional regulatory strategies

- 174 For financial literacy strategies to work optimally, markets must function effectively. This requires:
- access for consumers and investors to simple, relevant and comprehensible information about financial products;

⁶⁵ HM Treasury and FSA (2008), p. 2.

- disclosure that enables like products to be identified and compared and highlights key risks and features of the products;
- access to high quality, unbiased advice, especially about complex products;
- a consideration of the appropriateness of selling some complex products to retail consumers and investors (and reinforcement of the message ‘if you don’t understand it, don’t buy it’); and
- prevention of misleading, deceptive and fraudulent conduct.

175 Each of these strategies are variously being utilised or looked at in work currently being done by ASIC, the Government and other agencies.

New strategies to improve consumer and investor decision making

176 Some exciting new financial literacy initiatives begun in recent years have been founded on behavioural finance findings and principles.

177 These initiatives recognise that some products are innately so complex, or decisions so difficult or boring, that time-poor consumers and investors need a ‘nudge’⁶⁶ to help them make good decisions.

Soft compulsion and self-commitment devices

178 Often these new initiatives involve ‘soft compulsion’ (e.g. setting good default options designed to look after best interests of investors). Behavioural finance studies have shown in particular the importance of setting appropriate default options, given consumer tendencies to rely on product and system default.

179 These nudges can be designed and implemented by industry on their own initiative, or instigated by government. Some examples are:

- When the New Zealand government introduced its new KiwiSaver retirement savings scheme, it did not make contributions compulsory (as in Australia), but instead made the default option that people would contribute. Such opt-out, rather than opt-in, defaults have been shown in numerous studies to increase participation rates.⁶⁷
- Some retirement savings products in Australia and overseas also build ‘tailored default options’ into their products. These select default investment and insurance settings depending on a person’s age or other relevant factors, and automatically adjust them over time.⁶⁸

⁶⁶ For detailed discussions of examples, see Sunstein et al (2008).

⁶⁷ An example is a scheme in Sweden where, when people obtained drivers licences, they were signed up as organ donors, on an opt-out basis. See Sylvan (2007).

⁶⁸ BT Super for Life ‘Life Stage’, Russell Superannuation ‘Target Date Portfolios’, Virgin Super ‘LifeStage Tracker’.

- The recent Super System Review (the Cooper Review) recognised that while members should be given choices and encouraged to make active decisions about their superannuation, sound default arrangements need to be in place to deliver good outcomes for the many people who do not make decisions about their super.

180 Another innovative approach to achieving better outcomes involves self-commitment devices. For example, the Save More Tomorrow program in the United States encourages saving by having people commit to putting a fixed percentage of their next pay increase or bonus into a savings account or retirement saving plan. With a commitment made this way, out of future income, individuals do not feel any loss in take-home pay.⁶⁹

Generic advice services

181 Another recent overseas initiative is the piloting in the United Kingdom of a generic advice project, arising from the Thoresen Review of generic financial advice.⁷⁰

182 That review found a huge unmet need for accessible, helpful and impartial information and guidance on money. It modelled how a money guidance service could be offered in the United Kingdom, and estimated that initially 45% of use would be via the internet, rising to 60% over time. A cost-benefit analysis by Deloitte conservatively estimated that the overall benefit of such a generic advice service would be 20 times greater than the cost.⁷¹

183 The review recommended the establishment of a ‘money guidance pathfinder’, a large-scale pilot of a money guidance service. The UK Government implemented the successful 12-month pathfinder in North East and North West England. The service provided in-depth support on a range of issues tailored to individual circumstances and needs, via web, phone and face-to-face interaction.⁷² The UK Government subsequently announced that the Moneymadeclear™ money guidance service would be rolled out nationwide from April 2010, with the aim of reaching 1 million people by March 2011.⁷³

184 There are also commercial websites, primarily in the United States, with interesting innovations that use interactive approaches to deliver personal finance advice.⁷⁴

⁶⁹ Sunstein et al (2008); Choi et al (2001), p. 32.

⁷⁰ Thoresen (2008).

⁷¹ Thoresen (2008), Annex 4, p.10. This is based on the conservative assumption that only 10% of users act on the advice.

⁷² Kempson et al (2010).

⁷³ For more information see www.cfebuk.org.uk/our-work/money_guidance.shtml.

⁷⁴ For example, www.wesabe.com, www.mint.com, www.networthiq.com.

Proposal for ASIC personalised money guidance

- 185 Australia (where only 20% to 40% of the Australian adult population use or have used a financial adviser)⁷⁵ also has a large unmet need for accessible, helpful and impartial guidance. We will closely watch the progress of the UK Moneymadeclear™ money guidance service to see what lessons can be learned and applied to the Australian context.
- 186 In the interim, this Strategy proposes taking initial steps now in a similar (though less costly) direction.
- 187 A key plank of this Strategy is the development by ASIC of a generic guidance service—‘personalised money guidance’—for a mass market. ‘Generic’ means the guidance does not recommend specific brands of products.
- 188 The service will aim to:
- give consumers and investors access to tailored financial guidance that is free, readily accessible, independent and of high quality;
 - provide this guidance and support in a way that helps consumers set goals, act on the guidance and stick with their plan over time; and
 - encourage consumers with more complex needs to seek more sophisticated, commercial advice services.
- 189 This guidance service will be progressively available on ASIC’s new MoneySmart website over time.⁷⁶
- 190 The service will include calculators and decision trees to engage and motivate Australians of all ages and backgrounds and help them convert good intentions into action. It will gradually build a range of types of assistance, and be highly interactive and personalised to maximise return visits.
- 191 We have undertaken a review of international online guidance services, tools and calculators, to identify best practice and help shape the features of the proposed service.
- 192 At this stage we are planning the features outlined in Table 5.

⁷⁵ Different surveys give different figures, depending on how precisely ‘financial adviser’ is defined. FPA (2007) 22%, Citibank (2008) 18%, ANZ (2005a) 34%. Our research found that only 15% of ‘general’ investors surveyed used a financial planner as a main source of information when they made their last investment decision. Also see our recently published report: *Access to financial advice in Australia* [ASIC (2010)].

⁷⁶ See Section C for more on the website.

Table 5: ASIC personalised money guidance service

Feature	Details
Situation analysis and goal setting	<p>The service will help people identify their financial needs and set relevant and achievable goals, for example about:</p> <ul style="list-style-type: none"> • budgeting—tracking where weekly wages go; • managing debt—getting on top of credit cards, student loans, mortgages; • insuring—to protect family and assets; • saving—emergency funds and short-term goals (e.g. holiday, car); • investing—building assets for medium term goals; and • saving and planning for retirement.
Guidance	<p>The service will show people what they need to do to achieve their goals. Some will want a quick answer for one goal (e.g. save for a holiday); others a broader plan with short, medium and long-term goals.⁷⁷</p> <p>The tools will help people select strategies for their circumstances, show pros and cons of different options and let them explore trade-offs.⁷⁸</p> <p>The site will ultimately have modules for different life stages, such as becoming a student, starting a family or retiring.⁷⁹</p> <p>Consumers will also get tips about ways to ensure their desired steps are carried out long-term.⁸⁰</p>
Links to comparison services	<p>The service will refer to types of financial products, such as superannuation, bank accounts and insurance, but will not recommend specific brands.</p> <p>Where people need financial products to implement their plan, it will refer them to external comparison services⁸¹ to help them choose. These services use objective data to help find a suitable and competitive product.⁸² We will vet comparison services for quality and independence before recommending them.</p> <p>Encouraging people to use comparison services will increase the chances that plans are converted into action (where product choice is an issue) and stimulate competition among financial service providers.</p>
Links to other advice services	<p>If a consumer's circumstances are too complex for the guidance software, or the consumer wants face-to-face discussion or assistance with implementation, the service will suggest they seek professional advice.</p> <p>The service will link to tips on how to choose an adviser.</p>

⁷⁷ In the background, the software will take account of basic considerations around tax and social security.

⁷⁸ For example, 'Would I be better off using spare money to reduce my mortgage or contributing extra to super?'

⁷⁹ There may be both simple and advanced versions of modules, to acknowledge the widely diverse financial sophistication in the community, and that people prefer a guidance system that matches their needs as their learning progresses.

⁸⁰ For example, that pre-programmed bank transfers on the day after payday work better than hoping there will be a surplus in your bank account at the end of the month.

⁸¹ For example, RateCity, SuperSavvy, CanstarCannex, SelectingSuper, ChantWest and MorningStar.

⁸² For example, comparison services clearly show which institutions offer a high interest rate on a savings account, a good value credit card, a cheap mortgage, and a superannuation fund with a combination of competitive returns, low fees and reasonable service.

Feature	Details
Encouragement and monitoring progress	<p>When fully developed, the service will be an ongoing interactive experience to help people convert good intentions to action and maintain action over time.⁸³</p> <p>For example, users could record goals and intended actions and download letters to help put their plans into action.</p> <p>The service could send out email reminders and/or record progress over time, to give users positive feedback.⁸⁴</p>
Feedback and evaluation	<p>Feedback and evaluation will be incorporated⁸⁵ from the outset.</p> <p>The online interactive format offers excellent opportunities for measurement, feedback and refinement—for example, tracking the number of people using the site, which aspects are most used and how these metrics vary with different promotional activities.</p> <p>People will be able to give feedback on the usefulness of each section, and report on what action they took as a result, allowing rapid refinement of the service to better meet people's needs and tailor content to particular groups.</p>

The need for personalised money guidance

- 193 Given their income, most Australians could achieve a higher standard of living if they better understood financial concepts and had more guidance about goal setting, and designing and carrying out a plan.
- 194 As noted earlier, education and information alone will not deliver results for many in the community. Even if people understand broad financial concepts and get information on specific points, they often lack the tools, confidence or motivation to develop and implement a sound financial plan. Consumers seeking assistance often say, 'You have given me lots of useful information, but can you tell me what I should actually do?'
- 195 This is not surprising. Many financial products (such as superannuation) are complex, with myriad choices and no easy way to compare relative merits of each choice. Many decisions involve complex calculations. How many Australians could calculate whether they would be better off using spare money to reduce their mortgage or contribute extra to superannuation?
- 196 Many people also feel they ought to make active choices about products, but the range of choices leaves them confused and uncertain. Research on information overload suggests that more choice and complex information can result in fewer people taking action.⁸⁶ The absence of a clear 'right'

⁸³ Research conducted by Deloitte Eclipse for the Financial Literacy Foundation in 2007 suggests that the more personalised a website, the more likely people are to return to it.

⁸⁴ There are some interesting developments with websites that assist people to track their financial progress while still protecting anonymity: see, for example, www.networthiq.com.

⁸⁵ HM Treasury and FSA (2008).

⁸⁶ ASIC (2011), p. 24.

choice and the fear of making a mistake undermine the motivation to make a decision.

197 As with dieting and getting fit, maintaining plans over time requires ongoing support, monitoring and encouragement, from a mentor and/or peers.⁸⁷

Gaps in existing financial advice services

198 As noted, recent survey results suggest that 60% to 80% of adult Australians have never used a financial adviser, with socio-economic factors and age the most consistent drivers of financial planner use.⁸⁸

199 According to ASIC's recent research into supply and demand issues related to financial advice services, many consumers feel financial advice is beyond their reach or not appropriate for their financial circumstances (e.g. they did not have enough money to make it worthwhile or seeking advice would cost too much money).⁸⁹

200 In our 2008 research,⁹⁰ investors who indicated they did not or would not use a financial adviser as a main source of information had various reasons for this, ranging from:

- negative perception of advisers (30%);
- 'not suitable for my situation' (29%);
- reliance on self, family or friends (22%); and
- fees too high for the particular issue (10%).

201 Research by RMIT University (2004),⁹¹ Galaxy Research (2007)⁹² and The Australia Institute (2008)⁹³ identified similar reasons for not using a financial planner.

202 Finally, people did not know where to find a good planner. Some explicitly said they do not trust financial advisers, including being concerned the adviser would just try to sell them a product. Others were uncertain how to choose a good adviser.

203 In search of trustworthy financial advice, people turn to a range of sources. According to the 2008 ANZ survey, the top sources of financial advice were family or friends (48%), accountants (45%), a bank manager/employee (39%) and a financial planner/adviser (34%).

⁸⁷ See, for example, AXA Avenue experiment: www.axa.co.uk/avenue/results.html.

⁸⁸ ASIC (2011) p.121: Age trend tapered slightly at the oldest bracket, that is, it rose until the 55–64 bracket (69%) and then fell a little at the 65 years and over bracket (66%). See also ASIC (2010), pp. 13–14 and 70–71.

⁸⁹ See ASIC (2010), p. 13–14.

⁹⁰ ASIC (2008).

⁹¹ FPA (2004), p. 20.

⁹² FPA (2007), p. 7.

⁹³ Fear (2008).

- 204 The responses thus indicated that consumers tend to use multiple sources of advice; but also that 14% of them consulted no one.⁹⁴
- 205 Few existing financial advice services focus just on budgeting, managing personal debt, saving and setting goals. ASIC's shadow shopping survey in 2006 found anecdotal evidence that some people found it hard to get accepted as a client by a professional adviser (mainly due to small sales potential).⁹⁵
- 206 One of the biggest areas of perceived need is superannuation advice, with retirement the most commonly identified trigger for seeking financial advice. While face-to-face meetings are still the preferred method for receiving advice, there is growing interest in email, phone and internet-based advice. Many Australians are also expressing a preference for piece-to-piece simple advice, rather than holistic advice.⁹⁶

Benefits of the proposed guidance service

- 207 The availability of a personalised money guidance service would allow millions of Australians, especially those who find it difficult to access traditional avenues of financial information and advice, to access guidance they would not otherwise have accessed.
- 208 Direct quantifiable benefits would include users improving their financial position by, for example:
- *better budgeting*—reduced use of expensive credit card debt to finance overspending, reduced fees from missing payments, increased amount to spend long-term, as less is spent on interest;
 - *smarter management of debt*—over the long term, a smaller proportion of overall income is used to finance interest on debt;
 - *increased shopping around*—higher returns on savings products and lower interest on debt products, reduction in fees on comparable products;
 - *saving for retirement*—increased contribution to superannuation and other investments, resulting in increased wealth in future years; and
 - *increased protection*—increased take-up of insurance products, resulting in better financial positions for consumers and dependents when misfortune occurs.
- 209 Less quantifiable benefits would involve people having more confidence in dealing with the financial system and clearer goals for their future, and social benefits such as less family breakdown and better work attendance.⁹⁷

⁹⁴ Base sample: 3500 Australians aged 18 and over.

⁹⁵ ASIC (2006).

⁹⁶ ASIC (2010), pp. 13–21.

⁹⁷ Taylor et al (2009).

210 The AXA Avenue experiment in the United Kingdom⁹⁸ showed the potential benefits of one hour of strategic advice per quarter. In this experiment, households of average wealth given one hour of advice per quarter were £5000 better off after one year, compared to similar households that received no advice.⁹⁹

Complementing existing advice services

211 The generic money guidance service will complement existing face-to-face professional advice services in several ways. For example, it will:

- help consumers identify if they need specialist advice (because their situation is complex or they want more detailed answers). This should lead to increased uptake of professional advice;
- lead to a more fruitful experience when people do see an adviser, because of the preliminary exploration of financial issues via use of the guidance service (our 2003 shadow shopping survey showed that consumers got better advice if they had more preliminary knowledge¹⁰⁰—for example, consumers who asked the planner to consider alternative strategies received better advice). It is also likely that planners find it easier to give advice where a client is familiar with basic concepts; and
- enable consumers to crosscheck advice received elsewhere. Different advisers can have different solutions to one consumer's problems, and the generic guidance tools will provide a point of comparison so that the consumer can ask questions if they do not understand why the advice a planner gives is suitable for them.

212 Our aim is that over time the personalised online guidance service will become a core resource that can be used in multiple ways by various agencies involved in financial literacy work, in particular community workers and others providing face-to-face or telephone support.

213 There are some online planning tools already available, but they face barriers that prevent them having a wide impact on the community. For example:

- most consist of general information and/or calculators, with few venturing into guidance tailored for individuals;
- some can be hard to find and, when they are not in themselves profit-making ventures, they are generally little promoted;
- many are offered by companies that sell products or advice services, and users may be uncertain whether the promoters' interests affect how the material is presented; and

⁹⁸ AXA Avenue experiment: www.axa.co.uk/avenue/results.html.

⁹⁹ While the AXA example used face-to-face advice, the point is the potential benefits from financial advice regardless of method of delivery.

¹⁰⁰ ASIC (2003).

- most are written by financial experts and assume a higher level of technical knowledge than the average consumer has. Writing simple, intuitive tools requires expertise, time and user testing.

214 Where excellent tools already exist, ASIC will examine how best to help consumers access them.¹⁰¹

Why ASIC?

215 ASIC is uniquely placed to provide this personalised guidance service. It is an independent and credible information source¹⁰² and it can, by placing the service on a website with high-volume traffic,¹⁰³ make it available to a large number of people.

216 The proposed service also directly aligns with a key goal in the *Australian Securities and Investments Commission Act 2001* (ASIC Act): to promote the confident and informed participation of investors and consumers in the financial system.¹⁰⁴

¹⁰¹ One option is to replicate the best tools into a single suite, with one entry point and a standardised user interface.

¹⁰² A report prepared internally for us by Whatif consultancy, 2006.

¹⁰³ FIDO continued to be a popular source of information about finance and investor matters, receiving over 2.195 million visits in the 2009–10 financial year.

¹⁰⁴ One of ASIC's goals, as set out in the ASIC Act: s1(2)(b).

E Working in partnership and promoting best practice

Key points

This section covers:

- the critical importance of partnerships to the success of this Strategy;
- ways to strengthen connections between all involved in financial literacy work; and
- best practice evaluation techniques for financial literacy programs.

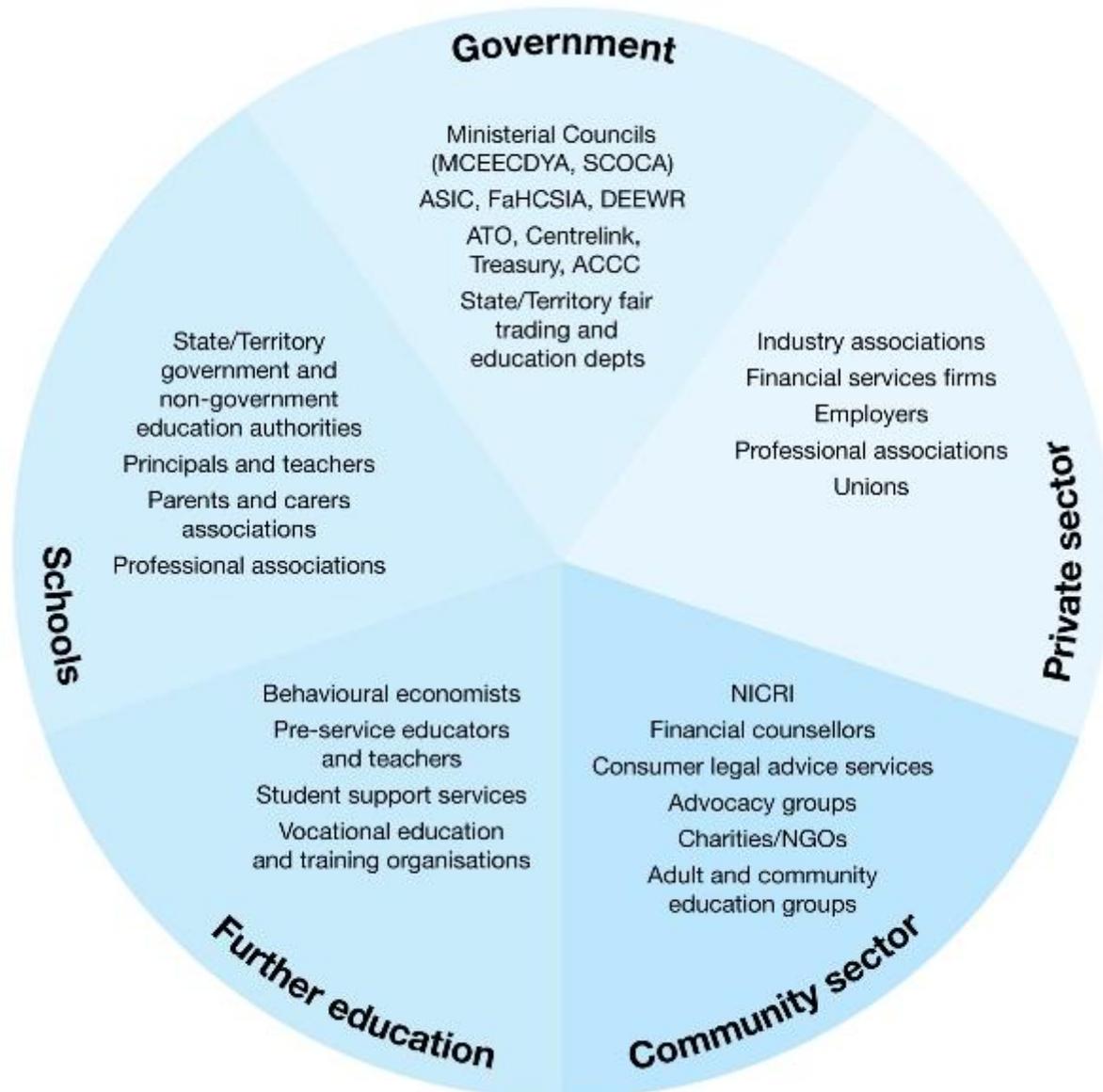
Working in partnership

- 217 National collaboration among a broad range of stakeholders and mutual agreement about ways forward are critical to the success of this Strategy if we are to achieve our goal of enhancing the financial wellbeing of all Australians.
- 218 The strengths of national collaboration include:
- *better reach and impact*—the best partnerships recognise the relative strengths each sector can contribute, from industry knowledge and resources through to the grass-roots relationships the community sector has with many target groups;
 - *sharing of successes*—by strengthening connections we can learn from and support one another. Through partnering we can learn about programs that are effective and replicate them elsewhere (and just as importantly, learn what hasn't worked);
 - *efficient resource sharing*—maximising the efficient use of resources by partnering and sharing, thereby increasing the reach of programs at a lower delivery cost; and
 - *strength of common approach*—many partners working together and agreeing on common messages will be considerably more effective than any one acting alone.
- 219 There are at least two key dimensions to effective partnership:
- ongoing and systematic liaison and consultation; and
 - continuous and efficient sharing of resources, in particular information, learning and research.

Key financial literacy stakeholders

220 Figure 1 identifies many of the current financial literacy stakeholders. This is not an exhaustive list; however, it demonstrates the coverage and diversity of the organisations involved in financial literacy.

Figure 1: Financial literacy stakeholders



221 Below is some further information on the activities of key financial literacy stakeholders and ASIC's collaboration with them.

Government

- 222 In addition to ASIC, a number of Australian Government departments make significant contributions to delivery of financial literacy initiatives:¹⁰⁵
- The Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) provides programs and services targeted at specific population groups, typically disadvantaged or lower income groups or people in periods of financial stress. Programs include emergency services, financial counselling and product assistance, basic money management training, retirement and redundancy services, programs for Indigenous consumers in remote locations, and programs dealing with tenancy and home ownership difficulties.
 - Centrelink's Financial Information Service (FIS) provides individuals with information and assistance about specific financial issues. FIS officers also conduct public seminars to help people make informed decisions about investment and financial issues for their current and future financial needs. In 2009, they conducted a pilot program for ASIC targeting baby boomers about investment basics, called *Investing between the flags*, in an effort to help people better protect their retirement savings. They will again deliver these seminars in 2011.
 - The Australian Defence Force (ADF) delivers a comprehensive financial literacy program to all its members.
- 223 Complementing Australian Government activities is work being undertaken by state and territory fair trading agencies and education departments.

Financial services sector

- 224 There are a wide variety of financial literacy programs provided or funded by financial services sector firms and industry associations.¹⁰⁶ These initiatives include:
- guides to products and product classes and how to get the best out of them;
 - information about good practices—for example, how best to reduce debt and save, and guides to budgeting;
 - surveys and reviews of consumer financial literacy;

¹⁰⁵ In addition to those agencies listed here, numerous other Australian Government agencies play a role in providing the information and support services that underpin good financial literacy—these include the Australian Competition and Consumer Commission (ACCC), the ATO, the Department of Veterans' Affairs, the Department of Immigration and Citizenship, and the Department of Agriculture, Fisheries and Forestry.

¹⁰⁶ Australian Bankers' Association (www.bankers.asn.au), the Investment and Financial Services Association (www.ifsa.com.au), Financial Planners Association (www.fpa.asn.au), Australian and New Zealand Banking Group (www.anz.com.au), Westpac (www.westpac.com.au), Commonwealth Bank (www.commbank.com.au), National Australia Bank (www.nab.com.au), and Citibank (www.citibank.com.au).

- programs partnering with community organisations aimed at assisting people in financial disadvantage (see paragraphs 227–228); and
- the delivery of financial literacy programs and resources for schools.¹⁰⁷

Business and workplaces

- 225 Many large employers now run financial literacy training for their staff, as discussed in Section B. Some trade unions also provide financial literacy initiatives at the workplace for their members, particularly in relation to superannuation and additional superannuation contributions.
- 226 There is, however, a gap when it comes to programs for small business. ASIC is looking to work with representatives of business groups and community stakeholders on how best to fill this gap: see Section B.

Community sector

- 227 Community sector organisations and consumer groups provide a range of financial literacy programs.¹⁰⁸
- 228 They range from:
- face-to-face training programs;
 - financial counselling, emergency relief and microfinance services;
 - assistance with accessing funding from government, business and philanthropic organisations;
 - services (often provided in conjunction with financial institutions) to teach people how to use basic financial services (e.g. no-interest loans schemes, assistance with managing credit, home ownership and matched savings programs, which focus on people experiencing disadvantage and people in financial difficulty); and
 - some consumer groups provide reviews of financial products and information about how to best utilise financial services and products, as part of their consumer publications.¹⁰⁹

¹⁰⁷ Examples include: the Commonwealth Bank Foundation Start Smart Program for primary and secondary school students—www.startsmart.com.au; and the *MakingCents* initiative developed jointly by YWCA NSW and Citigroup Australia—www.makingcents.com.au;

¹⁰⁸ Examples include: the Good Shepherd Youth and Family Service’s No Interest Loan Scheme and Step UP, a low-interest loan scheme developed in conjunction with the National Australia Bank (NAB)—www.goodshepvic.org.au/; the Brotherhood of St Laurence with ANZ Saver Plus—www.anz.com/aus/About-ANZ/Corporate-Responsibility/community/financial-literacy-and-inclusion/programs/saver-plus/default.asp; and NAB’s Indigenous Money mentor network and the programs run by the Traditional Credit Union—www.nab.com.au/wps/wcm/connect/nab/nab/home/about_us/7/4/2/7/4/.

¹⁰⁹ For example, *Choice*.

Liaison, consultation and promotion

229 This Strategy envisages ASIC working in partnership with each of the sectors outlined in paragraphs 222–228 as well as educators and the media.

230 There are a number of important liaison, consultation and promotion initiatives in place or being planned to promote financial literacy. These include:

- a cross-sectoral Financial Literacy Community of Practice sponsored and established by ASIC. Each month we use our national video-conferencing facilities to bring together key stakeholders around Australia for regular discussion and sharing of information, exploration of topical issues and showcasing of financial literacy initiatives. The initiative is designed to promote networking, best practice and the efficient use of financial literacy resources. As at March 2011 there are over 220 external participants that have asked to be on the invitation list and each monthly session attracts between 60 and 100 attendees across Australia and New Zealand;
- the Australian Government Financial Literacy Board, made up of individuals of significant stature in their fields, which meets as needed but at least three times a year to provide expert advice and guidance on financial literacy issues and solutions to the Government and ASIC;
- ASIC's Consumer Advisory Panel, which helps us identify the issues that are causing real problems for consumers and investors, including vulnerable consumers who may not contact us;
- meetings of Australian Government agencies involved in financial literacy, to improve coordination and cooperation;
- conferences organised by the Australian Bankers' Association every two years and by the Australian Financial Counselling and Credit Reform Association (AFCCRA) annually to discuss financial literacy and counselling issues;
- the possible establishment of a national financial literacy week or day to help focus attention nationally, and in schools, on important financial literacy messages and issues; and
- going forward we may also explore annual awards that recognise and promote innovation and best practice in the design, delivery and evaluation of financial literacy programs.

Sharing of resources

231 Sharing financial literacy information and resources—including research data, best practice information, and ways of evaluating initiatives—is an important part of delivering better financial literacy outcomes.

232 As part of the implementation of this Strategy, ASIC will:

- develop an online presence at www.financialliteracy.gov.au to promote the Strategy and share information about financial literacy initiatives, both Australian and international. This information will include key research on financial literacy and some examples of financial literacy resources and programs; and
- participate in OECD and other international groups dedicated to promoting best practice in the delivery of financial literacy initiatives.¹¹⁰

Measuring what we do

- 233 As for any undertaking, but particularly in a new field such as financial literacy, measurement and evaluation are critical, so that we know which interventions work and which do not.
- 234 We recognise that:
- best practice principles in this area are still evolving;
 - there are limitations to evaluation research due to the many factors that influence behavioural change, especially in a long-term process, such as this, where it is difficult to isolate the impact of any one program; and
 - systematic evaluation is costly and time consuming.
- 235 We also recognise that, as difficult as it will be, our ultimate goal needs to be to be able to measure the impact of financial literacy programs on:
- individual knowledge;
 - individual behaviour;
 - the overall financial wellbeing of individuals; and
 - the overall financial wellbeing of society.¹¹¹
- 236 Despite the challenges these goals involve, considerable progress has been made internationally to improve measurement and evaluation in the financial literacy area. We can draw upon this work to develop appropriate and effective means for evaluating financial literacy initiatives in Australia.
- 237 In particular, ASIC is participating in the OECD working group tasked with developing agreed best-practice principles for evaluating financial literacy programs.¹¹²
- 238 Drawing on this and other OECD initiatives, we will adopt and promote best-practice evaluation frameworks to the Australian context and individual programs.

¹¹⁰ See, for example, the International Gateway for Financial Education: www.oecd.org/pages/0,3417,en_39665975_39666038_1_1_1_1_1,00.html.

¹¹¹ For more detail on issues related to the evaluation of financial education programs, please see the companion research report to this Strategy: ASIC (2011).

¹¹² This work is being carried out by OECD's INFE sub-group.

Appendix: ASIC's financial literacy priorities

Table 6: Financial literacy priorities for schools

Priority	Timeline
Ensure financial literacy is explicit in the Australian Curriculum	Short–medium
Support teacher professional learning aligned to the Australian Curriculum	Short–medium
Support the development of high-quality consumer and financial literacy resources aligned to the Australian Curriculum	Short–medium
Support and encourage innovative and sustainable approaches to consumer and financial literacy education that will support the reform agenda and build an evidence base	Ongoing
Promote financial literacy to students schools, parents, professional education associations, education sectors, business and community, and nurture strategic partnerships	Ongoing
Support financial literacy pilot projects for Indigenous schools and communities	Short–medium
Explore and develop national and international evaluation processes that will help build the evidence base for consumer and financial literacy	Ongoing

Table 7: Financial literacy priorities for the VET sector

Priority	Timeline
Through strategic partnerships, assist the VET sector to adopt a more coherent and comprehensive approach to financial literacy	Short-medium
Develop resources in partnership with skills councils, Australian Government agencies and TAFE to assist the integration of financial and business competencies at Certificate 3 and 4 levels	Medium

Table 8: Financial literacy priorities for Indigenous, adult and community education

Priority	Timeline
Liaise and work collaboratively with government departments and other agencies to build financial literacy capacity for a broad range of target groups who don't access the educational opportunities offered through schools, higher education or the workplace	Ongoing
Develop and deliver a credit education program and supporting resources through ASIC's Credit Outreach team.	Short–medium
Continue to work with Indigenous educators and the ASIC Indigenous Outreach team to supplement examples in the National Framework to ensure relevance for Indigenous communities in rural/remote/urban locations	Ongoing

Table 9: Financial literacy priorities for education in the workplace

Priority	Timeline
Pursue partnerships with unions	Short–medium
Facilitate supportive partnerships between small business and government agencies, business and community organisations	Ongoing

Table 10: Financial literacy priorities focusing on information and communication technologies

Priority	Timeline
Develop and build a new single interactive website at www.moneysmart.gov.au , combining the best of and building on FIDO and Understanding Money	Short
Develop and deliver a personalised money guidance service for a mass market	Short–medium
Maintain and further develop the capacity of the MoneySmart Teaching website at http://teaching.moneysmart.gov.au	Ongoing

Table 11: Financial literacy priorities focusing on building partnerships and knowledge sharing

Priority	Timeline
Hold monthly national meetings of Financial Literacy Community of Practice	Ongoing
Hold regular meetings of Australian Government and state and territory agencies involved in financial literacy work	Ongoing
With cross-sectoral partners establish a national financial literacy day or week with awards for excellent programs	Short–medium

Key terms

Term	Meaning in this document
ABS	Australian Bureau of Statistics
ACARA	Australian Curriculum, Assessment and Reporting Authority
AFCCRA	Australian Financial Counselling and Credit Reform Association
AITSL	Australian Institute for Training and School Leadership
ANZ	Australia and New Zealand Banking Group
ANZ survey	National adult financial literacy survey conducted by ANZ
APSC	Australian Public Service Commission
ASIC	Australian Securities and Investments Commission
ASIC Act	<i>Australian Securities and Investments Commission Act 2001</i>
ATO	Australian Taxation Office
Australian Curriculum	The new national school curriculum being phased in from 2011–13. See www.australiancurriculum.edu.au .
CAF	Council for the Australian Federation
CBF	Commonwealth Bank Foundation
CFEB	Consumer Financial Education Body
Cooper Review	The Australian Government's Super System Review (2010), chaired by Mr Jeremy Cooper.
DEEWR	Department of Education, Employment and Workplace Relations
FaHCSIA	Department of Families, Housing, Community Services and Indigenous Affairs
FIDO	ASIC's former consumer website: www.fido.gov.au , replaced by ASIC's new MoneySmart website
FIM	Family Income Management
FIS	Centrelink Financial Information Service
FLF	Financial Literacy Foundation, established in 2005 within the Treasury. From mid-2008, the functions of the Financial Literacy Foundation moved to ASIC.
FLS	The 'Financial Literacy Score' calculated in the ANZ survey of adult financial literacy in Australia
FPA	Financial Planning Association

Term	Meaning in this document
FSA	UK Financial Services Authority
GFC	Global financial crisis
HM Treasury	Her Majesty's Treasury (UK)
HOIL program	Home Ownership on Indigenous Land program
INFE	International Network on Financial Education
MCEECDYA	Ministerial Council for Education, Early Childhood Development and Youth Affairs. Previously MCEETYA.
MCEETYA	Ministerial Council on Employment, Education, Training and Youth Affairs, now superseded by MCEECDYA
<i>Melbourne Declaration on Educational Goals for Young Australians</i>	A policy document, developed by Education Ministers in collaboration with the Catholic and Independent school sectors which sets the direction for Australian schooling for the next 10 years. See www.mceecdya.edu.au/mceecdya/melbourne_declaration_25979.html
MoneySmart	ASIC's new consumer website : www.moneysmart.gov.au
National Framework	National Consumer and Financial Literacy Framework
OECD	Organisation for Economic Co-operation and Development
PISA	Program for International Student Assessment
RTO	Registered training organisation
Strategy	National Financial Literacy Strategy
TAFE	Technical and Further Education
Teaching Financial Literacy	A financial literacy website for educators, developed by ASIC: www.teaching.moneysmart.gov.au
Understanding Money	The website developed by the former Financial Literacy Foundation: www.understandingmoney.gov.au , now replaced by ASIC's new MoneySmart website.
VET	Vocational education and training

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