



Financial
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DISCUSSION PAPER

Exploring Opportunities in Financial Education in Australia

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1. Introduction

Financial Education globally is at a nexus. As financial services and products become more complex and less regulated, individuals will increasingly need to advance their financial acumen (OECD, 2012, pg. 9). Financial Literacy among Australian secondary students has declined in recent years. (Thomson and De Bortilli, 2017). This discussion paper will briefly explore the current structure of the Australian Financial Education system before exploring global practice and research to inform opportunities within the Australian system. Ensuring best practice in Financial Education in schools, communities and families is essential for the future wellbeing of Australia.

1.1 Definition

Terms such as Financial Literacy, Financial Wellbeing and Financial Capability are all used interchangeably within practice and research, with differing definitions dependent on the source. In this piece we have opted for the encompassing term of *'Financial Education'*. We define Financial Education as 'a combination of awareness, knowledge, skill and behaviour necessary to make sound financial decisions and ultimately achieve individual wellbeing' (OECD, 2018). This definition is consistent with the OECD definition of Financial Literacy.

1.2 Focus

The focus of this report is to contribute to the discussion around how financial skills, knowledge and behaviours can be embedded within the Australian education system. This focus is critical as the transition from adolescence to adulthood sees a time of rapid life change (e.g. employment, drivers' licence, relationships, legal age).

1.3 The story so far

- Australia has a Financial Education ecosystem – there is no specific or mandatory unit for Financial Education.
- Financial Literacy rates of 15-year-old Australians are above OECD average, however there has been a decline between 2012 and 2015 (OECD, 2018, pg 71).
- Technological change has created more income streams for young adults but has also exposed them to more complex financial decision making, earlier in life (FYA, 2015).
- Financial knowledge and behaviour developed as a young adult is likely to be carried throughout an individual's life.
- Financial Education is not the only determinant of financial behaviour or wellbeing and therefore an innovative set of solutions must be developed.



2. The Australian Curriculum

Currently, Financial Education is embedded within the Australian Curriculum – delivered through Mathematics and Humanities and Social Science (Economics and Business) in Australian Curriculum learning areas (Australian Curriculum, 2019). The implementation of the Australian Curriculum is the responsibility of state and territory authorities and there is a level of necessary flexibility that acknowledges the different jurisdictional requirements and structures (Australian Curriculum, 2019). The progress of the Australian Curriculum in the different states and territories is informed by four primary areas:

- The readiness of their systems, schools and teachers
- The extent of change from current curriculum provision
- Available resources
- Existing curriculum development cycles and processes

There are resources for consumer and financial literacy from F (Foundation Year) through until Year 10, however Financial Education has not been established as a standalone unit in the Australian Curriculum (Australian Curriculum, 2019).

In contrast, at least fourteen states in the United States have moved to a model of compulsory Financial Education in the senior school curriculum (NGPF, 2019).

The compulsory model of Financial Education in the United States is varied, with Arkansas requiring all students to undertake a stand-alone financial literacy (or approved substitute e.g. financial planning and wealth management) contrasted with Alabama which has mandated a career-preparedness unit with financial literacy standards embedded (NGPF, 2019).

Linkage: Acknowledging that, while the Australian Curriculum is crowded, there are other jurisdictions that are developing compulsory Financial Education. Exploring what opportunities there are in the Australian Curriculum for a standalone Financial Education subject should not be ruled out.

The Australian Government has developed MoneySmart (ASIC) and Tax, Super and You (ATO) as resources to support teachers in the delivery of Financial Education. There is also a range of co-curricular resources provided to schools by third parties.

Table 1.1 is a brief overview of the current Financial Education programs designed for delivery in schools. Saver Plus, which is an adult program, has been included as it requires participants to have a child in school or parents in vocational education.

Table 1.1: Current Financial Education program designed for and delivered in schools in Australia (ASIC, 2019a; ATO, 2019; Commonwealth Bank, 2019; Financial Basics Foundation, 2019a; Financial Basics Foundation, 2019b; Westpac, 2019; The Smith Family, 2019).

Program	Funding	Availability	Inception	Rationale	Delivery
MoneySmart	Government – ASIC	Publicly available	2008	Australian Curriculum aligned classroom teaching resources and professional development for teachers.	Resources for teachers and educators.
Tax, Super and You	Government – ATO	Publicly available	-	Educational online resources to help students understand the Australian tax and super system.	Resources and webinars for students; tailored for years 7-12.
Start Smart	Commonwealth Bank	Publicly available	2007	Give students the confidence and skills to make smart decisions about money.	Workshop and Online Resources. Competition.
ESSI Money and Operation Financial Literacy	Mixed – NFP delivered, funded by private sector	Available to member schools – no fee	2004	An online simulation game that helps students understand the fundamentals of Earning Saving Spending and Investing. OLF is a series of 12 modules with teacher notes and student worksheets aligned with the Australian Curriculum.	Virtual-reality computer game which simulates 26 weeks and allows students to practice and see the consequences of real life financial choices. Webinars and professional development for teachers and educators.
Financial First Steps Workshops	Davidson Institute – Westpac	Schools, communities and business	2006	The workshop covers a wide range of financial topics including credit card, debt, savings etc.	Workshops (versions tailored for homeless youth and Indigenous communities)
Saver Plus	Mixed – NFP delivered funded by ANZ Bank and Australian Government	Non-school Financial Education for families with a child at school or attending vocational education.	2003	Assists families to gain financial skills, establish a savings goal and develop long term savings habits.	10-month Financial Education and matched savings program.



What is clear is that there is a vast array of resources and programs available to educators, students and families. Understanding the availability of these resources creates a roadmap for how Financial Education can be further developed and delivered in the Australian education system. Building on these existing programs will be essential to ensuring a sustainable approach to Financial Education in Australia.

Linkage: Australia has an established 'ecosystem' of Financial Education and developing these programs further is the best way forward.

3. The USA Experience

Two distinct elements of the USA Financial Education system are firstly, the emergence of state-level legislative mandates to complete financial literacy courses as part of the High School graduation (NGPF, 2019). Secondly, the role Jump\$tart (a non-profit coalition with a purpose) has played to advance financial literacy of pre-school to college age youth (Jumpstart, 2019).

3.1 Legislation

Distinct from the Australian School Curriculum, the school curriculum in the United States is vested to the individual states, creating varying levels of financial literacy requirements.

Table 2.1.2 demonstrates the varying nature of the legislative requirements within fourteen US states.

Table 2.1.2 Legislative Reform on Financial Literacy in the USA (NGPF, 2019)

	Legislative mandate
Standards	Kentucky, Utah, Virginia, Arkansas, Nevada, New Jersey, Louisiana, Delaware, Vermont, Massachusetts, Wisconsin
Embedded	Arkansas, Iowa, Nevada, New Jersey, Louisiana, Wisconsin
Standalone Elective	Missouri
Graduation Requirement	Alabama, Kentucky, Utah, Tennessee, Missouri, Virginia,
Teacher Education	Utah, Tennessee
Standardised Testing	Utah, Tennessee, Missouri



The Australia Curriculum, Assessment and Reporting Authority (ACARA) is responsible for the development and administration of the national school curriculum (*Australia Curriculum, Assessment and Reporting Authority Act 2008*).

The implementation of the school curriculum is however vested in the states and territories. The distinction from the US does mean that it is neither appropriate nor necessary for legislative reform to take place in Australia.

The changes do highlight the emphasis that is being put on senior school requirements for Financial Education in other jurisdictions and the instruments that are being utilised to embed financial skills, knowledges and behaviours in the education system.

Linkage: The Australian Curriculum is not mandated by legislation but the summary of what is being legislated highlights the focus other jurisdictions are putting on distinct yet complementary vehicles for Financial Education.

3.2 Youth Education Coalition

Jump\$tart supports Financial Education through teacher training, the development of national standards, and the Jump\$tart clearing house (Jumpstart, 2019). States such as Alabama, Vermont and Virginia have embedded Jump\$tart standards and/or professional development within their legislative changes (NGPF, 2019). The active role of Jump\$tart and the explicit mention in legislative instruments demonstrates the strong collaborative nature of the coalition.

There is no Australian equivalent to Jump\$tart. Financial Capability and the Financial Wellbeing Network, led by ASIC, share common characteristics with Jump\$tart but do not have the pre-school to higher education focus (ASIC, 2019b).

Creating a youth coalition for Financial Education in Australia would help enable effective collaboration in the sector. Like Jump\$tart, such an organisation would be able to develop standards, provided professional development for teachers and enable effective collaboration (Jumpstart, 2019).

Financial Capability and the Financial Wellbeing Network would be best positioned to establish a youth Financial Education coalition, as many of the functions that Jump\$tart performs are already performed by them.

Linkage: The role of Jump\$tart in the USA is central in the Financial Education space and Financial Capability (led by ASIC) is well positioned to build a Youth Coalition for Financial Education in Australia.



4. Broader Areas for Consideration

In improving Financial Literacy in Australian youth, it is critical that we consider what resources are necessary beyond standard educational reform. Utilising publicly available domestic and international data, research and government publications, the following areas have been highlighted as critical in delivering Financial Education.

4.1 *Activate parental conversations*

The role of conversations between children and their parents is an important aspect in the development of life skills. Financial knowledge and behaviours developed as a young adult are likely to carry throughout a person's life, impacting future financial wellbeing (*Shim et al. 2009*). Adults who reported having conversations with their parents about financial decisions in adolescence were more likely to report higher financial wellbeing scores (ANZ, 2018; pg. 27). For Financial Education to be effective in Australia, it is critical that parental and guardian conversations be part of the ecosystem.

Linkage: Schools and third parties can help activate parental conversations.

4.2 *Target behaviour not just knowledge*

The ANZ Financial Wellbeing report indicated that financial knowledge contributed for only nine per cent of the total explained variation in financial wellbeing scores (ANZ, 2018; pg. 21). A mix of other factors such as social and economic circumstances, attitudes and behaviours were stronger indicators of financial wellbeing (ANZ, 2018; pg. 21). With behaviour accounting for 45 per cent of the overall financial wellbeing score, minimising poor behaviours and maximising good behaviours should be the focus of policymakers and practitioners.

As the ANZ Financial Wellbeing report focuses on Australian adults, the results are not directly transferable to adolescents. The key financial behaviours that determined financial wellbeing – active saving and not borrowing for day-to-day expenses – are behaviours that are not limited to one stage of life. Financial Education programs and resources must include behavioural elements which enable students to apply knowledge by practice behaviours in a real world context.

Linkage: Measuring financial knowledge is only part of the solution – addressing behaviour is essential.

4.3 Keep it simple

A 2011-12 program in Brazil, across six states, 892 schools and 25,000 students, found that while savings behaviour improved when exposed to Financial Education, purchasing and borrowing behaviour did not (Bruhn et al. 2016, pg. 289). Consistent with Drexler *et al.* (2014) findings, Bruhn et al. (2016) suggested that complex messaging around financial products, related to purchasing and borrowing, may have driven these negative behaviours.

Drexler *et al.* (2014) examined two training programs delivered to microentrepreneurs – one was considered formal (Accounting) and the other informal ('rule of thumb' training). Both programs had the same first three topics – savings, consumption and debt management. The informal program had two more classes that taught account separation and estimation methods. The formal program taught three more classes covering basic accounting. The informal training was more effective in translating into the positive financial behaviours of the microentrepreneurs.

Linkage: Non-technical yet practical training can be effective and should be explored further.

4.4 Expand experience-based learning in schools

Students exposed to financial products through having their own bank account or discussing money matters with their parents performed better on PISA Financial Literacy (OECD, 2017; pg. 37). While data is not complete or consistent across participating countries, direct experience is correlated with financial literacy performance.

In Australia, the likelihood of students holding a bank account is more than double in the highest quartile compared to the lowest quartile in the PISA index of economic, social and cultural status (OECD, 2017; Table IV.5.11). This indicates currently there is a financial experience gap in Australia between students in the highest quartile compared to the lowest quartile of economic, social and cultural status.

In reporting the results, the OECD advocated the important role of schools in providing a 'learning-by-doing' approach through additional resources such as competitions, games and interactive platforms (OECD, 2017; pg. 37). The importance of ensuring students have access to such interactive resources can begin to bridge the 'experience' gap that currently exists across socio-economic backgrounds.

Linkage: Financial experience has a positive effect on OECD financial literacy performance – and therefore addressing 'experience gaps' should be in the mind of educators.



5. Conclusion

The role of Financial Education globally is presented with new challenges and opportunities through technological change. The role of educators, families and government in facilitating Financial Education must ensure these challenges and opportunities are fully realised.

Through this discussion paper we have explored the current status of Australian Financial Education and juxtaposed the Australian system with the Financial Education system in the USA.

Building on domestic and international data, research and other publications the discussion paper provides several avenues for developing Financial Education in Australia beyond the curricula.

The contributions of this discussion paper will hopefully provide impetus for policymakers and educators to develop a more structured yet collaborative Financial Education system in Australia.

6. Recommendations

- Explore opportunities in the Australian curriculum for a standalone financial literacy course
- Pilot innovative programs that embed financial behaviour and decision-making in the classroom
- Develop experience-based learning in Financial Education

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