

1 December 2017  
ASIC National Financial Literacy Strategy  
The Treasury  
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### **ASIC National Financial Literacy Strategy Consultation 2017 (“Consultation Paper”)**

The Financial Services Council (FSC) has over 100 members representing Australia's retail and wholesale funds management businesses, superannuation funds, life insurers, financial advisory networks and licensed trustee companies. The industry is responsible for investing more than \$2.7 trillion on behalf of 13 million Australians. The pool of funds under management is larger than Australia's GDP and the capitalisation of the Australian Securities Exchange and is the fourth largest pool of managed funds in the world. The FSC promotes best practice for the financial services industry by setting mandatory Standards for its members and providing Guidance Notes to assist in operational efficiency.

Thank you for the opportunity to provide a submission on the National Financial Literacy Strategy. This paper will provide the findings from the FSC's ongoing policy research in this area and provide responses to questions put forward in the Consultation as is relevant to the FSC knowledge-base.

For any further enquiries, please contact Nithya Iyer on [niyer@fsc.org.au](mailto:niyer@fsc.org.au) or 0403 495 558.

Sincerely,



Nithya Iyer  
Senior Policy Manager - Trustees

## Findings of FSC's Policy Research on Financial Literacy

### *Declining participation in STEM & recommendations to financial literacy curriculum*

Australia has been found to be lagging behind other countries in mathematics scores, with year four students dropping from 18<sup>th</sup> to 28<sup>th</sup> out of 49 countries according to the latest Trends in International Mathematics and Science study<sup>1</sup>. Consistent with these findings, the 2016 NAPLAN showed no change or only marginal gains in literacy and numeracy<sup>2</sup> while the OECD Programme for International Student Assessment published a financial literacy report in 2017 that identified that one-fifth of Australian 15-year old youths do not have basic financial literacy<sup>3</sup>. Such results are of concern and identified by the FSC as a key priority for proactive financial literacy measures in Australia.

### *Recommendation: Curriculum based on real-life money scenarios*

The FSC proposes that a mathematics curriculum that is designed around real-life problems (value for money, profit and loss, compound interest, loans, credit cards, superannuation, investments and life insurance, for example) could be introduced into the national curriculum from primary school, and reiterated with increased complexity at Years 11 and 12, to address the aforementioned declines in performance. With around 79% of students managing a bank account, such lessons could lead to a more meaningful use of financial products and services and a better awareness of the associated risks and rewards.

A recent pilot program conducted by Western Sydney University found that primary school students are more likely to understand and engage with maths if classes use real money and real-life projects<sup>4</sup>. The results found that:

- At the beginning of the project, almost all of the participants had a very narrow view of money, simply knowing basic concepts such as the difference between rich and poor, and money's importance for food, water and shelter.

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<sup>1</sup> Trends in International Mathematics and Science Study 2015, [https://research.acer.edu.au/cgi/viewcontent.cgi?referer=&httpsredir=1&article=1000&context=timss\\_2015](https://research.acer.edu.au/cgi/viewcontent.cgi?referer=&httpsredir=1&article=1000&context=timss_2015)

<sup>2</sup> 2016 NAPLAN National Report <http://www.nap.edu.au/docs/default-source/default-document-library/2016-naplan-national-report.pdf?sfvrsn=2>

<sup>3</sup> PISA 2015: Financial Literacy in Australia <https://research.acer.edu.au/cgi/viewcontent.cgi?article=1028&context=ozpisa>

<sup>4</sup> 'Study finds cash and coins help engage primary maths students' [https://www.westernsydney.edu.au/newscentre/news\\_centre/expert\\_opinion\\_stories/study\\_finds\\_cash\\_and\\_coins\\_help\\_engage\\_primary\\_maths\\_students](https://www.westernsydney.edu.au/newscentre/news_centre/expert_opinion_stories/study_finds_cash_and_coins_help_engage_primary_maths_students)

- By the end, most of the students were very interested in the topic of money, and were able to link their discussions to their own lives, and understand complex concepts.

The University now runs a mandatory financial literacy/management course as part of undergraduate degrees. While such courses can be useful at a tertiary level, the FSC suggests that intervention is required at primary-level education.

The FSC recommends financial literacy programs implemented and directed by ASIC that employ such strategies will be beneficial in improving financial literacy levels. We also note the upcoming review of the original *Review of Funding for Schools Report* (2011) presents an opportunity to reconsider how federal and state funding can be most effectively used in improving student performance at all levels.

### **FSC responses to relevant Consultation Paper questions**

*P1. We propose to update the language of the National Strategy from 'financial literacy' to 'financial capability'.*

The FSC agrees with the proposal.

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

The FSC agrees with the proposal.

*P3. We propose that the 2018 National Strategy will emphasise the following core behaviours that support improved financial capability: (a) managing money day-to-day; (b) planning for the future; and (c) making informed decisions.*

The FSC agrees with the proposal and notes that these core behaviours need to be supported with real-life examples relative to basic use of financial products and services in order to ensure sustained long-term financial capability. This includes case studies on insurance, superannuation, credit cards and managing debt.

We consider that core understandings should be taught from a young age and, as per the above comments, financial literacy should be included in the school curriculum, preferably introduced at the primary school level.

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

In addition to the audiences referred to on page 13 of the Consultation Paper, the FSC identifies school-aged children, tertiary-level students and senior citizens as priority audiences for the 2018 National Strategy. As noted in the first section of the submission, meaningful courses at school and tertiary-level institutions are found to

materially impact the way in which individuals interact with financial products and services and understand financial responsibility and risk. However, we reiterate our belief that concepts supporting financial literacy should be introduced at the primary school level.

Senior citizens are identified as a priority audience due to increasing incidences of elder financial abuse. The FSC suggests this is particularly a priority for remotely located senior citizens, and elderly women, particularly those from Aboriginal & Torres Strait Islander and Culturally and Linguistically Diverse communities. The findings of the State Trustees research reports identify these groups as at particular risk of elder financial abuse.<sup>5</sup>

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

The FSC agrees that ASIC should focus on strengthening the capacity and capability of practitioners and intermediaries, particularly primary and secondary school teachers, so that they may assist young Australians with money matters and financial decision making. We anticipate this would take the form of ‘train the trainer’ initiatives.

*D3.2 Are there issues that might require greater emphasis in the 2018 National Strategy?*

As detailed in the former section, the FSC recommends greater emphasis on improving school curriculum for literacy and numeracy.

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<sup>5</sup> State Trustees Financial Elder Abuse Research  
<https://www.statetrustees.com.au/community/financial-elder-abuse/financial-elder-abuse-research/>