



FINANCIAL LITERACY IN SCHOOLS

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Disclaimer: Please note: The Chief Minister's Round Table of Young Territorians is an independent advisory body. The views expressed in this report are those of the authors and are not necessarily reflective of those of the Office of Youth Affairs or the Northern Territory Government.

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- my fellow 2012 Chief Minister's Round Table of Young Territorians Members;
- websites who's information contributed to this project; and
- students who participated in the survey.

Abbreviations

Abbreviation	Definition
HOKUF	Helping our Kids Understand Finances
NT	Northern Territory
Round Table	Chief Minister's Round Table of Young Territorians

Terms used in this Report

Term	Description
Financial literacy	Is defined as the ability to make informed judgements and to take effective decisions regarding the use and management of money. ¹
Young Territorian	A person aged between 12-25 years residing in the Northern Territory.
Youth	An individual aged 12-25 years (inclusive). This period is defined as the transition from adolescence to maturity. ² For the purpose of this report youth aged 15-25 years of age were surveyed.

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¹ ASIC, 2003, 'Financial Literacy in Schools,' *Consultation Paper 45*, viewed 26th November 2012, [http://www.asic.gov.au/asic/pdf/lib.nsf/LookupByFileName/FinLit_schools_DP.pdf/\\$file/FinLit_schools_DP.pdf](http://www.asic.gov.au/asic/pdf/lib.nsf/LookupByFileName/FinLit_schools_DP.pdf/$file/FinLit_schools_DP.pdf)

² Merriam-Webster, 2012, Encyclopaedia Britannica, 'Youth' viewed 26th November 2012, www.merriam-webster.com/dictionary/youth

Executive Summary

The *Financial Literacy in Schools* project was developed to help understand the current levels of financial education available to young Territorians at school. It also aims to investigate current programs at both a Territory and National level to determine if they enable youth to access key information in regards to finances. This project also explores areas of financial literacy youth consulted wanted to learn more about.

During the consultation phase, a survey was conducted to canvass the views of young people between the ages of 15-25 on money and debt. Many of the survey respondents indicated that financial education would be helpful to them. Through my research I found that there is limited financial education provided to youth during their school years. The Australian Securities and Investments Commission (ASIC) advised that they hope to launch a new financial literacy program in 2013. Mr Duncan Poulson from ASIC is organising the new financial literacy program in NT schools and was a great asset and had a wealth of information on the topic.

Furthermore, whilst conducting research on the internet I found out how hard it is to find information on financial education that's not linked to a bank or company trying to sell a product. The Australian Government's MoneySmart website www.moneysmart.gov.au, does have this information, however it can be hard to find if you don't know its there.

It is recommended that the NT Government increases the availability of financial literacy programs to students in NT schools. Accessibility to such information should be promoted by the NT Government to ensure young people know where to gain information when they need it. This could be through promoting the MoneySmart website or conducting interactive seminars on different topics around money and debt.

Introduction

The *Financial Literacy in Schools* project was developed to help understand the current levels of financial education available to young Territorians at school. It aims to investigate current programs at both a Territory and National level to determine if they enable youth to access key information in regards to finances. This project also explores areas of financial literacy youth consulted wanted to learn more about.

The idea for this project came from my experience of assisting youth to navigate banking products. I currently work in a credit union and have done so for the past two and a half years. I started out as a Personal Loans Consultant and worked my way up to becoming an Assistant Manager. I have also acted in the position of Branch Manager on many occasions. However it was my interaction with youth as a Sales Consultant that got me interested in this project.

Many young people approach banks and credit unions wanting to secure loans for cars or debt consolidations. From my experience, many of them did not know or fully understand the consequences of taking out a loan and the implications of not paying it on time. They were often unaware that failure to correctly pay these loans could potentially affect their ability to buy a house or borrow money later in life, due to a poor credit rating. In some instances, young people I have directly assisted, who wanted to secure a loan had an insufficient understanding of how to set up a budget or stick to one to ensure all debts are paid on time. Unfortunately this often resulted in a lack of payment equivalent.

During the development of this report, a survey of 50 young Territorians was conducted. Based on the results, it became apparent that financial literacy in schools is an issue in the NT. Of the youth surveyed, 96 per cent (48 respondents) said that they did not receive financial education at school. This prompted the question “if they aren’t receiving this education in school then where are they getting it from?”

Research also indicated that some young people are getting information from their parents who might only have basic knowledge, some might get it from friends who could be in the same situation as them, and others might not receive any information at all leaving them with limited options.

Although there are varying sources of information available in regards to financial education, there are not that many which are ‘youth friendly’ or easy to navigate. This raises the question around where can youth go to find information about finances quickly and easily? To be educated in financial literacy is a life skill and plays an important role in making informed decisions, assisting to establish a strong foundation that can support individuals for the rest of their lives.

Discussion / Major Findings

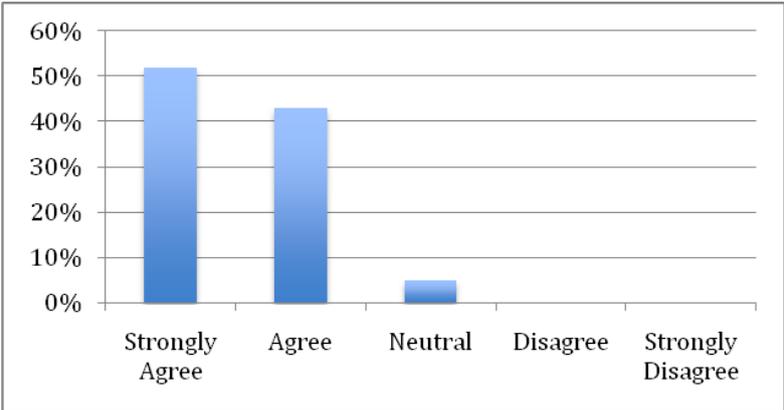
Financial literacy is defined by "the ability to make informed judgements and to take effective decisions regarding the use and management of money."³ According to Financial Basics Foundation, an example of a typical group of 100 teenagers in today's society at normal retirement age, one will be rich, eight will be independent, nine will still be working, 28 will be deceased, 54 will be broke and dependent on government or charity.⁴ Giving youth the confidence through education can make a difference to their future financial situation.

In 2009, the Australian Government Office for Youth specified that just over half of 18-24 year olds had some sort of consumer debt, examples including car loans or personal loans in general. About half also have a credit card, however one-fifth of young people with credit cards hardly ever or often never paid off their balance in full every month. Commissioner of ASIC, Mr Peter Kell has also stated that "today's young Australians live in an increasingly complex and digitally connected world with the proliferation of mobile phones and ready access to money and credit. Research shows that it is young people – particularly those ages 18-24, who have the lowest levels of financial literacy."

What is even more concerning is the high level of stress young Australians feel towards owing money, with 46 per cent of youth surveyed by YouthSCAN⁵ indicating they are worried when they owe money to credit card companies. Approximately 36 per cent are stressed when owing money to mobile phone companies and 30 per cent worried when they owe money to friends.

A survey was conducted on 50 young Territorians between the ages of 15-25 of their views on the current level of financial literacy provided by their schools as well as their understanding of basic banking business such as dealing with credit cards, personal loans, store accounts, etc. A copy of the survey can be found at Appendix A.

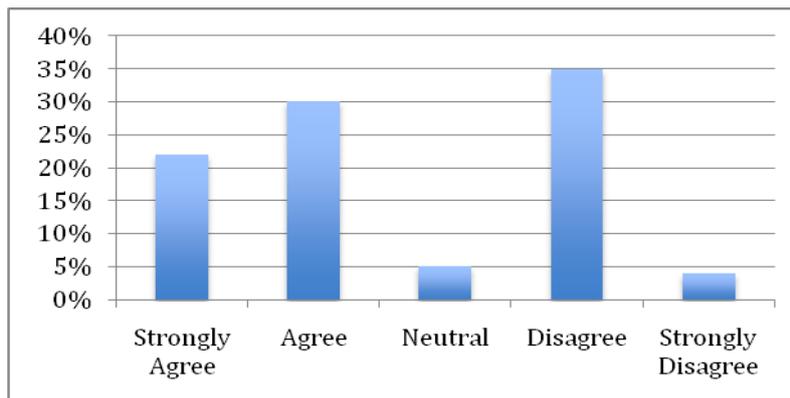
Figure 1: Percentage of youth who believe it's important for financial education to happen in school



Of the 50 young people surveyed 96 per cent (48 respondents) said that their school did not have a financial education program with a further 95 per cent (47 respondents) either strongly agreeing or agreeing that it is important for financial education to happen in school as seen in Figure 1.

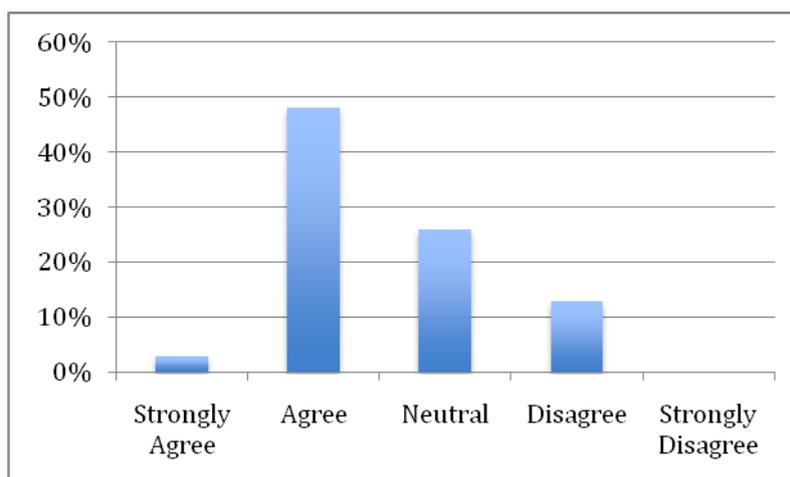
³ ASIC, *CONSULTATION PAPER 45: Financial literacy in Schools*, 2003, [http://www.asic.gov.au/asic/pdf/lib.nsf/LookupByFileName/FinLit_schools_DP.pdf/\\$file/FinLit_schools_DP.pdf](http://www.asic.gov.au/asic/pdf/lib.nsf/LookupByFileName/FinLit_schools_DP.pdf/$file/FinLit_schools_DP.pdf), p. 7
⁴ Financial Basics Foundation, 'What is Financial Literacy?', 2012, viewed 20th May 2012, http://www.financialbasics.org.au/index.php?option=com_content&view=article&id=38:teachers&catid=34&Itemid=55
⁵ New South Wales Government, Fair Trading, 2007, research carried out by Quantum Market Research which tracks the changes in youth social values

Figure 2: Percentage of youth who understand interest free store cards (e.g. flexirent, Harvey Norman)



Store accounts are widely advertised as ‘nothing to pay for 48 months and are found in a range of department stores. Even though they maybe interest free for a certain period of time, if they are not paid off within that time limit, the interest rate reverts to around 20 per cent which is exceedingly high. The survey found that 35 per cent (18 respondents) stated that they did not understand store accounts.

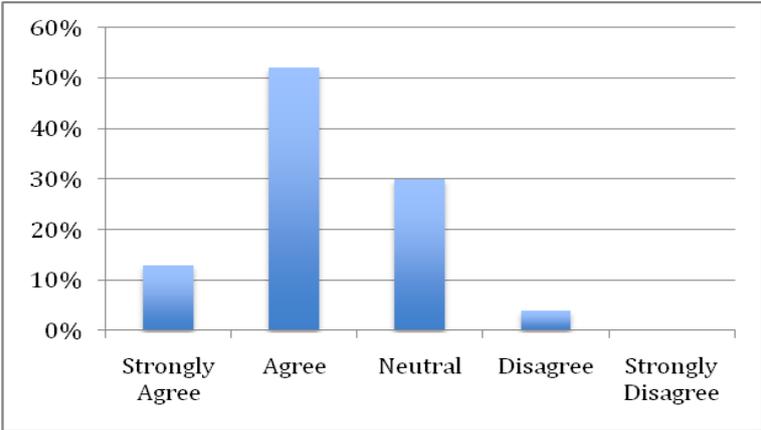
Figure 3: Percentage of youth who are confident with setting up a budget



Budgets are a tool for helping people of all ages to save money, figure out their spending habits and then allocate those funds wisely.⁶ At the end of the survey the following question was asked ‘what would you change or include in a school program that teaches you about money?’ Many responses were in relation to setting up a budget. A 23 year old female stated that she would like to obtain further education in ‘basic budgeting, goal setting and interest on credit card debt.’ Another person stated ‘learning how to make my own budget and then tracking it over time.’

⁶ Vohwinkle, J., *Budgeting 101; Everything you need to know about budgeting*, 2012, viewed 20th May 2012, <http://financialplan.about.com/od/budgetingyourmoney/tp/budgeting-101.htm>

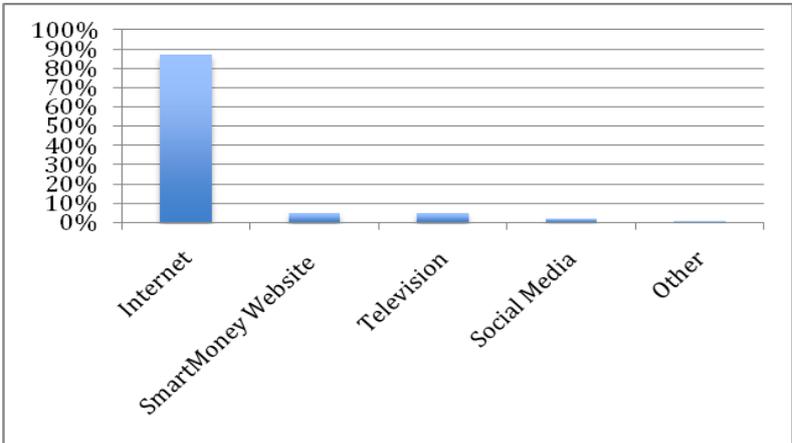
Figure 4: Percentage of youth who want to learn more about finances and money at school



The results from Figure 4 show that 65 per cent (32 respondents) of youth surveyed strongly agree or agree that they want to learn more about finances and money in school. This could involve offering a basic financial literacy program to encourage youth to make informed decisions about their finances.

The State of Australia’s Young People report in 2007 found that nine out of 10 families had an internet connection with three quarters having broadband internet.⁷ It also found that young people spent an average of 1.25 hours online whilst watching approximately two hours of television every day. With the advancement of technology and the introduction of smart phones, young people are accessing services and information online.

Figure 5: Where would you go to find information about money and finances?



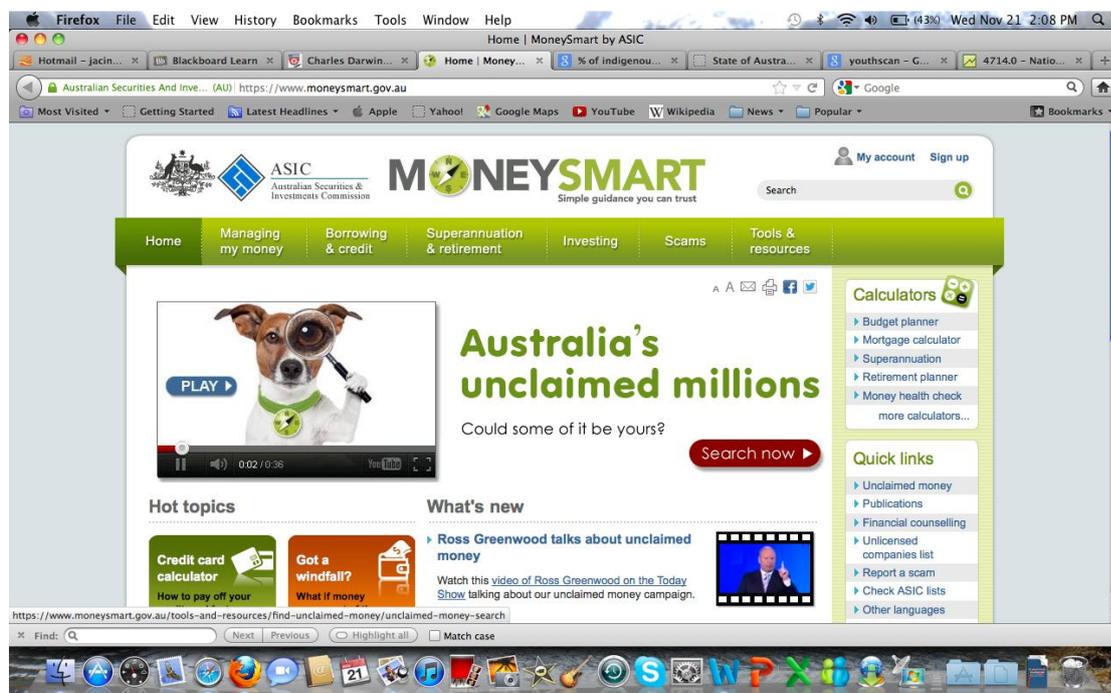
The survey results detailed in Figure 5 show 87 per cent (42 respondents) of young people said they would go to the Internet to look for information available on borrowing money.

⁷ Australian Government Office for Youth, ‘State of Australia’s young people report statistical snapshot,’ 2009, viewed 20th May 2012, <http://www.youth.gov.au/articles/Pages/StateofAustraliasYoungPeoplereportstatisticalsnapshot.aspx>

MoneySmart Website

The Australian Government has a website called MoneySmart which provides an abundance of information regarding saving, budgeting, loans, credit cards, superannuation, and the list continues. The only concern with the MoneySmart website is accessibility. If the website was promoted in a targeted approach it is more likely that youth would access the website when seeking information and resources on financial literacy.

Figure 6: MoneySmart Website Screen Shot



On a Google search of 'car loans' the MoneySmart page comes up three pages into the search and this is the same with a search of 'credit cards.' Before you get to this, there is numerous money lending companies located on the first two pages with eye catching promotions such as 'get a response in 60 seconds', 'lowest rate available' and 'loans with discounts.' As a result, the MoneySmart website has a lower chance of being accessed due to a lower page ranking.

As highlighted earlier, youth tend to locate services and resources online. It would be beneficial to youth if more knew about this website. However, individuals and families who don't have access to the internet still need to be able to access information. Other avenues may include television promotions or mail outs. The National Financial Literacy Strategy has a media campaign that was launched in June 2012 for print, online and radio advertisements;⁸ however it has been reported that the campaign is not fully underway in the NT. Social media was another promotional tool discussed during the course of this project to help promote financial literacy among young people.

⁸ Australian Government National Financial Literacy Strategy, 'Get moneysmart campaign', 2012, viewed 26th November 2012, <http://www.financialliteracy.gov.au/asic-programs/get-moneysmart-campaign>

Current Programs

Currently ASIC is implementing the \$10 Million *Helping our Kids Understand Finances* (HOKUF) initiative to improve financial literacy, which was announced by the Australian Government in August 2010. The HOKUF program is about to be implemented in the form of MoneySmart teaching, which will start in Semester 2 of 2013. The NT only has two schools participating Palmerston Christian School and Yipirinya School in Alice Springs. This program will be the first of its kind, involving Primary and Secondary schools Australia wide. The roll out will incorporate targeted programs into subjects such as History, Mathematics, and English to help teach youth financial literacy.

There is a strong need for the HOKUF program to not only be run in schools in the Darwin area but also in the regional and remote areas to ensure that all students have the opportunity to learn about financial literacy.

Ways to Educate Young People

The Chairperson of the Financial Literacy Board, Mr Paul Clitheroe once stated that, "while a key component of financial literacy is to emphasise the benefit of saving over spending, messages must be delivered carefully."⁹ This message could be as simple as showing youth how much interest they would earn as seen in the youthSCAN¹⁰ survey which revealed that the weekly earnings of 10-14 year olds has almost doubled since 1997 to \$76.55. Out of that \$76.55 if they were to save \$1000 per year, which equates to around \$20 per week from the age of 15 to 30 they would end up with \$93,261 if they left the money in a savings account until they were 60 years of age. That's \$78,261 worth of interest earned from only saving \$15,000 however if they only started saving when they were 30 they would only have \$66,439 and \$30,000 of that would be their own.

It's being able to manage a weekly/ fortnightly or monthly wage that matters. If money was saved instead of being spent on having 'the best smart phone' or 'the latest edition to the wardrobe', being able to save up for something that has more asset value such as a car or a house is a much better investment.

Many parents are also unable to teach their children about managing finances as Clitheroe states "many parents are struggling themselves."¹¹ There are barriers due to the complexity of the financial system including increased access to credit cards and mobile phones usage.¹² The National Youth Affairs Research Scheme's report into young people and financial debt stated that in 2008, 71 per cent of parents/ guardians had experienced financial hardship due to financial debt and 36 per cent of parents/ guardians have lost sleep over debt owed.¹³

Financial Exclusion

Financial exclusion and stress can occur for many reasons and for some this can be a life long struggle. A study conducted by Corr 2006, Howell & Wilson 2005 found that exclusion is concentrated on the following groups:

- people with disabilities;
- the long-term unemployed;
- homeless people;
- female single parents;

⁹ Clitheroe as cited in Knight, 2011

¹⁰ NSW Government, Fair Trading, 2007

¹¹ Clitheroe cited in Australian School of Business, 2011

¹² Australian School of Business, 2011

¹³ Keevy, N, et. Al, 2008, "Young People (12-17 years) & Financial Debt, *National Youth Affairs Research Scheme*, viewed 26th November 2012, www.deewr.gov.au/Youth/Programs/NYARS/Documents/NatYouthAffairsResearchScheme.pdf

- young households who have not yet used financial services;
- those reliant on state welfare benefits; and
- those living in social housing or private rented accommodation.

In the NT, Aboriginal and Torres Strait Islander people make up 30 per cent of the population. In total, there are 641 Aboriginal communities and the majority of residents do not have access to mainstream services. In 2010-11, of the total NT students who qualified for their NT Certificate of Education, only 13% were Indigenous.¹⁴ Without education and access to facilities many Indigenous people are further removed from financial literacy educational opportunities.

A survey on the economic wellbeing of Aboriginal and Torres Strait Islander people conducted by the National Aboriginal and Torres Strait Islander Social Survey in 2008¹⁵ measured a household's ability to raise \$2000 within a week in an emergency. The results found that '47 per cent of respondents aged 15 years and over lived in a household where the household would be unable to raise the funds within the timeframe. When compared to non-Indigenous people, 'Indigenous people aged 18 years and over, were almost four times more likely to live in households that were unable to raise the \$2000 for an emergency.' Due to limitations around access and low levels of literacy and numeracy, Aboriginal people are more at risk of financial exclusion and stress.

Another group that may be impacted by financial exclusion and stress are youth at risk. A report released by RMIT University in Melbourne, Mission Australia and ANZ found that "at-risk young people's long-term wellbeing was improved, and their understanding and confidence in managing money increased, if they received simplified financial education."¹⁶ The report also stated that "as well as having increased confidence in managing money, these young people demonstrated an increase in budgeting (with less spent on takeaway food, cigarettes or illicit drugs); a decrease in spending all their money as they received it; shopping around for the best price; and better coping strategies for large and unexpected bills." It is positive to see such outcomes when education around managing money is offered and youth feel more in control of their future.

¹⁴ NT Department of Education Annual Report 2010-11

¹⁵ Australian Bureau of Statistics, 2008

¹⁶ Australian Clearinghouse for Youth Studies, 2011

Conclusion

The *Financial Literacy in Schools* project was developed to help understand the current levels of financial education available to young Territorians at school. It also aimed to investigate current programs at both a Territory and National level to determine what information youth are accessing in regards to finances.

To be educated in financial literacy is a life skill and plays an important role in making informed decisions, assisting to establish a strong foundation that can support individuals for the rest of their lives. Feedback provided by 50 youth surveyed throughout the course of this project indicated that 95 per cent felt that a financial literacy program provided in school would be beneficial.

Financial literacy should be easily accessible to all young Territorians and not just those who attend school. The Australian Government's MoneySmart website is full of helpful financial information, however as it can be difficult to find, should be promoted to ensure it is the first place young people look when wanting to source information in regards to finances.

The Australian Government's MoneySmart schools initiative is a great start to improving access to financial literacy, however it does not provide education to young people who have left school or those not able to access the same sorts of services as those in the city centres. I believe that with the introduction of new financial literacy programs, financial education seems to be heading in the right direction Australia wide we just have to make sure it continues strongly in the NT.

Recommendations

Based on the findings in the *Financial Literacy in Schools* project, it is recommended that the NT Government;

1. supports Australian Securities and Investments Commission and the MoneySmart Schools rollout by implementing the program in all urban, regional and remote schools in the Northern Territory;
2. incorporates a financial literacy program in the school curriculum;
3. increases the promotion of the MoneySmart website more widely as a great resource of information for young people; and
4. hosts fun and interactive seminars for youth on a wide range of financial topics such as budgeting, debt, credit, loans and savings.

APPENDIX A: Financial Education in Schools Survey

2012 Chief Minister’s Round Table of Young Territorians

FINANCIAL EDUCATION IN SCHOOLS

SURVEY

Jacinta Kay is a member of the 2012 Chief Minister’s Round Table of Young Territorians (Round Table) and is investigating the level of financial education currently delivered in schools. Your comments will remain anonymous and will be used for the purpose of data collection. Jacinta would really appreciate your help with her project by completing this survey.

Age _____ School _____ Year Level _____ Gender _____

Does your school have a financial education program? (A program that teaches you about banks, credit cards, phone bills/plans)? Yes No If so, how often is the program run? _____

Please rate the following:

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
I receive quality financial education at school.	<input type="radio"/>				
It is important for financial education to happen at school.	<input type="radio"/>				
I know how to avoid bank fees and charges.	<input type="radio"/>				
I understand what is involved with having a credit card.	<input type="radio"/>				
I understand my phone bill, fees and charges.	<input type="radio"/>				
I understand personal loans (Eg: Car loan)	<input type="radio"/>				
I understand interest free store cards (Eg: Flexirent, Harvey Norman)	<input type="radio"/>				
I know the consequences if I don’t pay a bill on time.	<input type="radio"/>				
I am confident with setting a budget.	<input type="radio"/>				
I want to learn more about finances and money at school.	<input type="radio"/>				

Where would you go to find information about money and finances?

Internet Smart Money Website Television Social Media Other _____

What would you change or include in a school program that teaches you about money?

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Evaluation

The MoneySmart program will roll out in Palmerston Christian School and Yipirinya School in Semester 2 of 2013. Progress to date has included both schools receiving their teaching guides and forums conducted for teachers to learn how to implement the program. I will continue to work closely with Mr Duncan Poulson in the running of this program as well as mentoring teachers when needed. I also look forward to seeing the progress of this program in the months following its implementation.

Financial literacy is a life skill and plays an important role in making informed decisions, assisting to establish a strong foundation that can support individuals for the rest of their lives. This important area of education has an impact on a large scale, however it is hard to try and get in contact with people such as schools and communities to see whether how they may benefit from such a program. It may take years to benchmark results.