



# MONEYMINDED SUMMARY REPORT:

Featuring a Case Study of Mission Australia's  
Financial Literacy Program for Youth at-risk

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## ANZ

We are pleased to publish our sixth annual evaluation of the MoneyMinded Program undertaken by RMIT University.

By the end of 2010, MoneyMinded had reached nearly 125,000 people since tracking began in 2005. This milestone both exceeds ANZ's target set in 2005 and establishes MoneyMinded as the most widely used resource for helping to build financial capability in Australia.

For the second year, in addition to our assessment of the reach of the Program in 2010, we have included a case study evaluation – this time of a Mission Australia program for youth at-risk. The case study evaluation helps to bring the impact of MoneyMinded to life. It suggests that scaled down, uncomplicated money management education has been useful in providing a first step to a more sustainable lifestyle for some young people in Mission Australia's programs.

It also reinforces the value of ANZ partnering with community organisations like Mission Australia to deliver relevant financial education to those who need it most. ANZ thanks Mission Australia for their efforts in developing and coordinating a unique financial education pilot and their participation in the case study evaluation.

This report also contains a review of recent literature relating to financial capability and financial education. Our objective in commissioning this review is to inform both ourselves and others about the growing body of knowledge in this area that may support the development of programs aimed at building financial capability and inclusion in the community.

Through their work, RMIT University has supported the development of MoneyMinded and we extend our thanks for their committed contribution to evaluate the reach and impact of this program.

ANZ also appreciates the advocacy, delivery and feedback from the many trainers, community organisations, financial counsellors and educators involved in MoneyMinded across Australia. Without their efforts, MoneyMinded would not have achieved the significant reach and impact that it has.



Jane Nash

Group Head of Financial Inclusion & Capability, ANZ

# FOREWORDS

## MISSION AUSTRALIA

Mission Australia is a community service organisation that has been transforming the lives of Australians in need for more than 150 years. Today we provide over 550 free programs nationwide, each one designed to help Australians in need to turn their lives around.

Given that many of the people we work with have very low levels of financial literacy, financial education plays a major role in this transformation process.

Mission Australia realised the great potential of the ANZ MoneyMinded education program, particularly to steer disadvantaged young people on the right financial path early in life.

Our MoneyMinded youth pilot program focused on actively educating young people about money management. This program proved that access to knowledge, and the development of relevant financial skills, empowered young people to make positive choices that would significantly impact their adult lives.

Importantly, Mission Australia's youth focused MoneyMinded pilot was delivered by staff who already specialised in supporting young people to work through barriers to gaining employment, qualifications and housing.

Through this program, our youth workers were able to build on their depth of experience to achieve real and lasting outcomes with disadvantaged young Australians.

As you will read in the evaluation of the pilot featured in this issue, MoneyMinded was able to change the financial behaviour of young participants and help to steer them towards a positive future. I'm sure you will agree that is a valuable gift.



Toby Hall

Chief Executive Officer,  
Mission Australia

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# EXECUTIVE SUMMARY

With significant growth in the delivery of financial literacy programs over the last few years, MoneyMinded has reached over 125,000 people since 2005, making it the most widely used financial literacy program in Australia.

ANZ developed MoneyMinded for community organisations and educators to use in helping people on low incomes build financial skills, knowledge and confidence. An annual assessment of the reach of MoneyMinded in Australia shows that between 1 October 2009 and 30 September 2010, 537 facilitators were trained to deliver MoneyMinded and an estimated 31,910 people received MoneyMinded education. ANZ has recently adapted the MoneyMinded materials for use in New Zealand and across the Asia Pacific region.

This report also includes a case study of Mission Australia's Youth Financial Literacy Program to illustrate how financial literacy education can increase financial inclusion within the community. The Youth Financial Literacy Program used MoneyMinded to provide financial literacy training and support for youth at-risk.

The key findings from the evaluation of the Youth Financial Literacy Program are as follows:

- > Most of the young people reported increased confidence in managing their money.
- > The young people demonstrated an increase in budgeting activity and also reported reduced spending on items such as take away food, cigarettes and illicit drugs.
- > There was a reduction in the occurrence of young people spending all their money as they received it.
- > Most young people learned that it was worth the effort to shop around for the best price when purchasing a product or service.
- > There was positive change in the young people's response to what they would do if they received a bill they couldn't pay. Not only did they learn that they could ask for help, but also, and more importantly, they learned where to go to for help if they need it.
- > The young people's saving behaviour improved, and there were increases in savings amounts post program.
- > The young people showed increased goal setting behaviour.

The final section of this report presents a review of current literature and research on financial literacy and financial education. This provides context for the MoneyMinded summary and highlights current opinions and trends that may support the further development of ANZ's financial literacy programs. The most recent opinions and research include the following points.

- > There is growing evidence that a positive correlation exists between financial capability and psychological well being. Being in control of finances is the most important driver of financial well being.
- > The most important behaviours for financial capability are 'keeping track of finances'; 'making ends meet' and 'planning ahead'.
- > The acquisition of financial skills and knowledge is dependent to a large extent upon the environment. Not all individuals have the opportunity to develop adequate financial capability. Hence, financial literacy should complement rather than replace appropriate regulation aimed at consumer protection. The development of financial literacy and capabilities will be of most value when the efforts are accompanied by the availability of fair and affordable financial products.
- > Financial education is most successful when financial institutions are an integral component to the efforts, and when the program provides opportunities to 'learn by doing'. Hence, there is growing support for education to be linked with a specific financial product or service.

# INTRODUCTION

MoneyMinded is the most widely used financial literacy program in Australia and, since its inception in 2005 it has reached over 125,000 people.

MoneyMinded, a financial literacy program developed by ANZ, aims to help people build financial skills, knowledge and confidence. It has been particularly successful at reaching groups that are marginalised or financially excluded.

MoneyMinded is the most widely used financial literacy program in Australia and, since its inception in 2005 it has reached over 125,000 people. There have been nearly 4,000 facilitators trained to use MoneyMinded. The program has been adapted to suit rural Indigenous participants; people with mental and physical disabilities; high school students; prisoners; long term unemployed and, as presented in this report, youth at-risk.

Recently, ANZ has also adapted MoneyMinded for projects in New Zealand and across the Asia Pacific region under a Group wide commitment to improving the financial capability of disadvantaged communities. More information about ANZ's Corporate Responsibility framework and the financial capability initiatives across the region is available at [www.anz.com/cr](http://www.anz.com/cr).

- > **Section 2** of this report gives an annual assessment of the reach of MoneyMinded across Australia in the period 2009 - 2010.
- > **Section 3** presents the case study of the impact of MoneyMinded on youth at-risk, a project delivered in partnership with Mission Australia.
- > **Section 4** provides a discussion of current trends in financial literacy giving a context to the value of MoneyMinded within the community.

## 2.0 THE MONEYMINDED PROGRAM

### 2.0 THE MONEYMINDED PROGRAM IN AUSTRALIA

MoneyMinded is a comprehensive suite of financial education resources, developed to help people, particularly those of low income, to build their financial skills, knowledge and confidence. MoneyMinded offers independent and unbiased consumer information.

Its development was initiated and funded by ANZ, with contributions from the community sector and education experts including the Australian Financial Counselling and Credit Reform Association (AFCCRA) and ASIC. It remains free of any ANZ branding or promotion of its financial products and services. The program has been developed as a resource for financial counsellors and community educators and is delivered across Australia through a partnership approach. It is intended to be delivered as workshops to groups of people, or it can be used in one to one casework.

MoneyMinded has been used extensively in assisting minority and disadvantaged groups in Australia. The majority of participants are female and many community groups use MoneyMinded with migrants, new arrivals, people with mental and physical disabilities, sole parents and the unemployed.

Since its inception, MoneyMinded has proven to be very successful in the reach of its delivery and the impact on participants' money management behaviour. By September 2010, approximately 2,700 facilitators from the community had been trained to deliver the program and MoneyMinded had reached over 125,000 people.

The MoneyMinded program receives consistently high praise from the facilitators who use it. Facilitators are able to adapt the program to meet the specific needs of their clients, and they find the resources included in the program to be relevant and 'user friendly'.

The MoneyMinded program consists of eight topics separated into 19 workshops. The program is designed to be flexible and each workshop can be offered individually or as part of a larger program depending upon the needs of the participant. The training program includes activities and guides for facilitators, workshop summaries and case studies for participants. A brief description of the topics and workshops follows on the next page.

## **AN OVERVIEW OF THE MONEYMINDED WORKSHOPS**

### **Planning and budgeting**

- > **Goals** - How to set and achieve savings goals
- > **Saving and spending** - How to save and spend wisely
- > **Money planning** - Set up savings for the future

### **Getting started**

- > **Introduction to everyday banking** - Consider the advantages and disadvantages of different accounts
- > **Different ways to pay** - Work out the best payment method

### **Understanding paperwork**

- > **Types of paperwork** - Discusses common and important paperwork
- > **Bills, bills, bills** - How to read and understand bills and statements

### **Credit providers**

- > **Credit and credit cards** - Considers credit offers, obligations and options
- > **Loans** - Understand features, costs and commitments when borrowing

### **Dealing with debt**

- > **Debt** - Understand common debt pitfalls
- > **Recovery plan** - How to work out and stay out of debt
- > **When paying is difficult** - Develop solutions to unmanageable debt

### **Rights and responsibilities**

- > **Golden rules** - Understand and exercise consumer rights
- > **The hard sell** - Recognise and avoid pressure selling techniques
- > **Your right to complain** - How to be heard

### **Planning for the Future**

- > **Investment basics** - Learn some basic investment information
- > **Superannuation** - Understand basic information about superannuation

### **A Roof Overhead**

- > **Tenancy** - Recognise issues that need to be considered when deciding to rent
- > **Home ownership** - What to look out for when purchasing a home

## 2.0 THE MONEYMINDED PROGRAM

### 2.1 THE REACH OF MONEYMINDED IN THE COMMUNITY (2010)

In estimating the reach of MoneyMinded in Australia, a survey was conducted with facilitators of MoneyMinded for the period between 1 October 2009 and 30 September 2010. The survey collected data on the number of people who received MoneyMinded education and the number of facilitators trained to deliver MoneyMinded during this period.

This part of the report presents an analysis of data collected from the survey. The objectives of the research were to:

- > provide an estimate of the number of MoneyMinded participants in workshops and in one to one case work
- > similarly, provide an estimate of the number of MoneyMinded facilitators trained
- > seek recommendations and feedback regarding the use and impact of MoneyMinded from delivering organisations.

### 2.2 METHOD

A survey was sent out, via email, to 607 MoneyMinded facilitators in Victoria, Queensland, New South Wales, Western Australia, South Australia, Tasmania, the ACT and the Northern Territory.

A survey was also sent to each of ANZ's MoneyMinded partner organisations: Anglicare SA, the Benevolent Society, Berry Street, Brotherhood of St Laurence, Kildonan Uniting Care, Mission Australia and the Smith Family.

The surveyed facilitators were asked to provide the following details regarding participants in the MoneyMinded program:

- > the total number
- > the number of Saver Plus<sup>1</sup> participants who had completed or commenced the MoneyMinded program during this time period (partner surveys only)
- > gender
- > general characteristics.

<sup>1</sup> Saver Plus is a financial literacy and savings program which aims to help low income individuals reach a savings goal and develop a savings habit. For more details see [www.anz.com/saverplus](http://www.anz.com/saverplus)

The term 'MoneyMinded facilitator' refers to interested community educators and financial counsellors who have experience and skills in financial counselling and/or adult education and training and have completed the MoneyMinded Facilitator Training Program, and intend to deliver MoneyMinded to members of their communities. Some of these facilitators are funded by ANZ through its partnerships. These are skilled professionals who assist ANZ in reaching the targeted audiences.

The term 'MoneyMinded participant' refers to someone who has attended one or more MoneyMinded workshops, or another type of workshop that has included content from the MoneyMinded program, or a person who has received individual counselling with a MoneyMinded facilitator and MoneyMinded content has been used in the counselling session. The 'participants' are the target audience – the low income people who are at risk of financial exclusion. These are the people ANZ are trying to reach through the program.

For the purpose of our analysis we treat the respondents as though they were a random sample<sup>2</sup>. To then calculate an estimate of the number of participants in the MoneyMinded program we use the sample data to calculate a 95% confidence interval of the mean number of participants per facilitator<sup>3</sup>. We then use the lower bound of this 95% confidence interval to forecast the total number of participants<sup>4</sup>.

## 2.3 RESULTS

### PARTICIPANT NUMBERS

An estimated total of 31,910 people have received MoneyMinded education between 1 October 2009 and 30 September 2010.

### FACILITATOR NUMBERS

Between 1 October 2009 and 30 September 2010, a total of 537 facilitators were trained. Overall (since 2005), a total of 3,960 facilitators have been trained to deliver the MoneyMinded program.

## 2.4 CONCLUSION

Since MoneyMinded was first delivered in 2005, there have been an estimated 125,366 participants who have experienced MoneyMinded education. Up until 30 September 2010 there are a total of 2,313 facilitators actively delivering the program across Australia. The reach of MoneyMinded continues to grow and is clearly a valuable tool for a wide variety of organisations in their efforts to increase levels of financial literacy in Australia.

<sup>2</sup> Strictly speaking these respondents are not a random sample. However this is only a problem in our analysis if their responses are biased in favour of those facilitators who report having trained participants. In fact, we find that over half of the survey respondents report no participants, thus suggesting the absence of any bias towards reporting trained participants.

<sup>3</sup> From our sample of facilitators we calculate the mean and standard deviation of the number of participants trained per facilitator. Given the assumption of treating our sample as random, we then use the central limit theorem and the associated normal distribution of the sampling distribution of the mean to calculate the confidence interval.

<sup>4</sup> Our lower bound provides a conservative estimate of the total number of participants. However, as we know very little about the true distribution of participants per facilitator, and because our sample is strictly not random, such conservatism is warranted.

## 3.0 CASE STUDY: MISSION AUSTRALIA'S YOUTH FINANCIAL LITERACY PROGRAM

While the growth and extent of the delivery of MoneyMinded across Australia is significant, it is difficult to measure the impact of financial education when it is tailored and adapted to suit the needs of a large variety of groups. Hence it is also important to focus in on its impact on specific groups using a case study approach. This method was used in order to obtain rich data about a program that was being conducted for the first time. This approach not only helps to inform program design and delivery but it also gives a deeper insight into how the program made a difference to the participants and what the outcomes and impacts were.

This section provides evaluation results of the Mission Australia Youth Financial Literacy Program. The program was delivered to youth at risk who are cared for by a range of Mission Australia services. Prior to the results will be an overview of the specific issues relating to financial inclusion and youth at risk. This will provide a backdrop to the case study and give a context to the results.

The Youth Financial Literacy Program used adapted content of MoneyMinded, and was jointly supported financially by ANZ and CPA Australia. Between July 2008 and June 2009 the program was delivered to 305 disadvantaged youth across New South Wales, South Australia, Western Australia and Victoria.

In what is a first in Australia, and perhaps one of the first studies internationally, the evaluation assesses the impact of a financial literacy program on youth at risk. In particular, the evaluation assesses the participants' confidence, knowledge and skills in money management, relevant to their context.

The evaluation also captured the experiences of facilitators delivering the program to the young people. This enabled us to gain insight into the special circumstances that need to be considered when offering financial literacy education to at-risk youth.

The participants involved in the program were vulnerable, not fully engaged in work or study and faced barriers to participating in mainstream society. Many had been expelled from school, or discontinued schooling as a result of family breakdown, substance abuse, homelessness or mental illness. The participants also had limited or no income and often had accumulated debts or outstanding fines.

Establishing financial security is a crucial factor in assisting these young people in working towards a fulfilling and rewarding adult life. The development of the Youth Financial Literacy program aims to provide these young people with a starting point in acquiring the basic skills and knowledge they will need in order to achieve financial security in the future.

### 3.1 FINANCIAL INCLUSION AND YOUTH AT-RISK

While the changing economic and regulatory landscape has affected all individuals, young people in particular have struggled to cope with the strong influences within the consumerist environment in which we live and the complexity of financial products and services. Of particular importance is the ability for young people to have access to money earlier in life than in previous generations, and also, as a consequence, to debt (West et al. 2006). In response, governments, banks and many welfare agencies have begun implementing a range of programs to increase the financial literacy levels of young people in an effort to lessen some of the already clearly visible outcomes of over indebtedness and an inability to pay bills and rent (Dowling, Hoiles, Corney & Clark 2008).

In general, young people, largely because of their age, financial inexperience and, in many cases, lack of access to appropriate role models, are vulnerable to financial traps. Youth who are at risk and disengaged from school or employment and suffer family hardship are especially vulnerable. This group requires even more targeted resources to prevent further disadvantage and to, perhaps, allow them the financial opportunity that is afforded to young people in general.

In global terms, there has been a significant and growing body of literature around youth financial literacy, and mounting evidence that carefully planned programs do have a positive impact at high school level on financial knowledge (Walstad, Rebeck & MacDonald 2010; Bernheim, Garrett & Maki 2001; Tennyson

& Nguyen 2001). However, there is only a very limited amount of research on the financial literacy of and financial literacy needs of youth at-risk.

Many of those involved in this study had not only experienced financial exclusion but also social exclusion. The impacts of these experiences are especially critical for youth as they are at a crucial transitional period in their lives as they shift towards 'autonomous adulthood' (France 2008a, p.496; Shildrick and Macdonald 2007; te Riele 2004). For 'at risk' youth, this transition has taken place in a period characterised in policy terms by wide ranging neo liberal reforms that have radically reshaped the nature of social welfare and have, in the process, also transformed the nature of social exclusion (Jordan 1996, 1998; Martin 2004; Wyn & Woodman 2006).

Social exclusion, low levels of education and low socio economic status are all closely intertwined and, in some cases, can result in situations where individuals find themselves completely outside – and without access to – mainstream financial services (Devlin 2009; Grimes, Rogers and Campbell Smith 2010).

A young person 'at-risk' is said to be '... beset by particular difficulties and disadvantages, ... thought likely to fail to achieve the development in their adolescent years that would provide a sound basis for a satisfying and fulfilling adult life' (Batten & Russell 1995, p.1). We are however, aware that the labelling of youth as 'at-risk' can in itself be detrimental and the term is utilised only its broadest descriptive sense, rather than as an analytical tool.

## 3.0 CASE STUDY: MISSION AUSTRALIA'S YOUTH FINANCIAL LITERACY PROGRAM

The changing social and economic structures that we face have had adverse effects on certain groups of young people. Wyn (2008) suggests that the changing social, political and economic landscapes over the last 20 years have had an impact on young people in the following ways:

- > The traditional pathways of childhood to adulthood are increasingly blurred and more complex than in the past. Labour markets are less certain, encompass different skill sets with changing economies; and there is simultaneous education and work experiences for the majority of young people in high school (Stokes & Wyn 2007).
- > One significant flow on effect of young people entering the workforce at least part time while still in school is the associated adult responsibilities and choices they have to face at an increasingly younger age. The boundaries between adulthood and childhood are less obvious. No longer can we use age as a definitive criterion in defining adulthood.
- > The wellbeing of youth has been negatively affected by the breakdown of social institutions, failure in the education system to adequately address diversity; dysfunctional family life; and insufficient community support. The fortunate young people are able to learn life skills through role modelling by parents, teachers or church leaders. However, if these role models are absent from a young person's life there is less opportunity to learn healthy life skills. 'Every young person needs at least one adult to turn to who will reliably respond, provide support and be a mentor' (Eldridge 2001, p.87).

Many youth at-risk do not have anyone they can reliably turn to for advice or help. They are more likely to admire pop stars, celebrities or sport stars than family members (Mission Australia 2008a).

Recent research in the United States has found that those young people whose parents possess higher education degrees are far more likely to have a higher level of financial literacy, when compared to those young people whose parents do not, or who are absent from their lives (Mandell 2008; McCormack et al. 2009).

Research and government initiatives have focused upon pathway transition points as being important to the wellbeing of young people. If young people fail to move successfully between education and work there is a greater likelihood of experiencing social exclusion and a range of negative life experiences in the long term (AIHW 2007). There is solid national and international evidence of a strong correlation between the education experiences of a young person and future employment outcomes (FYA 2008; Dusseldorp Skills Forum 2005).

There is much evidence pointing to a greater likelihood of a young person becoming at-risk when there are lower levels of engagement in work and/or study (Dusseldorp Skills Forum 2005; AIHW 2007). Around 14% of Australian young people aged 15 to 19 are not fully engaged in either work or study (AIHW 2007).

Mission Australia broadens the criteria of engagement by including indicators of: connectedness; physical and mental wellbeing; social and emotional resilience; affordable, secure housing; appropriate education and training; financial security; and aspirations/goals. The factors that impact levels of engagement include education background, gender and location of residence (Dusseldorp Skills Forum 2005).

Social and financial exclusion are products of individual, household and community characteristics (Mission Australia 2008). Disadvantage can be mapped and predicted according to local government areas. There is a postcode effect that predicts the likelihood of a young person becoming at-risk (Vinson 2007). This effect is noted in the differences in opportunity between regional and rural residents and metropolitan and city residents. There is a greater proportion of at-risk youth, and lower levels of engagement generally, in regional areas than in the metropolitan urban areas.

However, there are many pockets of disadvantage in metropolitan areas too, indicating that it is not necessarily distance that dictates the effect, but rather more entrenched socioeconomic characteristics. Indeed, James (2001) found, in a study of senior level school students' goals, plans and attitudes towards education, that differences were more attributable to socioeconomic status than distance. Socioeconomic background is strongly influenced by parental characteristics – employment and educational achievements.

Hence, certain groups of young people, born to the wrong postcode and/or inheriting outcomes of parental circumstances, face significant barriers to full engagement and social inclusion before they even start school.

So how do these factors impact levels of financial literacy and inclusion? ANZ's (2008) national survey of financial literacy in Australia found that individuals at either end of the age spectrum have the lowest levels of financial literacy in the population. Studies in the US also find that most young people are not well equipped to make good financial decisions (Lusardi et.al. 2009a).

Unsurprisingly, socio economic status is also correlated to financial literacy levels and inclusion. 'Financial illiteracy is not only widespread [among young people] but it is particularly acute among specific groups' (Lusardi et.al. 2009b, p.4). Family background including parent education levels has been found to influence the financial literacy levels of young people.

'Those in lower income and education brackets are more susceptible to being snared in the vicious circle of debt. In fact, debt becomes the very way of managing. Support systems are fewer, personal confidence is lower and typically, parents are less sympathetic, it is all part of the "school of hard knocks"' (Dangar Research 2003, p.10).

A Canadian study on financial inclusion for at risk groups found that these individuals are more likely to be excluded from the mainstream financial sector and are extremely vulnerable to the effects of financial insecurity (SEDI 2008). This study also found that individuals at-risk are very interested in receiving financial education and would like to be further engaged with mainstream banks. The study recognised that the organisations with the resources and the capacity to provide financial education are the least experienced in dealing with at-risk groups (SEDI 2008).

## 3.0 CASE STUDY: MISSION AUSTRALIA'S YOUTH FINANCIAL LITERACY PROGRAM

‘Those in lower income and education brackets are more susceptible to being snared in the vicious circle of debt. In fact, debt becomes the very way of managing. Support systems are fewer, personal confidence is lower and typically, parents are less sympathetic – it is all part of the “school of hard knocks”’

(Dangar Research 2003, p.10).

This highlights the importance of cross sector partnerships for the effective delivery of financial education.

In summary, the interdependency of low levels of education, low levels of engagement; and socioeconomic disadvantage is toxic to the development of resilient young people who are able to look forward to a prosperous future.

Helping young people, including those at-risk, to develop financial knowledge and skills relevant to their needs is a crucial element to increasing levels of engagement and providing hope for a financially sustainable adulthood. Further, it is a responsibility of all sectors, corporate, education, government and community, to ensure our young people are provided with the opportunity to gain the skills needed to reach their full potential.

The Youth Financial Literacy Program, an initiative of Mission Australia and supported by ANZ and CPA Australia, is an example of a cross sector partnership program that aimed to address the issue of low financial literacy among groups of at risk young people.

The program commenced in July 2008 and was completed in June 2009. It was delivered by Mission Australia facilitators in youth programs across New South Wales, South Australia, Western Australia and Victoria.

### 3.2 THE YOUTH FINANCIAL LITERACY PROGRAM

The program was based on the content of MoneyMinded, adapted by Mission Australia facilitators to be relevant to the very specific needs and circumstances of their at-risk youth participants.

The objectives of the program were to:

- > Provide at-risk young people with quality training in basic financial literacy
- > Provide support to young people who receive the training, in putting the skills and knowledge they have learned into practice
- > Provide incentives for young people to adopt positive behavioural change

Specifically the program was designed to give the participants skills to:

- > Identify their income and expenses
- > Set and work towards a realistic financial goal
- > To increase confidence levels in dealing with money management issues.

The program consisted of six hours of group financial literacy training and two follow up sessions with case workers over six months.

The program was delivered via a range of different youth services. The following is a brief description of the programs/organisations that delivered the Youth Financial Literacy Program.

## SUMMARY OF PROGRAMS/ORGANISATIONS THAT DELIVERED THE YOUTH FINANCIAL LITERACY PROGRAM

### CASE STUDY 1: Triple Care Farm

Triple Care Farm is situated on 100 acres of land at Knights Hill, near Robertson, NSW.

The service is for young people aged 16 to 24 who suffer a range of problems. The majority is aged 16 to 19 years and the average stay in the program is 52 days. All individuals that arrive in the program have substance abuse issues and most have a history of family breakdown, physical and/or sexual abuse. About a third of these young people have previously attempted suicide. Many have been homeless, have a criminal history and suffer mental health issues. Coming to Triple Care Farm is the first step for these young people in acquiring the skills they need to repair their lives and to give them a chance to participate in society.

### South West Youth Services

South West Youth Services is located in Sydney and provides education, employment, life skills and other support to marginalised youth. The service includes:

- > Drug and alcohol awareness program.
- > Post release support program, working with adolescents who have left detention.
- > Employment skills program for adolescents leaving detention.
- > Links to learning programs.
- > Job Placement Employment and Training program (JPET).

### CASE STUDY 3: Urban Renewal Landscaping and Construction: A social Enterprise

Urban Renewal offers targeted, place based training and employment for long term unemployed residents in Neighbourhood Renewal areas in and around Melbourne. Specifically, Urban Renewal Landscaping and Construction is a social enterprise that offers traineeships to youth at risk. The participants are under the age of 24 and not fully engaged in either work or school. Many have substance abuse issues; physical or psychological disabilities; may have been incarcerated in the past; and may have limited English speaking skills (Mission Australia 2008).

### Creative Youth Initiatives

Creative Youth Initiatives (CYI), through the use of the arts, helps young people build self esteem, improve communication skills and provide positive learning experiences and educational qualifications. The service offers approved courses in photography, creative writing, drama and graphic design.

Through these initiatives, young people are given access to information about substance abuse, sexuality, goal setting, dealing with feelings, assertiveness, working with others, health and training opportunities.

### CASE STUDY 2: Links to Learning (Wollongong, Campbelltown, and Fairfield)

'Links to Learning' is a program for early school leavers aged 15 to 24 years.

The 8-week program is an initiative of the NSW Department of Education and Training and is delivered through community organisations such as Mission Australia. 'Links to Learning' aims to assist young people to access, or return to, formal education or training.

Its targeted groups include: young people who have left school early; youth who have been involved with the justice system; homeless young people; young people from indigenous or non English speaking backgrounds; long term unemployed; and youth in substitute care.

### Getting to Work

The Mission Australia 'Getting to Work' program is offered in the Greater Dandenong area outside of Melbourne, primarily to young migrants and refugees. These young people face additional barriers to entering the workforce, including limited English speaking skills, lack of financial resources and lower levels of education.

'Getting to Work' is a three month program which helps young people develop the necessary skills and experience for employment. The program includes accredited training, work experience, mentoring, traineeship placement and ongoing personal support.

The program is supported by the Victorian Government Department of Innovation, Industry and Regional Development (DIIRD), local business and local youth and employment providers in Dandenong, and has utilised extensive consultation with local youth.

## 3.0 CASE STUDY: MISSION AUSTRALIA'S YOUTH FINANCIAL LITERACY PROGRAM

### 3.3 METHOD

For this study a mix of qualitative and quantitative data was collected.

A pre and post training methodology was employed to track changes in participants' financial knowledge, skills and confidence levels. A pre training survey [Pre] was conducted before participants undertook the program and two post training surveys were conducted after training was completed. The first post training questionnaire [Post (ST)] was completed by participants six weeks after the program and the second post training questionnaire [Post (MT)] was completed three to six months post training.

The program facilitators administered the questionnaires through group training workshops and/or one to one case management sessions.

A total of 153 pre training questionnaires were used in the evaluation. Some 153 participants completed the first post training questionnaire and 98 completed the third post training questionnaire.

Phone interviews were conducted with a number of facilitators to gain an insight into their experiences in delivering the program and their perceptions of the impacts on the young people.

### 3.4 QUALITATIVE RESULTS

The qualitative data from interviewing the facilitators provides examples of how the program has been used, the contexts and the type of impacts experienced by the young people.

A summary of these findings is included on the next page for each of the following three programs:

- > **CASE STUDY 1:** Triple Care Farm
- > **CASE STUDY 2:** Links to Learning
- > **CASE STUDY 3:** Urban Renewal Landscape & Construction

## CASE STUDY 1: Triple Care Farm

The Triple Care Farm facilitator was, at first, a little sceptical at the idea of including financial literacy education into the program she delivered. The youth at Triple Care (refer to section 3.2 for more detailed description) have experienced a range of difficulties. They all entered the program with substance abuse issues; approximately 90% have incurred state debts and/or gambling debts; many are without any income at all; and most have low levels of literacy. The financial literacy content had to be tailored and adapted considerably for it to have any relevance at all to these young people.

‘How can we talk about savings when there is not even enough money to meet necessities?’  
(Triple Care Farm Facilitator).

The young people stay at Triple Care Farm for approximately 12 weeks. Their overall program, which covers a range of life skill lessons, is divided into three phases. Each young person has to complete each stage before moving on to the next one. The financial literacy program is slotted into these three phases with one topic delivered within each phase. This arrangement works well, because it gives the young people an opportunity, over time, to think about the issues covered during the program.

One of the biggest challenges in delivering financial literacy training to these young people is that most of them do not have any income at all, or, if they do, there is never enough to meet their living expenses, let alone have any left over for saving. Some do not even have a bank account.

## Goal Setting

The facilitator cleverly used a hypothetical ‘dream job’ example to help illustrate the concepts of goal setting and budgeting. In the first lesson, the group members were asked to choose their dream job, and then research the job, find out what it pays, what qualifications are needed and then bring back to class the figures they could then work with in learning budgeting or achieving a financial goal. By working out the overall weekly income of the dream job, they were able to work out how much to put aside for living expenses and how much they might have left over to put towards a saving goal. This exercise also had a secondary benefit, helping the students to think about their future and what may be possible to achieve. Many have progressed to putting into action steps they need to take to achieve their desired job.

The facilitator reports one particular example of a longer term positive outcome from the dream job activity. This young person researched the job of a fork lift driver and found the hourly rate to be quite attractive. Triple Care Farm offers an on site opportunity to obtain a fork lift operator qualification so the young person completed his qualification at the farm, and has since found employment as a fork lift operator, is now living independently and has a relationship.

## Budgeting

In learning about budgeting, the young people also learn to distinguish between needs and wants. They discover that after meeting all commitments (needs) with a hypothetical income and budget, they can see that some wants may be achievable. For most of the young people, many of their needs are not met – transport; food; and housing are not guaranteed. This activity has inspired many to obtain work and to try to earn more income than government benefits can provide.

# CASE STUDY 1: TRIPLE CARE FARM

## Shopping tips

In the second stage the young people learned shopping tips. Firstly, the facilitator asked the students to look at the range of supermarket catalogues and helped them to identify 'good buys'. They then would go on an excursion to the supermarket. The young people learned how to get value for money when selecting products, e.g. buying seasonal fruit and vegetables; better priced brands; consulting nutritional labels on products; and choosing specials wisely. The young people really enjoyed the practical exercise and learned a lot through this hands on approach.

## Finding information

In the third phase, the facilitator offered resources and information about where to go for assistance on a range of financial issues, such as facing difficulties in paying a bill or rent; choosing mobile phone plans; Centrelink advice; and dealing with utility companies.

They also covered information on financial product fees and charges. The facilitator reported that this has had a huge impact on the young people. Most of them had no knowledge about the high costs of many financial products and how to avoid the unnecessary fees.

To these young people, a \$2.50 ATM charge has a significant impact on their welfare.

Many often wondered why they had, for example, only \$15 in their account when the day before it was \$18. The young people often expressed surprise and indignation when they discover their money was being taken away from them, out of their account, without their knowledge.

## Dealing with banks and bank products

The facilitator recommended the use of a basic savings account with bonus interest to the group and highlighted the concept of interest. The young people were delighted to learn their balance would increase if they didn't draw upon their funds. This example provided an opportunity to discuss interest rates. Many young people had credit card debt before joining the program and the facilitator was able to inform them about alternative products, such as debit cards, that would help avoid debt pitfalls.

The facilitator also reported that the young people feel intimidated by banks and avoid entering a bank or dealing with bank staff. They don't understand the information on brochures that are handed to them if they make an enquiry and are embarrassed to admit this to the staff.

The facilitator said that a greater knowledge about fees and charges has helped the young people enormously in choosing products better suited to their needs. The facilitator reports that after the program, many students have endeavoured to open bank accounts or change products, some who didn't have a tax file number completed the paperwork to obtain one. Hence, there is evidence that the program has transformed unbanked individuals into banked.

## Outcomes

While the Youth Financial Literacy program has helped some young people more than others, the facilitator reports that overall, the introduction of financial topics into the Triple Care Farm program has been a positive initiative. The facilitator has noticed that at the very least the young people seemed to have a sense of hope about their financial future after doing the financial literacy program.

The young people gained a sense of empowerment through increased knowledge and practical tips on issues that are relevant to them. Through the hypothetical 'dream job' and the opportunities afforded to them at Triple Care Farm, the young people got a glimpse of what could be and the potential they have to make it come true.

## CASE STUDY 2: Links to Learning

The Links to Learning program in Wollongong is targeted at early school leavers aged 15 to 24 and most participants are between 15 and 18. It is an eight week course with the Youth Financial Literacy Program being delivered in weeks three to four, over two separate sessions.

With low levels of literacy, and other challenges associated with at-risk youth, the topics covered have to be limited in number and relevant to the needs of this particular group.

## PROGRAM TOPICS

TABLE 1:

EMPLOYABILITY SKILLS	JOB SKILLS	LIFE SKILLS
Communication	Resume Writing	Personality Profiles
Teamwork	Work Experience	Conflict Resolution
Problem Solving	Interview Techniques	Public Speaking
Self Management	Portfolio Development	Personal Hygiene
Initiative and Enterprise	Self Marketing	Time Management
Learning	Tax File Numbers and Banking	Rights and Responsibilities
Technology		Basic nutrition and general health
Planning and Organising		Basic numeracy and literacy
		Budgeting and Finance
		Who can help me? (networks)

## CASE STUDY 2: LINKS TO LEARNING

Similar to Triple Care Farm, the Youth Financial Literacy program is delivered as part of a more comprehensive program (see Table 1). The Learning Links program aims to build employability, job searching and life skills. The Youth Financial Literacy program is covered in the life skills course component.

The Links to Learning facilitator was careful to ensure that the content suited the needs of these particular young people. The majority have no income at all, which makes topics such as saving and budgeting difficult and abstract. Many of the young people have outstanding transport fines and substance abuse issues.

### Accessing income

In the first lesson, the facilitator focused on means of accessing income. Then the facilitator moved on to the importance of distinguishing between needs and wants, paying committed expenses first and then putting aside anything leftover for themselves.

The facilitator said it was important to the young people to see the benefits of earning an income, so they can have some 'wants'. The lesson of goal setting was important and provided inspiration for planning a future. The facilitator reported that one of the most common goals the young people have is to obtain their car licence.

This was a motivating factor in inspiring them to look for part time work and have some money left over to save.

### Engaging content tailored for the group

In delivering the content to engage these young people, and to effectively illustrate often abstract concepts, the facilitator employs creative and innovative methods, taking into consideration the specific characteristics of each group – whether it is comprised predominantly of males or females, common issues and levels of general literacy.

For example, for a group of males, the facilitator takes them to a nearby park and plays a tug of war game. The game involves participants at one end of the rope representing bills and income at the other. Other means include using fake money that they budget with given a set of expenses and commitments. Because the lessons are associated with fun activities, the participants remember the content.

### Finding information

The facilitator noted that the young people found the lesson on resources and information on where to go for help to be very useful. Many did not have adequate family resources to call upon for help and were not able to learn financial lessons from the home environment.

### Outcomes

The facilitator reported that the most common noticeable outcome of the program was an increase in seeking work or work experience so they could actually have an income, in order to activate the lessons learned in the program.

Similarly to the experiences of the young people at Triple Care Farm, the program gave an opportunity to plan a future that is different to the reality that many of them were experiencing when they arrived in the program. The young people learned the steps they need to take to reach a goal such as obtaining a car licence, or having a mobile phone and through the program they saw it was feasible to achieve.

### **CASE STUDY 3: Urban Renewal Landscape and Construction (A Social Enterprise)**

Formerly known as UREEP (Urban Renewal Enterprise and Employment Program), this organisation provides traineeships in landscaping and construction for young people under the age of 24. The young people who undertake the traineeships have not been fully engaged in either work or study, present with some barrier to full engagement and a desire to have a career in either landscaping or construction. There is a wide range of young people with a diversity of cultural backgrounds and difficulties.

The Youth Financial Literacy Program was provided in conjunction with other topics and, although the program was delivered in a group setting, the facilitator had the benefit of also case managing the young people and interacting with them on a one to one basis throughout their traineeship. The young people were engaged with the organisation and the facilitator for a 12 month period, which was also advantageous in helping the young people develop and reinforce skills and knowledge learned in the workshops.

### **Linking to life events**

The facilitator reported that having contact with the young people over the year allowed her to illustrate the financial education lessons when relevant issues arose. For example, when a participant in the program starts living independently, the lessons covered in the financial literacy program are brought to life. The young person has a further opportunity to review and put into practice the lessons learned.

### **Learning how to manage income**

Unlike many of the participants in the other programs involved in the program, these young people had an income from the traineeship program. Hence the lessons on saving, budgeting and having financial goals were relevant to their current situation. The facilitator ensured that the examples used when discussing financial issues resonated with the groups. In the first lesson, the facilitator spent a lot of time finding out how the young people related to money and financial issues; what were they spending their money on? What were the specific financial difficulties they were facing? Did they have any goals? What did they hope for? The facilitator was then able to tailor the discussion to ensure the content met the needs of the group. The most common areas covered were: mobile phone plans; buying cars; dealing with utility companies; and credit cards; and budgeting for living expenses. Many participants had accumulated debt from unpaid fines, mobile phone bills, and quite commonly, money owed to family or friends. Some were also involved with the legal system because of financial difficulties.

# CASE STUDY 3: URBAN RENEWAL LANDSCAPE & CONSTRUCTION

## Spending leaks

The facilitator reported that one of the more noticeable impacts on the young people came from the lesson on how small amounts of expenditure can accumulate over a long period. For example, when the young people realised how much soft drink, cigarettes or illegal substances cost them over a long period of time they curbed these habits. This, of course, has health and wellbeing benefits for the young people too. The facilitator also noted that many participants started to bring their own lunch to work when they realised how much \$10 a day could grow to over time.

## Build on existing skills

The facilitator also recognised, and utilised in the program, the many skills the young people already had. They were encouraged to share their survival tips, demonstrating a level of resilience with which they are often not credited. This opportunity was valuable in developing social capital within the group, building information and knowledge between them.

## Outcomes

In terms of impact or changed behaviour after the participants finished the modules, the facilitator reported noticing a change in the young people's attitude towards money.

The young people tended to show a greater awareness and respect for money and saw it as a means of helping them achieve their goals. Again, having the benefit of being engaged with the young people over a 12 month period, the facilitator was able to continue dialogue with them about money. The facilitator was able to help out when financial issues arose and was able to integrate financial lessons into other areas such as housing, food, and purchasing goods and services

The program was a valuable addition to the organisation's social enterprise model and to the facilitator's resources as well. The facilitator reported that the program has given her a useful tool, helping her to provide greater assistance to the young people with whom she works. The facilitator emphasised that the program works well because it fits into the holistic framework advocated by the organisation. The facilitator believes that if financial literacy programs are provided to young people, there needs to be opportunity for follow-up and reinforcement for it to be of most use.

### 3.5 QUANTITATIVE SURVEY RESULTS

The participants were asked prior to undertaking the course, what they would most like to learn from the program. Most of the participants were interested in how they could make the most of their money and to learn what banks could offer them. There was also strong interest in learning how to get out of debt and how to avoid getting into debt.

Financial stresses on participants were explored through a comparable set of questions to those that have been part of the HILDA and ABS surveys, as well as being used in previous financial literacy research (Russell et al. 2006, 2009). The participants were asked if they had experienced any of the set of circumstances listed in **Table 2**. The results show that these participants are more financially stressed than low income households in general, as reported in ABS (2007).

The following results show the changes over a three to six month period in the young people's knowledge, attitudes and confidence in dealing with money.

#### INDICATORS OF FINANCIAL HARDSHIP TABLE 2:

<b>INFLUENCING FACTOR</b>	<b>YES (%)</b>
Could not pay a bill on time	51.7
Could not pay your living expenses	46.6
Pawned or sold something because you needed the money	29.7
Went without meals	58.4
Did not have a place to stay for the night	28.6
Asked for help from family or friends	50.0

## 3.0 CASE STUDY: MISSION AUSTRALIA'S YOUTH FINANCIAL LITERACY PROGRAM

### Confidence in managing money

The results showed strong increases over the time period in the participants' levels of confidence in managing money. The responses are coded on a seven point scale from 1 (not confident) through to 7 (very confident).

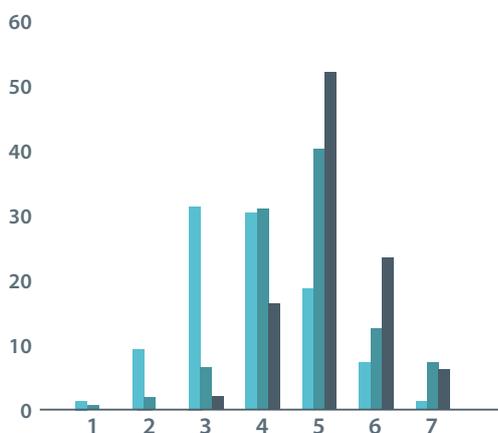
**Figure 1** shows that before undertaking the program, the responses were skewed towards the lower end of the scale whereas over time the proportion of responses shifted to indicate a greater level of confidence in managing money.

### Attitude towards being 'ripped off'

The issue of being 'ripped off' and how participants might deal with this was explored. The results of the three time periods are illustrated in **Figure 2**. We can see that the bulk of the changed response occurs between the pre training and the first post training survey and, encouragingly, there is a small continued drop in the proportion of young people who would respond by getting angry. There was a large shift in the proportion of participants who before the course would 'try to forget about it' to the response of 'try to find out what to do about it'. This indicates a change in attitude and also a sense of empowerment and having some control over the situation.

#### "HOW CONFIDENT DO YOU FEEL ABOUT MANAGING YOUR OWN MONEY?" FIGURE 1:

Comparison across pre-and post-surveys of participants' confidence levels in managing money

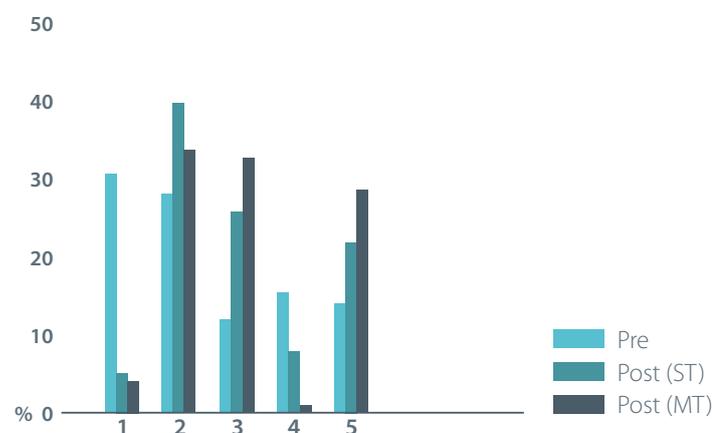


RESPONSE:

1. Not confident
2. -
3. -
4. -
5. -
6. -
7. Very confident

#### RESPONSES TO BEING RIPPED OFF FIGURE 2:

Comparison across pre-and post-surveys of participants' responses to being 'ripped off'



RESPONSE:

1. Try to forget about it
2. Tell friends so they don't get ripped off
3. Go back and try and get a better deal
4. Get angry
5. Try to find out what I can do about it

### Spending, planning and saving behaviour

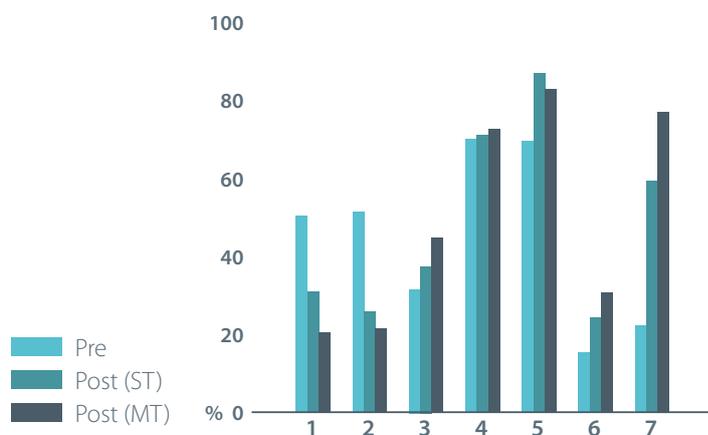
Spending, planning and saving behaviour are key components of money management. **Figure 3** shows improvements over time in budgeting and long term financial planning and reductions in spending all income as it comes in. These trends indicate the participants experienced greater control over their money after doing the program.

### Propensity to shop around for products and services

**Figure 4** compares the three time periods of the participants' propensity to shop around before purchasing a product or service. The results again show a continued improvement with more respondents seeing greater value in shopping around for a better deal.

### INCOME, PLANNING AND SAVINGS FIGURE 3:

Comparison of participants' spending, planning and savings behaviour pre and post training

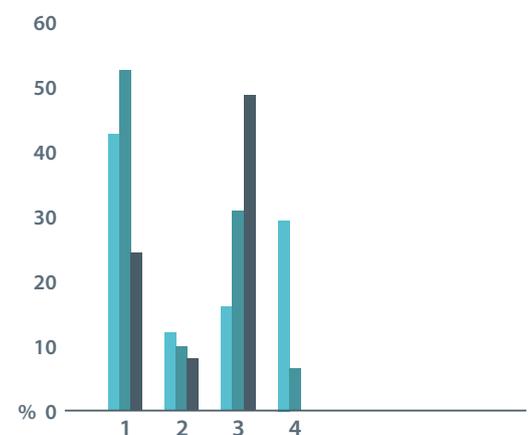


RESPONSE:

1. I spend all of my income as I get it
2. I feel like I don't have control of my money at all
3. If I had a major loss of income I could manage for a while
4. It is hard saving money for things I have to pay for
5. I have something I would like to save for
6. I have a long term financial plan
7. I use a budget

### SHOPPING AROUND FIGURE 4:

Comparison of participants' shopping behaviour



RESPONSE:

1. It might be worth it
2. The price is pretty much going to be the same
3. Yes it's worth the effort
4. Not sure, never thought about it

## 3.0 CASE STUDY: MISSION AUSTRALIA'S YOUTH FINANCIAL LITERACY PROGRAM

### Responses to receiving a large bill

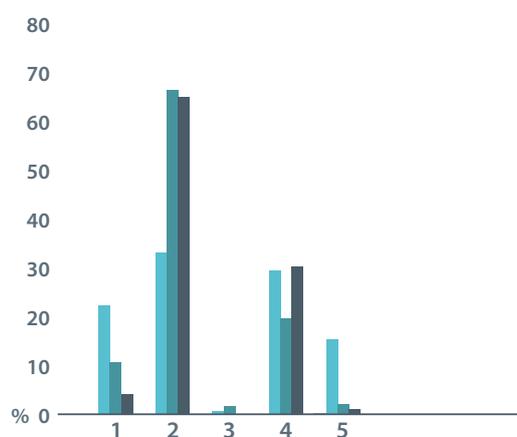
We also explored the participants' reactions to receiving a big bill that they couldn't pay. **Figure 5** compares the results of the three surveys relating to this issue. The results show that the bulk of the positive change in response to this question has taken place between the pre training survey and the first post training survey.

### Savings and goal setting behaviour

The final money management area explored was about savings and ability to set and achieve a financial goal. We again compare the results across the pre training and the two post training surveys. These results are reported in **Figure 6**. The results show a continued improvement over the time periods in saving and goal setting behaviour.

#### RESPONSES TO RECEIVING A BIG BILL FIGURE 5:

Comparison of responses to receiving a big bill across pre and the two post training surveys

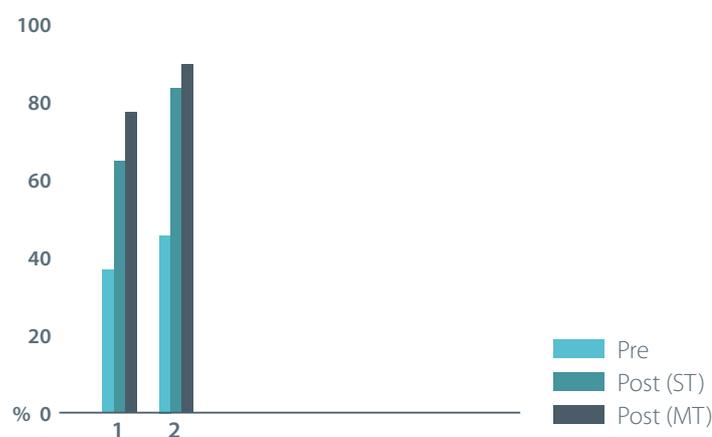


RESPONSE:

1. Try to forget about it
2. Ask for help to pay for it
3. Put it on a credit card
4. Call and ask for some more time to pay
5. Wait until they start chasing me for money

#### CURRENT SAVING AND GOAL SETTING FIGURE 6:

Participants' ability to save and set goals



RESPONSE:

1. Current savings
2. Goal setting

### 3.6 CONCLUSION

The Mission Australia Youth Financial Literacy Program, adapted from the MoneyMinded training program, has been successful in assisting youth at-risk to increase their understanding of money, have more confidence in using it, and in providing the first step in the pathway to a more sustainable lifestyle.

The characteristics of these young people call for a scaled down, uncomplicated foundation in money management education. Hence, it is important that stakeholder expectations for behaviour change and tangible impacts be adjusted accordingly. The delivery of financial literacy education has to be shaped to meet the needs of young people who face many barriers to full engagement; suffer from low levels of general wellbeing and often carry inherited burdens of intergenerational disadvantage.

A key success factor of the program is the cross sector partnership approach employed by Mission Australia. Having the support of ANZ and CPA Australia, and delivering the program through community organisations that best understand the needs of the young people, has resulted in an improvement of the financial skills and knowledge of the participants.

The results of this study indicate a broad range of positive behavioural changes resulting from the financial literacy training provided to youth at risk. In most cases there is a reported improvement in the initial findings at six weeks [Post (ST)], which is again found at three to six months [Post(MT)].

A framework in which to think about these results is provided by Shockey & Seiling (2004), and Seiling & Shockey (2006) where they outline that changes in financial management behaviour go through a four stage process of pre contemplation, contemplation, preparation and action. The positive changes reported by the participants in this survey suggest that they have started to move through this process, although a more formal and longer term study involving observed actions would be needed to assess how far through all these stages the study participants are likely to progress.

The facilitators delivering the program have noted behaviour change amongst the participants. These impacts include: a greater awareness and respect for money; a realisation that small expenditures can add up over the longer term; reduction in expensive and unhealthy habits such as smoking cigarettes and use of illegal substances; a greater incidence of self catering for lunches rather than buying; a greater propensity to set financial goals such as obtaining a driving licence and living independently; a recognition of financial product fees and charges and how to avoid them; a greater propensity to wish to increase income so they can achieve financial goals.

The facilitators have found the program to be a valuable addition to the topics covered in youth at-risk programs. The concepts are relevant to life skills development and employment topics. All facilitators agree that the program works best when the young people are engaged over a period of time. Similarly, the facilitators recommend follow up activity to further enhance the lessons learned in the program and to ensure progress in financial sustainability.

### 3.7 ACKNOWLEDGEMENTS

We would like to thank very much Norm Holmes from Mission Australia; facilitators from Triple Care Farm, Links to Learning Wollongong, and Urban Renewal for their assistance in providing data and insight into the Youth Financial Literacy Program.

## 4.0 AN OVERVIEW OF CURRENT RESEARCH TRENDS IN FINANCIAL LITERACY

How is it best to turn knowledge into action?  
A good start is to reach agreement on suitable definitions that are appropriate for all groups.

Over recent years, financial literacy as a topic of interest has come to the fore. The recognition of the need for greater levels of financial literacy and capabilities within our society has encouraged the financial sector, the government and community organisations to invest heavily in the development and implementation of financial literacy programs. The previous sections have reported on the widespread use of MoneyMinded and also provided an example of its use in assisting marginalised youth to develop confidence in the use of money and in financial decision making relevant to their situation.

This section provides a backdrop to the example of MoneyMinded by giving a snapshot of the global trends in financial literacy discussions and research. It is important to keep abreast of global developments in the area of financial literacy to ensure programs such as MoneyMinded are incorporating best practice principles and are effective and efficient in their delivery and impact.

Since the growth of the financial literacy education movement, we have learned a lot through practice and research. We have learned why some groups have lower levels of financial literacy than others; we have been able to identify which groups are more vulnerable to lower levels of financial literacy and we know that financial literacy education and capability is not the sole responsibility of the individual. It has also become clear that more knowledge will not necessarily lead to changed behaviour and, most importantly, we have learned that financial literacy alone is not sufficient for increasing financial inclusion. Financial literacy needs to be viewed as only one factor alongside adequate income, support, regulation and the provision of safe and affordable products.

There is no question that adequate levels of numeracy and literacy are needed to get by in our society, and financial skills and knowledge should be seen as a vital set of skills that children acquire as part of their preparation for fulfilling lives as adults. Indeed, there is evidence that, with today's societal pressures, children need these skills much earlier than did previous generations.

There is also widespread agreement that financially capable individuals contribute to a healthy economy. High levels of financial inclusion are required for robust financial systems to generate economic growth (Agrawal 2008; Mishkin 2008; Jappelli 2010). Related to this, Gnan, Silgoner & Weber (2007) argue that educated consumers greatly help to enhance market performance and contribute to the overall shaping of economic and social order. An Australian report (Chant Link & Associates 2004) concluded that financial exclusion affects not only the individuals excluded, but also has an impact at community and economic levels (Williams 2002; Kempson et al. 2000).

Financial literacy education is informed by a range of professional disciplines. For instance, behavioural economics has drawn on psychology and linked with economics to increase the understanding of how, and why, individuals make their financial decisions. Sociology is also involved, indicating a growing recognition of the roles that family, cultural and societal contexts play in the development, or the stunting, of the financial capabilities of individuals (Johnson & Sherraden 2007).

How is it best to turn knowledge into action?  
A good start is to reach agreement on suitable definitions that are appropriate for all groups.

## 4.1 DEFINITIONAL ISSUES

The Organisation for Economic Co operation and Development (OECD), defines financial education as:

"... the process by which financial consumers/ investors improve their understanding of financial products and concepts and, through information, instruction and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well being." (OECD 2005)

While many groups concur on the necessity of financial education, a basic definition – or even the use of the term 'financial literacy' itself – has been a source of much disagreement. For instance, the question, "what makes a person financially literate or illiterate?" is far from clear and often debated.

Suggestions have been made for a generalised definition. For example, Remund (2010) goes some way to conceptually complicating the situation for definitional coherence by calling for grounded and usable general definitions to be applied across the board. Indeed, for Remund, definitions of financial literacy fall into two, albeit overlapping, categories: conceptual definitions 'which explain abstract concepts in concrete terms'; and, operational definitions 'which convert these concrete terms into measurable criteria' (Remund 2010, p.279). He sees conceptual definitions falling into five categories:

- > knowledge of financial concepts;
- > the ability to articulate an understanding of financial concepts;
- > a capacity to manage personal finances (Emmons 2005);
- > an ability to make appropriate financial decisions (Stone, Wier & Bryant 2008, p.12; Kozup & Hogarth 2008, p.31), and;
- > confidence in planning effectively for one's financial future.

To date, the most influential study that moves towards overcoming some of the definitional issues around financial literacy was undertaken in the UK for the Financial Services Authority. Atkinson, McKay, Kempson & Collard (2006) found that it was more helpful to view financial literacy as a set of capabilities, better reflecting the multi faceted nature of financial literacy and reducing the temptation to over simplify the concept or marginalise certain groups by considering a person financially literate or not. In other words, while an individual may be very capable of budgeting on a daily, weekly, or even monthly basis, for instance, their circumstances might be such that long term planning is made excessively difficult, because of, for instance, inadequate income levels or pre existing debts. Additionally, as Emmons (2005), Kempson, Collard & Moore (2006) and Pape (2008) have noted, financial literacy must be evidenced in one's behaviours according to context, not solely by one's knowledge of financial matters.

## 4.0 AN OVERVIEW OF CURRENT RESEARCH TRENDS IN FINANCIAL LITERACY

Globally, the Atkinson, McKay, Kempson & Collard (2006) work is generally agreed to as a useful framework with which we can understand more comprehensively the nature of financial literacy and capability. They see financial capability as comprising four domains:

- > managing money, including making ends meet and keeping track of expenses,
- > planning ahead, being prepared for unexpected events and having appropriate attitudes towards planning for the future,
- > choosing products, knowing about financial products, being aware of attitudes to risk and associated behaviour and being confident in choosing appropriate financial products, and
- > staying informed, being aware of changes in the economy and their impacts, keeping up to date with new financial products or changes to existing ones and also knowing where to access relevant information.

This leads to a simple definition of being financially capable as:

‘being able to manage money, keep track of finances, plan ahead, make informed decisions, and stay up to date about financial matters’ (CFEB 2010)

In the US, where the term financial literacy has long been embedded, some are now calling for a re think of the term ‘financial literacy’ in favour of ‘financial capability’, which is seen to be more representative of the skills and knowledge required for financial wellbeing (Johnson & Sherraden 2007; Gordon 2010; Karnani 2010).

Johnson and Sherraden have a particularly good definition, which encapsulates the goals of most groups in working towards financial inclusion.

‘Participation in economic life should maximise life chances and enable people to lead fulfilling lives. This requires knowledge and competencies, ability to act on that knowledge, and opportunity to act. This involves linking individual functioning to institutions.’ Johnson and Sherraden (2007, p.122)

The important aspect of Johnson’s and Sherraden’s view is the inclusion of a pivotal role for institutions and the environment in developing financial capabilities.

They recognise that external factors have a role to play in an individual’s ability to develop financial capabilities. Furthermore, different groups are faced with different environmental factors. Disadvantaged or minority groups do not have the same opportunities to engage with mainstream financial institutions as those with more wealth or from more advantaged backgrounds. Johnson and Sherraden (2007) advocate a ‘learning by doing’ approach in which financial institutions are involved in providing access and opportunity to those who are financially excluded.

In some research ‘learning by doing’ has been found to be the single most important factor in acquiring financial knowledge (Hilggert, Hogarth & Beverley 2003) and has been increasingly acknowledged as a vital part of financial education efforts (Monticone 2010). Education is best delivered when it is linked with a financial product or service.

The case study in this report is an ideal example of how ANZ, a leading financial institution, is working with partners to create opportunity for those who, for many reasons, lack access to financial products and services, to become engaged with banks and banking products.

## 4.2 FINANCIAL CAPABILITY AND WELLBEING

There would be few, if any, that would argue against the need for adequate understanding and skills in managing money. However, a question that is often overlooked in our quest to help people improve their financial capabilities is, 'what does it actually mean for the individual?' The consumerist environment of the western world puts high value on money. Whatever the morals of this value, the norms exist and we spend much of our lives thinking about money, earning it, trying to get more of it and spending it. Unfortunately, there are significant disadvantages for those who don't have enough, lack the opportunity to obtain sufficient income, or lack the skills, knowledge and confidence to use money effectively.

Hence, the more we can understand the impact of financial capability on wellbeing, the more evidence we have to validate investment and efforts to raise levels of financial capability within society.

There are seven overall domains of wellbeing identified in the Australian Unity Wellbeing Index:

- > Health
- > Future security
- > Personal relationships
- > Community connection
- > Personal safety
- > Personal achievements, and
- > Standard of living

All these factors are directly, or indirectly, affected by financial resources.

The latest wellbeing survey conducted in Australia showed that people who have low control over their finances have the lowest level of wellbeing (Okerstrom, 2010). In particular there are five out of the seven domains that are significantly affected by financial control: sense of achievement in life; community connection; sense of future security; standard of living and mental health (Okerstrom 2010). A recent UK study found that 'being in control of finances' is the most significant driver of financial wellbeing (Centre for the Study of Financial Innovation 2009).

One of the most valuable areas of research to emerge recently has been the exploration of links between levels of financial capability and wellbeing. It is well established in the health discipline that high levels of stress, including financial hardship, can lead to physical health problems. Now, studies are suggesting correlations between levels of financial capability and psychological wellbeing.

A large UK study has been conducted using the national British Household Panel Survey (BHPS) in order to examine the relationship between psychological wellbeing and financial capability. The study found, '... greater financial incapability is associated with greater mental stress, lower reported life satisfaction and a greater likelihood of reporting health problems associated with anxiety or depression' (Taylor, et al. 2009). In addition, the study showed that the strongest relationship between financial incapability and wellbeing was at the lower end of the distribution of financial incapability. This means that as financial capability improved, so did the psychological wellbeing and life satisfaction ratings of most respondents. Therefore, the study concluded that, '... changes in financial capability lead to changes in psychological well being' (Taylor et al. 2009). This evidence forms a strong argument for increasing the levels of financial capability in the community.

## 4.0 AN OVERVIEW OF CURRENT RESEARCH TRENDS IN FINANCIAL LITERACY

### 4.3 TURNING KNOWLEDGE INTO ACTION

One of the major findings of the UK research (Atkinson et al. 2006) highlighted the need to recognise that attitudes and behaviour are just as significant, if not more so, than having knowledge and skills. Indeed, it has been said that financial literacy can be viewed as, '20% knowledge and 80% behaviour' (Pape 2008).

While the financial literacy focus should be on improving people's decision making capabilities, much financial education largely focuses on empowering the consumer through the dissemination of knowledge (Williams 2007). It is easier, and more efficient, to deliver 'knowledge' and the outcomes are easier to measure. However, this ignores the importance of financial literacy education in equipping people with the *capability* to make wiser financial decisions (Vitt 2004). While the impact of the well informed consumer cannot be denied (Han & Sherraden 2007; Brennan & Coppack 2008), both proponents and critics of financial literacy education recognise the need to change behaviours for a longer lasting impact. The link between knowledge and behaviour is crucial.

Gallery and Gallery (2010) have called for financial education providers to take account of behavioural economics principles and also for financial institutions to take certain behavioural principles on board when designing and promoting their products and services. They see the Global Financial Crisis (GFC) as an important trigger for reconsidering the nature of financial literacy programs. Financial literacy education efforts will not be effective in changing behaviour unless they are part of an integrated solution, involving both financial institutions and regulators.

Braunstein and Welch (2002) claim, '... the assumption that the presence of more information will lead to improved behaviour is faulty' (p. 453). Indeed, some believe more information can be detrimental to making better financial choices (De Meza, Irlenbusch & Reyniers 2008). "Information overload" does not necessarily correlate with greater understanding or better informed behaviour.

Educators and program deliverers must also be cognisant of when information is given. Unsolicited information or advice tends to be at best discounted and at worst, leads to detrimental behaviour (Bonaccio & Dalal 2006; Deelstra et al. 2003; Goldsmith 2000). Advice or education is most useful when it is sought by the individual.

It is also important who gives the advice. The 'messenger' has been found to be a significant factor in whether the individual acts upon the advice given (Duflo & Saez 2003). Individuals need to trust and value the person / organisation giving the information for it to be useful. This explains why many people rely upon, sometimes to their detriment, financial advice given by family or friends.

Nofsinger (2008) and Gallery & Gallery (2010) argue that the illusion of knowledge may lead to over confidence which may lead the individual to be less risk averse.

Too much choice, or information, can freeze decision making, for fear of making the wrong choice. The consequences which follow from this may lead to further financial hardship and even personal bankruptcy (Fear 2008; Lucas 2008; Merton, 2008; Nofsinger 2008). A recent survey found that 42% of Australians agree there is too much choice when it comes to making financial decisions (Fear 2008).

Nofsinger (2008) and Gallery & Gallery (2010) argue that the illusion of knowledge may lead to over confidence which may lead the individual to be less risk averse.

People's tendency to prioritise 'the now', or myopia as argued by Munnell (2008), can also prevent people from planning financially for the future. Procrastination, inertia, loss aversion, mental accounting and status quo bias are all, likewise, common human tendencies that can have dire impacts on personal finance and future financial security. Inertia especially has been recognised as a common but key factor in individuals failing to make adequate plans for their retirement (Choi, et al. 2003).

Building on the seminal work of Atkinson et al. (2006) that helped to define what financial capability looks like, research for the Consumer Financial Education Body, UK, investigated behavioural interventions that contribute to improved financial capability (Elliott et al. 2010). This study incorporated behavioural theories to enhance understanding of financial management behaviour. With a better understanding of the drivers of financial decision making behaviour we can determine how best financial capability can be improved. Elliott et al. (2010) produced a framework, MINDSPACE, categorising nine effects on behaviour that contribute to financial capability. **Table 3** summarises these effects. The authors advocate the use of this framework when assessing interventions.

**MINDSPACE FRAMEWORK OF BEHAVIOURS THAT DRIVE FINANCIAL CAPABILITY**  
**TABLE 3:**

Messenger	We are heavily influenced by who communicates information
Incentives	Our responses to incentives are shaped by predictable mental shortcuts, such as strongly avoiding losses
Norms	We are strongly influenced by what others do
Defaults	We 'go with the flow' of pre set options
Salience	Our attention is drawn to what is novel and seems relevant to us
Priming	Our acts are often influenced by sub conscious cues
Affect	Our emotional associations can powerfully shape our actions
Commitments	We seek to be consistent with our public promises, and reciprocate acts
Ego	We act in ways that make us feel better about ourselves

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This framework encapsulates many of the behavioural economics principles that have been identified as important in the field of financial literacy. The study is also important because it (along with Johnson & Sherraden 2007) highlights the importance of context and the environment as crucial factors in affecting behaviour. It shifts the focus from traditional behaviour change theory of 'changing minds' to that of 'changing context'. Elliott et al. (2010) draw on work by Thaler & Sunstein (2008) identifying two systems operating simultaneously in the brain.

System one represents the 'automatic' processes in our brains the unconscious, fast, emotional, effortless processes. System two is seen as the more reflective, or cognitive, processes using controlled, deductive more rational and self aware characteristics. Elliott et al. (2010) suggest that more effective progress can be made in improving financial capability if we work with the 'automatic' processes rather than solely concentrating on the reflective, or system two, processes.

The automatic system in our brains has not been given particular consideration in the past, as more effort has been given to changing people's cognitive processes usually through the provision of information or incentives. They quote a Nobel Laureate in Economics, Daniel Kahneman, who said, '... environmental effects on behaviour are a lot stronger than most people expect' (Kahneman 2008 in Elliott et al. 2010).

While it is not advocating that reflective processes are irrelevant to financial capability, the study did find that the 'automatic' processes can be more powerful in driving behaviour. Interventions (such as MINDSPACE) which use a combination of strategies that take into account the reflective, but mostly automatic, processes are more effective in developing financial capability (Elliott et al. 2010).

In terms of attempting to increase financial capability, it would be useful to identify exactly what behaviours are most important in determining financial capability.

The recent UK study mentioned earlier, which identified 'having control over finances' as being the most important driver of financial capability (Centre for the Study of Financial Innovation, 2009) also found that this driver specifically comprises behaviours and attitudes that are related to 'keeping track of finances' and 'making ends meet'.

Also important in financial capability is the propensity of an individual to 'plan ahead'. The study found that the 'planning ahead' component comprises two significant factors individuals being able to adjust expenditure according to circumstances faced, and mental accounting, such as allocating money to different "pots" for different purposes. From this research, Elliott et al (2010) were able to establish a hierarchy of financial capability behaviours (see **Figure 7**).

Elliott et al. (2010) suggest the fundamental component of financial capability is 'keeping track', no matter what the individual's income level or economic stratum. Unless people keep track of their finances, they are unable to assess when adjustment to expenditure behaviour is needed. Similarly, keeping track will also increase the likelihood of making ends meet. It is only when both these behaviours are demonstrated that one can plan ahead. For the segments of the population fortunate enough not to have to be concerned about making ends meet from week to week, keeping track is a natural prerequisite to being able to plan ahead.

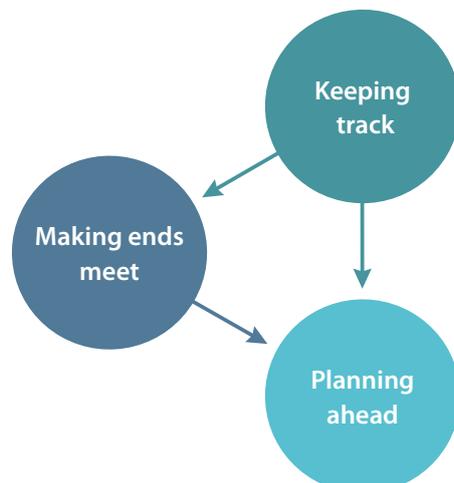
The range and number of financial literacy programs available now is extensive. So it is not lack of information that inhibits financial capability, perhaps it is that unsolicited information is neither as valued nor likely to be acted upon. The challenge is to generate motivation for individuals to seek out and learn from available resources. For some, the GFC has created this motivation. The decline in the value of superannuation and their investments has prompted many to take more control of the management of their money (Gallery & Gallery 2010).

Another change has been the national increase in savings. The media has been energetic in drawing attention to the dangers of over indebtedness. Some have learnt, through experiencing employment loss, the perils of over commitment on credit cards, mortgages and personal loans. Perhaps 'learning through suffering' is a successful strategy in changing behaviour, but ideally this path should be avoided.

Financial education which helps people develop a set of critical thinking skills that can work in individual situations, taking account of needs, values and goals, is more valuable than the ability of ease at using numbers (Kozup & Hogarth 2008). Education should enhance the motivation to act in one's own self interest. It is argued that the success of financial education should also be dependent on an individual's ability to make life choices based on their own financial situation (Securities Institute of Australia 2005; Lyons, Chang & Scherpf 2006).

Research into the success of Saver Plus, a savings program developed by ANZ and the Brotherhood of St Laurence suggested that the presence of key personal characteristics were crucial to being successful in reaching a savings goal. The characteristics identified were: Level of personal motivation; level of stability in their family / work life; financial skills and level of financial stress and support networks (Chant Link & Associates, 2009).

**HIERARCHY OF FINANCIAL CAPABILITY BEHAVIOURS**  
**FIGURE 7:**



Also important in financial capability is the propensity of an individual to 'plan ahead'.

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Dixon (2006) suggests that providing information during critical moments, when people are more engaged and interested, will be a more effective way of closing the motivational gap. By tying educational materials to other topics, such as improving health, buying a mobile phone, purchasing a car, or starting work, for example, financial educators are more likely to exploit teachable moments.

When do these 'teachable moments' occur? What life events require the most intervention? Taylor (2009), in exploring the effect of life stages on financial capability, found the following key results.

Negative impacts on financial capability and financial wellbeing are associated with the following life events: having a baby; being unemployed; breakdown of relationships; and retirement.

Positive impacts on financial capability and financial wellbeing are found in the following life stages: entering the workforce; having an employed partner; getting married; and being older than age 55.

Landvogt, (2008) advocates the need for targeted and relevant education that is contextualised, and most importantly, works with the existing capacities of the individual.

Educators are not starting with blank canvasses. It is important to recognise that individuals already have many capabilities and skills that can be utilised and tuned into financial matters. The skill of the financial educator is in being able to identify both behaviours and skills that are conducive to financial capabilities and those that are presenting barriers to further financial skill development.

Ideally, financial literacy, or competence, should encompass a fundamental set of skills established in childhood that continue to grow and evolve, as required, through different life stages. While such financial competency was, in the past, learned from family through the necessities required for commonplace existence, the need for a somewhat more formalised approach to financial education has become increasingly important (Johnson & Sherraden 2007).

## Effective financial education needs to include more than just dissemination of knowledge.

### 4.4 CONCLUSION

Worldwide efforts to improve financial literacy are encouraging and the recent economic crisis only adds to the argument for more resources and strategic efforts to be dedicated to the most effective means to improve levels of household financial wellbeing. Access to financial education is important and should be recognised as a basic right. The development of financial skills and knowledge should, ideally, begin in the home and continue in school, the workplace and the community at large.

Effective financial education needs to include more than just dissemination of knowledge. It needs to bring about changes in behaviour.

The introduction of behavioural economics to the field of financial literacy has been most significant in moving it forward. Understanding the relevant psychological constructs behind financial decision making is crucial in influencing behavioural change.

It is also important that regulators and financial institutions, in pursuing more robust financial systems, are aware of these concepts. Key concepts such as 'opt out' or default arrangements have already proved valuable in, for instance, increasing retirement savings. Other relevant concepts are removing situational barriers to facilitate greater access to financial services (Grimes, Rogers & Campbell Smith 2010); being aware of the effect of information overload and too much choice; and framing information to assist individuals in making the best financial choices.

Successful efforts in Australia are due to the responsible actions of financial institutions and regulators. For instance ANZ, acting from the basis of sound research, has developed a long term strategic approach to improving financial literacy, especially among low income households. By working hand in hand with the community sector, the approach of ANZ also incorporates best practice.

The literature shows that targeting the most vulnerable populations is best done through the community sector, which understands the needs, values and circumstances that impact the financial behaviour of low income individuals and can use targeted knowledge and expertise to more effectively deliver relevant financial education to those who need it most.

A strategic approach across government, business and the community sector will assist people manage debt, reduce instances of over indebtedness, build retirement savings and to cope more effectively with economic shocks. The efforts dedicated to improving financial literacy are encouraging and facilitate financial wellbeing.

# 4.0 AN OVERVIEW OF CURRENT RESEARCH TRENDS IN FINANCIAL LITERACY

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