



ASIC

Australian Securities & Investments Commission

Financial literacy: ASIC update

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CHECK AGAINST DELIVERY

Introduction

Thank you to the ABA for inviting me to speak with you today. It is good to come together to discuss current practices and new innovations in our collective work to improve the financial literacy of all Australians.

Today, I'd like to talk about:

- ASIC's recent financial literacy work
- looking ahead to our priorities for 2016-17 and beyond, and
- the development of the next National Financial Literacy Strategy.

ASIC's financial literacy program

Financial literacy is a key component of ASIC's regulatory toolkit. It complements our enforcement and surveillance activities, and supports ASIC's strategic priority of building investor and consumer trust and confidence in the financial system.

Our financial literacy program also reflects ASIC's broader vision – to allow markets to fund the economy and, in turn, economic growth and in doing so contributing to the financial wellbeing of all Australians.¹

To do this, ASIC's financial literacy program invests in three significant areas:

- the National Financial Literacy Strategy, which ASIC leads and co-ordinates with support of the Australian Government Financial Literacy Board, in line with international best practice
- providing impartial and trusted financial guidance and tools to support informed financial decision-making for all Australians through ASIC's MoneySmart website and other channels, and
- supporting the delivery of financial literacy in the formal education sector through ASIC's MoneySmart Teaching program.

I will touch briefly on each of these areas.

Australia's National Financial Literacy Strategy

Australia's current [National Financial Literacy Strategy](#) covers the period 2014-17 and builds on the first National Strategy released in 2011. The National Strategy provides direction for the many organisations invested in improving Australians' financial capabilities. It reflects international best practice, research and feedback and input from a wide range of key stakeholders.

As the Government agency charged with leading and coordinating the National Strategy, ASIC is committed to a unified, national approach to supporting Australians' financial literacy and ultimately their financial wellbeing.

As I'm sure many of you are aware, the National Strategy is built around five strategic priorities. They are:

- Educate the next generation particularly through the formal education system;
- Increase the use of free, impartial information, tools and resources;
- Provide quality targeted guidance and support;
- Strengthen coordination and effective partnerships; and,
- Improve research, measurement and evaluation

One of the important underlying values of the National Strategy is that of shared responsibility and collaboration across sectors.

Over 60 organisations - many here today - have signed up as Supporters of the National Strategy and are operating programs and activities aligned to one or more of the strategic priorities.

We were glad to acknowledge these programs, as well as many others undertaken by the sector, in our first [Annual Highlights report](#) under the National Strategy which was

¹ See [ASIC's Corporate Plan 2016-17 to 2019-20](#)

released in November 2015. The report, the first of its kind, tells a story of strong commitment across sectors, provides a snapshot of the richness and diversity of activity, and highlights both quantitative data and outcome stories. I look forward to your participation again this year.

Being a Supporter of the National Strategy means being part of a community of organisations across industry, government and the community sector working together on the same roadmap, sharing information and supporting each other's work where appropriate. Supporters of the Strategy are also able to see the collective impact of their work and better understand where scarce resources are needed most.

My challenge for everyone in the room today running a financial literacy program, is to make sure you are identified as a Supporter of the Strategy, that you are part of the conversation and recognised for your good work and activity to grow Australians' financial capabilities.

ASIC's MoneySmart

As many of you will recall, ASIC's MoneySmart website was launched in 2011, and has grown and developed in line with innovation and consumer trends and now encompasses a range of digital tools, mobile apps, infographics and of course social media.

In 2015-16 there were 6.1 million unique visitors to MoneySmart; 4.7 million uses of our calculators; and over 140,000 downloads of our apps. Considering there is no requirement for anyone to visit the website this demonstrates a strong demand in the community for independent and trusted financial guidance, something our research tells us over and over again.

While some of the guidance and resources produced by ASIC are relevant to everyone (e.g. budgeting, superannuation etc.), we understand that Australian consumers and investors are a very diverse group.

Targeted approaches and tailoring guidance, tools and resources to respond to particular issues and challenges, different audiences and a variety of personal circumstances is an integral feature of ASIC's financial literacy work.

Earlier today the Hon Kelly O'Dwyer MP, Minister for Revenue and Financial Services, launched ASIC's new Simple Money Manager – a tool which supports consumers from culturally and linguistically diverse backgrounds with everyday budgeting. This tool brings together ASIC's commitment to inclusiveness and accessibility with our focus on digital innovation to provide a practical resource people can use every day. The use of translated text and audio as well as the addition of pictorial icons has been designed to support people from a wide range of backgrounds and circumstances – including for example, someone who moved to Australia many years ago and has continued to mostly speak and read their native language, as well as someone who has arrived in Australia more recently, and anyone who finds reading English challenging.

ASIC has also recently released some other tailored resources including:

- New digital tools to empower consumers at key financial decision points, and when they may be subject to other influences, including the ‘Rent vs Buy’ calculator, developed in partnership with the Department of Human Services, which shows the true cost of a consumer lease. Also, our new MoneySmart Cars app, which shows the real cost of buying and maintaining a car taking account of decisions around finance and insurance, including add-on insurance products
- The Women’s Money Toolkit, developed in partnership with the Department of Prime Minister and Cabinet Office for Women, which is designed to empower women’s financial decision-making at key life events. We have recently added the ‘Divorce and Separation Financial Checklist’ and the ‘Asset Stocktake Calculator’ to help people navigate the financial aspects of divorce and separation, which disproportionately impacts women, and
- Targeted resources for Indigenous consumers including the ‘Take a Minute with Your Money’ video series featuring Indigenous elder Aunty B, which focus on book up, consumer leases and car financing.

These new digital tools complement and support ASIC’s regulatory and enforcement work in these sectors and are designed to improve demand-side capability at critical financial moments. For example, our new MoneySmart Cars app is part of our overall approach to improving consumer outcomes in relation to the sale of financial products in car yards, where we have seen numerous examples of consumers being sold products on commission that are expensive and poor value for money. I am pleased to tell you that the app has recently been recognised as the ‘Best in Class’ in the 2016 Interactive Media Awards in the financial information, government and automobile category.

In developing our tailored guidance and resources, we consult with relevant stakeholders and undertake rigorous consumer testing to ensure what we produce is user friendly and ‘speaks’ to the various segments we are targeting.

So a particular thank you to the many stakeholders here today who worked with us to develop and distribute these resources.

I encourage all of you here to visit ASIC’s MoneySmart, promote and share the site through your networks and channels, like us on Facebook, follow us on Twitter and continue to be part of the everyday conversations about money that we encourage all Australians to have.

Priorities for 2016-17 and beyond

In 2016-17 we are taking forward a stream of work to better understand and engage Australian seniors and support financial decision-making at key times.

While many Australians aspire to work as long as they can, people do not always retire when they envisaged – life often intervenes with job loss, illness, cognitive decline or changes in family circumstances.

We are all well aware that Australia has an aging population. The proportion of the population aged 65 and over is expected to increase from 15% in 2015 to 22% by 2055, primarily due to rising life expectancy and lower birth rates.² Cognitive decline also is significant issue for our society. In 2015 the Australian Institute of Health and Welfare estimated 1 in 10 Australians aged 65 and over had dementia. It is estimated that around 342,800 people currently have dementia with projections suggesting this number will increase to around 400,000 in 2020 and 900,000 in 2050.³ Diminishing cognitive function combined with increasing complexity in the financial environment may impact on financial decision making and/or vulnerability to fraud, scams and financial abuse.

To understand how we can best support seniors' money know-how we are undertaking qualitative and quantitative research as well as detailed consultations with key stakeholders. We also held an incredibly useful roundtable a few weeks ago where some of you here today, along with many others, shared valuable insights and perspectives.

We have taken some steps already, having recently published new information on the impact of memory loss on a person's finances and how people can set up their finances so they can be managed responsibly. Similarly, we've published new information about spotting signs of elder financial abuse and where to go for help.

I think many of you would agree that the issues and financial decisions seniors face as they plan for and live in retirement are complex and wide-ranging.

ASIC's MoneySmart Teaching program

At the other end of the age spectrum, I've no doubt everyone in this room would also agree that it is important to start learning about money from a young age. We know that attitudes and habits towards money are formed early in life.

Over the years ASIC has therefore worked closely with key stakeholders, including ACARA (the Australian Curriculum, Assessment and Reporting Authority) to embed financial literacy in the Australian Curriculum. What this means is that young people all over Australia will now be learning about money in Maths, Business and Economics, and across all learning areas through General Capabilities. We still need however to support teachers, principals and parents to bring the subject matter to life.

ASIC's MoneySmart teaching program has delivered professional learning to 20,500 teachers since 2012 and last year reached 54% of all Australian schools. While this is good going, we still have some way to go in ensuring all Australian schools engage with the professional development and resources available. (Again, you can help here by encouraging your local school to get on board with the program.)

We are committed to helping teachers raise the financial literacy of the next generation so they can confidently manage their money and engage with financial services. To this end there are a number of important initiatives underway to build on our work with schools.

These include:

² Australian Government [Intergenerational Report](#), 2015

³ Australian Institute of Health and Welfare, [webpage on dementia](#)

- An independent evaluation of the impact of ASIC's MoneySmart Teaching program in schools, including the impact the program has in the broader school community
- Developing an Indigenous Learning Framework that considers the cultural context of money management in Indigenous communities, and
- Progressing the suite of resources designed for, but not limited to, the vocational education sector, which includes new resources for young people starting a business.

We are also working closely with tertiary students, developing key messages around student loans and building capacity in university students studying to be teachers – to help them be better prepared for the classroom.

Looking ahead: Developing the next National Strategy

In the coming months we will be consulting key stakeholders on setting the direction of the National Strategy for 2018 and beyond. I encourage you to be part of these conversations and we look forward to hearing your views.

To date, our ongoing discussions with stakeholders have told us that the five strategic priorities of the National Strategy I outlined earlier remain relevant and valid in the current environment. This is not surprising given the long term nature of this work and the intention to provide a sustainable foundation.

Having said that, we have already identified a number of issues worthy of consideration as the financial literacy landscape has evolved over time. These include:

- a shift from financial literacy to financial capability
- consideration of priority audiences in the context of demographic changes, and
- the impact of behavioural insights and new technology.

We intend to canvass views on these issues during the consultation on the new Strategy, and no doubt others may also emerge.

Financial capability

Touching on the first of these, an important conversation we will have will be about whether it's time to shift the strategic focus and terminology to 'financial capability' from 'financial literacy'.

This is about more than nomenclature. Over the years, the focus of our work has become much more than trying to increase people's knowledge about finances; it has become about building capability through influencing behaviour and action. In other words, it is more about what people do when faced with financial choices, decisions or opportunities, rather than just what people know.

'Financial capability' is therefore arguably already a more accurate description for our endeavours in this space.

Shifting the strategic focus of the National Strategy from financial literacy to financial capability would also bring Australia into line with a number of countries, including the UK and New Zealand, where our counterparts have adopted this approach.

More broadly, there are a number of work streams that are highly relevant to our work in this space. One such work stream is the development of Financial Inclusion Action Plans, being coordinated by Good Shepherd Microfinance, and involving many of the Supporters of the National Financial Literacy Strategy. ASIC is pleased to be part of the Advisory Group for this project. We understand that – regardless of terminology – financial literacy or capability is a key contributor to, and also outcome of, greater financial inclusion, and we look forward to ensuring that this project continues to complement and support our shared goals.

Other relevant pieces of work include recent research and thinking that's been done around financial resilience by the Centre for Social Impact and NAB, and work being funded by a grant from Financial Literacy Australia to develop a financial wellbeing framework.

The development of the next National Strategy gives us an opportunity to further explore and reflect these interconnected concepts.

Priority audiences

As well as supporting the financial capabilities of all Australians, the National Strategy identifies a number of priority audiences that may face particular challenges or experience circumstances that make them vulnerable, where we seek to provide additional support or focus for our efforts.

The priority audiences include: Indigenous Australians, pre-retirees, seniors, women, consumers who may be vulnerable, and consumers from a culturally and linguistically diverse background.

While I have no doubt that the groups already identified in the current National Strategy will remain just as important going forward, we want to discuss and explore whether there are specific needs of other sections of our community too and the impact of demographic change. For example, we have recently been approached by service providers working with people living with a disability as to how we might be able to support their financial decision making.

Behavioural insights and new technology

At ASIC, we are embedding an understanding of behavioural insights across all of our functions, including our financial literacy work. This is relevant to how we design our tools and resources, how we frame information and the importance of understanding how working with biases and defaults can empower consumers. This is a relatively new and evolving space, and is one that we will be looking to incorporate and apply into the new National Strategy to help enhance the impact of our programs and activities.

In terms of technology, we are all aware that we are moving into an increasingly digital world. We think this presents benefits and opportunities, but also challenges for some Australian consumers, and the way in which we interact with them. This is something we are keen to explore further when developing the new Strategy.

Conclusion

I would like to finish today by again acknowledging the many important and successful financial literacy initiatives underway in Australia.

This work remains a long term behaviour change initiative, and as the financial sector changes and develops, so too should consumer abilities to engage and respond.

To recap, this is an area that we all know is important and where there is much to be gained by working together. Everyone has an interest in and role to play in building the financial literacy of Australians, including government, financial institutions, large and small businesses, community organisations and the education sector

I encourage all of you to become Supporters of the National Strategy, to promote and share ASIC's MoneySmart resources and we will welcome your input as we take forward the development of the National Strategy for 2018 and beyond. We will be working to ensure that the National Strategy continues to provide a practical roadmap for future work, takes best advantage of all we have learnt and developed, and has clear direction and provides inspiration.

I look forward to continuing to work with you, and in doing so further strengthen our shared commitments to supporting the financial capability of all Australian consumers.