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Financial Literacy and Financial Literacy Programs in Australia

Andrew C. Worthington

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Andrew C. Worthington

Abstract

Financial services markets require consumers to be more financially literate if they are to manage their finances effectively. In response to observed deficiencies in financial literacy, a large and increasing number of financial literacy programs have been implemented worldwide, not least in Australia. The purpose of this paper is twofold. First, review the existing evidence on the level of financial literacy in Australia, along with the posited determinants and potential impacts on consumers and the marketing of financial services. Second, survey programs currently in place aimed at increasing the level of financial literacy across the population as a whole and in specific groups set in place by government, industry, community, and workplace initiatives. The paper includes comments concerned with measuring, assessing and understanding financial literacy and the purpose, design and evaluation of financial literacy programs.

Key words: financial literacy; financial literacy programs; Australia

JEL Codes: D89, I29

INTRODUCTION

Over the past two decades, interest in financial literacy and its improvement has increased massively worldwide. In the US, the Federal Reserve Board-founded Jumpstart Coalition for Personal Financial Literacy (2013) has since the early 2000s biannually surveyed the financial literacy of high school students, and one response has been the proliferation of state legislation mandating financial literacy in school curricula. More recently, the US Senate Committee on Banking, Housing and Urban Affairs conducted hearings into the state of financial literacy and education and the US Department of Treasury (2012) created the Financial Literacy and Education Commission with a specific focus on improving national financial literacy.

Likewise, there has been ongoing and burgeoning interest in financial literacy programs by businesses in the US, especially financial institutions. In evidence, the Blanton (2011) identified more than 4,000 websites providing financial education and financial decision tools serving diverse online communities. The Consumer Bankers Association's (2005) Survey of Bank-Sponsored Financial Literacy Programs irregularly assesses some of these programs, finding that 89 percent of banks in the US were involved in running school financial literacy programs as primary sponsors, partners or supporters of third-party programs, while 50 percent were also involved in college-based programs. The Consumer Bankers Association (2013) itself is also a participant in a number of other key financial literacy initiatives, including the Credit Fairy campaign helping consumers educate themselves on how they can improve their credit scores, an America Saves Week with the Consumer Federation of America and the American Savings Educational Council aimed at improving knowledge of saving, Hit the Books Running focused at early planning for parents and college students to avoid or lessen the burden of student debt, and the HOPE NOW and Project Lifeline campaign to increase financial literacy among possibly defaulting mortgage borrowers.

Similarly in the UK, as early as 2003 the Financial Services Authority called a summit of industry leaders and consumer activists to develop a strategy to advance consumer education, information and generic financial advice. This has manifested itself most notably in 2010 as the Consumer Financial Education Body, now The Money Advice Service (2013), an independent body that promotes personal financial literacy. Several other longstanding financial literacy programs also operate in the UK. For example, the Personal Finance

Education Group (2013) aims to raise the competence of personal finance educators, while the Citizens Advice Bureaux (2013) seeks to increase the level of financial knowledge in the broader community.

Other financial literacy initiatives throughout the world include financial literacy programs implemented by the Financial Consumer Agency of Canada (2013) and the Canadian Bankers Association's (2005) Building a Better Understanding program and the New Zealand Retirement Commission (2013) and the New Zealand Financial Literacy Programme developed by Enterprise New Zealand Trust (2005). For instance, the Canadian Banker's Association (2005) program is described as "...a major, long-term commitment to help improve Canadians' knowledge about the economy and personal finance [and] includes the publication of a series of information booklets, Web sites and educational seminars". Enterprise New Zealand Trust's (2005) efforts are defined as "...school-based programmes and activities [that] raise awareness and provide practical opportunities for students to take part in financial decision-making, and develop money management capability".

These major government and industry initiatives, of course, do not include the countless financial literacy programs initiated, sponsored, and funded by hundreds of individual community groups and workplaces in these countries, sometimes in partnership with government and/or industry associations. They also do not reflect the efforts by various intergovernmental bodies to promote financial literacy and coordinate national financial literacy programs. These include, most notably, the World Bank (Xu and Zia 2012) and the Organisation for Economic Cooperation and Development (OECD) (2005, 2012), with both surveying existing national programs, providing guidance on the direction national financial literacy strategies should develop in the future, and in the case of OECD (2012), a pilot study comparing international financial literacy. It also includes the OECD (2013) in developing an international financial education knowledge gateway and coordinating inputs into school curricula and a consistent assessment framework through its Programme for International Student Assessment (PISA) (OECD 2012). In relation to the latter, the OECD is currently testing 15 year-olds across 18 countries on their personal financial literacy, with the results scheduled for release in a PISA report at the end of 2013 or early in 2014. Aspects of financial literacy tested include: dealing with bank accounts and credit/debit cards; planning and managing finances; understanding taxes and savings; risk and rewards; consumer rights and responsibilities in financial contracts.

In Australia too, a number of government and industry reports have highlighted the need to better understand and improve financial literacy. The Australian Law Reform Commission's (2005) *Seen and Heard* report very early found that young people were ill informed about a wide range of consumer services, while the ANZ's (2003, 2005, 2008, 2011) triennial *Survey of Adult Financial Literacy in Australia* has consistently shown that while most Australians have basic financial literacy, young consumers and those from low socioeconomic backgrounds were at a disadvantage in making informed decisions about money management. Similarly, the Australian Securities and Investments Commission's (ASIC) (2005) *Financial Literacy in Schools* report championed financial literacy programs inside and outside of schools. And the Consumer and Financial Literacy Taskforce's (2004) *Australian Consumers and Money* stocktake of initiatives by public, private and community sector bodies found that while there was no shortage of consumer information, much of that material was not known, not properly targeted or not used by Australian consumers.

Other reports, of both government and nongovernment origin, relevant to our understanding of financial literacy in Australia include the Financial Literacy Foundation (FLF) (2007, 2008), National Australia Bank (NAB) (2011) and the Commonwealth Bank Foundation (CBF) (2004a, 2004b). This proliferation of policy-related information on financial literacy in Australia and the ensuing growth in financial literacy programs has also stimulated a small but rapidly growing academic research interest in this area. These include, among others, Garman et al. (1999), Beal and Delpachtra (2003), Brown et al. (2004), Marcolin and Abraham (2006), Worthington (2006, 2008), Cardak and Wilkins (2009), Fry et al. (2008), Samy et al. (2008), Gerrans et al. (2009), Tennant et al. (2009), Wagland and Taylor (2009), Croy et al. (2010), Gallery et al. (2011), Taylor and Wagland (2011), Sandlant (2011) and Bateman et al. (2012).

One problem facing Australia's many financial literacy stakeholders particularly is the sheer volume of the published and unpublished material available on the measurement and level of financial literacy for which no concise synthesis currently exists. A related problem is that nearly all financial literacy programs in Australia have been in place only a short period of time and about which comparatively little is known. Accordingly, the purpose of this paper is twofold. First, review the existing findings on financial literacy in Australia, along with its purported determinants and potential impact on consumers and the marketing of financial services. Second, survey programs currently in place aimed at increasing the level of financial literacy across the population as a whole and in specific groups set in place by

government, industry, community, and workplace initiatives. The paper concludes with some observations concerned with measuring, assessing and understanding financial literacy and models for the systematic evaluation of financial literacy programs.

Importantly, this paper is not exclusively intended as a literature review of academic research into Australian financial literacy. Its rather broader objective is to discuss the existing state of knowledge of financial literacy and financial literacy programs, which in nearly all cases has been gathered from government and industry reports not academic research. This then provides a useful snapshot for domestic and international financial literacy stakeholders [including in Australia, Commonwealth, State and Territory policymakers, charities and nongovernment organisations (NGOs), industry and professional associations, unions, financial and nonfinancial firms, financial and consumer legal services advisors, schools and further education institutions, and researchers] interested in better understanding the Australian financial literacy context as a necessary starting point.

The remainder of the paper is divided into three sections. The first section provides a synthesis of the government, industry and other reports concerning the definition, measurement and level of financial literacy in Australia. The second section surveys the financial literacy programs currently in place. The paper ends with some brief comments.

FINANCIAL LITERACY IN AUSTRALIA

Definition

Financial literacy means different things to different people. For some it is a broad concept, encompassing an understanding of economics and how household decisions are affected by economic conditions and circumstances. For others, it focuses narrowly on money management, including budgeting, saving, investing and insuring. Yet others concede it as a topic in its own right, but necessarily derived from fundamental mathematical and language literacy, with the former ‘numeracy’ involving the recognition and understanding of the role of mathematics and the disposition and capacity to purposefully use mathematical knowledge and skills, and the latter ‘literacy’ involving knowledge and skills related to listening, reading, speaking, and writing, and using language for different purposes in a range of contexts.

Lastly, there can be different implications for definition in diverse contexts. For instance, the OECD (2012: 4) points out that:

In high-income countries...financial literacy is often viewed as a complement to consumer protection. One of the primary goals of financial education is therefore to equip individuals with the capability to navigate a complex array of financial products, including pensions and mortgages, and to make sound financial decisions...In low-income countries, however, financial outreach is much more limited, and more sophisticated consumer products are typically accessible only to a small percentage of the population. The role of financial literacy in increasing access to and take-up of financial services therefore receives more focus. Another important distinction is that people in low-income countries rely to a much greater extent on microenterprise for their livelihood. Acquiring managerial capital, or business skills and knowledge, is thus a more relevant component of financial capability than for the typical wage-earning worker in a developed country.

These considerations equally apply in a national context, where the financial literacy required of, say, school children, will differ markedly to that expected of a mature-age retiree. Consequently, financial literacy can be absolute, comprising some standard of knowledge assumed common or desirable for all consumers, or relative, where the standard varies according to personal skills, needs and experiences and current and possible interaction with financial services markets.

For the most part, the definition of financial literacy most commonly used in Australia is that employed in the triennial series of national adult financial literacy surveys conducted by the ANZ since 2003 (ANZ 2003, 2005, 2008, 2011) where financial literacy is:

The ability to make informed judgements and to take effective decisions regarding the use and management of money.

Derived itself from a UK report to the Natwest Group Charitable Trust by the National Foundation for Educational Research (Schagen and Lines 1996), this definition has been subsequently adopted by nearly all financial literacy reports and studies in Australia, most notably by ASIC (2011) [and before then, its predecessor in the role, the ALF (2007, 2008)], the regulatory body tasked with implementing the *National Financial Literacy Strategy*. Of course, much is implied in this rather modest definition. For example, the ANZ surveys agreed that financial literacy was about people being informed and becoming confident decision makers in all aspects of their budgeting, spending and saving, but that measures of financial literacy should reflect individual circumstances, and were therefore relative. As

such, knowledge was “...only to be tested against an individual’s needs and circumstances rather against the entire array of financial products and services, some of which they will neither use nor need” (ANZ 2003).

Likewise, ASIC (2011) has more recently conceded that this definition acknowledges that financial literacy means more than just understanding how things work and that it also encompasses making good choices and applying them. In this sense, ASIC (2011) argued that the concept of ‘financial literacy’ prevailing in Australia actually related more to the UK term ‘financial capability’ in terms of acting on knowledge gained, but ‘financial literacy’ as a term was now firmly embedded in policy and practice. However, ASIC (2011: 12) also pointed out that there was “...considerable anecdotal evidence to show that the term ‘financial literacy’ is not currently understood in many circles, and many of those we want to target with financial literacy programs find the term off-putting. We therefore plan to further consult on the right language to use to pursue our agenda of enhancing the financial wellbeing of Australians by improving financial literacy levels, when we undertake our review of this strategy in two years’ time”.

Elsewhere in the reports relevant to financial literacy, its definition is consistent with that ultimately enshrined in the *National Financial Literacy Strategy* [see, for example, CBF (2004a, 2004b)], though often with some qualification. For example, the Australian Bankers’ Association (ABA) (2013) pointed out that “Financial literacy is not just about numeracy – even if we are good with numbers we might not be good at managing our money. Financial literacy is about people gaining a practical understanding of financial matters and the consequences of their own behaviours that will affect their financial well-being”, while NAB (2011) like ASIC (2011) recognised the parallels in the use of the term ‘financial literacy’ alongside ‘financial capability’ in discussing demand-side factors affecting financial exclusion. Nonetheless, it is clear that the definition of financial literacy commonly used in Australia is mostly consistent with that commonly applied by intergovernmental bodies like the World Bank and the OECD (2011) in being “...a combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial wellbeing”.

Level and determinants

Three sets of large-scale surveys of financial literacy have been undertaken in Australia to date, two by financial institutions, the ANZ Bank (2003, 2005, 2008, 2011) and the

Commonwealth Bank through the CBF (2004, 2006), and one by a Commonwealth government-funded agency, the FLF (2007, 2008) whose responsibilities subsequently shifted to ASIC in 2008.

Australia's first national survey of financial literacy was conducted on behalf of ANZ by Roy Morgan Research in 2003 and consisted of two parts: a telephone survey of 3,548 adults alongside an in-depth survey of 202 adults consisting of a self-completion component and an interview. For the telephone survey, financial literacy was gauged using responses to a set of 80 questions aimed at measuring adult financial literacy. These included: (i) mathematic literacy and standard literacy questions to test mathematical, reading and comprehension skills; (ii) financial understanding questions to evaluate understanding of what money is, how it is exchanged, and where it comes from and goes; (iii) questions on financial competence to check understanding of basic financial services, financial records, awareness of risk and return and attitudes to spending and saving; and (iv) questions on financial responsibility to confirm knowledge of life choices, rights and responsibilities and confidence when resolving problems (ANZ 2003). A measure of financial literacy was then calculated using these responses. Where responses were drawn from a scale (i.e. very well, fairly well, not very well or not at all) points ranging from 2 to –2 were allocated depending on the level of financial knowledge discerned by the interviewer. Where responses were on a non-rating scale (i.e. true or false), 2 points were awarded for correct answers and –2 for incorrect answers. After summing the scores, respondents were assigned to financial literacy quintiles, ranging from 1 (lowest quintile of scores) to 5 (highest quintile of scores).

In general, the finding of this first ANZ survey were that persons with low levels of financial literacy were also characterized by low levels of educational attainment, income and employment, were frequently younger and mostly single, and possessed less than average levels of debt and savings. But language and mathematical literacy (apart from multiplication) appeared to be adequate, and basic financial terms were easily understood, though the level of understanding of advanced financial terms was much less. By the 2008 ANZ survey (now conducted by the Social Research Centre at the University of NSW) when 3,500 adults were again surveyed by telephone, the results once again pointed to a strong relationship between financial literacy as measured and individual socioeconomic and demographic characteristics, with respondents scoring significantly less than the mean level of financial literacy comprising those aged 18–24 years and 70 years and over, females, those whose formal education did not go beyond Year 10, and those living in areas of relative

socioeconomic disadvantage (ANZ 2008). Reflecting this link with socioeconomic disadvantage, mean scores were also lower among the unemployed, low-level blue-collar occupations, those whose main source of income was a government benefit or allowance or with household incomes less than \$25,000 per annum, those who spoke a language other than English at home, and the Indigenous. Conversely, mean financial literacy scores were significantly higher for persons aged 35–59 years, males, those who had completed a university degree, high-level white-collar occupations, and those whose annual household income was at least \$150,000 per annum.

The 2008 survey also commented on behaviours linked with better financial literacy, including the use of many and diverse information sources, obtaining advice from an accountant, tax specialist or financial planner, shopping around for alternate products and the use of online financial calculators (ANZ 2008: 3). Usefully, the 2008 survey also compared itself with the original 2003 and the 2005 surveys (the latter conducted by AC Nielson), with the results generally indicating population-level improvements in saving behaviour, knowledge of investing, and knowledge of the rights and responsibilities relating to financial products and services (ANZ Bank 2005). By the fourth and most-recent survey in 2011 (now again by Roy Morgan Research) of 3,502 respondents, financial literacy was now envisaged as consisting of five separate components: keeping track of finances, planning ahead, choosing financial products, staying informed, and financial control, with separate financial literacy indices calculated for each component. For the most part, the results reflected the results found earlier in the 2008 survey, but evidencing the increasingly rapid uptake of electronic banking and access to internet-based sources of financial information.

Soon after the first ANZ survey, the CBF (2004) conducted a telephone survey of 5,000 Australians in partnership with Eureka Strategic Research and the Centre of Policy Studies at Monash University. The results not only found that the 10 percent of the population with the lowest financial literacy were significantly more likely to be aged between 16 and 20 years, male, unemployed or students, and have lower levels of education and personal and household income, but asserted that increasing the level of financial literacy for this group by ‘a modest amount’ over ten years would contribute \$6 billion per year to GDP and create over 16,000 new jobs! It was anticipated that this would be achieved directly through improved decision-making and productivity in the workforce, less capital wastage, and the increased flow of funds to more profitable businesses via better saving and investment decisions, and indirectly via a reduction in the need for welfare, increased economic

opportunities, the bolstering of national savings, and the creation of well-informed consumers (CBF 2004). The survey also revealed that 85 percent of respondents primarily learned about managing their finances through 'trial and error'. A subsequent survey, CBF (2006), required 50,000 Year 9/10 students from 500 schools across Australia to complete an objective assessment task comprising 48 multiple-choice questions related to everyday financial situations. The findings indicated that no more than 50% of students were able to understand any single basic financial literacy concept, mostly comprising matters relating to the use of bank deposits and credit cards.

The final major source of information on financial literacy in Australia is from a survey of 7,500 Australians aged 12 to 75 years conducted by the FLF (2007). This telephone survey obtained the responses to a series of questions regarding attitudes to money and money management behaviour across seven topics (budgeting, saving, investing, credit and debt, planning and retirement, protecting money, and information and advice) and 13 corresponding money management issues. For example, the topic on information and advice included three issues comprising the understanding of financial language, dealing with financial services providers, and getting information about money. For the most part, the results in FLF (2008) echo the results of the earlier major surveys, but with some additional interesting insights. For example, the survey identified that there was not one but many possible paths to financially-literate behaviour and better financial outcomes, representing different life experiences, abilities, attitudes, beliefs and behaviours. Further, depending on how these factors combined for each person, they would be more or less aware of financial literacy and more or less open to learning and willing to engage in better money management.

Respondents also appeared to have different motivations and expectations about financial matters, and different views about the goals that were relevant and important to their own circumstances. Similarly, commonly held attitudes and beliefs regarding money may adversely affect financial literacy, regardless of whether people are confident in their ability to manage money, i.e. ability does not necessarily translate into practice. In FLF (2008) the responses to this survey were re-examined to more closely focus attention on the attitudes and behaviours of the subsample of 4,138 women when it came to using and managing money. This report identified four issues where overall confidence was relatively low, and therefore recognition of the importance of learning was relatively high (planning for the financial future, investing, understanding financial language and ensuring enough money for retirement), and consequently the areas of greatest self-identified need.

Apart from these large-scale national surveys of financial literacy in the Australian population, a number of smaller surveys have also thrown useful light on financial literacy in Australia. In very early work, Beal and Delpachitra (2003) surveyed first-year students across a number of faculties at the University of Southern Queensland and tested skills and knowledge in basic financial concepts, financial markets and instruments, planning, analysis and decision making, and insurance. The results indicated that most respondents scored reasonably well for basic financial literacy concepts. However, financial literacy was found to vary significantly with work experience and income, and business students generally outperformed those in other disciplines, irrespective of age. Later, Worthington (2006) used the underlying data in the 2003 ANZ Survey to more closely address the determinants of financial literacy in a multivariate framework. Factors examined include gender, age, ethnicity, occupation, education, income, savings, and debt, with the results indicating higher financial literacy for persons aged between 50 and 60 years, professionals, business and farm owners, and university/college graduates. Literacy was found to be lowest for the unemployed, females, and those from a non-English speaking background with a low level of education.

A similar approach was later applied in Worthington (2008) to specific financial knowledge relating to superannuation (private retirement income) using a subset of 2,516 superannuation fund members, this time from the 2005 ANZ Survey. Overall, about 60 percent of respondents were found to correctly answer only 50 percent or less of the questions posed, with evidence that that knowledge of superannuation was unevenly spread across respondents, and generally lowest for females, those from a non-English speaking background, those with low levels of education and persons aged less than 30 years, and generally better for professionals, those aged over 40 years or nearing retirement and the university educated.

In other work, Tawfik et al. (2008) surveyed university students, but not so much with the intention of measuring the level of financial literacy, rather the basic financial knowledge of key products common to youth in Australian society. Likewise, Tennant et al. (2009) used data collected from 1,265 individuals who sought substantive financial counselling assistance from Anglicare Victoria in Gippsland, Victoria between 2001 and 2004 as a means to establish a link between financial literacy and ‘financial hardship’ with most persons experiencing hardship as variously defined having lower levels of literacy. This was used to support the argument that appropriately targeted financial literacy education could serve as a

useful tool, at least in part, to alleviate the causes and consequences of financial hardship in the community.

University students again provided the sample when Wagland and Taylor (2009) surveyed 165 undergraduate students at the University of Western Sydney in 2004. The results here indicated that 74% of respondents were able to correctly answer most questions displaying a reasonable level of general personal financial knowledge, but only 53% of students had an adequate understanding of financial terms and concepts. Interestingly, while the findings indicated a need to improve financial literacy skills amongst students, gender was not found to be a significant determinant of a low level of financial literacy. In a final Australian survey, Gerrans et al. (2009) modified 20 questions drawn from ANZ (2005) and the US Jumpstart surveys and surveyed 48 Indigenous respondents in Perth. Comparing the results for this group with those of the national 2005 ANZ Survey, the results suggested that some areas of financial knowledge was significantly weaker for this group than the general population, suggesting the significant need for financial education among urban Indigenous Australians.

Apart from these domestic surveys, international research has also addressed matters relating to the level and determinants of financial literacy in Australia. For instance, Japelli (2010) compiled a countrywide dataset for 55 countries over the period 1995 to 2008 with the indicators of financial literacy obtained from interviews with senior business leaders in each country based on their subjective assessment of the financial literacy prevailing in the general population. The results showed that financial literacy varied substantially across countries, with Australia ranked fifth-highest in terms of financial literacy among the sample countries (after Singapore, Finland, Ireland and Hong Kong). Elsewhere, using a survey of 25,550 participants across 28 countries in 2012, Visa ranked Australia third (after Brazil and Mexico) in terms of the financial literacy of the population using the responses to five very basic questions on money management and budgeting (Practical Money Skills 2012)

Summary

To varying degrees, these studies have made a positive contribution to our understanding of the level and determinants of financial literacy in Australia. First, the results generally indicate that most Australians have reasonable levels of financial literacy and mostly feel confident about their knowledge of financial issues. Second, nearly all Australians appear to know and understand simple day-to-day money management concepts like budgeting, credit,

savings and debt, but struggle with more complex concepts like investments, superannuation and saving for retirement. Third, very many Australians generally appear open to the benefits of financial education, and rely on a wide range of information and advice services when researching financial decisions and/or trying to gain financial knowledge. These include informal (e.g. family and friends, the media) and formal (e.g. financial advisers, accountants and providers) sources. Finally, a large number of factors appear to influence financial literacy, including attitudes and beliefs about money, interest, confidence and engagement in financial matters and socioeconomic and demographic characteristics (e.g. age, gender, education, income, ethnicity).

Problematically, most of what we know about financial literacy is garnered from just a few major reports and these are not without criticism. A first major weakness is that respondents are sometimes only asked questions about financial products and services they use or are familiar with or very basic products and services. While this certainly ensures an appropriate context, it ignores the fact that consumers should also be informed about products and services, including the increasingly financially sophisticated products and services evident today, in which they are yet to partake. Marcolin and Abraham (2006) argue that this is especially noticeable when comparing the findings of the ANZ surveys with the roughly coterminous CBF survey (2004), with the former exhibiting more positive results overall resulting in the appearance of higher levels of financial literacy among the Australian population. That said, it is also not desirable for financial literacy to be ascertained based on the knowledge and understanding of very complex financial products and services as it would be more effective and efficient for consumers to instead recognise their innate limitations and turn to professional financial advice.

A second major weakness is that most surveys employ subjective assessments, which rely on respondent's perceptions, attitudes, self-reported behaviour and self-assessed level of financial knowledge. They therefore ignore objective assessments, which measure and test people's understanding of financial terms through, say, 'multiple-choice', 'true/false' or 'short-answer' questions. Nonetheless, even these sorts of questions do not very often link with the apparent ability to make good financial decisions as they merely test the level of financial knowledge (ASIC 2011). And in fact, the most accurate test of financial literacy would be in terms of the superiority of ex post financial decision-making, not the hypothesised ex ante ability to make good financial decisions. However, even these differences in methodology are useful in that they allow us to evaluate the differences

between what people actually know, and what they therefore can at least theoretically apply, and what they think they know.

As to the implications for the marketing of financial services, it is clear that financial literacy affects not only how consumers participate but also whether they engage particular services in the first instance. For example, while evidence suggests that persons with low levels of financial literacy use some types of services relatively unknown among those with higher levels of financial literacy, such as pay-day lending, they are also likely to engage in risky or less wealth-optimising behaviour in products or services commonly found across all levels of literacy. These including paying only the minimum payment on credit card balances, cash advances from credit cards, inadequate superannuation fund management, and poor choices relating to mortgage products. Accordingly, it is not possible to be sure that those targeted for the marketing of some financial service exhibit the same level of financial literacy, even if many other socioeconomic and demographic attributes are similar (including age, income and family structure). The major challenge for those concerned with the marketing of financial services is then understanding and taking into account the great heterogeneity of consumers as it relates to financial literacy and to recognise the inherent limitations of financial literacy itself.

AUSTRALIAN FINANCIAL LITERACY PROGRAMS

Policy Framework

Even though many financial literacy programs aimed at addressing actual or perceived deficiencies in financial literacy for the population or subgroups of the population are sponsored, funded and administered by the private sector, an understanding of the role and position of government policy is instrumental for understanding how these programs are implemented and to whom they are delivered. This is because the Australian Commonwealth government is not only a major funder (in whole or in part) of these programs, and because the several government reports into financial literacy have helped guide practice and are duly recognised by the nongovernment sector, but also because the involvement of ASIC (2011: 8) and its principal role as Australia's consumer protection regulator for financial services brings "...regulatory tools to the task of improving Australians' financial wellbeing from communication, education and guidance through to *enforcement action where required*" (emphasis added).

In 2004, the Australian Government established a National Consumer and Financial Literacy Taskforce which recommended the establishment of the Financial Literacy Foundation in 2005, which was subsequently responsible for two of the major national surveys into Australian financial literacy (FLF 2007, 2008). In 2008, the functions of this foundation were transferred to ASIC, which after being informed by two of its own research reports, 'Financial Literacy in Schools' (ASIC 2005) and 'Financial Literacy and Behavioural Change' (ASIC 2011a), duly set out its National Financial Literacy Strategy in ASIC (2011b).

In the National Financial Literacy Strategy, ASIC (2011b: 4–5) argued that: (i) the evolution of Australian society and the Australian financial system made financial literacy a necessary and critical skill for consumers and investors; (ii) the growing range of financial products available, changes in demography, and increases in consumer responsibility increased the importance of sound financial literacy skills; (iii) research had shown significant disparities in knowledge and understanding of financial matters across different groups in the community; (iv) that improving financial literacy could have significant benefits, helping individuals and families make the most of opportunities, meet their goals and secure their and the economy's financial wellbeing; and (v) that improved financial literacy could increase economic participation and social inclusion, drive competition and market efficiency in the financial

services sector, and potentially reduce regulatory intervention. With this in mind, ASIC delineated four core elements of its strategy: (i) the use of educational pathways to build financial literacy; (ii) the provision of trusted and independent information, tools and support; (iii) the recognition of the limits of education and information, and developing additional innovative solutions to drive improved financial wellbeing and behavioural change; and (iv) working in partnership and promoting best practice (ASIC 2011b).

Government

In this paper, we define ‘government’ financial literacy programs as those principally financed, administered and delivered by government departments or agencies. As discussed, ASIC is the regulatory body principally tasked with implementing the National Financial Literacy Strategy. At present, it does this directly through its *MoneySmart* website, which replaced its earlier *FIDO* (Financial Information Delivered Online) and *Understanding Money* websites, and a *MoneySmart Teaching* website. MoneySmart (2013) provides information, tools and calculators, printed guides and a helpline to assist consumers and investors in their personal finances, with separate pages targeting ‘under 25s’, ‘over 55s’, families, women and the Indigenous.

Other campaign initiatives of note are: *MoneySmart Week*, a series of money information events in partnership with business, government and community sector organisations (including achievements awards for business, government and community initiatives in financial literacy programs); a September 2011 *Mortgage Health Campaign* aimed at encouraging people to take action when experiencing mortgage stress; an October 2011 *Unclaimed Money Campaign* concerned with encouraging the search for lost money in ASIC’s lost database of bank accounts, shares and life insurance policies; and a March 2012 *Culturally and Linguistically Diverse Communities Campaign* aimed at distributing money management kits in hardcopy to new Australians via settlement service providers and online in 26 languages. To date, three surveys have been used to evaluate the usefulness of the primary *MoneySmart* website, with the most-recent results indicating that 78% of visitors found the site useful with another 90% responding that they had taken some form of positive financial action as a result of visiting the site (ASIC 2012).

A secondary *MoneySmart Teaching* website provides professional learning resources to help both teachers and teacher educators to integrate financial literacy into secondary and further education teaching and learning programs. In addition, MoneySmart Teaching (2013)

outlines an additional dimension into the government's role in financial literacy through its input in the *Australian Curriculum* and its ongoing development by the Australian Curriculum, Assessment and Reporting Authority (ACARA) (2013). ASIC's input into the new *Australian Curriculum* for Kindergarten to Year 12 (presently only the English, mathematics, science and history curricula have been finalised) has professedly obtained the key result that in the new national mathematics curriculum there will be a Money and Financial Mathematics substrand aimed at providing students with the mathematical knowledge and skills that underpin consumer and financial literacy. The supposed influence of ASIC is also apparent in the three other current core learning areas (English, science and history), with the intended development of links between consumer and financial knowledge and skills and real-life contexts (ACARA 2013) and in the draft economics and business curriculum (ACARA 2012: 6) with its aim to allow students to "...develop and apply consumer and financial knowledge, understandings, skills and values to make informed and effective decisions that enable them to make the most of opportunities, meet their goals and secure their financial wellbeing, while also contributing to the prosperity of the Australian economy".

Apart from ASIC, a number of other Australian government departments and agencies also provide financial literacy-related programs. For example, the Department of Human Services' (2013) *Financial Information Service* provides free education and information through seminars, by telephone or in person to enable informed decisions about investment and financial issues. Several other financial literacy programs are targeted specifically at the Indigenous. These include, most notably, the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) (2013c) *Indigenous Home Ownership* program aimed at developing financial skills in conjunction with a program concerned with encouraging home ownership for those able to obtain a long-term transferable lease on indigenous land and that can service a home loan. Elsewhere, FaHCSIA's *Family Income Management* (FaHCSIA 2013a) and *Financial Management Program* (FaHCSIA) provide information and ongoing support to help the indigenous manage money, the latter concerned exclusively with those currently experiencing personal financial difficulties.

Industry

We define 'industry' financial literacy programs as those principally financed and provided by businesses, business foundations and business associations to customers and other

persons. Of these, perhaps the most well-known is *Saver Plus*, an initiative of the ANZ and Brotherhood of St. Laurence, funded by ANZ and FaHCSIA, and delivered in partnership with The Smith Family, The Benevolent Society and Berry Street. In this sense, *Saver Plus* meets our criteria of both an industry and community financial literacy program. In essence, *Saver Plus* is a combined matched savings and financial education program, established for the purpose of assisting individuals on low incomes to develop a long-term savings habit (for the purpose of education expenses) and reach a savings goal. As a savings incentive, the savings of participants are matched dollar for dollar up to \$500. Interested participants apply through one of the community organisations delivering the program, and upon successful enrolment, open an ANZ savings account to which they make regular deposits. In terms of financial literacy, participants also attend *MoneyMinded* workshops to build upon their existing financial management skills and after ten months, when they reach their savings goal, receive matched funds (from ANZ) for the nominated educational expense.

One reason *Saver Plus* is so well known is that it is one of the few financial literacy programs that has been the subject of rigorous evaluation in terms of the program outcomes. For the most part, these reports on program outcomes, including Fry et al. (2008), Brotherhood of St. Laurence (2011a, 2011b), Russell et al. (2011), reported not only positive improvements in saving behaviour but also in terms of accessing information on superannuation and investments, debt management and personal wellbeing and social connectedness. One of its chief funders, the ANZ, is also involved in conjunction with FaHCSIA with *MoneyBusiness*, a kit and course used to deliver money management education in remote Indigenous communities, and some regional and urban areas.

Two other banks are involved in general financial literacy programs: the Commonwealth Bank through *StartSmart* and Westpac through the Davidson Institute (2013) in *Financial First Steps*. Launched in 2007, *StartSmart* initially was aimed toward teaching secondary students about financial literacy through experiences relevant their daily lives, including skills in earning, saving, spending and investing. This was extended to primary schools in 2010, employing a number of characters such as Captain SuperCents, Coach Cash and Gobbles the Wallet Monster, to educate young children about good spending habits. Finally, in February 2012, *StartSmart* launched *Pathways*, a workshop-based program aimed at the enhancing financial awareness among 18 to 25 year olds. In contrast, *Financial First Steps* includes short face-to-face courses, accredited training courses, free online learning and free local seminars aimed at a variety of groups, most notably Westpac employees, but also other

employees and high school students. It therefore meets our criteria of both an industry and a workplace financial literacy program. Key aims are educating program participants about separating ‘wants’ from ‘needs’, how to develop budgets and track finances, controlling money and developing good saving habits. Most other Australian financial institutions also host and provide information relating to financial education, financial literacy and financial inclusion, including the Bendigo Bank, the Bank of Queensland, Citibank Australia, HSBC and NAB. Lastly, the ABA’s (2013) *Broadening Financial Understanding* program is ostensibly designed to work alongside and complement the programs of its member banks.

Community

In this paper, we define ‘community’ financial literacy programs as those including the participation of a community group, sometimes in a funding or delivery partnership with a government department and/or business. These include the Good Shepherd and Family Service (2013) *Dollars n’ Sense* program and the provision of financial counselling alongside it and its co-partner National Australia Bank’s *No Interest Loans* (NILS) and *StepUp* community-based programs aimed at providing interest-free and low interest loans to individuals or families on low incomes. It also includes *Makingcents*, a joint initiative by Citigroup Australia and YWCA NSW aimed at educating parents and teachers about developing good financial literacy skills in themselves and in their children.

Another community-based initiative includes the Financial Basics Foundation, a body established to help educate secondary students about the credit system and responsible financial management practices launched in February 2002 in cooperation with the Bank of Queensland and Big Sky Credit Union. To date, Financial Basics has two programs relevant to financial literacy education. The first of these, *Operation Financial Literacy*, is a free ten-module teaching resource offered to schools and not-for-profits that combines classroom, community, web and research based activities and includes student worksheets and detailed teacher notes. Introduced following a pilot program in 2002, and written by Australian business teachers, the modules include topics on financial planning, budgeting, credit and borrowing, financial protection and insurance, and saving and investing. A second initiative is *ESSI Money*, an online financial literacy game that enables participants to achieve an understanding of the basic concepts surrounding financial management, in the areas of Earning, Saving, Spending, and Investing (ESSI).

A final example of a community-based financial literacy program is that promoted by 10thousandgirl, a not-for-profit initiative of a group of young Sydney women which addresses the importance and long-term benefit of women having a financial plan and understanding finance basics through its *Personal Finance Program*, an interactive program aimed at delivering the principles of personal finance and investing through a 12-module course delivered through peer-run GIGs (*Girl Investment Groups*).

Workplace

We define ‘workplace’ financial literacy programs as those principally provided by businesses and other workplaces for their employees. Of these, we identify three upon which to elaborate: the Australian Defence Force’s *Financial Services Consumer Council*, the WA Department of Education’s *Into Your Comfort Zone*, and Flight Centre’s *Moneywise Global*. First, the Financial Services Consumer Council is an independent body concerned with developing good financial practices in ADF employees and their families both during and after their military career through a series of seminars, online guides and calculators. Of particular note is that this program earned a Highly Commended Award in the Workplaces category in the 2012 ASIC *MoneySmart Week*.

A second example of a workplace financial literacy program is *Into Your Comfort Zone* designed by the WA Department of Education in partnership with the WA Government Employees Superannuation Board aimed at educating teachers on complex financial concepts with the aims of retaining experienced teachers and administrators by introducing them to transition-to-retirement strategies and reinforcing flexible working policies, increasing employee understanding of wealth creation strategies to improve their retirement outcome, and empowering staff to make better financial decisions. This program received an Outstanding Achievement Award in the 2012 ASIC *MoneySmart Week*. A final example of a workplace financial literacy program is Moneywise Global (2013) a 1994 initiative of travel agency Flight Centre aimed at providing financial planning services for its employees, but also providing information on investing, superannuation, insurance, debt management, social security and retirement.

Summary

In a comparatively short period of time, a very large number of financial literacy programs have been developed in Australia. First, it is notable and possibly somewhat satisfying for

ASIC, that many of these appear at least notionally consistent with the principles, aims and objectives set down in the National Financial Literacy Strategy. ASIC through this strategy is clearly driving much of the generational or longer change in financial literacy that will hopefully arise through inclusion in the new Australian curriculum for Kindergarten to Year 12, especially in mathematics and economics and business. Second, many of these programs represent collaborative arrangements, often comprising one or more community groups working in association with a financial institution as a funding provider, along with input from a government or other body in terms of educational content and delivery. This is clearly an attractive model, but only time will tell if these programs continue or are able to survive the withdrawal of one or more of the partner organisations. Third, while many government and industry programs are targeted to the general population, very many others are concerned exclusively with groups commonly identified as having relatively low levels of financial literacy in the various reports. These include women, children, the Indigenous, and low-income families. Finally, it is common to see financial literacy programs delivered in conjunction with financial assistance and other programs aimed at enhancing financial independence in these target groups.

Even so, it is clear that these financial literacy programs, with a small number of exceptions, are sometimes implemented with well-meaning but not very clearly-defined objectives. It is also often unclear about who is demanding outcomes and against which criteria these will be assessed. Most importantly, only a few appear to have been subject to rigorous post-program review and evaluation, a situation made problematic by the universal lack of a 'control' group with which to evaluate the program. This is especially the case for the large web-based financial information and training sites where much information is made available but there is apparently little attempt to track the use of this information and the outcomes in terms of enhanced financial literacy. The question also presents itself whether the provision of, for example, fact sheets and calculators actually represents a financial literacy program and the sheer diversity of the types of programs and lack of consistency in content and delivery evident in this review suggests that financial literacy programs mean different things to different institutions. It is also clear that many of the financial literacy programs implemented alongside other social welfare initiatives are supplementary, and it is not especially apparent, say, whether the financial literacy program or the package of social welfare programs is primarily responsible for any improvements in financial literacy or even whether the program

enhances the literacy outcomes. Finally, it is difficult to obtain information on the actual operations of these programs, especially in the workplace.

Overall, the research has shown us over and over again that efforts to improve financial literacy have proven elusive. But unfortunately, the diversity of ‘financial literacy programs’ in place do little to reassure us that they have any sort of consistency of purpose and meet appropriate educational standards and are not merely a different sort of marketing or promotional exercise in the private sector or in the government sector a means of improving political standing. Further, are the information, tools and support provided in these programs accurate and independent? What is the appropriate training for all financial education providers and should there be quality standards and codes of conduct for providers of freely-accessible financial education programs? Further, what new if any solutions are on the horizon for improving financial education and literacy? The question then arises whether and how the provision of financial education and literacy programs is regulated and supervised, and should this be through the financial regulator and/or an educational authority? Lastly, is it feasible at all to evaluate universal changes in school curricula aimed at improving financial literacy where the outcomes will only be realised over very long periods of time, even if this did matter to government stakeholders? Clearly, much work remains to be done.

As to the implications for financial services marketing, it is clear that financial literacy programs are useful for financial institutions dealing with their stakeholders, including current and potential customers. These institutions need to consider not only whether they target specific groups (children, retirees and the elderly, the Indigenous, etc.) or the population as a whole, address particular themes (budgeting, investment, savings, etc.) or a combination of themes, whether they team with a community and/or government body for this purpose, and whether they deliver education as a self-paced or structured program, and whether they deliver in in-person, in hardcopy publications, or through the web. Regardless, financial service providers should aim at developing a clear set of goals and objectives for the program alongside a rigorous method of evaluating outcomes in relation to these when creating financial literacy programs in the first instance.

CONCLUSION

Scarcely a decade ago, almost nothing was known about financial literacy in Australia. Now more than half a dozen major reports by financial institutions and governments and a score of smaller research projects have been completed, all of which identified the pressing need for

improvements in financial literacy for the Australian population as whole and significant disparities in the level of financial knowledge among certain socioeconomic and demographic subgroups, particularly, women, the Indigenous, those from non-English speaking backgrounds, low-income workers, the unemployed, and the young. In response, a large number of government departments and agencies, businesses and business associations, community groups and workplaces have designed, implanted and funded financial literacy programs, many targeted at these financially less literate groups. At the same time, a national financial literacy strategy has been created with a single financial regulator given responsibility for its implementation.

With the many and varied financial literacy stakeholders in mind, this paper reviewed the existing findings on financial literacy in Australia, along with its purported determinants and the potential impact on consumers and the marketing of financial services. The paper also sampled many of the financial literacy programs set in place by government, industry, community, and workplace initiatives. Clearly, there is much work required of the many and diverse financial literacy stakeholders in both areas. In terms of the measurement of financial literacy, there is a need for ongoing research, especially in terms of attempting to agree upon a suitable framework and method for its assessment. As for financial literacy programs, these continue to grow and expand and a periodic review would help stakeholders understand what is being done and not being done in this important area. However, once again, there are some limitations in this area, and they likewise indicate future opportunities for research, particularly as they relate to optimal program design and evaluation.

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