



**ABA's Financial Literacy Summit
"Broadening Financial Understanding"
2 July 2008**



AUSTRALIAN BANKERS' ASSOCIATION INC.

Summit Headlines

The following provides some key points from each of the panel sessions, as well as some additional comments provided by participants and attendees following the summit. The 'Summit Headlines' document is not an official record of the event, but reflect summary points as provided by presenters, speakers, panellists and attendees.

Opening address: Michael Ullmer, Deputy Group CEO, NAB

Bridging the gap – Improving levels of financial literacy and dealing with financial Exclusion [Speech included in summit pack]

Panel: Banking sector

Richard Peters, General Manager, Corporate Affairs, National Australia Bank

Jane Nash, Head of Government Relations, ANZ Banking Group

Keryn Myers, Head of Responsible Lending, Westpac Banking Corporation

Chris Kirby, General Manager, Community, Commonwealth Bank of Australia

Maggie Grady, Head of Corporate Affairs, Citi Australia

Summary points

- A financially literate Australia is where people are able to understand their decisions and are able to access products, services and information from mainstream financial institutions.
- NAB's 'Step Up' micro-finance program combines financial literacy and financial inclusion. It provides access affordable credit, but also importantly mentoring and assistance for people throughout the loan.
- We need to think about how to distribute our materials and resources. For example, so that the information gets to the right people at the right times. Information should be better targeted. Generic information is not likely to hit the mark.
- We also need to think about the form we make the materials available. For example, 'Step Up' customers do not have a preference for written material – limited literacy, possibly English as a second language. But one-on-one education is resource intensive for banks and community organisations.
- Financial literacy is about capabilities, knowledge and attitudes. It includes being able to manage money day-to-day and week-to-week to make ends meet, to plan for the future and to plan for retirement. In other words, a financially literate Australia would be one where the vast majority of people are able to 'look out for themselves' financially.
- Getting people to use their financial knowledge and skills is not easy – we are all 'hard wired' to some extent with behavioural biases. There is no solution yet, but this is not a reason to give up. 'Default settings' and the way products and services are offered to consumers is important.
- We know people use their knowledge when they see it as relevant to them and to their benefit to use it – that means, people will not engage on money management issues if they see it as boring or not something to be discussed (which can be influenced by family attitudes and cultural attitudes). We also know people engage on money management issues in times of financial crisis and at 'teachable moments'.

- ANZ's 'SaverPlus' initiative runs in partnership with the Brotherhood of St Laurence. SaverPlus is a matched savings and financial education program aimed at teaching and encouraging long-term savings. RMIT University research tells us that the program is highly successful in that 70% of participants who were involved in the program up to three years ago have maintained or increased their personal savings levels since their involvement in the program and attribute that in some part to SaverPlus. Participants are initially highly motivated by the financial incentive of the matched funds. However, as the program progresses (participation can last up to 18 months) participants start to see their savings success and confidence in their money management skills grows. The relative importance of the financial incentive then tends to decline.
- ANZ is due to release its third Survey of Adult Financial Literacy in October 2008.
- Financial literacy is the input to help people understand the concepts of finance and how they can use the various options available to them to save, budget, build wealth and protect and plan for their futures.
- Financial capability is the understanding of financial concepts and the ability to utilise them appropriately and in an informed way.
- Financial inclusion addresses linking people otherwise excluded into the financial system to engage and empower themselves over time.
- Responsible lending is a two way obligation where the lender seeks to loan money to people who have a capacity to repay on reasonable terms and for a borrower who has the ability and willingness to meet their obligations to repay in known circumstances.
- Westpac was invited to participate in Cape York, along with other companies, by Indigenous Enterprise Partnerships, to enable the communities to access the skills and experience of our employees. They sought the 'know how' of our staff to achieve the goals and aspirations they had for the future. At the start we did not fully appreciate the life skills that our staff have that are often missing in remote communities. The program is not just about income management, but life management – it is about improving product solutions, financial capability and accessibility.
- Westpac believes it and the wider banking sector has a role in helping consumers of all ages and community groups to manage their money well. Westpac's 'Financial First Steps' program has real outcomes because it has real individual stories of people whose situation has improved as a result of learning how to set a goal, save, spend and borrow wisely. Some participants have never handled money before and lack confidence or have just never thought about their money and where it actually goes.
- Financial literacy is not just about transferring information – it is much more than that. For an individual to be 'financially capable' they need to have developed a set of skills that they can apply in their everyday lives – that shape part of their everyday behaviour.
- Whenever new products and services are developed, so will the need for financial literacy. We need to remain focused on providing customers with what they need to understand their banking experience. We need to listen to what our customers are saying and help them manage their finances.
- Commonwealth Bank has been educating young people about managing their money for over 70 years. The Commonwealth Bank Foundation, established in 2003, has a suite of programs that are designed to develop the money management skills of young people, including StartSmart Forums, StartSmart Workshops, StartSmart Schools program, StartSmart Teacher Development Workshops, National Curriculum Resource, and Financial Literacy Grants.
- Commonwealth Bank Foundation has a number of learnings from these programs:
 1. Involving the education sector during the development and delivery of programs – earning trust and credibility in the space while linking in with the already established curriculum has been key to ensuring program success, and supporting educators to do their job. The National Curriculum Resource was developed by a Steering Committee of Education representatives from across Australia.

2. Meaningful content – from the National Curriculum Resource we have further developed content that is meaningful for Year 9-11 students. The StartSmart Schools program includes SmartEarning, SmartSpending, SmartSaving and SmartInvesting modules. These modules include material about getting your first job, paying tax and applying for a TFN, budgeting tips, different saving accounts, setting goals, comparative shopping, consumer awareness tips and investment strategies.
 3. Method of delivery – The StartSmart program is designed to be fun, interactive and engaging. A team of young, enthusiastic StartSmart facilitators were selected and trained to ensure that content is being delivered in a way that is relevant and interesting for secondary school students. Theatre, comedy and audience participation are all used to ensure that young people enjoy themselves while learning. Money management does not need to be boring and is key to reaching goals.
 4. Indigenous communities – The Commonwealth Bank Foundation will continue to provide money management education to Indigenous adults and will work with Indigenous organisations and the education sector to provide financial literacy programs to Indigenous youth.
- A financially literate Australia is the same as a reading and writing literate Australia. Children as young as five exercise considerable influence over household spending. At the same time they are frequently unaware or confused about the basics of money. A minimum level of education, awareness and understanding needs to be implemented through the school system.
 - Citigroup's 'Making Cents' program is a partnership between business, community and government sectors. The program has reinforced this view and has also highlighted the multiple challenges of involving parents in their children's education when it relates to the often culturally sensitive topic of money.
 - The rigour and credibility of any program is paramount and in the case of MakingCents, the development of a curriculum-based program by the NSW Department of Education and Training has been the key to its success. Evaluation of programs needs to be factored into implementation.
 - Financial literacy is not just about raising awareness, but providing the practical knowledge and skills to people of all ages.
 - We need to think more creatively about getting the right programs and resources to the right people. Our greatest challenge is making financial education relevant and tailoring information or instruction to meet the specific needs of different people.

Links:

<http://www.bankers.asn.au/financialliteracy>

http://www.nab.com.au/About_Us/0,,94880,00.html

<http://www.westpac.com.au/internet/publish.nsf/Content/WIWCAN+Financial+literacy>

<http://www.anz.com.au/aus/aboutanz/Community/Programs/FinLit.asp>

<http://www.commbank.com.au/about-us/in-the-community/money-management/default.aspx>

<http://www.financefirst.net.au/>

Presentation: Ian McAuley, Fellow, Centre for Policy Development

Behavioural economics – Understanding human judgement in financial decision

Making [Presentation included in summit pack. Paper attached]

Senator The Hon. Nick Sherry, Minister for Superannuation and Corporate Law

What is the Government's perspective on the role of financial literacy and product disclosure? [Speech attached]

Panel: Government sector

Delia Rickard, Senior Executive Leader, Consumers and Retail Investors, ASIC
Geoff Miller, General Manager, Corporations and Financial Services, Department of the Treasury

Dr Rhonda Cumberland, Director, VIC Office of Women's Policy

Evan Lewis, Group Manager, Mental Health, Autism and Community Support, Department of Families, Housing, Community Services and Indigenous Affairs

Brian Elliot, Manager, Human Society and its Environment, NSW Department of Education and Training

Summary points

- ASIC is looking for an outcome that is related to behaviour, not just knowledge. When we think about a healthy person, we are not just thinking about someone who knows that vegetables and exercise are good for them and trans-fats are bad. We are thinking about someone who eats and exercises accordingly. Similarly when we think about a financially literate Australia, we are not just thinking about a nation where people know how to budget and the importance of saving and superannuation. Rather we are thinking about a nation where people do budget, save and insure their homes for enough and so on. With this as our main outcome, we need to look at each sub-goal of financial literacy to see how we achieve it.
- Knowledge of the basics is important, but that alone often will not lead to the right behavioural outcomes, so we need to ask:
 - Is there a way of teaching that will lead to behavioural change, e.g. teaching savings by involving someone in a matched savings program with a goal at the end?
 - If knowledge alone will not get us there, and the issue is particularly important, then we need to ask whether there are policy settings that could get the right results without outweighing negative consequences, e.g. New Zealand superannuation scheme, KiwiSaver, with its default options approach, is a good example.
 - Alternatively, can we work with industry around product design to encourage good outcomes, i.e. the product features change as the person passes through different life stages, some recent superannuation offerings have built in advice, this is a good example.
- We need to learn from other social marketing initiatives such as the “slip slop slap” and the “anti smoking” campaigns of recent decades. The lesson here is that to get real behavioural change the messages and reasons for change need to be coming to us from all parts of the zeitgeist. This tells us that we need all the sectors involved – government, industry and the community sector – working together to achieve real outcomes and real changes in the way Australians interact with money management issues and financial products and services.
- ASIC hopes that now it has assumed responsibility for the Financial Literacy Foundation it can be instrumental in helping this behavioural change happen.
- Product disclosure involves not only making it clearer and simpler, but also involves improving the financial capability of consumers to read and understand. Over the long run, improved financial capability means that consumers are in a better position to use, e.g. product disclosure statements (PDSs). It means that consumers will be more likely to understand financial concepts, and better able to engage with financial information. If we can make disclosure as effective as we can, and we have given consumers the capability to use the PDS effectively, we will be closer to the ideal market where consumers are empowered by information and make better choices.

- One difficulty with personal money management is that many of the benefits of actions we take today are only experienced or realised far in the future, e.g. saving for retirement. Motivating people to take action today for a benefit in the future is a well known behavioural challenge. What seems to be critical is where the behaviours associated with good money management are “imprinted” at a young age and become habits. The financial literacy initiative in schools is important in this regard, in introducing young people to financial information and demystifying it, and giving them “hands-on” experience.
- Successful outcomes accumulate and success begets success. It is important that the experiences we have with financial information are positive rather than negative – whether they reinforce our engagement with money or push us away. “Self-efficacy” theory suggests that if we “master” a challenge the outcome is that we become more motivated to keep going, and to take on even greater challenges. Apply that to PDSs and we want to achieve an experience of “oh, that wasn’t so difficult to do as I thought; I could do that; I read that and it wasn’t so painful” etc.
- “Social marketing” has a role to play – public role models and public campaigns and so on. These things help, but good habits and strong engagement built on a history of successful “mastery” of financial information is where we need to get to.
- There seems to be a gap in the governance model that brings banks, government and community together. Without this partnership, it’s hard to all work for the behavioural change that we are seeking.
- We need to focus on the outcomes of our efforts, i.e. what are the benchmarks? how do we measure our progress?
- We need to think creatively about partnerships that aim to promote greater access to financial products, services and information. For example, what about a mobile banking service provided to remote and rural areas, perhaps sponsored by all banks? Greater collaboration will be challenging, but worthwhile.
- Financial literacy is vital for women as they have a greater life expectancy and longer retirement period, lower superannuation balances, rising health costs. And we all have higher expectations regarding our standard of living. Professional advice and financial information is essential to giving women strategies that can improve their financial wellbeing.
- The financial products and services are the same for men and women, but women tend to access and process information differently to men. We need to think about materials that empower women to have financial independence. Women’s participation in the economy is vital to addressing inequities and disadvantage in communities.
- Financial literacy cannot be separated from broader “life skills literacy”. Life skills include strategies for dealing with financial crises and managing for tomorrow. Building sustainable financial capability requires addressing fundamental systemic support for people in addition to efforts to improve financial literacy.
- Simply teaching people how to understand options from a suite of “lolly shop goodies” is not addressing the fundamental system or structural basis for why people make life decisions.
- Financial literacy amongst young people (students) and adults (parents) is not sufficient to equip people to deal with the increasing complexity of the financial decisions we need to make, including superannuation, personal investments, tax etc. More effective decision making relies on people having exposure to formal financial education and informal training and experience. For example, students do not just need to understand how to make choices about their superannuation when they get a job, they need to understand how mobile phones, credit cards etc can impact on their savings. Budgeting skills are critical to understanding and managing debt.
- The ‘National Consumer and Financial Literacy Framework’ has four dimensions – financial knowledge (and understanding), financial competence, financial enterprise and financial responsibility. The Framework is about understanding how to use financial resources and make value judgements, i.e. appropriate consumer and financial decisions.

- Is there are need for financial literacy to be taught as a compulsory part of the school curriculum? To promote improved financial literacy (or capacity if you like) it is crucial to engage with the education sector at all levels – national, state schools and teachers. There are opportunities for this to be done better in the future. The challenge is to not promote financial literacy as another thing for schools to teach. It is more important to incorporate relevant content into existing courses and modules, where appropriate.
- The most important aspect is to promote the value of financial literacy for the future wellbeing of students. If this outcome is promoted to teachers successfully, it will be much more likely to be included in classroom teaching and learning leading to improved learning outcomes.
- A financially literate Australia is where people apply their skills and knowledge and their understanding to the financial and consumer situations and choices they face, and make the decision that is best suited to them.
- We all have choices and decisions – an answer for one person may not be the best answer for another person.

Links:

<http://www.fido.gov.au>

<http://www.understandingmoney.gov.au>

<http://www.women.vic.gov.au>

http://www.ofw.facsia.gov.au/publications/understanding_money.htm

http://www.ofw.facsia.gov.au/downloads/pdfs/women_and_super.pdf

http://www.ofw.facsia.gov.au/downloads/pdfs/MINCO_summary.pdf

International presentation: Faisal Rahman, Managing Director, Fair Finance

Partnerships – Building financial capability, reducing debt and lifting personal Savings [Presentation included in summit pack]

Link:

<http://www.fairfinance.org.uk>

Panel: Consumer and community sector

Elissa Freeman, Senior Policy Officer, Choice

Renee Ellis, Financial Counsellor and Consumer Advocate, Aboriginal Legal Rights Movement

Dr Ania Lian, Education and Technology Consultant, COTA Over 50s

Dr John Falzon, CEO St Vincent De Paul Society

Summary points

- Financial literacy should take us to a point where Australians understand how to manage their money and finances, and ask questions of the right people and access the right information freely to assist them with the aspects of finance and money management they do not understand.
- However, financial literacy should not replace the need for the banks and other financial institutions to make available appropriate financial products and services, not just for vulnerable or disadvantaged Australians, but for all Australians.
- Currently, a lack of knowledge is contributing to some Australians not having access to the right products and services for them. It is incumbent on the banks and other financial institutions to make sure that their customers are in the right products and receiving the right services. We want to see a genuine demand driven financial services sector.
- Agree with Faisal Rahman, financial literacy is not the right term – people do not understand what “financial literacy” is, or if they do, it is not interesting to them. We need to recognise that this is a process, not an outcome.

- Disclosure can not deal with all the problems and is not the answer to market failures to provide fair and accessible products. Disclosure is confusing to consumers and costly for providers. Issues like fees, commissions and conflicts of interest need to be solved by regulation. But we also need to do more to make disclosure more useful for consumers.
- Financial literacy and financial education are important. But we should also recognise its limitations. Product disclosure and financial literacy (or consumer education), while connected, are different. Financial literacy should not be used to address concerns with accessibility of financial products and services or market failures. Financial literacy and financial education is a part of the solution, but is not the whole solution to improving Australians financial wellbeing.
- A serious commitment needs to be made to financial literacy and financial inclusion of all Australians. At present marketing campaigns promote banking products and rampant consumerism. There needs to be a shift toward 'marketing' financial literacy as part of our national agenda. A national Government campaign in partnership with the corporate sector is required.
- There is a need for a banking institution to provide services in remote areas, such as the APY Lands. People in remote areas are the most financially excluded and by virtue of impossibility cannot individually change their circumstances. In the APY Lands, at present there are no banking facilities and over 3,000 people populate this region. There is no where to deposit money. This raises a whole gamut of money management issues, such as predatory consumer and lending practices, because there is no access to mainstream financial products for the purchase of, e.g. a car. But more problematic is that this system encourages spending all that one has – it does not encourage a savings culture.
- Aboriginal Legal Rights Movement and the South Australian Department of Aboriginal Affairs will be delivering an innovative financial literacy and consumer awareness program over the next twelve months in the APY Lands which will focus on key themes, including 'Book Up' and Centrepay, budgeting, saving, concept of 'value', access to choice, consumer rights, managing debt, and recognising bad deals. However, we will not be able to sustain the progress made toward financial literacy for these remote Aboriginal Australians if a bank will not come on board to deliver a service in the APY Lands.
- The prime objective of COTA Over 50s is to promote, improve and protect the circumstances and wellbeing of older people in Australia, and particularly the vulnerable and disadvantaged. Against this background, it is clear that to COTA Over 50s financial literacy has two aspects: (1) We need to propagate information about smart financial planning to Australia's seniors at the individual level; (2) We need to ensure that the financial programs of the government or financial institutions are financially literate, i.e. are based on sound principles and ensure that everyone, and especially the vulnerable and disadvantaged, are truly assisted, instead of being pushed into a lose-lose position. These two aspects of the task of making Australia financially literate reflect a clear need for communication between the government, finance and community sectors.
- To reach Australia's seniors with financial literacy training programs, these programs must be specifically designed for seniors, including presentation of information, its form and the selection of communication channels.
- Overall, an attempt to change the financial literacy landscape of Australia must be commended. However, for these attempts to be inclusive, the elderly must not be subsumed under the wider category of Australians.
- Financial institutions should proudly "show-off" their support for a financially literate Australia and should advertise educational programs and workshops, their own input into the cause and, of course, make direct links from their Internet homepages to a website(s) which they and the government and community organisations recognise as of value.
- The massive inequality in income, assets and access to essential services is at the base of the financial difficulties that people experience when they are coming from a position of financial stress. The disproportionate impact of unjust bank penalty fees exacerbates this disadvantage and inequality.

- While budget counselling and other financial literacy measures are useful, it is completely wrong-headed to assume that the capacity deficit lies with disadvantaged people. The capacity deficit lies with the financial services sector as a subset of an economy that drives inequality.
- The assumption that financial literacy will solve many of the problems faced by disadvantaged people is predicated on the false assumption of choice. There is not a lot of choice between a rock and a hard place for many people, especially when their net income is insufficient to meet their net expenditure.
- It is the social responsibility of banks to be a force for social and economic inclusion.
- A *social literacy* programme might be proposed to this end.

Presentation: Dr Kathy Landvogt, Social Policy Researcher, Good Shepherd Youth & Family Service

Financial literacy research – Bringing together economic inclusion and social inclusion to reduce disadvantage [Presentation included in summit pack]

Summary points

- Financial structural disadvantage for both women as a whole, and for people on low incomes as a whole, is the main issue. Therefore any consideration of financial capability should include structural opportunities and resources as well as individuals' knowledge and skills.
- The lack of a financial buffer for emergencies is a major cause of low financial capability.
- The lack of financial information is an issue for people living on low incomes because they cannot purchase it in the marketplace, it may be unavailable through family and friends, and because the consequences of them not having it can be greater than for other groups.
- Existing trusted and accessible services need to be resourced to deliver financial information to people they are assisting with other services.
- Life event transitions and crises are a key to contacting people when they need new financial information.

Link:

<http://www.goodshepvic.org.au> [For a copy of Kathy's paper "Money, Dignity and Inclusion: The Role of Financial Capability"]

International speaker: Diana Crossan, Retirement Commissioner, New Zealand Retirement Commission

Best practice – Measuring the effectiveness of financial education [Presentation included in summit pack]

Summary points

- Financial education is gaining impetus, funding and support in most OECD countries. The challenges are how to respond to the complexity and scale of the issues involved in financial education: what people already know, what they need to know, and when they need to know it.
- New Zealand and Australia have been leaders in conducting surveys of financial knowledge to establish a starting point – acknowledge ANZ support for both those surveys.
- Getting started early in life, with personal financial education in schools, appears to work well (note that for this to work, it has to be delivered by the classroom teacher, embedded into the curriculum, not an add-on).
- For adults, financial information and education should be related to defining moments in people's lives – key decision points, i.e. starting work or buying a house.

Evaluation

- The New Zealand Retirement Commission commissioned researcher Alison O’Connell to look at what was happening in evaluation around the world. The OECD then asked Alison to extend her work to come up with some recommendations. The key finding – there is little evaluation being done. And where it is being done, there are some problems:
 - Personal financial data can be flawed (self-reporting is not always reliable)
 - Desired outcomes of specific programmes are often ill-defined – so we don’t know what we’re evaluating against
 - Isolating the long-term impact of a specific education intervention is almost impossible.
- *Alison concluded, and I fully agree, there is scope to do better in evaluation.* This is important to find out what has worked, or not, and why, so we can see how financial education can best be developed in future.
- It would be helpful for all evaluation of financial education to follow the same framework, so that comparisons can be made internationally, with some consistency.
- An evaluation framework would:
 - save “reinventing the wheel”
 - help set realistic expectations
 - make comparisons easier.
- Alison’s paper suggested a five step framework:
 - Need: What objectives does the programme address?
 - Accountability: How much is it used and how much does it cost?
 - Fine tuning: How could it be improved?
 - Micro impact: How effective is the programme against its objectives?
 - Macro impact: What impact is it having relative to the big picture?
- An OECD committee is looking at formally adopting this framework.

Summary of New Zealand activities

To wrap up briefly what’s happening in New Zealand:

- From what we learn about our evaluation we will make changes to our programmes including the Sorted website – sorted.org.nz.
- Evaluation and research is an important part of our National Strategy for Financial Literacy.
- We will also be further developing our financial education programmes, with a particular emphasis on schools, workplace and targeted promotion, to make sure the people who need financial education the most, knows where to get it.

Links:

<http://www.sorted.org.nz/>

<http://www.retirement.org.nz/>

http://www.retirement.org.nz/national_strategy.html

http://www.retirement.org.nz/files/Measuring_effectiveness_of_financial_education_OConnell_published_April07.pdf

Open discussion: “Is distribution our biggest challenge?”

Paul Clitheroe, Chair, Financial Literacy Foundation Advisory Board

Jan Pentland, Chair, Australian Financial Counselling & Credit Reform Association

Marilyn Webster, Board Member, Victorian Council of Social Service

Summary points

- “Money is invisible” – in days gone by money was tangible, and now it isn’t. For example, you drive your car over the Harbour Bridge and the toll is automatically paid using a pass. You go to the supermarket to buy groceries and you pay using your EFTPOS card. Children generally do not have a concept of money, or how their parents come to have money. We need to make money and money management issues real.

- We need to balance increasing knowledge and decreasing complexity. We need to demonstrate financial literacy throughout our lives.
- The Government's Financial Literacy Foundation campaign is about raising awareness, which is needed to promote behavioural change.
- The Government's decision about merging the Financial Literacy Foundation with ASIC is aiming to centralise the function and generate greater efficiencies.
- "Money" is often seen as a taboo topic – the importance of budgeting is not reflected in the amount of time spent doing it. We need to devote the time and resources that it deserves. We need to find ways to send clear messages to all Australians about finding the time and resources. Budgeting, saving and managing debt are critical to financial wellbeing, and therefore are a life skill.
- Consumerism is a reality – consumers will make poor decisions. People need to better understand their needs and wants.
- The media has a critical role to play – we should aim to have snippets of financial literacy everyday in the newspapers, on radio and on the TV.
- Distribution is a big challenge, but is it the biggest challenge? I think that getting financial information to people is essential, but getting it to people also means getting it into their heads and actions.
- There are two basic streams for financial literacy: there is the low income, disadvantaged vulnerable people, and there is the broader community.
- People on low incomes are generally very good money managers. The issue for this group is not having enough money. While there is some relevance in money management as part of a financial literacy strategy, including financial counsellor case work, often this should be to affirm to this group that they have very good money management skills and their financial problems are largely not their fault.
- AFCCRA has expressed a concern from the beginning of the financial literacy discourse about the potential for victim blaming – "If these people could learn how to manage their money better that would fix their money problems." The more important issue for this group is access to appropriate financial products, including basic bank accounts and credit. Access is an industry responsibility. Financial products need to be appropriate, available, and accessible – this must be facilitated by the financial services sector. However, financial literacy/education should also be provided in an appropriate respectful manner. With additional resources specifically for financial literacy education, financial counsellors are probably the most appropriate group to engage and deliver a financial literacy strategy to low income, disadvantaged and vulnerable consumers.
- Consumerism is a key challenge in financial literacy. This is a challenge for the banking sector and business sector more broadly. The need grows more stark in the context of climate change. Irresponsible lending to middle Australia is an ongoing problem fueled by consumerism – or is it the other way around?
- Financial literacy for the broader community should have a focus on money management issues. Many in this group do not manage their money effectively, including many employed in banks. The needs and wants focus in financial literacy for lower income people is much more relevant here. An overall financial statement and plan including income, expenses, assets and liabilities is essential for good, basic financial literacy.
- Young people – from children to young adults – are being done a great disservice in allowing them to think that their expectations can be met. Even if these expectations can be met for some of the better off in our communities, it will be at the expense of those less well off – both here and overseas.
- It is not all about individual responsibility – the 'buy now pay later' message, the 'you can and should have it now' message, the 'here's the credit so you can' message is not been driven by individuals. Instant decision making is promoted – 'your home loan approved in minutes', 'a TV-do you want credit with that?' – and more than you need for the TV, with little or no assessment of ability to pay.
- If we are encouraging financial literacy, people should be encouraged to take MORE time to make financial decisions. If financial products were seen through a financial literacy prism, I think they would look quite different.
- Financial literacy initiatives need to recognise the difference and target resources and materials accordingly.

- Financial literacy builds capacity and enhances social and financial inclusion. The role of debt advice and financial advice in building financial literacy – alongside micro-finance and micro loans. That is, social inclusion and financial inclusion and financial literacy – the links: how does financial literacy and financial inclusion link with the Government's broader social inclusion strategy?
- Population based strategies – the New Zealand material was very interesting in this respect. Segmented/targeted approaches according to the special needs of various groups. Does a geographical based approach have anything to offer?
- Need to use an income maximisation framework and this includes entitlements to Government payments. Rights/ entitlements/access could be a means of people engaging with financial literacy.
- Distribution includes effort and resources. Much of the effort and resources should be devoted to the population according to their resources. So if the median household income is about \$62,000, then most of the literacy funds should be pitched to the established needs of that group. This also links to Faisal Rahman's presentation about the affordability of getting independent advice and the work Fair Finance do in providing advice alongside all the other initiatives they have.
- A financially literate Australia looks like the following: good products, good advice, good institutional behaviour.
- Needs of people across the community differ: access to information, exchange of knowledge and skills, people's attitudes and behaviours, access to mentors, access to financial products and services. These components contribute to financial capability and competence. Messages need to be tailored in different ways – but it is not just language (even though language is important) it is also how information motivates people, i.e. personal experiences.
- Research that feeds into financial literacy needs to understand attitudes and behavioural biases to help us help people better. This links to Ian McAuley's presentation about our understanding of how people work with information and respond to information.

Thank you to those people that provided some written comments to the ABA following the summit. Below are a 'grab bag' of additional key points from attendees, in no particular order ...

- For over two year now, WIRE has been looking at women's financial literacy and future financial security. Research conducted in 2007 identified women's emotional relationship with money as a key issue that needs to be addressed before learning can start because of the degree of anxiety that is commonly experienced irrespective of women's academic/professional qualifications or financial capacity. All the way through our work we have identified the different structural situation women face in securing a more financial future. We always outline this because it's not about blame, it's about structural difference, e.g. time out of the workforce caring for family, superannuation savings, gender pay equity and the different financial situation women often find themselves in after separation etc.
- Low income people face financial structural disadvantage. Low income issues are different from financial literacy. Low income issues are related to structural disadvantage and require a different response. I think including low income presentations in a financial literacy summit was confusing and if time had permitted it I would have raised this much more strongly during the summit.
- The ABA needs to look at supporting the banking sector to understand the needs of the community in terms of broad financial literacy knowledge. Banks need to also understand how they contribute to consumer confusion due to the lack of clear information around financial products, services and choice.
- We need a holistic approach and all in together rather than the bits and pieces that we have now.
- I thought Ian McAuley's paper on how people make financial decisions and how they behave is really important. The right products, the right education, the right information, the right institutional behaviour might not be enough.

- I live in a rural community and can only dream about some of the things I heard about at the summit. Banks need to provide products and services to all Australians. We need some leadership on this issue [financial literacy] so that places like where I live do not continue to miss out, because all the players – government, banks and large not-for-profit organisations – are not in my locality.
- It is a shame that the good work being done is not widely known. More needs to be done to promote the availability of these financial literacy resources and materials.
- It is a shame that the good work being done is not being broadened to cover the areas that do not get help. Because head office is doing something, local banks are not interested and government is not interested in anything that involves them putting money in.
- I'm a financial counsellor and I turn down requests [1 per week] for workshops etc, as I don't have the funding to meet case work demands. More support and resources are needed.
- While low income individuals may also need to improve their financial literacy, they certainly don't need to improve their financial management skills.
- Financial literacy and financial structural disadvantage are separate issues.
- Marketing and business strategies and practices need to be looked at. Banks need to look inward at their business practices, not just outward. This shouldn't mean that their efforts in financial literacy should stop, but it seems to be that more is required.
- Banks need to listen more to what consumers are saying. While I think that the banks at the summit listened to the comments made by us, I also think that more needs to be done to address consumer concerns.
- Banks need to focus their energies on making banking more accessible, not credit more accessible.
- I'm glad to see that the banking sector recognises the need of consumers to be able to understand their finances and manage their money and debts. I also wonder whether this leadership can be demonstrated by other sectors – what about the retail sector? What about unregulated institutions or companies?
- We must understand that the assumption that if people better understood how to differentiate between product prospectia then this would solve their financial difficulties may not be correct.
- Some of the work which is being done by some financial institutions around dealing more thoughtfully and more supportively with the financial crises which confront individuals, and informing people about choices in these circumstances, is a useful activity. This is where Faisal Rahman's work comes together, i.e. big end and small end of the financial spectrum.
- Financial literacy has an important role to play. I think that many players must step up in this area – not just banks. But banks have a responsibility to facilitate the availability of appropriate products and services.
- Financial literacy and structural disadvantage are not the same thing, but doing systemic things to build and inform a capable customer basis in financial relationships for the future is a good investment in the short term and would complement a broader strategy around a life skills curriculum. It seems to me there are stock and flow issues and that we need to deal with those currently in the system who are in difficulty and those yet to encounter the system.
- What's happening in New Zealand was really interesting. I found Diana Crossan's presentation very thought provoking, especially about the need to make sure we evaluate so that we know we are delivering real outcomes. KiwiSaver might be something that policy makers should consider for Australia.
- I thought that generally the banking sector reps agreed that financial literacy has a role, an important role, but that expectations about what it can achieve need to be managed, and that in the context of a changing consumer and financial environment, that it is only part of the picture.
- Financial literacy is necessary. Financial literacy should involve financial education provided through the education system and financial competence developed through life long learning. I agree with the comments made that financial counsellors require more funding and support – financial counselors are being asked to do more and more – they aren't financial counsellors, they are life counsellors. I think this is primarily a Government responsibility, to fund social support networks/organisations.

- The Australian Micro Finance Network has been discussing issues about the behaviour of banks and non-banks, including small payday lenders and larger companies. Because banks don't provide access to small loans, this means that people are exposed to predatory practices and excluded from the mainstream. Micro-finance provides a great opportunity to apply financial literacy in practice.
- The summit really highlighted that there are different strategies for different people.
- There is a need for innovation of public and private sectors in terms of partnerships, stakeholder engagement, information and products.
- As I see it, changes in the regulatory environment over the past 25 years or so have resulted in a vastly different landscape in which consumers make decisions, both in their personal finances and in many other areas of life. In effect, the social pact between citizens, government and the corporate sector has changed (though not explicitly), with responsibility for financial decision-making shifting away from government and towards individuals and households. Proponents of these changes have argued that consumers ultimately benefit, through increased competition, lower prices and more choice, in line with traditional economic theory. Unfortunately, behavioural economics (and even basic common sense) tells us that consumers don't always benefit – and sometimes suffer – from greater choice and increased responsibility. While some people do profit from participating in the new economy (by investing in shares, property etc), the rewards accrue unevenly and only to particular groups or types of people. But because it is now the individual's responsibility to take complete control of his or her financial affairs, financial institutions (and others in the commercial sector) can divest themselves of their obligations and claim it is now in the hands of ordinary people. To my mind, the obligations of financial institutions include (a) providing consumers with choices that they understand and value (which is *not* currently occurring) and (b) not profiting from the inadequacies of individuals (which *is* currently occurring). In other words, by pointing the finger at consumers and saying, 'you need to be more financially capable', governments and businesses effectively shift responsibility away from themselves and onto individuals, despite the very real need to get their own houses in order.
- I found it refreshing and a major step forward to see that financial literacy is now no longer being seen as "a problem" of a small section of the community. It is clear that many marginalised people have great budgeting skills, but have difficulty in engaging with the financial services sector because of a number of factors including:
 - The over complex nature of the products on offer (with huge unintelligible disclosures).
 - The inability of the sector to provide adequate products.
 - The inability of the sector to be able to "listen" to their customers and respond to their needs and concerns. The emphasis is on selling product rather than creating an informed customer and giving the customer time to reflect upon the appropriateness of the product.
 - The systems and costs utilised by mainstream financial institutions that create an environment that encourages non-involvement with the financial institution, i.e. ATMs, EFTPOS, over the counter charges, hard sell of products.
- Financial literacy is not confined to any one sector of the population and attempts to do so risk "ghettoising" this issue and means that insufficient effort is made to reach the whole population. This issue is very broad and needs to be addressed from all sides without creating a victim and rescuer mentality.
- The debate about literacy and whether it is an apt word is very timely. Hopefully ASIC will look at this issue now that it has taken over the functions of the Financial Literacy Foundation.
- The ABA facilitated a really interesting event which covered a broad range of issues. It's good to see that the ABA and banks are applying themselves to the task of supporting financial literacy and other capacity building projects, especially in disadvantaged communities.
- Whether it is capacity or economic inclusion, these terms seem to reflect the need of all sides to participate in a process to break down pre-existing prejudices. It's not all about individual responsibility, but also about institutional and societal responsibility.

- Perhaps there is some work within the banks themselves that is needed. People in arrears shouldn't be treated like they have done something wrong. Processes should assist people, not blame people.
- Financial literacy needs to be made more meaningful for people. Financial information or product disclosure needs to be made more meaningful for people. I agree with the comments made at the summit that financial literacy and product disclosure shouldn't be confused.
- For the really poor and disadvantaged financial literacy is not much use. In fact if you're intelligent and poor it's heart and soul destroying knowing you can't change anything.
- I'm interested in the social enterprise model. Faisal Rahman's presentation should be closely looked at in the Australian context. This is an innovative idea.
- I agree that financial literacy has value, but is only a part of the bigger picture. I hope in future summits that this might be addressed and discussed.
- Entrenched poverty and disadvantage is multi-dimensional and is not just a financial poverty – there are issues to do with capability; education; experience (aka intergenerational poverty); abuse (whether alcohol; drugs or physical); the breakdown of norms and standards etc. To say it is all about financial poverty would be one dimensional. To think that banks, government's or even NGO's can singularly "fix" the problem is misguided. We all need to do something. The banks are playing many roles and better they did than they didn't. Financial literacy and capacity building is a worthwhile project. I don't think the purpose of these efforts is to shift responsibility for circumstance to the disadvantaged. Rather it is an acknowledgement that disadvantage is multi-dimensional and some of it is setting related, some of it rests with personal responsibility and some of it due to exogenous factors. I don't think the ABA hosting a summit does in any way negate that broad outlook – to the contrary it supports it. And to suggest that "choice" theory is not applicable is to dilute the value of personal responsibility in shaping change and improvement. Experience shows, poor people can and do save. Poor people can protect their homes and families. Poor people can improve amenity.
- Indeed financial disadvantage is an issue, and I don't think anybody is suggesting that financial literacy will solve everything. Many at the summit, from across the sectors, commented on the need to manage expectations about what financial literacy can achieve.
- Banks should focus future efforts on the key shortcomings identified by consumers. Financial counsellors and social workers can provide good ideas about what is needed. Teachers can provide good ideas about what is needed for students. We need to work more together to disseminate information that people don't have.

Thank you once again for your participation in the ABA's Financial Literacy Summit 2008 ... and thank you for your varied and candid views!