

Dr Lisa O'Brien AM
Chair, NSRA Expert Panel

2 August 2023

Dear Dr O'Brien

Review to Inform a Better and Fairer Education System - Consultation

Thank you for the opportunity to contribute to the development of the next National School Reform Agreement (NSRA) to improve education outcomes in Australia and meet the current and future needs of students.

Ecstra Foundation's submission focuses on the importance of financial literacy in schools.

Financial education has long-term transformative effects for the financial outcomes of individuals. Access to effective financial education helps young people develop the money skills and behaviours needed to be confident talking about money and to make informed financial decisions, now and in the future.

Despite its importance, financial education in schools is often under-developed and existing delivery methods may not meet the diverse experiences, backgrounds and needs of many students. Further, financial literacy levels across all age groups in Australia are declining, with young people faring the worst.

Given this decline and the potential compounding adverse impacts over a lifetime, a better and fairer education system should support a framework that elevates financial education and financial wellbeing as core areas of curriculum knowledge and pastoral care.

This submission addresses improving student outcomes (Chapter 2), achievement data (2.3.1), and issues for students with different backgrounds, experiences and needs (2.4.1, 2.4.2) as these relate to financial literacy and wellbeing. We also address issues of financial wellbeing in relation to mental health (2.4.4, Chapter 3).

About Ecstra Foundation

[Ecstra Foundation](#) (Ecstra) is an independent charitable foundation committed to building the financial wellbeing of Australians within a fair financial system. Our mission is for more Australians to be confident making money decisions today, and to be planning for the future.

Ecstra is relatively unique in Australia, with a dedicated focus on supporting financial education, capability and wellbeing initiatives. Ecstra has committed \$26 million over four years in grant funding across these domains.

We work with partners in communities, schools and other learning environments to map, design, deliver and measure financial education initiatives that help build individual financial literacy, capability and confidence. We also support consumer organisations in their work to address the many structural barriers to financial inclusion and economic security.

Our free national financial education program in primary and secondary schools [Talk Money with Ecstra Foundation](#), helps school students learn about money lessons for life, be confident talking about money and to make informed decisions. Since launching in 2022, Talk Money has engaged 763 schools, delivered over 4,600 workshops with more than 170,000 student bookings and continues to expand to schools nationally. In 2022, a significant proportion of schools in lower socio-economic areas (29%) and regional and rural locations (21%) benefitted from the program.

Ecstra's initial funding was provided through ASIC's Enforceable Undertaking regime (namely community benefit payments), ensuring that consumers are always at the centre of our work.

Improving student outcomes

Financial literacy in Australian schools

Ecstra welcomes the stated commitment to equity and the mission to “leave no-one behind, to be fair, and to ensure that individuals and the nation at large benefit from the fully realised potential of all its people”. We believe that confidence to navigate financial decisions is core to the development of young people that seek to realise their full potential.

Financial literacy¹ has been recognised as a core life skill that students should possess in an increasingly complex world to meet real-life challenges.²

National strategy

The national approach to addressing financial literacy in schools and the wider community has evolved in the past two decades.

The *National Financial Literacy Strategy* (the National Strategy)³ was launched in 2011, led by the Australian Securities and Investment Commission (ASIC) on behalf of the federal Government. A key objective of the first National Strategy was ensuring that consumer and financial literacy skills would be integrated and embedded in the school curriculum. The updated 2014-2017 National Strategy stated the need to “educate the next generation, particularly through the formal education system.” Subsequently, financial literacy was integrated across Australian schools.

The most recent iteration of the National Strategy was released by Treasury in 2022, following a transfer of policy responsibility from ASIC. This prioritises young Australians as a target cohort⁴ and launched a website for young adults called *MoneyManaged*⁵. Beyond this there appears to have been limited recent engagement across the education sector and the National Strategy is not currently active.

Australian curriculum

The Australian Curriculum acknowledges students need financial literacy to operate in our financial world. Financial (and consumer) literacy is featured in the curriculum however not as a standalone subject/learning area. Further, this curriculum only covers up to year 10. In years 11 and 12, the years that are particularly important in shaping students' financial capability, financial literacy is taught only in lower-level maths subjects⁶.

In practice there is a lack of consistency in how financial literacy is delivered in schools and the current curriculum approach means there is scope for students to have limited or no exposure to financial literacy concepts, particularly as they move through secondary school.

There is a need to engage with educators on the current approach of including financial education primarily in mathematics. Research on this approach raises issues on the too heavy a focus on

¹ The terms “financial literacy”, “financial capability” and “financial education” are used interchangeably. While financial literacy is commonly used in relation to financial knowledge, financial capability encapsulates a broader set of factors that are associated with making good financial decisions, such as decision-making skills, positive attitudes to saving, and feeling confident.

² Thomson (2014), *Financing the future: Australian students' results in the PISA 2012 Financial Literacy assessment*, Camberwell: Australian Council for Educational Research.

³ In 2018 the strategy was renamed to the National Financial Capability Strategy.

⁴ Target cohorts identified in the 2022 Financial Capability Strategy include young Australians, women, people in or near retirement and Aboriginal and Torres Strait Islander peoples.

⁵ www.financialcapability.gov.au/teens

⁶ de Zwaan & West (2022), Many students don't know how to manage their money. Here are 6 ways to improve financial literacy education, *The Conversation*, March 3.

formulae⁷, an absence of contextual application of content⁸, and teachers that lack training and confidence⁹.

Teachers, parents and students value financial education

Ecstra's survey of over 2,000 Australians on financial education in schools found that many students report low levels of confidence in talking about finance and money, and many are not learning about key concepts such as online scams despite being active consumers¹⁰. Further, 52% of teachers surveyed reported not having taught financial education at school and nearly all teachers said they would find further professional development in the area useful¹¹.

Despite the challenges, teachers and students overwhelmingly agree that learning about money in school is important. Ecstra's survey¹² found that financial education is highly valued, with 94% of parents and teachers, and 89% of students saying it is important to learn about money and finance. 98% of parents agreed that financial education should be taught in schools. Students reported they would like to learn more about how to save money and plan for the future (52%), buying property (44%), budgeting and managing household finances (43%) and investing (43%).

Addressing the financial education gap in schools

Ecstra's Talk Money program was created to address the financial education gap in schools. The program is evidence-based, curriculum aligned, age-appropriate and delivered by external facilitators, making it easy for teachers to incorporate into lesson planning. However, a more coordinated cross sector approach, led by government, is needed to ensure every student has access to effective, independent financial education at school. Elevating financial education and financial wellbeing as a core, compulsory area of curriculum knowledge and pastoral care will ensure that all students are equipped with the practical financial decision making skills they need once they leave school and undertake further study and work, and grapple with the cost of living pressures of housing, transport and student debt.

Mandated financial education is an achievable goal. For example, in the USA some states mandate personal finance classes as a graduating requirement, with some introducing year-long courses.¹³

Greater attention must be given to how to support teachers to include financial literacy in the classroom, and to the creation of resources. In a crowded curriculum, providing schools and teachers with access to evidence-based, curriculum aligned workshops, resources and tools to support effective learning in classrooms and at home is essential. We welcome the Productivity Commission's recommendation in its review of the NSRA of the creation of a common bank of high-quality curriculum aligned resources for teachers and schools. This should include effective, evidence based, curriculum aligned financial education resources and programs which are free of commercial interest, such as Talk Money and government resources (for example the MoneySmart teaching resources and the ATO's Tax, Super + You).

Achievement Data – improving student financial literacy is critical for future financial and social wellbeing outcomes

Despite successive National Strategies and financial literacy being embedded in the Australian school curriculum, financial literacy in Australia is on the decline. The latest Household, Income and Labour

⁷ *ibid*

⁸ Ross & Marshman (2021), Aussie kids' financial knowledge is on the decline. The proposed national curriculum has downgraded it even further, *The Conversation*, July 7.

⁹ Sawatzki & Brown (2022), Supporting teachers as financial educators, *Teacher Bulletin*, December 5.

¹⁰ Ecstra Foundation (2022), 'Financial Education in schools survey: Key insights' Research conducted by McNair yellowSquares.

¹¹ *ibid*

¹² *ibid*

¹³ Ghlionn (2023), America's classrooms are finally embracing financial literacy, *New York Post*, July 1.

Dynamics in Australia survey (HILDA) results show that financial literacy rates across all age groups have fallen, with the largest declines for those aged 15 to 24¹⁴. In 2016, young people scored an average of 1.3 questions correct out of 5, and in 2020 this declined to 1.0. This compares to an overall average of 2.9 in 2016 and 2.8 in 2020 for all survey respondents.

Further, Australia's results in the OECD's Programme for International Student Assessment (PISA) financial literacy assessment of 15-year-olds has declined since 2012, with no significant improvement over the last two assessment cycles¹⁵. Worryingly, student responses showed that they would reply to scam emails, provide their 'lost' online banking details or click on a link provided within an email and follow the instructions instead of contacting their bank.¹⁶

This is a concerning trend, particularly as these young people will soon enter adulthood and be faced with cost of living pressures, an increasingly complex financial system, disparities in economic equality and the proliferation of scams.

The financial literacy of young adults is particularly critical as financial habits formed in early adulthood are likely to persist¹⁷ and financial behaviour has been shown to have a major impact on financial wellbeing.¹⁸ Studies have established a correlation between low financial literacy and poor financial outcomes later in life¹⁹, and data shows that money attitudes and unsound financial management practices are predictors of debt and financial problems amongst young Australians.²⁰

The next NSRA should include measures to track student financial literacy outcomes. The current inclusion of PISA measures could be expanded to make specific reference to improving financial literacy assessment outcomes across all groups (including reducing the gap for priority cohorts).

Equity and Excellence in education - Students with different backgrounds, experiences and needs

The Australian Council for Educational Research notes that providing young people with financial education is essential to help bridge disparities in financial literacy due to differences in students' socio-economic status and will potentially reduce differences in their future socio-economic status²¹.

Researchers find a relationship between financial disadvantage and barriers to school engagement. Financial disadvantage can persist into adulthood, affecting further training and education opportunities. Surveys of university students, for example, show that a high proportion are worried about their finances.²² Indigenous students are most likely to be worried about their finances (72%), followed by students from low socio-economic backgrounds (63%) and regional students (64%). Financial stress contributes to lower retention rates.²³

Students living with a disability have unique perspectives and experiences. Research on the financial capabilities of youth living with a disability is limited, and usually focused on a particular type of disability. A study on youth with Autism Spectrum Disorder and money management skills found they

¹⁴ Wilkins et al (2022) *The Household, Income and Labour Dynamics in Australia Survey: Selected Findings from Waves 1 to 20*. Melbourne Institute: Applied Economic & Social Research, University of Melbourne.

¹⁵ Ross & Marshman (2021), Aussie kids' financial knowledge is on the decline. The proposed national curriculum has downgraded it even further, *The Conversation*, July 7.

¹⁶ Singhal (2017), Australian 15-year-olds declining in financial literacy: PISA Report, *The Sydney Morning Herald*, 24 May 2017.

¹⁷ Shim, Xiao, Barber, & Lyons (2009), Pathways to life success: A conceptual model of financial well-being for young adults. *Journal of Applied Developmental Psychology*, 30(6), 708-723.

¹⁸ ANZ (2018), *Financial Wellbeing – A Survey of Adults in Australia*.

¹⁹ Lusardi & Mitchell (2009), *How Ordinary Consumers Make Complex Economic Decisions: Financial Literacy and Retirement Readiness*. National Bureau of Economic Research Working Paper 15350.

²⁰ Dowling, Corney & Hoiles (2009), Financial management practices and money attitudes as determinants of financial problems and dissatisfaction in young male Australian workers, *Journal of Financial Counseling and Planning*, 20(2), 5-13.

²¹ Thomson (2020), Equity issues in student financial literacy, *Teacher*, 27 August 2020

²² Universities Australia (2018), 2017 Universities Australia Student Finances Survey, August 2018.

²³ Joo, Durband & Grable (2008), The academic impact of financial stress on college students, *Journal of College Student Retention*, 10(3), 287-305.

were worried and frustrated with their lack of financial skills and perceived this to be a barrier to achieving independence²⁴.

It is important that financial education programs in schools are inclusive and reflect the diverse background, experience and needs of cohorts. Fairer education approaches would ensure that all students are equipped with the knowledge and skills to navigate financial decisions to enable them to reach their full potential.

Improving mental health and wellbeing

Ecstra supports the stated focus on addressing the mental health and wellbeing of students. Financial wellbeing is an important component of overall wellbeing.²⁵ Financial wellbeing extends the concepts of financial literacy and financial capability to include the psychological and exogenous components, such as being able to talk about money, to make informed decisions about money and feeling in control to plan for the future. While there are many definitions in the literature, in the Australian context Muir et al define financial wellbeing as “when a person is able to meet expenses and has some money left over, is in control of their finances and feels financially secure, now and in the future”²⁶.

Financial wellbeing impacts many areas of everyday life, and is intrinsically linked to individual overall physical, mental and social health.

Many factors influence financial wellbeing. These include:

- Individual characteristics: financial knowledge, skills, attitudes, psychological traits, health
- External conditions: macro-economic, financial inclusion, social support, public programs, social and cultural norms
- Household factors: income and financial resources, financial situation, social capital, health of household members
- Temporal factors: life stages and events²⁷.

A quarter of Australians report that they are just about getting by or finding it difficult to manage financially, and many Australians (particularly young people and women) find dealing with money stressful and overwhelming²⁸.

People experiencing financial issues are twice as likely to experience mental health challenges²⁹. There is also a positive relationship between financial wellbeing and mental health, with each having cumulatively positive impacts on the other over time.³⁰

Financial wellbeing is also intrinsically linked to physical health, with access to economic resources, care and support being important to maintaining good physical health. Across almost all health measures, Australians living in the lowest socio-economic areas fare worse than those in higher socio-economic areas.³¹ Further, poor physical health can be both a cause and consequence of financial and mental health challenges³².

²⁴ Cheak-Zamora, Teti, Peters & Maurer-Batjer (2017), Financial capabilities among youth with Autism Spectrum Disorder, *Journal of Childhood and Family Studies*, 26, 1310-1317.

²⁵ Netemeyer et al. (2018), How Am I Doing? Perceived financial wellbeing, it's potential antecedents and its relation to overall wellbeing, *Journal of Consumer Research*, 45(1), 68-89.

²⁶ Muir, K., Hamilton, M., Noone, J.H., Marjolin, A, Salignac, F., & Saunders, P. (2017). Exploring Financial Wellbeing in the Australian Context. Centre for Social Impact & Social Policy Research Centre – University of New South Wales Sydney, for Financial Literacy Australia

²⁷ Russel, Kutin & Marriner (2020), 'Financial Capability Research in Australia', RMIT

²⁸ Commonwealth of Australia (Department of The Treasury), National Financial Capability Survey 2021

²⁹ Heartward Strategic on behalf of ASIC and Beyond Blue (2022), 'Money and Mental Health. Social research report – executive summary'

³⁰ Ibid.

³¹ Australia Institute of Health and Wellbeing (2022), 'Health Across Socioeconomic Groups'

³² Heartward Strategic on behalf of ASIC and Beyond Blue (2022), 'Money and Mental Health. Social research report – executive summary'

Due to its close relationship with mental health and wellbeing, developing strategies to promote financial wellbeing, such as how to talk about money and to make decisions that have financial consequences, are important for young people as foundational skills on which they will build to realise their full potential. In this way, financial education fits well within pastoral care and life skills activities within schools.

Summary

Financial literacy is a core life skill. Improving students' financial literacy and wellbeing is critical to lifting economic and overall wellbeing outcomes for individuals, families and communities. However, financial literacy levels across all age groups in Australia is declining.

Ecstra's Talk Money program was created to help fill the financial education gap in Australian schools. However, a more coordinated cross sector approach is needed, led by government, to ensure every student has access to effective, independent financial education at school. Teachers and schools also need to be supported with evidence based, curriculum aligned, independent resources, workshops and tools to help them deliver financial education in classrooms. A better and fairer education system should support a framework that elevates financial education and financial wellbeing as a core, compulsory area of curriculum knowledge and pastoral care to lift students' financial literacy and positively impact their long term economic and social wellbeing.

Ecstra welcomes the opportunity to engage with the Review Panel as the National School Reform Agreement is finalised. [REDACTED]

Yours sincerely,

Caroline Stewart

Caroline Stewart

CEO, Ecstra Foundation