Premier’s First State Super Financial Literacy Scholarship

Financial Literacy

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**Overview**

As simple to complex financial decisions are made on a daily basis at an increasingly younger age, sound financial capability is critical for a student’s quality of life, financial security and independence.

Teachers play a pivotal role in financial capability education at school, especially in the development of values, critical thinking capabilities and the confidence to apply knowledge and skills in a range of situations. Teachers in secondary schools have long recognised that the school curriculum needs to make better connections with the intellectual and social needs of students in adolescence. Financial capabilities are one such connection as developing sound financial skills is one marker of the successful passage from adolescence to young adulthood.

Consumer and financial literacy can be used to teach curriculum content in real-life contexts within the learning areas, making the teaching and learning more engaging and relevant to students. This approach requires planned integration of financial literacy across the school curriculum rather than provided as one off programs. (Review of the National Financial Literacy Strategy Background reportApril 2013). This is the focus of my investigation.

Research suggests that there is a link between a student’s family economic and educational background and their financial capability. Sound teaching can redress any gap in financial capability.

**National imperatives**

The broad aim of government in Australia is to work towards the betterment of its citizens so that they can live longer and healthier lives, to tackle significant inequalities in society, improve life chances for children, young people and families who are at risk, and to build strong and resilient communities.

The Melbourne Declaration on Educational Goals for Young Australians outlines how education is central in achieving these goals. It outlines the role of education in building a democratic, equitable and prosperous society (MCEECDYA, 2008). The MCEECDYA focuses on the education of young Australians with the goal of producing successful learners who are confident and creative, and become active and informed citizens. The effective integration of financial capabilities education into the new Australian Curriculum will support the achievement of these goals and improve the economic wellbeing of young Australians.

Improving financial capabilities is essential to our nation’s economic health.

**Political focus**

Youth unemployment

More than 27 per cent of Australians aged 17-24 were not in full-time study or work in 2011. Professor Craven, Vice-Chancellor of the Australian Catholic University, said "we've found that more than a quarter of young people are still not fully engaged in work or study after they leave school". For those from disadvantaged communities the outcomes are worse. More than 40 per cent of young people are not earning or learning. Megan Lilly, business leader and member of the Australian Industry Group, argues that many young people do not have the required skills and capabilities for work. She said, "a lot of young people really don't have sufficient skills” and that "we really need the system to support these young people." ([McDonald, S. 2013](http://www.abc.net.au/news/2013-10-30/study-work-fulltime-australians-youth-unemployment/5056224)). Whilst the youth of Australia are not engaged in work or study, they are not contributing to the Australian economy.

Financial Exclusion

Financial exclusion is closely intertwined with the interaction between social and economic disadvantage in Australia. It exists where individuals do not have access to financial services and products. These include services such as having a transaction account, obtaining insurance and access to credit.

In 2013, around 17.7% of Australian adults were classified as being fully excluded or severely excluded from financial services. In real terms, 194,117 adults are fully excluded and 2,929,402 are severely excluded, providing a combined total of 3,123,519. Citizens who are financially excluded cannot contribute nor participate fully in Australian society. There is a direct link between age, level of education and financial exclusion. The Centre for Social Impact found that most of the severely excluded adults had not completed secondary education and were less than 35 years of age.

The Centre for Social Impact also outlined measures to improve financial inclusion including access to basic banking. They stated, “banks and other mainstream financial service providers such as credit unions and building societies have, over time, recognised that some low income and vulnerable consumers require assistance in accessing (and maintaining) affordable and appropriate transaction accounts”. These life skills and financial capabilities should be integral to teaching and learning to ensure that financial exclusion is addressed in Australia. (Centre for Social Impact commissioned by the NAB, ‘[Measuring Financial Exclusion](https://www.nab.com.au/content/dam/nabrwd/documents/reports/financial/2013-measuring-financial-exclusion-in-australia.pdf)’)

Predatory Brokers and Credit Providers

The Australian Securities and Investments Commission calculates that Australians owe around $34 billion on credit cards – an average of around $4,400 per card holder. ([Credit Card Debt Clock](https://www.moneysmart.gov.au/borrowing-and-credit/credit-cards/credit-card-debt-clock), Australian Securities and Investments Commissions). Consumer advocacy group *Choice* estimates banks collect about $6.2 billion a year in interest on credit card debt. The interest rates on some cards are 20 percentage points higher than the Federal Reserve Banks's cash rate, which is currently set at 2.50%. Research by financial comparison website *RateCity* found that a consumer with $5000 in credit card debt with an average interest rate, making the standard minimum repayments of 2 per cent, would pay nearly $15,000 and take almost 29 years to clear the debt. Credit card contracts are complex and confusing, often distracting customers with special features and rewards. In today’s market consumers must be financial competent and skilled to navigate the complexities. (Wade, M. *Credit cards: a case of too much interest but too little attention,* [Canberra Times](http://www.canberratimes.com.au/comment/credit-cards-a-case-of-too-much-interest-but-too-little-attention-20131221-2zrq4.html#ixzz2rYqCuMxY)).

Despite national reforms recently, predatory lenders still operate in Australia. An example of this is pay-day loans. Payday lending arrived in Australia in 1998. By 2001, the Australian pay-day loan industry was estimated to have 100,000 customers. Today, it is between 1 million and 2 million. The loans are targeted at people in immediate need of cash who have few financial resources. The loans often have extremely high interest rates, are repaid via direct debit on pay day or the day a welfare payment is made, and if the consumer misses a payment they incur a penalty. The problem exacerbates when the consumer finds themselves in a spiralling situation where they require another loan. The disadvantaged are at an increased risk of falling victim to predatory loans. (Source: Green, S. [Disadvantaged caught in the lender trap](http://www.smh.com.au/national/disadvantaged-caught-in-the-lender-trap-20131116-2xnhb.html#ixzz2rCSyoiNj), Sydney Morning Herald)

Poor numeracy and literacy makes it difficult to participate in society. These issues provided the context for an investigation into the development of financial capabilities in high school students and the different approaches taken by educators to help students become financially literate. Schools, nongovernment and government organisations, financial institutions, museums and a university were visited in New York and Chicago in the USA, London, Birmingham in England, and Sanquhar, Glasgow and Edinburgh in Scotland.

**Successful financial capabilities programs and museums**

NYSE Euronext Teacher Workshops and Fellowship Program, New York City, United States of America

NYSE Euronext has devised a five day teacher program to help educators teach students about the financial marketplace and its importance to their lives and the global economy.

Steven Wheeler and Patricia Agurto from NYSE Euronext’s Corporate Responsibility department outlined the program, including an overview of the market, trading floor, equities, available curriculum resources and how they collate teaching strategies and the use of social media to disseminate their program.

The workshop includes 177 teachers a year – from 33 states and 5 other countries. They estimate their audience is approximately 25,000 students.

The program also has a dedicated fellowship program in which47 high performing teachers are selected from under-resourced schools. The fellowship program has benefited 9000 students in its first year and has received positive evaluation from teacher feedback collected at the workshops, including one comment that described the program as the “best professional development”.

An issue outlined by NYSE Euronext is dissemination. Once teachers have returned to the classroom, there is limited feedback. Any information received is *ad hoc*.

In 2012, NYSE Euronext partnered to run a joint teacher program on civics and citizenship in Washington DC. It was a success however owing to budget cuts this program is no longer running.

The program is not currently offered in Australia.

NYSE Euronext believes that running workshops for teachers is best practice. Their main argument is that ‘teaching the teacher’ will result in a larger audience sizes. They also argue that teacher-centred programs provide educators with the tools, experience and knowledge to be to deliver meaningful teaching and learning experiences for students. The fellowship program allowed NYSE Euronext access to the most disadvantaged communities – who often require more support, knowledge and skills in financial capabilities. They also emphasised the need for ongoing professional development so that teachers remain up-to-date on the rapidly changing financial marketplace and share their knowledge and skills with one another.

Museum of American Finance, New York City, United States of America

[The Museum of American](https://www.moaf.org) Finance is located at 48 Wall St and features permanent exhibits on American financial markets, money, banking, entrepreneurship and the history of Alexander Hamilton. The museum is an independent, non-profit museum that focuses on preserving, exhibiting and teaching about American finance and financial history. Permanent exhibitions include the history of barter, growing wealth, market fluctuations – including a feature on the Wall St Crash of 1929, trading stocks, commodity futures, mutual funds, hedge funds, money market funds, index funds, bonds, the NYMEX code, microfinance, and forgery.

Financial education is at the heart of the Museum’s mission. For more than 20 years, educators from around the country have been bringing students to the Museum to help them understand how finance impacts their daily lives. Through the Center for Financial Education, the Museum offers classroom programs and tours for students.

Visits to this museum help to strengthen teacher understanding and knowledge, particularly in the intricate details of trade. This has resulted in improved student resources and learning activities. Further teacher resources are freely available at [Museum of American Finance](https://www.moaf.org/publications-collections), including video lectures, financial history magazines and the museum’s monthly newsletter. Teachers can also purchase resources online via the museum shop.

Money Museum, Chicago Federal Reserve Bank, United States of America

The Federal Reserve Bank of Chicago’s [Money Museum](https://www.chicagofed.org/education/money-museum/index), located at 230 South LaSalle Street Chicago, is free and open to the public year-round. The guided tour is led by an experienced educator with an extensive knowledge of inflation and the role of Reserve Banks. The guided tour includes:

* A presentation about the functions and responsibilities of the Federal Reserve System and the Chicago Federal Reserve Bank
* Detailed information about the Money Museum’s historical currency collection
* A video about the operations of the Chicago Federal Reserve Bank
* A question-and-answer session.

Permanent exhibitions include inflation, role of the Federal Reserve, payment methods, the evolution of money, and the history of American currency. The Money Museum also includes hands-on educational games and challenges.

Visits to this museum help to strengthen teacher understanding and knowledge, especially in the areas of inflation and the role of Reserve Banks. This has resulted in improved student resources and learning activities. An online tour of the Money Museum can be accessed [online](https://www.chicagofed.org/education/money-museum/virtual-money-museum). The Federal Reserve Bank of Chicago believes that economic and financial literacy serve critical roles in helping consumers make better decisions with their money. The Federal Reserve Bank of Chicago has prepared a resource for junior economics students *Econ Explorers*. It includes a teachers’ guide and a student workbook that are freely [available](https://www.chicagofed.org/education/econ-explorers).

The Money Charity, London, England

The Money Charity is based in Clapham in London – but delivers its program throughout the entire United Kingdom. The Money Charity works with young people, adults, industry groups and in consultation responses to government policy and research. The Money Charity sees financial capability as critical to decreasing the levels of debt and bankruptcy in the United Kingdom. As a country, the United Kingdom holds personal debts of over *£1.4 trillion*, pays *£164 million* in interest every day, spends *£1.4 billion* a day on credit and debit cards and as a result, every *5 minutes* one citizen will be declared bankrupt and every 16 minutes a home will be repossessed.

The Money Charity’s current work with young adults includes the direct delivery of free money workshops delivered in schools and colleges and the distribution of the *Student Moneymanual*. Money workshops have an audience size of between 80,000 and 100,000 students per year. The Moneymanual has reached over 400,000 young people and over the last few years. Their programs have been designed to complement financial education as part of the national curriculum being implemented in the United Kingdom in September 2014.

Teacher resources include free online tools such as a ‘spendometer’ and ‘online budget builder, downloadable student magazines and free video clips on debt and budgeting, see [The Money Charity](http://themoneycharity.org.uk/resources/).

**Financial literacy programs that advantage youth who are at a disadvantage because of family economic and educational background**

MoneyThink, Chicago

[*MoneyThink*](https://moneythink.org) is a grassroots movement of young people working to restore the economic health of the United States through financial education. College volunteers mentor high school students in the areas of financial literacy, entrepreneurship and the skills of being an effective member of society. *MoneyThink* founder, Ted Gonder outlined that many Americans don't know how to manage money. More than half of U.S. adults do not have a budget and one-third do not pay their bills on time. Another third carry credit card debt over from one month to the next. Another issue is the widening gap between the wealthy and poor. Rationale for the *MoneyThink* programme is outlined in detail [online](https://moneythink.org/the-problem/).

Every child will need to deal with financial decisions. Managing money is essential to achieving personal and professional goals. Financial education in schools is of importance – but founders of *MoneyThink* argue that it is not enough. They believe that mentorship is the most effective method of improving a young adult’s financial capability. To date, *MoneyThink* have trained over 900 volunteers who have mentored over 7,000 students in need.

*MoneyThink* have measured the impact of their program through summative tests and surveys. They found improvements in financial knowledge and attitudes, including:

* 65% of students more prepared for financial independence by the end of the program.
* 62% increase in students’ awareness of the dangers of credit card debt.
* 46% increase in students’ understanding of parents’ financial practices.
* 31% increase in household discussions of money management.
* 30% increase in students’ familiarity with financial aid process for college (FAFSA).

Ongoing professional development is critical in producing the best teachers. There is a need for additional resourcing to allow teachers the time to participate in professional development and to be able to successfully disseminate that knowledge to their colleagues.

**Curriculum – Best Practice**

School and University visits:

* Waverly College, Birmingham, England
* Birmingham University
* Sanquhar Academy, Dumfries, Scotland

Financial capability is scattered across the curriculum, taught in subject areas including Maths, Social Sciences and Health and Wellbeing. Schools have also implemented general programs during Pastoral Care and Challenge Based Learning Days.

*Skills for learning, life and work*

An important part of financial capability is explicit teaching of skills so that students can navigate the financial landscape.

* Homeroom based activities (40 minutes per school day):

Homeroom and Pastoral Care provides time for completing group activities and challenges based on everyday financial problems. Small, group tasks in a supportive environment encourage creative approaches to overcoming financial challenges. Feedback from schools indicates that teachers are seeking professional development to improve their knowledge base.

* Secondary school initiated banking system:

Students are able to deposit money at the school office that is collected and deposited into individual accounts at a local bank. This encourages saving. An example of this was seen at Waverly College in Birmingham. Teachers recognised that many students at the College found banks inaccessible due to lack of exposure and parental guidance. To rectify this, the school initiated an agreement with a local bank with great success.

* Elective subjects:

Explicit teaching of financial capabilities through elective subjects such as Business Management and Accounting is an important part of teaching and learning in preparation for learning, life and work. Being an elective subject, many students miss out on this opportunity.

*Enterprise in education*

* Challenge based learning focusing on careers and financial literacy:

Challenge based learning (CBL) incorporating discussions with peers, teachers, and experts in their communities, student-led research using technology and the development of business ideas and careers enables students to ask good questions, develop deep subject area knowledge, identify and solve challenges, take action, and share their experience. Explicit teaching must include pre-teaching of knowledge to ensure engagement with the challenge. Teacher feedback indicates that many teachers assume prior knowledge. They also commented that due to time constraints and a sometimes-overcrowded curriculum, many did not fully address syllabus outcomes and used CBL as an opportunity to tick off financial capabilities as complete when in fact they were not fully addressed.

* Local competitions:

Enterprise based local competitions (often run by financial institutions and local newspapers) allow students to formulate a business idea and execute it. Successfully completing competitions enabled students to connect theory and practice. Sanquhar Academy, a small rural school, achieved many successes through local competitions that increased students’ exposure to enterprise and helped motivate creativity. Another innovative teaching idea that demonstrated private enterprise at Sanquhar Academy was their inter-school business competition. Students created and ran businesses that included the sale of shares in their business. If profit was achieved – it was distributed amongst shareholders.

* Links with business and industry:

Schools have embraced local businesses and industry. This link provides an opportunity for students to unravel the complexities of enterprise and make connection between their theoretical knowledge and the practice of business.

Teachers felt that an overcrowded curriculum meant that some learning outcomes were assumed after students participated in CBL activities and student participation in external competitions. Where possible, curriculum should not be overcrowded so that teachers are not forced to ‘rush through’ important cross-curriculum priorities, general capabilities and learning areas such as civics and citizenship and work and enterprise.

Recognition of students underachieving against expected outcomes has led to the introduction of tailored programs for students who struggle. This shows the importance of teaching and learning financial capabilities and the adjustment of programs and practice to assist vulnerable students. The incorporation of financial capabilities across a national curriculum has added emphasis to this area. Teachers should adjust practice to suit the requirements of their class.

Government:

*Education Scotland, Glasgow, Scotland*

The strategic priorities of Education Scotland focus on building the capacities, attributes and capabilities to enable young people to become successful learners, confident individuals, responsible citizens and effective contributors to society. The Scottish government, recognising that parts of Scotland have the worst levels of financial exclusion in the United Kingdom, decided to focus on improving economic wellbeing by improving financial capabilities in schools. To ensure that this was achieved Education Scotland incorporated syllabus outcomes that reflect the achievement of financial capabilities in the subject areas of Maths Numeracy, Literacy, Social Studies and Health and Wellbeing.

Education Scotland works closely with government and industry, having regular and open communication about policy, direction, implementation and achievement of outcomes. By working collaboratively the best outcomes can be achieved. This three-pronged approach to improving economic wellbeing demonstrates best practice and what can be achieved with cooperation in order to achieve the national priorities of being a wealthier and fairer, smarter, healthier, safer and stronger, greener society.

Education Scotland provides for opportunities for strong links between teachers, industry and government. This best practice has proven successful – and NSW should follow this lead by establishing regular conferences between these key stakeholders.

**Conclusions**

In New South Wales, where there are defined syllabuses, areas of learning such as financial literacy, that are across the curriculum and with elements that fit in a number of syllabus areas that are the responsibility of a number of teachers, are often under-taught or fall through the gaps.

It has been argued that financial literacy is in the domain of teachers of mathematics and the OECD observes that certain level of numeracy (or mathematical literacy) is regarded as a necessary condition of financial literacy. On the other hand there are large areas where the content of mathematical literacy and financial literacy do not intersect. Knowledge about financial matters and capability in applying such knowledge and reasoning in financial contexts (in the absence of any specifically mathematical content) characterise much of financial literacy: money and transactions, planning and managing finances, risk and reward and financial landscape. For a teacher of business studies, commerce, geography and history there are strong syllabus links that provide the opportunity for sound financial education.

Financial literacy should be tied into the PDHPE and HSIE syllabus compulsory format throughout Stage 4 and 5. Commerce is an elective subject and students not studying this area are in danger of being deficient in the area of financial literacy.

Teachers in NSW are looking for a coherent and practical framework for classroom work, as well as inspirational kick starters, which consolidate fundamental aspects of financial literacy, sound pedagogy and also encompass the competencies that students need to negotiate in their world.

NB: At the time of writing, the 2012 PISA results on financial capability had not been released.