



Position on Financial Literacy

Introduction

The banking industry has, and continues, to invest in financial literacy programs and activities and to support a substantial program of collaboration with community organisations and government agencies. We are committed to improving financial literacy for all Australians.

The Australian Bankers' Association (ABA) believes financial literacy is a vital life skill. All Australians need to have the knowledge, skills, capabilities and capacities to understand how to manage their money, build their savings, make sound investment decisions, and manage their debts, now and into the future.

The ABA is supportive of the role played by the Australian Securities and Investments Commission (ASIC), as the lead Australian Government agency, to promote and encourage a coordinated and collaborative approach to improving the financial literacy of all Australians through the *National Financial Literacy Strategy 2014-2017 (Strategy)*.

Consistent with its statutory objective to promote the confident and informed participation of consumers and investors in financial services and markets, ASIC has national responsibility for coordinating financial literacy, working closely with the Australian Government Financial Literacy Board.

The banking industry has engaged with ASIC on the development of the *Strategy*¹. We support the *Strategy* and endorse its five strategic priorities: educate the next generation, particularly through the formal education system; increase use of free, impartial information, tools and resources; provide quality targeted guidance and support; strengthen coordination and effective partnerships; and improve research, measurement and evaluation.

Our definition of financial literacy

Financial literacy is a combination of financial knowledge, skills, attitudes and behaviours necessary to make sound financial decisions, based on personal circumstances, to improve financial wellbeing.

The banking industry supports the definition of financial literacy contained in the *Strategy*, which builds on the definition used by the OECD International Network on Financial Education and makes the link between the importance of financial literacy and concepts of confident and informed decision making. Financial decision making is an important factor in achieving financial wellbeing. Therefore, building financial literacy is a pathway for promoting, supporting and achieving financial wellbeing based on an individual's personal circumstances.

Our principles on financial literacy

The banking industry believes that it will take a comprehensive approach through coordinated and sustained efforts of a number of stakeholders across financial education; training, support and counselling; and lifelong learning across our community to build financial literacy in Australia. It will also take additional approaches and opportunities in other policy frameworks to support financial literacy efforts, promote financial and social inclusion, and build economic and financial resilience.

Strong leadership and engagement

The ABA supports strong leadership and engagement between the banking industry, businesses, governments, educators and the community sector.

Improving levels of financial literacy in Australia is a shared responsibility. Best practices in financial literacy programs and activities should be developed through leadership and coordination frameworks which seek to deliver programs and provide information, tools and resources to consumers at the right time and in the right way. Engagement between sectors will ensure that partnership approaches leverage existing efforts, build new competencies, target programs and activities to those within our community with most need, and promote access for greater financial and economic participation by all Australians.

¹ www.financialliteracy.gov.au

Good policy and practice

The ABA supports good policy and practice which focuses on efforts to enable individuals, families and communities to improve their financial literacy and financial wellbeing and fosters efficient and effective policy and program development.

Developing and enhancing the efficiency and effectiveness of financial literacy programs and activities will take a range of expertise from across different sectors and different access points across life stages and personal and financial circumstances. For example, the education sector for children and young adults; businesses, employers and employee representatives, superannuation funds for workers; financial counsellors and social workers for people experiencing financial difficulties or in financial crisis; the retail sector for consumers; seniors organisations and retiree representatives for older Australians; disabilities organisations for people with a disability; and governments, regulators, banking and financial institutions and community groups across our community and target groups within our community. Good policy and practice will be deepened through sharing of experiences by those individuals and organisations delivering programs and activities.

Effective promotion and collaboration

The ABA supports promotion and collaboration which facilitates greater awareness and enriches the delivery of financial literacy programs and information for all Australians.

Collaborating and designing solid and sustainable cross-sector partnerships is essential in order to drive generational behavioural change. Behavioural influence and change, not just knowledge and understanding of banking concepts, products and services, but real impacts, should be evaluated through research, measurement and evaluation frameworks which seek to improve awareness of, and access to, meaningful and relevant financial literacy programs and activities. Promotion and collaboration will ensure that more Australians see the importance of greater financial literacy awareness, knowledge, skills, attitudes and behaviours in improving financial decision making and driving financial wellbeing.

Our financial literacy program

Financial literacy is one of the banking industry's long-term priorities and we are committed to continuing to invest in these financial literacy programs and activities to help all Australians take control of their money and finances.

The ABA's "Broadening Financial Understanding" program introduced in 2004, aims to help Australians make confident and informed decisions regarding their money and finances.

A decade later and the industry program focuses on making sure the banking industry has resources to address core knowledge areas and areas of interest with banking and financial products and services and has the mechanisms for making sure that all Australians are able to access this information and these resources. We understand that information is not financial literacy; financial literacy is building knowledge and skills and transferring these into financial capabilities and capacities. Our member banks' programs and activities are about outcomes and shifting attitudes and behaviours towards money. Individual banks and their partnerships are focusing efforts across education, banking and financial products and services, financial inclusion, and research.

The industry program consists of three key components:

Materials development program: Objective to develop materials and resources to promote banking concepts across the community and address areas of interest and need for target audiences.

The ABA will work with member banks and consumer stakeholders to identify areas of interest and need for consumers.

The ABA will develop free and impartial information, tools and resources and seek to assist consumers to understand and find the right banking product or service for them, to grow their financial knowledge and skills to make informed decisions or seek additional information and advice, to understand the consequences of their financial decisions now and into the future, and to prepare themselves for different life stages.

Member banks will ensure consumers have access to tailored programs and activities which seek to build individual financial capabilities and capacities as well as family and community financial resilience.

Information dissemination program: Objective to enhance distribution and dissemination of materials in collaboration with partners.

The ABA will work with member banks and consumer stakeholders to disseminate easy to understand facts, information, tools and resources to consumers so they are aware of their financial opportunities and choices.

Member banks will assist consumers in making their financial decisions.

Access and awareness program: Objective to increase access to financial literacy materials, programs and activities as well as raise awareness about financial literacy and financial capability for individuals, families and communities.

The ABA will work with member banks and consumer stakeholders to raise awareness and understanding of the importance of attaining and maintaining knowledge, skills, attitudes and behaviours which support sound financial decisions by providing consumers with messages about the long-term importance of taking control of their money and finances.

Member banks will ensure consumers have access to banking products and services and reinforce financial literacy messages with education, information, and guidance.

Our 10 key actions

The banking industry believes one of the biggest challenges for promoting financial literacy across Australia is getting the right information and support to the right people at the right times.

Cross-sector partnership approaches should be promoted to help achieve the objectives of the "Broadening Financial Understanding" program by:

- Increasing the relevance of the program by targeting certain audiences (i.e. the target group or the wider audience); and
- Expanding the reach of the program.

The ABA believes that the value of partnerships is evident in terms of content, distribution, promotion and measurement. Cross-sector partnership approaches underpin the banking industry's key actions and should support organic innovation in delivery of information, tools and resources for consumers and investors.

The banking industry is committed to the following key actions:

1. Develop and promote the ABA's "Broadening Financial Understanding" program and resources, including the ABA's Financial Literacy Info Centre². The Centre will provide information and guidance on banking and financial products and services as well as useful links to member bank's financial literacy and financial inclusion programs and the industry's other targeted information and tools, such as the ABA's "DoingItTough" website³ and the ABA's "Affordable Banking" website⁴.
2. Support expanding training to reach more teachers and school and vocational students and promote the learnings from partnership programs between member banks and educators and delivering financial literacy through business and economics in the national curriculum to students across Australia. For example, Commonwealth Bank Foundation's StartSmart program provides innovative and interactive face-to-face financial literacy workshop lessons; complementing ASIC's MoneySmart Teaching program which provides professional learning and curriculum linked resources for teachers so they are skilled and confident in integrating financial literacy, where relevant, into their teaching programs.
3. Leverage campaigns and partnerships to target audiences on certain topics as a way of generating more access and usage, including through ASIC's MoneySmart website, the media, and consumer stakeholder networks. For example, promoting the availability of targeted information and guidance to disadvantaged and low-income Australians, young Australians, women, and other groups in our community, including new arrivals, refugees and asylum seekers, and people with special banking needs (i.e. ESL, disability, etc). Key topics include: understanding banking rights and responsibilities, banking for seniors, banking for Indigenous Australians, understanding banking basics and managing finances, accessibility of banking, retirement and estate planning, understanding risk, and protecting yourself and your money.

² <http://www.bankers.asn.au/Consumers/Financial-Literacy>

³ <http://www.doingittough.info/>

⁴ <http://www.affordablebanking.info/>

4. Promote the availability of information, tools and resources to assist bank customers to better understand and manage their money and finances, such as sophisticated and easy-to-use budgeting tools and information and guidance for people experiencing financial difficulties or in financial crisis. For example, ANZ's MoneyMinded program, which is helping people build financial skills, knowledge and confidence, and was established to respond to the need for financial skills education among marginalised and financially excluded Australians. We will continue to work with consumer stakeholders to raise awareness of industry approaches and resources and encourage our member banks to further develop and innovate technology solutions to assist bank customers better manage their money and finances.
5. Encourage the development of improved information, tools and resources to better target the financial literacy needs of Indigenous people and communities. For example, the Commonwealth Bank's Indigenous Customer Assistance Line, which is removing access barriers by providing a service specifically designed for remote Indigenous customers; ANZ's MoneyBusiness program, which is building money management skills and confidence of Indigenous people and developing a stronger savings culture in remote communities; and Westpac's Indigenous Capital Assistance Scheme, which comprises the Family Income Management workshops and small business mentoring programs. We will continue to work with, and advocate on behalf of, the Indigenous Financial Services Network, and continue to progress appropriate actions in the report *Banking for the Future* as well as commitments and actions contained in the ABA's *Indigenous Statement of Commitment* and individual banks' Reconciliation Action Plans, and other customer service charters.
6. Support, promote and enhance MoneySmart Week by implementing industry-wide and institutional efforts. We will support MoneySmart Week through industry and individual banks' awareness raising activities, partnership events, and via consumer directed outcomes and targeted resources. Specifically, the ABA's financial literacy conference held biennially, promotes sharing of research, ideas and experiences, fosters cross-sector and strategic partnerships, develops competencies for activities, and encourages best practice in program design and delivery, collaboration and promotion.
7. Review and update training for relevant bank staff to ensure consumer rights, responsibilities and financial literacy messages are known as necessary in various roles. We will improve relevant training modules for frontline staff and raise awareness of the importance of consumer rights in banking.
8. Simplify and modernise disclosure obligations on banks and other financial institutions to assist the banking industry provide improved information and guidance, including factual information, regulated disclosures relating to financial products, general and personal advice, as well as education materials aimed at lifting levels of financial literacy in Australia. We will work with the Government to ensure that regulated disclosures provide clear, meaningful information to customers and clients of banks and banking groups.
9. Build on existing partnership approaches and programs, including cross-sector efforts between the ABA and consumer and government stakeholders, to raise awareness of financial literacy and promote access to banking products and services. For example, supporting the sharing of outcomes and promoting and leveraging partnership programs, including matched savings (such as, ANZ's Saver Plus program developed in partnership by the Brotherhood of St Laurence and NAB's AddsUP Savings Plan developed in partnership by Good Shepherd Microfinance), no or low interest loan programs and other micro-finance programs (such as, the No Interest Loans Scheme (NILS) run by Good Shepherd Microfinance in partnership with the Federal Government and NAB and the StepUP loan program run by Good Shepherd Microfinance in partnership with the Federal Government and NAB) and micro economic development and business enterprise programs (such as, NAB's micro-enterprise loans and Westpac's micro-finance program developed in partnership with Many Rivers. We will foster strategic alliances and partnerships and support the national Financial Literacy Community of Practice to share information, experiences and lesson
10. Encourage the implementation of studies and surveys to provide insights into financial literacy in Australia and establish research, measurement and evaluation frameworks. For example, ANZ's *Adult Financial Literacy in Australia* and NAB's *Measuring Financial Exclusion in Australia*. We will acknowledge and promote these research studies, frameworks and surveys as leading examples of research providing important insights into understanding financial literacy in Australia and encourage additional research to supplement these studies and help target our financial literacy efforts.

The ABA supports the cross-sector promotion of existing sources, contact points and strategic partnerships to leverage existing efforts and distribution channels as well as cross-sector collaboration to promote greater awareness across audiences.

Key stakeholders

The banking industry believes that improvements in financial literacy depend upon the coordinated and sustained efforts of a number of stakeholders, including consumer and community groups, educators, government, the banking and financial services industry, and other businesses.

The ABA's program seeks to leverage cross-sector partnership opportunities with these stakeholders, and in particular, consumer stakeholders with valued and trusted relationships within their communities.

The ABA recognises the importance of the Australian Government's Financial Literacy Board⁵ and the importance of the ASIC consumer website "MoneySmart", which provides useful information to help people make smart choices about money⁶.

The ABA also recognises the importance of our member banks. A number of member banks produce publications, information and tools as well as offer education seminars and workshops which customers can use to assist them in making financial decisions.

The following provides more information on member banks' financial education, financial literacy and financial inclusion activities: ANZ Banking Group, Bendigo Bank, BOQ, Citibank Australia, Commonwealth Bank of Australia, HSBC, ME Bank, NAB and Westpac.

The ABA's website has a list of member banks' programs, resources and links to their websites (<http://www.bankers.asn.au/Consumers/Financial-Literacy>).

The ABA recognises that lifting the levels of financial literacy in Australia does not only have benefits for individuals and families, but improvements in financial literacy can deliver significant benefits to the economy and the wider community.

⁵ <http://www.financialliteracy.gov.au/financial-literacy-board>

⁶ <http://www.moneysmart.gov.au>