

Ministerial Council for Education, Early Childhood Development and Youth Affairs

NATIONAL CONSUMER AND FINANCIAL LITERACY FRAMEWORK (REVISED 2009)

PURPOSE STATEMENT

The National Consumer and Financial Literacy Framework was originally developed for the Ministerial Council on Education, Employment, Training and Youth Affairs (MCEETYA) in 2005 to articulate further the learning needed to fulfil the National Goals of Schooling 1999.

In 2009, the introductory material was revised in response to the significant changes in the national Education context, in particular the advent of a national curriculum.

The Framework is designed to:

- highlight the significant contribution that consumer and financial literacy education can make to the attainment of the *Melbourne Declaration on Educational Goals for Young Australians* and the national education reform agenda
- provide guidance to the Australian Curriculum, Assessment and Reporting Authority (ACARA) in its implementation of the National Curriculum
- provide guidance to states and territories in the development of their curricula within the National Curriculum Framework for Years K-12
- provide guidance to developers of support materials and the professional development of all teachers of consumer and financial literacy.

This multi-disciplinary¹ framework relates also to employability skills² and will assist in achieving national consistency in curriculum, resources to support that curriculum, and professional development to support teachers of consumer and financial literacy

DEFINITION

Consumer and financial literacy is the application of knowledge, understandings, skills and values in consumer and financial contexts and the related decisions that impact on self, others, the community and the environment.

RATIONALE

In an era of increasing demands upon individuals to provide for their own financial future—and ever increasing complexity in financial products, services and markets—providing future generations with the necessary skills to become financially literate and deal with these complexities through their schooling is essential.³

Young people are increasingly exposed to consumer pressures and are interacting with money from an earlier age. The everyday consumer and financial decisions they make will impact over time on their quality of life, opportunities they can pursue, their sense of security and well-being and the overall economic health of our society⁴.

¹ Consisting of content drawn from a number of disciplines and where the integrity of the discipline is maintained.

² Employability skills are defined as skills required not only to gain employment, but also to progress within an enterprise so as to achieve one's potential and contribute successfully to an enterprise's strategic directions. The eight key skills which make up the Employability Skills Framework are: communication; team work; problem-solving; initiative and enterprise; planning and organising; self-management; learning; and technology.

http://www.allenconsult.com.au/employabilityskills/downloads/Forum_Summary.pdf

³ Why Financial Literacy must be part of the National Curriculum, A Position Statement by the Australian Government Financial Literacy Board.

⁴ The more knowledgeable consumers are in the way they interact with the financial services sector, the more effective and efficient that sector will become, creating savings and ideally reducing the need for regulatory intervention.

The current Global Financial Crisis (GFC) clearly highlights the importance of consumer and financial literacy and the intricate connections between markets and consumer behaviour around risk and reward. It also demonstrates the need to re-inforce core financial literacy concepts such as budgeting and saving, living within one's means, responsible use of credit, diversification and investing only in products that are understood.

Financial decisions, as for many life decisions, are complex and highly contextual. The expanding body of literature on behavioural economics reflects the sustained interest from policy-makers, academics and educators in further understanding motivation and how and why individuals make choices. This literature, in the current context, has much to offer those who seek to build consumer and financial literacy capacity and resilience in young people⁵. Factors that have been found to influence people's knowledge and understanding of financial matters include their attitudes and beliefs about money (which are influenced by cultural background and values), confidence levels, interest and engagement levels and socio-economic demographic background⁶.

The 2008 ANZ survey found that overall the lowest levels of financial literacy can be found among those aged 18-24 years and over 70 years, those with low levels of education (Year 10 or less) and low socio-economic status⁷. Good consumer and financial literacy skills help individuals and families make the most of opportunities, achieve their goals and secure financial wellbeing as well as contributing to the economic health of society. Research has consistently shown that Indigenous Australians are among the most disadvantaged in our community in terms of financial literacy and inclusion⁸. By developing sound consumer and financial literacy knowledge, skills and behaviours from an early age, all young Australians, including those from the most disadvantaged backgrounds, will be better equipped to overcome or avoid financial exclusion.

The importance of including and resourcing financial literacy education in schools has been recently recognised by the OECD, with Angel Gurría, OECD Secretary-General, announcing at an OECD/IEFP Symposium on Financial Education in May this year that a financial education component will be included in the Programme for International Students Assessment (PISA) for 2012⁹.

THE NATIONAL EDUCATION CONTEXT

The Melbourne Declaration on Educational Goals for Young Australians acknowledges that school education in 21st century should equip young people with 'the knowledge, understanding, skills and values to take advantage of opportunity and to face the challenges of this era with confidence'. Under this Declaration all Governments have committed to work collaboratively so that Australian schooling promotes equity and excellence and that all young Australians become successful learners; confident and creative individuals; and active and informed citizens.

Consumer and financial literacy education will support the attainment of the *Educational Goals* by empowering young Australians to make responsible and informed consumer decisions, vital to effectively managing life and work in the 21st century. Financial literacy encompasses both knowing about money matters and being equipped to utilize that knowledge effectively, by applying it across a range of contexts. Specifically, consumer and financial literacy education will assist young Australians to:

- reach their full potential, including 'closing the gap' on financial literacy levels for Indigenous young Australians
- embrace opportunities and make rational and informed decisions about their own lives and accept responsibility for their own actions

⁵ See <http://www.pc.gov.au/research/confproc/behaviouraleconomics>

⁶ Financial Literacy Foundation (FLF) 207, *Financial Literacy: Australians understanding money*; Commonwealth of Australia: Canberra; Australia and New Zealand Banking Group 2008, *ANZ Survey of adult financial literacy in Australia*. AC Nielsen: Melbourne, 2003; *ANZ Survey of adult financial literacy in Australia: Final Report*. Roy Morgan Research: Melbourne.

⁷ Australia and New Zealand Banking Group (ANZ) 2008, *ANZ Survey of Adult Financial Literacy in Australia*. The Social Research Centre: Melbourne, pp 4-5

⁸ See for example McDonnell and Westbury, Working Paper 18/2002: *Banking on Indigenous Communities: Issues, Options and Australian and International best practice*, p.1 0, viewed at <http://www.anu.edu.au/caepr/Publications/WP/2002WP18.php>

⁹ See http://www.oecd.org/document/12/0,3343,en_2649_15251491_42842828_1_1_1_1.00.html.

- be well-prepared for their potential life roles as family, community and workforce members
- be responsible global and local citizens¹⁰

A national curriculum that builds on a quality early childhood education and provides 'a solid foundation for further learning and adult life'¹¹ in the 21st century is central to achieving these *Goals*. Consumer and financial literacy will contribute significantly to developing the general capabilities identified in the design of this curriculum¹², particularly *self-management*, *ethical behaviour* and *intercultural understanding*.

Through application to 'real-life' contexts, consumer and financial literacy education provides young people with opportunities to:

- consolidate and extend literacy and numeracy skills by employing these in a range of practical consumer and financial contexts¹³
- identify personal characteristics that contribute to or limit effective financial management
- learn how to balance risk and reward in financial contexts and make sound judgements
- learn from successes and failures and take responsibility for personal decisions
- develop the capacity to become 'sustainable consumers' - to assess the consequences of their consumer behaviour for themselves, the broader community and the environment, and to make informed, responsible and ethical decisions.

DIMENSIONS OF CONSUMER AND FINANCIAL LITERACY

The Framework has four dimensions of consumer and financial literacy¹⁴. They are: knowledge and understanding; competence; enterprise; and responsibility. These dimensions are interrelated and embrace the knowledge, skills, understandings and values related to key concepts including: income, competition, exchange, liability, power and value as they relate to consumer and financial literacy.

The dimension of:

- *Knowledge and understanding* is about the nature and forms of money, how it is used and the consequences of consumer decisions
- *Competence* is the application of consumer and financial knowledge and skills in a range of changing contexts
- *Enterprise* is the opportunity to use initiative, build financial capabilities and manage risk-taking when making consumer and financial decisions
- *Responsibility* is appropriate consumer and financial decisions that display care for self, others, the community and the environment.

¹⁰ *Melbourne Declaration on Educational Goals for Young Australians*, MCEETYA, 2008 pp 4, 8 & 9

¹¹ *Op cit* 7 p. 13

¹² *Curriculum Design*, Australian Curriculum, Assessment and Reporting Authority (ACARA). June 2009. pp 13 & 14.

¹³ This is particularly relevant to improving the financial literacy skills (and thus financial inclusion) of Indigenous Australians.

¹⁴ These are based on the Scottish Consultative Council on the Curriculum (SCCC), *Financial Education in Scottish Schools: A Statement of Position*, 1999, p. 7.

DESCRIPTIONS OF LEARNING

YEAR 3

Students explain what money is and that money is more than notes and coins. They understand that family income can come from a variety of sources, is often limited and that individuals often have a plan or budget to use their money. They explain the reasons why they want some basic goods and services and recognise that decisions to spend can be influenced by advertising and peer pressure.

Knowledge and Understanding

Students:

- Understand that money includes more than notes and coins.
For example, recognise that plastic cards, Electronic Funds Transfer at Point of Sale (EFTPOS) and cheques are also forms of money.
- Understand that money comes from a variety of sources and is limited.
For example, understand that money is limited and can be obtained from pocket money, wages and gifts.
- Understand that money is used to exchange goods and services.
For example, understanding that money buys lunch at the tuckshop/canteen, pays for bus fares and services such as a haircut.
- Understand that money can be kept to meet wants and needs.
For example, understand that money might be saved in a piggy bank or savings account and be used to buy presents or clothing.
- Understand the differences between needs and wants.
For example, understand that people need food, clothing and shelter to survive, and that people may want goods such as electronic computer games and designer clothes.

Competence

Students:

- Use money to buy basic goods and services.
For example, recognise that an item needs to be paid for.
- Compare the value of similar items.
For example, compare the value of different brands of the same amount of bottled water.
- Order spending preferences.
For example, make a list of personal spending preferences in order of importance.

Enterprise

Students:

- Creatively explore opportunities to earn money or other rewards.
For example, perform chores and assist a charity by participating in a supervised car wash.

Responsibility

- Identify simple ways their decisions may impact on themselves, others, the community and the environment.
For example, the amount and type of packaging when buying goods, decisions about giving.
- Identify that advertising can influence people to buy goods and services.
For example, how advertisers use sports figures, hero figures and 'in' groups.
- Take account of peer pressure when buying something.
For example, explain their reasoning for the purchase.

Year 5

Students are aware of a range of forms of money and can discuss their rights and responsibilities in everyday transactions. Students understand that money can also be borrowed through credit and be provided by government payments.

Students know about the different ways money can be kept and the importance of saving. They recognise that family income may be limited and begin to understand that matching household expenditure against income is important when considering family finances. They understand broad issues of quality of life, total family income, expenditure and savings.

They realise advertising and peer pressure can affect choice and are aware of the social and environmental consequences of their choices.

Knowledge and Understanding

Students:

- Understand that buyers have rights and responsibilities.
For example, understand that people have a right to receive goods that meet health and safety standards, and that people have a responsibility to pay on time and repay borrowings (credit).
- Understand there are different forms of income.
For example, understand that wages/salaries, government payments, and interest on savings are all forms of income.
- Understand that money can be borrowed.
For example, a credit card, a personal loan and a mortgage are ways of borrowing money.
- Understand that savings can earn interest.
For example, know that they can earn interest by putting money in a savings account.

Competence

Students:

- Classify and compare goods and services.
For example, classify and compare goods and services by reviewing product labelling, and health and safety warnings.
- Prepare simple plans and examine financial records.
For example, prepare a simple budget for a fund-raising activity, and identify GST on receipts and sales dockets.
- Accurately complete simple financial forms.
For example, complete forms such as bank deposit slips, registrations for a sport, leisure or recreational activity.

Enterprise

Students:

- Use initiative and explore opportunities that can or may contribute to income.
For example, develop a simple plan for a class fundraising event or enterprise, and design basic criteria to evaluate success.
- Initiate support for school fundraiser from community groups and businesses.
For example, initiate support such as sponsorship, in-kind support and promotional materials.

Responsibility

Students:

- Value savings.
For example, store and build wealth to meet current and future needs.
- Care about the impact of their consumer and financial decisions on themselves, others, community and the environment.
For example, identify how responsible attitudes to issues such as recycling and water conservation can benefit the family, the community and the environment.
- Explore the values associated with participating in an enterprise.
For example, consider issues related to trust and obligation when purchasing and supplying goods and services.

Year 7

Students understand the need to plan for the future and have a more detailed understanding of the use of income. They apply critical literacy and numeracy skills to a wide range of commercial advertising and consumer situations, and analyse the potential effects of these on personal finances.

Knowledge and Understanding

Students:

- Understand consumer rights and responsibilities.
For example, know about basic elements of a contract (verbal and written), consequences of a breach of contract, requirements to provide accurate information to consumers, and understand the issues and risks involved in purchasing and selling on the internet.
- Understand that a range of factors affect choice.
For example, recognise that factors affecting choice may include advertising, peer pressure, income and purchasing history.
- Understand the value of setting personal financial goals.
For example, distinguish between short and long term planning, and understand issues related to impulse buying and the benefits of a budget.
- Understand that governments provide goods and services to meet consumers' and taxpayers' needs and wants.
For example, understand that essential services such as schools and hospitals are substantially funded by governments.

Competence

Students:

- Justify selection of a range of goods and services.
For example, examine comparative costs when purchasing goods and services, evaluate and recommend value for money purchases, use critical literacy and numeracy skills to assess the accuracy and appropriateness of advertising.
- Resolve consumer disputes.
For example, apply a process of consumer redress such as completing a consumer complaint form, seek help from other consumer agencies; apply assertive behaviours in everyday transactions based on an understanding of consumer rights.
- Develop simple budgets and financial records.
For example, develop budgets that take account of particular needs and wants and established priorities, compile a budget for a family meal or outing.

Enterprise

Students:

- Make decisions to increase income and wealth.
For example, develop a plan to increase household income and/ or reduce household expenditure such as buying energy efficient products; use income and resources that involve investing in assets that generate income such as purchasing a bicycle to use for deliveries.
- Take informed risks associated with earning income.
For example, undertake a fundraising activity or small business enterprise and develop a flexible plan, including an advertising/marketing strategy, to increase sales and profits.

Responsibility

Students:

- Develop ethical behaviours.
For example, practise being aware of the needs and wants of other groups, determine which goods and services are environmentally friendly, and consider socially responsible ways of spending and saving money.
- Evaluate the relationship between spending and using credit responsibly.
For example, recognise impulse buying behaviour might limit future choices; factors such as debt levels and essential expenses should be considered when deciding a reasonable credit limit.
- Demonstrate informed and assertive buying behaviours.
For example, develop buyer resistance strategies, and examine the terms of sales including contracts.

Year 9

Students are able to distinguish between wealth and income and are aware of the different sources of income and wealth creation. They are able to keep simple personal financial records and establish short and long term financial goals. They make appropriate choices in relation to the variety of financial services and are also aware of the financial advice available within the community to assist decision-making.

Students use basic financial information to assess risk and returns in a local, national and global context. They apply critical literacy and numeracy skills to consider different forms of investments, and the advantages and disadvantages of fundraising activities or business ventures.

Knowledge and Understanding

Students:

- Understand the rights and responsibilities of consumers.
For example, understand that Australian consumers are protected by legislation, the legal basis of simple contracts, the obligations associated with borrowing money, and that there are alternative ways of settling consumer disputes.
- Understand how to keep personal financial records.
For example, know that records of income, expenses are necessary for income tax purposes; understand the consequences of poor financial management.
- Understand the use of credit.
For example, understand that using credit may involve paying interest, interest free days, reward schemes and fees and charges; evaluating mobile phone contracts.
- Understand that income is derived from a range of sources, including wealth, with different levels of reliability.
For example, understand income is derived from employment, investments and gifts, and the relationship between risk and return on investing.
- Understand that a range of consumer and financial advice of varying accuracy and impartiality is available within the community.
For example, understand that consumers are able to check for professional accreditation and access government and consumer agencies.
- Understand that financial scams exist.
For example, recognise illegal and misleading promotion and selling methods.

Competence

Students:

- Prepare simple personal and family budgets and records.
For example, identify fixed and variable expenses, calculate interest and repayments, use spreadsheets.
- Use information and communication technologies (ICTs) to keep appropriate financial records.
For example, use spreadsheets and simple internet tools.
- Use critical thinking and problem-solving skills to make informed consumer and financial decisions.
For example, consider options to address personal financial problems, seek assistance from community and government organisations and access financial information to assess risk and returns.
- Make sophisticated choices when comparative shopping.
For example, develop personal spending criteria based on income and needs, access information from a variety of sources (including the internet), about goods and services and apply criteria.
- Evaluate different methods of payment.
For example, assess the risks, advantages and disadvantages of new applications of technology.

Enterprise

Students:

- Take initiatives to build wealth.
For example, develop a long-term plan for savings, investment, insurance and superannuation.
- Make business related decisions.
For example, present the decisions and strategies used to maximise returns through a fundraising initiative or a business.
- Recognise opportunities to generate income and wealth and the risk management of those opportunities.
For example, assess the advantages and disadvantages of financial ventures, and develop personal financial plans that show initiative and manage risk.

Responsibility

Students:

- Develop ethical behaviours.
For example recycle products in the home and at school; make appropriate payments for goods such as copyright music downloaded from the internet
- Accept responsibility and evaluate the consequences for self and others of spending decisions and using credit responsibly
For example, selecting a mobile phone contract and recognising impulse buying behaviour.
- Demonstrate informed and assertive buying behaviours.
For example, develop buyer resistance strategies, evaluate sales marketing techniques, including interest free contracts, and understand that life style decisions may affect the environment.

Appendix 1: Critical success factors for developing consumer and financial literacy resources

The following factors were identified from a literature search of consumer and financial literacy programs in Australia and around the world as being critical to the successful development of an education resource or program.

1. Align the resource to the curriculum framework and student learning outcomes used by the teachers who will use it.
2. Provide practical problem-solving opportunities, related to everyday situations that students can identify with.
3. Establish a progression of learning over a number of years that builds on a variety of learning experiences, rather than a single short course.
4. Focus on principles and skills.
5. Include ways of addressing sensitive issues.
6. Incorporate high expectations by teachers.
7. Provide professional development support and encourage teacher networking.
8. Trial draft resources with students and teachers.
9. Involve teachers in developing and trialling professional development courses
10. Avoid the inclusion of brand names and products specific to one supplier.
11. Establish partnerships with other sectors including parents, the financial services industry, private, public and community sectors.

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