Australian Government

Financial Literacy Foundation

Financial literacy

Australians understanding money

Understanding money

Financial literacy

Australians understanding money

© Commonwealth of Australia 2007

ISBN: 0 642 74410 6

This work is copyright. Apart from any use as permitted under the *Copyright Act 1968*, no part may be reproduced by any process without prior written permission from the Commonwealth. Requests and inquiries concerning reproduction and rights should be addressed to the Commonwealth Copyright Administration, Attorney General's Department, Robert Garran Offices, National Circuit, Barton ACT 2600 or posted at http://www.ag.gov.au/cca.

Contents

FROM THE CHAIRMAN

I've said for many years that establishing good, basic money habits early in life is the key to making the most of your money, and it's something I remain committed to through my work with the Financial Literacy Foundation.

The Australian Government set up the Foundation to give all Australians the opportunity to better manage their money. To do this, we need to know what Australians think about money – what we know, what we need to learn and what stops us from learning. The findings of this report tell a really interesting story about all these things.

We can see from the research findings that most Australians – including young people – know what they should do when it comes to everyday money management. Some of us haven't adopted good money habits, even if we know we should, and that's important to know. Another really interesting thing is that we know we're not as good at some things, like investing and ensuring enough money for retirement, as we are at others, like budgeting and saving. Even more interesting is that we know it's important to learn more about the things where our confidence is lacking and a lot of us want to manage our money better. This is an extremely positive and encouraging result.

For those of us involved in raising awareness of financial literacy and its benefits, and delivering information and services to Australians to help them manage their money better, the findings of this report tell us a lot about where we can focus our efforts to get the best results. The more we know about people's attitudes and behaviour, the better we'll be able to stimulate positive change.

It's easy to say that money's boring or money isn't important to be happy in life, or to put off doing something about it because you think it's just too hard. The findings of this research show that a lot of people think just that. Not only is it giving us a pretty good idea about what people could do to manage their money better, it's also telling us what stops them taking the few simple steps that can make such a big difference.

It really doesn't take much to get going and by making the most of our money, we have greater control, less stress and a better chance at having more choice in our lives. Little things really can make a big difference when it comes to money, and a little bit of effort is well and truly worth it.

We can learn a lot from this report, and I encourage you to make the most of it.

Paul Clitheroe
Chairman, Financial Literacy Foundation Advisory Board

September 2007

EXECUTIVE SUMMARY

Having good money skills – an understanding of how money can work for you – has never been more important. Australians have more choices, flexibility and opportunity in our lives than ever before, including in the way we manage our money. We also have greater responsibility to understand and protect our money. Good financial literacy skills are the key to making the most of opportunities and meeting these responsibilities.

The Australian Government established the Financial Literacy Foundation to give all Australians the opportunity to better manage their money: to raise awareness of financial literacy and its benefits; and create opportunities for Australians of all ages to learn more about money – at school, through vocational and higher education, in the workplace and in the community.

As part of its work, the Foundation commissioned this survey of 7,500 Australians aged 12 to 75 to build a better understanding of how we think about and manage our money.

Specifically, the survey is of respondents' self-assessed ability, understanding, attitudes and behaviour in regard to using and managing money. It represents a unique contribution to the body of international financial literacy research, as well as to research on financial literacy in Australia, complementing other Australian surveys that aim to provide an objective measure of competency in financial matters.

FINDINGS AT A GLANCE

What Australians think about money

Ability and understanding

Australians say they have generally high levels of ability with their money, especially when it comes to everyday money management issues like dealing with credit, budgeting, saving and managing debt. They're less confident when it comes to more complex issues like investing and ensuring enough money for retirement.

83% of adults say they have the ability to deal with credit cards
90% say they have the ability to budget
88% say they have the ability to save
89% say they can manage debt
69% say they have the ability to invest money
63% say they can ensure they have enough money for retirement

Recognition of the importance of learning

Australians think it's more important to learn about more complex money management issues such as investing and ensuring enough money for retirement. They're less interested in learning about everyday money management issues, consistent with their higher levels of confidence in these areas.

77% of adults are interested in learning more about planning for their long term future
74% are interested in learning more about understanding their rights and responsibilities
57% are interested in learning more about budgeting
49% are interested in learning more about dealing with credit cards

Intentions

Many Australians intend to make improvements to the way they manage their money but some don't, mainly because they're happy with their current arrangements.

40% of adults intend to make improvements in the way they manage their money in the next 12 months
16% don't intend to make improvements in the way they manage their money in the next 12 months, either because they are happy with their current arrangements (81%), they are not interested (9%) or they haven't thought about it (7%)

Attitudes and beliefs

Significant numbers of Australians hold attitudes and beliefs that can get in the way of them managing their money better – from thinking it doesn't matter or isn't important, to finding it stressful, boring or too hard.

55% of adults believe that money is just a means to buy things
48% say that dealing with money is stressful and overwhelming
40% say that thinking about their long term financial future makes them uncomfortable
36% say money is not important to be happy in life
31% say financially, they like to live for today
31% say dealing with money is boring

How Australians manage money

Budgeting

Australians are highly confident in their ability to budget, but for many people it's an informal affair and around half the adult population say they don't budget regularly.

90% of adults say they have the ability to budget
48% say they do not budget regularly for their day to day finances
27% say they have difficulty setting money aside for big purchases or spending
17% say they could not get by for some time in case of a financial emergency

Saving

Australians are highly confident in their ability to save and the majority of people say they have good savings habits, but a fifth of adults say they don't save.

88% of adults say they have the ability to save
62% say that they save regularly
33% say they spend first and save second
22% say they don't save

Investing

Compared to budgeting and saving, fewer Australians are confident in their ability to invest and the findings indicate that many wouldn't take key considerations into account before making an investment decision, but they're interested in learning more.

69% of adults say they have the ability to invest money
70% are interested in learning more about investing money
18% say they have an investment property and 46% say they have other investments
66% would not consider both risk and return when choosing an investment

Credit and debt

Australians are highly confident in their ability to deal with credit cards and manage debt. Most people say they manage debt wisely, but some say they make only minimum repayments and others say they get into debt by buying things they can't afford.

89% of adults say they can manage debt and 83% feel confident with credit cards
76% say that they regularly pay the total balance owing on their credit card when it is due
17% usually only make the minimum repayment on loans and 13% do the same with credit cards
21% say that they will use debt to buy things they can't afford

Planning and retirement

Australians are highly confident in their ability to plan for their long term financial future. Fewer are confident in their ability to ensure enough money for retirement, but they're interested in learning more about how their money can give them the choice and flexibility they're looking for.

81% of adults say they have the ability to plan for their long term future
63% say they have the ability to ensure enough money for retirement
86% do not believe that the age pension will be sufficient for retirement, and 73% say employer funded superannuation will not meet their retirement needs
77% are interested in learning more about planning for their long term future

Protecting money

Australians are highly confident in their ability to protect their money, including choosing appropriate insurance, understanding rights and responsibilities and recognising a scam or an investment scheme that seems too good to be true. However, fewer are confident in their ability to invest and the findings indicate that many wouldn't take key considerations into account when making an investment decision, so they may be more vulnerable to scams than they think.

82% of adults say they have the ability to choose appropriate insurance
85% say they understand their rights and responsibilities
88% say they can recognise a scam or an investment scheme that seems too good to be true
69% say they have the ability to invest money
66% would not consider both risk and return when choosing an investment

Information and advice

Australians are highly confident in their ability to get information about money and around two thirds say they have sought financial advice, usually about a tax or investment issue. Fewer are confident in their ability to understand financial language, and this is consistent with them saying they're less confident in their ability to invest and ensure enough money for retirement, but they're interested in learning more.

85% of adults say they have the ability to get information about money
81% say they have the ability to deal with financial services providers
68% say they have used an accountant/tax agent
64% say they understand financial language and 68% are interested in learning more
20% say they understand some or none of the information in financial statements

Young people and money

Young people are less confident than adults when it comes to managing money, reflecting their relative lack of experience. However, they're reasonably well informed about good money habits, even if they don't always put them into practice, and they're keen to learn more.

72% of young people say that saving a small amount regularly from a young age is the best way to save money, but only 50% of youth say that they save regularly

61% would not consider return and 77% would not consider risk when choosing an investment

44% say they have the ability to deal with credit cards, compared to 83% of adults

67% agree that retirement is too far away to think about, compared to 21% of adults

48% spend a lot of time thinking about financial information before making a financial decision, compared to 73% of adults

59% say that financially, they like to live for today, compared to 31% of adults

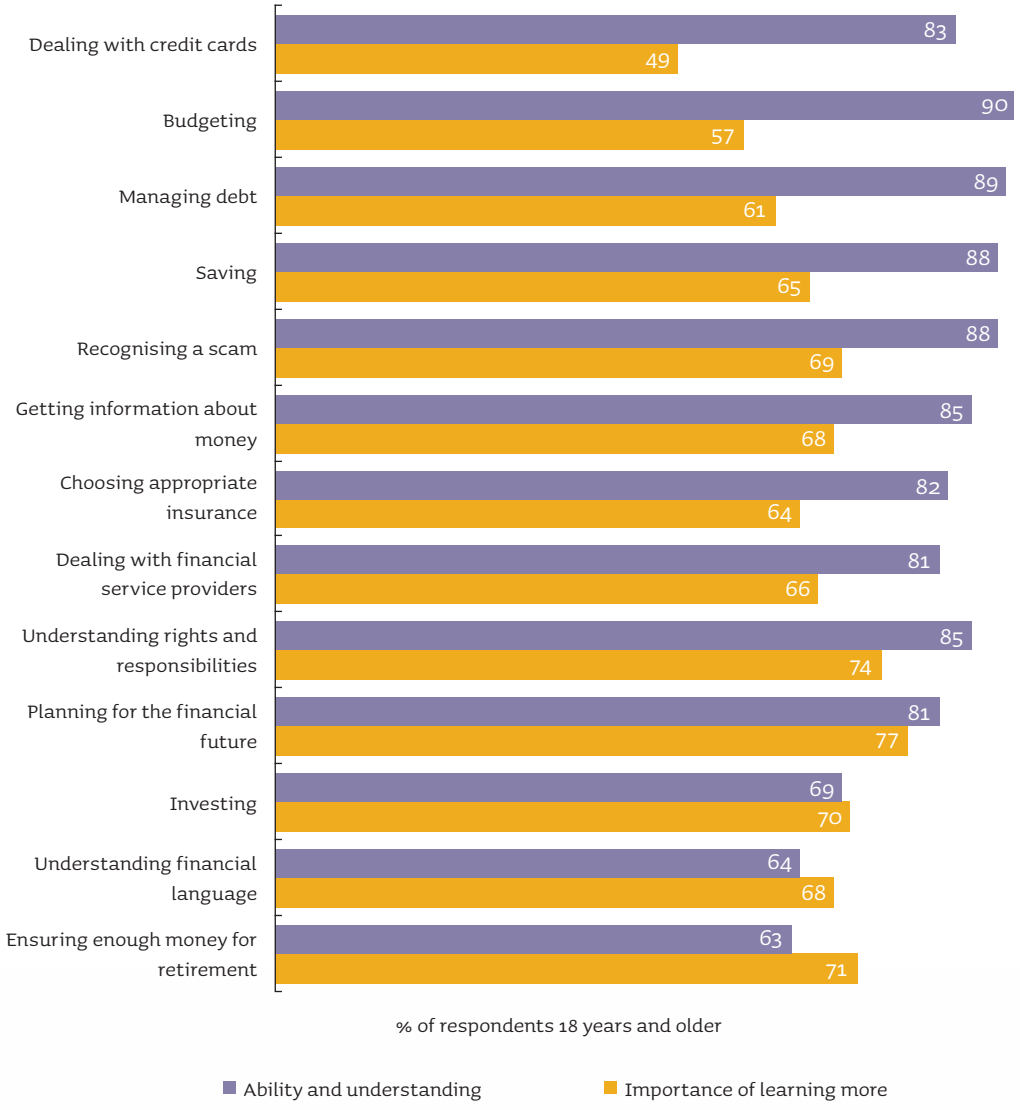
70% to 90% want to learn more about money issues

SOME OBSERVATIONS

Through the findings of the report, a picture of Australians' attitudes to money and money management behaviour begins to emerge. Some parts of the picture are consistent, some are apparently inconsistent and others give insights into the mix of attitudes, beliefs and behaviours that must be addressed if financial literacy initiatives are to be successful.

- The gap between self-assessed ability to deal with a particular issue and recognition of the importance of learning more gives a more nuanced insight into people's 'operational' confidence in dealing with money issues. Not surprisingly, overall confidence levels, as measured on this basis, are higher for less complex or frequently encountered money management issues like budgeting, saving, dealing with credit cards and managing debt, and lower for more complex and less frequently encountered issues like investing, understanding financial language and ensuring enough money for retirement.

ABILITY, UNDERSTANDING AND RECOGNITION OF THE IMPORTANCE OF LEARNING ABOUT MONEY MANAGEMENT ISSUES



- Although Australians are generally confident in their ability to manage money, some do not have good money management habits, particularly in areas where they are less confident, such as investing, but also in areas where recognition of the importance of learning is relatively low.
- There are a variety of possible explanations for the tendency for money behaviour to be at odds with self-assessed ability. Just because, for example, a person may have the ability to prepare a budget or commit to a regular savings plan, doesn't necessarily mean that they will budget or save on a regular basis.
    - Undoubtedly procrastination will be a factor. As with most money issues, typically there will be little or no adverse short term consequences in someone, for example, recognising that they should put a budget or savings plan in place, having the capacity to do so, but putting it off until another day.
- More generally, the survey reveals a range of money attitudes and beliefs that are inimical to people investing the time and effort required in taking the steps to improve their money skills and behaviour. As the survey indicates, stress and discomfort, boredom and disinterest, and personal relevance and procrastination, are commonly held attitudes and beliefs when it comes to money.

There is much to be drawn from the survey, particularly for those concerned with delivering financial literacy services and resources. A key consideration to emerge relates to the practicalities of building pathways to effective consumer engagement with money issues – of putting appropriate emphasis on motivation in design and delivery strategies by promoting the personal relevance of better money management, and the prospect of the greater choices and opportunities, security and other quality of life benefits that better money skills can provide.

Simply providing comprehensive and well intentioned education resources will not be adequate. There is no shortage of quality resources available already to consumers with an active interest in building their money skills. The challenge is to promote engagement and motivation to those who, for reasons of disinterest in the issue, lack of perceived relevance, stress or the other obstacles identified in this survey, are not currently seeking to build their money skills.

CHAPTER 1: INTRODUCTION

THE SURVEY IN CONTEXT

Financial literacy is the ability to make informed judgements and to take effective decisions regarding the use and management of money.[1]

Improving financial literacy is an important response to the growing complexity and pace of change in modern life. By giving individuals the opportunity to take advantage of increased competition and choice in financial services, financial literacy can yield positive, tangible and lasting results for individuals, families and the broader community. The benefits include greater personal independence, wellbeing and improved economic prosperity. Businesses benefit from improved staff welfare and consequential improvements in productivity. The financial services market will also operate more efficiently when consumers are better informed and more confident in exercising the choices available to them.

As individuals, we are also changing and our personal financial circumstances are becoming more complex. In countries like Australia, debt is commonly used to increase the convenience of daily life and help us achieve long term goals such as buying our own home. As our population ages, we are also more likely to have superannuation and other investments, and more likely to fund our retirement from more than one source.

While these changes bring more choice and flexibility to our lives, they also bring greater responsibility to understand and protect our money. People with good financial literacy skills are in a better position to meet these responsibilities by being better equipped to make informed decisions about their money, plan for their financial needs and achieve their financial goals.

Against this backdrop, the Australian Government established the Financial Literacy Foundation in 2005 to give all Australians the opportunity to better manage their money (see Appendix 6 for more detail on the Foundation and its role).[2] As part of its mandate to raise community awareness of financial literacy and its benefits – and to share best practice principles and guidance with practitioners active in developing and delivering financial literacy services and resources – the Foundation commissioned this survey of Australians' attitudes to money and money management behaviour.

The survey represents a unique contribution to the body of international financial literacy research, as well as to research on financial literacy in Australia. It is designed to complement other Australian surveys that aim to provide an objective measure of competency in financial matters, and contribute to a broader understanding of financial literacy in Australia by examining respondents' self-assessed ability, understanding, attitudes and behaviour in regard to using and managing money.

---

1 S Schagen and A Lines, *Financial Literacy in Adult Life*, National Foundation for Educational Research, Slough, United Kingdom, 1996, p. ii.

2 Financial literacy is an issue of growing significance internationally. In recent years, governments in countries such as the United Kingdom, the United States and New Zealand have also taken decisive action at the government level to provide avenues for consumers to build their money skills. The Organisation for Economic Cooperation and Development (OECD) has also taken a close interest in financial literacy matters. See Appendix 4 for a brief discussion and international comparisons of selected measures of financial literacy.

SURVEY AND REPORT OVERVIEW

The Foundation commissioned DBM Consultants to survey a total of 7,500 Australians aged 12 to 75. The sample consisted of 6,947 adults aged 18 to 75 and 553 youths aged 12 to 17 years. In proportion to their natural incidence in the population, the sample included people from non-English speaking backgrounds, Indigenous Australians and Australians living in rural locations. The final sample was weighted for age, gender and geographic distribution by state and territory, using the Australian Bureau of Statistics 2001 census data.

Following this introductory Chapter, **Chapter 2** sets out respondents' answers to a series of questions regarding their attitudes to money and money management behaviour across seven money topics and 13 corresponding money management issues.

Topic	Money management issues
Budgeting	Budgeting
Saving	Saving
Investing	Investing
Credit and debt	Dealing with credit cards Managing debt
Planning and retirement	Planning for the long term financial future Ensuring enough money for retirement
Protecting money	Choosing appropriate insurance Understanding rights and responsibilities Recognising a scam
Information and advice	Understanding financial language Dealing with financial services providers Getting information about money

The responses cover the total adult population with comparisons by age, household income and gender. Comparisons are reported on an exceptions basis and instances where findings are the same or similar are generally not reported. A full comparison by age, household income and gender is at Appendix 2. Appendix 2 may be read in conjunction with Appendix 3, which lists the findings for the data items listed in Appendix 2, but is ordered by money topic.

Chapter 3 examines the relationship between people's self-assessed ability and understanding and other elements of their survey responses, including how they put their money management skills into practice.

It also examines survey responses to ten specified attitudes, beliefs or behaviours about money and concludes with some key considerations that emerge about pathways to building effective consumer engagement with money issues.

Chapter 4 discusses the importance of motivation and building ability in overcoming the attitudes, beliefs and behaviours that can get in the way of people managing their money better, and providing a platform for improvements in people's money skills.

Findings on the attitudes to money and money management behaviour of young people aged 12 to 17 are reported in **Appendix 1**. Young people have been treated separately in the analysis of the data because their exposure to money issues and their money management experience are quite different to those of the adult population.

The findings for young people have been broken down into two groups, 12 to 14 and 15 to 17 year olds, and for all youth by gender. The survey questions were basically the same as for the adult population but the majority of the investment related questions were asked only of the 15 to 17 year olds. The results demonstrate a high level of awareness of best practice, which is a positive outcome, rather than actual experience.

The report concludes with a series of appendices covering:

- a summary of trends in reported attitudes and behaviours by age, household income and gender, and a comparison between the findings for youth and adults (**Appendix 2**);
- the survey findings, also by age, household income, gender and for youth, by age and gender (**Appendix 3**);
- international comparisons (**Appendix 4**);
- the survey methodology (**Appendix 5**); and
- information about the Financial Literacy Foundation (**Appendix 6**).

CHAPTER 2: HOW AUSTRALIANS MANAGE MONEY

BUDGETING

Australians are highly confident in their ability to budget, but for many people it's an informal affair and around half the adult population say they don't budget regularly.

Successful budgeting is the key to good financial management.

Budgeting is a simple activity that helps people to track their income and expenses. It also has considerable flow-on benefits beyond its immediate intrinsic value.

By understanding their day to day finances, people are able to judge whether their spending is essential or optional and to think about ways to save as much and as regularly as they can by making a plan and setting some goals. Goals can be anything from saving for something important, getting debt under control, saving for a deposit on a home, investing, or saving for retirement.

Through successful budgeting, people can also experience more confidence and satisfaction in their ability to take greater control of their day to day finances, and the skills they acquire are transferable. Increased confidence and ability to budget can, in turn, develop into greater awareness, confidence and ability to understand and engage with a range of other money management issues, including saving.

The benefits of using a budget to put savings to good use and increase broader money management skills can help people achieve financial goals that have significant and lasting value.

Australians are highly confident in their ability to budget (90%) – the highest of any issue covered by the survey – and 57% recognise the importance of learning more about budgeting.

82% say that they are easily able to keep track of their everyday spending, 79% could get by for some time in case of a financial emergency, 70% do not have difficulty setting money aside for big purchases or spending and 79% think about ways to reduce their spending.

Despite their self-reported ability, 48% of adults say they do not budget regularly for their day to day finances, 27% have difficulty setting money aside for big purchases or spending and 17% could not get by for some time in case of a financial emergency.

With increasing age and household income, people are generally more likely to say that they have the ability and understanding to budget, are able to set money aside for big purchases and get by in case of a financial emergency.

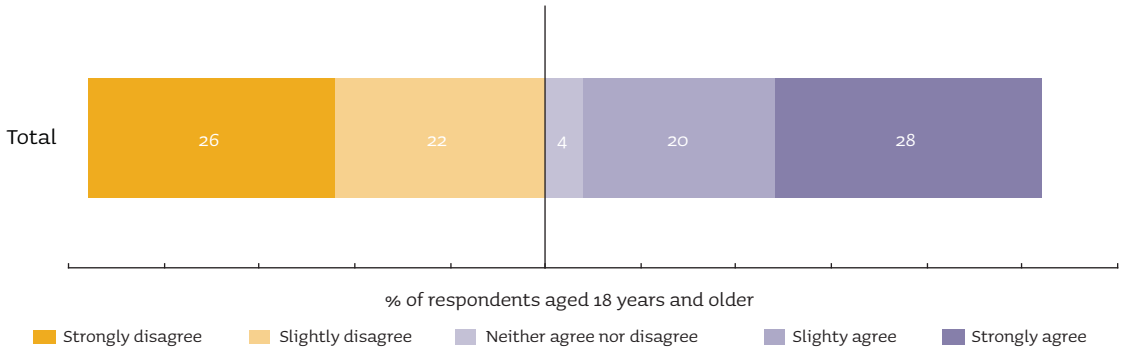
With increasing age, people are generally less likely to say they think about ways to reduce spending. People with annual household incomes of between $20,000 and $100,000 are most likely, and people with annual household incomes below $20,000 and above $100,000 are equally likely (78%), to say they think about ways to reduce spending.

Around 48% of people in all age groups say they budget regularly, but the rate decreases with increasing household income.

Females are more likely than males (53%/44%) to say they regularly budget for day to day finances but they're less confident than males (77%/82%) in coping with a financial emergency.

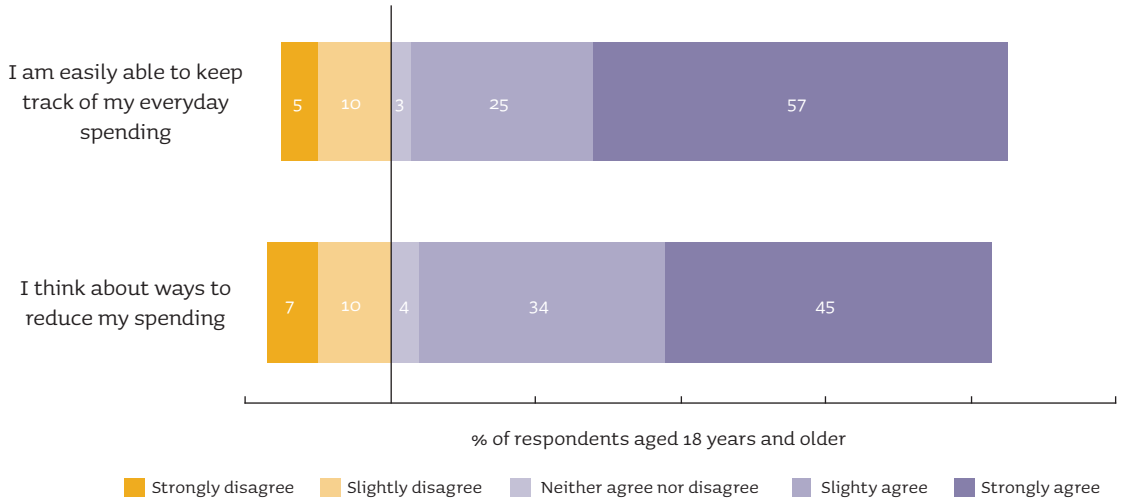
BUDGETING DAY TO DAY FINANCES — BEHAVIOUR

I REGULARLY DO A BUDGET FOR MY DAY TO DAY FINANCES



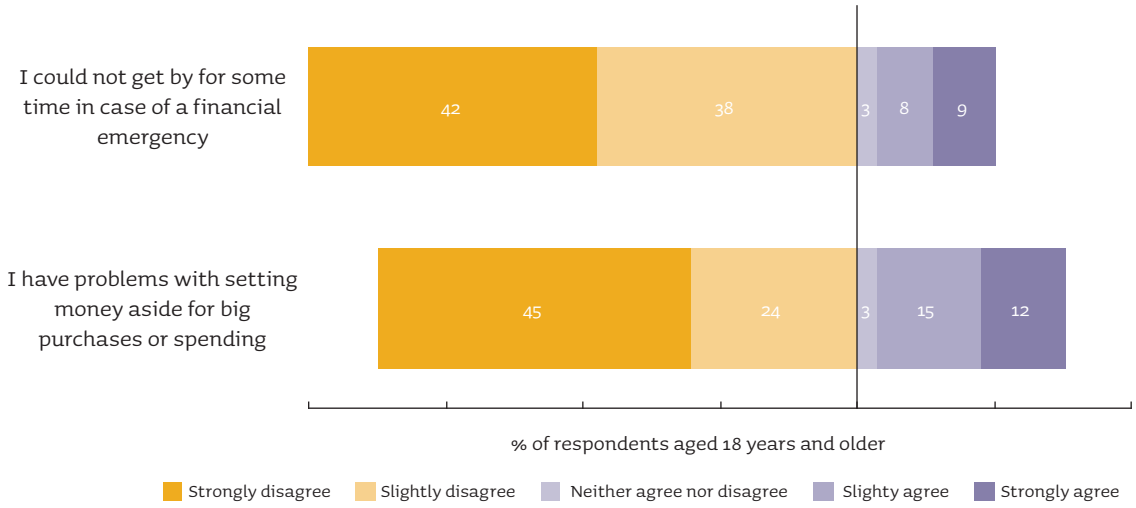
Around half of respondents reported that they regularly budget for their day to day finances.

BUDGETING DAY TO DAY FINANCES — ATTITUDES



Most adults consider that they are easily able to keep track of their everyday spending, could get by for some time in case of a financial emergency and do not have difficulty setting money aside for big purchases or spending. Most adults also think about ways to reduce spending.

BUDGETING — ATTITUDES



Despite confidence in their ability, around half of the adult population reported that they do not budget regularly for their day to day finances and a significant minority have difficulty setting money aside for big purchases or spending. A small proportion reported that they could not get by for some time in case of a financial emergency.

More information

Participation

Around half the adult population reported that they do not regularly budget for day to day finances. This is reasonably consistent across all age groups, but increases with household income.

Females are more likely than males to report that they regularly budget for day to day finances.

Attitudes and behaviour

The proportion of respondents that reported difficulty setting money aside for big purchases or spending, and consider that they could not get by in case of a financial emergency, decreases with increasing age and household income. Compared to males, females reported that they are less confident in coping with a financial emergency.

The proportion of respondents that reported being able to keep track of everyday spending increases with age and generally decreases with household income. People aged 30 to 44 are most likely to say that they think about ways to reduce spending.

SAVING

Australians are highly confident in their ability to save and the majority of people say they have good savings habits, but a fifth of adults say they don't save.

The key to successful saving is to start early, no matter how small the savings.

Saving is closely related to budgeting. Budgeting is the tool which assists people to understand their capacity to save.

Once people establish that they can and want to save, they need to decide how to save. Through this process, people learn to identify what best suits their individual needs. As well as deciding how much to save and how often, issues such as automatic pay deductions, rates of interest paid, fees and charges, terms, and ease of access of different types of accounts, need to be considered.

Through successful saving, people are more likely to have an improved ability to cope with unexpected expenses or financial emergencies. They can also experience less stress and uncertainty regarding their ability to meet their financial needs, particularly as they progress towards meeting their financial goals.

The confidence and skills people acquire through successful saving also mean that they can be better equipped to understand the costs and benefits of different financial products, and the relative ability of those products to meet their needs. This is an important skill that can translate into greater awareness, confidence and ability to understand and engage with investing and setting long term financial goals, such as paying off a home or saving for retirement.

Australians are highly confident in their ability to save (88%) and 65% recognise the importance of learning more about saving.

72% say that they have an account that is used just for savings, 62% save on a regular basis and 75% favour saving small amounts regularly from an early age as the key to successful saving.

Despite their self-reported ability, 22% of adults say they don't save, 15% only save when they want to buy something big or special and 4% say they haven't saved in the last six months.

Generally with increasing age, and with increasing household income, people are more likely to say they have the ability and understanding to save.

People aged 30 to 64 are more likely to recognise the value of saving from a young age and more likely to describe themselves as regular savers.

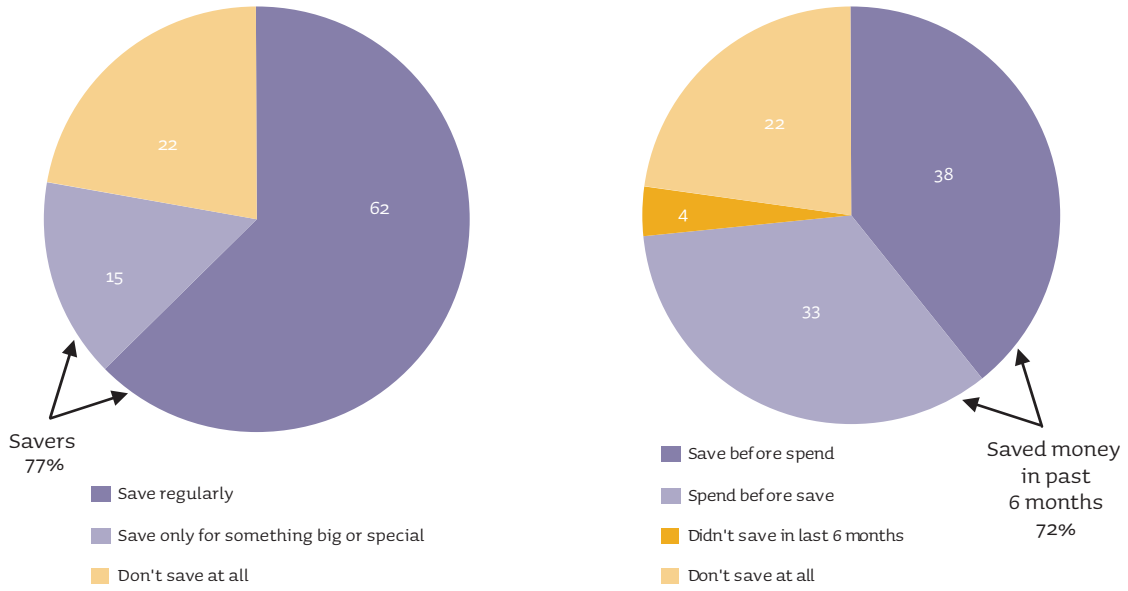
People are more likely to say they save regularly as household income increases. Reported non-saving generally increases with age and decreases with household income.

Females are more likely than males to say they save before they spend (52%/48%).

Most respondents reported that they have an account that is used just for saving and the majority save on a regular basis. Most also favour saving small amounts regularly from an early age as the most effective savings strategy.

SAVING — BEHAVIOUR

% OF RESPONDENTS AGED 18 YEARS AND OLDER



In terms of whether saving or spending takes priority, most respondents reported that they save either regularly or for big purchases. Of those, half reported that they save a set amount before they spend and over 40% spend money on the things they need before saving.

Despite confidence in their ability, many adults reported that they don't save and a small proportion report not having saved in the last six months.

More information

Participation

The proportion of respondents that reported having accounts that are used just for saving generally decreases with age and is reasonably consistent across all household income groups.

Many respondents – around one fifth – reported that they are non-savers. The proportion generally increases with age and the increase is significant for people aged 65 and over. However, it decreases with increasing household income.

Attitudes and behaviour

People aged 30 to 64 are most likely to recognise the importance of saving regularly from a young age, but there is no discernable pattern by household income.

People aged 30 to 64 are most likely to describe themselves as regular savers and regular saving increases with household income.

The proportion of respondents who save and reported saving before spending in the previous six months is consistently around half for all age groups, other than for people aged 65 and over, for which it is lower. The proportion increases consistently with household income.

Females are more likely than males to report that they save before they spend.

Conversely, the proportion of respondents who save and reported spending before saving in the previous six months, decreases slightly with age but peaks at 47% for people aged 65 and over. The proportion decreases with increasing household income, particularly for people with annual household incomes of $50,000 or more.

INVESTING

Compared to budgeting and saving, fewer Australians are confident in their ability to invest and the findings indicate that many wouldn't take key considerations into account before making an investment decision, but they're interested in learning more.

Investing means making money work harder, and investments don't have to be big to be worthwhile.

Investing is one way that people can make the most of their savings. Through successful saving, people can learn many of the skills they will need to invest successfully, such as the ability to assess rates of interest paid, fees and charges, terms, and ease of access of different types of investments.

Many people use these skills to become investors, although they may not see themselves that way. If people have a separate savings account, are paying off a mortgage on their own home or are members of a superannuation fund, then they are investors.

As well as the skills acquired through successful saving, there are other important issues to consider before investing. These include risk and return, which will be reflected in the interest rate paid, the spreading of risk, also known as diversification, and the quality of the information on which the investment decision is based.

Through a combination of skills and knowledge, including being able to get and accurately assess information and advice, understand rights and responsibilities, identify high risk schemes and avoid scams, people can develop the ability to understand the costs and benefits of different investment products, and the relative ability of those products to meet their individual needs.

For many people, successful investing is the key to security and choice during their working lives and in retirement.

Compared to budgeting and saving, fewer Australians are confident in their ability to invest (69%) but 70% recognise the importance of learning more about investing.

62% say that they own or are currently paying off their own home, 18% own or are currently paying off an investment property and 46% have other investments of various kinds.

A number of findings are consistent with a relative lack of confidence in investing. For example, only 34% of adults say they would consider both risk and return when making an investment decision, and only a small proportion would consider background information such as the reputation of the company (6%) and diversification (5%).

Generally with increasing age, and with increasing household income, people are more likely to say they own or are paying off their own home, have other investments, and own or are paying off an investment property.

Reported ability to invest generally increases with age and income and is higher for males than for females (75%/63%). Males are more likely than females to say they recognise the importance of learning more about investing (71%/68%), more likely to own or be paying off an investment property (20%/16%) and more likely to have other investments (49%/43%). Females are more likely than males to say they own or are paying off their own home (64%/60%). Females also are more likely to agree that the risks and returns of an investment are unpredictable (67%/63%).

As noted in the Executive Summary, the proportion of adults that recognise the importance of learning more about investing is slightly higher than the proportion that report having the ability to invest. This phenomenon occurs for only three topics: investing; understanding financial language; and ensuring enough money for retirement.

CONSIDERATIONS WHEN MAKING AN INVESTMENT DECISION

Recognition of the importance of learning more about investing appears to be reflected in a number of findings such as only 34% of adults saying they would consider both risk and return when making an investment decision, 30% saying they would consider the type of investment, and only a small proportion saying they would consider other issues such as background information on the reputation of the company and diversification.

Nonetheless, the majority of respondents reported that they own or are currently paying off their own home, around half have investments of various kinds (excluding investment property), and a smaller proportion own or are currently paying off an investment property. It therefore appears that many Australian adults invest despite a relative lack of confidence in this area.

More information

Participation

The proportion of respondents that reported owning or paying off their own home was positively related to age and household income and higher for females.

The proportion that reported owning or paying off an investment property increases until the 45 to 54 age group and declines for people aged 55 and over. Reported owning or paying off an investment property is positively related to household income and higher for males than females.

The proportion that reported having other investments, such as in shares, bonds and managed funds, increases with age (until the 65 and over age group) and household income. It is higher for males than for females.

Attitudes and behaviour

The reported incidence and types of savings and investment activity varies by age and household income.

REPORTED INVESTMENT TYPES BY AGE GROUP

	All ages	18-29	30-44	45-54	55-64	65+
	%	%	%	%	%	%
Have savings account	72	80	71	71	69	66
Own home or have mortgage	62	24	67	76	81	81
Have shares, managed funds	46	24	45	56	62	60
Have investment property	18	6	21	28	24	11

- People aged 18 to 29 are most likely to have a savings account, around a quarter own or are paying off their own home and around a quarter have other investments. Investment property ownership is relatively rare.
- Around 70% of people aged 30 to 64 have savings accounts and the proportion that own or are paying off their own home increases steadily with age. The proportion that has other investments also increases with age, peaking for people aged 55 to 64. Investment property ownership is above 20% for people aged 30 to 64, peaking for people aged 45 to 54.
- For people aged 65 and over, the proportion with a savings account falls slightly, while those who own or are paying off their own home or have other investments is at or close to peak levels. Investment property holding is about half that of people aged 30 to 64.
- The incidence of all investment types generally increases with household income.

REPORTED INVESTMENT TYPES BY ANNUAL HOUSEHOLD INCOME

	All incomes	<$20,000	$20,000-$49,999	$50,000-$99,999	$100,000+
	%	%	%	%	%
Have savings account	72	69	72	74	73
Own home or have mortgage	62	62	67	71	72
Have shares, managed funds	46	30	39	49	64
Have investment property	18	8	11	21	33

The proportion of respondents that agree the risks and returns of an investment are unpredictable increases with age and drops off significantly for people with annual household incomes of more than $50,000.

Females are more likely than males to agree that the risks and returns of an investment are unpredictable.

In order of importance, respondents listed return, risk and type of investment as the three main considerations for an investment decision. The order was the same for all age groups apart from people aged 65 and over, for whom risk is more important than return.

Return, risk and type of investment, in that order, are also the most listed considerations for all household income groups, apart from people with annual household incomes of less than $20,000, for which risk is more important than return.

Males and females attribute importance to return, risk and type of investment in that order, but males are more likely to recognise all three considerations than females.

CREDIT AND DEBT

Australians are highly confident in their ability to deal with credit cards and manage debt. Most people say they manage debt wisely, but some say they make only minimum repayments and others say they get into debt by buying things they can't afford.

Credit cards can be effective and convenient tools, and loans can be an essential part of achieving longer term goals such as buying a home, but their costs, including repayments and fees and charges, should be understood and affordable.

For credit and debt to be used wisely, affordability means more than being able to make minimum repayments on time.

With credit cards, affordability means being able to make more than the minimum repayment and making extra repayments when possible. Ideally, it also means paying the total balance owing before the end of the interest free period. With loans, it's also a good idea to repay more than the minimum required and make additional or more frequent repayments whenever possible.

As with saving and investing, being equipped to understand the costs and benefits of different financial products, and the ability of those products to meet individual needs, is essential to managing credit and debt wisely. For credit cards, interest charges, fees and other charges, credit limits and interest free periods are all important considerations. For loans, interest charges, fees and other charges (including the ability to make additional repayments without penalty), the term of the loan and the size of the deposit are important considerations.

The benefits of using credit and debt wisely can be considerable. For many people, credit and debt help them achieve what they want in life, whether it's the convenience of day to day living, making significant purchases such as a home or achieving long term goals through investing, including in things like education.

As with investing, an understanding of the costs of credit and debt is essential to using it wisely, as is the ability to get and accurately assess information and advice, understand rights and responsibilities and avoid scams.

Australians are highly confident in their ability to deal with credit cards (83%) and manage debt (89%). 49% recognise the importance of learning more about dealing with credit and 61% recognise the importance of learning more about managing debt.

76% say that they regularly pay the total balance owing on their credit card when it is due, 32% pay more than the minimum required on loans and a further 31% pay more than the minimum and make extra payments when they can.

79% say that they feel comfortable with their level of debt and 76% say they won't get into debt by buying something they can't afford.

However, 20% of adults report that they don't regularly pay off the total balance owing on credit cards and 13% say they usually pay only the minimum owing. Additionally, 17% say that they don't feel comfortable with their level of debt, 21% will get into debt by buying things they can't afford and 17% pay only the minimum amount owing on loans.

With increasing age and household income, people are generally more likely to say they have the ability to deal with credit cards and manage debt. With increasing age, they are more likely to say they have credit cards (apart from people aged 65 and over) and pay off the total balance owing, except for 30 to 44 year olds. With increasing household income, they are also more likely to say they have credit cards, with most paying off the total balance owing.

People are more likely to say they have loans as their household income increases, but having a loan peaks for people aged 30 to 44. This pattern is closely related to home ownership with debt increasing during the years when people are buying their homes and dropping off sharply from around the age of 50 as rates of home ownership level out.

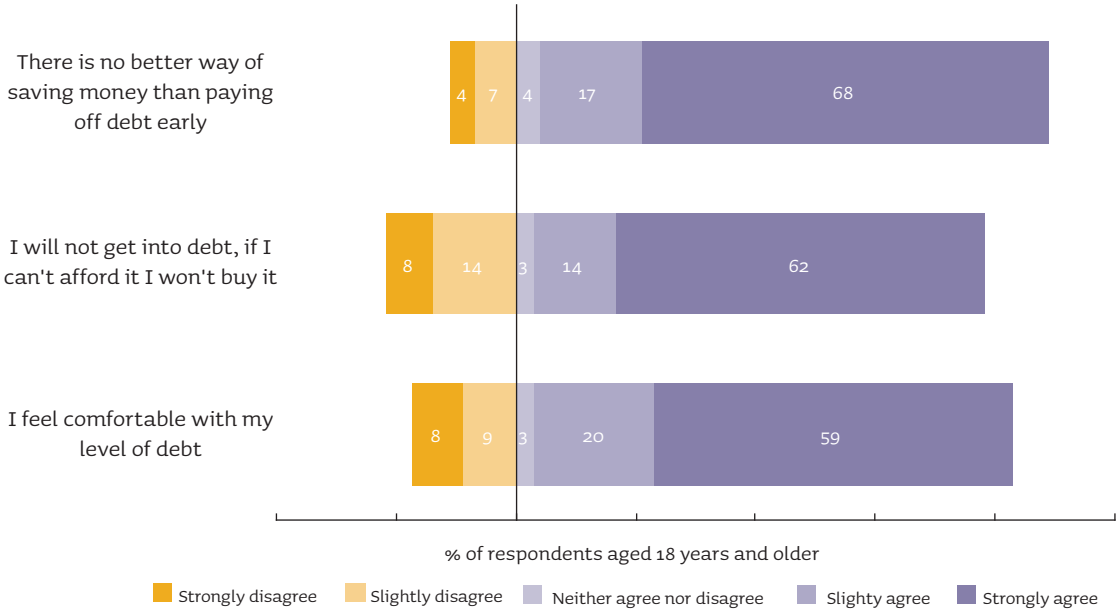
Reported levels of comfort with debt also increase with age and household income, but males are more likely to say they feel comfortable with debt than females (81%/77%). Males are also more likely to say they pay off the total balance owing on credit cards (79%/74%).

Most respondents reported that they have a credit card and that they regularly pay the total balance owing on their credit card when it is due.

Despite confidence in their ability to deal with credit cards, many respondents do not regularly pay the total balance owing on their credit cards and about one in ten reported that they usually pay only the minimum amount owing.

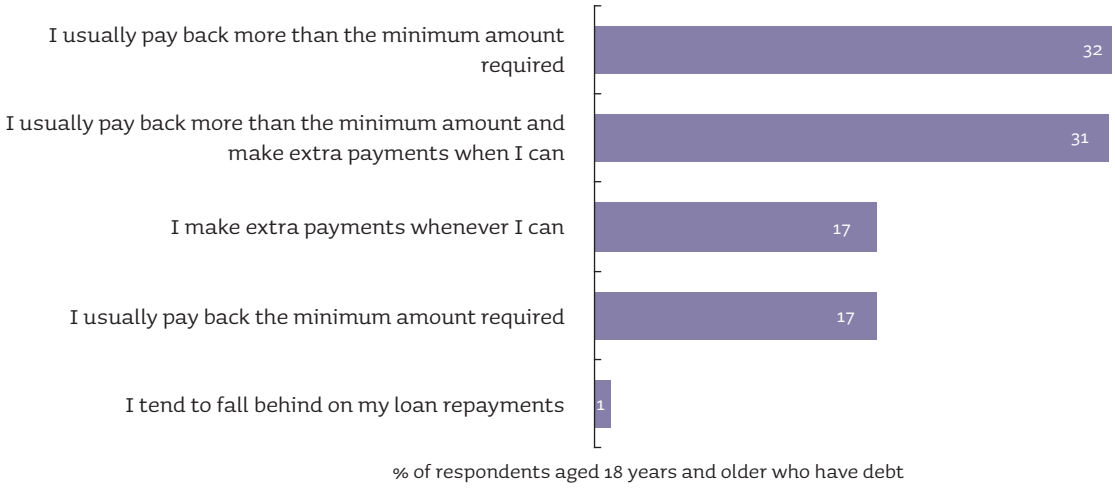
Around half of respondents reported having loans including mortgages, car loans and investment loans. This figure increases when outstanding credit card balances, hire purchases and loans for tertiary education are included.

MANAGING DEBT — ATTITUDES



Most respondents reported feeling comfortable with their level of debt and agree that there is no better way of saving money than paying off debt early. Most also reported that they will not get into debt by buying something they can't afford.

LOAN REPAYMENT BEHAVIOUR



Around a third reported that they usually pay back more than the minimum amount required on loans, with a further third doing this but also making extra payments when they can.

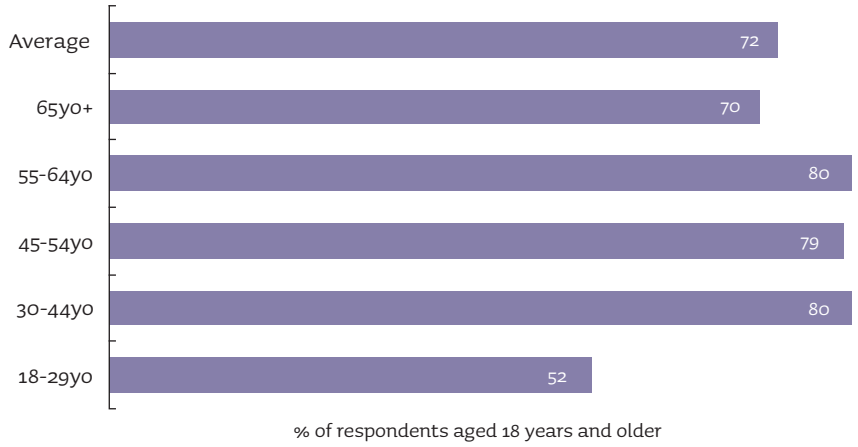
Despite confidence in their ability to manage debt, a significant proportion of respondents reported that they do not feel comfortable with their level of debt, will get into debt by buying something they can't afford, and usually pay back only the minimum amount owing on loans.

More information

Participation

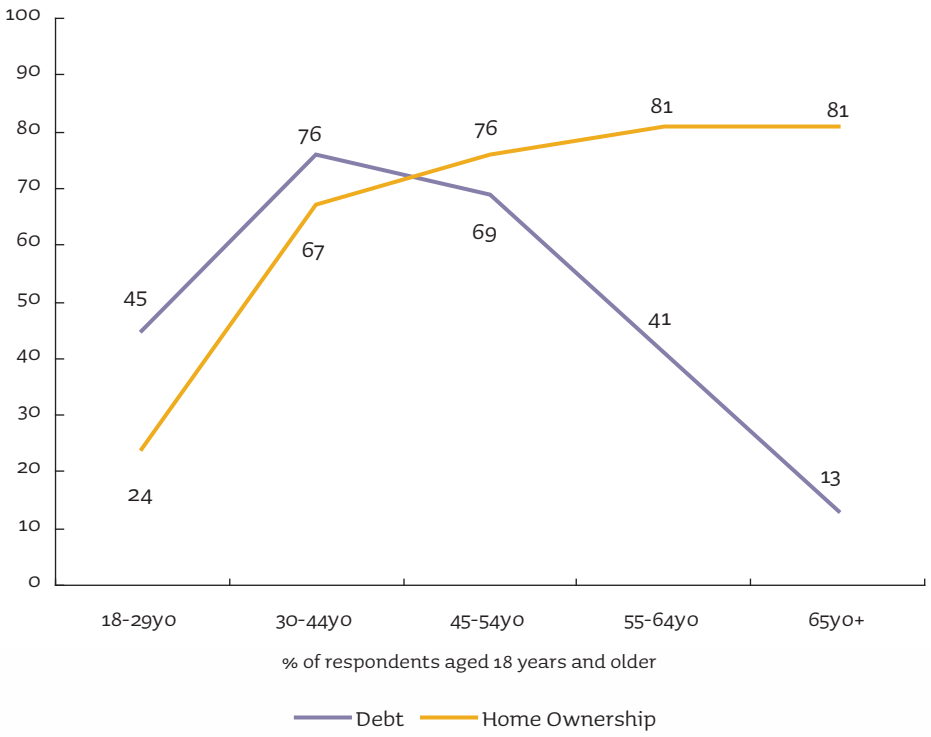
Reported credit card holding increases sharply with age, plateaus at around 80% from the age of 30 and drops off for people aged 65 and older. It increases steadily by household income.

REPORTED CREDIT CARD HOLDING BY AGE GROUP



Other debts (including HECS) reported by just over a fifth of the population, decline sharply with age and increase steadily with household income.

DEBT AND HOME OWNERSHIP BY AGE



The proportion of respondents that reported having loans increases with age, peaking for people aged 30 to 44 and declines thereafter, sharply from the age of 55. It also increases sharply with increasing household income before plateauing at around 75% for people with annual household incomes from $50,000 to more than $100,000.

The survey findings illustrate the relationship between debt and home ownership (either owning or paying off a home).

- For people aged 18 to 29, the proportion of respondents that own or are buying a home is about half those reporting having loans (including mortgages, car loans and investment loans).
- For people aged 30 to 44, there is a sharp increase in the proportion that own or are buying a home to around two thirds of respondents. This feeds into debt levels with just over three quarters of respondents in this age group having outstanding loans.
- For people aged 45 to 54, the relative proportions switch with a fall in those reporting having outstanding loans and a moderate increase in the proportion that own or are buying a home, reflecting a decline in outstanding mortgages.
- For people aged 55 to 64, there is a further moderate rise in home ownership and, as more homes will now be owned outright, the proportion reporting outstanding loans falls sharply.
- For people aged 65 and over, home ownership stabilises at just over 80% and debt proportions again decline sharply to be just over 10%.

Attitudes and behaviour

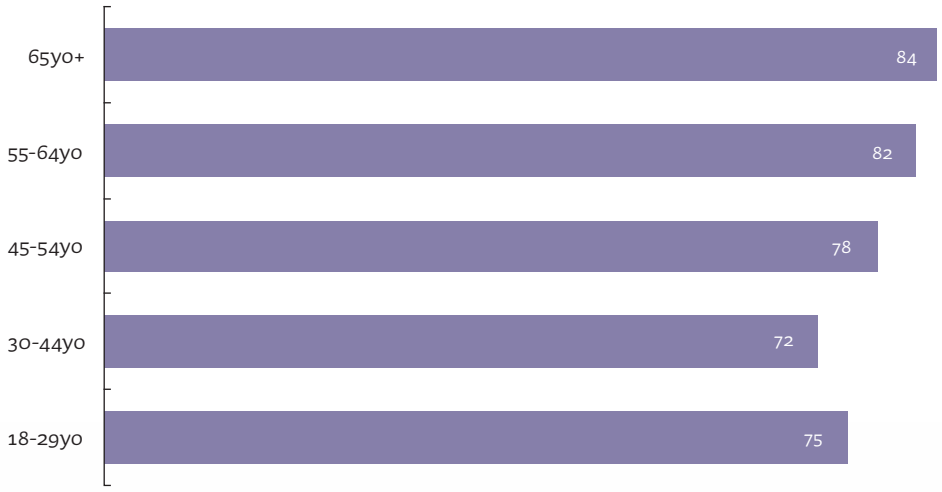
The proportion of respondents that agree 'there is no better way of saving money than paying off debt early' is high at over 80% for all age and household income groups. It is also high regardless of gender.

Reported levels of comfort with debt increase with age and household income and are higher for males than for females.

The proportion of respondents that reported not going into debt by buying something they can't afford increases with age but declines with household income.

CREDIT CARDS — PAYMENT OF OUTSTANDING BALANCE BY AGE GROUP

I REGULARLY PAY THE TOTAL BALANCE OWING ON MY CREDIT CARD WHEN IT IS DUE



% of respondents aged 18 years and older who have credit cards

The proportion of respondents that reported regularly paying the total balance owing on their credit cards generally increases with age and household income, but is lower for people aged 30 to 44. People aged 65 and over, and people with annual household incomes of over $100,000 are most likely to pay the total balance owing on their credit cards.

CREDIT CARDS — MINIMUM REPAYMENTS BY AGE GROUP

I USUALLY PAY THE MINIMUM AMOUNT OWING ON A CREDIT CARD

% of respondents aged 18 years and older who have credit cards

The proportion of respondents that reported usually paying the minimum owing on their credit cards generally decreases with age and household income, and is lowest for people aged 55 to 64 and people with annual household incomes of over $100,000.

Compared to females, males are more likely to report paying the total balance owing on their credit cards.

The proportion of respondents that reported usually paying more than the minimum amount owing on loans is fairly steady at around 33% for people aged 30 to 64 and drops off for people aged 65 and over, who are the most likely to pay more than the minimum and make extra payments when they can.

People with annual household incomes of $20,000 and over are most likely to report paying more than the minimum amount owing on loans but people with annual household incomes of over $100,000 are most likely to pay more than the minimum and make extra payments when they can.

PLANNING AND RETIREMENT

Australians are highly confident in their ability to plan for their long term financial future. Fewer are confident in their ability to ensure enough money for retirement, but they're interested in learning more about how their money can give them the choice and flexibility they're looking for.

Planning is the best way to achieve security in retirement, and the earlier people put their plan into action, the more choices they will have.

For many people, the best time to start planning for retirement is when then they start work and have superannuation funds. The advantage of starting young is that retirement savings can grow steadily over time.

Planning for retirement is closely related to saving and investing. Like saving and investing, putting money aside for retirement is not only for people who have a lot of money. Savings and investments don't have to be big: the key is to put money aside over the longest possible period of time. If the money works hard and people make extra contributions when then can, they are more likely to achieve their savings and investment goals, including for retirement.

As the Australian population ages and the value of people's superannuation increases, retirement incomes are also more likely to come from a variety of sources including the age pension, superannuation and personal savings and investments.

To achieve their retirement goals, people need the same skills they acquire in becoming successful savers and investors. Being able to understand and differentiate financial products and their relative ability to meet individual needs is vital to building and protecting all savings and investments, especially if those savings and investments are part of a retirement income plan.

As for investing, an understanding of these issues is essential to security and choice in retirement, as is the ability to protect money by getting and accurately assessing information and advice, understanding rights and responsibilities and avoiding scams.

Australians are highly confident in their ability to plan for their long term financial future (81%) but fewer say they have the ability to ensure enough money for retirement (63%) – the lowest of any issue covered by the survey. However, 77% recognise the importance of learning more about planning for the financial future and 71% recognise the importance of learning more about ensuring enough money for retirement.

86% do not believe that the age pension will be sufficient for retirement, and 73% say employer funded superannuation will not meet their retirement needs.

82% say that financial planning is not only important for those who have a lot of money, 64% believe that retirement is not too far away to think about, 76% say they have thought about their long term financial plans, including for retirement, and 47% think the best time to start planning for the financial future is when starting work. The most commonly reported reasons for people thinking about long term financial plans are having enough money for retirement or being able to retire early (40%), and to have enough money to do what they want (20%).

21% believe that retirement is too far away to think about and 16% believe that financial planning is only important for those who have a lot of money.

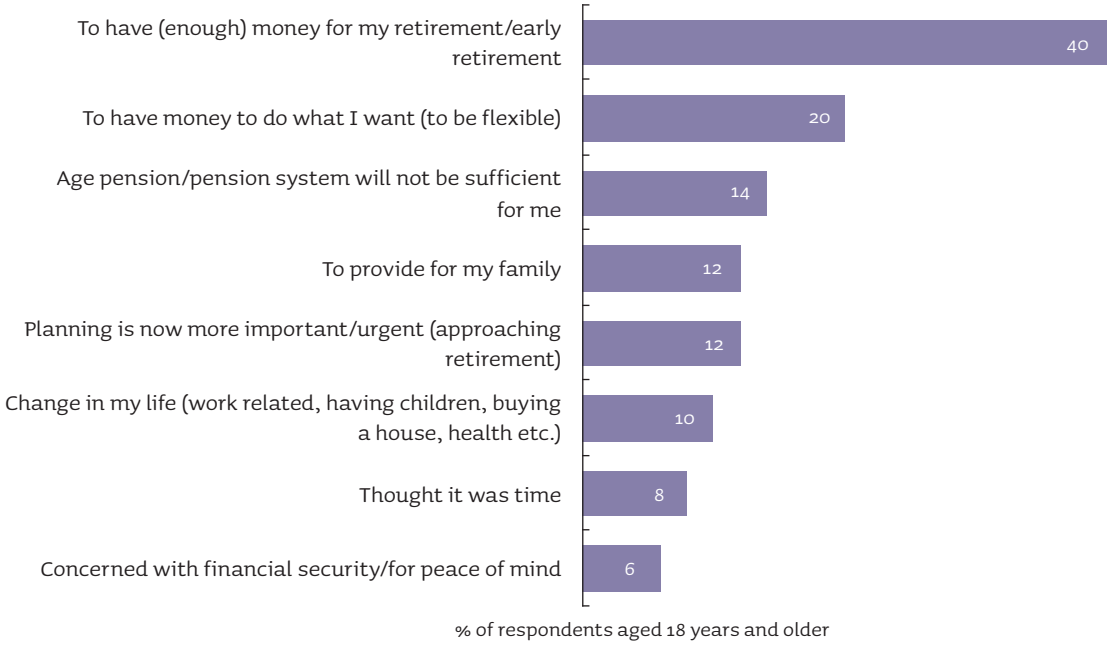
Generally with increasing age and increasing household income, people are more likely to say they have the ability to plan for the financial future, ensure enough money for retirement, agree that retirement is not too far away to think about and have actually thought about their long term financial plans.

Males are more likely than females to say they have the ability to plan for the financial future (84%/77%) and ensure enough money for retirement (65%/60%). Males are also more likely to say that they have thought about their long term financial plans (78%/74%) and more likely to be motivated by having enough money for retirement or being able to retire early (41%/38%). Females are more likely than males to believe that the best time to start planning for the financial future is when you start work (51%/42%).

Respondents' recognition of the importance of learning more about planning for the financial future and ensuring enough money for retirement is amongst the highest for any of the 13 money management issues covered by the survey.

Support for recognition of the importance of learning is indicated by other findings. Most respondents do not believe that financial planning is only important for those who have a lot of money and around half believe that the best time to start planning for the future is when starting work. The majority of respondents do not think that retirement is too far away to think about and most have also thought about their long term financial plans, including for retirement.

PLANNING FOR FINANCIAL FUTURE — MOTIVATIONS



The most commonly reported reasons for thinking about long term financial plans are having enough money for retirement or being able to retire early, and having enough money to do what you want.

Most respondents do not regard the age pension or employer funded superannuation as sufficient to meet their retirement income needs. Significantly less (and relatively few) cite the age pension as a reason for thinking about long term financial plans, and the adequacy of employer funded superannuation will be less for some people, depending on the type of superannuation fund or funds they have, and/or the length of time they have been fund members prior to retirement. However, most of the entire pre-retirement group, ie. people aged 18 to 64, agree that neither the age pension nor employer funded superannuation will be sufficient to meet their retirement needs.

More information

Participation

Reported superannuation fund membership varies with age. It is over 80% for people aged 18 to 54, peaking at 90% for people aged 30 to 44, then declines, most significantly for people aged 65 and over. Participation by household income is lowest for people with annual household incomes of less than $20,000 and rises sharply to above 90% for people with annual household incomes of more than $50,000.

Male participation is higher than for females.

Attitudes and behaviour

Around 83% of respondents in all age groups other than those aged 65 and over, do not agree that financial planning is only important for those who have a lot of money. The level of disagreement is positively related to household income.

Over 84% of respondents in all age groups other than those aged 65 and over, do not agree that the age pension will be sufficient to meet their retirement needs. The level of disagreement is positively related to household income.

Disagreement with the view that employer funded superannuation will be sufficient to meet retirement needs increases with age to peak at 83% for people aged 30 to 44 and then steadily decreases to around 40% for people aged 65 and over. Levels of disagreement increase steadily with household income.

Disagreement with the view that retirement is too far away to think about increases with age to peak at 90% for people aged 55 to 64 then decreases for people aged 65 and over. Levels of disagreement increase steadily with household income.

Just under half of respondents agree that the best time to start planning for the financial future is when starting work. Support for this view increases with age and generally decreases with household income. Females are significantly more likely to agree than males. The next best time to start planning for the financial future was reported to be during school days, with support of around 20% and little variation with age, though support generally decreases with household income.

The proportion of respondents that reported having thought about plans for the financial future increases sharply with age, peaking for people aged 45 to 54, and increases steadily with household income. Males are more likely than females to have thought about plans for their long term financial future.

For people who have thought about their long term financial plans, having enough money for retirement or being able to retire early is the most commonly reported reason. The proportion generally increases with age and household income but is generally around 40% apart from people with annual household incomes of less than $20,000, for which it is around 20%.

Compared to females, males are more likely to report being motivated by having enough money for retirement or being able to retire early.

The next most reported reason for people who have thought about their long term financial plans is having the flexibility to do what they want, at around 20% of respondents. Support for this view increases with household income.

PROTECTING MONEY

Australians are highly confident in their ability to protect their money, including choosing appropriate insurance, understanding rights and responsibilities and recognising a scam or an investment scheme that seems too good to be true. However, fewer are confident in their ability to invest and the findings indicate that many wouldn't take key considerations into account when making an investment decision, so they may be more vulnerable to scams than they think.

Protecting money means protecting people, their assets and income for security and peace of mind.

Insurance is an important part of protecting money. By insuring appropriately, people are buying some of the protection they need. Buying appropriate insurance means knowing what to insure, how much to insure it for, identifying the most suitable insurance product and getting the best value for money. Like other financial products, the key is to understand the insurance: what it covers, how much it costs and whether it suits individual needs.

But there's more to protecting money than buying insurance. Buying a financial product or service brings rights such as being given information on which to make an informed choice and having privacy respected. It also brings responsibilities such as giving honest and accurate information to the product or service provider.

For any type of investment, it is important to understand the risk as well as the return, to spread the risk by not putting all your eggs in one basket, and to assure the quality of the information on which the investment decision is based. If people do fall for a scam, they are unlikely to recover their money. Being able to accurately assess the information and advice on which an investment decision is based is the best way of ensuring that investments, and the security they provide, are protected. If it seems too good to be true, then it probably is.

Australians are highly confident in their ability to protect their money by choosing appropriate insurance (82%), understanding their rights and responsibilities (85%) and being able to recognise a scam or an investment scheme that seems too good to be true (88%).

Of these three measures, people are most confident in their ability to recognise a scam or an investment scheme that seems too good to be true. However, the knowledge and skills required to recognise a scam are the same as for investing and compared to areas like budgeting, saving, dealing with credit and managing debt, fewer people say they have the ability to invest – the third lowest of any topic covered by the survey.

Additionally, people say they have relatively low levels of recognition of some important aspects of investing which are also key to recognising scams and investment schemes that seem too good to be true, such as consideration of both risk and return (34%). This may indicate that their self-reported ability to recognise scams is overstated and as a result, they are more vulnerable to scams than they realise.

86% of respondents reported holding some type of insurance and 81% believe in taking out insurance to be prepared for the unexpected.

With increasing age and household income, people are generally more likely to be confident about protecting their money. Reported insurance holding increases with household income, and recognition of the importance of learning more about recognising a scam generally increases with household income.

Females are more likely than males to believe in taking out insurance to be prepared for the unexpected (84%/79%).

Two key findings in relation to investing are relevant to people's views about protecting their money: recognition of the importance of learning more about investing, noting that only around a third of respondents would consider both risk and return when making an investment decision; and that the majority of adults invest, despite a relative lack of confidence in their ability in this area.

Almost the same proportion of respondents reported a need to learn more about investing and recognising a scam. However, there is almost no gap between ability and understanding, and recognition of the importance of learning more about investing, whereas there is a significant gap (88%/69%) between these two measures in relation to recognising scams. This indicates that respondents' overall level of confidence in recognising scams is higher than for investing. Combined with relatively low levels of recognition of some important aspects of investing which are also key to recognising scams, overall levels of confidence in recognising scams may not be well founded. This may, in turn, indicate a higher degree of vulnerability to scams.

The issue of confidence, as measured by the gap between ability and understanding, and recognition of the importance of learning, is discussed in greater detail in Chapter 3.

More information

Participation

Over 90% of respondents reported holding insurance, of all types, in all age groups within the 30 to 64 range. The proportion of people aged 18 to 29 who reported holding insurance policies is considerably less and the proportion of those aged 65 and over is slightly less. Holding insurance is positively related to household income.

Attitudes and behaviour

The proportion of respondents that reported taking out insurance to be prepared for the unexpected is above 75% for all age groups except for people aged 65 or more, and peaks for people aged 30 to 44. People are more likely to believe in taking out insurance, as household income increases, and females are more likely to hold this view than males.

INFORMATION AND ADVICE

Australians are highly confident in their ability to get information about money and around two thirds say they have sought financial advice, usually about a tax or investment issue. Fewer are confident in their ability to understand financial language, and this is consistent with them saying they're less confident in their ability to invest and ensure enough money for retirement, but they're interested in learning more.

Collecting and understanding information is essential to good money management, and sometimes it's important to get help.

Information and advice are often thought of in relation to investment and taxation issues, but they can relate to anything from doing a budget to getting debt under control and understanding rights and responsibilities.

Information can be general or specific to individual needs, and it can come from a variety of sources. Family and friends are often seen as trusted and reliable sources of information, and a wide variety of information is readily available through television, radio, newspapers, magazines and the internet.

Information and advice tailored to individual needs can also come from a variety of sources including financial counsellors, accountants, banks, financial planners and government services such as Centrelink.

People are also provided with information as part of buying a financial product or service. This includes information about the product or service, financial statements, policy documents, Product Disclosure Statements and Financial Services Guides.

As consumers of financial products and services, people are ultimately responsible for understanding the information they collect or are given, particularly if it is being used to make a big decision. Part of this is knowing when to ask questions and seek assistance, when to act on this knowledge, and when to conclude that they don't have enough information or understanding to make a decision.

Australians are highly confident in their ability to get information about money (85%) and deal with financial services providers (81%), but fewer say they have the ability to understand financial language (64%). However, 68% recognise the importance of learning more about understanding financial language.

93% say they regularly read paper financial statements, 63% say they read paper statements every time they receive them and 79% say they understand all or most of the information provided in those statements. However, 19% report understanding only some of the information provided in financial statements.

People say they are most likely to have used accountants/tax agents (68%), banks (57%) and financial advisers (54%) as sources of information and advice. The most commonly reported reason for seeking information and advice is for tax or assistance in completing a tax return (28%), followed closely by investment advice (27%). 73% of respondents reported that they spend a lot of time thinking about financial information before making a decision.

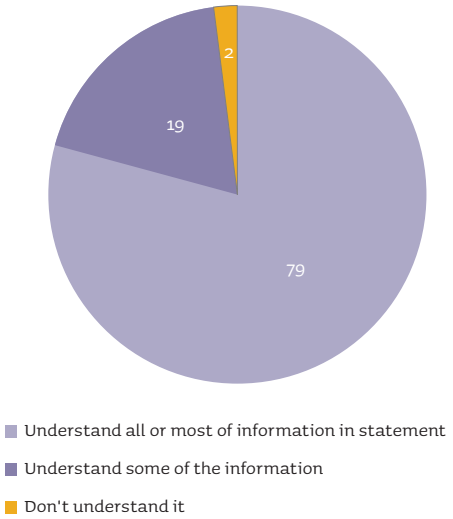
With increasing age and household income, people are generally more likely to say they have the ability to get information about money, and understand financial language. Reported reading of paper statements every time increases with age but decreases with household income. People aged 30 to 64 are more likely to say they understand all or most of the information provided in financial statements, spend a lot of time thinking about financial information before making a financial decision and get professional assistance or advice. Reported understanding of financial statements and use of accountants/tax agents and financial advisers increases with household income.

People aged between 18 and 29 are more likely to say they seek information from family, but other age groups and all household income groups are more likely to say they consult accountants/tax agents and financial advisers.

Males are more likely to say they have the ability to understand financial language than females (68%/60%) and females are more likely to say they recognise the importance of learning more about understanding financial language (70%/66%). Males are more likely to say they have used accountants/tax agents as sources of financial information and advice (69%/66%), and females are more likely to say they have used banks (60%/53%).

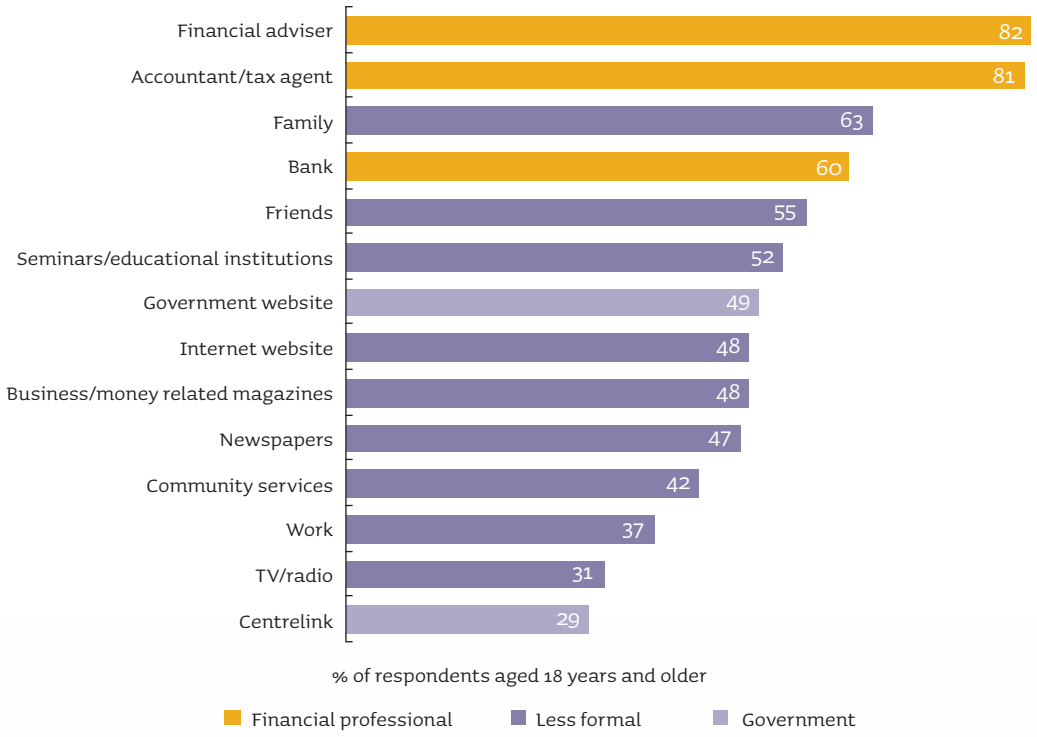
FINANCIAL STATEMENTS — UNDERSTANDING

% OF RESPONDENTS AGED 18 YEARS AND OLDER



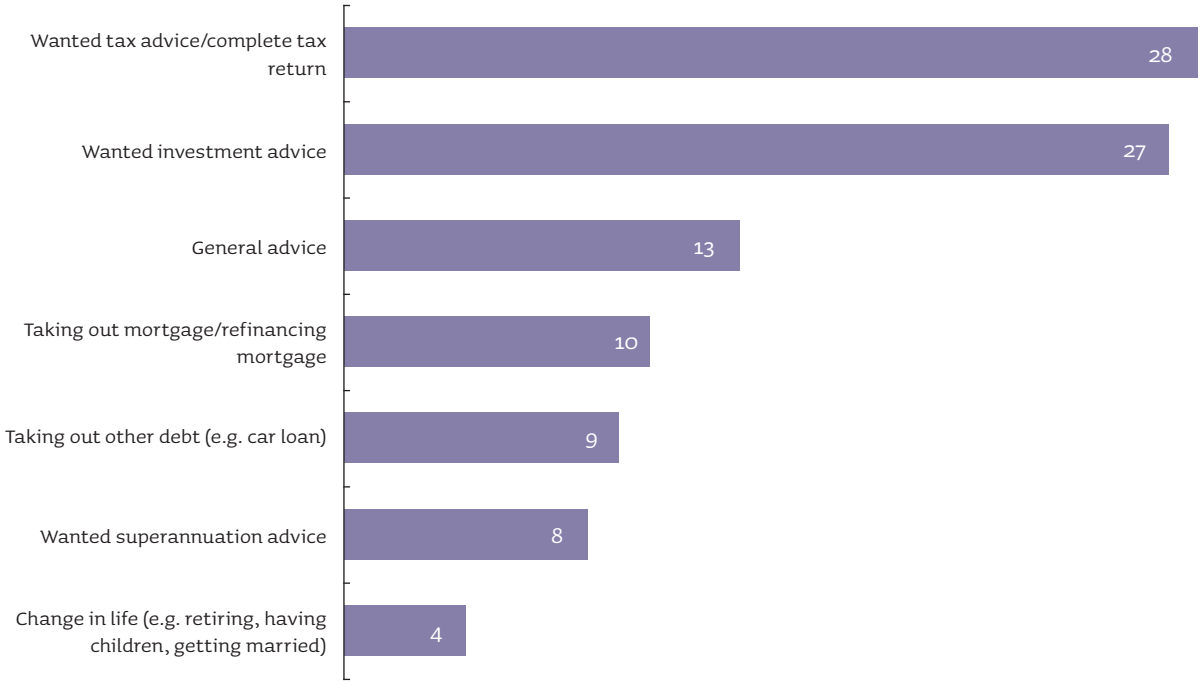
Almost all respondents reported that they regularly read paper financial statements from banks and financial service providers, and most understand all or most of the information provided in those statements. The majority reported that they read paper copy financial statements every time they receive them. Nonetheless, significant numbers report understanding only some of the information provided in financial statements. This is consistent with respondents reporting relatively low levels of ability to understand financial language.

FINANCIAL INFORMATION AND ADVICE — PREFERRED SOURCES



Financial advisers and accountants/tax agents are reported as the most likely sources of information and advice, but significant numbers would also consider using: family; banks; friends; seminars; the internet including government websites; newspapers; business and money magazines; and community services. Around a third would consider using employers or work colleagues, television and radio, and Centrelink.

FINANCIAL INFORMATION AND ADVICE FROM FINANCE PROFESSIONAL — MOTIVATIONS



% of respondents aged 18 years and older who have sought financial advice

Around two thirds of respondents reported the actual use of accountants/tax agents as sources of information and advice, and around half reported use of financial advisers and banks. The most commonly reported reason for seeking information and advice is for tax or assistance in completing a tax return, followed closely by investment advice.

Most respondents reported that they spend a lot of time thinking about financial information before making a decision. This contrasts with the findings regarding investing, where only a third of respondents consider both risk and return when making an investment decision, and only a small proportion reported consideration of issues such as diversification, background information such as the reputation of the company, and fees and charges. In these cases, length of time spent considering financial information before making a decision is not necessarily an indicator of effectiveness.

More information

Participation – potential

Respondents identified multiple potential sources of information or advice.

FINANCIAL INFORMATION — MAIN SOURCES PREFERRED BY AGE

	All ages	18-29	30-44	45-54	55-64	65+
	%	%	%	%	%	%
Financial adviser	82	84	85	82	80	70
Accountant/tax agent	81	82	87	82	76	68
Family	63	87	69	51	43	40
Bank	60	75	60	56	49	50
Friends	55	69	62	50	40	34
Seminars, education institutions	52	54	51	54	55	44
Government websites	49	62	55	48	37	23
Non-government websites	48	65	55	44	33	18
Magazines	48	52	52	48	40	31
Newspapers	47	51	49	47	45	38
Community services	42	49	44	39	38	30
Work	37	67	54	44	33	29
TV or radio	31	36	32	30	27	23
Centrelink	29	33	24	22	32	46

- For people aged 18 to 29, family is the most common source (87%) followed, in order, by financial adviser, and accountant/tax agent (both above 80%), and banks (75%).
- For people aged 30 to 44, the top three are accountant/tax agent and financial adviser (both above 80%) followed by family (just under 70%).
- For people aged 55 to 64, the top three are accountant/tax agent and financial adviser (both above 75%) followed by seminars and educational institutions (55%).
- For other age groups, the top sources are accountant/tax agent, or financial adviser, followed by banks.

FINANCIAL INFORMATION — MAIN SOURCES PREFERRED BY ANNUAL HOUSEHOLD INCOME

	All incomes	<$20,000	$20,000-$49,999	$50,000-$99,999	$100,000+
	%	%	%	%	%
Financial adviser	82	72	82	87	85
Accountant/tax agent	81	70	79	85	86
Family	63	59	58	64	63
Bank	60	62	61	63	55
Friends	55	44	49	56	57
Seminars, educational institutions	52	43	50	57	55
Government websites	49	38	44	55	52
Non-government websites	48	28	39	50	59
Magazines	48	31	37	50	60
Newspapers	47	34	39	49	54
Community services	42	55	50	43	29
Work	37	41	44	51	51
TV or radio	31	29	29	34	31
Centrelink	29	51	38	26	13

- For household incomes below $50,000, the two most common sources for information are accountant/tax agent, and financial adviser, followed by banks. For household incomes of $50,000 and above, family replaces banks as the third most common source of information.

For males, the top two reported sources of information or advice are accountant/tax agent and financial adviser (roughly equal) while it is the reverse order for females. The third most popular, at a significantly lower level, is family for males and banks for females, closely followed by family.

Participation – actual

FINANCIAL INFORMATION AND ADVICE FROM FINANCE PROFESSIONALS — MAIN SOURCES ACCESSED BY AGE

	All ages	18-29	30-44	45-54	55-64	65+
	%	%	%	%	%	%
Accountant/tax agent	68	49	75	76	73	64
Bank	57	52	58	60	56	55
Financial adviser	54	30	57	63	69	66

FINANCIAL INFORMATION AND ADVICE FROM FINANCE PROFESSIONALS — MAIN SOURCES ACCESSED BY ANNUAL HOUSEHOLD INCOME

	All incomes	<$20,000	$20,000-$49,999	$50,000-$99,999	$100,000+
	%	%	%	%	%
Accountant/tax agent	68	52	66	73	79
Bank	57	60	57	61	59
Financial adviser	54	42	56	58	64

Accountants/tax agents are reported as being used more by people aged 30 to 64, much less by people aged 18 to 29 and considerably less by people aged 65 and over. Actual use of accountants/tax agents increases with household income. It is higher for males than females.

Reported use of financial advisers generally increases with age and significantly between the 18 to 29 and 30 to 44 age groups. It also increases with household income.

Reported use of banks for financial information or advice is highest for people aged 45 to 54, but above 50% for all age groups and around 60% for all household income groups. Females are more likely to use banks for information and advice than males.

Attitudes and behaviour

The proportion of respondents that reported spending a lot of time thinking about financial information before making a financial decision is around 75% for people aged 30 to 64, slightly less for people aged 18 to 29 and considerably less for people aged 65 or over. By household income, the level is consistently around 75% apart from people with annual household incomes of less than $20,000, for which it is significantly lower.

Regular reading of paper financial statements from banks or financial service providers is above 90% for all people regardless of age or household income. Reported reading of statements every time increases with age and decreases slightly with household income. The level is higher for females than males.

CHAPTER 3: WHAT AUSTRALIANS THINK ABOUT MONEY

INTRODUCTION

This chapter examines the issue of confidence using the relationship between respondents' self-reported levels of ability and understanding, and recognition of the importance of learning more as an indicator of confidence for each of the 13 money management issues covered by the survey.[3]

It also examines the attitudes, beliefs and behaviours that can adversely affect financial literacy by:

- preventing people from being aware of financial literacy issues;
- impeding financial literacy learning and education; and
- preventing knowledge and understanding from being translated into actual behaviour.

These attitudes, beliefs and behaviours are not easily ranked, sorted into a list or arranged in an order from first to last, and it is difficult to say that one is the start and another is the end of a clearly defined process. Additionally, some can be widely held and have a relatively low impact on financial literacy, while others can be narrowly held and have a relatively large impact, depending on how easy or difficult they are to overcome.

Attitudes, beliefs and behaviours interact in complex, overlapping and mutually reinforcing ways, often depending on the individual's stage of life and their particular personal and financial circumstances. Due to this complexity and interdependence, it is not easy to understand how one functions in complete isolation from others.

What people think and feel about money issues impacts upon how receptive they are to learning about money. Overcoming and managing these attitudes is an important part of improving people's ability and willingness to engage with their money in an informed way.

Combined with any difficulties people experience in assessing their true level of ability and understanding about money issues, they can have beliefs and emotions that not only affect their self-assessment of ability and understanding, but whether they progress towards a particular financial outcome and how.

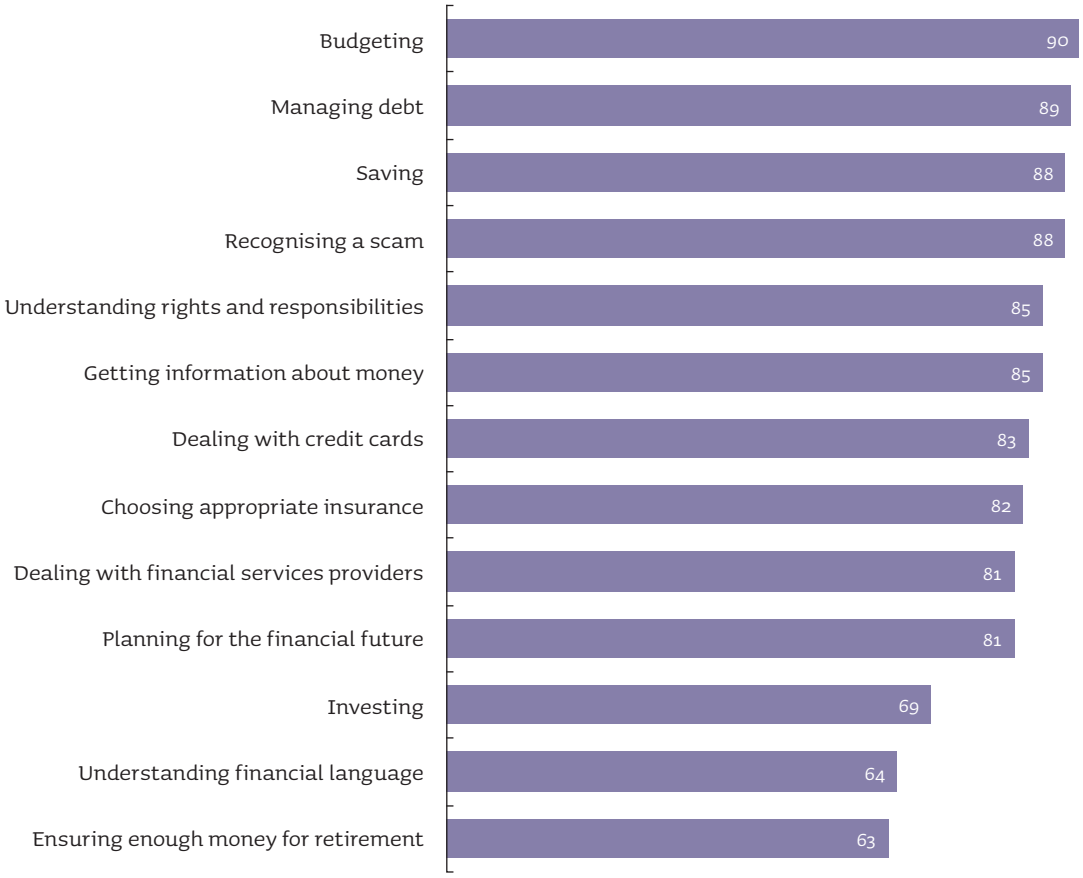
[3] In Chapter 2, confidence is discussed in terms of respondents' self-reported ability for each of the 13 money management issues.

ABILITY, UNDERSTANDING AND LEARNING

The findings indicate that for day to day money management issues where people are more likely to have regular and direct experience, the self-assessed level of ability and understanding is higher. Conversely, where the issues are less frequently encountered and/or require more specialised knowledge, such as investing, ensuring enough money in retirement and understanding financial language, the self-assessed level of ability and understanding is lower.

ABILITY AND UNDERSTANDING ABOUT MONEY MATTERS

I HAVE THE ABILITY AND UNDERSTANDING IN ...

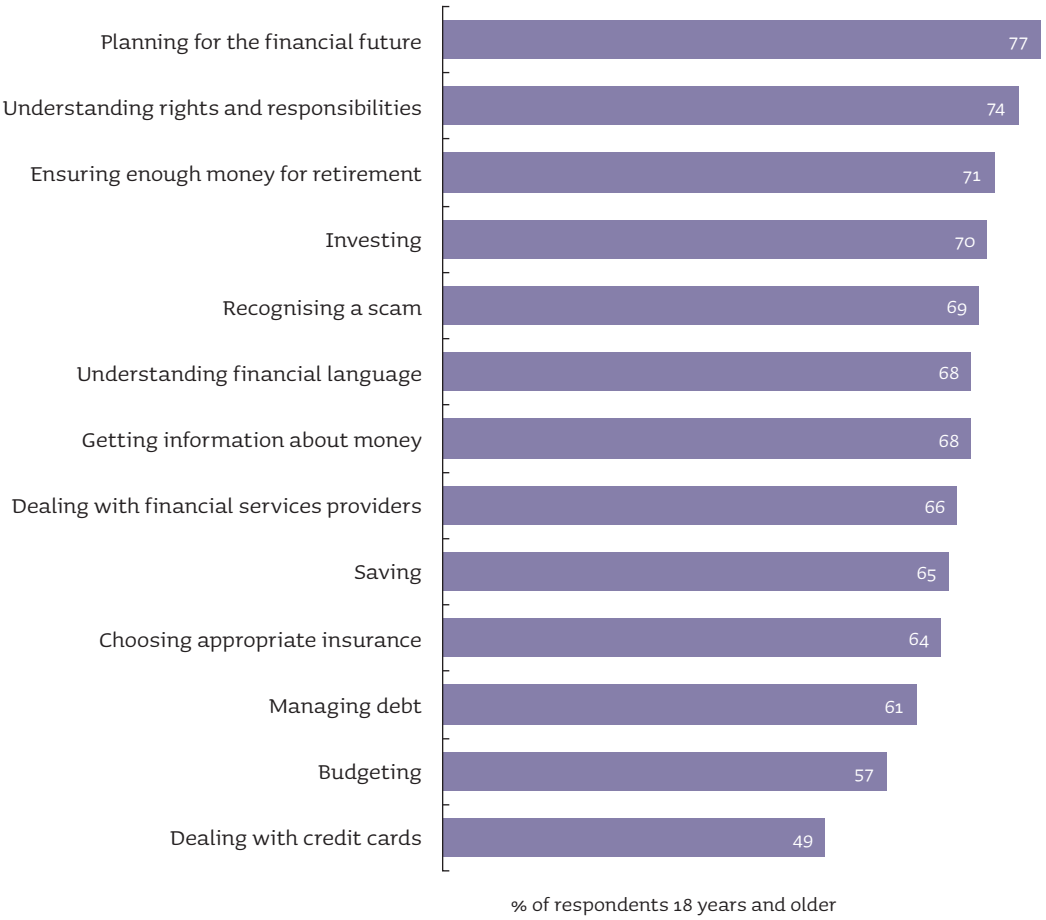


% of respondents 18 years and older

Respondents attributed greater importance to learning more about relatively complex money management issues that can have significant financial consequences, such as planning for retirement and the long-term financial future, rights and responsibilities when dealing with money, investing money and recognising scams. Learning more about day to day money management issues such as budgeting, dealing with credit cards and managing debt, was regarded as less important.

IMPORTANCE OF LEARNING MORE ABOUT MONEY MATTERS

AT THIS POINT IN LIFE IT IS IMPORTANT TO LEARN MORE ABOUT ...



In addition to many adults recognising the importance of learning, 40% intend to make improvements in the way they manage their money in the next 12 months, although 16% don't, either because they are happy with their current arrangements (81%), they are not interested (9%) or they haven't thought about it (7%).[4]

The gap between self-assessed ability to deal with a particular issue and recognition of the importance of learning more gives a more nuanced insight into people's 'operational' confidence in dealing with money issues. A significant positive gap could be characterised as confidence, whereas a smaller or negative gap could be characterised as a relative lack of confidence.

4 The intentions of the 44% of respondents who reported that they had made improvements in the way they manage their money in the previous 12 months were not recorded, even though a proportion of this group could be expected to make further improvements in the way they manage their money.

REPORTED ABILITY AND UNDERSTANDING COMPARED TO RECOGNITION OF THE IMPORTANCE OF LEARNING — ADULTS

Topic Highest to lowest level of confidence	Ability and understanding % of respondents	Recognition of the importance of learning % of respondents	Difference % of respondents
Dealing with credit cards	83.1	49.3	33.8
Budgeting	90.4	57.3	33.1
Managing debt	88.9	61.0	27.9
Saving	88.3	65.3	23.0
Recognising a scam	87.8	68.5	19.3
Choosing appropriate insurance	81.7	64.2	17.5
Getting information about money	84.5	67.8	16.7
Dealing with financial services providers	81.2	66.1	15.1
Understanding rights and responsibilities	85.4	73.7	11.7
Planning for the financial future	80.6	77.4	3.2
Investing	68.8	69.7	-0.9
Understanding financial language	63.8	68.3	-4.5
Ensuring enough money for retirement	62.6	70.6	-8.0

Topics where there are significant positive gaps (all above 20%), indicating high levels of confidence are:

- dealing with credit cards;
- budgeting;
- managing debt; and
- saving.

Topics where there are gaps of between 10% and 20%, indicating more moderate levels of confidence are:

- recognising a scam;
- choosing appropriate insurance;
- getting information about money;
- dealing with banks or other financial service providers; and
- understanding rights and responsibilities when dealing with money.

Other topics where there are small or negative gaps, ie. the proportion of respondents that recognise the importance of learning more exceeds the proportion reporting an ability and understanding, could be characterised as areas where confidence is relatively low.

A positive gap between ability, understanding and learning is evident in areas that are relatively less complex, where levels of exposure and familiarity are high, and where people are more likely to have a sense of control regarding processes and outcomes. It is also evident that the gap is smaller or negative, in areas of greater complexity, greater uncertainty regarding processes and outcomes, and where third parties are involved in transactions.

For areas where confidence is high but significant proportions of respondents reported behaviour that could not be characterised as financially literate, there may be attitudes at play which impede either awareness of the need to learn, or the progression from awareness to learning and action. For these people, a lack of technical ability does not appear to be the issue so much as the learning and action having a perceived lack of relevance or importance.

For areas where confidence is relatively low, recognition of the importance of learning is a positive outcome and an essential prerequisite for taking action and ultimately, increasing levels of confidence and engagement. However, recognition of the importance of learning does not guarantee that a person will actually engage in the learning process. For these people, a lack of awareness is not the issue, but again, there may be attitudes at play which prevent the person from actually learning and taking action.

CONFIDENCE

Confidence in money management is not a bad thing, since it is important that people have the confidence to take financial actions in anticipation of a positive result. However, overconfidence in ability and understanding of money matters can mean that mistakes are made and opportunities missed.

A substantial academic literature in cognitive psychology makes the case that people are usually overconfident and, in particular, they are overconfident about the precision of their knowledge.[5] In general, people tend to overestimate their ability to do well at tasks, are unrealistically optimistic about future events, and have unrealistically positive self-evaluations.

International financial literacy research suggests overconfidence regarding financial knowledge and understanding is a significant issue that impacts upon both the degree to which people seek financial information and advice, and the financial decisions that they subsequently make.[6]

A 2005 OECD report discusses research across 12 countries that found that respondents felt they knew more about financial matters than was actually the case.[7] This was particularly clear in research which combined objective tests (that measured knowledge and understanding of financial terms and ability to apply financial concepts to particular situations), with self-assessment (respondents' perceptions of their financial understanding and knowledge).[8]

> *'Respondents in the US, UK, and Australia felt confident in their knowledge of financial issues even though when given a test on basic finance it is clear they had only a limited understanding of these issues. If consumers do not realise they need information, they will not be in a position to seek it.'* [9]

---

5 See T Odean, *Volume, Volatility, Price and Profit when all Traders are Above Average*, Graduate School of Management, University of California - Davis, United States of America, draft April 1998.

6 For an overview of overconfidence in relation to financial literacy research, see A Lusardi and O Mitchell, *Financial Literacy and Retirement Preparedness: Evidence and implications for financial education programs*, Michigan Retirement Research Centre, Working paper 2006-144, November 2006, p. 8.

7 OECD, *Improving Financial Literacy: Analysis of Issues and Policies*, OECD Publishing, Paris, France, 2005, pp. 43-44.

8 For example, *ANZ Survey of Adult Financial Literacy in Australia*, conducted by ACNielsen Research, Melbourne, November 2005.

9 OECD, op. cit., pp. 43-44. In the 2005 ANZ survey of financial literacy, 67% of respondents said that they understood the principle of compound interest, but only 28% were rated with a 'good level' of comprehension when they solved an actual problem.

Overconfidence reduces demand for financial education and the degree to which people seek financial information and advice. In this study, most respondents reported that they spend 'a lot of time' thinking about financial information before making a decision, and most reported that they try to stay informed about money matters. However, some people will consider themselves to be informed when they are not, regardless of whether they have spent a lot of time thinking about financial information before making a decision. If they are overconfident, they may overestimate the effectiveness of spending a lot of time and being informed, and remain unaware of their overconfidence and the adverse impact it may have on how they manage their money.

> *'The fact that consumers feel more confident than their actual financial knowledge warrants suggests that an important aspect of financial education programs is increasing consumers' awareness of their need for financial information. If consumers are not aware they need financial information, they will not seek it out. Thus policymakers need to think about the best ways to reach these consumers and convince them that they need financial education.'* [10]

As discussed earlier in this chapter, the findings of this survey indicate that Australian adults are particularly confident when it comes to budgeting, saving, dealing with credit cards and managing debt. While this survey provides no identifiable correlation between certain types of behaviour that would indicate overconfidence, the findings indicate that there is scope for some people to benefit more from managing their money better in these areas. For example:

- 48% of respondents don't budget regularly for their day to day finances;
- 27% have difficulty setting money aside for big purchases or spending;
- 17% don't think about ways to reduce spending, 17% could not get by for some time in case of a financial emergency and 16% are not easily able to keep track of their everyday spending;
- 22% claim not to save;
- 21% get into debt by buying things they can't afford;
- 17% usually pay back only the minimum amount required on their loans;
- 17% don't feel comfortable with their level of debt; and
- 13% usually pay only the minimum amount owing on their credit card.

The findings also indicate that adults are moderately confident when it comes to dealing with financial service providers, but many have never sought information or advice from an accountant/tax agent (32%), financial adviser (46%) or bank (43%).

As discussed in Chapter 2, the findings for investing also indicate that overall levels of confidence in recognising scams may not be well founded which may, in turn, indicate a higher degree of vulnerability to scams.

Similarly, the findings of this survey suggest that fewer Australians are confident in their ability to understand financial language, yet their confidence in related areas, eg. recognising a scam and dealing with financial service providers, is comparatively high. Again, this survey provides no identifiable correlation between certain types of behaviour that would indicate overconfidence in these areas, but the four identified areas of relatively low confidence levels appear to be a more consistent grouping, ie. planning for the financial future and ensuring enough money for retirement are closely related, and investing, to which understanding financial language is integral, is key to both.

---

[10] OECD, op. cit., p. 45.

The findings of this survey also indicate that people are relatively less confident when it comes to more complex money management issues. Recognition of the importance of learning more about planning for the financial future, investing, understanding financial language and ensuring enough money for retirement are amongst the highest for any of the 13 money management issues covered by the survey. Evidence of the need for learning is indicated by findings such as:

- only a third of the respondents reported that they would consider both risk and return when making an investment decision, and only a small proportion reported consideration of background information such as the reputation of the company, diversification, and fees and charges;
- around a quarter of respondents reported not having thought about long term financial plans, including for retirement;
- just over a fifth of respondents reported that they don't spend a lot of time thinking about financial information before making a decision; and
- around a fifth of respondents reported that they understand only some of the information on financial statements.

ATTITUDES, BELIEFS AND BEHAVIOURS

There is no one path to financially literate behaviour and better financial outcomes. Attitudes and behaviour will be overlayed by beliefs, emotions and feelings about money. The combination of these will vary for each individual and determine the path they take. However, some of the steps along each path will be the same, and the end point may be the same, even if the starting point and the path itself are completely different. The strength of people's attitudes and beliefs, along with their personal circumstances, will determine whether they reach the same outcome in terms of their approach to money management.

As discussed earlier in this chapter, where people are confident in their ability but exhibit behaviour that could not be characterised as financially literate, there may be attitudes or beliefs at play which impede either awareness of the need to learn, or the progression from awareness to learning and action. For these people, a perceived lack of relevance or importance, rather than technical ability, appears to be a more significant factor in determining outcomes. Where people lack confidence, awareness is less of an issue if they recognise the importance of learning, but again, there may be attitudes or beliefs at play which prevent the person from actually learning and taking action. Further, commonly held attitudes and beliefs may lead people to the same outcome, regardless of whether they are confident in their ability.

For example, someone who finds dealing with money stressful and overwhelming is unlikely to be characterised as confident, but they may have some of the same attitudes, beliefs and behaviours of someone who is confident. For some people, the feeling of stress that comes with money issues could manifest as apathy, resulting in a poor or suboptimal financial outcome. For others, the benefits of a better financial outcome may be sufficient motivation to overcome or override their stress.

Similarly, someone who self-assesses as having the ability and understanding to manage money may also be apathetic but for completely different reasons, such as finding money boring. Despite being confident compared to the person who finds money stressful and overwhelming, their apathy can result in the same poor or suboptimal financial outcome. On the other hand, someone who self-assesses as having the ability and understanding to manage money and finds money boring may be sufficiently motivated by the benefits of a better financial outcome to overcome or override their boredom.

The table below shows three possible paths to a poor or suboptimal financial outcome, which could be characterised as stemming from a lack of confidence, confidence or overconfidence. Some attitudes, beliefs and behaviours are common to some of the paths, regardless of whether they stem from lack of confidence, confidence or overconfidence, but all three paths can lead to poor or suboptimal financial outcomes.

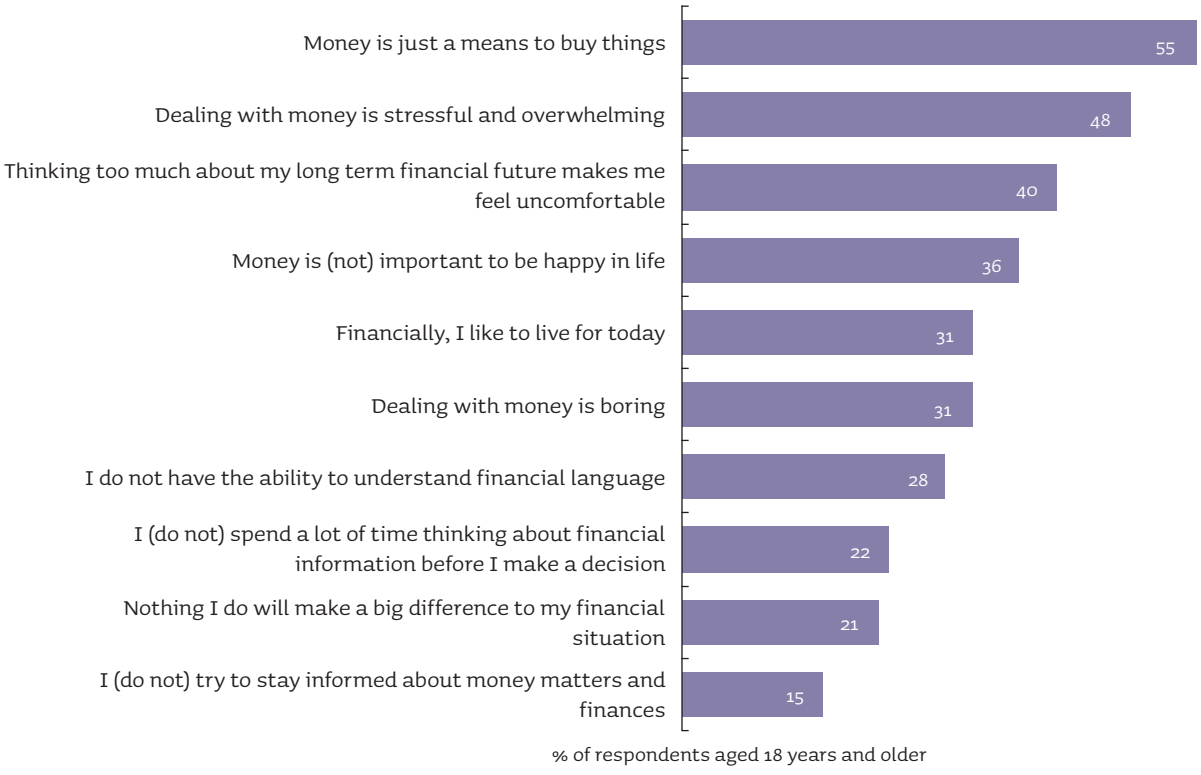
POSSIBLE PATHS TO POOR OR SUBOPTIMAL FINANCIAL OUTCOMES

	Lack of confidence	Confidence	Overconfidence
Attitudes, beliefs and behaviours ↓	**Confusion** – I don't know what it means, I don't get it	**Perceived clarity** – I understand this	**Perceived clarity** – I understand this
	Intimidation – It's too hard, I can't do it even if I know I should	**Dismissiveness** – But it doesn't matter, it's not important	**Overestimation of ability** – I know what I'm doing
	Apathy – Money's boring anyway, I couldn't be bothered	**Apathy** – Money's boring anyway, I couldn't be bothered	**Enthusiasm** – I can do this, I'll get a good result
	Procrastination – It's easier if I just ignore it, I'll put it off, I'd rather be doing something else, tomorrow can take care of itself	**Procrastination** – It's easier if I just ignore it, I'll put it off, I'd rather be doing something else, tomorrow can take care of itself	**Action** – I'll give it a go, I'll just do it
	Pessimism – It doesn't matter what I do because it won't make a difference	**Optimism** – It'll be right	**Optimism** – It'll be right
	↓ **Stress and discomfort**	↓ **Lack of relevance or importance Lack of motivation**	↓ **Lack of effective effort**
Possible consequences	↘ ↓ ↙ **Impeded learning**		
	↓ **Reduced ability and understanding**		
Possible outcomes	↓ **No decision or no well informed decision**		

To test the extent to which some of these attitudes, beliefs and behaviours are held by Australians, respondents were asked to assess their level of agreement with ten statements that were specified in the survey as contributing to poor or suboptimal financial outcomes:

- money is just a means to buy things;
- dealing with money is stressful and overwhelming;
- thinking too much about my long term financial future makes me feel uncomfortable;
- money is (not) important to be happy in life;
- financially, I like to live for today;
- dealing with money is boring;
- I do not have the ability to understand financial language;
- I (do not) spend a lot of time thinking about financial information before I make a financial decision;
- nothing I do will make a big difference to my financial situation; and
- I (do not) try to stay informed about money matters.

ATTITUDES TO MONEY



These findings are significant, with at least 55% of the adult population having one or more attitudes, beliefs or behaviours that can stop them engaging with money.

- Around half of Australian adults are dismissive of money (it's just a means to buy things).
- Around half find that dealing with money is stressful and overwhelming and 40% feel uncomfortable when they think too much about their financial future.
- Around a third do not attach any immediate or future importance to money (it's not important to be happy in life (36%)), which can also be characterised as being dismissive of money.
- Around a third like to live for today (31%), which can also be characterised as not attaching any immediate or future importance to money or being dismissive of money.
- One third find that dealing with money is boring, indicating a lack of motivation or interest.
- Around a third say that they don't understand financial language, which can indicate confusion and possibly intimidation.
- One fifth say that they don't spend a lot of time thinking about information before making a financial decision, which can be characterised as being dismissive of money (it isn't important enough to spend a lot of time) or apathy (I couldn't be bothered spending a lot of time). These attitudes could also reflect either pessimism (I don't spend a lot of time because it won't matter anyway) or optimism (I don't spend a lot of time because it'll be right).
- One fifth think that nothing they do will make a big difference, which can be characterised as apathy, pessimism or a combination of the two.
- 15% don't try to stay informed about money matters, which can indicate a range of attitudes, beliefs or behaviours from intimidation or dismissiveness, to apathy and procrastination.

Money is just a means to buy things

This belief is held by 55% of the adult population.

More than half believe that money is just a means to buy things regardless of age and this level of agreement is fairly consistent across all age groups.

People aged 65 and over are most likely to agree (60%).

More than half the people in all household income groups agree, but people are less likely to agree as household income increases (62% for household incomes of less than $20,000 and 51% for household incomes of more than $100,000).

Males are more likely than females to agree (59%/52%).

This attitude could be said to reflect a moral or philosophical position, ie. money is just a means to an end, not an end in itself. People with this attitude may also say that they don't want to be obsessed with money, or make it the central or dominant point of their lives.

However, it may reflect a lack of appreciation or understanding of how money can be made to work and assist in achieving goals. In this sense, money is not just a means to buy things, but a way to achieve broader life goals such as security and peace of mind, as well as more specific goals which may have significant and lasting value.

People who agree that money is just a means to buy things may miss significant opportunities to improve their financial wellbeing.

Dealing with money is stressful and overwhelming

This view is held by 48% of the adult population.

People are less likely to agree that dealing with money is stressful and overwhelming with age (53% for people aged 18 to 29 and 36% for people aged 65 and over).

People are less likely to agree as household income increases (56% for household incomes of less than $20,000 and 39% for household incomes of more than $100,000).

Females are more likely than males to agree (52%/43%).

Even relatively simple tasks such as paying bills and finding money for unexpected expenses can at times be stressful and if a number of these issues coincide the experience can become overwhelming. When more complex tasks such as buying a house or making a big investment decision are taken into account, then it is even easier to appreciate why some people believe that dealing with money is stressful and overwhelming.

However, there is a difference between this attitude being held by someone because they are facing specific financial issues or difficulties and it being held in relation to money matters more generally. In the former case, the stress may or may not prevent the issue from being managed but if it is managed, stress levels may reduce or disappear. If dealing with money is perceived to be stressful and overwhelming in general terms, it is more likely to impede the learning process and adversely affect ability and improved financial outcomes.

Thinking too much about my long term financial future makes me feel uncomfortable

This view is held by 40% of the adult population.

People aged between 18 and 54 agree that thinking too much about the long term future causes discomfort (all around 40%). Levels of agreement decrease significantly for people aged 55 and over.

People are less likely to agree as household income increases (46% for household incomes of less than $20,000 and 30% for household incomes of more than $100,000).

Females are more likely than males to agree (42%/37%).

'Thinking too much about my long term financial future makes me feel uncomfortable' is a similar belief to 'dealing with money is stressful and overwhelming', but there is a subtle difference. This belief is specifically focused on thinking about money rather than dealing with money and therefore relates to the process of understanding money issues, rather than engaging with them.

Nonetheless, people who find that money is stressful, overwhelming and causes discomfort are less likely to engage with money issues. The difficulty is that engaging more with money issues may be the only way to reduce associated levels of stress and discomfort.

Money is (not) important to be happy in life

This belief is held by 36% of the adult population.

More than a third of people in all age groups believe that money is not important to be happy in life and people aged 55 to 64 are most likely to agree (40%).

People are less likely to agree as household income increases (42% for household incomes of less than $20,000 and 31% for household incomes of more than $100,000).

Females are more likely than males to agree (38%/35%).

In a similar vein to 'money is just a means to buy things' there is an element of philosophical positioning in holding this belief. While it is true that money can't buy happiness, money can help people have more choices in life and achieve certain life goals, as well as dealing with the practical considerations of day to day living such as paying the bills. In this sense, money is not the only source or determinant of happiness, but good money management can make a big difference to people's lives and therefore their happiness, especially over time.

Financially, I like to live for today

This view is held by 31% of the adult population.

People are generally less likely to agree with this view as they get older, with the highest level of agreement being 43% for people aged 18 to 29 and the lowest level being 24% for people aged 55 to 64.

People are less likely to agree as household income increases (34% for household incomes of less than $20,000 and 25% for household incomes of more than $100,000).

Males are more likely than females to agree (34%/29%).

Of all the attitudes, this is probably the one which is most obviously at odds with good money management, the benefits of which increase with sensible, longer term approaches.

As with some of the other attitudes 'living for today' reflects a philosophical position. For some people it means 'stop worrying unnecessarily about the future and start enjoying your life now'. More generally, the preference of many people, given a choice with no adverse financial consequences, would be to avoid thinking of tomorrow or planning for the future.

However, what might be an attractive idea from one perspective becomes risky behaviour from a financial literacy perspective. For most people, paying no attention to the financial future has serious risks and consequences, and can translate as an aversion to informed financial decision making, including financial planning.

Dealing with money is boring

This view is held by 31% of the adult population.

People aged 45 to 54 are most likely to agree that dealing with money is boring (35%), but agreement is fairly consistent across all age groups.

People with household incomes of less than $20,000 are most likely to agree (39%) but the level of agreement is otherwise fairly consistent at around 30%.

Females are more likely than males to agree (34%/29%).

'Dealing with money is boring' is not quite as intense an experience as finding money to be stressful, overwhelming or uncomfortable, but this doesn't diminish the impact it may have on financial literacy. If people find money boring then no matter how important they acknowledge it to be, they may struggle to actually engage with it.

I do not have the ability to understand financial language

This view is held by 28% of the adult population.

People's agreement that they do not have the ability to understand financial language is fairly consistent across all age groups.

People are less likely to agree as household income increases (36% for household incomes of less than $20,000 and 19% for household incomes of more than $100,000).

Recognition of the importance of learning more about understanding financial language decreases with age and generally increases with household income (60% for household incomes of less than $20,000 to 74% for household incomes of between $50,000 and $100,000).

Females are more likely than males to agree that they do not have the ability to understand financial language (32%/24%) and more likely to recognise the importance of learning (70%/66%).

Financial language can be a barrier to better money management, particularly in areas of greater complexity such as investing and superannuation. If people genuinely do not understand financial language, then this is not so much a belief, emotion or feeling about money, as a barrier that could elicit an emotional response to dealing with money. However, if people perceive that they don't have the ability to understand financial language, perhaps because it seems too hard in broad conceptual terms, or they haven't really thought about it or tried to understand it, either independently or with assistance from a finance professional, then it is more of an emotional response to money.

From a financial literacy perspective, the important thing is to know when to ask questions and seek assistance in understanding financial language, and when to conclude that there is insufficient understanding on which to base a decision.

I (do not) spend a lot of time thinking about financial information before I make a financial decision

This behaviour is reported by 22% of the adult population.

People's agreement that they do not spend a lot of time thinking about financial information before making a decision is fairly consistent across all age groups (around 20%), but increases to 31% for people aged 65 and over.

People with household incomes of less than $20,000 are most likely to agree (30%), but it's fairly consistent at around 20% for other household income groups.

This behaviour is also at odds with good money management in that it indicates that financial decisions are made without sufficient thought or planning. Additionally, what constitutes 'a lot of time' and whether that time is well spent are different issues.

For most people and in a commonsense way, not spending enough time thinking about financial information before making a decision is not financially literate behaviour.

Perceptions of what constitutes 'a lot of time' will vary according to the individual and their circumstances. Some people may not need to spend a lot of time thinking about financial decisions because either they are so well informed and financially literate that they can reach a decision after only a short time, or they pay a finance professional to spend time thinking for them. For others, it simply indicates insufficient time spent considering the relevant information before making a financial decision.

However, spending a lot of time is not necessarily an indicator of time well spent. Time spent considering information can be ineffective if it is not supported by sufficient ability and understanding, and spending too much time can be viewed as procrastination, which is not a positive outcome either.

Nothing I do will make a big difference to my financial situation

This belief is held by 21% of the adult population.

People are more likely to believe that nothing they do will make a big difference to their financial situation as they get older – around 13% for people aged 18 to 44 and 50% for people aged 65 and over.

People with household incomes of less than $20,000 are most likely to agree (45%), but people are significantly less likely to agree as household income increases (9% for household incomes of more than $100,000).

Females are more likely than males to agree (23%/19%).

'Nothing I do will make a big difference to my financial situation' has to do with a broader set of potential behaviour. It is a unique attitude in that the sense of powerlessness it indicates may prevent any kind of engagement with money.

Differences may not be perceived as big if they have low monetary value, or little or no immediate impact. However, differences, including little ones, may have significant meaning or value, especially over time, and therefore doing something like managing money well on a day to day basis, will make a big difference.

It is possible that some people may already be doing as much as they feel they possibly can to make a difference to their financial situation but in practice, most people could probably do something that would make a big difference, especially over time.

I (do not) try to stay informed about money matters and finances

This behaviour is reported by 15% of the adult population.

People are more likely to stay informed about money matters and finances as they get older, except for people aged 65 and over, and as household income increases.

'I do not spend a lot of time thinking about financial information before I make a decision' and 'I do not try to stay informed about money matters and finances' are quite similar in that they have to do with being informed about money matters.

People will have different definitions of what constitutes trying to stay informed, and what one person considers to be trying, another may consider to be not trying at all.

There is also the issue of what being informed about money matters and finances actually means. It does not mean having sufficient knowledge to pass a test but rather being sufficiently informed to be able to make effective financial decisions. The difficulty is that some people will think they are sufficiently informed while in fact there are gaps in their understanding of money matters and finances. They will not be aware of this fact but will, when asked, respond that they try to stay informed.

Nonetheless, most Australian adults recognise that trying to stay informed is the right thing to do.

CONCLUSION

Through the findings discussed in this chapter, the factors that contribute to Australians' financial literacy begin to emerge. Some of these findings appear to be consistent, some indicate apparent inconsistencies and others give insights into the mix of attitudes, beliefs and behaviours that must be overcome if people are to achieve better financial outcomes.

- Although Australians are generally confident in their ability to manage money, some Australians do not have good money management habits, particularly in areas where they are less confident, such as investing, but also in areas where recognition of the importance of learning is relatively low, such as budgeting, saving, dealing with credit and managing debt.
- In broad terms, self-reported ability decreases with complexity and recognition of the importance of learning increases with complexity, which is both logical and encouraging in terms of awareness of gaps in knowledge and the need to learn.
- Recognition of the importance of learning is consistent with the finding that many adults intend to make improvements in the way they manage their money in the next 12 months, although 16% don't, mainly because they are happy with their current arrangements.
- There are some inconsistencies in areas of relative confidence. The anomaly between some of the findings relating to investing (eg. around two thirds would not consider both risk and return when making an investment decision) and respondents' moderately high levels of confidence in their ability to recognise a scam, is a notable example.
- A further inconsistency is the finding that respondents' confidence in understanding financial language is relatively low, yet their confidence in recognising a scam and dealing with financial service providers is moderately high, even though understanding financial language is integral to both areas.
- On the other hand, relatively low levels of confidence in planning for the financial future, investing, understanding financial language and ensuring enough money for retirement is a logically consistent outcome, since these areas are closely related, ie. investing and understanding financial language are integral to planning for the financial future and ensuring enough money for retirement.
- Levels of confidence in ability are generally high and in most areas the majority of respondents reported financially literate behaviour, yet dismissiveness, stress and discomfort, and boredom and disinterest, are commonly held attitudes and beliefs when it comes to money.
- There are many possible paths to financially literate behaviour and better financial outcomes. Life experiences, abilities, attitudes, beliefs and behaviours all vary from person to person, and determine which path, if any, they take. Depending on how these factors combine for each person, they will be more or less aware of financial literacy issues, open to learning and willing to engage in better money management. They will also have different motivations and expectations, and different views about the goals that are relevant and important to their personal circumstances.
- While people's circumstances and abilities vary, they may share some of the same attitudes, beliefs and behaviours even if the source of those attitudes, beliefs and behaviours is different.
- Regardless of their starting position and the path they take, people may reach the same poor or suboptimal financial outcomes if certain attitudes, beliefs and behaviours are not recognised and appropriately addressed.
- Commonly held attitudes and beliefs regarding money may adversely affect financial literacy, regardless of whether people are confident in their ability to manage money, ie. ability does not necessarily translate into practice.

- Where ability is not in question, efforts need to be directed at overcoming the attitudes and beliefs that prevent action, so that the motivation of the benefits of a better financial outcome is sufficient to override the inertia these attitudes and beliefs create.
- Where ability is lacking, effort also needs to be directed at progressively building confidence and competence, and working towards increasingly challenging money management goals until the person reaches their desired level of financial engagement.
- The challenge is to promote engagement and motivation to those who, for reasons of disinterest in the issue, lack of perceived relevance, stress or the myriad other obstacles identified in this survey, are not currently seeking to build their money skills.

The issues of motivation and building people's ability to manage their money better are discussed further in Chapter 4.

CHAPTER 4: MOTIVATION AND BUILDING ABILITY

INTRODUCTION

The previous chapters examined survey findings which indicate that:

- Australians are less confident when it comes to dealing with more complex money management issues, but keen to learn more about these issues;
- despite generally high levels of confidence in their ability to manage money, some Australians do not have good money management habits, particularly in areas where they are less confident, such as investing;
- a significant proportion of Australians have attitudes, beliefs or behaviours that may adversely affect their motivation to learn more about managing their money better and take action;
- ability does not necessarily translate into action;
- where ability is lacking, people can be assisted to progressively build their confidence and competence; and
- regardless of their ability, people need to be aware of the personal relevance and importance of better money management and motivated by the prospect of greater choices and opportunities, security and other quality of life benefits that better money skills can provide.

The impact of these attitudes, beliefs and behaviours is determined in part by whether there is sufficient motivation for the individual to make a behavioural change, and in effect overcome the barriers that stop them engaging with money.[11] In this study, financial literacy is defined as:

> *'the ability to make informed judgements and to take effective decisions regarding the use and management of money'.* [12]

This definition includes two key elements of financial literacy: financial education (being informed) and behavioural change (taking effective decisions).[13]

In most cases, financial education is a pre-requisite for financially literate behaviour.[14] For a person to be financially literate in what they do they need to be financially literate in their knowledge and understanding of financial issues. A person could be said to be financially literate if they understand how financial services providers and products function, know which providers offer certain types of financial products and services, and can make effective decisions in choosing among them.

---

11 For a discussion of this issue, see National Endowment for Financial Education (NEFE), *Motivating Americans to Develop Constructive Financial Behaviours: A think tank sponsored by the National Endowment for Financial Education*, NEFE, Colorado, United States of America, 11-13 May 2004.

12 Schagen and Lines, op. cit., p. ii.

13 A O'Connell, *Measuring the Effectiveness of Financial Education*, Paper prepared for the Retirement Commission, Wellington, New Zealand, April 2007, p. 2.

14 It is possible to generate financially literate behaviours/outcomes through compulsory or default decision systems, reducing dependency on awareness, financial education and purposeful action as a change agent. Compulsory or default superannuation savings plans are an example.

The benefits of being financially literate are well recognised. Not only will consumers be in a better position to save money, avoid crises through planning ahead, and choose financial products and services more wisely, but better informed consumers will contribute to more efficient and competitive financial markets, and reduce the need for regulatory intervention.[15]

The practical significance of financial literacy comes into play only when it has a positive impact on behaviour. Taking effective action in the use and management of money can be said to be dependent upon being financially literate through knowledge and understanding. The more knowledge and understanding a person has regarding money matters, the more likely they will be able to demonstrate financially literate behaviour (holding other factors constant). This is borne out by a number of research studies which show that, even accounting for demographic factors, people who are financially knowledgeable are more likely to exhibit financially literate behaviour.[16]

Because financial literacy education increases the level of financial understanding and knowledge, financial literacy education is regarded as an essential pathway to achieving positive behavioural change in financial literacy. The OECD defines financial education as:

> *'The process by which financial consumers/investors improve their understanding of financial products and concepts and, through information instruction, and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities to make informed choices, to know where to go for help, and to take other effective actions to improve their financial wellbeing.'* [17]

While financial knowledge and understanding is important, at the end of the day it is what people do that counts for their financial wellbeing. Financial knowledge and understanding must translate into particular behaviour or actions for the financial wellbeing of a person to change for the better. The issue is whether there is sufficient motivation for a person to make the behavioural change, and in effect, overcome attitudinal barriers.[18]

---

15 HM Treasury, *Financial Capability: the Government's long-term approach*, London, United Kingdom, January 2007, pp. 19-20.

16 See for example Lusardi and Mitchell, op. cit., p. 9.

17 OECD, op. cit., p. 21.

18 For a discussion of this issue, see NEFE, op. cit. and NEFE, *Closing the Gap Between Knowledge and Behavior:Turning education into action*, NEFE, Colorado, United States of America, 10-12 August 2005.

MOTIVATION

Motivation to perform an action can be related to an assessment of the likely outcome value and outcome expectancy of the action.[19] If the value of an outcome is perceived as being high enough, and the expectation is that achieving it likely enough, then motivation will be higher. Conversely, if the value of the outcome is perceived as not being high enough, and/or the expectation is that the outcome will likely not be achieved, then motivation will be lower.

Outcome value and outcome expectancy can be influenced by a combination of external and internal factors. For example, a person may value highly the benefit of saving but find it very difficult to allocate sufficient funds after covering their living expenses. They may value a range of financial services and products but believe that the likelihood of being able to access them is very low. Hence, the motivation to pursue such unattainable goals will be correspondingly lower.

Lack of knowledge and understanding can also lead to an incorrect assessment of outcome value. For example, a person may incorrectly believe that they cannot do any better than putting their money into an ordinary savings account. This can result in lower motivation to act even though it would be of real benefit. Again, this emphasises the role of raising people's awareness and understanding of the benefits of improving their financial behaviour.

Attitudes such as 'Financially, I like to live for today' and 'Dealing with money is boring' can also reduce motivation even if at an intellectual level the person understands and has a realistic view of outcome value and outcome expectancy. In this case, a person may understand and know that transferring their money to a savings account that pays higher interest satisfies both conditions of outcome value and outcome expectancy. They are intellectually motivated but procrastinate and delay taking the action.

19 V Derlega, B Winstead and W Jones, *Personality: Contemporary Theory and Research*, Second Edition, Nelson Hall, Chicago, United States of America, 1999, pp. 238-255. See also D Williams, E Anderson and R Winett, 'A Review of the Outcome Expectancy Construct in Physical Activity Research', Abstract, *Annals of Behavioural Medicine*, 29/1, 2005, pp. 70-79.

SELF-EFFICACY

An important concept which helps to understand how motivation works and how to strengthen it in relation to behavioural change and financial services is the concept of self-efficacy.[20]

The concept of self-efficacy can be defined as a person's beliefs about their own capability to achieve outcomes.

A person's belief in their own capability to achieve an outcome plays a key role in determining their motivation. In effect, self-efficacy gives a person a boost in confidence to believe that they can influence the outcome.

People with strong belief in their own capabilities 'approach difficult tasks as challenges to be mastered rather than as threats to be avoided'.[21]

Self-efficacy is a concept that is closely related to confidence, but is created through the process of taking action. Self-efficacy is built on the experience of having mastered and overcome challenges, and can be characterised as learning by doing. It is not developed through merely thinking about a situation. For each individual, the action which builds their sense of self-efficacy will be different. What works for one person may not be challenging enough for another, or may be too challenging. To be effective, self-efficacy experiences should be calibrated to match the needs of each person. An example might be a savings program designed to achieve a certain target, which for the individual concerned is enough of a goal to build their sense of self-efficacy, once accomplished.

Importantly, the true value of any particular action is more than merely the value of the action itself. The longer term benefit of improved self-efficacy can outweigh the shorter term benefit of achieving the immediate financial goal. The improvement in self-efficacy means that the individual is now ready for a greater challenge and can improve their money management further.

This may help to explain why people who are taking action tend to be less stressed than people who are still thinking about their options. An improvement in their sense of self-efficacy has a flow-on effect on their assessment of all future actions.

---

20 There is a growing body of international research linking self-efficacy to financial literacy issues. See J Xiao, B O'Neill, J Prochaska, C Kerbel, P Brennan and B Bristow, 'Application Of The Transtheoretical Model of Change To Financial Behaviour', *Consumer Interests Annual*, Vol. 47, 2001, pp. 1-10; K Shirer and E Tobe, *Getting Ready to Save: Applying Stages of Change Theory to Financial Education for Families with Low Incomes*, NEFE, Colorado, United States of America, http://www.nefe.org/pages/shirerww.html. See also P Davis, S Ralph, V Farnsworth, X Shi, L Black, A Kambalouka with P Farrell, *The Influence of Financial Literacy Education on Students' Personal Financial Management and Aspirations*, Briefing Report, University of Manchester, United Kingdom, http://www.ifslearning.com/financial_capability/14_-_19/cefs/pdf/uom_study.pdf; S Bryant, D Stone and B Wier, *Financial Attitudes: Implications for Personal Financial Planning Services and Financial Literacy,* Working Paper Series, 10 April 2006, http://ssrn.com/abstract=896101; E Scanlon, *Toward a Theory of Financial Savings and Child Well-Being: Implications for research on a children and youth savings account policy demonstration*, Center for Social Development Report CYSAPD 01-11, Washington University, St Louis, United States of America, 2001; and B Dietz, M Carrozza and P Ritchey, 'Does Financial Self-Efficacy Explain Gender Differences in Retirement Saving Strategies?', *Journal of Women and Aging*, 15(4), 2003, pp. 83-96.

21 A Bandura, 'Self-Efficacy', in V Ramachaudran (ed), *Encyclopedia of human behaviour,* Academic Press, New York, United States of America, Vol. 4, 1994, pp. 71-81.

People with higher self-efficacy tend to be more motivated, and progress more easily and quickly from becoming aware of a financial issue to taking action and changing their behaviour.[22] They develop a stronger interest in money matters and grow levels of awareness and understanding faster. They are not as easily put off by growing awareness of the cons or the true difficulty of performing an action. They are more likely to sustain their efforts in the face of stress, setbacks or failure.[23]

In contrast, people with lower self-efficacy are likely to shy away from a difficult task and have less motivation to make actual behavioural changes. They are quicker to give up in the face of challenges and find it harder to sustain ongoing action.[24]

As a concept, self-efficacy is independent of socio-economic status or structural circumstances. It is not a measure of ability or capability, but a measure of a person's beliefs about their own abilities or capabilities. Any person at any socio-economic level can have strong self-efficacy in relation to outcomes that are relative to their circumstances. Any action, no matter how big or small, can be boosted by a stronger sense of self-efficacy. The concept is entirely relative to the action being contemplated and to the person contemplating performing the action.

A number of positive steps can be taken to develop self-efficacy, with implications for financial literacy programs.

STEPS TO DEVELOP SELF-EFFICACY — FINANCIAL LITERACY IMPLICATIONS

Steps	Description	Financial literacy example
Mastery experiences	Success in mastering a task builds confidence and encourages the next step. More than just a quick and easy success, it requires experience in overcoming obstacles through effort.	Making and following a financial plan may strengthen a sense of self-efficacy once accomplished.
Positive role modelling	Seeing someone similar to oneself succeed by sustained effort. The role model needs to be similar to the observer, so that the observer perceives that they also have what it takes to succeed.	Role-models need to be realistic and accessible. This highlights the importance of family and friends as influences on financial behaviour.
Social persuasion	Encouraging people to accept that they possess the capabilities to master specific actions. The encouragement must be realistic, as unrealistic expectations may have the effect of reducing beliefs in self-efficacy.	Careful motivational encouragement, either in public campaigns or tailored to each individual separately.
Managing stress	Undertaking a challenging behaviour change can lead to stress. For a person with low self-efficacy this may reinforce their perceived low level of capability.	For some people, thinking about their long term financial future makes them uncomfortable. Education and awareness programs need to be aware of such stress reactions.

There is a close association between good planning and building self-efficacy in financial literacy. Having a well calibrated, clear and specific goal helps to motivate a person to overcome self-control barriers and take action. That action of setting achievable goals, in turn, has positive side effects.

---

22 Shirer and Tobe, op. cit. See also www.prochange.com cited in Shirer and Tobe.

23 'Those with lower confidence or self-efficacy are more likely to have higher levels of worry, due to having less faith in their ability to manage the task at hand. Higher confidence in one's abilities allows a person to perceive or even change their thoughts, emotions, and environments in order to make a situation less stressful, while those lacking in confidence may have more difficulty with these skills'. S Slagel, B Newman and J Xiao, *Credit Card Debt Reduction and Developmental Stages of the Lifespan*, Take Charge America Institute for Consumer Financial Education and Research Working Paper, May 2006, p. 7-8.

24 'The higher a person's self-efficacy in a given situation the more likely he or she is to set high goals, try more difficult activities, and make a commitment to these activities', ibid., p. 7.

A 2003 study examined the differences across households in attitudes and skills that had developed as a result of the household's propensity to plan.[25] It found a strong connection between households that set budgets for their overall spending and the ability to exercise greater self-control in spending. In effect, the relatively simple practice of budgeting developed control skills which then boosted the households' overall capability to plan, and produced financial benefits beyond budgeting.

> *'Those who are willing and able to actively engage in their financial affairs, and who keep a careful watch on their patterns of spending, will be best able to notice and to overcome problems associated with excessively high spending. Relevant skills may include technical abilities in the financial planning arena, monitoring abilities, as well as budgeting skills relevant to efficiently reducing spending that has become excessive.'* [26]

Improved self-efficacy and positive reinforcement through the simple steps of budgeting and saving can generate improvements throughout other areas of money management. The benefits of these financial activities can be much greater than they appear to be, particularly when their impact on self-efficacy is taken into consideration.

For example, levels of engagement with budgeting can be improved by raising the awareness of people that taking a few practical steps can lead to much greater things. Budgeting is also a relatively simple action that can lead to a reduction in stress and discomfort with managing money.

Building self-efficacy, confidence and motivation can help to overcome attitudinal barriers for a range of financial issues. A 2006 US study examined the case of 263 consumers in troubling debt, measured by 20% or more of the consumer's take-home income being required to meet their minimum monthly credit card repayments. Typically, the consumers that participated in the study had more than six credit cards and had previously been to debt counselling. They also reported worrying often about their credit card debt.

The research showed that the most effective way to diminish worry and increase confidence over credit card debt was for consumers to begin taking steps to get out of debt. Taking small, practical steps to address the problem created the experience of success in overcoming debt, and thereby raised confidence and the sense of self-efficacy. Of course, the process of getting out of debt was extremely challenging so there were some actions that were particularly helpful in moving people along their path towards improved money management.

One effective strategy was to focus attention on each positive step that a person took towards getting out of credit card debt. For example, consumers could focus on their progress by keeping track of how their outstanding balances were decreasing. The experience of success helped to increase confidence and as confidence grew, the challenge of overcoming credit card debt began to seem more manageable. With a sense of self-efficacy, behaviour change is possible because people have the sense that their actions can produce the desired effects, in this case, reducing their credit card debt.

> *'The experience of success will help to boost confidence. People can keep track of their debt decreasing, savings increasing, and watch the progress they have made. As confidence builds, worry will decrease, and the potentially overwhelming tasks of getting out of troubling credit card debt will seem more manageable.'* [27]

---

25 J Ameriks, A Caplin and J Leahy, *Wealth Accumulation And The Propensity To Plan*, February 2003, http://www.econ.nyu.edu/user/caplina/plan.pdf

26 ibid., p.5.

27 Slagel and Newman et al., op. cit., p. 12.

Another key strategy that improved self-efficacy and promoted behaviour change was the use of positive role models who could communicate success stories. Through role models, consumers could see how others like themselves had been able to get out of troubling debt. The strategy provided people with a real-life example that they could identify with and see how changes in their behaviour and attitudes could ultimately lead to positive changes in their financial situation.

People are generally more open to intervention during times of trouble. The US researchers assert that consumers with debt problems may be particularly receptive to support and targeted interventions.

However, the potential applications extend beyond programs to support consumers overcoming troubling credit card debt. There is scope to improve self-efficacy with money management in all areas where consumers are not currently equipped to make financially literate decisions.

CONCLUSION

Developing self-efficacy is an effective way to overcome many of the attitudinal barriers to managing money better, and motivate people to take action. The benefits are cumulative and can be built step by step with each accomplishment providing a stronger foundation for the next accomplishment.

The overall social and economic context is important in calibrating what can be achieved realistically, particularly for disadvantaged groups and people who are financially excluded. Programs that are designed to build self-efficacy need to be tailored to the individual needs of the participants. If they are not realistic then the outcome can be a loss of motivation and the person can find it difficult to make progress.

The lesson from self-efficacy may be that the best program for financial literacy is the one that gets people started as soon as possible with an achievable goal, but one that is nonetheless enough of a challenge to build confidence. Self-efficacy gains can then be achieved from the experience of having accomplished the goal. [28]

If this view is correct, then carefully calibrated programs, in combination with positive role models, encouragement and support, including in the form of effective techniques to manage stress,[29] can be most effective at developing financial literacy.

If each goal helps to build a strong foundation in both understanding money and engaging with money matters, then a person should be able to embark upon a process whereby each success reinforces behaviour and provides additional motivation for the next step.

---

28 'For example, if seeing results is a powerful change agent, practitioners can design activities that demonstrate how small changes add up over time. Showing learners that saving $100 monthly with an 8% annual return will grow to $150,030 in 30 years is a great motivating activity'. J Xiao, et al., op. cit., p. 1.

29 Sensitivity is required in regard to external factors beyond a person's control. 'Our work with people in this situation tells us that even if there are possible knowledge or skill gaps adding to the problem, care needs to be taken not to assume this, or we may be adding to the person's stress by implying they are in some way deficient and to blame'. K Landvogt, *Critical Financial Capability: Developing an alternative model*, Occasional Paper 2/2006, Social Policy Research Unit, Good Shepherd Youth & Family Service, Melbourne, Victoria, 2006, p. 26.

APPENDIX 1: YOUNG PEOPLE AND MONEY

Young people are less confident than adults when it comes to managing money, reflecting their relative lack of experience. However, they're reasonably well informed about good money habits, even if they don't always put them into practice, and they're keen to learn more.

INTRODUCTION

A telephone survey was conducted with 553 young people between the ages of 12 and 17, with follow-up interviews with 21 randomly selected respondents to determine attitudes and behaviour to money. The results were broken down into two groups, 12 to 14 and 15 to 17 year olds, and for all youth by gender.

The survey questions were basically the same as for the adult survey but the majority of the investment related questions were asked only of the 15 to 17 year olds. The degree to which the respondents have faced the issues raised in the various topics covered will vary but generally the results demonstrate a high level of awareness of financially literate behaviour, rather than a translation of that awareness into actual behaviour.

HOW YOUNG PEOPLE MANAGE MONEY

Budgeting

Around two thirds of youth reported that they have the ability and understanding to budget (adults 90%). While most are confident in their ability to keep track of everyday spending and report that they think about ways of reducing their spending, the proportions are considerably less than for the adult population (72% and 72% compared to 82% and 79% for adults).

Around a quarter of youth reported that they regularly do a budget for day to day finances compared to the adult proportion of just under a half and, similar to adults, around a quarter reported that they have problems in setting money aside for big purchases.

84% of youth recognise the importance of learning more about budgeting (adults 57%), indicating lower overall levels of confidence than for the adult population.

Saving

While 90% of youth reported that they have the ability and understanding to save (adults 88%), a similarly high proportion recognise the importance of learning more about saving, which is much higher than that of the adult population (65%). Again, this indicates lower overall levels of confidence than for the adult population.

Only half of youth reported as saving regularly (adults 62%) and those who save are evenly split between those who save before they spend and those who spend before they save. Compared to the adult population, young people report that they are less likely to save before they spend (46%/50%).

Similar to the adult population, most youth agreed that saving a small amount regularly from a young age is the most effective savings strategy.

Investing

As would be expected, there is no reporting of direct exposure to investment activity. Nevertheless, around 65% of youth reported that they had the ability and understanding to invest. This confidence was not borne out in further results, with only a third reporting that they would consider returns before making an investment decision and less than a quarter reporting that they would consider risks and investment type. An encouraging sign is that around 80% of youth indicated that it was important for them to learn more about investing (adults 70%).

Credit and debt

Similar to the case for investing, there is no reporting of loans and other debt and 2% reported having a credit card.[30] Just over a half reported an ability to manage debt (adults 89%) and 44% reported an ability to deal with credit cards (adults 83%). Consistent with youth's lower overall levels of confidence, 83% of youth recognised the importance of learning more about managing debt (adults 61%) and 73% recognised the importance of learning more about dealing with credit cards (adults 49%).

85% of youth agree that paying off debt early is the best way of saving money (adults also 85%) and a similarly high proportion of youth (84%) agree that they would not get into debt by buying something they can't afford (adults 76%).

Planning and retirement

As was the case for the adult population, most youth do not agree that planning for the financial future is important only for those who have a lot of money. While a majority of youth reported that they have the ability to plan for their long term financial future and around half reported the ability and understanding to ensure enough money for retirement, most also indicated that it is important for them to learn more in both areas.

Youth are less likely than adults to feel confident in their ability to plan for the financial future (67%/81%) and more likely to recognise the importance of learning more in this area (85%/77%). The majority of youth (67%) agreed with the view that retirement is too far away to think about (adults 21%), while just over a quarter disagreed.

About half of youth support either 'during school days' or 'when finishing high school' as the best time for a person to start planning for their financial future, with about a third supporting the option of 'when starting work'. These options were also well supported by the adult population.

Around one third of youth indicated that they had thought about financial plans for their future, including retirement (adults 76%).

Protecting money

The majority of youth will not have had direct experience of insurance and the responses for ability and understanding (46%) and the need to learn more about choosing appropriate insurance (80%) were consistent with this. While around three quarters of youth reported that they had the ability to understand their rights and responsibilities when dealing with money (adults 85%) over 90% recognised that they needed to learn more about the topic (adults 74%). Ability and understanding to recognise scams was reported by 73% of youth (adults 88%), the importance of learning more on the topic was indicated by 88% (adults 69%). Again, this indicates lower overall levels of confidence in all three areas than for the adult population.

[30] Legal entitlement to credit cards is restricted to people aged 18 and over. Reporting of credit card holding by people under the age of 18 may be due to respondents' mistakenly reporting use of their parents' credit cards.

Information and advice

Around three quarters of youth reported an ability to get information about money (adults 85%) and their recognition of the importance of learning more, at 83%, was considerably higher than the proportion for the adult population (68%).

Just under half reported that they spend a lot of time thinking about financial information before making a financial decision (adults 73%).

The major sources of information and advice which youth would consider using were, in order of mention (above 60%), family, bank, financial adviser, accountant/tax agent, Centrelink, work and friends. This was similar to the adult population where the top sources (above 60%) were, in order, financial adviser, accountant/tax agent, family, and bank.

Reported actual use of non-family sources was around 25%.

84% of youth reported that they regularly read the paper financial statements received from banks or financial service providers (adults 93%) while 44% said that they read these statements every time (adults 63%). 39% of youth reported they understand all or most of the information provided (adults 79%) and just under half understand some of the information (adults 19%).

64% of 12 to 17 year olds have learnt about money management in school and of those, 82% found the information provided useful. In contrast, a smaller proportion of adults (33%) have learnt about money management in school. Of those, a smaller proportion (74%) found what they learned to be useful. This suggests that not only is the opportunity to learn about money at school recognised as useful, but school is increasingly perceived as a valued and accepted information channel.

WHAT YOUNG PEOPLE THINK ABOUT MONEY

As for the adult population, youth were asked to assess their ability and understanding, and recognition of the importance of learning in relation to 13 money management issues.

The gap between the proportion of respondents reporting ability and understanding to deal with a particular issue, and the proportion recognising the importance of learning more, provides an indication of the overall level of confidence for that issue. A significant positive gap could be characterised as overconfidence, whereas a negative gap could be characterised as a relative lack of confidence.

Significantly, for youth there is a lack of confidence in all areas, as set out below.

REPORTED ABILITY AND UNDERSTANDING COMPARED TO RECOGNITION OF THE IMPORTANCE OF LEARNING — YOUTH

Topic Highest to lowest level of confidence	Ability and understanding % of respondents	Recognition of the importance of learning % of respondents	Difference % of respondents
Saving	89.9	90.4	-0.5
Getting information about money	76.3	82.6	-6.3
Understanding rights and responsibilities	76.5	91.3	-14.8
Recognising a scam	72.8	87.6	-14.8
Investing	65.1	80.7	-15.6
Ensuring enough money for retirement	53.0	70.4	-17.4
Planning for the financial future	67.3	84.9	-17.6
Budgeting	65.3	84.1	-18.8
Dealing with financial services providers	59.2	84.1	-24.9
Managing debt	53.4	82.5	-29.1
Dealing with credit cards	43.9	73.2	-29.3
Understanding financial language	48.5	81.6	-33.1
Choosing appropriate insurance	46.4	79.6	-33.2

The order is completely different to that of the adult population. This is not surprising given that youth are not directly faced with issues such as investing, planning for the financial future and ensuring enough money for retirement, which are three of the four areas of least confidence for adults. Of the areas of least confidence for youth, understanding financial language is similarly ranked for adults and while choosing appropriate insurance ranks last for youth, adults have moderate levels of overall confidence in this area. Managing debt and dealing with credit cards rank as low confidence for youth but high confidence for adults, with youth reporting both lower ability and a higher recognition of the importance of learning more in these areas.

Even for the areas where youth were relatively more confident, the reporting of actual behaviour qualifies this confidence. For example, for the top two items:

- less than half reported that they save regularly; and
- less than half reported spending a lot of time thinking about financial information before making a decision.

The survey also asked respondents to react to ten statements on attitudes that stop people engaging with money.

ATTITUDES TO MONEY - YOUTH

Attitude	Agreement of youth % of respondents	Agreement of adults % of respondents
Money is just a means to buy things	62	55
Dealing with money is stressful and overwhelming	43	48
Thinking too much about my long term financial future makes me feel uncomfortable	42	40
Money is (not) important to be happy in life	33	36
Financially, I like to live for today	59	31
Dealing with money is boring	29	31
I do not have the ability to understand financial language	36	28
I (do not) spend a lot of time thinking about financial information before I make a decision	45	22
Nothing I do will make a big difference to my financial situation	17	21
I (do not) try to stay informed about money matters and finances	30	15

The biggest differences in reporting relate to approaches to money and most significantly to the attitude that 'financially, I like to live for today'. As noted in the body of the report, this attitude is probably the one which is most obviously at odds with good money management. The relatively high proportion of youth who reported that they do not spend a lot of time thinking about financial information before making a decision may reflect the fact that they are not faced with many such decisions or that their decisions are relatively simple ones, but again it is at odds with good money management if decisions are taken without careful thought or planning. The same issue arises in relation to not trying to stay informed about money matters. The relatively high reporting of a lack of ability to understand financial language is balanced by the fact that over 80% of youth recognise the importance of learning more on the topic.

More information

Age

There are a number of areas where certain questions were not asked or the incidence of reporting was so low for the 12 to 14 year age group as to make comparisons with the reporting for the 15 to 17 year age group meaningless. However, there remain a number of areas where there was considerable divergence (more than 5 percentage points) in the response proportions for the two groups.

A higher proportion of the younger group reported confidence in their ability to understand their rights and responsibilities when dealing with money, and they showed greater recognition of saving a small amount regularly from a young age as the most effective savings strategy. A higher proportion of the older group reported that they had the ability to budget and are easily able to keep track of their everyday spending (but not through regular budgeting), have thought about their long term financial plans for the future including retirement, and recognise the need to learn more about dealing with credit cards. The older group is more likely to read paper financial statements and reported higher levels of understanding.

There is little difference in the ranking of sources of financial information and advice which respondents would consider using, with family dominating, but the older group are more likely to mention most sources.

The younger group is more likely to believe that dealing with money is boring, 'just a means to buy things,' and that nothing they do will make a big difference to their financial situation. The older group are more likely to agree that money is not important to be happy in life.

Gender

There are a number of areas where there is considerable divergence (more than 5 percentage points) in the response proportions for males and females.

Compared to females, males reported that they are more likely to feel confident about their ability to keep track of everyday spending, invest, manage debt and feel comfortable with debt levels, plan for the long term financial future, choose appropriate insurance, recognise a scam and understand financial language. Compared to males, females reported higher recognition of the importance of learning about budgeting and how to get information about money. Females are more likely to believe in taking out insurance to be prepared for the unexpected but less likely to recognise the importance of learning more about choosing appropriate insurance.

In considering sources of financial information and advice the relative ranking of sources was similar, with family dominating followed by, in differing order, financial adviser, accountant/tax agent and, bank. Compared to females, males reported that they are more likely to consider work, seminars/educational institutions, accountants/tax agents and financial advisers as sources of financial information and advice, and females are more likely to consider banks, the internet and Centrelink.

In relation to attitudes and behaviour, males reported that they are more likely to consider returns before making an investment decision and more likely to spend a lot of time thinking about financial information before making a decision, but less likely to recognise that risks and returns of an investment are unpredictable. Compared to males, females reported that they are more supportive of 'starting work' as the best time to start planning for the financial future and less likely to consider that financial planning is only for the rich. Males are more likely to agree that money is just a means to buy things and more inclined to report that financially, they live for today.

APPENDIX 2: SUMMARY OF REPORTED ATTITUDES AND BEHAVIOUR

This appendix summarises reported attitudes and behaviours of adults by:

- age;
- annual household income; and
- gender.

The attitudes and behaviours reported by youth are summarised separately.

For age and annual household income, reported attitudes and behaviours are summarised according to whether the proportion of respondents giving a particular response:

- increases or decreases consistently with age or household income;
- generally increases or decreases with age or household income; or
- shows no discernible pattern by age or household income.

For gender and youth, reported attitudes and behaviours are summarised according to whether the proportion of respondents giving a particular response is:

- higher or lower for males than for females; and
- higher or lower for youth than for the total adult population.

The summary for youth reflects the smaller number of questions relevant to the group.

Responses with proportional differences of less than one percent are regarded as equal.

ADULTS

AGE

Incidence of the following attitudes and behaviour increases with age:

Ability and understanding

Ability and understanding to deal with banks or other financial service providers
Ability to get by in case of a financial emergency
Ability to keep track of everyday spending
Ability to understand rights and responsibilities when dealing with money

Behaviour

Always reading (paper) financial statements received from banks or financial service providers
Not going into debt to buy items
Starting financial planning in order to have enough money for retirement

Beliefs

A belief that 'nothing I do will make a big difference to my financial situation'
A belief that thinking too much about the long term financial future does not make the respondent uncomfortable
Considering that 'when starting work' is the best time to start financial planning
Feeling comfortable with their level of debt
Recognising that the risks or returns of an investment are unpredictable

Incidence of the following attitudes and behaviour generally increases with age:

Ability and understanding

Ability and understanding to budget day to day finances
Ability and understanding to choose appropriate insurance
Ability and understanding to deal with credit cards
Ability and understanding to ensure enough money for retirement
Ability and understanding to get information about money
Ability and understanding to manage debt
Ability and understanding to plan for the long term future
Ability and understanding to recognise a scam
Ability and understanding to save money
Ability to understand financial language

Behaviour

Not saving at all
Paying off more than the minimum amount owing on the credit card
Paying off the total balance on the credit card when due
Regularly reading (paper) financial statements received from banks or financial service providers
Saving money regularly
Use of a financial adviser for financial information or advice

Beliefs

Don't consider that retirement is too far away to think about
Recognising the benefits of saving a small amount regularly from a young age to maximise money

Incidence of the following attitudes and behaviour decreases with age:

Learning

A wish to learn more about choosing appropriate insurance
A wish to learn more about dealing with credit cards
A wish to learn more about how to budget day to day finances
A wish to learn more about how to deal with banks or other financial service providers
A wish to learn more about how to invest money
A wish to learn more about how to save money
A wish to learn more about how to understand financial language
A wish to learn more about managing debt
A wish to learn more about planning for the long term financial future
A wish to learn more about rights and responsibilities when dealing with money
A wish to learn more on how to get information about money

Behaviour

Having problems in setting money aside for big purchases or spending

Beliefs

A belief that dealing with money is stressful and overwhelming

Incidence of the following attitudes and behaviour generally decreases with age:

Learning

A wish to learn more about ensuring enough money for retirement

Behaviour

In the last six months, saving first before spending
Not trying to stay informed about money matters and finances
Thinking about ways to reduce spending

Beliefs

A view that 'financially, I like to live for today'

There is no discernable pattern in the incidence of the following attitudes and behaviour regardless of age:

Ability and understanding

Ability and understanding to invest money

Learning

A wish to learn more about scam recognition

Behaviour

Consider both risk and return when choosing an investment
Having thought about long term financial plans for the future and retirement
In the last six months, spending first and then saving
Not spending a lot of time thinking about financial information before making a financial decision
Paying off more than the minimum amount required on a loan
Paying off the minimum amount required on a loan
Regularly doing a budget for day to day finances
Starting financial planning in order 'to have money to do what I want'
Understanding all or most of information provided in financial statements received from banks or financial service providers
Understanding only some of the information provided in financial statements received from banks or financial service providers
Use of a bank for financial information or advice
Use of an accountant/tax agent for financial information or advice

Beliefs

A belief in taking out insurance for the unexpected
A belief that dealing with money is boring
A belief that money is 'just a means to buy things'
A belief that money is not important to be happy in life
Consider that 'during school days' is the best time to start financial planning
Don't consider that employer funded superannuation will be enough in retirement
Don't consider that financial planning is only important for the wealthy
Don't consider that the age pension will be sufficient in retirement
Recognition of paying off debt early as the best way to save money
Recognition of risk and return as key investment considerations

HOUSEHOLD INCOME

Incidence of the following attitudes and behaviour increases with household income:

Ability and understanding

Ability and understanding to choose appropriate insurance
Ability and understanding to deal with banks or other financial service providers
Ability and understanding to deal with credit cards
Ability and understanding to ensure enough money for retirement
Ability and understanding to get information about money
Ability and understanding to invest money
Ability and understanding to manage debt
Ability and understanding to plan for the long term financial future
Ability and understanding to recognise a scam
Ability and understanding to save money
Ability to get by in case of a financial emergency
Ability to understand financial language

Behaviour

Consider both risk and return when choosing an investment
Having thought about long term financial plans for the future and retirement
In the last six months, saving first before spending
Saving money regularly
Starting financial planning in order 'to have money to do what I want'
Understanding all or most of information provided in financial statements received from banks or financial service providers
Use of a financial adviser for financial information or advice
Use of an accountant/tax agent for financial information or advice

Beliefs

A belief in taking out insurance for the unexpected
A belief that thinking too much about the long term financial future does not make the respondent uncomfortable
Don't consider that employer funded superannuation will be enough in retirement
Don't consider that financial planning is only important for the wealthy
Don't consider that retirement is too far away to think about
Don't consider that the age pension will be sufficient in retirement
Feeling comfortable with their level of debt
Recognition of risk and return as key investment considerations

Incidence of the following attitudes and behaviour generally increases with household income:

Ability and understanding

Ability and understanding to budget day to day finances
Ability to understand rights and responsibilities when dealing with money

Learning

A wish to learn more about choosing appropriate insurance
A wish to learn more about dealing with credit cards
A wish to learn more about ensuring enough money for retirement
A wish to learn more about how to budget day to day finances
A wish to learn more about how to deal with banks or other financial service providers
A wish to learn more about how to invest money
A wish to learn more about how to save money
A wish to learn more about how to understand financial language
A wish to learn more about managing debt
A wish to learn more about planning for the long term financial future
A wish to learn more about rights and responsibilities when dealing with money
A wish to learn more about scam recognition
A wish to learn more on how to get information about money

Behaviour

Paying off more than the minimum amount owing on the credit card
Starting financial planning in order to have enough money for retirement
Thinking about ways to reduce spending

Beliefs

Recognition of paying off debt early as the best way to save money

Incidence of the following attitudes and behaviour decreases with household income:

Behaviour

Always reading (paper) financial statements received from banks or financial service providers
In the last six months, spending first and then saving
Not going into debt to buy items
Not saving at all
Not trying to stay informed about money matters and finances
Paying off the minimum amount required on a loan
Having problems in setting money aside for big purchases or spending
Regularly doing a budget for day to day finances
Understanding only some of information provided in financial statements received from banks or financial service providers

Beliefs

A belief that 'nothing I do will make a big difference to my financial situation'
A belief that dealing with money is stressful and overwhelming
A belief that money is 'just a means to buy things'
A belief that money is not important to be happy in life
A view that 'financially I like to live for today'

Incidence of the following attitudes and behaviour generally decreases with household income:

Ability and understanding

Ability to keep track of everyday spending

Behaviour

Not spending a lot of time thinking about financial information before making a financial decision

Beliefs

Consider that 'during school days' is the best time to start financial planning
Considering that 'when starting work' is the best time to start financial planning

There is no discernable pattern in the incidence of the following attitudes and behaviour regardless of household income:

Behaviour

Paying off more than the minimum amount required on a loan
Paying off the total balance on the credit card when due
Regularly reading (paper) financial statements received from banks or financial service providers
Use of a bank for financial information or advice

Beliefs

A belief that dealing with money is boring
Recognising the benefits of saving a small amount regularly from a young age to maximise money
Recognising that the risks or returns of an investment are unpredictable

GENDER

Incidence of the following attitudes and behaviour is higher for males:

Ability and understanding

Ability and understanding to deal with banks or other financial service providers
Ability and understanding to deal with credit cards
Ability and understanding to ensure enough money for retirement
Ability and understanding to invest money
Ability and understanding to manage debt
Ability and understanding to plan for the long term future
Ability and understanding to recognise a scam
Ability to get by in case of a financial emergency
Ability to understand financial language

Learning

A wish to learn more about investing money

Behaviour

Consider both risk and return when choosing an investment
Having thought about long term financial plans for the future and retirement
In the last six months, spending first and then saving
Not spending a lot of time thinking about financial information before making a financial decision
Paying off the total balance on the credit card when due
Saving money regularly
Starting financial planning in order 'to have money to do what I want'
Starting financial planning in order to have enough money for retirement
Use of a financial adviser for financial information or advice
Use of an accountant/tax agent for financial information or advice
Understanding all or most of information provided in financial statements received from banks or financial service providers

Beliefs

A belief that money is 'just a means to buy things'
A belief that thinking too much about the long term financial future does not make the respondent uncomfortable
A view that 'financially, I like to live for today'
Feeling comfortable with their level of debt
Recognition of risk and return as key investment considerations

Incidence of the following attitudes and behaviour is higher for females:

Ability and understanding

Ability and understanding to budget day to day finances

Learning

A wish to learn more about choosing appropriate insurance
A wish to learn more about ensuring enough money for retirement
A wish to learn more about how to deal with banks or other financial service providers
A wish to learn more about how to save money
A wish to learn more about how to understand financial language
A wish to learn more about planning for the long term financial future
A wish to learn more about rights and responsibilities when dealing with money
A wish to learn more on how to get information about money

Behaviour

Always reading (paper) financial statements received from banks or financial service providers
In the last six months, saving first before spending
Not saving at all
Paying off more than the minimum amount required on a loan
Paying off the minimum amount required on a loan
Problems in setting money aside for big purchases or spending
Regularly do a budget for day to day finances
Thinking about ways to reduce spending
Use of a bank for financial information or advice

Beliefs

A belief in taking out insurance for the unexpected
A belief that 'nothing I do will make a big difference to my financial situation'
A belief that dealing with money is boring
A belief that dealing with money is stressful and overwhelming
A belief that money is not important to be happy in life
Considering that 'when starting work' is the best time to start financial planning
Don't consider that financial planning is only important for the wealthy
Don't consider that the age pension will be sufficient in retirement
Recognising the benefits of saving a small amount regularly from a young age to maximise money
Recognition of paying off debt early as the best way to save money
Recognising that the risks or returns of an investment are unpredictable

There is no difference between genders in the incidence of the following attitudes and behaviour:

Ability and understanding

Ability and understanding to choose appropriate insurance
Ability and understanding to get information about money
Ability and understanding to save money
Ability to keep track of everyday spending
Ability to understand rights and responsibilities when dealing with money

Learning

A wish to learn more about dealing with credit cards
A wish to learn more about how to budget day to day finances
A wish to learn more about managing debt
A wish to learn more about scam recognition

Behaviour

Not going into debt to buy items
Not trying to stay informed about money matters and finances
Paying off more than the minimum amount owing on the credit card
Regularly reading (paper) financial statements received from banks or financial service providers
Understanding only some of information provided in financial statements received from banks or financial service providers

Beliefs

Consider that 'during school days' is the best time to start financial planning
Don't consider that employer funded superannuation will be enough in retirement
Don't consider that retirement is too far away to think about

YOUTH

Incidence of the following attitudes and behaviour is higher for youth than adults:

Ability and understanding

Ability and understanding to save money

Learning

A wish to learn more about choosing appropriate insurance
A wish to learn more about dealing with credit cards
A wish to learn more about how to budget day to day finances
A wish to learn more about how to deal with banks or other financial service providers
A wish to learn more about how to invest money
A wish to learn more about how to save money
A wish to learn more about how to understand financial language
A wish to learn more about managing debt
A wish to learn more about planning for the long term financial future
A wish to learn more about rights and responsibilities when dealing with money
A wish to learn more about scam recognition
A wish to learn more on how to get information about money

Behaviour

In the last six months, spending first and then saving
Not going into debt to buy items
Not trying to stay informed about money matters and finances
Starting financial planning in order 'to have money to do what I want'
Understanding only some of the information provided in financial statements received from banks or financial service providers

Beliefs

A belief that money is 'just a means to buy things'
A belief that thinking too much about the long term financial future makes the respondent uncomfortable
A view that 'financially, I like to live for today'
Consider that 'during school days' is the best time to start financial planning
Consider that retirement is too far away to think about
Feeling comfortable with their level of debt

Incidence of the following attitudes and behaviour is lower for youth than adults:

Ability and understanding

Ability and understanding to budget day to day finances
Ability and understanding to choose appropriate insurance
Ability and understanding to deal with banks or other financial service providers
Ability and understanding to deal with credit cards
Ability and understanding to ensure enough money for retirement
Ability and understanding to get information about money
Ability and understanding to invest money
Ability and understanding to manage debt
Ability and understanding to plan for the long term financial future
Ability and understanding to recognise a scam
Ability to get by in case of a financial emergency
Ability to keep track of everyday spending
Ability to understand financial language
Ability to understand rights and responsibilities when dealing with money

Behaviour

Always reading (paper) financial statements received from banks or financial service providers
Having thought about long term financial plans for the future and retirement
In the last six months, saving first before spending
Not saving at all
Having problems in setting money aside for big purchases or spending
Regularly doing a budget for day to day finances
Regularly reading (paper) financial statements received from banks or financial service providers
Saving money regularly
Spending a lot of time thinking about financial information before making a financial decision
Starting financial planning in order to have enough money for retirement
Thinking about ways to reduce spending
Understanding all or most of the information provided in financial statements received from banks or financial service providers

Beliefs

A belief that 'nothing I do will make a big difference to my financial situation'
A belief that dealing with money is boring
A belief that dealing with money is stressful and overwhelming
A belief that money is not important to be happy in life
Considering that 'when starting work' is the best time to start financial planning
Don't consider that employer funded superannuation will be enough in retirement
Recognising the benefits of saving a small amount regularly from a young age to maximise money
Recognition of risk and return as key investment considerations
Recognising that the risks or returns of an investment are unpredictable

There is no difference between youth and adults in the incidence of the following attitudes and behaviour:

Learning

A wish to learn more about ensuring enough money for retirement

Beliefs

Don't consider that financial planning is only important for the wealthy
Recognition of paying off debt early as the best way to save money

APPENDIX 3: FINDINGS

ADULTS

		Age					Household income (thousands)#				Gender	
	Total	18-29	30-44	45-54	55-64	>64	<$20	$20-49	$50-100	>$100	Male	Female
ATTITUDES, BELIEFS AND BEHAVIOURS												
Dealing with money is stressful and overwhelming												
Total agree	47.7%	52.7%	51.4%	45.7%	41.8%	36.0%	56.1%	52.9%	48.9%	38.5%	42.9%	52.3%
Thinking too much about my long term financial future makes me feel uncomfortable												
Total agree	39.5%	41.3%	42.2%	41.7%	34.9%	29.6%	45.5%	41.6%	37.9%	29.8%	37.4%	41.7%
Total disagree	53.6%	49.4%	51.1%	53.1%	60.1%	63.1%	45.2%	52.2%	55.7%	64.5%	56.1%	51.1%
Dealing with money is boring												
Total agree	31.4%	28.3%	31.9%	34.7%	30.6%	31.7%	38.6%	29.3%	29.5%	30.2%	28.9%	33.8%
I have the ability to understand financial language												
Total agree	63.8%	56.6%	65.3%	67.5%	67.7%	63.0%	54.3%	59.8%	63.2%	74.6%	67.8%	59.8%
Total disagree	27.8%	32.4%	26.1%	25.0%	26.6%	29.8%	35.7%	32.2%	27.6%	18.8%	23.7%	31.9%
At this point in your life, is it important for you to learn more about how to understand financial language?												
Yes	68.3%	79.1%	70.3%	66.6%	62.8%	48.0%	59.5%	65.8%	73.8%	65.3%	66.3%	70.2%
Money is just a means to buy things												
Total agree	55.1%	55.3%	53.2%	56.0%	54.4%	59.7%	61.7%	58.6%	52.9%	50.6%	58.5%	51.7%
Money is important to be happy in life												
Total disagree	36.3%	34.7%	39.6%	37.4%	40.2%	34.2%	42.0%	40.5%	36.3%	30.7%	35.0%	37.6%
Financially, I like to live for today												
Total agree	31.3%	43.0%	29.0%	27.8%	23.6%	29.6%	34.3%	30.5%	28.2%	24.6%	34.1%	28.6%
I spend a lot of time thinking about financial information before I make a (financial) decision												
Total disagree	22.0%	23.2%	18.6%	21.6%	21.5%	31.2%	29.7%	20.7%	19.4%	19.5%	22.6%	21.3%
I try to stay informed about money matters and finances												
Total disagree	15.4%	19.8%	15.9%	12.4%	11.9%	14.1%	19.6%	16.3%	13.7%	11.8%	15.0%	15.8%
Nothing I do will make a big difference to my financial situation												
Total agree	20.8%	13.4%	13.8%	19.2%	30.4%	49.7%	45.3%	29.9%	14.9%	9.3%	18.7%	22.8%
INTENTIONS												
Have you made improvements to the way you manage money in the last 12 months?												
Yes	43.5%	43.7%	46.4%	43.8%	43.1%	33.6%	41.8%	38.7%	47.2%	51.1%	43.0%	44.0%
If not, do you intend to make improvements in the way you manage money in the next 12 months?												
Yes	39.5%	49.4%	41.0%	38.6%	33.9%	21.7%	32.0%	38.5%	39.7%	36.2%	39.7%	39.4%
No	16.1%	6.6%	12.2%	16.4%	21.1%	42.5%	22.9%	21.7%	12.6%	12.0%	16.5%	15.7%

Please note that around one sixth of respondents did not indicate their household income. This group has not been included in the household income section of the tabulated data.

		Age					Household income (thousands)#				Gender	
	Total	18-29	30-44	45-54	55-64	>64	<$20	$20-49	$50-100	>$100	Male	Female
BUDGETING												
I have the ability and understanding to budget day to day finances												
Total agree	90.4%	85.9%	91.8%	91.1%	91.5%	93.7%	85.0%	90.2%	92.2%	91.2%	89.5%	91.4%
At this point in your life, is it important for you to learn more about how to budget day to day finances?												
Yes	57.3%	74.7%	58.0%	49.6%	47.6%	43.1%	58.0%	59.8%	59.6%	52.6%	57.1%	57.4%
I am easily able to keep track of my everyday spending												
Total agree	81.8%	72.7%	79.7%	85.6%	88.5%	93.2%	85.1%	84.7%	81.5%	82.4%	81.9%	81.8%
I think about ways to reduce my spending												
Total agree	79.1%	81.9%	84.1%	76.8%	74.2%	67.3%	77.7%	81.3%	82.0%	77.9%	77.7%	80.4%
I have problems with setting money aside for big purchases or spendings												
Total agree	26.7%	29.4%	27.9%	26.9%	25.3%	18.8%	35.6%	32.3%	24.7%	18.0%	25.8%	27.6%
Total disagree	69.5%	65.6%	68.4%	70.3%	71.8%	77.4%	59.6%	64.7%	71.7%	78.7%	70.1%	68.9%
I could get by for some time in case of a financial emergency (such as an illness, divorce)												
Total agree	79.4%	73.6%	77.4%	82.7%	83.2%	87.4%	70.7%	74.6%	80.5%	89.9%	81.8%	77.0%
Total disagree	16.8%	21.0%	19.1%	14.6%	13.9%	8.5%	22.9%	21.6%	16.1%	7.9%	15.0%	18.6%
I regularly do a budget for my day to day finances												
Total agree	48.1%	47.4%	49.3%	47.1%	48.3%	47.2%	57.0%	51.6%	48.6%	45.1%	43.5%	52.6%
Total disagree	47.6%	47.4%	46.2%	48.5%	48.3%	50.4%	40.1%	44.7%	46.9%	50.1%	51.8%	43.5%
SAVING												
Do you have a savings account? (just for savings)												
Yes	72.1%	79.8%	70.5%	71.3%	69.0%	65.5%	69.4%	72.3%	73.9%	72.8%	71.4%	72.8%
I have the ability and understanding to save money												
Total agree	88.3%	86.5%	88.6%	87.6%	89.7%	90.7%	81.6%	86.0%	90.3%	92.0%	88.2%	88.4%
At this point in your life, is it important for you to learn more about how to save money?												
Yes	65.3%	81.1%	67.6%	59.9%	56.3%	44.3%	58.7%	66.8%	68.8%	61.0%	64.1%	66.4%
Thinking about savings, which of the following statements best applies to you?												
Save regularly	62.4%	60.3%	63.1%	64.0%	65.7%	57.4%	46.2%	56.0%	66.2%	73.4%	63.1%	61.7%
Don't save	21.5%	18.8%	21.6%	22.2%	21.8%	28.6%	36.8%	28.7%	17.8%	12.4%	21.0%	22.2%
Which of the following best describes how you saved money in the last 6 months?												
Saved first, spent after	49.9%	50.6%	50.1%	51.1%	49.2%	45.3%	37.3%	44.4%	51.2%	54.7%	47.9%	51.8%
Spent first, saved leftovers	43.0%	43.6%	42.6%	41.8%	41.9%	47.2%	49.5%	48.3%	42.0%	40.4%	44.3%	41.8%
Which of the following, do you think, would provide you with the most money? Would it be...												
Saving a small amount regularly, starting young	74.7%	67.7%	77.2%	77.5%	78.1%	73.3%	77.0%	76.1%	78.7%	74.5%	74.1%	75.3%

		Age					Household income (thousands)#				Gender	
	Total	18-29	30-44	45-54	55-64	>64	<$20	$20-49	$50-100	>$100	Male	Female
INVESTING												
Do you own or are you currently paying off the home you live in?												
Yes	62.0%	24.3%	67.0%	76.0%	80.5%	80.8%	61.7%	67.3%	71.2%	72.4%	60.2%	63.9%
Do you own or are you currently paying off investment property?												
Yes	18.1%	6.0%	20.5%	28.1%	23.8%	11.2%	7.5%	10.7%	20.7%	33.4%	20.0%	16.1%
Do you have investments? (such as shares, bonds, managed funds, debentures, unit trusts)												
Yes	46.1%	23.9%	44.8%	55.8%	62.3%	60.4%	30.3%	39.2%	48.6%	64.0%	49.2%	42.9%
I have the ability and understanding to invest money												
Total agree	68.8%	60.5%	69.5%	74.5%	73.3%	68.3%	54.0%	67.3%	70.6%	78.2%	74.8%	62.8%
At this point in your life, is it important for you to learn more about how to invest money?												
Yes	69.7%	80.9%	74.3%	69.0%	61.4%	42.7%	48.0%	65.0%	77.1%	75.3%	71.1%	68.4%
The risks or returns of an investment are unpredictable												
Total agree	65.3%	60.7%	63.8%	66.9%	68.8%	74.2%	69.3%	71.7%	66.9%	55.8%	63.3%	67.2%
Imagine you had some money to invest. What would you consider in choosing an investment?												
Risk	49.3%	48.4%	51.0%	47.6%	50.0%	48.0%	44.5%	49.0%	51.7%	56.0%	51.7%	46.9%
Return	55.2%	57.8%	59.5%	55.4%	51.1%	41.5%	37.4%	50.5%	59.4%	64.9%	58.5%	52.0%
Risk and return	34.1%	34.4%	37.4%	33.3%	32.8%	26.4%	21.4%	30.3%	37.3%	43.5%	38.0%	30.3%
Type of investment	30.1%	26.4%	29.7%	34.4%	32.3%	29.1%	27.2%	28.6%	30.7%	27.5%	30.9%	29.4%
Diversity/ spread of investments	4.7%	2.2%	4.5%	5.5%	5.9%	7.7%	4.0%	3.8%	5.2%	4.8%	4.5%	4.8%
Background information	5.8%	6.7%	5.5%	5.7%	5.5%	5.1%	1.8%	5.3%	5.6%	6.7%	6.1%	5.4%
CREDIT AND DEBT												
Do you have loans? (including mortgage, car loans, investment loans, line of credit etc.)												
Yes	56.1%	44.9%	76.3%	68.8%	41.3%	13.3%	28.4%	44.3%	72.8%	76.7%	57.1%	55.0%
Do you have a credit card?												
Yes	72.1%	51.7%	79.7%	79.3%	80.1%	69.6%	50.0%	68.7%	79.5%	85.3%	73.2%	70.9%
Do you have other debts? (such as school fees, hire purchase, HECS etc.)												
Yes	22.0%	34.3%	27.3%	19.2%	6.4%	3.1%	15.6%	19.4%	23.9%	27.0%	20.7%	23.2%
I have the ability and understanding to manage debt												
Total agree	88.9%	79.8%	90.5%	92.7%	94.0%	90.4%	82.9%	90.7%	90.7%	93.2%	89.9%	87.9%
At this point in your life, is it important for you to learn more about how to manage debt?												
Yes	61.0%	78.2%	64.5%	53.6%	48.9%	41.1%	56.1%	62.2%	65.3%	58.0%	61.2%	60.7%
I have the ability and understanding to deal with credit cards												
Total agree	83.1%	69.3%	88.0%	87.3%	88.8%	83.2%	71.3%	81.4%	87.9%	90.8%	83.7%	82.5%
At this point in your life, is it important for you to learn more about how to deal with credit cards?												
Yes	49.3%	65.4%	49.6%	43.5%	41.4%	33.8%	44.0%	49.9%	53.7%	45.6%	49.3%	49.3%

		Age					Household income (thousands)#				Gender	
	Total	18-29	30-44	45-54	55-64	>64	<$20	$20-49	$50-100	>$100	Male	Female
There is no better way of saving money than paying off debt early												
Total agree	84.9%	83.5%	85.3%	83.2%	85.2%	89.1%	82.8%	88.1%	87.9%	81.0%	83.4%	86.2%
I will not get into debt; if I can't afford it I won't buy it												
Total agree	75.5%	71.0%	70.8%	73.4%	85.3%	91.6%	83.9%	81.1%	72.2%	67.8%	75.2%	75.8%
Total disagree	21.4%	24.4%	26.0%	23.8%	13.4%	6.4%	12.9%	16.4%	24.9%	28.6%	21.6%	21.2%
I feel comfortable with my level of debt												
Total agree	78.8%	75.1%	75.5%	80.5%	84.8%	86.5%	71.0%	75.9%	78.7%	83.5%	80.5%	77.2%
Total disagree	16.8%	19.5%	21.1%	16.6%	11.0%	5.5%	23.6%	18.8%	17.4%	13.8%	15.4%	18.2%
I regularly pay the total balance owing on my credit card when it is due												
Total agree	76.2%	74.5%	71.5%	77.6%	82.2%	84.3%	76.0%	74.1%	74.9%	80.4%	78.5%	73.9%
Total disagree	20.4%	21.4%	25.6%	19.8%	14.8%	10.2%	19.3%	21.2%	22.1%	17.5%	17.6%	23.3%
I usually only pay the minimum amount owing on my credit card												
Total agree	13.2%	17.4%	15.3%	11.6%	8.5%	9.4%	16.2%	16.0%	11.7%	11.2%	13.0%	13.5%
Total disagree	83.7%	78.2%	82.1%	86.4%	88.7%	85.3%	81.6%	79.1%	86.1%	86.8%	83.5%	83.9%
And thinking about your loans, which of the following best describes your situation? I usually …												
Pay minimum amount required	17.1%	19.6%	14.9%	17.9%	20.3%	16.9%	25.4%	19.7%	14.9%	14.7%	16.1%	18.2%
Pay more than minimum	80.4%	79.3%	83.6%	79.0%	75.5%	70.9%	67.1%	77.1%	83.9%	83.4%	81.2%	79.7%
PLANNING AND RETIREMENT												
Do you have a superannuation fund?												
Yes	80.9%	84.1%	90.0%	86.8%	77.0%	39.7%	37.8%	70.9%	92.1%	95.5%	83.6%	78.3%
Financial planning is only important for those who have a lot of money												
Total disagree	81.7%	83.0%	83.4%	83.2%	83.8%	68.1%	60.9%	77.9%	85.7%	90.4%	80.6%	82.8%
I have the ability and understanding to plan for my long term financial future												
Total agree	80.6%	75.6%	81.4%	82.4%	84.4%	80.9%	67.5%	77.2%	83.8%	88.8%	83.8%	77.4%
At this point in your life, is it important for you to learn more about how to plan for your long term financial future?												
Yes	77.4%	88.1%	84.1%	77.2%	68.0%	45.5%	62.0%	73.5%	84.4%	78.2%	76.6%	78.3%
I have the ability and understanding to ensure enough money for my retirement												
Total agree	62.6%	62.2%	71.3%	74.8%	76.5%	76.1%	52.8%	62.7%	75.3%	80.6%	65.1%	60.1%
At this point in your life, is it important for you to learn more about how to ensure enough money for your retirement?												
Yes	70.6%	82.2%	83.6%	79.1%	73.8%	56.2%	74.2%	80.2%	85.9%	77.2%	69.5%	71.7%
Age pension will be sufficient for me												
Total agree	9.4%	7.4%	5.2%	8.2%	10.5%	27.2%	27.6%	13.5%	5.3%	3.2%	10.0%	8.8%
Total disagree	85.5%	85.0%	91.4%	88.0%	84.4%	64.9%	68.6%	79.9%	91.2%	94.4%	84.6%	86.3%

		Age					Household income (thousands)#				Gender	
	Total	18-29	30-44	45-54	55-64	>64	<$20	$20-49	$50-100	>$100	Male	Female
Retirement is too far away for me to think about it												
Total agree	20.7%	43.9%	22.1%	11.6%	7.7%	9.0%	30.5%	23.6%	19.0%	16.5%	21.2%	20.3%
Total disagree	63.6%	51.5%	74.1%	85.4%	89.9%	81.0%	65.2%	72.3%	77.3%	80.8%	63.4%	63.8%
Employer funded superannuation will be enough to cover my retirement needs												
Total agree	14.2%	15.3%	10.2%	13.8%	16.4%	22.4%	15.8%	14.6%	12.9%	12.6%	16.1%	12.3%
Total disagree	73.2%	72.3%	82.5%	78.3%	69.4%	41.5%	52.9%	69.1%	79.2%	82.2%	73.1%	73.4%
In your opinion when is the best time for a person to start planning for their financial future? Would it be…												
When starting work	46.5%	40.5%	44.9%	48.8%	51.6%	54.0%	53.5%	47.8%	46.9%	47.6%	41.6%	51.4%
During school days	19.9%	15.5%	21.8%	21.8%	21.1%	18.7%	24.4%	19.4%	19.6%	17.6%	20.4%	19.5%
Have you personally thought about long term financial plans for the future and your retirement?												
Yes	75.6%	62.0%	80.7%	83.7%	82.5%	66.2%	58.5%	71.9%	82.1%	87.6%	77.6%	73.6%
No	23.8%	37.8%	19.0%	16.1%	16.6%	31.2%	39.2%	26.9%	17.5%	12.3%	21.8%	25.8%
Thinking about your long term plans, what were the reasons you started to make these?												
Enough for retirement/ early retirement	39.5%	33.6%	37.8%	43.1%	43.2%	43.6%	21.4%	39.7%	41.8%	40.3%	41.1%	37.8%
To do what I want	19.9%	21.8%	18.6%	20.3%	20.5%	18.7%	17.4%	18.0%	19.5%	21.5%	20.5%	19.2%
Age pension insufficient	13.5%	10.5%	15.0%	15.6%	12.6%	10.6%	10.8%	13.3%	14.3%	13.7%	12.6%	14.5%

PROTECTING MONEY

Do you have insurance (ie. home and contents insurance, car insurance, life insurance etc.)												
Yes	85.9%	71.4%	90.4%	92.0%	91.5%	85.2%	78.3%	85.7%	92.6%	94.4%	85.2%	86.5%
I have the ability and understanding to choose appropriate insurance												
Total agree	81.7%	72.6%	83.6%	83.7%	86.7%	85.4%	76.7%	83.7%	84.0%	86.4%	82.0%	81.4%
At this point in your life, is it important for you to learn more about how to choose appropriate insurance?												
Yes	64.2%	78.6%	64.9%	60.3%	55.1%	48.9%	61.5%	66.5%	68.2%	59.3%	63.4%	65.0%
I believe in taking out insurance to be prepared for the unexpected												
Total agree	81.1%	80.7%	86.3%	82.1%	76.7%	71.5%	74.6%	79.9%	87.4%	87.9%	78.7%	83.5%
I have the ability to understand my rights and responsibilities when dealing with money												
Total agree	85.4%	79.5%	84.8%	86.9%	89.9%	91.4%	85.9%	85.2%	86.3%	88.2%	85.8%	84.9%
At this point in your life, is it important for you to learn more about your rights and responsibilities when dealing with money?												
Yes	73.7%	85.5%	75.1%	68.6%	67.4%	61.1%	71.6%	73.7%	76.4%	68.3%	73.2%	74.2%
I have the ability and understanding to recognise a scam or investment scheme that seems too good to be true												
Total agree	87.8%	80.7%	89.8%	89.4%	90.9%	90.4%	82.7%	87.1%	89.6%	92.6%	88.8%	86.7%
At this point in your life, is it important for you to learn more about how to recognise a scam or investment scheme that seems too good to be true?												
Yes	68.5%	76.9%	66.0%	67.1%	67.8%	61.0%	63.0%	70.9%	71.1%	62.7%	68.5%	68.4%

		Age					Household income (thousands)#				Gender	
	Total	18-29	30-44	45-54	55-64	>64	<$20	$20-49	$50-100	>$100	Male	Female
INFORMATION AND ADVICE												
I have the ability and understanding to get information about money												
Total agree	84.5%	81.8%	85.2%	86.0%	86.6%	82.9%	73.2%	82.8%	87.0%	90.8%	84.9%	84.2%
At this point in your life, is it important for you to learn more about how to get information about money?												
Yes	67.8%	80.0%	68.8%	65.8%	61.8%	49.3%	59.6%	66.7%	71.8%	66.1%	66.9%	68.7%
I have the ability and understanding to deal with banks or other financial services providers												
Total agree	81.2%	75.8%	82.5%	82.8%	82.8%	84.3%	78.8%	78.9%	82.8%	86.7%	81.9%	80.5%
At this point in your life, is it important for you to learn more about how to deal with banks or other financial services providers?												
Yes	66.1%	80.4%	65.2%	62.2%	60.7%	51.3%	60.1%	67.9%	68.8%	62.2%	65.2%	67.0%
I have the ability to understand financial language												
Total agree	63.8%	56.6%	65.3%	67.5%	67.7%	63.0%	54.3%	59.8%	63.2%	74.6%	67.8%	59.8%
Total disagree	27.8%	32.4%	26.1%	25.0%	26.6%	29.8%	35.7%	32.2%	27.6%	18.8%	23.7%	31.9%
At this point in your life, is it important for you to learn more about how to understand financial language?												
Yes	68.3%	79.1%	70.3%	66.6%	62.8%	48.0%	59.5%	65.8%	73.8%	65.3%	66.3%	70.2%
I spend a lot of time thinking about financial information before I make a (financial) decision												
Total agree	72.9%	70.7%	75.8%	74.3%	74.0%	64.3%	62.1%	74.5%	75.9%	75.9%	71.6%	74.1%
Thinking about your situation, for financial information or advice would you consider using…												
Family	63.0%	86.5%	68.7%	51.0%	43.1%	40.3%	58.8%	58.1%	64.3%	62.6%	62.6%	63.3%
Friends	55.0%	68.7%	61.6%	49.6%	39.5%	33.8%	43.6%	48.8%	55.8%	56.6%	57.1%	52.9%
Newspapers	47.3%	50.6%	49.1%	47.3%	44.5%	37.8%	34.4%	39.4%	49.1%	54.4%	50.2%	44.4%
Business/money magazines	47.5%	52.1%	52.0%	48.0%	40.4%	31.3%	31.1%	36.7%	50.3%	59.7%	51.4%	43.6%
Community services	42.1%	49.3%	44.3%	39.3%	37.9%	30.2%	55.1%	49.5%	43.2%	29.4%	36.4%	47.9%
TV or radio	31.0%	36.0%	32.2%	30.2%	26.5%	23.1%	29.3%	29.0%	33.8%	30.5%	31.5%	30.4%
Seminars/educational institutions	52.1%	54.0%	51.0%	54.2%	55.1%	44.0%	42.5%	49.5%	56.5%	54.6%	53.7%	50.6%
Work	36.8%	66.9%	53.7%	43.9%	33.4%	29.4%	40.7%	44.2%	50.9%	50.9%	41.3%	32.4%
Accountant/tax agent	81.2%	82.0%	86.6%	82.0%	76.1%	67.7%	69.7%	79.4%	84.7%	86.2%	81.3%	81.1%
Financial adviser	82.0%	84.0%	85.2%	81.9%	80.0%	70.3%	72.0%	82.2%	87.3%	84.9%	79.5%	84.4%
Bank	60.2%	75.2%	60.0%	55.8%	49.3%	49.5%	61.5%	61.3%	62.7%	55.3%	55.1%	65.2%
Internet websites	48.1%	64.5%	54.7%	44.1%	32.8%	18.0%	28.3%	39.4%	50.4%	58.6%	49.5%	46.7%
Government websites	49.4%	61.6%	55.2%	48.4%	36.7%	22.5%	38.2%	43.7%	55.2%	52.3%	48.6%	50.2%
Centrelink	29.0%	32.5%	24.2%	21.7%	31.9%	46.0%	50.8%	37.7%	26.1%	13.3%	25.2%	32.7%
Have you ever used an accountant/tax agent for financial information or advice?												
Yes	67.9%	49.3%	75.4%	76.0%	73.0%	63.7%	52.4%	65.8%	72.9%	79.4%	69.3%	66.4%
Have you ever used a financial adviser for financial information or advice?												
Yes	54.4%	30.0%	56.6%	63.0%	69.2%	66.4%	41.8%	55.7%	58.1%	64.3%	55.2%	53.6%

		Age					Household income (thousands)#				Gender	
	Total	18-29	30-44	45-54	55-64	>64	<$20	$20-49	$50-100	>$100	Male	Female
Have you ever used a bank for financial information or advice?												
Yes	56.5%	51.8%	58.3%	60.0%	56.0%	55.2%	59.9%	56.9%	60.6%	58.5%	53.0%	60.0%
What were your reasons for consulting the accountant/tax agent, bank or financial adviser?												
Tax advice	28.2%	29.2%	32.4%	30.0%	24.2%	15.2%	22.0%	25.0%	26.3%	37.7%	34.2%	22.2%
Investment advice	26.5%	12.1%	23.1%	28.7%	27.6%	25.1%	17.1%	21.1%	23.2%	29.0%	28.7%	24.2%
How often do you read financial paper statements that you receive from banks or financial service providers?												
Read every time	62.9%	51.9%	61.2%	66.0%	72.9%	73.8%	68.1%	66.0%	62.8%	62.5%	61.8%	64.0%
Regularly	93.1%	90.7%	93.2%	94.1%	94.8%	93.7%	91.4%	94.5%	94.1%	92.9%	92.7%	93.5%
To what extent would you say you understand the information provided in financial statements?												
All or most of it	79.3%	72.3%	81.4%	83.6%	81.2%	77.9%	71.8%	74.0%	82.5%	85.7%	79.9%	78.7%
Some of it	18.9%	25.3%	17.5%	15.3%	15.9%	19.5%	25.6%	24.1%	16.3%	13.5%	18.6%	19.2%

YOUTH

			Age		Gender	
	All adults	All youth	12-14	15-17	Male	Female
ATTITUDES, BELIEFS AND BEHAVIOURS						
Dealing with money is stressful and overwhelming						
Total agree	47.7%	43.3%	n/a	43.3%	41.1%	45.8%
Thinking too much about my long term financial future makes me feel uncomfortable						
Total agree	39.5%	41.5%	41.2%	41.6%	42.9%	39.9%
Total disagree	53.6%	44.8%	44.2%	45.3%	44.1%	45.5%
Dealing with money is boring						
Total agree	31.4%	29.2%	33.1%	25.7%	30.5%	27.8%
I have the ability to understand financial language						
Total agree	63.8%	48.5%	43.8%	52.8%	54.1%	42.7%
Total disagree	27.8%	35.7%	35.9%	35.5%	30.2%	41.4%
At this point in your life, is it important for you to learn more about how to understand financial language?						
Yes	68.3%	81.6%	82.1%	81.2%	79.1%	84.2%
Money is just a means to buy things						
Total agree	55.1%	62.3%	65.5%	59.4%	66.0%	58.3%
Money is important to be happy in life						
Total disagree	36.3%	33.3%	29.3%	37.0%	34.6%	32.1%
Financially, I like to live for today						
Total agree	31.3%	59.4%	n/a	59.4%	63.0%	55.5%
I spend a lot of time thinking about financial information before I make a (financial) decision						
Total disagree	22.0%	45.2%	n/a	45.2%	41.5%	47.9%
I try to stay informed about money matters and finances						
Total disagree	15.4%	30.0%	n/a	30.0%	29.9%	30.0%
Nothing I do will make a big difference to my financial situation						
Total agree	20.8%	17.3%	21.3%	13.7%	18.4%	16.2%
BUDGETING						
I have the ability and understanding to budget day to day finances						
Total agree	90.4%	65.3%	62.5%	67.9%	64.7%	66.1%
At this point in your life, is it important for you to learn more about how to budget day to day finances?						
Yes	57.3%	84.1%	82.8%	85.3%	79.1%	89.4%
I am easily able to keep track of my everyday spending						
Total agree	81.8%	72.1%	68.5%	75.3%	74.7%	69.4%

			Age		Gender	
	All adults	All youth	12-14	15-17	Male	Female
I think about ways to reduce my spending						
Total agree	79.1%	72.1%	70.7%	73.4%	72.6%	71.6%
I have problems with setting money aside for big purchases or spendings						
Total agree	26.7%	24.9%	23.6%	26.1%	22.9%	27.0%
Total disagree	69.5%	68.6%	67.4%	69.7%	70.4%	66.7%
I could get by for some time in case of a financial emergency (such as an illness)						
Total agree	79.4%	66.3%	n/a	66.3%	67.0%	65.8%
I regularly do a budget for my day to day finances						
Total agree	48.1%	27.9%	31.3%	24.8%	27.2%	28.6%
Total disagree	47.6%	66.5%	62.3%	70.3%	67.3%	65.7%
SAVING						
I have the ability and understanding to save money						
Total agree	88.3%	89.9%	92.0%	88.1%	90.8%	88.9%
At this point in your life, is it important for you to learn more about how to save money?						
Yes	65.3%	90.4%	90.8%	90.0%	88.8%	92.0%
Thinking about savings, which of the following statements best applies to you?						
Save regularly	62.4%	49.7%	48.3%	50.9%	49.9%	49.4%
Don't save	21.5%	10.0%	7.9%	12.0%	8.9%	11.3%
Which of the following best describes how you saved money in the last 6 months?						
Saved first, spent after	49.9%	46.3%	46.9%	45.8%	45.3%	47.4%
Spent first, saved leftovers	43.0%	45.2%	44.2%	46.2%	46.6%	43.7%
Which of the following, do you think, would provide you with the most money? Would it be...						
Saving a small amount regularly, starting young	74.7%	72.1%	78.0%	66.7%	70.0%	74.3%
INVESTING						
I have the ability and understanding to invest money						
Total agree	68.8%	65.1%	n/a	65.1%	69.0%	60.9%
At this point in your life, is it important for you to learn more about how to invest money?						
Yes	69.7%	80.7%	n/a	80.7%	78.5%	83.1%
The risks or returns of an investment are unpredictable						
Total agree	65.3%	56.9%	n/a	56.9%	53.0%	59.9%
Imagine you had some money to invest. What would you consider in choosing an investment?						
Risk	49.3%	23.3%	n/a	23.3%	23.8%	22.7%
Return	55.2%	38.6%	n/a	38.6%	43.0%	33.7%
Type of investment	30.1%	22.6%	n/a	22.6%	23.3%	21.8%

			Age		Gender	
	All adults	All youth	12-14	15-17	Male	Female
CREDIT AND DEBT						
I have the ability and understanding to manage debt						
Total agree	88.9%	53.4%	n/a	53.4%	57.3%	49.1%
At this point in your life, is it important for you to learn more about how to manage debt?						
Yes	61.0%	82.5%	n/a	82.5%	82.8%	81.1%
I have the ability and understanding to deal with credit cards						
Total agree	83.1%	43.9%	46.1%	42.0%	44.7%	43.2%
At this point in your life, is it important for you to learn more about how to deal with credit cards?						
Yes	49.3%	73.2%	69.6%	76.3%	71.9%	74.5%
There is no better way of saving money than paying off debt early						
Total agree	84.9%	85.0%	83.5%	86.3%	84.8%	85.1%
I will not get into debt; if I can't afford it I won't buy it						
Total agree	75.5%	83.7%	n/a	83.7%	84.5%	82.8%
Total disagree	21.4%	13.6%	n/a	13.6%	12.9%	14.4%
I feel comfortable with my level of debt						
Total agree	78.8%	78.0%	n/a	78.0%	86.2%	69.1%
PLANNING AND RETIREMENT						
Financial planning is only important for those who have a lot of money						
Total disagree	81.7%	77.6%	74.7%	80.2%	73.9%	81.5%
I have the ability and understanding to plan for my long term financial future						
Total agree	80.6%	67.3%	67.3%	67.3%	70.2%	64.3%
At this point in your life, is it important for you to learn more about how to plan for your long term financial future?						
Yes	77.4%	84.9%	86.8%	83.3%	82.5%	87.5%
I have the ability and understanding to ensure enough money for my retirement						
Total agree	62.6%	53.0%	n/a	53.0%	54.8%	51.0%
At this point in your life, is it important for you to learn more about how to ensure that you will have enough money for retirement?						
Yes	70.6%	70.4%	n/a	70.4%	67.7%	73.3%
Retirement is too far away for me to think about it						
Total agree	20.7%	67.3%	68.6%	66.1%	66.4%	68.2%
Total disagree	63.6%	28.6%	27.9%	29.3%	28.8%	28.4%
Employer funded superannuation will be enough to cover my retirement needs						
Total agree	14.2%	24.7%	n/a	24.7%	26.5%	22.8%
Total disagree	73.2%	47.4%	n/a	47.4%	46.8%	47.9%

			Age		Gender	
	All adults	All youth	12-14	15-17	Male	Female
In your opinion when is the best time for a person to start planning for their financial future? Would it be…						
When starting work	46.5%	33.6%	30.9%	36.1%	29.7%	37.7%
During school days	19.9%	15.5%	17.2%	13.9%	17.6%	13.2%
Have you personally thought about long term financial plans for the future and your retirement?						
Yes	75.6%	32.6%	27.6%	37.1%	33.1%	32.0%
No	23.8%	67.2%	72.2%	62.7%	66.6%	67.8%
Thinking about your long term plans, what were the reasons you started to make these?						
Enough for retirement/early retirement	39.5%	22.6%	22.8%	19.1%	29.9%	14.7%
To do what I want	19.9%	36.9%	39.9%	35.0%	43.1%	30.3%
PROTECTING MONEY						
Do you have insurance? (ie. home and contents insurance, car insurance, life insurance etc.)						
Yes	85.9%	n/a	n/a	n/a	n/a	n/a
I have the ability and understanding to choose appropriate insurance						
Total agree	81.7%	46.4%	n/a	46.4%	50.7%	41.8%
At this point in your life, is it important for you to learn more about how to choose appropriate insurance?						
Yes	64.2%	79.6%	n/a	79.6%	83.1%	75.8%
I believe in taking out insurance to be prepared for the unexpected						
Total agree	81.1%	80.7%	n/a	80.7%	76.3%	84.0%
I have the ability to understand my rights and responsibilities when dealing with money						
Total agree	85.4%	76.5%	80.3%	73.0%	78.9%	73.9%
At this point in your life, is it important for you to learn more about your rights and responsibilities when dealing with money?						
Yes	73.7%	91.3%	90.7%	91.8%	89.5%	93.2%
I have the ability and understanding to recognise a scam or investment scheme that seems too good to be true						
Total agree	87.8%	72.8%	71.6%	73.9%	76.4%	69.1%
At this point in your life, is it important for you to learn more about how to recognise a scam or investment scheme that seems too good to be true?						
Yes	68.5%	87.6%	86.5%	88.6%	85.6%	89.8%
INFORMATION AND ADVICE						
I have the ability and understanding to get information about money						
Total agree	84.5%	76.3%	75.1%	77.5%	75.9%	76.8%
At this point in your life, is it important for you to learn more about how to get information about money?						
Yes	67.8%	82.6%	80.3%	84.9%	79.9%	85.7%
I have the ability and understanding to deal with banks or other financial services providers						
Total agree	81.2%	59.2%	53.9%	64.0%	61.8%	56.4%
At this point in your life, is it important for you to learn more about how to deal with banks or other financial services providers?						
Yes	66.1%	84.1%	79.0%	88.7%	84.6%	83.6%

			Age		Gender	
	All adults	**All youth**	**12-14**	**15-17**	**Male**	**Female**
I have the ability to understand financial language						
Total agree	63.8%	48.5%	43.8%	52.8%	54.1%	42.7%
Total disagree	27.8%	35.7%	35.9%	35.5%	30.2%	41.4%
At this point in your life, is it important for you to learn more about how to understand financial language?						
Yes	68.3%	81.6%	82.1%	81.2%	79.1%	84.2%
I spend a lot of time thinking about financial information before I make a (financial) decision						
Total agree	72.9%	48.1%	n/a	48.1%	53.2%	44.3%
Thinking about your situation, for financial information or advice would you consider using…						
Family	63.0%	94.8%	95.1%	94.4%	95.1%	94.3%
Friends	55.0%	60.0%	59.8%	60.1%	60.1%	59.8%
Newspapers	47.3%	40.0%	37.5%	42.5%	42.0%	38.2%
Business/money magazines	47.5%	38.3%	35.2%	41.4%	38.7%	38.3%
Community services	42.1%	53.9%	52.9%	54.9%	52.9%	55.0%
TV or radio	31.0%	29.4%	29.4%	29.4%	29.0%	29.8%
Seminars/educational institutions	52.1%	53.8%	54.9%	52.8%	57.6%	49.7%
Work	36.8%	62.8%	59.0%	66.7%	68.5%	61.6%
Accountant/tax agent	81.2%	71.3%	66.9%	75.6%	76.2%	66.6%
Financial adviser	82.0%	74.8%	70.6%	78.9%	79.3%	70.4%
Bank	60.2%	76.2%	70.4%	82.0%	75.1%	78.0%
Internet websites	48.1%	57.8%	53.3%	62.3%	54.9%	61.4%
Government websites	49.4%	56.2%	48.1%	64.3%	58.5%	54.6%
Centrelink	29.0%	64.1%	61.9%	66.3%	62.2%	66.3%
Have you ever used an accountant/tax agent for financial information or advice?						
Yes	67.9%	9.1%	7.1%	10.9%	9.2%	9.0%
Have you ever used a financial adviser for financial information or advice?						
Yes	54.4%	4.4%	2.8%	5.9%	4.6%	4.3%
Have you ever used a bank for financial information or advice?						
Yes	56.5%	25.1%	16.1%	33.2%	23.8%	26.5%
How often do you read financial paper statements that you receive from banks or financial service providers?						
Read every time	62.9%	43.7%	37.7%	48.3%	42.1%	45.3%
Regularly	93.1%	84.4%	78.0%	89.2%	83.4%	85.2%
To what extent would you say you understand the information provided in financial statements?						
All or most of it	79.3%	39.4%	26.4%	49.5%	42.0%	36.5%
Some of it	18.9%	48.7%	56.5%	42.6%	48.6%	48.8%
Have you learnt about dealing with money in school?						
Yes	33.3%	64.0%	63.7%	64.6%	66.9%	61.3%
Thinking about what you learnt about money in school, have you found it useful?						
Yes	73.9%	81.9%	81.5%	81.9%	85.2%	77.7%

APPENDIX 4: INTERNATIONAL COMPARISONS

International research on financial literacy issues falls into two broad categories: studies which provide an objective test and assessment of financial literacy, and studies which are based on respondent self-assessment. Some studies, such as the ANZ Survey of Adult Financial Literacy in Australia (2003 and 2005) combine elements of both.

Developed English speaking countries such as the United Kingdom, the United States and New Zealand have led the way in conducting large scale surveys of financial literacy issues, attitudes and behaviour. Japan and Korea are two of the few non-English speaking nations that have a history of equivalent undertakings. Increasingly, countries such as India, Russia and Singapore are also developing financial literacy initiatives.

The OECD notes that a number of general similarities emerge from the results of national studies on financial literacy,[31] namely:

- there are low levels of financial understanding among consumers;
- financial understanding is correlated with education and income levels;
- respondents often feel they know more about financial matters than is actually the case;
- consumers feel financial information is difficult to find and understand; and
- consumers obtain financial information in a variety of ways.

However, there are notable differences in the approaches taken by these surveys. A key distinction is whether the survey methodology is based on objective or subjective measures of financial literacy. Subjective surveys focus on determining attitudes and behaviour whilst objective surveys utilise basic tests of key financial concepts. The survey population also varies across countries. For example, in the surveys referenced by the OECD, the United States considered high school students whereas the United Kingdom sought a representative sample of the entire population. Additionally, mixtures of qualitative and quantitative methods were used.

This survey represents a unique contribution to the body of international financial literacy research, as well as to research on financial literacy in Australia. It is designed to complement other Australian surveys that aim to provide an objective measure of competency in financial matters, and contribute to a broader understanding of financial literacy in Australia by examining respondents' self-assessed ability, understanding, attitudes and behaviour in regard to using and managing money. It is entirely subjective in nature and explores questions across a range of money management topics from the most simple, such as budgeting, to the more complex such as investing and ensuring enough money for retirement. It also explores what respondents think about money in terms of the broader attitudes, beliefs and behaviours that can stop people engaging with their money.

Given the nature of subjective questions and the extent to which they are currently used in national studies of financial literacy, it is difficult to make direct comparisons between Australia and other countries. However, a number of findings from studies in the United Kingdom,[32] Singapore[33] and New Zealand[34] appear to be broadly comparable. The self-reported attitudes and behaviour of Australian adults are reasonably similar to those reported for those countries.

---

31 OECD, op. cit., pp. 42-44.

32 Financial Services Authority, *Financial Capability in the UK: Establishing a baseline*, Financial Services Authority, London, United Kingdom, March 2006.

33 Media Research Consultants Pte Ltd, *Quantitative Research on Financial Literacy Levels in Singapore*, Prepared for the MoneySENSE Financial Education Steering Committee, Singapore, July 2005.

34 Colmar Brunton, *ANZ-Retirement Commission Financial Knowledge Survey*, Prepared for the Retirement Commission, Wellington, New Zealand, March 2006.

COMPARISON OF AUSTRALIAN, UNITED KINGDOM, SINGAPORE AND NEW ZEALAND SURVEYS: METHODOLOGIES AND FINDINGS

METHODOLOGY

Aust: survey in 2006 of 7,500 people about financial literacy attitudes and behaviour

UK: survey in 2006 of 5,300 adults to set a baseline for financial capability

Singapore: survey in 2005 of 2,023 adults about financial literacy

NZ: survey in 2006 of 856 adults about financial knowledge

FINDINGS

Ability and understanding

Budgeting

Aust: 82% say *they are easily able to keep track of their everyday spending*

NZ: 78% say *they keep a close eye on their expenses*

Singapore: 61% say *they keep track of how much they spend*

Choosing appropriate insurance

Aust: 82% say *they have the ability and understanding to choose appropriate insurance*

NZ: 76% agreed *that they know what insurance they need to cover their needs*

Behaviour

Budgeting

Aust: 79% agree *I could get by for some time in case of a financial emergency*

UK: 75% say *they always make sure they have money saved for a rainy day*

Saving

Aust: 38% say *I put aside a set amount of money as savings, before spending the rest*

Singapore: 36% say *I save a fixed amount from my monthly pay, before spending the rest*

NZ: 53% save money on a regular basis

Aust: 33% say *I spend on things I need first, and put any left over money away as savings*

Singapore: 50% say *I pay for my expenses first, before saving the rest*

Aust: 22% say *they don't save*

Singapore: 14% say *I do not save*

Investment

Aust: 49% say *they consider risks when making an investment decision**

Singapore: 73% of investment holders say *they consider risks when investing*

Aust: 55% say *they consider returns when making an investment decision*

Singapore: 87% of investment holders say *they consider returns when investing*

Credit and debt

Aust: 72% have a credit card

UK: 56% have a credit card

Singapore: 39% have a credit or charge card

NZ: 64% own a credit card

* Note that while elsewhere in the report we have listed the proportion of respondents who would consider both risk and return, here we listed risk and return separately to better allow for comparison with the Singapore findings.

Aust: 20% disagree *I regularly pay the total balance owed on my credit card when it is due*

UK: 21% revolve a credit card balance

Aust: 62% strongly agree *I will not get into debt, if I can't afford it I won't buy it*

UK: 61% strongly agree *they would rather cut back on spending than accumulate debt on a credit card*

Aust: 1% make less than the minimum debt repayments

UK: 3% fall behind with their commitments

Planning and retirement

Aust: 86% disagree with the statement *the age pension will be sufficient for me*

UK: 81% say *state pension would not provide standard of living they hope for in retirement*

NZ: 86% disagree with the statement *it doesn't really matter much about saving for retirement because the Government will pay them NZ Super*

Aust: 16% agree *financial planning is only important for those who have a lot of money*

Singapore: 13% agree *financial planning is only for the rich*

Aust: 76% say *they have personally thought about long term financial plans for the future and their retirement*

Singapore: 83% say *they have undertaken some basic financial planning to ensure that they could meet their financial needs*

NZ: 83% say *they have thought about their financial planning for retirement*

Protecting money

Aust: 81% say *I believe in taking out insurance to be prepared for the unexpected*

Singapore: 87% say *it is important to take up general insurance as it will help to protect my assets in the event of an accident*

Aust: 86% say *they have insurance*

UK: 66% have home contents insurance

Singapore: 20% say *they do not have any insurance product at all*

Information and advice

Aust: 7% rarely or never read paper statements from the bank

UK: 6% ignore their bank statements altogether

Aust: sources of information include newspapers 47% and TV/radio 31%

UK: sources of information include newspapers 41% and TV/radio 39%

Attitudes and beliefs

Aust: 31% agree *financially, I like to live for today*

UK: 39% agree *I tend to live for today and let tomorrow take care of itself*

Aust: 78% agree *I try to stay informed about money matters and finances*

UK: 72% say *it is important to keep up with financial matters*

APPENDIX 5: SURVEY METHODOLOGY

OVERVIEW

This survey was conducted to gain a greater understanding of the attitudes and behaviour of Australians about money. It was commissioned by the Financial Literacy Foundation and conducted by DBM Consultants. It is the largest Australian study of its kind, covering 7,500 people aged 12 to 75.

The survey is of respondents' self assessment of financial understanding and behaviour. It does not aim to provide an objective measure of competency in financial matters, but complements other studies that do so.

For the purposes of the survey, financial literacy is defined as 'the ability to make informed judgements and to take effective decisions regarding the use and management of money'.[35] Most countries use the term 'financial literacy' though some, for example the United Kingdom, use 'financial capability'.[36] This report treats the two terms as interchangeable.[37]

RESEARCH METHODOLOGY

The research methodology for this national study of financial literacy attitudes and behaviour involved five stages: exploratory research, sampling, development work, data collection and data analysis.

Exploratory research

A literature review was done to identify existing research in this field. The review included published results from previous studies on financial literacy and related topics from various national initiatives in Australia, Ireland, Singapore, the United Kingdom and the United States.

The review identified relevant definitions, concepts and issues for consideration in the present study.

- Definitions of financial literacy were reasonably comparable within Australia, but there is no standard definition that could be applied simply across different communities or countries.
- Concepts relating to financial literacy are generally tailored to meet the national focus or specific purpose of measuring financial literacy in any given country.
- Measures of financial literacy are also given a different emphasis according to the notions of 'knowledge' and/or 'behaviour' traits that are pertinent to the particular study.
- Measures of financial literacy need to address different levels of sophistication in daily money management, debt, insurance, investments including risk and return, and financial planning.
- Significant differences were expected by age, education and life values with regard to awareness, engagement and competency.
- Barriers to engaging with financial matters are closely related to difficulties in accessing and understanding financial information.

---

35 Schagen and Lines, op. cit., p. ii.

36 'Financial capability is a broad concept, encompassing people's knowledge and skills to understand their own financial circumstances, along with the motivation to take action. Financially capable consumers plan ahead, find and use information, know when to seek advice and can understand and act on this advice, leading to greater participation in the financial services market'. HM Treasury, op. cit., p. 19.

37 'In practice, both cover decision-making, practical skills and behaviour as well as knowledge and understanding. Financial education aims at the same ultimate goal whether that is defined by improving financial literacy or capability'. O'Connell, op. cit., p. 2.

Sampling

The quantitative survey was conducted by telephone across a representative sample of 7,500 Australians aged 12 to 75. In proportion to their natural incidence in the population, the target sample for the survey included:

- people from non-English speaking backgrounds;
- Indigenous Australians; and
- Australians living in rural locations.

Quotas were set by age and state to ensure a representation by age and geographic location. The following table provides an overview of the final sample size by age and state. Sampling errors are also provided for each age group and geographic location.

The total sample size has a low sampling error (±1.1%) estimated at the 95% level of confidence. The large sample size enables a sub-group analysis.

FINAL SAMPLE BY AGE AND STATE

	Total sample	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	Sampling errors
12 to 14 years old[38]	212	80	46	49	20	9	1	5	2	±6.7%
15 to 17 years old	341	126	92	68	22	20	8	3	2	±5.3%
18 to 19 years old	178	62	48	37	9	14	4	1	3	±7.5%
20 to 24 years old	467	163	115	89	29	41	16	4	10	±4.6%
25 to 29 years old	584	191	147	122	44	55	10	10	5	±4.1%
30 to 34 years old	793	271	222	132	62	72	15	6	13	±3.6%
35 to 39 years old	788	218	194	174	62	90	21	11	18	±3.6%
40 to 44 years old	800	226	203	154	65	100	29	10	13	±3.5%
45 to 54 years old	1,469	485	344	283	107	172	30	27	21	±2.6%
55 to 64 years old	1,136	386	274	200	98	113	27	13	25	±3.0%
65 to 75 years old	713	243	181	138	52	71	14	5	9	±3.7%
Foreign language[39]	19									
Total	7,500	2,451	1,866	1,446	570	740	175	95	120	
% of total	100%	33%	25%	19%	8%	10%	2%	1%	2%	
Sampling errors[40]	±1.1%	±2.0%	±2.3%	±2.5%	±4.1%	±3.6%	±7.4%	±10.1%	±8.9%	

A two-step process was used to achieve a stratified random sampling of individuals. Firstly, the electronic White Pages was split by state and within each state, every household had an equal opportunity of being chosen. Within each selected household, the nearest birthday method (that is, asking to speak to the person in the household

38 As stated under Rule 6 of the Code of Professional Behaviour for Market Research, permission from a responsible adult must be gained prior to interviewing someone up to the age of 14.

39 Foreign language interviews were conducted with Vietnamese, Mandarin, Arabic, and Italian-speaking respondents.

40 Sample errors have been estimated at the 95% level of confidence with sample proportions at 50%.

whose birthday is next to the date of contact) was applied to determine with which individual the interview would be conducted. If the person was not available, call back procedures were in place to ensure that the nominated individual was given every chance of being included in the study.

When interviews were required in a foreign language, a suitably trained foreign language interviewer called the respondent to conduct the interview in the respondent's own language.

Special permission was obtained from parents of the 12-14 year olds before they could be interviewed.

For the data analysis, the final sample was weighted to reflect known population characteristics. Weighting was applied by age, state and gender. The population data was derived from the Australian Bureau of Statistics (ABS) census data.

A total of 6,947 adults and 553 youths aged 12 to 17 years were surveyed.

Follow-up qualitative research was undertaken. A total of 140 interviews were conducted with a wide cross-section of different groups within the Australian population. These groups were mainly defined by their age, current working status, education and household income. Interviewees were sourced from the sample of quantitative survey respondents and were randomly selected from within each group.

Development work

To address the research objectives and take into account the findings of the exploratory research, an extensive quantitative questionnaire was developed. Testing was undertaken to ensure the appropriate wording and flow of questions, and that no technical measurement errors would affect data quality. Testing included:

- Cognitive testing of the questionnaire with 22 respondents across all age groups to ensure that the questions were worded appropriately and any potential for respondents to misunderstand the questions or response categories was minimised.
- Pilot testing of the Computer Assisted Telephone Interviewing (CATI) survey was conducted for 20 interviews to detect any technical set up errors. The flow and structure of the questionnaire was also assessed on the basis of listening to the pilot interviews. Senior researchers debriefed the interviewers upon completion of the pilot to identify any difficulties with the flow and wording of the questionnaire prior to conducting the main study.
- The ABS Statistical Consultancy Unit conducted a formal Forms Review of the survey instrument and the findings were used to improve the questionnaire.

Data collection

The final questionnaire was programmed to ensure minimum data collection errors, and a number of checks were done including:

- using CATI to collect the benchmark survey data; and
- a simulation exercise with dummy data and tabular analysis to ensure all skips are correct.

During fieldwork operations, DBM used quality control processes including:

- a senior researcher conducting interviewer briefing;
- continuous real time interviewer monitoring by DBM supervisors with 10-20% of each interviewer's work being monitored; and
- up to seven call backs made at different times of the day and on different days of the week to ensure response rates were maximised.

All DBM research staff are members of the Australian Market and Social Research Society Limited (Australia). This means they are bound by the Code of Conduct and the International Chamber of Commerce/European Society for Opinion and Marketing Research's International Code of Marketing and Social Research Practice.

DBM's telephone operations are accredited by Market Research Quality Assurance which sets Australia's industry quality assurance standards. DBM is accredited with AS4752, the relevant industry standard. In addition to existing fieldwork accreditation, AS4752 extends to all other research processes.

The questionnaire required 23 minutes to administer. A response rate of 10% was achieved.

For the qualitative research, a mix of senior consultants and interviewers conducted the in-depth interviews over the telephone. This method allowed coverage of a wider range of population sub-groups in a timely and cost effective manner. All interviewers and consultants were specially trained on the subject by DBM's leading social researcher who also conducted several of the interviews. The researcher supervised the team's fieldwork.

On average, qualitative interviews lasted for about 30 minutes, ranging from 25 minutes to over 1 hour. All interviews were conducted in accordance with the *Privacy Act 1988* and recorded for analysis.

Data analysis

DBM analysed the data by:

- data weighting using ABS population statistics;
- data filling using models to predict missing values from information already provided by respondents (based on Chi-squared Automatic Interaction Detector procedure);
- exploratory cluster analysis to identify sub-groups within the population and how they varied in terms of the metrics in the questionnaire;
- cross-tabulation analysis to describe the relationships within the variables in the data; and
- tests of statistical significance to determine whether differences between sub-groups were real differences. All tests were conducted at the standard 95% level of confidence.

APPENDIX 6: FINANCIAL LITERACY FOUNDATION

The Australian Government established the Financial Literacy Foundation in 2005 to give all Australians the opportunity to better manage their money.

The Foundation aims to build the capacity of all Australians to better understand and manage financial risk, deal effectively with market complexity and take advantage of increased competition and choice in Australia's finance sector.

The Foundation is:

- providing a national focus for financial literacy issues;
- creating opportunities for Australians of all ages to learn more about money – at school, through vocational and higher education, in the workplace and in the community;
- supporting the professional development of teachers;
- providing practical support to educators and trainers and working to improve the availability of quality financial literacy education resources;
- raising community awareness of financial literacy and its benefits through the *Understanding Money* media campaign, website and handbook; and
- collaborating with similar overseas organisations to enhance Australia's approach to advancing financial literacy.

The Foundation works in partnership with government, industry and community organisations and acts as a matchmaker by bringing together those organisations and individuals with complementary needs and skills and common commitment to advancing financial literacy.

It receives independent and strategic guidance on financial literacy issues from the Financial Literacy Foundation Advisory Board.

For more information about the Financial Literacy Foundation:

Email: financial.literacy@treasury.gov.au

Website: www.understandingmoney.gov.au

Mail: Financial Literacy Foundation
The Treasury
Langton Crescent
PARKES ACT 2600

Telephone: (02) 6263 2111