



Financial Literacy Education in the Northern Territory

Please note: The Chief Minister's Round Table of Young Territorians is an independent advisory body. The views expressed in this report are those of the authors and are not necessarily reflective of those of the Office of Youth Affairs or the Northern Territory Government.

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Terms and abbreviations used in this report

ASIC	Australian Securities and Investments Commission
Financial Literacy	Ability to understand how money works in the world and is able to manage money effectively.
Financial Education	Teaching money and finance in a classroom setting.
Financial resilience	Ability to deal with life strains or issues without negatively impacting ones income.
Generation Y/ Millennials	People born in the 1980's and 1990's – reaching young adulthood around the year 2000.
MoneySmart program	ASIC's financial literacy program currently being rolled out in schools across Australia.
NT	Northern Territory
VET	Vocational Education and Training.
Youth	People aged between 15 – 25 years of age.

Executive Summary

This project aims to analyse research on financial literacy education and its priority in the curriculum in Northern Territory (NT) schools. Furthermore, it aims to investigate ways financial literacy courses can be strategically implemented as a priority across schools in the NT.

Qualitative and quantitative data was collected from primary recourses (surveys) and secondary resources (Government studies and articles). Research indicated financial education classes are currently being rolled out in schools across the NT, through programs such as the Australian Securities and Investment Commissions (ASIC) Money Smart Program and the Commonwealth Bank program.

Subject matter for these courses is not consistent as it given at the teacher's discretion. This lack of consistency across the board makes it difficult to monitor student outcomes and results. Currently, curriculums are so congested it is difficult to introduce a new compulsory class. Our research explored ways of integrating these skills into currently existing classes such as maths, business or Personal Learning Plan (PLP) classes.

Introduction

Evidence suggests that young Australians are struggling with their finances. Generation Y has grown up in a consumer driven world where the need and desire for material things is much greater than that of previous generations. This increase in spending can be linked to high increases in credit card and personal loan debt. Young Australians are amassing more University debt than ever before which is making it much harder for them to get into a good financial position to save a deposit and purchase a home. In the Northern Territory this is more evident, where the cost of living is substantially higher compared to other states in Australia (NT Council of Social Service Inc. 2013).

There are clear systemic, global changes causing a dramatic rise in debts among young people. It is imperative society learns to manage their finances correctly to prevent further national personal debt.

Knowing how to properly manage finances is an important skill of everyday life. Young people today are interacting with money and making financial decisions from an early age. They are growing up in a fast-paced consumer-society where money is seen as 'invisible'. This is because of an increase of online and digital environments for shopping and making financial transactions (National Consumer Literacy Framework, 2011).

The project aims to explore the lack of financial literacy education and its effect on knowledge in basic finance and life skills amongst young Territorians.

Discussion

Young people and money

Young people are facing higher levels of personal debt than ever before. For the purpose of this project, 41 people in the Northern Territory were surveyed on their current financial situation. A sample of the 2016 Financial Education for Young People in the NT Survey is available at Attachment A.

Survey data was distributed to a sample of Territory students between the ages of 16 – 18 as well as high school leavers that studied in the Northern Territory aged 19 years and over.

Over 54% of people survey reported owning a credit card with 30% of those people having a credit card debt.

When asked about how they felt about their current financial situation, 17% felt overwhelmed, 34% felt somewhat worried, 31 % felt comfortable and 19% were not sure/not concerned.

This survey provided an interesting insight into how a small sample of young Territorians felt about their current financial situation.

"I have seen that many people believe that a credit card is a way of getting what you want right now - and never understanding the real concept of interest; regular repayments etc. I have always believed that unless I can afford the item/service, I would not purchase at all. Unfortunately people are not that disciplined". Anonymous respondent.

Higher cost of living

Research shows that the cost of living in the Northern Territory is higher than ever before. The 12th Cost of Living Report by the Northern Territory Council of Social Service (NTCOSS) revealed that these pressures have dramatically increased in a number of key areas over the past decade.

"Electricity prices have risen by 86%, water by 154% and insurance by 72%. Rent prices have risen by 66%, education by 53%, and health costs by 50% during this time (NT Council of Social Services, 2013)"

In terms of market research, we have seen that there has been a generational shift; millennials aren't earning the same income as generations before them such as the baby boomers. Millennials are living at home longer, are unable to break into the home owners market due to the high cost of housing and are in increasingly in more debt. The baby boomers lived through the 1970's and 1980's when they were getting 15% on term deposit for ten years, if you mentioned to them that by 2016 the best they could hope for would be 1% or 2% or even negative interest rates would be unmanageable (NT Council of Social Service Inc. , 2013).

University debt

University debt is a persistent issue that has and always be a big point of discussion for students, teachers, lectures and politicians. In today's society especially in the western economies, university debt is a sore spot. When you look at 'Australian taxpayers' exposure to university students' loans, this will explode more than fivefold to \$185.2 billion in 2025-26, accounting for 46.3 per cent of the nation's public debt, according to an independent review of the Higher Education Loans Scheme.

The Parliamentary Budget Office report on the HELP scheme, commonly known as HECS, finds about 21.8 percent of new loans taken out in that year — is unlikely ever to be repaid because the borrower either earns below the taxable income threshold or has moved overseas. The HECS-HELP scheme is both a student loan and a student discount. Eligible students may access a HECS-HELP loan to pay their student contribution amounts, or receive a 10% discount (known as the HECS-HELP discount) on upfront payments of \$500 or more. The HECS-HELP discount works by increasing the value of a student's upfront payment. This means that the student will pay less for their studies if they make an eligible upfront payment.

The annual cost of the HELP loans will rise from \$1.7 billion in 2015-16 to \$11.1 billion in 2025-26. But we have to take into consideration that HECS was designed so that some of the fees would not be repaid e.g. from people with lower income, so we have to remember that HECS is an asset not a liability for the government especially when the number of high education students has increased.

These unmanageable figures conjure up the debate of whether students should be barred from leaving the country until loans are paid or if the HECS program should be stopped. We now have the most highly educated, but unemployed and indebted workforce in the world.

Unlike baby boomers and millennials, generation Y has too many students in higher education paying indebted themselves for jobs they can't do or that may not exist in the next five years or 15 years. Back in the day, you could rely on having the same profession for decades however in our ever evolving world it is hard to imagine if we would have the same jobs we are studying for in the next five years or 15 years to come.

Uncomfortable talking about money

Research shows that generally people in Australia are not comfortable talking about money. This has significant consequences for young people. (Riach, 2016). A hesitance to talk about money has meant young people rarely reported discussing salaries, savings or longer term financial goals with their peers or family. Although they felt pressure to conform or keep up with activities or new products, many were perplexed that friends could afford something and they couldn't, despite perceiving themselves to be in similar financial positions.

This may of course have dangerous consequences in terms of setting expectations about lifestyle or consumption choices that do not correlate with their financial practices (Riach, 2016).

Financial resilience

Higher education levels improve financial security. People with a degree or higher education are more likely to be financially secure than people having Year 12 (or equivalent) as their

highest level of education. Young people with lower levels of education are faced with a range of challenges, including lower wages in line with their age, unpaid overtime, delayed wages as casual part-time workers and exposure to exploitation and the cash economy (Munro, 2016). These all could undermine their attempts to save money and control their cash flow.

Curriculum patterns in the Northern Territory

Northern Territory schools fall within the Australian Curriculum. This forms the basis of teaching and learning. The curriculum is used flexibly in schools to meet the educational needs of all students.

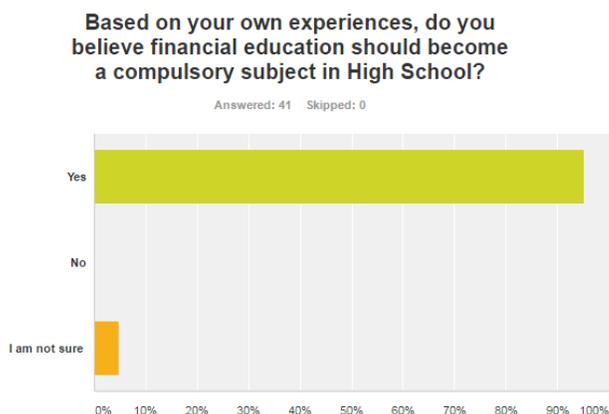
This flexibility means that financial education may come down to an individual teacher's preference. Financial education may be incorporated into math lessons, some schools offer it as a VET course, and others utilise existing programs such as MoneySmart into their curriculum.

In 2014, the former Minister for Education, Peter Chandler commissioned Vic Zbar, of Zbar Consulting, to conduct a review of middle schooling in the NT. The review encompassed the six middle schools in Darwin, Palmerston and Alice Springs and four larger schools. More specifically, the ten schools covered by the review are:

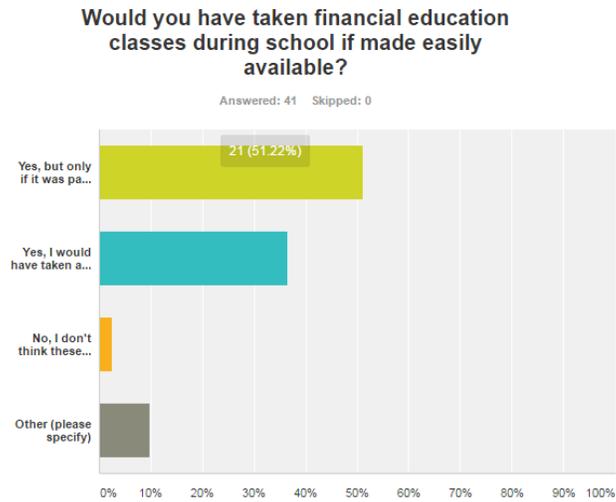
- Centralian Middle School
- Darwin Middle School
- Dripstone Middle School
- Nightcliff Middle School
- Rosebery Middle School
- Sanderson Middle School
- Katherine High School
- Nhulunbuy High School
- Taminmin College
- Tennant Creek High School

The review found there was a lack of consistency that prevents good practice being generalised across schooling for the middle years. The result shows substantial variability of effectiveness in generating improved learning outcomes for all students.

When it comes to financial education, our research showed that young people are surprisingly enthusiastic to learn more on this topic. Of the 41 respondents of the 2016 Financial Education for Young People Survey, over 95% believed financial education should be taught in High School.



51% of respondents stated that they would only learn about financial education if it was a part of the curriculum; however a surprising 36% said they would go so far as to select an additional unit to learn about this topic.



Additional comments from survey respondents included:

"It's a very important thing to know, but with how full on some of the already existing subjects can be, means that it could be too difficult to take on a whole subject devoted to just finance"

"It would be great to learn about these skills"

"Personally speaking I think basic expectation of financial expenses/ budgeting and responsible decision making regarding savings or lump sum money education would benefit young people"

"I think financial education should be combined with other things in a life skills class. Kids don't seem to understand algebra in maths or what is taught in a business unit are also life skills. The curriculum doesn't cater for kids of different levels of numeracy and literacy either"

"Financial stress is real. The sooner children and adults are taught or made aware the better"

Current programs and strategies in Australia

Australia's National Financial Literacy Strategy

The National Financial Literacy Strategy 2014-17 led by ASIC is a long-term approach which aims to improve the financial wellbeing of Australians by advancing their financial literacy (Australian Securities & Investments Commission, 2016). The strategy includes an action plan that highlights the following points:

- to educate the next generation, particularly through the formal education system;
- to increase the number of teachers trained through ASIC's MoneySmart Teaching professional program (see below for more information);
- develop resources for teachers and students, with a key focus in the
- curriculum for economics and business;
- increase the engagement and confidence of teachers to teach consumer and financial literacy through the Australian curriculum; and
- increase the number of VET students participating in financial literacy education.

MoneyMinded

MoneyMinded is an adult financial education program developed by ANZ in 2003, in consultation with education, community and government stakeholders and experts. The program is made up of a series of interactive activities that are designed to improve money management skills.

MoneyMinded is available online and through face-to-face workshops run by community organisations such as Anglicare. It can be used by individuals or groups.

The evidence shows the urgent need for financial education in school such as the MoneyMinded program delivered by ANZ.

MoneySmart

ASIC's MoneySmart Schools Program recognises and supports Australian schools that help their students develop good spending habits. The program also promotes the importance of consumer and financial literacy to families and their local community.

Out of 51 MoneySmart schools in Australia, in the Territory we have the following six registered:

- Alawa Primary School
- Larrakeyah School
- Palmerston Christian School
- Taminmin College
- Yipirinya School

- Yirara College.

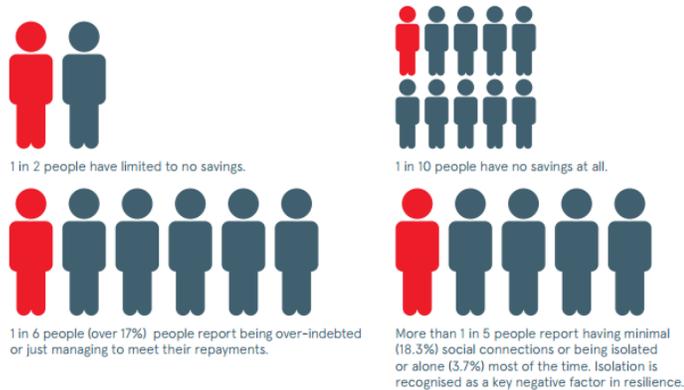
We currently have 154 state schools, 87 of which are Remote and 44 private schools in the NT (Department of Education, 2016). The Money Smart program is easily assessable to all educational institutions; however it is implemented at the teacher’s discretion.

Addition research - National

Figure 1: Individual savings in Australia.

This shows alarming figures on debt in Australian society.

Where could we improve?

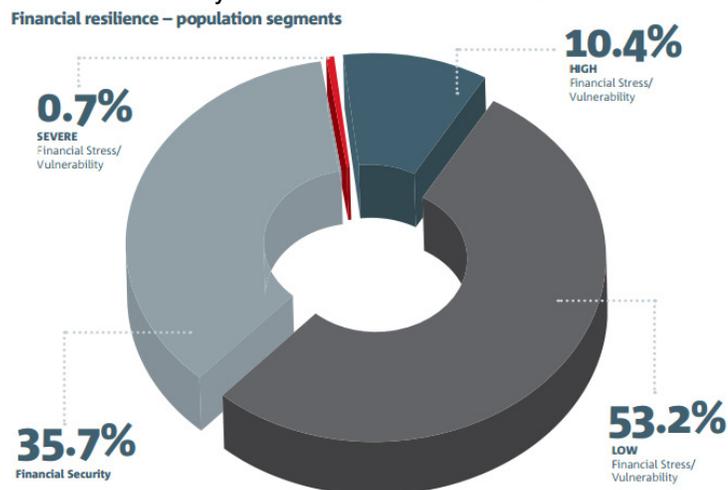


On average, the population are least vulnerable in accessing financial products and services. However, 1 in 5 people (20.2%) had no access to any credit in the previous 12 months and 12.4% said they have an unmet need for credit.

Source:<http://www.financialliteracy.gov.au/media/559772/research-financialresilienceinaustralia-2016.pdf>

Figure 2: Financial resilience – population segments

This shows the severity of financial stress Australians are currently under.



Source:<http://www.financialliteracy.gov.au/media/559772/research-financialresilienceinaustralia-2016.pdf>

Conclusion

Research indicates that young people are facing disparity and insecurity when it comes to their finances. Because this is a multi-faceted issue that is occurring nationally and is based on influential global and economic factors, it will be challenging to completely overcome the younger generation's battle with debt and financial insecurity.

It is critical to begin financial literacy education as young as possible, so children are able to identify positive spending patterns creating good future habits. Among financial literacy initiatives, clear information is needed about the medium to long-term management of investments, the implications of debt and the importance of discussing their monetary decisions with others.

Most importantly, more needs to be done to ensure systems and practices around spending and financial commitments are accessible and transparent. This includes making it easy for people to "read the fine print" in agreements, and being clear about the longer-term consequences of financial decisions.

Recommendations

It is recommended that the NT Government:

- notes the disparity young people are currently facing in the NT when it comes to debts and costs of living;
- recognises that financial education is a core skill in today's society, affecting quality of life, opportunities, sense of security and the overall economic health and population of the NT
- following ASIC's National Financial Literacy Strategy 2014-17, consider implementing financial education as a compulsory or high priority part of the Personal Learning Plan currently prescribed in the curriculum; and
- considers ways of implementing a pragmatic and strategic plan to deliver financial literacy education across all year levels in the NT, whilst monitoring student outcomes during the implementation process.

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