

To: Treasury

2024-2025 Pre-Budget Submission

Prepared by: Ecstra Foundation

25 January 2024

submitted via: consult.treasury.gov.au

Introduction

Ecstra Foundation (Ecstra) welcomes the opportunity to make a submission for consideration regarding the 2024-2025 Federal Budget.

Ecstra calls on the Federal Government to commit to a nationally coordinated financial capability and education strategy to help address the urgent financial issues many Australian consumers face. These include cost of living pressures, growing wealth inequality, the proliferation of financial scams and declining rates of financial literacy in Australia, with young people faring the worst.

This submission draws on our experience of funding and partnering with over 130 community organisations working to build the financial wellbeing and capability of people and communities. It is also informed by the learnings from our flagship program, Talk Money with Ecstra Foundation, the largest face to face financial literacy program offered in schools across Australia.

About Ecstra Foundation

[Ecstra Foundation](#) is an independent charitable foundation committed to building the financial wellbeing of Australians within a fair financial system. Our mission is for more Australians to be confident making money decisions today, and to be planning for the future.

Ecstra is relatively unique in Australia, with a dedicated focus on supporting financial education, capability and wellbeing initiatives. Ecstra has committed \$32 million over four years in grant funding to partners across these domains.

We work with partners in communities, schools and other learning environments to map, design, deliver and measure financial education initiatives that help build individual financial literacy, capability and confidence. We also support consumer organisations in their work to address the many structural barriers to financial inclusion and economic security.

Our free national financial education program in primary and secondary schools [Talk Money with Ecstra Foundation](#), helps school students learn about money lessons for life, be confident talking about money and to make informed decisions. Since launching in 2022, Talk Money has engaged 1,125 schools, delivered 7,000 workshops with more than 262,000 student bookings, and continues to expand nationally. We are reaching schools in lower socio-economic areas (31%) and regional and rural locations (18%) through the program.

Ecstra's initial funding was provided through Australian Securities and Investment Commission's (ASIC) Enforceable Undertaking regime (namely community benefit payments), ensuring that consumers are always at the centre of our work.

Summary of recommendations

The Federal Government should:

Recommendation 1: reactivate and lead the National Financial Capability Strategy. The strategy would address the current significant gaps in consumer financial education, capability and wellbeing and:

- provide funding and resourcing to engage and implement the strategy to benefit all Australians
- intersect, support and align with regulatory and consumer protection frameworks.

Recommendation 2: elevate financial literacy as a core, stand alone compulsory learning area of the Australian curriculum to lift students' financial literacy and positively impact their long term economic and social wellbeing.

Recommendation 3: invest in evidence based, curriculum aligned, independent resources, workshops, tools, professional development and training to help teachers and schools deliver financial education in classrooms.

Recommendation 4: further invest in the community service sector to ensure organisations can provide crucial financial capability intervention programs. Increase funding to services including financial relief and counselling for people impacted by crisis events, including rising cost of living, housing shortages and recurrent natural disasters.

Recommendation 5: commit to implementing the recommendations of the Women's Economic Equality Taskforce to advance women's economic equality.

1. A national, coordinated approach to building financial literacy, capability and wellbeing is crucial to driving improved outcomes for people and communities

Financial wellbeing is an important component of overall wellbeing

- Financial wellbeing is important for individuals, communities and the wider economy. It impacts many areas of everyday life, and is intrinsically linked to individual overall physical, mental and social health.
- In the Australian context Muir et al define financial wellbeing as “when a person is able to meet expenses and has some money left over, is in control of their finances and feels financially secure, now and in the future”¹.
- However, more than half of Australians (around 56%) are reportedly only just making ends meet – or failing to do so². Many, particularly young people and women, find dealing with money stressful and overwhelming³.
- The on-going cost of living crisis and re-current natural disasters and continuing impacts of COVID-19 are having a major impact on people's financial wellbeing and mental health.
- People experiencing financial issues are twice as likely to experience mental health challenges⁴.

¹ Muir, K., Hamilton, M., Noone, J.H., Marjolin, A, Salignac, F., & Saunders, P. (2017). 'Exploring Financial Wellbeing in the Australian Context'. Centre for Social Impact & Social Policy Research Centre – University of New South Wales Sydney, for Financial Literacy Australia.

² Dr Anna Gamara Rondinel, University of Melbourne (2023) '[More than half of Australians are only just making ends meet](#)', featured in Pursuit.

³ Commonwealth of Australia (Department of The Treasury), National Financial Capability Survey 2021

⁴ Heartward Strategic on behalf of ASIC and Beyond Blue (2022), 'Money and Mental Health. Social research report – executive summary'.

- More than 1 in 3 Australians report that cost of living pressure is the issue having the greatest impact on their mental health, more than any other issue⁵. Further, Lifeline recently reported that 1 in 5 calls to its services are coming from people struggling to make ends meet⁶.
- Financial wellbeing is also intrinsically linked to physical health, with access to economic resources, care and support being important to maintaining good physical health. Across almost all health measures, Australians living in the lowest socio-economic areas fare worse than those in higher socio-economic areas.⁷ Further, poor physical health can be both a cause and consequence of financial and mental health challenges⁸.
- Understanding, measuring and improving financial wellbeing as part of a holistic approach is critical to prioritising and improving overall wellbeing outcomes for people and communities.

Financial literacy and capability is a core life skill

- Financial education has long-term transformative effects for the financial outcomes of people and communities.
- Financial education interventions in schools have been shown to be beneficial, including improving financial knowledge, the use of budgets and healthy spending habits in the short term, and reducing loan arrears in the long term⁹.
- There is a correlation between low financial literacy¹⁰ and poor financial outcomes later in life¹¹, and the OECD has recognised the critical importance of financial literacy on longer-term financial resilience and wellbeing¹².
- Despite the efforts of a broad range of stakeholders focused on financial capability, financial literacy levels in Australia have fallen across all demographics, with 15-24 year olds faring the worst¹³. This is particularly concerning against a backdrop of cost-of-living pressures, growing wealth disparities, the proliferation of financial scams and complex financial product choices.
- Financial wellbeing is aligned to the economic and social goals set out in the Measuring What Matters wellbeing framework. However, achieving outcomes across these domains may prove challenging if the worsening gap in financial literacy and capability across all age groups in Australia is not addressed.

A National Financial Capability Strategy is essential to lifting financial outcomes for people and communities

- The importance of financial capability is increasingly being acknowledged internationally with over 70 countries and economies having developed and

⁵ Beyond Blue (2023), '[Money and Mental Health snapshot](#)' and '[Services Guide for Financial and Mental Wellbeing](#)'

⁶ ABC News (2023), '[One in five calls to Lifeline are currently seeking support for financial and housing distress](#)'

⁷ Australia Institute of Health and Wellbeing (2022), 'Health Across Socioeconomic Groups'

⁸ Heartward Strategic on behalf of ASIC and Beyond Blue (2022), 'Money and Mental Health. Social research report – executive summary'.

⁹ Frisncho, V. (2023) 'Is school-based financial education effective? Immediate and long-lasting impacts on high school students', *The Economic Journal*, 133(651), 1147-1180.

¹⁰ The terms "financial literacy", "financial capability" and "financial education" are used interchangeably. While financial literacy is commonly used in relation to financial knowledge, financial capability encapsulates a broader set of factors that are associated with making good financial decisions, such as decision-making skills, positive attitudes to saving, and feeling confident.

¹¹ Lusardi & Mitchell (2009), 'How Ordinary Consumers Make Complex Economic Decisions: Financial Literacy and Retirement Readiness'. National Bureau of Economic Research Working Paper 15350.

¹² OECD (2022) 'Recommendation of the Council of Financial Literacy', OECD/LEGAL/0461.

¹³ Wilkins et al (2022) 'The Household, Income and Labour Dynamics in Australia Survey: Selected Findings from Waves 1 to 20'. Melbourne Institute: Applied Economic & Social Research, University of Melbourne.

implemented national strategies for financial literacy¹⁴.

- In Australia, the inaugural *National Financial Literacy Strategy* (the National Strategy)¹⁵ was launched in 2011, led by the ASIC on behalf of the federal Government.
- The fourth National Strategy was launched by Treasury in 2022, following a transfer of policy responsibility from ASIC.
- The Strategy's high level themes focused on individual consumer capability, with priority cohorts including young people, women, people in or near retirement and Aboriginal and Torres Strait Islander peoples. The National Financial Capability Evaluation and Monitoring Framework and National Financial Capability Survey were developed to support the Strategy to lift financial wellbeing outcomes, and to track and measure the impact of financial capability initiatives.
- However, the National Strategy and supporting evaluation frameworks are not currently active. This contrasts starkly to international peers including G-20 and OECD countries where national level strategies and initiatives continue to be prioritised.

National leadership is required to drive engagement and outcomes

- National strategies for financial capability are complex, multi-year, multi-stakeholder, public policy projects¹⁶. A national agency providing leadership and coordination is crucial, with core activities including mapping the ecosystem, setting targets with a common evaluation approach, clear governance structures and secure, long term funding.
- A lead agency would champion the benefits of a national approach, drive the strategy and outcomes including coordinating the efforts of the many organisations working to support consumers, with a shared ambition to build the future economic security and wellbeing of all Australians.
- Stakeholder consultation would be required to maximise engagement and impact and would include Government, educators, consumer advocates, community organisations, academics, and financial institutions engaged in financial capability work.
- Without a holistic approach to financial capability and education, there will continue to be a decline in financial literacy in Australia. According to the recent HILDA report, "The unavoidable conclusion is that no progress has been made on improving the financial literacy of the Australian population since 2016 and in fact we have gone backwards"¹⁷.

Structural barriers to financial wellbeing and capability must be acknowledged and addressed

- Many structural and systems barriers exist to financial wellbeing and capability, which are outside the control of individuals and communities.
- In a complex world with increasing cost of living pressures and financial stress for many households, no amount of financial education can ever act as a substitute for consumer protection mechanisms, backed by strong regulatory oversight.
- However, learning about money is a lifelong journey. School and community initiatives including place based approaches are a vital part of the solution, but stakeholders engaged in this work acknowledge it is not the whole solution.

¹⁴ OECD, 'Recommendation of the Council on Financial Literacy', OECD/LEGAL/0461 p3.

¹⁵ In 2018 the strategy was renamed to the National Financial Capability Strategy.

¹⁶ OECD (2022), 'Evaluation of National Strategies for Financial Literacy'.

¹⁷ Wilkins et al (2022) 'The Household, Income and Labour Dynamics in Australia Survey: Selected Findings from Waves 1 to 20'. Melbourne Institute: Applied Economic & Social Research, University of Melbourne.

- A refreshed National Strategy must intersect, support and align with regulatory and consumer protection frameworks. This includes financial services regulation and reform, income support policy, tax policy, and housing affordability and security. Investments and reforms in these areas are essential to improving financial wellbeing outcomes for communities and people.

Recommendation 1: The Federal Government should reactivate and lead the National Financial Capability Strategy. The strategy would address the current significant gaps in consumer financial education, capability and wellbeing and:

- provide funding and resourcing to engage and implement the strategy to benefit all Australians
- intersect, support and align with regulatory and consumer protection frameworks.

2. Elevate financial literacy as a stand alone, compulsory area in the Australian curriculum

Developing positive money skills, attitudes and behaviours is crucial to future financial outcomes for young people

- Financial literacy is a core life skill that students should possess in an increasingly complex world to meet real-life challenges¹⁸
- The financial literacy of young adults is particularly critical as financial habits formed in early adulthood are likely to persist¹⁹ and financial behaviour has been shown to have a major impact on financial wellbeing.²⁰
- Money attitudes and unsound financial management practices are predictors of debt and financial problems amongst young Australians.²¹

Financial literacy of young people in Australia is declining

- As highlighted above, financial literacy levels across all age groups in Australia are declining, with young people faring the worst²². In 2016, young people scored an average of 1.3 questions correct out of 5, and in 2020 this declined to 1.0. This compares to an overall average of 2.9 in 2016 and 2.8 in 2020 for all survey respondents.
- Australia's results in the OECD's Programme for International Student Assessment (PISA) financial literacy assessment of 15-year-olds has declined since 2012, with no significant improvement over the last two assessment cycles²³.
- Further, young people have increasing concerns about financial security, with around 1 in 3 people aged 15-19 citing the economy and financial matters as one of the most important issues facing Australia – third only to the environment, and equity and

¹⁸ Thomson (2014), 'Financing the future: Australian students' results in the PISA 2012 Financial Literacy assessment: Australian Council for Educational Research.

¹⁹ Shim, Xiao, Barber, & Lyons (2009), 'Pathways to life success: A conceptual model of financial well-being for young adults'. *Journal of Applied Developmental Psychology*, 30(6), 708-723.

²⁰ ANZ (2021), 'Financial Wellbeing – A Survey of Adults in Australia'.

²¹ Dowling, Corney & Hoiles (2009), 'Financial management practices and money attitudes as determinants of financial problems and dissatisfaction in young male Australian workers', *Journal of Financial Counseling and Planning*, 20(2), 5-13.

²² Wilkins et al (2022) 'The Household, Income and Labour Dynamics in Australia Survey: Selected Findings from Waves 1 to 20'. Melbourne Institute: Applied Economic & Social Research, University of Melbourne.

²³ PISA 2018: Financial Literacy in Australia by Sue Thomson, Lisa De Bortoli, Catherine Underwood and Marina Schmid (Australian Council for Educational Research) under contract with the Commonwealth of Australia as represented by the Australian Securities and Investments Commission.

discrimination²⁴.

- These concerning student trends should be addressed earlier through education and renewed awareness raising initiatives, as young people enter adulthood and navigate complex financial decision making.
- Australia elected not to participate in the financial literacy component of PISA 2022 (the most recent financial literacy assessment). The next available PISA financial literacy assessment is not likely to be until 2028, meaning there will be no new comparative data on the performance of Australian high school students' financial literacy for some ten years.

Current Australian curriculum approach does not ensure all students access financial education

- Financial (and consumer) literacy is featured in the Australian curriculum up to year 10, however not as a stand alone learning area. In years 11 and 12, the years that are particularly important in shaping students' financial capability, financial literacy is taught only in Essential and General mathematics²⁵.
- In practice, there is a lack of consistency in how financial literacy is delivered in schools and the current curriculum approach means there is scope for students to have limited or no exposure to financial literacy concepts, as they move through secondary school.
- Relying on financial education to be delivered primarily through mathematics is problematic. Research on this approach raises issues on the too heavy a focus on formulae²⁶, an absence of contextual application of content²⁷, and teachers that lack training and confidence²⁸.

Teachers, parents and students agree that financial education in school is important

- Ecstra's survey of over 2,000 Australians on financial education in schools found that many students report low levels of confidence in talking about finance and money, and many are not learning about key concepts such as online scams despite being active consumers²⁹.
- Despite the challenges, teachers, parents and students overwhelmingly agree that learning about money in school is important.
- Ecstra's survey³⁰ found that financial education is highly valued:
 - 94% of parents and teachers, and 89% of students say it is important to learn about money and finance.
 - 98% of parents agreed that financial education should be taught in school
 - students reported they would like to learn more about how to save money and plan for the future (52%), buying property (44%), budgeting and managing household finances (43%) and investing (43%).

²⁴ McHale, R., Brennan, N., Freeburn, T., Rossetto, A., Richardson, E., Boon, B., & Christie, R. (2023). 'Youth Survey Report 2023'. Sydney, NSW: Mission Australia.

²⁵ de Zwaan & West (2022), '[Many students don't know how to manage their money. Here are 6 ways to improve financial literacy education](#)', The Conversation.

²⁶ Ibid.

²⁷ Ross & Marshman (2021), '[Aussie kids' financial knowledge is on the decline. The proposed national curriculum has downgraded it even further](#)', The Conversation.

²⁸ Sawatzki & Brown (2022), '[Supporting teachers as financial educators](#)', Teacher Bulletin.

²⁹ Ecstra Foundation (2022), '[Financial Education in schools survey: Key insights](#)' Research conducted by McNair yellowSquares.

³⁰ Ibid.

Financial education helps remove barriers to economic inclusion for specific cohorts

- The Australian Council for Educational Research notes that providing young people with financial education is essential to help bridge disparities in financial literacy due to differences in students' socio-economic status and will potentially reduce differences in their future socio-economic status³¹.
- Financial literacy has also been recognised as an important component of improving women's economic security. Gender gaps persist in financial literacy and confidence, impacting women's financial decisions and wealth accumulation.
- As part of its recommendations to secure economic equality for women, the Women's Economic Equality Taskforce³² recommends that the Federal Government take immediate action to ensure financial literacy programs are part of the curriculum for all high school students.
- Financial disadvantage also acts as a barrier to school engagement. Surveys of university students, for example, show that a high proportion are worried about their finances.³³ Indigenous students are most likely to be worried about their finances (72%), followed by students from low socio-economic backgrounds (63%) and regional students (64%).
- Best practice financial education programs in schools are inclusive and reflect the diverse background, experience and needs of cohorts. It is essential that students are equipped with the knowledge and skills to navigate financial decisions to enable them to reach their full potential.

Addressing the financial education gap in schools

- Ecstra's Talk Money program was created to address the financial education gap in schools. The program is evidence-based, curriculum aligned, age-appropriate and delivered by external facilitators, making it easy for teachers to incorporate into lesson planning. It covers foundational skills and concepts such as healthy saving habits, managing spending, setting goals, tax and super, and financial decision making.
- [Talk Money evaluation results](#) show that participation in dedicated workshops has an immediate positive effect on student's confidence, awareness and knowledge of financial concepts and on teachers' confidence to deliver financial education³⁴.
- As outlined above, while financial literacy is featured within the Curriculum more needs to be done to ensure it is taught as a priority learning area and that it is consistently delivered and available to all students.
- Compulsory financial education is an achievable goal. For example, in the USA many states now mandate personal finance classes as a graduating requirement, with some introducing year-long courses.³⁵ The New Zealand government recently announced its intention to make financial literacy compulsory in schools from 2025³⁶.
- Elevating financial education and financial wellbeing as a core, compulsory area of curriculum knowledge and pastoral care will ensure that all students are equipped with the practical financial decision making skills they need once they leave school

³¹ Thomson (2020), '[Equity issues in student financial literacy](#)', Teacher, 27 August 2020.

³² Women's Economic Equality Taskforce (2023), 'Women's Economic Equality 23-33: A 10-year plan to unleash the full capacity and contribution of women to the Australian Economy', see recommendation 6.2.

³³ Universities Australia (2018), '2017 Universities Australia Student Finances Survey', August 2018.

³⁴ Ecstra Foundation (2023), '[Financial Education in schools: Talk Money with Ecstra Foundation Impact Report 2022](#)'

³⁵ Ghilioni (2023), 'America's classrooms are finally embracing financial literacy', New York Post, July 1 and Council for Economic Education (Summer 2023) CEE Report, Council.

³⁶ NZ Herald (2023) '[Election 2023: Labour launches financial literacy in schools policy](#)'.

and undertake further study and work, and grapple with the cost of living pressures of housing, transport and student debt.

Teachers need more support to deliver financial education

- In a crowded curriculum, providing schools and teachers with access to evidence-based, curriculum aligned workshops, resources and tools to support effective learning in classrooms and at home is essential.
- Ecstra's survey found that 52% of teachers reported not having taught financial education at school and nearly all teachers said they would find further professional development in the area useful³⁷.
- This indicates that the Curriculum needs to be clear and directive about how and where financial literacy is taught, with adequate support provided to teachers to enable them to deliver financial education in-class and/or through workshops and other supporting activities.
- Ecstra notes and welcomes the Expert Panel of the Review to Inform a Better and Fairer Education System recommendation that teachers and schools have access to high-quality curriculum aligned resources³⁸. This should include effective, evidence based, curriculum aligned financial education resources and programs/workshops which are free of commercial interest, such as Talk Money and government resources (for example the MoneySmart teaching resources and the ATO's Tax, Super + You).

Recommendation 2: The Federal Government should elevate financial literacy as a core, stand alone compulsory learning area of the Australian curriculum to lift students' financial literacy and positively impact their long term economic and social wellbeing.

This is consistent with recommendation 6.2 of the Women's Economic Equality Taskforce's final report.

Recommendation 3: The Federal Government should invest in evidence based, curriculum aligned, independent resources, workshops, tools, professional development and training to help teachers and schools deliver financial education in classrooms.

This is consistent with the Expert Panel of the Review to Inform a Better and Fairer Education System recommendation that teachers have access to quality assured comprehensive curriculum materials and highly effective and evidence-based professional development.

3. Invest in community service organisations to deliver crucial financial wellbeing support

- Community service organisations (CSOs) make a significant contribution to Australian society and its economy. They provide critical services and support that people, communities, businesses and governments rely on and their economic contribution is equivalent to 8.5% of Australia's GDP³⁹.
- Ecstra welcomes the Government's stated commitment and recent investments in the sector to support and strengthen the sustainability of the community sector,

³⁷ Ecstra Foundation (2022), '[Financial Education in schools survey: Key insights](#)'. Research conducted by McNair yellowSquares.

³⁸ 'Improving Outcomes for All: The Report of the Independent Expert Panel's Review to Inform a Better and Fairer Education System', see recommendation 1C.

³⁹ Social Ventures Australia and the Centre for Social Impact (2022) 'Paying what it takes: funding indirect cost to create long-term impact'. Social Ventures Australia.

including for place based initiatives. However, CSOs are experiencing overwhelming demand for their services, with the complexity of clients' needs also increasing. Many are also navigating workforce shortages and staff turnover.

- This includes helping individuals, families and communities navigate financial stress and hardship, in addition to providing crucial early intervention support such as through financial capability programs and employment pathways training.
- Responding to crisis and severe weather events often places extra strain on existing community resources, particularly where a disaster compounds existing hardship issues for people, including financial stress. The response and recovery period can stretch out to years, well beyond the defined "crisis" period, and requires ongoing support and funding.
- However, research shows CSOs in Australia are not adequately funded for the actual cost of providing their services, with many organisations reporting underfunding of indirect costs in funding agreements⁴⁰. The Australian Council of Social Service's 2022 Australian Community Sector Survey found that only 9% of community sector leaders agreed that funding covers the full cost of service delivery (representing a significant reduction from the 2021 results of 20%).
- As a philanthropic funder, Ecstra has supported grantees working in financial capability to fill short term funding gaps, where alternative funding may not be available. This includes response and recovery grants in the Northern Rivers following devastating floods for community organisations to temporarily relocate, and rapid response grants to consumer organisations to help them pivot to remote service delivery during the increased demand period during the early lockdown period of the COVID 19 pandemic.
- Further investment is needed by Government to build workforce capacity and to ensure more people can access critical help and support when they need it.

Recommendation 4: The Federal Government should further invest in the community service sector to ensure organisations can provide crucial financial capability intervention programs. Increase funding to services including financial relief and counselling for people impacted by crisis events, including rising cost of living, housing shortages and recurrent natural disasters.

4. Commit to implementing the recommendations of the Women's Economic Equality Taskforce

- To advance women's economic equality, the Government should commit to implementing the recommendations of the Women's Economic Equality Taskforce's final report. This includes Recommendation 6.2, which recommends '*Ensure financial literacy programs are part of the curriculum for all high school students to enable young people to understand the basic concepts of managing personal finances, building personal wealth and the life states and choices that can have a significant impact on economic security.*'
- Women face many structural and systemic barriers to economic security and financial wellbeing. The gender pay gap and women's disproportionate contribution to unpaid and paid caring roles significantly impacts their economic independence.

⁴⁰ Ibid.

Gender gaps persist in financial literacy and confidence, impacting women's financial decisions and wealth accumulation.

- Through our Women's Economic Security Project, Ecstra partners with over 20 organisations working to address barriers to employment, financial participation, and economic security experienced by many women and their families in Australia. This includes ensuring more women can access tailored financial capability support when and where they need it most.
- Ecstra welcomes the recent progress and measures to address structural barriers to economic security including those relating to childcare reform, enhancements to paid parental leave and the abolition of Parents Next.
- However, despite these advancements women still face many structural barriers to economic security and independence.

Recommendation 5: The Federal government should commit to implementing the recommendations of the Women's Economic Equality Taskforce to advance women's economic equality.

Ecstra welcomes the opportunity to discuss the observations and recommendations in our submission.

For further information, please contact:

Caroline Stewart
CEO, Ecstra Foundation
caroline.stewart@ecstra.org.au

Stephanie Hui
Head of Policy and Engagement, Ecstra Foundation
stephanie.hui@ecstra.org.au