Financial Literacy

By Lauren Djakovac

Financial literacy is a key life skill.

Parents have an important role to play in teaching their children about money - showing them how to handle and save money will help young people establish good habits. Experts believe this will enable children to make good decisions that will benefit them now, and enhance their long term financial security and lifestyle. By setting a good example and following some basic and appropriate money management habits, parents can reinforce the lessons their children will learn at school.

What Is It?

Financial literacy means being able to understand money and having the knowledge and skills to make good decisions about using and managing money.

Financial education is most effective when started early and can help children to:

- Develop the knowledge and skills to use money wisely
- Identify and evaluate the value of money and credit
- Take greater responsibility for their financial decisions
- Develop a sense of responsible management of resources.

Why Is It Important?

Financial literacy skills are important for young people because they are being targeted as consumers at an increasingly early age. Research shows primary school-aged children are frequently engaged in financial activities including making a range of purchases and saving money. Young people also face financial choices such as finding the right mobile phone plan, and some teenagers are even likely to have access to credit and loans in a way that was unheard of 20 years ago.

Financial Literacy in Schools

It has been revealed that young people are very open to learning about money and how to manage it well. A 2007 report titled "Financial Literacy – Australians Understanding Money" by the *Financial Literacy Foundation* demonstrated that despite their lack of financial experience, the majority of 12 – 17 year olds surveyed were interested in improving their knowledge across a range of money issues; including budgeting, saving and managing debt.

Until recently, financial literacy has not had a unified, systematic approach. In 2005, a 'National Consumer and Financial Literacy Framework' was agreed to under the then Ministerial Council on Education, Employment and Youth Affairs (MCEEYA). The Framework outlines the knowledge, understanding, skills and values in consumer and financial education that young people should acquire at school from K - 10. It provides an integrated cross-curriculum approach, and core areas of study covered are:

- Understanding money
- Consumer literacy
- Personal finance
- Money management.

These areas of study are not 'extra' subjects, but are intended to be integrated within existing curriculum areas such as English, Mathematics, ICT and Humanities.

In 2007 / 2008, the *Financial Literacy Foundation* partnered with the Curriculum Corporation, DEEWR, and state and territory education authorities to develop a 'Professional Learning Package' to build the capacity of primary and secondary school teachers to engage students in financial literacy. The 'Professional Learning Package' was rolled out in 2008 and encourages and supports teachers to look broadly at the curriculum and identify opportunities to integrate the above four areas.

This improvement in financial literacy has been helped by the development of a number of different initiatives – by not only the Federal Government and other organisations, but also by individual schools.

'Making Cents' for instance, is a series of financial education units for primary schools - developed by the NSW Department of Education and Training, in consultation with teachers, and informed by education authorities in all states and territories. It supports current curricula and includes teaching strategies and resources that have been trialled and evaluated in a variety of school situations. 'Making Cents' materials have been matched to the curricula of each state and territory and can be downloaded from: http://www.makingcents.com.au/teachers_sa.php

Another example is the Commonwealth Bank, who has recently announced that it will invest $40 million over the next 5 years in its long running school banking program - playing a much needed part in strengthening financial literacy in Australia. The program currently encompasses 2,500 schools and more than 90,000 students. Over the next 5 years, they aim to have well over 4,000 schools involved and over 300,000 students actively saving.

Some teachers believe giving students real-life applications made maths more enjoyable and easier to understand. A recent media article provided an example of how a local SA school was incorporating financial literacy into the maths curriculum. The school made studying the stock market a core part of a Year 5 maths extension course. Students were given a fictional $50,000 and had to navigate their way through five weeks of trading.

New National Curriculum

While this is a step in the right direction, there are still many schools that are not integrating financial literacy into the curriculum and many parents who are not teaching their children the basics. However, this may soon change with the implementation of the new national curriculum to begin next year.

The draft Mathematics National Curriculum K-10 "provides students with essential mathematics skills and knowledge…and develops the numeracy capabilities that all students need in their personal, work and civic life". There are three core content strands - Number & Algebra, Statistics & Probability and Measurement & Geometry.

Starting in years K – 2, students at this level will access powerful mathematical ideas relevant to their current lives, while later on in years 9 and 10 students will have a larger focus on 'financial maths', which will involve students solving problems in financial mathematics including applications of simple and compound interest.

Under the proposed new Senior National Curriculum, practical numeracy is set to be the focus of the core maths subjects, which will also have a heavy emphasis on workplace skills. The draft outlines that the subject 'Essential Mathematics' will incorporate learning about 'real-life' financial situations such as mobile phone contacts, credit cards and even Centrelink and Youth Allowance. ■

Age Appropriate Tips for Teaching Children Financial Literacy

Parents can easily involve their children when it comes to managing money, but families need to tailor their lessons to the age of the child.

Preschool (0 – 6 years old)
- Show children the different forms of money (cash notes, coins, ATM, debit card and cheques) and that different items have different prices.
- Explain the value of money (how money is earned, saved and spent).
- Allow children to watch you pay for things and let them hand over money.

Primary School (7 – 12 years old)
- Some parents start to give their children an allowance so they can earn their own money for doing chores around the house.
- Teach children how to compare prices.
- Include them when talking about the family budget, bills or their allowance.
- Open a savings account in their name, encourage them to set goals and help them to create a budget.

Teenage Years (13 – 18 years old)
- Show them what bills look like and how to plan to pay for them (the importance of a budget) and how to analyse appropriate mobile phone plans.
- Educate children on the importance (and benefit) of short-term and long-term saving.
- Encourage children to get a part-time job, as long as it does not affect their school work.
- Demonstrate how taxes, shares, stocks, investments, credit and debit cards work – and the advantages and disadvantages.
- Help them to identify financial scams.

Source: The 'Credit Union Foundation of Australia' (CUFA) and the 'Financial Literacy Foundation'