



Australian Government

# National Financial Capability Strategy

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**Senator the Hon Jane Hume**

Minister for Superannuation,  
Financial Services and the  
Digital Economy

Minister for Women's  
Economic Security

## Foreword

Australians who are financially capable make financial decisions and engage in behaviours that are in their own best interests and that help them achieve a financially secure future. As Australia recovers from the COVID-19 pandemic, building Australians' financial capability is a priority for the Australian Government. It will help consumers adapt to an evolving financial and digital landscape and contribute to improved individual prosperity and financial resilience.

Improved financial capability can empower individuals to take action to achieve their goals. Small positive changes in financial behaviours such as planning and budgeting, spending restraint, savings and credit habits can improve people's financial wellbeing regardless of their income, age or background.

I am excited to release the 2022 National Financial Capability Strategy. This Strategy provides a framework for future Government actions to build Australia's financial capability and measure our collective progress in priority areas.

Australia already performs well by global standards on financial capability as a whole, supported by existing programs across Government and an active financial capability community, but we are committed to making sure that more Australians have the financial capability to make decisions that suit their circumstances at important moments.

Under this Strategy, the Government will be undertaking targeted actions to build the financial capability of young Australians, women, people in or near retirement, and Aboriginal and Torres Strait Islander Peoples. The first target cohort is young Australians, starting with a national conversation encouraging parents and their children to discuss finances.

I look forward to further engagement from organisations and individuals with an interest in financial capability as we look to implement the Strategy over coming years. Organisations and individuals in the financial capability community play an essential role in delivering services that build the capability of individuals and gathering data and insights, and engagement with this sector will be an important part of the delivery of this Strategy.

## Why Australia needs a new Strategy

The economic impacts of COVID-19 have put pressure on the finances of millions of Australians. More broadly, the digital revolution has broadened and deepened, creating both opportunities and risks for Australians as they navigate their financial affairs. Internationally, there is greater recognition of financial capability as a policy imperative in its own right, including by the Organisation for Economic Cooperation and Development (OECD).

The Government is committed to building the financial capability of Australians. For this reason, it has moved responsibility for this issue from the Australian Securities and Investment Commission (ASIC), an independent Government agency, to the Treasury. A new Strategy presents an opportunity for a new approach to delivering financial capability.

The approach is threefold:

- 1) Targeted interventions for the most critical cohorts, starting with young people;
- 2) Embracing innovation in the deployment of tools that will engage the target cohorts; and
- 3) Setting clear benchmarks for success and evaluation of the performance of interventions.

Treasury undertook consultation with representatives from the financial capability community in 2020 and 2021. This Strategy incorporates feedback received from these stakeholders.

This document begins by setting out a model for what financial capability includes and does not include. It then identifies the factors that influence financial capability outcomes.

This is followed by an outline of the guiding principles which will inform the Government's activities and interventions in this area, and identification of the specific outcomes which interventions should be targeting. It then sets out the role of Government in this space and how the organisations in the financial capability community are working to improve outcomes.

To build the evidence base on where financial capability gaps exist and help target initiatives, the Strategy is accompanied by a financial capability monitoring and evaluation framework and a new biennial national financial capability survey.

Lastly, it outlines the approach to implementation of the Strategy for four target cohorts: young Australians; women; people in or near retirement; and Aboriginal and Torres Strait Islander peoples.

In October 2020, the OECD Council adopted a new recommendation regarding financial literacy. The recommendation presents a comprehensive instrument on financial literacy to assist governments, public authorities and relevant stakeholders in their efforts to design, implement and evaluate financial literacy policies. The recommendation covers three main areas: national strategies, the various sectors of the financial landscape and the effective delivery of programs. It also looks at how to address the needs of vulnerable groups and takes into account the increased digitalisation of finance. The recommendation has been considered in the development of this Strategy and will inform its ongoing implementation.

# What is financial capability?

Financial capability refers not only to the knowledge needed to make sound financial decisions, but to a combination of financial knowledge, skills, attitudes, and confidence that leads to positive financial behaviours and money management decisions that fit the circumstances of one's life.

- Financial knowledge is an individual's awareness and understanding of money and financial concepts, products and services, and their own financial situation.
  - Examples of financial knowledge include understanding financial concepts such as inflation, interest and risk, as well as knowing where to get advice and support.
- Financial skills are hard and soft skills that give an individual the ability to use relevant knowledge to manage financial risks and opportunities. Financial skills are supported by general skills such as literacy, numeracy, problem-solving, communication and critical thinking.
  - Relevant skills include an individual's ability to compare financial products and avoid financial pitfalls such as scams.
- Financial attitudes refer to an individual's mindset and opinions about finances.
  - Examples include an individual's motivation to engage with their finances, financial impulsivity and their levels of stress associated with making financial decisions.
- Financial confidence is the belief an individual has in their own abilities to access and use financial products and services, make financial decisions and accomplish financial goals.<sup>1</sup>
  - For example, being comfortable talking about money and being comfortable managing their own finances.
- Positive financial behaviours refers to actions that an individual takes to improve their financial outcomes, and can be broadly divided into those involving managing money day-to-day and those related to planning for the future.
  - Some positive financial behaviours include managing debt and credit use, making savings goals and tracking spending.

An improvement in each one of these elements improves an individual's financial capability. They also build upon each other: knowledge enables skills, skills enable better attitudes and confidence, and they all may lead to the ultimate goal of behavioural change. There is a feedback loop in the development of these attributes – the development of each positively reinforces the others.

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## Why is financial capability important?

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Financial capability is linked to better individual outcomes, by equipping individuals to be able to make choices that suit their personal circumstances and act towards their goals. A range of positive financial behaviours, attitudes and capabilities are associated with improved financial wellbeing and less financial stress. For example, the 2021 National Financial Capability Survey found that people who report keeping a close watch on their financial affairs are less likely to report experiencing stress when thinking about money (29 per cent), compared with those who do not keep an eye on their finances

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<sup>1</sup> Financial confidence is only effective if supported by proficiency in the other aspects of financial capability. Over-confidence can reduce financial capability, for, by example, leading people to invest in products they do not understand or become susceptible to scams.

(48 per cent). It also found that people with a three-to-five year financial plan are more likely to report that they are either ‘doing alright’ or ‘living comfortably’ (83 per cent) compared with those without one (64 per cent).

However, in many specific situations, the most appropriate decisions and behaviours will be highly contextual to the individual, guided by the choices available to that individual and their financial circumstances.

Empowering individuals with sufficient knowledge, skills, timely and trusted sources of information, and the right tools at the right time, can encourage attitudes and behaviours in line with one’s own best financial interests. Enhancing financial capability can enable individuals to better understand the risks involved in financial decisions, information asymmetries and the incentives of financial providers. It also enables individuals to be more adept at identifying scams or financial products which are not appropriate for their individual circumstances. Financial capability is also essential to enable Australians to respond and adapt to new challenges and opportunities presented from social, economic and technological change.

## Drivers of financial capability

The complementary and enabling factors which can impact individual capability are relevant in considering how to build individual financial capability through targeted initiatives. The primary focus of this Strategy, as outlined in the objectives, is the attributes of an individual which drive their financial decision making. Broader complementary factors, including issues of financial access, consumer protection or financial system regulation are not the primary focus of this Strategy.

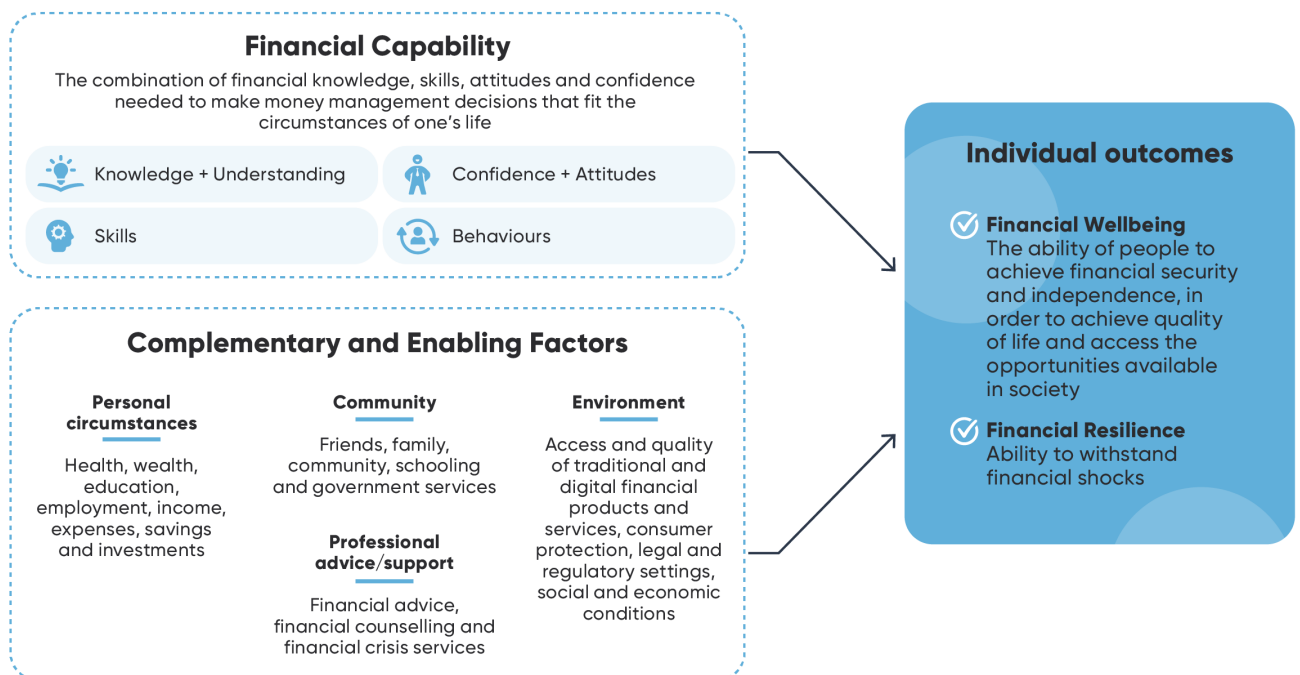


Figure 1: Treasury 2022, Financial capability and its complementary and enabling factors

A range of factors can influence an individual’s financial capability both directly and indirectly. Some of these are captured in Figure 1 as enabling factors. For example, an individual’s education, community, access to support and personal financial circumstances will all have an impact on an individual’s level of financial capability. Many of these same factors can also separately affect an individual’s outcomes.

For example, someone's access to education will affect their financial capability, but also impact other factors such as their employment potential which have an overall effect on individual outcomes.

It is important to recognise the impact that broader social and cultural factors have on individual financial behaviours and decision-making. Observations of families, peers, community norms and values all naturally shape an individual's financial values and goals<sup>2</sup>. Social, cultural, legal and economic factors can also result in financial exclusion and reduce individual opportunity to access financial education, all of which can have a direct impact on a person's ability and willingness to engage with their finances.

Specific factors will affect the components of financial capability differently and understanding these relationships will help to effectively target initiatives. For example, financial knowledge will be affected by education and access to financial advice and support. Financial attitudes may be most affected by an individual's community, including their friends and family.

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2 Russell, R., Kutin, J. & Marriner, T. (2020) Financial Capability Research in Australia. RMIT University.



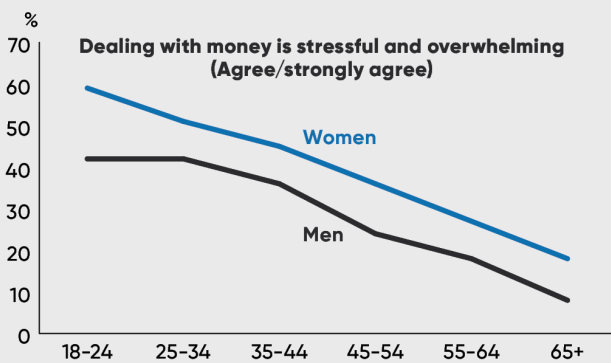
# National Financial Capability Survey 2021 – a Snapshot

**17%**

of Australians are **not very confident** or **not confident at all** about their ability to hit a financial goal



**Many Australians**, particularly amongst **younger Australians and women**, find dealing with money stressful and overwhelming



**94%**

of **young Australians** aged 14 to 17 either agreed or strongly agreed that it is **important to learn how to manage their money**, but only ...



**42%**

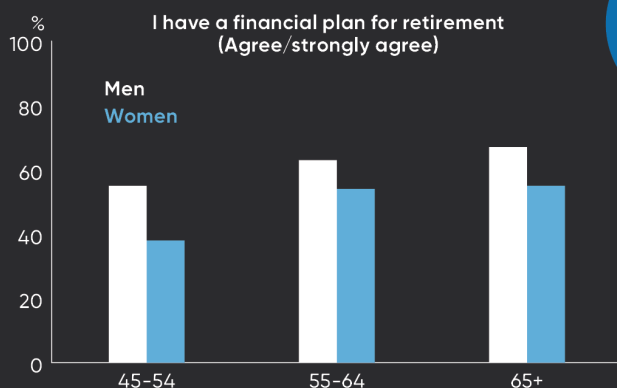
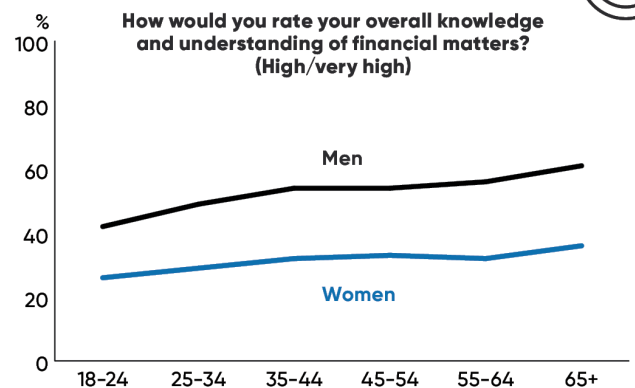
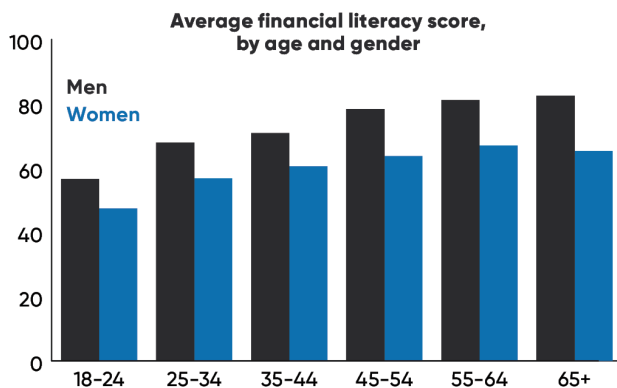
felt confident or very confident doing so



Young Australians and women did not perform as well on average on **financial literacy**



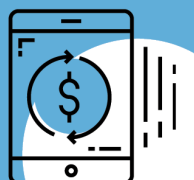
did not rate their own overall **knowledge and understanding** of financial matters as highly as older Australians and men



Many Australians approaching retirement age do not have a **financial plan for retirement**



Older Australians are **not as comfortable** learning to use online financial technology as younger Australians



# Aims of the Strategy

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## Vision for Australia's financial capability

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*For Australians to have the knowledge, skills, attitudes and confidence to engage in positive financial behaviours and make financial decisions appropriate to their individual circumstances throughout their lives.*

To achieve this vision, the Government has a set of guiding principles for how to develop initiatives, and that it will consider in undertaking and supporting financial capability initiatives under the Strategy.

### *Targeted*

All individuals engage with their finances in different ways and are faced with numerous choices when it comes to managing their money across various life stages. Initiatives that understand how to communicate and target engagement with Australians relative to their situation and cater for specific circumstances can be the most effective at improving financial capability. Providing information or resources to people at a time when the information isn't relevant or perceived to be needed makes it less likely to be engaged with. Initiatives that support individuals at the right time or a specific life event – such as when they are considering important financial decisions – are more likely to have a tangible effect on financial capability.

### *Innovative*

The provision of information alone will not always be sufficient to build skills, attitudes, confidence, and to encourage positive financial behaviours. Innovative approaches can help foster new opportunities to better deliver established methods of building financial capability or can identify new or unutilised channels for building financial capability. Innovation in the delivery of financial capability initiatives can be supported by understanding trends in consumer behaviour, how consumers engage with public and private sector services, and how they engage in financial choices and decision making in their lives. For example, the increasing engagement of individuals with their finances through smartphones, access to information on demand, as well as the new opportunities arising from regulatory changes, such as the Consumer Data Right<sup>3</sup>, which can be used by individuals to better understand their overall personal financial situation and allow for more informed financial decision making, can all lead to building greater financial capability.

### *Measurable and shared*

There is a wealth of experience in the financial capability community on how to build Australians' financial capability. When organisations seek to measure the success of their initiatives and share their lessons learned this will facilitate more successful outcomes across the sector. This Strategy sets priority outcomes and is accompanied by a monitoring and evaluation framework for those delivering initiatives that can help to measure the success of their outcomes, as part of leading a collaborative effort to develop the evidence base on how to build financial capability.

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3 For more information about the Consumer Data Right, visit [www.cdr.gov.au](http://www.cdr.gov.au)

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## Objectives

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Setting clear and measurable outcomes enables efforts to be focused and progress to be measured. These focus areas represent the broad priority outcomes that the Strategy is aiming to encourage and are designed to be applicable for all individuals across different cohorts and life stages. Monitoring our progress towards these will provide an indication of where change is occurring and allow the identification of what types of change in capability are occurring across different cohorts.

<b>Financial Capability Component</b>	<b>Priority Outcomes: Financial Capability improves when Australians</b>
<b>1. Knowledge and Understanding</b>	<ul style="list-style-type: none"> <li>1.1. Know when and where to get information/support</li> <li>1.2. Understand financial concepts, products and services</li> <li>1.3. Understand their own financial situation</li> </ul>
<b>2. Skills</b>	<ul style="list-style-type: none"> <li>2.1. Can weigh up risk and opportunity when making decisions</li> <li>2.2. Are able to deal with a changing financial landscape</li> </ul>
<b>3. Confidence and Attitudes</b>	<ul style="list-style-type: none"> <li>3.1. Are engaged with financial decisions</li> <li>3.2. Are motivated to achieve financial goals</li> <li>3.3. Are willing to seek help</li> <li>3.4. Feel more confident to manage money</li> </ul>
<b>4. Behaviours</b>	<ul style="list-style-type: none"> <li>4.1. Keep an eye on money going in and out</li> <li>4.2. Manage debt and credit use</li> <li>4.3. Set and work towards financial goals</li> </ul>
<i>Managing money day to day &amp; planning for the future</i>	

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## Role for Government in delivering financial capability

This Strategy is designed to raise public awareness on the current financial capability barriers which exist as well as encouraging the dissemination of information, tools and support available to make individuals more adept at navigating an increasingly complex financial world.

The Commonwealth Government can assist to build financial capability in ways that would not otherwise be delivered by others in the financial capability community. This is because of its size and capacity and its unique access to individuals through, for example, the school curriculum, the tax and transfer system and other Government interactions, and information and welfare services.

The size and capacity of the Commonwealth Government means that it is best placed to deliver large-scale initiatives that reach a significant number of Australians. This can be through creating new resources or leveraging pre-existing resources and amplifying their audience through the utilisation of Government touchpoints. The Government is also well positioned to take a holistic view of financial capability and direct interventions where they will support the work already being undertaken. This could include:

- Providing leadership at a national level by creating and encouraging mechanisms for greater coordination and information sharing between stakeholders
- Commissioning specific research or convening expertise on financial capability challenges and how to address them
- Identifying initiatives that are successful in building financial capability and exploring opportunities to scale-up their reach.

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### Existing Government initiatives with a focus on financial capability

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There already exists across Government a range of initiatives that include improving Australians' financial capability as one of their functions. Some of the most significant ones are outlined in Figure 2 below. The transfer of policy responsibility for financial capability to the Treasury provides the Government with the opportunity to provide leadership and a centralised perspective on how these initiatives are developed and delivered, to ensure that they have the greatest impact on building individuals' financial capability. Many of these are being delivered through agencies within the Treasury portfolio, particularly ASIC and the Australian Taxation Office (ATO), with whom Treasury works closely. The Department of Social Services (DSS), Services Australia, Department of Education, Skills and Employment (DESE) and Department of the Prime Minister and Cabinet (PM&C) also deliver significant initiatives with a financial capability component.

## Existing Government Financial Capability Initiatives

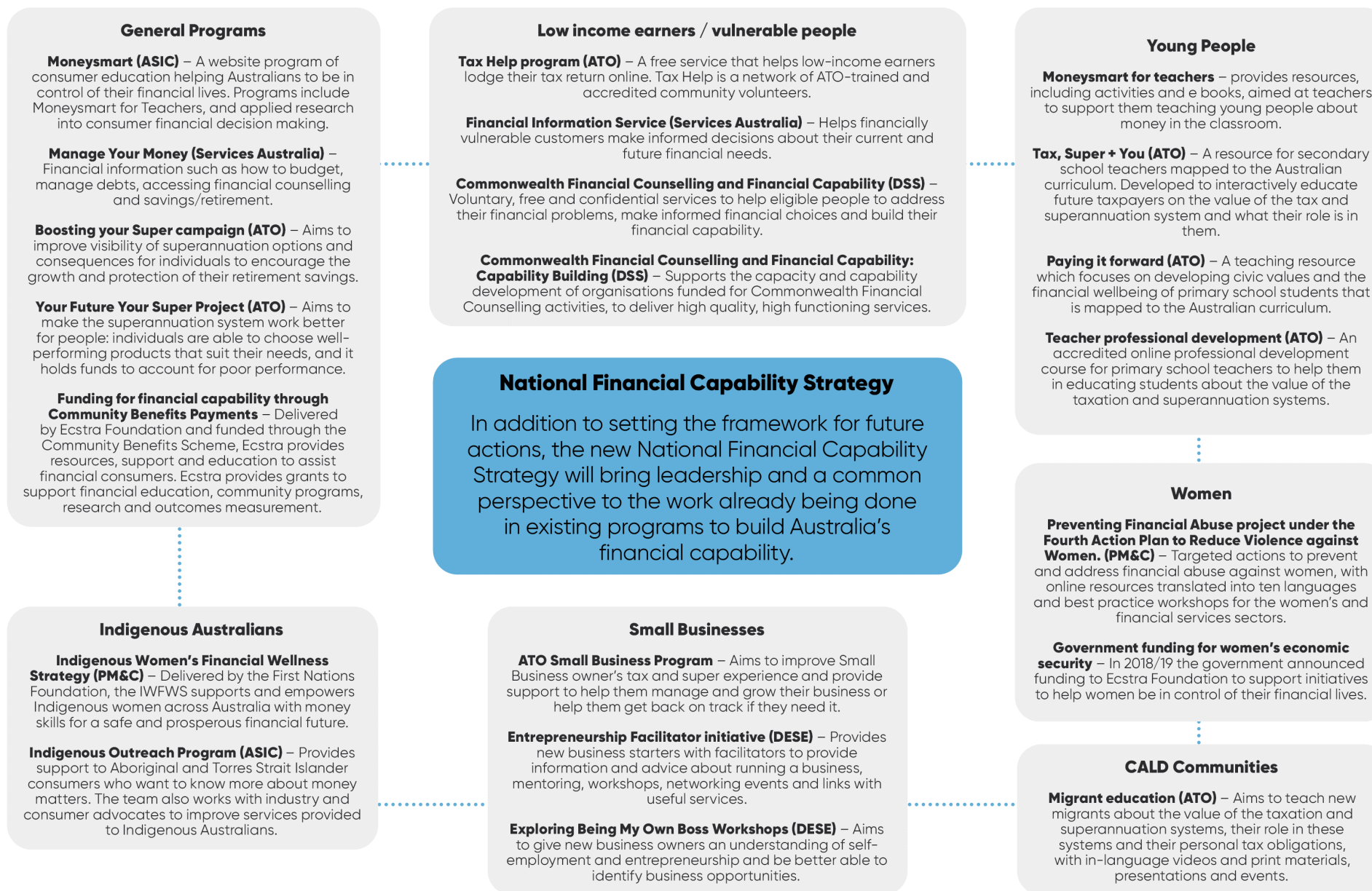


Figure 2: Treasury 2022, Existing Government Financial Capability Initiatives

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## Bringing a financial capability perspective across Government

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The Department of the Treasury is leading financial capability policy at a national level across the Australian Government. In addition to leading development and implementation of the Strategy, Treasury is positioned to bring a financial capability perspective to many related issues.

### *Processes closely related to financial capability*

The table below shows links with other current Government policies and reform agendas that will have a direct impact on individuals' levels of financial capability, or where increasing financial capability will directly improve outcomes under those strategies.

<b>Government strategies and reforms</b>	<b>Relationship with financial capability</b>
<b>Consumer Data Right</b>	<p>The Consumer Data Right (CDR) gives consumers the ability to safely and securely access and share data created about them through their interactions with their service providers. This includes, for instance, information about their spending history and saving habits held by their banks. By giving consumers the ability to use this data, the CDR encourages innovation in financial technologies which can contribute to positive financial outcomes among consumers. Examples could include apps to help people set budgets and understand their finances, or services that recommend better products to consumers based on their actual spending habits and saving needs.</p> <p>The CDR can also help consumers share their data with certain professionals, including financial counsellors and financial advisers, reducing the administrative hassle of receiving informed financial help.</p> <p>Understanding one's own financial situation is one of the objectives of this Strategy, and the CDR can assist individuals to make more financially capable decisions reflective of their broader financial situation.</p>
<b>Australia's Digital Economy Strategy</b>	<p>The Strategy complements the priorities outlined in the Digital Economy Strategy to support digital inclusion and efforts to improve digital literacy, which are increasingly important for engaging with financial services.</p>
<b>Australian Curriculum</b>	<p>The Australian Curriculum (Foundation to Year 10) includes financial literacy concepts, largely as it relates to business, economics, civics and mathematics.</p> <p>The Australian Curriculum Assessment and Reporting Authority (ACARA) is currently undertaking a review of the curriculum. The new curriculum is expected to be published, subject to endorsement by the Commonwealth and State and Territory Education Ministers, in 2022.</p>

<p><b>2021-22 Women’s Budget Statement</b></p>	<p>Women’s economic security is one of three priorities in the 2021-22 Women’s Budget Statement. Increasing women’s financial capability can increase their financial security and help ensure women are in control of their financial lives.</p>
<p><b>National Plan to Reduce Violence Against Women and their Children</b></p>	<p>Financial abuse of women is a form of domestic violence and women’s safety and financial capability are linked.</p>
<p><b>National Agreement on Closing the Gap</b></p>	<p>Enhancing the financial capability of Aboriginal and Torres Strait Islander peoples has the potential to contribute to progress on a number of the outcomes under the 2020 National Agreement on Closing the Gap and contribute to the National Roadmap for Indigenous Skills, Jobs and Wealth Creation.</p>
<p><b>National Plan to Respond to the Abuse of Older Australians (Elder Abuse) 2019-2023</b></p>	<p>The National Plan provides a framework for action over four years, to respond to abuse of older people. It sets out the commitment of the Australian Government and each of the eight state and territory governments to undertake research, provide services, and develop policy and law reforms to address a complex problem in need of a comprehensive response.</p>
<p><b>Implementation of Government response to the Countervailing Power: Review of the coordination and funding for financial counselling services across Australia (the Sylvan Review)</b></p>	<p>The Government funds financial counselling services, which offer independent, free and voluntary services to help eligible people address their financial problems, make informed choices and build their financial capability.</p> <p>The Sylvan Review recommended a raft of measures to ensure the long-term viability of the financial counselling sector. The Government is currently implementing its response to the Sylvan Review.</p>

*Processes complementing financial capability to achieve financial wellbeing for individuals*  
 Beyond financial capability, Treasury has policy responsibility for other issues that affect financial wellbeing, such as regulation of financial and credit products and services, consumer protection and the taxation system.

Financial capability plays a complementary role to many of these other processes. In the case of consumer protection in financial policy, the regulatory system creates the environment under which individuals make their decisions, while their level of financial capability influences whether they make the optimal decisions for their own individual circumstances within that environment.

This Strategy is focussed on financial capability and not the other factors that affect the environment in which an individual makes their decisions. However, there have been significant steps in these complementary areas in recent years and moving financial capability to Treasury ensures that financial capability will be considered in future complementary reforms. Some of the reforms and reviews completed or announced in recent years are outlined below.

## Government reforms and reviews

### Government response to the Financial Services Royal Commission (FSRC)

The Government response to the FSRC has included a number of reforms that improve consumer protections. Below are some of the reforms that directly affect the information or pressure a consumer faces when making financial decisions.

- Strengthening anti-hawking provisions for insurance and superannuation products to prevent pressure selling to consumers.
- Introducing a Deferred Sales Model for add-on insurance to ensure that consumers are not pressured into buying add-on insurance products they do not need.
- Replaced the duty of disclosure regime with a duty to take reasonable care not to make a misrepresentation. This ensures that consumers' claims are not declined where they may have inadvertently failed to disclose their past circumstances.
- Extended unfair contract terms provisions to insurance contracts. Standard form insurance contracts offered to consumers and small businesses on a 'take it or leave it' basis are now unable to include terms that are considered unfair.

### Payments System Review 2021

The payments system plays a key role in the economy by facilitating Australia's economic activity by providing a safe, efficient and effective way for Australians to exchange money for goods and services. The payments system review made a number of recommendations to ensure Australia's regulatory architecture of the payments system remains fit for purpose and able to respond appropriately to change. Through its response to the review on 8 December 2021, Government committed to implementing the majority of the recommendations of the review, including recommendations:

- that consumers and businesses should be at the centre of policy design and implementation
- that the Government should set strategic direction of the future payments framework by developing a Payments System Strategic Plan
- to modernise the regulatory framework governing payment systems
- to modernise the existing licensing framework for payment service providers
- to provide increased education in relation to payments for consumers and businesses.



**Design and distribution obligations** The DDO regime will help consumers obtain more appropriate financial products by requiring issuers of financial products to determine an appropriate target market for their products that considers the likely financial circumstances and needs of consumers. Issuers and distributors will then be required to take reasonable steps to ensure that products are distributed accordingly.

**Financial advice review** The Government has committed to a review of the effectiveness of measures implemented by the Government, regulators and financial services entities to improve the quality and affordability of financial advice. The Government released draft terms of reference for consultation between 16 December 2021 and 4 February 2022.

**Retirement Income Covenant** The Government is introducing a retirement income covenant to codify the long-standing expectation that superannuation fund trustees consider the retirement needs of their members. By requiring trustees to increase their focus on the retirement phase of superannuation, member outcomes will be improved while enabling choice and competition.

**Scams** The Government is working to protect Australians from scams. The Australian Competition and Consumer Commission (ACCC), the independent statutory authority responsible for administering the Australian Consumer Law, publishes guidance to assist consumers to avoid scams ([www.scamwatch.gov.au](http://www.scamwatch.gov.au)) and enforces the consumer protection legislation.

## Working with the financial capability community

There are many participants in the financial capability community who actively contribute to successful outcomes for the recipients of services. This includes those who coordinate delivery, fund delivery, provide and/or analyse data and evidence, and do the direct engagement. The best outcomes can be achieved when these organisations share a mutual understanding of each other’s capacity to contribute and share insights on outcomes.

While Government is well-positioned to reach Australians at a macro level, there is a community of organisations complementing the role of Government that undertake direct, targeted, and in-depth engagement with Australians to improve their financial capability. These organisations in particular play an essential role in financial education through the contribution of specialist and up-to-date knowledge along with consumer insights and data. Delivery organisations are also well placed to capitalise on teachable moments related to key financial decisions and combine financial education with financial inclusion efforts.<sup>4</sup>

### Roles and responsibilities

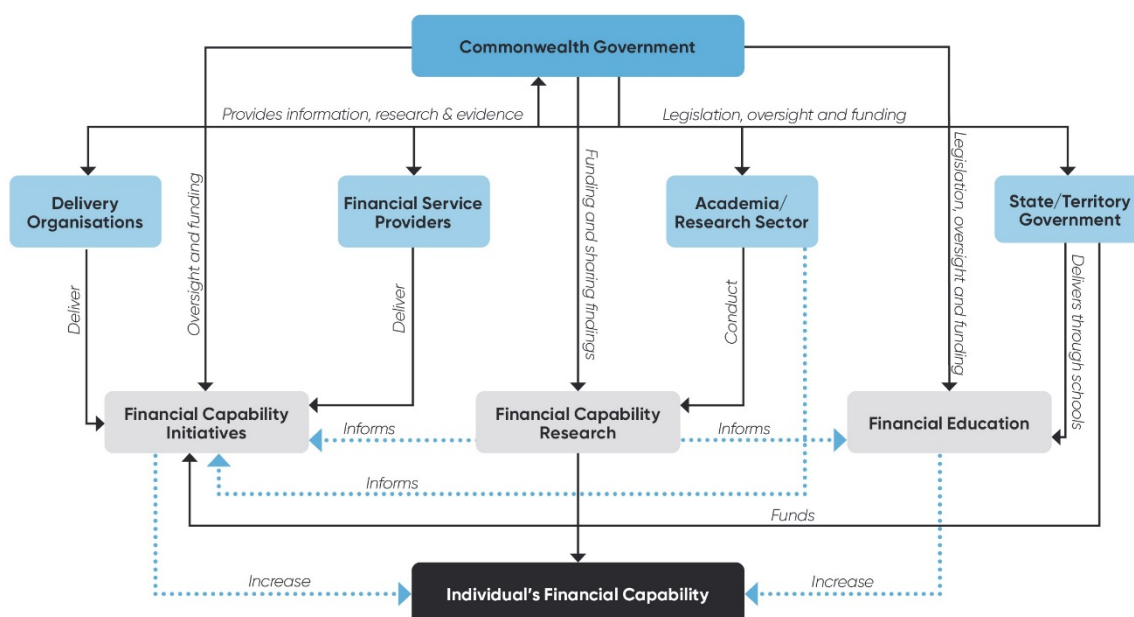


Figure 3: Treasury 2022, The Financial Capability Community

#### Commonwealth Government

- Consult with experts as required to ensure sector and expert views are incorporated in the implementation of the Strategy.
- Deliver or fund national financial capability initiatives.
- Continue to deliver financial information resources – such as ASIC’s Moneysmart, Services Australia’s Manage Your Money and Financial Information Service and the ATO’s Tax, Super + You.

4 OECD/INFE Guidelines on Private and Not-for-profit Stakeholders in Financial Education, [guidelines-private-not-for-profit-financial-education.pdf](https://www.oecd.org/finance/finance/guidelines-private-not-for-profit-financial-education.pdf) (oecd.org)

- Coordinate the teaching of financial capability concepts through the school system, including as part of the Australian curriculum.

#### *State and Territory Governments*

- Deliver financial capability education through the school system as well as deliver or fund other state-based financial capability initiatives, and participate in national initiatives where agreed.

#### *Academia*

- Undertake and share research based on data and evidence.
- Support other groups to understand financial capability issues and develop, deliver and evaluate financial capability initiatives and outcomes.

#### *Financial service providers*

Financial service providers are uniquely placed to understand the financial wellbeing and spending and savings patterns and behaviours of individual Australians to support a data driven approach on how to build the financial capability of Australians. Recent developments in banking and finance platforms allow digitally engaged consumers to manage their finances and easily keep track of where their money goes. In filling the gaps in the evidence base there is a role for financial providers to help the broader financial capability community to understand the impact of these developments on individual capability and outcomes.

Financial service providers can deliver financial capability initiatives to their customer bases or partner with other organisations to deliver financial education more broadly.

#### *Delivery organisations*

There is a range of entities including charities and not-for-profit organisations undertaking direct engagement with individuals whether this is through the co-design of programs or those delivering financial capability training as part of financial counselling or other support services. Delivery could also be through more distant engagement, such as financial capability training through online technology. Delivery organisations such as financial counselling services are particularly important for providing individuals with one-on-one support and capability building.

#### *Employers*

One relationship that offers significant potential for the delivery of financial capability services is that of employer and employee. Given the significance of an employer to an employee's financial outcomes and the large amount of time shared between the two, employers can contribute to the financial capability of their employees by delivering financial capability education to their staff or promoting services and providing information about services which are available to support financial decision making. Employers can also provide tailored advice and information unique to an individual's employment conditions and circumstances. Providing tailored support or information to employees at a time when it is most needed can have a lasting behavioural impact.

## Building the evidence base

There is a wide array of organisations who have insights that can contribute to building the evidence base on where the gaps are in Australians' financial capability, and how best to address those gaps. This Strategy aims to leverage these insights through a monitoring and evaluation framework that can provide insights at a micro level and add to the evidence base through a biennial national financial capability survey to measure progress at a macro level. The Government has also done a stocktake of existing financial capability initiatives which can be found at the financial capability website.<sup>5</sup>

Best practice delivery of support to target cohorts often involves making the evidence available to those cohorts. For Aboriginal and Torres Strait Islander people, the Government is committed to encouraging greater information sharing in support of the priority reforms of the Closing the Gap Agreement,<sup>6</sup> to enable the monitoring of progress and better understanding of outcomes.

One challenge facing the effective targeting of financial capability initiatives is the difference between self-reported behaviours and outcomes, and actual behaviours and outcomes. While surveys and direct engagement with an individual capture their self-reported financial capability, this would be a more accurate representation of actual financial capability if supplemented with evidence on actual behaviours, both in the near-term and on an ongoing basis.

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### National survey

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To establish a stronger evidence base of the level of financial capability across Australia and allow progress tracking over time, the Government undertook the first biennial national financial capability survey in 2021. The purpose of the survey is to measure how progress and changes in financial capability are occurring over time across the general population and within target cohorts. The results are published on the Government's financial capability website for use by the financial capability community and any other interested parties.<sup>7</sup>

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### Monitoring and evaluation framework

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To understand and build the evidence base on what types of interventions are effective in building financial capability in Australia, providers need access to consistent and robust monitoring and evaluation practices for programs and services.

This Strategy is supported by a monitoring and evaluation framework which will promote a consistent approach to the measurement of the impact of financial capability initiatives, by providing tools and resources to help providers design, measure and understand the outcomes of their initiatives. The framework provides a set of priority and secondary outcomes and ways of measuring progress against those outcomes. It is designed to be applicable to the diverse range of activities in the sector delivered in a variety of formats, such as one-on-one support, workshops and digital tools.

These outcomes are framed around the core elements of financial capability that are identified in this Strategy; knowledge, skills, attitudes, confidence and behaviours. These outcomes are supported by indicators that will allow for providers to monitor whether change in individual financial capability is

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5 [www.financialcapability.gov.au](http://www.financialcapability.gov.au)

6 Commonwealth of Australia, National Agreement, Closing The Gap National Agreement, 2020  
<https://www.closingthegap.gov.au/national-agreement>

7 [www.financialcapability.gov.au](http://www.financialcapability.gov.au)

occurring. For example, the priority outcome of an individual being engaged with financial decisions could be shown to be occurring through the number of people reporting to pay attention to their finances. The framework will also include suggested survey questions for individuals to answer before and after the initiatives, and other supporting resources to assist providers with collecting this data.

The application of the framework and supporting resources for impact evaluation will increase the availability of reliable data on the effectiveness of financial capability building initiatives and support resources being directed to initiatives that are proven to be making a positive change.

# Implementation

There are four target cohorts for Government action related to financial capability under the Strategy:

- Young Australians
- Women
- People in or near retirement
- Aboriginal and Torres Strait Islander peoples.

The Government is taking a sequential approach to actions on the four target groups under the Strategy. The first target cohort is young Australians, starting with a new online resource and national conversation encouraging parents and their teenagers to discuss money. The next cohort will be women, with people in or near retirement and Aboriginal and Torres Strait Islander peoples to follow. The financial capability challenges facing these cohorts are discussed in the attachments to the Strategy.

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## Initial Actions – Young Australians

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The Government is taking action to build the financial capability of young Australians, as the first target cohort under the Strategy. These actions are a culmination of extensive work and research that has been undertaken by the Treasury since it took on policy responsibility for financial capability in the 2020-21 Budget.

In late 2020, Treasury commissioned market research of young people and their parents and guardians to determine their financial capability building needs and the opportunities for Government to undertake further initiatives to support financial capability for young Australians. This research identified a gap in existing online financial capability initiatives for young Australians in terms of what is offered (content) and how it is offered (framing of the information is usually not relevant to or tailored to youth), and an expectation from young people and their parents and guardians that the Australian Government should be filling this gap. In addition, it highlighted the important role that parents and guardians can play to build youth financial capability, through having conversations with their children about financial matters.<sup>8</sup>

The Government has introduced a new youth financial capability online resource called Money Managed, which aims to support Australian teenagers to make informed financial decisions and engage in financial behaviours that are in their best interests. Money Managed is an interactive, mobile first platform, that has practical information, tips and tools relevant to the ‘financial firsts’ that young people face, such as getting a first job or saving for a major purchase.

Money Managed is supported by a communications campaign to promote the resource to teenagers and their parents and carers. The campaign highlights the importance of financial capability for teenagers and encourages money conversations in the family unit.

The Government is also investigating other innovative, digital solutions to build the financial capability of young Australians during their ‘financial first’ life events, such as when they are engaging with government services online.

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<sup>8</sup> Kantar Public (2021), “Youth Financial Capability Program Formative Research Findings”, commissioned by Treasury

This aims to complement several existing Government initiatives targeted at building the financial capability of young Australians:

- **Moneysmart (ASIC)** – This is a key resource for all Australians to take control of their money with online tools, tips and guidance. Moneysmart’s new ‘Get Moneysmart’ resource aims to help young people feel more confident with how they are using money today and better prepare them for more significant financial decisions later in life.
- **Moneysmart for teachers (ASIC)** – These are free resources, including activities and e-books, aimed at teachers to support them teaching young people about money in the classroom.
- **Tax, Super + You (ATO)** – This teaching resource is targeted at secondary school students and teachers, focusing on the value of the tax and superannuation systems. It is a complete learning management system (including interactive videos, quizzes and assessments) mapped to the Australian Curriculum.
- **Paying It Forward (ATO)** – This teaching resource is targeted at primary school teachers and aims to help them educate young people about tax and superannuation by focusing on developing civic values and the financial wellbeing of students.
- **Teacher professional development (ATO)** – This is an accredited online professional development course for primary school teachers to help them educate students about the value of the tax and superannuation systems and their role within these systems.

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## Further Actions

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This Strategy sets out the framework for initial and future financial capability actions. The Government welcomes further engagement from organisations and individuals with an interest in financial capability on the content of the Strategy and how future actions under the Strategy would best be targeted.

The Government will be consulting further with key stakeholders, including the States and Territories and those in the financial capability community, to encourage the ongoing sharing of evidence, data and insights.

Following the focus on young Australians, the Government will be considering actions for women, people in or near retirement and Aboriginal and Torres Strait Islander peoples that are innovative, targeted and aim to drive behavioural change. These cohorts face different financial capability challenges and there will be different approaches that are most successful in reaching them and driving behavioural change in each. The Government will therefore be considering programs that are tailored and based on financial and behavioural research and understanding of each.

# Attachment – The importance of financial capability for the target cohorts

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## Young Australians

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Instilling positive financial behaviours and habits in young Australians is critical to help them navigate ‘financial firsts’, such as a first job, first major purchases, and moving out of home. These behaviours can provide the foundation for future financial decisions and can set up young Australians for future financial success and financial resilience. We need to invest in building the financial capability of young Australians. That is why young Australians are the Government’s first priority cohort for the National Financial Capability Strategy.

Exposure to financial concepts within the home is the main source of young Australians’ financial capability building. Market research, commissioned by the Treasury in 2021, found that 82 per cent of young people reported that their understanding of financial concepts comes from conversations with parents and carers.<sup>9</sup> However, the research also found that many parents did not realise the full value of discussing financial concepts with their children or lacked the knowledge and confidence themselves to effectively have these conversations.<sup>10</sup> There are additional challenges facing young people who may not have strong parental support or are experiencing disadvantage. This highlights the need for additional support to improve young people’s financial capability, including a national conversation about the importance of building financial capability in young people and the fundamental role that parents and carers can play.

In designing financial capability-building initiatives for young Australians, it is crucial they are tailored around key financial life events to maximise perceived relevance and usefulness. Initiatives should be designed and tested with young people, and their parents, to ensure information and tools are presented in an engaging, practical and accessible manner.<sup>11</sup>

It is also important to leverage different communication channels to engage young Australians. Young people today are digital natives (i.e. those born in the ‘online’ era) and are more likely to have higher digital skills and engagement than previous generations. Young people are well placed to take advantage of new financial technologies, such as online banking apps with integrated budgeting tools and savings goal trackers, that can help instil positive financial habits.

Finally, schools are also a key source of financial education, with around 50 per cent of young people reporting learning about financial concepts in school.<sup>12</sup> However, there is a desire amongst young people for increased financial education at school that focuses on practical and real-life money management topics, with a need for content to focus on life stages or events that are most relevant

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9 Kantar Public (2021), “Youth Financial Capability Program Formative Research Findings”, commissioned by Treasury

10 Ibid.

11 Lusardi, A., et al. (2017) “Visual Tools and Narratives: New Ways to Improve Financial Literacy.” *Journal of Pension Economics & Finance*, 16 (3), Cambridge University Press, pp. 297–323.

12 Kantar Public (2021), “Youth Financial Capability Program Formative Research Findings”, commissioned by Treasury



(such as getting a first job).<sup>13</sup> The Australian Curriculum already includes some financial concepts and is currently under review by the ACARA.

The Curriculum is also supported by complementary in-school programs that provide resources for teachers to incorporate financial capability learnings in the classroom. At the national level, this includes the ATO's 'Paying It Forward' and 'Tax, Super + You' and ASIC's 'Moneysmart for teachers' programs. Of note, there has been a decline in voluntary in-school banking programs run by the private sector.

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## Women

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Women are a target cohort under this Strategy because women are still more likely than men to have low financial capability. In addition, a combination of structural factors has resulted in women experiencing economic disadvantage over their lifetime, relative to men. Increased financial capability can help in addressing some of the economic challenges faced by women in their working lives, relationships, and retirement.

Australia has made significant progress towards increasing the financial and economic security of women. The Government is committed to increasing women's economic security as one of three key priorities in the 2021-22 Women's Budget Statement. Despite this, women continue to experience lower levels of financial capability when compared with men and the longstanding inequality between women's and men's economic circumstances continues to influence women's engagement with their finances.<sup>14</sup> According to HILDA analysis, when tested on the understanding of basic financial concepts, fewer than 48 per cent of Australian women were considered financially literate, compared with 63 per cent of Australian men.<sup>15</sup>

Women face accumulative economic disadvantage in their working life and have lower levels of workforce participation and a higher ratio of part-time to full-time employment, largely due to cultural norms around unpaid care for family. Women's cumulative economic disadvantage is reflected in the gender pay gap and retirement income gap. The higher life expectancy of women also means their superannuation balances at retirement need to stretch further, highlighting the need to support women to effectively manage their finances. The Government announced \$10 million in funding to Ecstra foundation to provide grants to social enterprises and charities across Australia to build women's financial wellbeing and economic security through employment and financial education. Additional initiatives aim to improve women's access to financial services and products, measure and track women's economic security and inclusive financial education for young women from diverse backgrounds.

Women's financial and economic security is influenced by societal, cultural, and economic challenges that have a significant impact on their personal finances throughout their lives.<sup>16</sup> Confidence around managing money is one issue, where the gender disparity is particularly pronounced, with over 40 per cent of women reporting that dealing with money is stressful and overwhelming, compared with 24 per cent of men.<sup>17</sup>

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13 Ibid.

14 WIRE, Women Talk Money, 2020

15 UWA, Financial Literacy In Australia: Insights from HILDA Data, 2020

16 Commonwealth of Australia, Retirement Income Review, 2020

17 National Financial Capability Survey 2021

Providing women with the skills to recognise financially abusive behaviour is important to help protect against this form of family and domestic violence. A common sign of financial abuse is being excluded from financial decision-making or having limited access to information about an individual or household's money. Often the person affected by financial abuse may not recognise the perpetrator's tactics as abuse or know how to protect themselves and their assets.<sup>18</sup>

Financial abuse can be just one part of a broader pattern of coercive or violent behaviour, and improved financial skills could help some women identify the signs of abuse. Preventing financial abuse is a priority under the fourth action plan of The National Plan to Reduce Violence Against Women and their Children. The National Plan recognises the complexities involved with domestic violence in various forms including financial abuse and outlines the Government's commitment to long-term targeted action to ensure the safety of women and children.

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## People in or near retirement

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People in or near retirement are an important cohort to target because transitioning into retirement and living in retirement comes with its own set of financial decisions and circumstances that individuals may not have developed the capability to handle throughout their working lives.

While older Australians score better on average than younger Australians on financial capability, this does not mean that all retirees and soon-to-be retirees are making the right decisions to maintain financial wellbeing in retirement. Complexity and misconceptions have resulted in people not adequately planning for their retirement or making the most of their assets when in retirement. According to a survey of retirement intentions by the Australian Bureau of Statistics in 2020, there were almost a million people over the age of 45 without a plan to retire.<sup>19</sup>

Low financial capability is correlated with lower superannuation balances, lower willingness to take financial risk, shorter savings horizons, being less likely to set up a retirement plan, being less informed about pension rules, paying higher investment fees, and not diversifying pension assets.<sup>20</sup>

Improving financial capability will complement actions the Government has already undertaken to support people achieve better outcomes in retirement. For example, from 5 October 2021, providers of retirement income products are required to meet design and distribution obligations, which help to ensure that retirement income products are offered in a more targeted manner to retirees for whom they are suitable. Further, in September and October 2021, the Government consulted on draft legislation for the Retirement Income Covenant. The covenant will require trustees to have a strategy in place to assist their members to balance three key objectives, including maximising retirement income, managing risk, and having some flexible access to savings, from 1 July 2022. The Government will also deliver on its commitment to conduct a review into the quality, affordability and accessibility of financial advice in 2022.

For some retirees, particularly the elderly, financial abuse is also a risk. In 2019 the Australian Institute of Family Studies said it was likely that between 2% and 14% of older Australians were experiencing elder abuse in any given year, with financial abuse the most prevalent form.<sup>21</sup> The National Plan to Respond to the Abuse of Older Australians recognises financial abuse as one of the five common forms

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18 UNSW, Understanding Economic and Financial Abuse in Intimate Partner Relationships, 2020

19 Australian Bureau of Statistics, Retirement and Retirement Intentions, Australia, 2020

20 Lusardi & Mitchell, 2014; Preston, 2020

21 Carsen, R, Kasplew, R & Rhodes, H, Elder Abuse, 2018

of abuse of older people. It sets out the commitment of the Commonwealth and State and Territory governments to undertake research and develop policy and law reform to address the problem of abuse of older Australians.

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## Aboriginal and Torres Strait Islander peoples

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Enhancing the financial capability of Aboriginal and Torres Strait Islander peoples has the potential to contribute to progress on a few outcomes under the 2020 National Agreement on Closing the Gap ('The Agreement') and to the National Roadmap for Indigenous Skills, Jobs and Wealth Creation.<sup>22</sup> Financial capability, which improves outcomes, can contribute to longer and healthier lives, stronger economic participation and development of people and communities, and higher levels of social and emotional wellbeing.<sup>23</sup>

The Government is committed to working collaboratively with Aboriginal and Torres Strait Islander people to identify opportunities to improve financial capability in ways consistent with The Agreement. It is important to consider how initiatives can support Aboriginal and Torres Strait Islander people's engagement with the financial system from a position of confidence, and in a way that maintains cultural identity and recognises the diversity of strengths, experiences and capabilities that exist. Ensuring initiatives are grounded in Aboriginal and Torres Strait Islander people's cultural context is fundamental. It is also important to recognise the diversity of Aboriginal and Torres Strait Islander people's context, including the very different experiences of those living in remote and urban areas.

Findings from 2018 financial resilience research observed that participation in proactive financial behaviours was lower for Aboriginal and Torres Strait Islander peoples. While some proactive behaviours are dependent on available resources, not all are. Over half of the sample reported they had found it hard to pay for everyday living costs in the past 12 months.<sup>24</sup> The research showed that over half of the sample read their bank statements regularly to check transactions and 39 per cent stuck to a budget or planned where their money would be spent.

Capability building can contribute to creating greater opportunities for Aboriginal and Torres Strait Islander people's engagement in positive financial behaviours, helping to address financial wellbeing outcomes that are below average national levels. The Productivity Commission's 2020 Overcoming Indigenous Disadvantage report noted improving financial literacy skills can contribute to available resources being used more effectively to improve overall financial wellbeing.

Building financial capability will complement actions already underway by the Commonwealth Government, state and territory governments, the Coalition of Aboriginal and Torres Strait Islander Peak Organisations and the Australian Local Government Association toward the Agreement's objective of overcoming the entrenched inequality faced by too many Aboriginal and Torres Strait Islander people so that their life outcomes are equal to all Australians.

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22 The 2020 National Agreement on Closing the Gap recognises that when Aboriginal and Torres Strait Islander peoples have a genuine say in the design and delivery of policies, programs and services that affect them, better life outcomes are achieved

23 2020 National Agreement on Closing the Gap. Outcomes referred to are One, Eight and Fourteen.

24 Centre for Social Impact 2019, Money Stories: Financial resilience among Aboriginal and Torres Strait Islander Australians.

## Attachment – Financial capability and digitalisation

Digital technologies are increasingly integrated in the economy and making a significant impact in the financial sector. This includes new financial products and services as well as traditional financial products and services being offered through digital channels. Digital delivery is increasingly prominent in disseminating financial education and information in the form of websites, social media platforms and digital tools such as interactive mobile apps to foster greater interaction and engagement.

Some of the benefits of digitalisation to finance include:

- Extending the potential reach and access of financial services
- Offering more convenient, faster and secure transactions
- Providing services that are tailored to individual needs.

However, digital access to financial products and services also presents risks:

- The misuse of unfamiliar or new products to uninformed consumers
- New types of fraud taking advantage of consumers' unfamiliarity with digital environments
- Excluding those with digital literacy or access barriers.

The growing digitalisation of daily life and of financial decisions is not necessarily matched by increasing digital and financial literacy levels, even amongst the younger population despite being more digitally engaged when compared with other parts of the population.<sup>25</sup> The *Australian Digital Inclusion Index (ADII) 2020* identifies several population groups that experience comparative digital disadvantage. These include older Australians, as well as people with disability and disadvantaged CALD groups.<sup>26</sup> The Government is committing to develop digital capabilities for all Australians and particularly those who face barriers to inclusion with the development of initiatives such as the Indigenous Digital Inclusion Plan which is working towards addressing the specific digital access barriers experiences by Aboriginal and Torres Strait Islander people.<sup>27</sup>

Regulators and industry will need to continue to ensure that financial education is keeping up with the development of new financial technologies. For example, consumers need to be able to understand the features of new payment models such as Buy-Now-Pay-Later (BNPL) arrangements which enable consumers to make purchases by paying in instalments. Technology is also enabling the emergence of new forms of money and digital currencies. While these are not yet significant elements of Australia's payment system, they are emerging quickly and unpredictably and can present significant risks to consumers.<sup>28</sup>

Digital innovation does however present an opportunity to empower consumers to embrace technological solutions to help keep track of their finances, by increasing the visibility of their cash flows in an economy which is now largely underpinned by digital financial transactions. Technologies

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25 OECD 2018, G20/OECD INFE Policy Guidance on Digitalisation and Financial Literacy.

26 Thomas, J, Barraket, J, Wilson, CK, Holcombe-James, I, Kennedy, J, Rennie, E, Ewing, S, MacDonald, T, 2020, *Measuring Australia's Digital Divide: The Australian Digital Inclusion Index 2020*, RMIT and Swinburne University of Technology, Melbourne, for Telstra.

27 For more information on the development of the Indigenous Digital Inclusion plan, visit [~https://www.niaa.gov.au/indigenous-affairs/economic-development/indigenous-digital-inclusion-plan](https://www.niaa.gov.au/indigenous-affairs/economic-development/indigenous-digital-inclusion-plan)

28 Australian Government 2021, Payments system review. <https://treasury.gov.au/sites/default/files/2021-08/p2021-198587.pdf>

such as the use of apps and insights from behavioural economics including nudges can also play an important role in developing the capabilities of low-income individuals by encouraging the development of positive money management behaviours.<sup>29</sup>

Digital solutions will not be appropriate for all Australians. Digital tools should complement traditional financial education and information provision to provide targeted information to consumers with actionable and digestible insights to help them navigate financial choices. The digitalisation of financial service offerings presents inclusion challenges which will be felt differently across the population. The Strategy recognises this and complements the priorities outlined in the 2030 Digital Economy Strategy to support digital inclusion, the digitalisation of the Australian economy and efforts to improve digital literacy.<sup>30</sup>

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29 Good Shepherd Microfinance Advisory Services 2019 in Russell, R., Kutin, J. & Marriner, T. (2020) Financial Capability Research in Australia. RMIT University.

30 Australian Government 2021, Digital Economy Strategy, <https://digitaleconomy.pmc.gov.au/sites/default/files/2021-05/digital-economy-strategy.pdf>