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Submitted to **National Financial Literacy Strategy Consultation 2017**

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Introduction

1 What is your name?

Name:

Wayne Wanders

2 What is your email address?

Email:

wayne@thewealthnavigator.com.au

3 Are you responding on behalf of an organisation or as an individual?

Organisation

4 What is the name of your organisation (if applicable)?

Organisation:

The Wealth Navigator

5 Please confirm your agreement with us publishing your response, or indicate if you would prefer that your response be treated as confidential.

Yes, please publish my response with my organisation name

Our proposals

P1 We propose to update the language of the National Strategy from 'financial literacy' to 'financial capability'. Do you agree or disagree with this proposal?

Disagree

Do you wish to comment further on this proposal? (optional):

Whilst I understand in a theoretical way Financial Capability defines the overall objectives, my concern is that how will the people we are trying to help understand this. And my initial reaction is that this change will not help in trying to raise awareness of this issue.

To me, Financial Capability means my ability to do financial things like get a credit card and borrow money. If you look at the definition of "capability"- the power or ability to do something this ties in with that initial reaction

If instead you look at literacy, it is more closely aligned with learning and gaining useful knowledge.

Or in other words, to me, improving my financial literacy means to improve my knowledge. But improving my financial capability, means getting myself into a better position to say borrow money

So I think the change will disenfranchise even more people from improving their financial literacy, than is currently the case.

P2 We propose to extend the timeframe of the next National Strategy to up to 10 years. Do you agree or disagree with this proposal?

Disagree

Do you wish to comment further on this proposal? (optional):

If we think about the changes that have happened in the last 10 years, imagine what will happen in the next 10.

So how we provide a solution today, will not be the same way we provide a solution in 10 years time.

Therefore, pushing the framework out 10 years is unrealistic and should stay with the 3 year term

P3 We propose that the 2018 National Strategy will emphasise the following core behaviours that support improved financial capability: (a) managing money day-to-day; (b) planning for the future; and (c) making informed decisions. Do you agree or disagree with this proposal?

Agree

Do you wish to comment further on the proposed core behaviours? (optional):

I agree with the inclusion of the three items, but what i think if you are going to add these, you need to add the pre-requisite for these to actually work.

In today's age, especially as we have moved away from defined benefit to defined contribution schemes for retirement, people need to understand that they need to take responsibility for themselves.

You can teach all the financial literacy you want, but if they don't take responsibility for themselves nothing will happen.

I love Naomi Simson's mantra - "if it's meant to be, it's up to me"

I would recommend the extra item be

- understanding and accepting responsibility for your financial outcomes

Issues for discussion

D1.1 A number of priority audiences have been identified under previous National Strategies. What are the most important priority audiences for the 2018 National Strategy to focus on?

Please share your views.:

The simple fact of the matter is that we end up with poor financial literacy, because we fail to educate our children and young adults properly about this issue. Very little at school or university teaches our children how to operate in the real world.

And in my view, whilst we have programs in some educational institutions, they are largely not being delivered by the appropriate people. Would you have a plumber teach our next crop of doctors. No, so why do we largely have broke and possibly financial illiterate people teaching financial literacy to our children and young adults. Now don't get me wrong, these people mean the best, they just may not be the best for this.

So if we are going to solve this issue over the longer term, start with properly educating our children and young adults. Otherwise in 20 years time we may have some special interest groups better off, but society as a whole is no better off.

D2.1 Working collaboratively has been an essential element of previous National Strategies. What are the most effective ways of broadening stakeholder reach and engagement with the National Strategy?

Please share your views.:

Going back to my last comment about educating our children and young adults. It is all well and good to have the ASIC's MoneySmart Teaching programs available for teachers to use.

But you are assuming these people are financially literate in the first place. And ASIC already has a section to train the trainer here (Be a MoneySmart teacher). As an example my 27 year old daughter is a teacher and she could deliver this program. But she has no real skills to deliver this (and yes as any parent would realise getting your teenage / young adult kids to listen to their parents is not easy). For example she still has 4 superfunds, despite me pestering her regularly to fix this up.

If someone is going to teach financial literacy, they should have some sort of accreditation, whether it be formal or informal (some of the most financially literate people I know have very poor formal education records).

So the system needs a combination of

1. appropriately skilled trainers to train the teachers
2. a pool of people who can go into schools, sporting groups etc and help further improve financial literacy

In terms of tools and resources, I think we tend to over complicate the matters. To me financial literacy is about 4 concepts

1. Take responsibility
2. Learn how to spend less than you earn
3. Learn how to grow your income
4. Invest the difference.

The only real tools most people at this stage will need is to understand:

- A. compound interest. How it can hurt you with debt and help you with investing
- B. Leverage How it can hurt you with the wrong investment and help you with the right investment

More than that gets too complicated and should be left for next level education

D2.2 How could initiatives aligned with the National Strategy strengthen the capabilities of professional practitioners and intermediaries to assist Australians with money matters and financial decision making?

Please share your views.:

please see my comments in D2.1 above

D3.1 When updating the National Strategy, what emerging opportunities should be considered?

Please share your views.:

The word of education has changed.

I personally have created online financial literacy course content that can be accessed anywhere you have an internet connection and can be updated with a simple keystroke. It has videos, audio, visual and text and covers all learning styles that people can do at their own pace. You can build in competency tests and all sorts of things.

We need to embrace this world of online learning and the tools available today for a fraction of the cost of yesterday and use these to supplement the teaching resources that are available.

D3.2 Are there issues that might require greater emphasis in the 2018 National Strategy?

Please share your views.:

My view is that the word retirement is about to be "retired".

Why, because one of the biggest issues i feel that we as a country are failing to address, is the continuing failure of the Australian Superannuation system to drive financial outcomes that the majority of people are expecting.

In my words, more and more people are on the treadmill to work till they drop.

We need to address this quickly before it is too late for millions of people

D3.3 What are the potential challenges to be considered in the 2018 National Strategy?

Please share your views.:

In a world of online learning, you will have those who do not have access to the online tools. The challenge then is to provide them with access to these tools via community resources like schools, libraries etc

D4.1 How can we collectively improve research, measurement and evaluation of financial capability initiatives aligned with the National Strategy?

Please share your views.:

In my opinion, an improvement in financial literacy is really measured by an improvement in financial well being.

Therefore we need access to more bodies who impartially analyse this data to provide evidence based results of improvements in financial well being. And the key is impartial. I see far too many reports where the results are biased by agenda of the body itself.

And like the cash less pension card, we need trails of various methodologies in different areas to determine which approach is working the best

D4.2 What are the most effective ways of disseminating learnings from financial capability initiatives?

Please share your views.:

The National Strategy supporter should be enlarged to cover all bodies / people who are interested in improving financial literacy (and not just those providing it) allowing this to be the list to disseminate learnings.

Alternatively set up a secondary list

D5.1 How could we encourage more organisations to get involved with the National Strategy?

Please share your views.:

The biggest group we should get involved with this is employers. If we can get employers involved we can cover a large part of the adult population of Australia.

And to do this, we need to educate employers of the cost of lost time and effort from employees who have financial issues and concerns. If you can convince bosses re the financial impact, they are more likely to hold / sponsor education sessions to improve the financial literacy of their staff - which spills out to the rest of the family and then the community.

The bosses bottom line improves and society improves as well

I have seen studies on the cost of financial worries hurting employers, but there may need to be more to actually convince employers to start getting involved