

Financial Literacy

*“An investment in knowledge always pays the best interest” -
Benjamin Franklin*

WHAT IS FINANCIAL LITERACY?

As sound as the advice of Benjamin Franklin is, financial literacy is more than just knowledge. Financial literacy is as much about “doing” as “knowing”. A recent definition suggests financial literacy is

“A combination of awareness, knowledge, skills, attitude, and behaviours necessary to make sound financial decisions and ultimately achieve individual financial wellbeing”.

What you know is important but it is also important that you put that into practice and develop attitudes that support you.

WHY IS FINANCIAL LITERACY IMPORTANT?

Over the past 25 years, much has changed in the Australia economy. In the 1980s, Bankcard was *THE* credit card. EFTPOS? ATM? Cash thanks! Interest rates were largely controlled. The Aussie dollar had just floated (and sank). Widespread superannuation was beginning to be talked about. You now face myriad financial decisions which impact your financial wellbeing and you ultimately bear the responsibility. Improving the effectiveness of these decisions, which includes knowing when you should be seeking professional financial advice, is why financial literacy is important.

HOW IS FINANCIAL LITERACY ASSESSED?

A recent study supported by National Seniors Australia Productive Ageing Centre (NSAPAC) has used a financial literacy measure developed by the OECD. The survey had four sections:

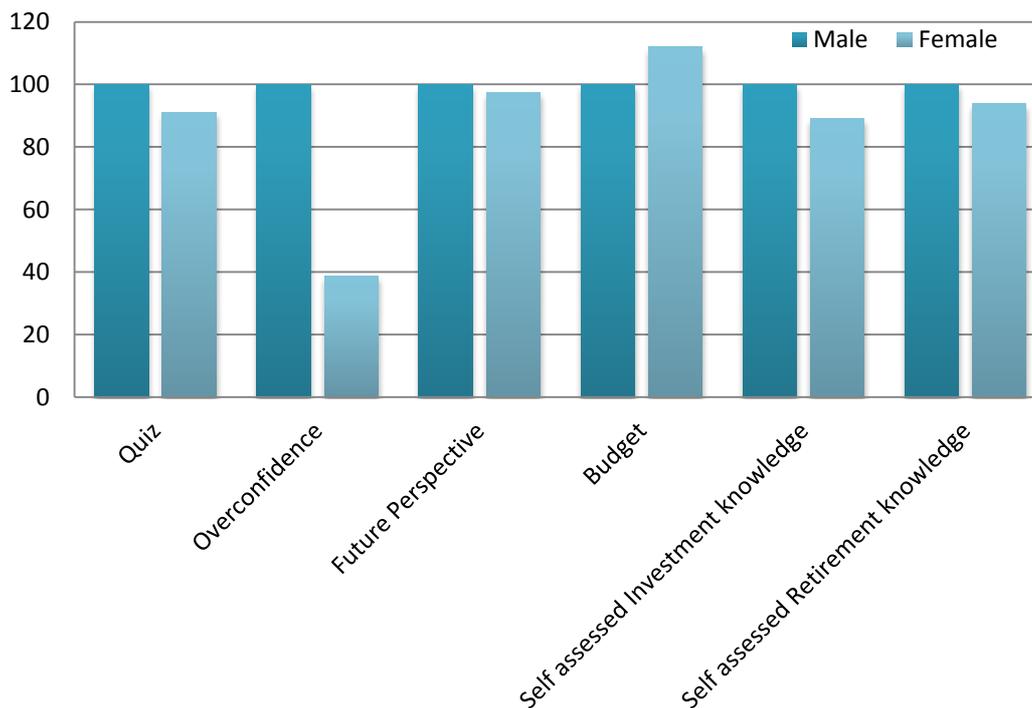
1. **Knowledge** which included an 8 question financial knowledge quiz, and self-assessments
2. **Money Management.** Are you saving? Do you have a budget? Do you buy on impulse?
3. **Choosing Financial Products.** Consider a range of options? Rely on advert’s or DIY research?
4. **Planning Ahead.** How would you cope with a loss of income? Have emergency funds/plans?

LEVELS OF FINANCIAL LITERACY

The NSPAC sponsored study of approximately 2,300 40 -75 year olds has produced some interesting preliminary results on gender:

- Men performed better on the knowledge quiz than women
- Older men did better than the youngest age group (40-49 years)
- Men were more over-confident, they thought they had more questions correct
- Women rate their understanding of investing and retirement planning lower
- One-half of respondents budget - One in five respondents could not last a month if they lost their main source of income. One in three felt they could last at least six months.
- Of those not retired, 63 percent felt behind in planning for retirement or didn't know

Relative Scores



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