

The facts on financial literacy



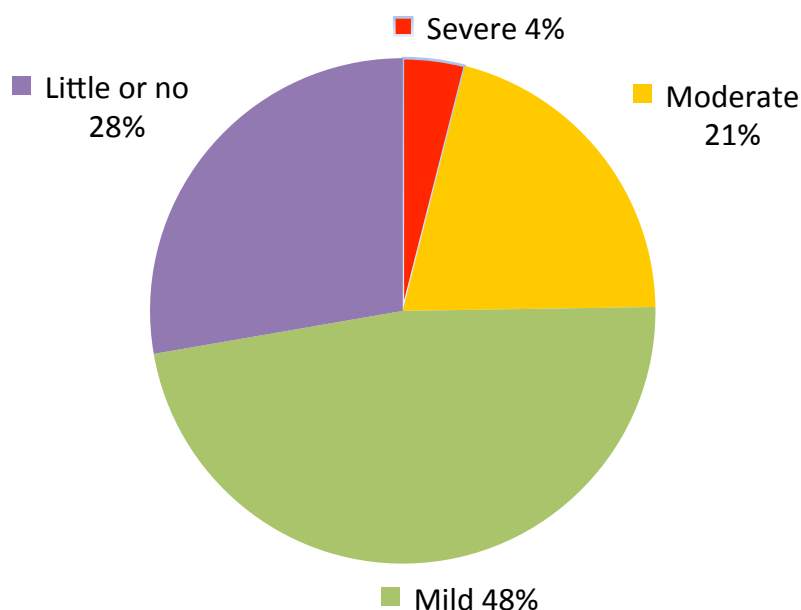
Currently, many older Australians are missing out on the opportunity to attain and maintain a financially secure retirement due to a lack of awareness and understanding of the opportunities and risks of the retirement income system.

The increasing complexity of the retirement income system combined with advances in life expectancy and the transfer of risk from governments and employers to individuals¹ is increasing the necessity that all Australians, including older Australians attain a higher level of financial literacy.

The Government's current approach to financial literacy is ad-hoc and focused on online resources, which excludes many older Australians who do not have access to the internet or simply prefer other forms of communication. Only 40 per cent of people aged 65 to 74 years and 20 per cent of people aged 75 and older access the internet.² Older Australians still prefer face-to-face communication.³

A proactive focus on awareness and education is vitally important as many older Australians experience financial adviser anxiety which prevents them from seeking professional assistance. Older Australians with lower financial literacy who would benefit the most from financial assistance are less likely to seek financial advice.⁴

Adviser anxiety level of older Australians



Much of the key financial information and support which older Australians require to make major financial decisions is housed in a number of different locations including the Australian Securities and Investment Commission, Centrelink and the Australian Taxation Office.

The misguided focus on locating key financial information in online resources, the confusing separation of information across several different locations and the ineffectiveness of the current financial literacy program results in a large number of older Australians being unprepared for the major financial decisions associated with retirement and planning for retirement.

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A coordinated and multi-departmental government response which utilises appropriate communication channels is required to improve the financial awareness and literacy of older Australians. A consolidation of all relevant information in one location (both online and within the physical world) would greatly improve accessibility and the financial literacy of older Australians.

Improving the level of financial awareness and financial literacy amongst older Australians specifically related to the retirement income system would empower more seniors to make prudent financial choices, gain financial independence and the ability to self-fund their retirement, thereby reducing the burden on the pension system and improving the efficiency of the retirement income system.

¹ Organisation for Economic Co-operation and Development. 2012. OPISA 2012 Financial Literacy Framework, OECD.

² National Seniors Productive Ageing Centre (NSPAC). 2011. Older Australians and the Internet Bridging the Digital Divide National Seniors Australia.

³ South Australian Health. 2012. Age-friendly South Australia: Guidelines for State Government South Australian Government.

⁴ National Seniors Productive Ageing Centre (NSPAC). 2013. The Role of Financial Literacy and Financial Adviser Anxiety in Older Australians' Advice Seeking, National Seniors Australia.

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