

Federal election & post COVID-19 experience are reaffirming need for financial literacy to be taught in schools



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Financial literacy is a core life skill that needs to be taught as a compulsory topic in Australian schools. Although not a new idea, the basics will go a long way to helping future generations make better and more informed decisions that will ultimately be to their long-term personal and professional betterment.

In fact, the decisions made during the pandemic together with the various commitments and promises being made by politicians in the upcoming Federal election...is reaffirming the need for voters to understand how they will be impacted as individuals or business owners.

Monday May 2, 2022. If there's one goal that the Australian financial services industry and accounting profession should unite and pursue above all others – it is to have financial literacy included as a compulsory course in the school curriculum.

Leaving school, becoming an independent adult are major milestones. However, it soon becomes a brutal reality for young adults that they have been done an immense disservice by the school system by not receiving a financial education throughout their learning years.

Of course, there are countless resources online, in print and on video for school leavers wanting to get themselves *'up to speed'* with financial jargon and latest concepts and offerings to manage their personal finances and commitments.

Financial literacy is a core life skill to successfully participate in an increasingly complex modern society. So why should young Australians be forced to play catch up with respect to the increasingly complex world of finance and money after leaving school?

On leaving school or care of parents, young Australians need to take charge of their own financial future and to live independently, need to know how to make wise, informed, financial choices for everyday living. How to manage a variety of risks, save for retirement or an unexpected health or financial dilemma, avoid taking on unmanageable debt, etc.

In addition, financial products and services vary widely and are becoming more complex, choices more difficult and the adverse long-term ramifications more profound if wrong choices are made.

Adding to this complexity are rapid advances in technology and communication that have enhanced greater global connectedness and massive changes in financial options / transactions, as well as social interactions, consumer expectations and behaviour.

While the coronavirus pandemic upended families, businesses, state, and federal economies, at the grassroots level, it also served to highlight the importance and benefits of solid financial habits.

Poor financial decisions can have a long-lasting impact on individuals, their families and society and many were made during the pandemic – especially when superannuation was allowed to be accessed and many spent those accumulated savings frivolously negating the benefit of years of savings and compounded returns.

Furthermore, those with savings and sound financial frameworks were better able to weather the economic impact of lockdowns, being stood down and reduction of business revenues.

With most commitments and promises being made by politicians during elections, it has become an imperative to understand how they will impact the broader economy as well as individuals, their families – and business owners and their employees.

Low levels of financial literacy are also associated with compromised standard of living, increased anxiety, stress on relationships, physical well-being, and greater reliance on government support.

So, is it any wonder that the call for financial literacy to be taught in schools is getting louder? In fact, the OECD recommends that member countries:

- integrate financial education into the school curriculum
- include financial education from the beginning of formal schooling
- allow for flexible school-based curriculum implementation
- encourage standalone and cross-curricular approaches
- provide appropriate financial and in-kind resources
- ensure suitable involvement of important key stakeholders
- support the education system in the provision of teacher education.

Overseas, Florida became the largest state in a growing trend across the US to pass legislation mandating financial literacy for high school graduation. Currently, there are 54 personal finance education bills pending in 26 states.

Now, 11 states, including Florida, require students to take a stand-alone personal finance course to graduate and more than 20 other states include some sort of personal finance education in their curriculum in different ways.

Regrettably, although the benefits of financial education can make an immense difference by empowering and equipping Australians – especially young people – government and the education system are dragging their collective feet.

Hence the need for the financial services and accounting sectors to join forces and voice the need to make financial education a critical, on-going inclusion in the education curriculum.

From my perspective, it makes sense to cover topics such as:

- basic understanding on the role of the government and reserve bank in managing economic conditions
- overview of the taxation system
- how the superannuation works
- understanding of basic financial terms: inflation, employment, interest rates, capital, debt (private /public) and savings
- types of employment: employee, self-employed and consultants
- wealth creation through savings and investing
- understanding different investments – Australian shares, property, international shares, cash, bonds, crypto currency, etc
- how the banking system works – including how to apply for loans and credit, mortgages and credit cards
- life insurance and health insurance
- personal & household budgeting and cashflow management
- good debt vs bad debt
- how to get financial advice
- consumer law and protection
- cybercrime – online scams
- Estate planning – Wills, receiving an inheritance and related implications

In this current election environment, we hear every day from our politicians' words like, unemployment, interest rates and economic management – but our education system neglects to teach future generations these basic financial skills for life.

In closing, financial literacy should run throughout the secondary school curriculum and be integrated into a framework that allows students to gradually build and expand their knowledge.

Just as learning a new language or skill takes time, building financial skills requires time and years to gradually build knowledge, familiarity, and confidence to manage one's own finances when leaving school and entering adulthood.

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