

# *Financial Literacy*

*A wealth of opportunities*

The Smith Family  
85<sup>th</sup> Birthday Special Report Series

May 2008



*everyone's family*

## The Smith Family's 85th Birthday Special Report Series

*Financial Literacy* forms part of a special series of reports marking the 85th birthday of The Smith Family. The series provides insights into the various distinguishing features of our organisation in supporting disadvantaged children and their families to participate more fully in society through education.

The evidence has shown that in a 21<sup>st</sup> century knowledge society **financial literacy** can be a key to closing the gap between those who participate in many ways in society and those who have been excluded. Improving financial literacy is beneficial not only for individuals, but also for facilitating relationships within and between social groups, enhancing social capital, and ultimately flowing through to an increase in productivity and the economy at large by effectively contributing to a more self-sufficient, employable and resilient community.

The Smith Family's innovative dual agenda, providing opportunities for greater **participation** of marginalised children and their families and connecting them with others who have the time, talent and dollars to invest through our **engagement** strategy can contribute to such an outcome. The diversity and impact of relationships nurtured through our *Learning for Life* suite of programs, has enabled tens of thousands of disadvantaged children and their families to improve their lives through education, while at the same time providing caring Australians with vital opportunities to contribute to the wellbeing of others.

This series of reports celebrates these relationships from a variety of perspectives, and comprehensively illustrates how and why they form the basis of who we are ('*Our History*'), what we do (our *Learning for Life* suite of programs focusing on developing digital, financial and comprehension literacies) and how we do it ('*Enabling Relationships*', '*Building Relationships*' and '*Innovation Relationships*'). In this way, they mark the continuing achievements of The Smith Family and our supporters as leaders in the journey towards a more caring and cohesive Australian community.

To read other reports in The Smith Family's 85th birthday series, see our website:

[thesmithfamily.com.au](http://thesmithfamily.com.au)



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‘There has never been a greater need for financial literacy for young people’.<sup>1</sup>

### **Message from Elaine Henry CEO**

In an increasingly complex financial world, understanding how to save and use money in today’s society has become a matter of negotiating unparalleled choice and complexity of products. ‘Financial literacy’ is defined as the ability to make informed judgments and take effective decisions about the use and management of money. It is an essential skill for functioning in modern society and is becoming increasingly important to the long-term wellbeing of individuals and the community.<sup>2</sup> Without adequate financial literacy, the intricacy of the vast array of financial products and choices may see the disadvantaged making poor, uninformed choices, adversely affecting their financial situation and negatively influencing other related outcomes, including educational achievement and employment prospects.

Improving the financial literacy of disadvantaged Australians is without doubt a crucial issue if we are to sustain the prosperity of our society and unlock opportunities for disadvantaged families to participate more fully. Research and evaluation have shown the multiple gains in wellbeing resulting from higher levels of financial literacy, including increased household stability, greater social connectedness and improved health.<sup>3</sup> As the results from our evaluations show, improved levels of financial literacy can also have major effects on the confidence of those involved and on their capacity to support their children’s education.

The work of the Financial Literacy Foundation<sup>4</sup> in Australia is an important driver in creating opportunities for Australians to learn more about money at school through vocational and higher education, in the workplace and in the community. The Smith Family shares the Foundation’s interest in providing such opportunities as well as in advancing research which reflects our national focus and makes a contribution to advancing financial literacy in Australia.

The financial literacy programs show-cased in this report illustrate The Smith Family’s leadership and expertise in providing opportunities to develop financial literacy. This report, *Financial Literacy: a wealth of opportunities* is part of a series of special reports written to celebrate our 85<sup>th</sup> birthday. It tells the story of how The Smith Family is working with and through others to improve the financial literacy of disadvantaged families and their children. The first section of the report looks at some of the challenges for financially disadvantaged Australians in developing financially literate approaches to money management and their future wellbeing. The second section focuses on our development and implementation of financial literacy programs with our corporate and community partners.

Elaine Henry, OAM  
Chief Executive Officer

## Financial literacy: A global challenge

Across the world, measured levels of financial literacy are down, the need for financial products is up, and there is a great complexity in relation to money issues. Niall Ferguson, a Harvard University financial historian, argues that it is a well-established fact that “a substantial proportion of the general public in the English-speaking world is ignorant of finance”.<sup>5</sup> Financial illiteracy is pervasive in all age groups, income brackets and countries. This problem is more pressing than ever because governments and businesses have pushed more of the responsibility for financial well-being onto individuals. For example, complex superannuation choices, tax reforms, multifaceted credit agreements and the diversification of retail payment methods demand individuals attain increasingly sophisticated levels of financial literacy. Research suggests effective strategies to equip people with the capacity to negotiate this new financial responsibility incorporate three critical components:

- 1) the development of **financial literacy** skills
- 2) the design of **simplified financial products** suited and accessible to individuals and families in a broad range of income levels
- 3) **behavioural change**<sup>6</sup>

In response to this need, financial literacy task forces have been set up in a number of countries, each adopting a slightly different approach (see Box 1 below).

### Box 1: International financial literacy task forces

#### The United States: “Event-focused” financial literacy

The United States Treasury’s Financial Literacy and Education Commission,<sup>7</sup> established in 2003, takes a life event approach to supporting financial literacy. The life events include ‘birth of a child’, ‘death in a family’, ‘domestic abuse’, ‘work changes’, and ‘foreclosure’. This approach is reflective of the fact that the majority of people do not *plan ahead* for financial security, rather, they *respond* to financial pressures as they arise. This means there is a need to address the behavioural factors associated with the development of financial literacy skills. To achieve this, the Commission “coordinates... financial education” through relevant federal government agencies and “supports the promotion of financial literacy by the private sector” and encourages “the synchronization of efforts between the public and private sectors”. The Commission’s online presence, *MyMoney*, also offers a number of life event focused resources covering a range of common occurrences outside the scope of typical financial planning literature.<sup>8</sup>

#### The United Kingdom: Integrated financial literacy

The Financial Services Authority leads the U.K.’s National Strategy for Financial Capability (NSFC). In partnership with the government, the financial services industry, employers’ organisations, consumer organisations and the not-for-profit sector, the FSA launched the NSFC in 2003. The Strategy aims to forge a cultural shift or “step change” in the financial capability of the entire U.K. population.<sup>9</sup> The NSFC’s online interface *MoneyMadedclear*, focuses on the following “capability” agendas: “being able to manage money; keeping track of finances; planning ahead; making informed decisions about financial products; and staying up to date about financial matters.”<sup>10</sup> In addition, the NSFC actively seeks out gaps in services for disadvantaged people, tailoring specific resources to “school children, young people who are Not in Education, Employment or Training (NEET); students in universities and Further Education (FE) colleges; employees in their workplace; and new parents.”

#### Singapore: Action-based financial literacy

Following a 2005 national survey,<sup>11</sup> the Singapore government launched an action-based financial literacy strategy known as *MoneySENSE* under the administration of the Monetary Authority of Singapore (MAS). The purpose of the *MoneySENSE* national financial education program is to improve knowledge of practical financial planning among the following target groups: the working population; retirees and pre-retirees; housewives, low-income and unemployed; and students.<sup>12</sup> “Compelling social and economic” factors, most notably attributed to the ageing population, have shaped the “action”-based (rather than attitudinal) nature of Singapore’s financial literacy initiatives.<sup>13</sup>



## **The Australian Financial Literacy Foundation**

The Financial Literacy Foundation was established by the Australian Government in June 2005 to give all Australians the opportunity to increase their financial knowledge and better manage their money. The Foundation provides a national focus for financial literacy issues and works in partnership with government, industry and community organisations to advance financial literacy in Australia. The central purpose is to build the capacity of all Australians to better understand and manage financial risk, and to better equip them to take advantage of increased competition and choice in Australia's finance sector.

The Foundation's strategy to make lasting improvements in financial literacy involves:

- raising awareness of financial literacy and its benefits;
- creating opportunities for Australians of all ages to learn more about money at school, through vocational and higher education, in the workplace and in the community;
- Providing practical support to educators and trainers and working to improve the availability of quality financial literacy education resources; and
- Taking forward research projects which reflect our national focus and make a sustained contribution to advancing financial literacy in Australia.

## *Financial literacy in Australia*

### **A national perspective**

In 2006, the increase in national private debt accounted for more than 16 per cent of GDP, which means the Australian economy currently relies on increased borrowing, rather than actual income, for a sixth of its total activity. This is not sustainable. Providing opportunities through financial literacy for our families to change their behaviours to better plan for and manage their circumstances is an important part of any response to this situation.

National research has revealed a convincing link between socio-economic status (SES) and adult financial literacy levels. In Australia in particular, the following characteristics have been revealed in an ANZ-commissioned series of studies as being strongly associated with lower levels of financial literacy:

- those having lower education (Year 10 or less);
- those not working (for a range of reasons) or in unskilled work;
- those with lower incomes (household incomes under \$20,000) ;
- those with lower savings levels (under \$5,000);
- single people; and
- people at both extremes of the age profile (18–24 year olds and those aged 70+).<sup>14</sup>

Further research by the CBA Foundation has also found a prevalence of young people aged 16-20 among those with low financial literacy. Many young people are dependent on learning about critical financial literacy skills through experience, trial and error, and mistakes that could potentially be avoided if there were more focus on financial literacy through education. The same study concluded that by increasing the financial literacy of the ten per cent of the population with the lowest scores over a ten-year period, Australia's economy would significantly benefit with an increase in Gross Domestic Product by \$6 billion per year and the creation of 16,000 new jobs.<sup>15</sup>



One of the responses to this research was that the Australian Ministers of Education agreed in 2005 to include financial literacy in core subjects in the curriculum. This agreement is reflected in the Financial Literacy Framework which is to be implemented during 2008.

From 2008 onwards, all Australian children will benefit from a concerted effort by all government, Catholic and Independent school sectors to integrate financial literacy into the curriculum across the compulsory years of schooling. Students will learn simple but valuable lessons about Understanding Money, Consumer Education, Personal Finances and Money Management, and how to make money work responsibly for them and their community.

The national schools initiative started in 2005, when the Ministerial Council on Education, Employment, Training and Youth Affairs (MCEETYA) directed the development of the National Consumer and Financial Literacy Framework (the Framework). The Framework was developed for MCEETYA by state and territory education systems, the Catholic and Independent education sectors, the Financial Literacy Foundation, the Department of Education, Science and Training, and state and territory departments of fair trading.

### **A behavioural perspective**

In early 2007, the Foundation commissioned a survey of 7,500 Australians aged 12 to 75 to build a better understanding of how Australians think about and manage their money.<sup>16</sup> Specifically, the survey analysed respondents' self-assessed ability, understanding, attitudes and behaviours in regard to using and managing money. It represents a unique contribution to the body of international financial literacy research, as well as to research on financial literacy in Australia, complementing other Australian surveys that aim to provide an objective measure of competency in financial matters.

- The survey indicated that Australians generally think they have high levels of ability with everyday money management, but are less confident about more complex issues like investing and ensuring enough money for retirement. While many Australians intend to make improvements to the way they manage their money, significant numbers, ranging from 31 per cent to 55 per cent of the total survey sample, hold attitudes and beliefs that may not help them manage their money better.
- Australians in general have a confidence level in managing money that is not consistently matched by their practices. The findings from the survey indicate that there is considerable need for behavioural change in areas such as budgeting, saving, investing, credit and debt, and planning and retirement.
- The inclusion of a significant component of young people aged 12 to 17 in the Foundation's survey produced some encouraging results. Of the 533 young Australians surveyed, 84 per cent thought it was "important to learn more about budgeting" compared with 57 per cent of adults.<sup>17</sup> Furthermore, over a third of youths agreed that "saving a small amount regularly from a young age is the most effective savings strategy"; however, only half commit to this strategy. Importantly, the majority of young people surveyed supported financial education in schools, recognising the power of adopting a preemptive approach

### **Working towards cultural change**

Overall, the survey suggests a cultural change is required to bring about improved financial behaviours and that this will probably take 20 years. The Foundation has already begun to address key elements in a culture change strategy. However, such a broad task points to the need for a more preemptive approach; for example, young people in years 3, 5, 7, and 9. In addition to the Government's Financial Literacy Foundation Task Force's commitment to creating opportunities for Australians of all ages to learn more about money at school, through vocational and higher education, and the need for the professional development of teachers in providing consumer and financial education, the evidence suggests a need to start earlier in the developmental life cycle where the problems may first begin to manifest in primary and junior secondary. On this basis, The Smith Family has taken steps to introduce a number of financial literacy programs for children and youth in the primary and secondary years, which are discussed later in this report.



If a culture change in financial literacy is to occur at a population level, a broad coalition of community groups, corporates, financial institutions and governments will need to leverage their resources to create a culture of saving. A model from the United States to affect this kind of change, *America Saves*,<sup>18</sup> is already proving to have some success in this area, lending impetus to the adaption of an *Australia Saves* model in this country.

## *Supporting adult financial literacy*

In 2003, The Smith Family produced a report entitled, *Barriers to Participation*.<sup>19</sup> One of the key findings from this study was the importance of financial literacy for socio-economic participation, along with comprehension and digital literacy. On the basis of this evidence, and in line with the Guiding Principles<sup>20</sup> that have informed our transformation into a social enterprise, The Smith Family began to look at opportunities to provide financial literacy education in the 85 communities where we had established a presence with our *Learning for Life (LfL)* suite of programs.

The Smith Family perceives financial literacy to be a community issue, and therefore we have incorporated these opportunities into our place management strategy.<sup>21</sup>

Financial literacy programs and the use of community based financial services facilitate access to financial products by many people on the margins of the mainstream economy, enabling them to develop financial literacy skills and improve their capacity to select appropriate financial products. The personal support and counselling that is also provided as part of our *LfL* suite of programs can also influence the positive behavioural change needed to make this sustainable.

One of the most significant points in our efforts to provide financial literacy opportunities was our partnership with the ANZ bank, a commercial leader in recognising the need for Australia to become proactive in raising financial literacy skill levels. We were invited to partner with them in making it possible for large numbers of Australian families to benefit from financial literacy programs. This program resulted in the *SaverPlus* and *MoneyMinded* programs.

### **SaverPlus (ANZ)**

In 2005, The Smith Family entered into a partnership with ANZ to deliver a pilot of *SaverPlus* program in Queensland. *Saver Plus* is a financial literacy and matched savings program<sup>22</sup> developed to help people on low incomes set and achieve a savings goal, and establish a long-term savings habit. This is achieved by: (a) providing financial management training; (b) offering personal coaching support and guidance from a trusted community organisation (of which The Smith Family was one) and (c) matching every dollar saved with an additional \$1 (up to \$1,000) towards education costs for participants' children or their own vocational education.

The Smith Family's interest in delivering *SaverPlus* stemmed from its capacity to assist families in saving for their education. Evaluations have clearly shown that the majority of the program participants can indeed save and acquire sound financial habits. There is also strong evidence *SaverPlus* is achieving its core objective of helping people develop a 'savings habit'. An independent evaluation by RMIT University showed that:

- 75 per cent of *SaverPlus* participants continue to save the same amount or more 12 to 24 months after completing the program;
- approximately 95 per cent are reaching their savings goal during the program; and,
- most participants report a more positive outlook on life and greater levels of self-esteem, suggesting that other benefits can be derived from improved financial literacy.<sup>23</sup>



*Saver Plus* also offers opportunities for community-corporate engagement, and local ANZ branch managers volunteer their time to participate by answering queries and interacting with the group. Evaluations have shown that sessions with the managers have been some of the most successful and popular. More than 2,247 people have participated in the *SaverPlus* program between 2003 and 2007, saving more than one and a half million dollars.

Following these positive results, The Smith Family was able to progressively roll out *SaverPlus* in the 85 *LfL* communities where we are working nationwide. Many of the financial literacy relationships were delivered by our trusted community partners,<sup>24</sup> expanding our ability to reach those families most in need of this support.

*SaverPlus* has been recognised through numerous awards – most recently as *Money Magazine's* Best of the Best: Socially Responsible Product. In addition, *Saver Plus* has been recognised in the then Prime Minister's Awards for Excellence in Community Business Partnerships as the 2004 Victorian winner of the Large Business Category as well as part of ANZ's 2006 Special Impact award. Underpinning the data and awards of *SaverPlus'* success are the individuals whose lives have been changed by their participation and learning.

ANZ, The Smith Family and other community organisations involved are now looking to extend *SaverPlus* to reach more people in more locations.

### **Box 2: *SaverPlus* case studies**

#### Vicki, her children and Saver Plus

Vicki, a lone parent with a son and a daughter, completed five Saver Plus education workshops which she says gave her the incentive, and more importantly the discipline to save for items that would help her son's education. By the end of the program, Vicki had reached her savings goal and was able to purchase new school uniforms, textbooks and an outdoor education camp for her Year 11 son. But her learnings didn't stop there. Vicki has helped her daughter develop a budget to save for her first home and she has also restructured her superannuation as part of her personal long-term savings plan. As she says, "Saver Plus gave me the motivation to think about saving. If it weren't for Saver Plus, I wouldn't be in the position I am now."

#### Rosie, her daughter and Saver Plus

Rosie achieved her savings goal which was to buy a computer. Her daughter also learned a valuable lesson. Rosie doesn't have a problem with debt but thought she'd still go along to the session on debt to learn something anyway. It happened to be the same day that she found her daughter's mobile phone bill for quite a lot of money hidden under her bed. She brought her daughter along to the debt session and she learned some really valuable lessons, like if you get into trouble you should approach people for help. She decided to see the bank manager about sorting out her problem. She took me with her, but it wasn't a case of me taking her there, it was her making the decision and sorting it out.

### **MoneyMinded and The Smith Family's financial literacy course**

The original *MoneyMinded* program was developed in conjunction with a number of community organisations<sup>25</sup> and launched in October 2004. The program drew on a range of expertise during development. It was written by the Centre for Learning Innovation in the New South Wales Department of Education and Training, with contributions from an advisory committee featuring nominees from the Australian Financial Counselling and Credit Reform Association and Financial Counsellors' Association of NSW Inc. The advisory committee also included representatives from the Australian Securities and Investments Commission and the ANZ Bank.

In addition to SaverPlus, ANZ invited The Smith Family in 2005 to deliver *MoneyMinded*. As a suite of financial education resources, we were able to tailor *MoneyMinded* to the particular needs of our families around the country. This has allowed us to provide a comprehensive financial literacy program with technical and practical steps for managing money and making the most of limited resources. A distinguishing feature of the way we deliver this course is our focus on changing participants' behaviour towards money, and allowing them to explore and understand the habits that will lead to greater financial literacy.

Importantly, our delivery of the *MoneyMinded* suite of resources reflects the centrality of behavioural change in creating intergenerational impact.<sup>26</sup> This has been further enhanced by the skills of The Smith Family's facilitators, who have been specifically trained to support participants in acquiring the habit of making well-informed decisions about finances on their own, rather than relying on another entity to do this on their behalf. In turn, their efforts are also complemented by staff from the Australian Securities and Investment Commission, who volunteer to assist in explaining financial concepts, such as superannuation, to the participants.

In Autumn 2005, the first evaluation of *MoneyMinded* was undertaken by RMIT University. A key theme of this analysis was the participants' experience of, and satisfaction with, the course's training and workshop structure. Following this and with further feedback from financial counsellors, community educators and participants, a formal content review of *MoneyMinded* commenced in August 2005 and an updated version of the *MoneyMinded* resource was released in June 2006.<sup>27</sup> Another content review of *MoneyMinded* was held in November 2007.

Separate to these reviews of the *MoneyMinded* resource, The Smith Family undertook its own evaluation of the financial literacy course we had run using the *MoneyMinded* resources, over late 2005 / early 2006. This evaluation was purposefully scheduled to encompass the Christmas and New Year period, one of the most financially challenging times for disadvantaged families in managing income, expenditure and saving. As the results below (Table 1) reveal, the evaluation demonstrated that participation in *MoneyMinded* had helped participants change their behaviour and take greater control of their finances and effectively of their future.<sup>28</sup>

**Table 1: *MoneyMinded* participants before and after the course**

<b>Before the course</b>	
Saved infrequently	40%
Spend income as soon as it comes in	25%
Had no savings	50%
Did not understand banking	20%
Did not understand complex financial products	70%
<b>After the course</b>	
Acted on their personal money plan over the Christmas and New Year period	90%
Overall, managed their finances 'great' to 'fine'	75%



Additional feedback from participants recounted how participation in the program influenced changes in spending and money management behaviours:

**Box 3: Feedback from *MoneyMinded* participants**

'The motivation to get out of debt disciplined my spending. The *MoneyMinded* course was very helpful. It should be more widely available – we can all be more budget conscious!'

'Attending the *MoneyMinded* course enabled me to stick to my personal money plan and keep my financial goals in sight.'

'Resisting the temptation to purchase things that did not have any purpose in my life helped enormously. I am even more proud when reflecting on my willpower and determination.'

The success of the program has also been formally recognised, when in 2005, it received a 'Highly Commended' rating at The Queensland Government's *Consumer Protection Awards – Consumer Advocacy* division. The *MoneyMinded* program was also a National Winner in the 2006 Prime Minister's Award for Excellence in Community Business Partnerships the following year. The Smith Family's goal is to deliver elements of the *MoneyMinded* financial literacy resources to 3000 participants over 2008-09, and to increase the total number by 50 per cent, for each of the next two financial years, bringing the numbers respectively to 4,500 and 6,750.<sup>29</sup>

**Workplace financial training – The Russell Investment Group partnership**

The success of *SaverPlus* and our financial literacy course using the *MoneyMinded* resources attracted interest from several organisations keen to support our work. It became clear that to support and sustain the financial literacy skills of our families, developing the financial skills of our *LfL* workers, who work most closely with our families and communities. To this end, The Smith Family and the Russell Investment Group formed a partnership in late 2006 focused on the achievement of two closely related outcomes, namely:

- the **provision of workplace financial literacy training**, featuring a substantive experiential learning component, enhancing the capacities of The Smith Family staff who work directly with families to improve their financial literacy, and
- the **growth of our organisational capacity** to develop financial literacy within the *LfL* strategy, thus promoting educational achievement and preventing financial disadvantage.

The development of this partnership became a critical part of The Smith Family's financial literacy support. In addition to enhancing financial literacy in individual staff, the first phase of the training centres focussed on effectively profiling and promoting our financial literacy courses in communities. Incorporating a whole-of-community approach, The Smith Family staff have been equipped to forge best-fit links with community organisations and local facilitators to arrange for financial literacy training and development in the community.

Staff also learn how to identify potential local facilitators who can be empowered to deliver the financial literacy courses provided by The Smith Family. This ensures the financial literacy facilitators are optimally matched with the participating community group. In the final phases of the training, staff also work closely with a Training Facilitator from Russell Investment Group to identify and detail the particular financial literacy needs of the families in their communities. This helps The Smith Family to adjust our basic financial literacy courses to optimally fit the requirements of many different communities.



In addition to the investment of The Smith Family staff, the program allows for facilitators to be drawn from 'third party' community organisations. These individuals are able to engage their own networks to target potential Financial Literacy course participants from the groups with whom they work, increasing the range of disadvantaged families able to participate and benefit from the course. This strategy has ensured The Smith Family has been able to expand access to our financial literacy courses from *LfL* families to the rest of the community.

**Box 4: A *Learning for Life* worker learns new skills**

Holly Quinn, a *Learning for Life* worker in Ipswich, Queensland, completed the ten hour Russell Investment Group program in March. In her words, the program was "really valuable and worthwhile." "It's always good to become more aware of your own financial situation, and when you are speaking to someone who is a professional and experienced in financial matters, it gets you thinking about what positive steps you can start doing for yourself and things that you can maybe advise your family as well." Holly knows that the course will help her give better advice to people in financial trouble. "If I have the skills and knowledge and personal experience I will have a lot more confidence in talking with [people] who are having financial problems. It gives me an increased awareness and a better understanding."

The success of our partnership with the Russell Investment Group in up-skilling *LfL* staff was a contributing factor in The Smith Family's Financial Literacy Course being upgraded to an accredited Certificate One in Financial Services (Financial Literacy) in March 2008. Accreditation improves the attraction, quality and recognition of the course and means that participants who choose to complete the assessment tasks will receive the qualification, while those who choose not to complete assessment but still complete the course will receive a certificate of participation. The Smith Family's target for 2008 is to have at least 400 participants obtain the qualification.

With such success over a relatively short period of time, The Smith Family invited the Russell Investment Group to assist us, not only with the development of our staff, but in offering financial literacy programs more broadly to *LfL* students and families. In response, Russell provided further funding which is enabling us to pilot a number of financial literacy programs for primary and secondary school students. Our work in this exciting new area is covered in the following section.

## Financial literacy for children and youth

With the additional support of the Russell Investment Group The Smith Family is now positioned to expand the financial literacy offerings of our participation agenda to encompass programs specifically targeting children and youth. This is a priority for 2008 which reflects our previously mentioned recognition of the need to address financial literacy skills earlier in the life course where problems may first begin to manifest.

There are five different youth programs being piloted in different regions across several states. They were selected according to suitability for youth in a variety of different regions, and encompass a variety of delivery methods: plays, online games, facilitation, and group work. The aim of the pilots is to gauge which of these delivery methods is most suitable for children and youth from differing age groups and so develop an appropriate range of program offerings around these results for 2009 and beyond. The Table below provides an overview of the different programs.

**Table 2: The Smith Family's financial literacy pilot programs for children and youth in 2008**

Financial Literacy Program	Location	Education Life Course	Context or setting	Channel
<i>Cent\$ational Harry and the Balance of Life</i>	Queensland, Victoria	Primary School, Years 5-8 <sup>30</sup>	School, Years 5-8	A 'live' play, presented at school
<i>ESSImoney</i>	Queensland, Victoria	Years 9-10	Junior High School	Face to face
<i>MoneyMinded</i> online courses/games	Queensland, Victoria	Years 7-10	Junior High School	Face to face
Certificate 1 in Financial Services (Financial Literacy)	Nationwide	Years 11-12	TAFE/VET study through senior secondary school	Face to face workshops
A Financial Literacy Board Game	Queensland, Victoria	Years 7-10	Junior High School	Face to face

### Cent\$ational Harry and the Balance of Life<sup>31</sup>

This play is designed to inform students in an entertaining and lively fashion about the challenges of managing money. Developed with reference to the National Curriculum Framework of Financial Literacy learning statements, the production has also adapted the widely regarded seven steps to financial success. The play has been written to help children understand and deal with the fast-changing world of finance, credit and consumerism. The Smith Family is working with primary schools in the Ballarat, Collingwood, Epping and Shepparton areas of Victoria to undertake an evaluation of the impact of the play on student learning.

### ESSI money<sup>32</sup>

This online financial literacy game aims to provide a unique, interesting and engaging way to teach young people sound financial management skills. Designed around the concept of a challenge or quest, the game encompasses the basic concepts of financial management – **E**arning, **S**aving, **S**pending and **I**ncvesting – **ESSI**. In addition the game stresses the importance of establishing a budget and goal setting to achieve financial goals. In the game the player undertakes a series of financial challenges during a certain period in order to achieve the best possible financial result. Essentially the game allows players to 'encounter' and 'deal with' financial situations they are well likely to face in their own lives.



### MoneyMinded online games

There are currently two online games forming part of the *MoneyMinded* suite. *Slides and Stairs* tests financial knowledge, and *Beat the Clock* helps people test their money knowledge in a fun and novel way in a style not unlike that of a television game show.

### Certificate 1 in Financial Services (Financial Literacy)

This accredited course<sup>33</sup> is designed to allow for the participation of senior high school students. It has been built on our existing Financial Literacy Course but also provides the accreditation option, providing further motivation and incentive for students. The student participants who complete the course can choose to complete the assessment and receive a formal qualification, or choose not to and receive a certificate of participation. As part of the program, guest speakers from organisations such as the Russell Investment Group and the Australian Securities and Investment Commission deliver information on topics such as superannuation and credit reporting to students. A key program feature is the opportunity it provides our corporate partners to directly contribute to, and engage with, our program the participants.

### A Financial Literacy Board Game

This game is being piloted with over one hundred students in Year 7 at Deer Park Secondary College in Victoria. The game is designed to teach students how to budget and prioritise consumption in accordance with their needs. It seeks to develop their financial literacy skills by providing opportunities to grasp the importance of budgeting strategies, to establish long term financial literacy knowledge, and to become more financially independent and knowledgeable consumers.

## **Addressing behavioural change**

In 2007 The Smith Family was invited by AXA Investments, Insurance and Superannuation to become a partner in an applied research project. The aim of the partnership was to develop an evidence-based program to assist people strengthen and integrate financial literacy skills with their behaviours and beliefs in relation to money and long-term happiness and wellbeing.

AXA recognised that The Smith Family's experience and research, not only in financial literacy programs with *LfL* families but also in other programs with *LfL* students, has shown that even after young people and other individuals from financially disadvantaged backgrounds may have benefited from educational opportunities, some may still find it difficult to break out of a 'culture of disadvantage'.<sup>34</sup> While we currently have only proxy indicators for the persistence of how such a culture can affect breaking out of disadvantage (based on case studies of the support that *LfL* students receive in the context of their families),<sup>35</sup> we are also currently undertaking a post-program outcomes study that will enable us to assess the longer term impact of having had the assistance of *LfL* on post-school destinations and achievements.<sup>36</sup> In the meantime, we can continue develop responses to research confirming the lasting impact non-cognitive factors can have on a child's future wellbeing.<sup>37</sup>

Our *LfL* suite of programs emphasise *different capabilities* at stages where evidence confirms they are most relevant.<sup>38</sup> For example, we are currently expanding the range of educational and mentoring support programs for young people in the 18–24 post-compulsory age bracket. Students benefiting from these programs work towards breaking out of a 'culture of disadvantage' by accessing the educational opportunities afforded them. However, in view of research showing how non-cognitive behaviours, values and beliefs attached to a culture of disadvantage can inhibit the dismantling of intergenerational disadvantage, there is a need to look more closely at the development of programs that provide opportunities for greater intergenerational mobility. Financial literacy programs are a crucial component of this development strategy.



The Smith Family's research and development of non-cognitive and behavioural focused financial literacy and money management programs has the potential to build new (and complement existing) 'capacities' that break the nexus of intergenerational disadvantage.

Our proposed applied research program in conjunction with AXA will enable us to work with a sample of our families and other individuals who have benefited from The Smith Family's financial literacy programs and situate the proposed applied research in the 'Personal Development' stream of the *Learning for Life* suite of programs. The latter provides a framework for developing and strengthening linkages between value and belief systems, personal development, and growth goals related to happiness and wellbeing with advanced financial literacy skills and money skills. The Personal Development stream is also well suited to exploring the impact of family, upbringing and culture on the development of beliefs, self-worth, relationships, capacities and skills.

The Smith Family considers the invitation to work with AXA on such an important initiative a great opportunity for the young people and families on *Learning for Life* to develop the financial literacy skills and money behaviours that can make a significant further contribution to breaking the nexus of intergenerational disadvantage for our families.

**Appendix 1:**  
**Statistical overview of The Smith Family's financial literacy support, 2005 – 2008**

**The Smith Family's involvement in financial literacy**

Financial Literacy Program	Location	Education Life Course	Context or setting	Channel
Saver Plus (a matched saving program)	The Australian Capital Territory, New South Wales, Queensland and Tasmania.  Planned extension to the Northern Territory, South Australia and Western Australia.	Adult (predominantly parents in families)	In community	Group workshops
<i>MoneyMinded</i>	Victoria	Adult – lifelong learning	In community	Group workshops
The Smith Family's Financial Literacy Course – based on elements of the <i>MoneyMinded</i> program	The Australian Capital Territory, New South Wales, Queensland & Victoria. Planned extension to the Northern Territory, South Australia, Tasmania and Western Australia	Adult – lifelong learning	In community	Group workshops
			Individual household	Online
Workplace Financial Literacy Training - The Russell Program	National – across Australia	Adult – professional development	The Smith Family Workplaces	Group workshops

**Participants in The Smith Family's programs**

Year	2008	2007	2006	2005
<i>Saver Plus</i>	505	465	397	105
<i>MoneyMinded</i>				258
Financial Literacy Course (This was developed using <i>MoneyMinded</i> Materials)	180	993	528	
Enabled Financial Literacy Course (Through trained third party providers; who we train in the use of <i>MoneyMinded</i> and then they deliver, encouraged by ANZ).		710	355	
The Russell Program		125		
<b>Sub-totals</b>	<b>685</b>	<b>2293</b>	<b>1280</b>	<b>363</b>
<b>Grand total</b>	<b>4621</b>			

**Appendix 2:**  
**Community partnerships for financial literacy**

Aboriginal Co-op East Gippsland	Kingston East Neighbourhood Centre
ACCESS	Kurbingui Youth Development
Aspley Mental Health Service	Leichhardt Community Centre
ATO, Chermside	Lifebridge Young Mums
Bairnsdale Secondary College	Maffra Secondary College
Caboolture Family Haven	Morwell Neighbourhood Centre
Caboolture Shire Council	Multi – Cultural Group, Southport
Centacare, Browns Plains	Nagle College
Changing Lanes, Bairnsdale	Namtec
Comet Group, Gympie Domestic and Family Violence	Numinbah Correctional Centre
Community College Bairnsdale	Pattie Pies Pty Ltd
Community Employment Options, Rockhampton	Pine Rivers Neighbourhood Centre
Community Solutions, Nambour	Quantum Support Services
Deception Bay Neighbourhood Centre	Queensland University of Technology
East Gippsland Local Learning & Employment Network	Relaxation Centre, Fortitude Valley
East Gippsland TAFE	Salvation Army
George Street Neighbourhood Centre, Mackay	Sandgate Community Centre
Get set for Work, Deception Bay	St Brendans, Shepparton
Gippsland Lakes Community Health	St Vincent de Paul, Bairnsdale
Gowrie Street Primary	Still Waters, Gold Coast
Greencorp	Stuff 4 Life, Bairnsdale
GV Christian College	Sunshine Place Mental Health Service
Hope Indigenous College, Nambour	Zig Zag / Othilas – Young Mums, Annerley
Inala Brisbane Youth Service	Zillmere Community Centre
Kilmany Uniting Care	

**Appendix 3:**  
**School partnerships for financial literacy**



School	State
Bairnsdale Secondary College	Vic
Ballarat Secondary College	Vic
Bendigo Secondary College	Vic
Broadmeadows Secondary College	Vic
Caboolture East State School	Qld
Collingwood Secondary College	Vic
Dandenong Secondary College	Vic
Deer Park Secondary College	Vic
Delacombe Primary School	Vic
Footscray Secondary College	Vic
Geelong Secondary College	Vic
Lalor East Primary School	Vic
Maroochydore State School	Qld
Richlands State School	Qld
Saint Mary's Primary School	Vic
Shepparton Secondary College	Vic
Upper Coomera State College	Qld
Upper Mt Gravatt State School	Qld
Werribee Secondary College	Vic

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<sup>1</sup> D. Liddy, 2006, 'BOQ [Bank of Queensland] MD says need for financial literacy education has never been greater', available [http://www.boq.com.au/aboutus\\_media\\_20060901.htm](http://www.boq.com.au/aboutus_media_20060901.htm), viewed 18 February 2008.

<sup>2</sup> ANZ, *Financial literacy and inclusion*, <http://www.anz.com/aus/aboutanz/Community/Programs/FinLit.asp>, 2008, accessed 17 February, 2008.

<sup>3</sup> M. Sherraden, 'Assets, Poverty and Public Policy', Presentation at the 'International Year of Microcredit' Conference, Melbourne, 2005.

<sup>4</sup> The Financial Literacy Foundation was established by the Australian Government in June 2005 to give all Australians the opportunity to increase their financial knowledge and better manage their money; for further information see: <http://www.understandingmoney.gov.au/Content/Consumer/AboutUs.aspx>, accessed: 18 February 2008.

The CEO of The Smith Family has been a foundation member of the Advisory Board of the Financial Literacy Foundation since 2005.

<sup>5</sup> Cited in 'Financial literacy Getting it right on the money', *The Economist*, 3 April 2008, available [http://www.economist.com/displaystory.cfm?story\\_id=10958702](http://www.economist.com/displaystory.cfm?story_id=10958702), accessed 10 April 2008.

Ferguson "produces a long list of evidence to support this conclusion. According to one survey last year, four in ten American credit-card holders do not pay the full amount due every month on the credit card they use most often, despite the punitive interest rates charged by credit-card companies. Nearly one-third said they had no idea what the interest rate on their credit card was."

<sup>6</sup> *The Economist* (April, 2008) 'Financial Literacy: Getting it right on the money', pp. 75-77.

<sup>7</sup> 'Financial Literacy and Education Commission', *United States Department of the Treasury*, available, <http://treas.gov/offices/domestic-finance/financial-institution/fin-education/commission/>, accessed: 16 April 2008.

<sup>8</sup> 'Responding to Life Events', *MyMoney*, <http://www.mymoney.gov/life.shtml>, 2007, accessed: 16 April 2008.

<sup>9</sup> 'History of the National Strategy', *Financial Services Authority: Building Financial Capability in the U.K.*, [http://www.fsa.gov.uk/financial\\_capability/about\\_us/history/](http://www.fsa.gov.uk/financial_capability/about_us/history/), accessed: 16 April 2008.

<sup>10</sup> 'About us', *Financial Services Authority: Building Financial Capability in the U.K.*, [http://www.fsa.gov.uk/financial\\_capability/about\\_us/history/](http://www.fsa.gov.uk/financial_capability/about_us/history/), accessed: 16 April 2008.

<sup>11</sup> 'National Financial Literacy Survey 2005: Findings and Recommendations', *Monetary Authority of Singapore*, [http://www.moneysense.gov.sg/resource/news\\_events/news\\_archive/2005/Summary%20Report.pdf](http://www.moneysense.gov.sg/resource/news_events/news_archive/2005/Summary%20Report.pdf), accessed: 16 April 2008.

The survey found, "Singaporeans have fairly healthy attitudes towards basic money management, financial planning and investment matters... However, many Singaporeans do not manage and plan their finances in a disciplined or structured fashion."

<sup>12</sup> *ibid.*

<sup>13</sup> *ibid.*

This "action"-based approach follows the survey trends indicating Singaporean attitudes to financial management were generally sound, yet their practical skills were comparatively limited.

<sup>14</sup> ANZ, *ANZ Survey of Adult Financial Literacy in Australia 2005*, ANZ Banking and AC Nielsen, 2005.

<sup>15</sup> CBA Foundation, *Improving Financial Literacy in Australia: Benefits for the Individual and the Nation*, Commonwealth Bank of Australia, 2004.

<sup>16</sup> The findings from the survey can be found in the report *Australians understanding money*, which is available on the Foundation's *Understanding Money* website.

<sup>17</sup> 'Young people want to learn more about money: new report', *Financial Literacy Foundation*, Australian Government, <http://www.understandingmoney.gov.au/content/media/releases/0112007.aspx>, accessed: 28 April 2008.

<sup>18</sup> *America Saves* is a nationwide campaign to bring about a culture of saving involving around 20,000 enrolled 'savers' and 1,000 non-profit groups, employers, financial institutions, and government agencies working at the local, state, or national levels. These organisations provide leadership, offer savings services, and promote these services.

<sup>19</sup> G. Zappala (ed.), *Barriers to Participation: Financial, Educational and Technological – A report into the barriers to societal participation among low-income Australians*, The Smith Family, Orfeus Research, Camperdown, 2003.

<sup>20</sup> The Smith Family's Guiding Principles: That we should, as a national, independent, social enterprise; be about societal change for the benefit of all Australians; be focused on disadvantaged children within the family context; concentrate on prevention and early intervention over the life course, with an emphasis on key transition points; be evidence-based, using a multidisciplinary approach; be embedded in the community; work with and through other organisations; significantly increase

and diversify our sources of funding and our resource base; and, enhance our internal capacity and in turn use our resources to build the community's capacity.

<sup>21</sup> *Enabling Relationships: Students connecting with Sponsors*, The Smith Family, 85th Birthday Special Report Series, [http://www.thesmithfamily.com.au/documents/Enabling\\_Relationships\\_85th\\_Report.pdf](http://www.thesmithfamily.com.au/documents/Enabling_Relationships_85th_Report.pdf), 2008, accessed: 20 April 2008.

<sup>22</sup> See *Appendix 1* for an overview of The Smith Family's Financial Literacy programs and the extent of participation in them from 2005 – 2008.

<sup>23</sup> See: ANZ Community 2008, 'Saver Plus – Evaluation', <http://www.anz.com/aus/about/saver/Evaluation.asp>, accessed: 3 March 2008.

<sup>24</sup> See *Appendix 2* for an overview of the community partners involved in our financial literacy work.

<sup>25</sup> In addition to The Smith Family, other organisations working with ANZ in the development and implementation of *MoneyMinded* include The Benevolent Society, The Salvation Army, Mission Australia, Anglicare, The Brotherhood of St Laurence, Kildonan Child and Family Services and Berry Street Victoria; see: *MoneyMinded*, <http://www.moneyminded.com.au/contact/default.asp>, accessed 3 March 2008.

<sup>26</sup> See: *The Economist* (April, 2008, pp. 76-78) where the increasing relevance of behavioural economics is recognised as an important resource in the building of money management skills.

<sup>27</sup> This review involved another advisory committee featuring financial counsellors from every state and territory, as well as an ANZ representative.

<sup>28</sup> For further information see RMIT, 2005, *Evaluation of MoneyMinded: An Adult Financial Education Program*, RMIT and The Smith Family, *Beyond Budgeting to Financial Literacy An evaluation of The Smith Family's MoneyMinded program*, The Smith Family, 2006.

Surveys were conducted with program participants in the course of the evaluation.

<sup>29</sup> The Smith Family's goal represents a significant contribution to ANZ's overall goal to have 100,000 people in *MoneyMinded* workshops by the end of 2010. In relation to the latter, see RMIT, *Evaluation of MoneyMinded: An Adult Financial Education Program*, RMIT University: Melbourne, 'Foreword' by John McFarlane, Chief Executive Office of ANZ, 2005, p.1.

<sup>30</sup> Year 8 is a primary school year in Queensland.

<sup>31</sup> Bank of Queensland, 2007, 'Teaching kids about money – it's a drama', [http://www.bog.com.au/aboutus\\_media\\_20070124.htm](http://www.bog.com.au/aboutus_media_20070124.htm), accessed: 13 March 2008.

<sup>32</sup> The Financial Basics Foundation, n.d, 'Earning, Saving, Spending, Investing About ESSi Money', available <http://www.essimoney.com.au/about.aspx>, viewed 13 March 2008.

<sup>33</sup> This qualification is accredited under the National Training Information Service.

<sup>34</sup> In contrast, young people in more advantaged families and circumstances are brought up in a different culture which could be characterised as supporting them in a 'ring of confidence'.

<sup>35</sup> J. Bryce (et al.), *Australian young people: their stories, their families and post-school plans*, Australian Council for Educational Research & The Smith Family, May 2007.

<sup>36</sup> The Smith Family is conducting the study in conjunction with the Australian Council for Educational Research. Five surveys will be administered at six monthly intervals to samples of 1,000 *LfL* students who have exited the program.

<sup>37</sup> D'Addio, Anna C. (2007) *Intergenerational Transmission of Disadvantage: Mobility or Immobility Across Generations?* OECD Social Employment and Migration Working Papers No. 52.

<sup>38</sup> The overarching purpose of our flagship *Learning for Life* suite of inter-connecting programs is to provide educational opportunities for disadvantaged individuals and their families at key transition points (including transitions into employment) throughout the life course. This is achieved through three complementary streams:

- Financial scholarships (which facilitate the participation of disadvantaged children and youth helping them to have the materials needed to allow them to belong in the formal education system from early childhood through primary and secondary school to tertiary);
- Personal Support (which goes hand in hand with financial support and is focused on enhancing the cognitive/academic skills of the individual through formal learning assistance via tutoring, mentoring and coaching); and
- Personal Development (which focuses on developing an individual's social-emotional development through informal learning by participating in extra-curricular activities such as sports and the arts, etc.)

Within these streams *Learning for Life* concentrates on improving essential literacies such as numeracy and comprehension, financial, and ICT.