FPQS Inquiry
Sub. 004

Submission to the inquiry into "The adequacy of existing financial protections for Queensland's seniors," Communities, Disability Services and Domestic and Family Violence Prevention Committee, Queensland Parliament.

This submission draws on my extensive and ongoing research into financial literacy and financial literacy programs in Australia as detailed in the following references. My comments relate to the current levels of financial literacy of seniors and how it can be improved, the support and advice available to assist seniors with their independent financial decision-making, and the agencies and organisations that provide advice and support to seniors requiring financial protection.

In a first paper, Worthington (2006), I use logit models to predict financial literacy using the ANZ Survey of Adult Financial Literacy in Australia. Financial literacy is defined in terms of mathematical ability and the understanding of financial terms. Factors examined include gender, age, ethnicity, occupation, education, income, savings and debt. Financial literacy is found to be highest for persons aged between 50 and 60 years, professionals, business and farm owners, and university/college graduates. Literacy is lowest for the unemployed, females, and those from a non-English speaking background with a low level of education. In terms of age especially, I find that being aged 40-49, 50-59 and 60-69 years increases the likelihood of higher financial literacy (log odds of 0.81 and odds of 2.25 times for the 60-69 years age group over other age groups). This suggests that age alone does not predict a given level of financial literacy and that other factors are at play. In fact, based on age alone, seniors aged 60-69 years are some of the more financially literate members of Australian society, possibly because of their long history of 'learning while doing'.

In a second paper, Worthington (2007), I predict access and awareness of personal bank accounts among Australians, including seniors. Access is defined as the ability and willingness to use ATM, EFTPOS, telephone and internet banking. Awareness relates to the understanding of bank statements, fee and charges, account shopping around and internet calculators. In general, newer ways of accessing bank accounts are confined to young, urban, well-educated, white-collar occupations. Awareness is lower for respondents with less education, non-workers, farm workers, unskilled and renting households, and higher for white-collar occupations, couples and those with higher incomes and savings. In terms of access there appears to be a strong distinction between 'older' (well-adopted) ATM and EFTPOS technology and 'newer' (less-common) telephone and internet banking technology. For the former, usage is well spread across most consumers, though take-up rates clearly decrease with age. For example, a consumer aged 18-24 years is more than three times likelier to use EFTPOS than one aged 60-69 years. This suggests that financial literacy for senior needs improvement most in high-technology areas and this is where they are also currently most susceptible to scams, etc.

In a third paper, Worthington 2008), I use least squares and binary logit models to predict knowledge and perceptions of superannuation in Australia on the basis of demographic, socioeconomic and financial characteristics. The data is from the ANZ Survey of Adult Financial Literacy in Australia and relates to 2,516 superannuation fund members. Knowledge of superannuation is defined, amongst other things, in terms of understanding superannuation fees, charges and statements, recognising the voluntary and compulsory nature of additional employee and employer contributions and being aware of the lower taxation of superannuation compared to other investments. Factors examined include gender, age, ethnicity, occupation, educational level and family structure, along with household income, savings and debt. In terms of specific superannuation knowledge, only about sixty percent of respondents could correctly answer only fifty percent or less of the questions posed. In general, knowledge is generally better for professionals, those aged over forty or nearing retirement and the university educated, and this suggests seniors are more financially knowledge about superannuation than most younger groups.

Finally, in Worthington (2013) I review the existing evidence on the level of financial literacy in Australia, along with the posited determinants and potential impacts on consumers and the marketing of financial services. I then discuss the financial literacy programs currently in place in Australia aimed at increasing the level of financial literacy across the population as a whole and in specific groups set in place by government, industry, community, and workplace initiatives. Overall, the research has repeatedly shown us that efforts to improve financial literacy have proven elusive. But unfortunately, the diversity of 'financial literacy programs' in place do little to reassure us that they have any sort of consistency of purpose and meet appropriate educational standards and are not merely a different sort of marketing or promotional exercise in the private sector or in the government sector a means of improving political standing. Is the information in these programs accurate and independent? What is the appropriate training for financial education providers? Should there be quality standards and codes of conduct for providers of freely accessible financial education programs? Further, what new if any solutions are on the horizon for improving financial education and literacy? As to the implications for financial services marketing, it is clear that financial literacy programs need to consider whether they target specific groups (children, retirees and the elderly, the Indigenous, etc.) or the population, address particular themes (budgeting, investment, savings, etc.) or a combination of themes. They also need to decide whether they team with a community and/or government body for this purpose, and whether they deliver education as a self-paced or structured program, and whether they deliver in in-person, in hardcopy, or through the web. There is little evidence of financial literacy programs specifically targeting the needs of seniors.

<u>References</u>

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