

Young Aussies disconnected from finances

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Commerce graduate Daniel Wroby didn't hear the term "financial literacy" until he was 23. *Photo: Pat Scala*

Twenty-three-year-old Daniel Wroby admits he had never heard the term "financial literacy" before doing a commerce degree at Melbourne University.

In his final year, Wroby attended a pilot course called Street Finance, designed to help students gain a better understanding of everyday money issues.

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"It might sound odd, but I had not come across the term 'financial literacy' before the course," Wroby says. "If young people were introduced to the concept of what this means, like savings, how banks operate, even just the basic money management, when they were younger, it could only improve their welfare."

Wroby is more fortunate than many of his peers. A recent ANZ study suggests 18-24-year-olds are more disconnected than ever from money issues – and often wind up learning financial lessons the hard way.

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Jane Nash, ANZ head of corporate sustainability and financial inclusion, said that while under-25-year-olds get some financial literacy in high school, it seems to stop after this.

"More often, they seek advice from their parents and friends; they don't have money to spend for professional advice. They look to people they know and trust, although this is now declining," Nash says.

The study suggests that two out of three young adults consult family and friends about money issues. In 2011, this was higher at more than three out of four. Young people have also shifted away from traditional sources of information such as financial publications, magazines, internet sites and government organisations.

Nash says this trend is particularly strong. "The proportion of 18-24-year-olds who said they used the traditional sources has halved in three short years," she says. "It was 27 per cent in 2011 and dropped to 13 per cent in 2014."

The use of internet finance sites also fell from 40 per cent to 29 per cent. Sixty per cent of respondents said they did not use any of the sources of financial information, up from 48 per cent in 2011.

"Historically young people have had the lowest level of financial literacy because they haven't had the experiences in life," says Nash. "The things that are of interest to them: mobile phone plans, credit cards, savings and seeking goals – basic day to day management, how to make ends meet and the difference between a need and a want."

This disconnection is the reason Melbourne University created the Street Finance course, which kicked off this year to help students gain basics of money management. The course is part of the university's bachelor of commerce, but the goal is to open it up to all students.

Dr Carsten Murawski, the senior finance lecturer who designed the course with colleagues Professor Carole Comerton-Forde and Catherine Reid, says that one in four Australians aged 12 to 20 have had some form of financial debt, with young people from disadvantaged backgrounds at particularly high risk of encountering financial troubles.

"Often financial dilemmas are consequences of a lack of information or misinformation about financial products", says Murawski. "These early financial mistakes can sometimes have long-lasting effects on a young person's future."

Professor Comerton-Forde said the program's aim was to raise financial literacy levels among students and give them an opportunity to take this into the community.

Once the university students complete the Street Finance course, they then deliver three lessons on basic financial knowledge in high schools in Victoria, covering topics relevant to 15-17-year-olds including budgeting, savings, credit, mobile phones, bill shock and consumer rights.

"The fact that our students are only a few years ahead of the high school students they are teaching means it might be easier to get them engaged," says Comerton-Forde.

"We believe this program is the first in the world. From our students' point of view, it's a tremendous opportunity to engage in the program. I think a lot of them thought they knew finance really well, and it was going to be easy," she says.

"It's given them an in-depth understanding of financial issues. Many of them hadn't related this to their own personal financial position. It really forced them to think about saving, budgeting and future planning. It was very effective for them in that it was hands on, as they had to deliver classes themselves. Ideally we would like to have every student in the schools and universities having exposure to programs like this one."

Wroby took what he learned in Street Finance to the classroom at a girls' high school.

"Not being so long out of the school system, there wasn't so much of an age gap, so it was easier to connect to 16-18-year-olds," he said. "From my classroom experience and discussions with the course developers, the biggest take-away for me was for those who don't choose business or finance courses after school; there is a perception that money issues can get overlooked, particularly for women. Introducing early money management will potentially help young people think more about this.

"A lot of times people don't start to understand financial literacy until they are suffering, like in debt or much worse. We had a financial counsellor speak to us as part of the course. She counsels with families and individuals who make one mistake after another. They don't understand basic principles, such as read what you sign, think of long-term consequences, needs versus wants and short-term gain."

A healthy dialogue around money within the family unit would be very healthy, he says.

"We come from diverse backgrounds and cultures. Every culture has different behaviours around money. If this could be implemented into the classroom, it would be very healthy; the program highlighted this issue. It seems like financial literacy is growing, but most people only learn the hard way – when they are in debt."