

## The Finance First project Engaging and Transforming Communities

The Finance First partnership, formed between Citi and YWCA NSW, aims to improve financial literacy among young Australians and their families.

Our partnership extends back to 2003 – a time in which it was becomingly increasingly apparent that certain groups in our community, particularly our young people and those on lower incomes, are often disadvantaged by low levels of financial literacy.

Both Citi and YWCA NSW believe that by working together we can positively influence the situation. As one of the world's leading financial institutions, Citi was eager to commit support to personal finance programs designed to assist participants make sound financial decisions. YWCA NSW – also part of a global group - is a highly regarded community organisation working to improve the lives of those in critical circumstances.

In addressing the issue of financial literacy, research by the Finance First partnership revealed that primary school children are frequently engaged in key financial activities – often exercising a remarkable degree of influence over household spending. Yet many of our youngsters are ill-equipped to manage these budding responsibilities.

However children do not learn about money from school alone – the practice of parents is also a key influence. Recognising this, the Finance First partnership opted for a program of financial literacy that includes parent education to reinforce the success of school-based student programs.

The result is the *MakingCents* program comprising curriculum-based resources suitable for primary school students Australia-wide, coupled with a financial education course for parents.

Four years after its inception, the success of *MakingCents* was documented in an extensive review conducted by the Centre for Education Research, University of Western Sydney. This report – which is a summary of the review - demonstrates how Finance First has gone beyond supporting children's learning in the classroom, to enhance financial literacy among parents.

Today *MakingCents* has established a firm foothold in a significant proportion of Australian primary schools, with a cadre of well-trained teachers, and a parent program that has had a positive impact on parents' financial literacy. This goal would not have been achieved without support from the NSW Department of Education and Training in developing the materials, engaging their counterparts in other states and territories, and assisting with the delivery of the parent program to Priority School communities (socio- economic disadvantaged areas) across NSW. For this support we are very grateful.

Today, *MakingCents* for primary school students has been taken up by thousands of teachers through professional development courses and via access to the resources available on our website - [www.makingcents.com.au](http://www.makingcents.com.au).

Our children are our future, and the Finance First partnership intends to provide continued support to the *MakingCents* project as well as offering new financial education initiatives that allow families to control their own financial destiny and join the wider community in sharing Australia's prosperity.



Ron Bunker  
Chair- Finance First Advisory Board

## The need for financial literacy education

Financial literacy - defined as “the ability to make informed judgements and take effective decisions regarding the management of money”<sup>1</sup> – has become a matter of growing importance right across the developed world. Since the 1990s, there has been growing international recognition that poor financial literacy is often closely linked to financial and social exclusion.

Here in Australia, several local studies have confirmed that low financial literacy often couples with high personal debt and reduced savings, particularly among young people and low income earners.

Illustrating the extent to which poor financial literacy can impact our prosperity, the Consumer and Financial Literacy Taskforce found a person earning \$36,000 annually could lose up to \$790,000 in personal lifetime wealth as a result of poor financial decisions<sup>2</sup>.

### Social exclusion - right here on our doorstep

Social exclusion can be defined as reporting two or more of the following: lack of social interaction, domestic deprivation and extreme consumption hardship.

The need for financial literacy programs in the Australian community is supported by independent evidence showing social exclusion is a reality of our community:

- Australia has the second highest rate of working age households with children but no employed adult in the OECD
- The proportion of one-parent families grew to almost 16% of families in the past decade
- More than 30% of Australian homeowners are suffering mortgage distress.

Source: Engaging and Transforming Communities: The *Finance First* project. UWS.

## About Finance First

In 2003, Citi and YWCA NSW, created the Finance First partnership to achieve our goal of providing financial education for young people and their families. The Finance First initiatives are managed for the partnership by YWCA NSW, and funded by Citi Foundation based in the United States

Despite the importance of money, and good money management, in our lives, Australian children receive very little formal financial education. Our research indicates that the earlier children are taught a healthy approach to money, the better prepared they are to manage their finances later in life. While a number of Australian initiatives address the shortfall in financial literacy, the partnership identified a gap in the provision of programs aimed specifically at primary school students.

Recognising this shortfall, the Finance First project, was formally launched in May 2004 with two key aims:

1. To build financial literacy of teachers and primary school students through a curriculum-based program backed up with a complementary course for parents, and,
2. To provide life long financial management skills for families.

<sup>1</sup> Source: Australian Securities and Investments Commission, 2002.

<sup>2</sup> Source: Discussion Paper, June 2004.

School-based financial education is just one aspect of developing financial literacy among our younger generation. Children often learn best from their parents' example. With this in mind, the partnership developed the *MakingCents* program which adopts of a three-pronged approach:

1. ***MakingCents*** - A school program of financial education that addresses key learning requirements of the mathematics and broad social studies curricula. This program includes professional teacher development and curriculum resources for primary-aged children. *MakingCents* is delivered in 3 stages
  - Stage 1 is for children aged 6-8 and introduces money and counting
  - Stage 2 is for children aged 9-10 and introduces budgeting and spending, including needs and wants
  - Stage 3 is for children aged 11-12 and focuses on 'calculating the cost', including bank accounts and mobile phones
2. ***MakingCents for Parents Program*** - A program of parent education to be delivered either independently or alongside *MakingCents* for students.
3. **The *MakingCents* website ([www.makingcents.com.au](http://www.makingcents.com.au))** offers supporting resources for parents and teachers.

## Evaluating Finance First (2003 to 2007)

In 2007, four years after the inception of Finance First, the Centre for Education Research, University of Western Sydney conducted an extensive review of the project. The purpose of this study was to provide a summative evaluation and analysis of the extent to which the project has achieved its goals of advancing financial literacy and contributing to socio-economic resilience.

The review also included extensive analysis of all materials, past evaluations and reports; interviews with key stakeholders and relevant staff; interviews with primary school teachers who completed the *MakingCents* professional development; interviews with parents participating in the parent program; and observations of the delivery of four parent programs in different parts of NSW.

By documenting and evaluating past achievements and issues, it was hoped this review would also identify principles that will inform theory, practice and directions for the future.

This report is a summary of the key findings of that evaluation.

## Highlights of the Evaluation

### **The success of *MakingCents* in the classroom**

Since the inception of the Finance First project, 2,800 teachers Australia-wide have received professional development in the use of the *MakingCents* materials for primary schools. The feedback has been tremendous. Among the program's noteworthy features, teachers highlighted two particular aspects:

#### **1. The provision of cross-curricula materials**

The materials for *MakingCents* can be used across several curriculum areas, and despite the variations in curriculum content and outcomes across Australia, teachers have agreed that the materials fit comfortably with the core curriculum in each State and Territory. Typical comments included:

*“It was clearly and concisely put together. It is a very easy package to use. It made immediate sense as to how you would use it and how you would employ it. The fact that it came on CD as well was a fantastic bonus.”*

## **2. Real life scenarios that enhance student engagement**

An additional strength of the *MakingCents* program is the authenticity of ‘real life’ issues. The overwhelming majority of teachers reported a high level of student engagement with the aspects of the program they implemented. In particular, the activities involving planning a birthday party, shopping and the section on mobile phones were especially popular. As one teacher noted,

*“When we did the shop, they (the students) became so involved it was incredible, I’ve never had such a successful topic before.”*

### **Identifying shortfalls in student knowledge**

As adults it is easy for us to assume our children have an implicit understanding of money. However in teaching the *MakingCents* program many teachers were alerted to significant shortfalls and misconceptions in their students’ understanding of money.

#### **Confusion over denominations**

At one end of the spectrum, younger students often struggled with the mechanics of different sized denominations. As one teacher explained,

*“Young children think in terms of ‘more’, so when you have a dollar coin and a 50 cent coin they think the bigger coin should be worth more than a little coin. And when you talk about the numbers, they’ve learned that one is a small number so 50 cents sounds like a lot more.”*

#### **Misconceptions about where money comes from**

More significantly, many teachers reported that students simply did not understand where money comes from. Many did not equate having a job with earning money. In their minds, mum and dad go to work because that is what adults do instead of going to school.

Reflecting on the way that technology has changed our handling of money, many children did not understand *where* money comes from. Teachers commonly reported that children thought money could be obtained simply by going to the ATM.

*“I just presumed that the children would understand what that hole in the wall was all about and that money just doesn’t grow and just happen. But they really had no idea.”*

*“This young boy thought there is an endless supply of cash at the ATM for his mum and dad. He couldn’t understand why we needed to give money to the needy in places like Africa. He thought the people in Africa should just go to the ATM.”*

These misconceptions about the apparently ‘endless’ supply of money at ATMs clearly prevents children from understanding the need to make judgments about how we use our money.

### **Money management – not just an ‘adult’ issue**

The *MakingCents* program also gave teachers new insights into the impact of financial issues on students. Some teachers confessed to having considered finance an adult domain, yet the *MakingCents* program brought them face-to-face with the reality that practical money matters impact even young children. As one teacher commented:

*“The workshop made me aware that you have to talk about these sorts of things even with very young children. I think that was a real eye-opener for me. You tend to think: ‘Oh they’ll learn about it in commerce in high school’. To actually realise that I should start teaching my*

*five and six year olds about saving money and planning for the future ...was a real eye opener."*

And while some teachers may feel the course content is too challenging for young children, this has not proven to be the case. One teacher explained:

*"What really surprised me was that I thought things as complex as budgeting and debit and credit and the activities surrounding financial matters would be far too abstract for the kids to grasp. But I taught it for the first time to a grade 3/4 class and they got it just like that! And they understood straight away."*

### **Positive impacts on student learning**

Teachers have reported widespread evidence of the positive impact of *MakingCents* on their students' understanding of the use of money, why money is beneficial and what students can do with money. This advancement in students' knowledge and understanding was evident in their engagement with classroom activities as well as an improvement in the standard of their school work and their mathematical understandings.

Indicating a longer term influence, teachers reported this positive impact even extended to children's everyday social practices:

*"It translated into their talking and listening, their everyday play and their general discussions about money."*

### **Reaching parents beyond the classroom**

While *MakingCents* targets primary school students, the program's impact has always extended beyond classroom walls into the wider community. A number of teachers even report being approached by parents enquiring about the possibility of getting copies of *MakingCents* materials for their own use.

*"We did have parents come up and say 'Oh this stuff that you've been doing, can we have a copy of that because I think I could use this.'"*

### **A boost to teaching practice**

In addition to its impact on students, many teachers reported that *MakingCents* had a powerful impact on their own motivation and confidence to teach financial concepts. In particular, *MakingCents*:

- Complemented work already being done in class
- Heightened awareness of available resources and areas of need
- Underlined the importance of 'hands on' teaching

## **The *MakingCents* for Parents Program**

The *MakingCents for Parents Program* has been successfully run in New South Wales by YWCA NSW and Department of Education and Training (NSWDET) staff since 2004. Aiming to strengthen the link between learning at home and learning in the classroom, the Program consists of five two-hourly sessions, providing parents with information about their children's learning and ways to talk to their children about money. The program also provides practical information and activities around managing personal and household finances and accessing local community resources.

Participants in *MakingCents for Parents* have come from diverse cultural backgrounds and represent a cross-section of communities in both rural and metropolitan areas. The Program caters

particularly for people from low socio-economic backgrounds and has proven to be a tremendous source of local information and support.

Addressing the separate needs of adults, the *MakingCents for Parents Program* adopts several key factors to ensure its success. These included 'facilitating' rather than teaching, and the creation of a non-threatening, non-compulsory environment in which parents can share their experiences.

Moreover, the parent program is reciprocal in nature, enabling parents to gain new financial literacy skills that will benefit their families in an ongoing way, while sharing their existing financial literacy skills to the benefit of others.

### **Children's needs form a common bond for parents**

Despite their diversity, the common bond between all participating parents was the priority placed on their children's 'needs' – something often shaped by the intense marketing pressures faced by young people. Combined with low incomes, wider social pressures and poor levels of personal financial literacy, the drive to meet their children's demands has placed many families in financial circumstances that appeared uncontrollable. Indeed, one facilitator noted,

*"Parents are spending their money on their children. Children have the biggest say in how the household money is spent. And that's what advertisers do. Everything is aimed at selling things for children. I have parents that go without so that their children can have a mobile phone because the peer pressure is so powerful".*

Exacerbating the problem, many families reported having no 'rainy day money' to cover the cost of simple household emergencies such as the breakdown of a washing machine or fridge. For those without support networks or awareness of community services, this can trigger intense hardship, ultimately leading to a cycle of spiraling debt accompanied by the financial and emotional burden that this entails.

### **Participation takes courage**

For many parents it took a great deal of courage to attend the *MakingCents for Parents Program*, often having to overcome their own negative memories of school, or break social taboos surrounding open discussions of money.

Some parents expressed concern that participating in the course was a public admission they could not manage their money or take care of their family. There were even fears that their perceived lack of financial competence would be reported to welfare agencies, which of course was not the case.

### **Applying their knowledge**

Despite the hurdles they faced, feedback from parents has proven consistently positive. The program has opened new doors for participating families to better manage their personal finances. Typical comments ran along the lines of:

*"This is great! Now when the kids ask for something I can say, 'Is it a need, or is it a want?' And it really makes them stop and think."*

*"We need this program to continue. It's a valuable asset."*

*"It's reminded me that I really do need to make the time to teach the kids about saving and budgeting, because they're going to need those skills in the future."*

### **Parents sharing skills with children**

There is strong, persuasive evidence that the *MakingCents for Parents Program* has had a discernible, positive impact on participants, families and communities, with many parents playing an active role in supporting their children's learning. One elated parent explained,

*“My son was so excited last week! We got home after school and he wanted to see everything I’d done (in the workshop), and he looked through all the pages and the pamphlets and everything. And it was good, it gave me a chance to talk to the kids about where our money comes from, and where it goes, and how much things cost. And I hadn’t really talked to them about that stuff before, because I didn’t want to burden them with it. But they were really interested, and I realised that they actually do need to know about all that stuff.”*

Other parents noted that, as a consequence of their participation in the program, they had helped their children develop budgets and savings plans for money received as gifts, ‘pocket money’, or in exchange for doing chores.

*“Now I give my son \$5 a week pocket money, but he has to bank half of it, and he usually spends his other \$2.50 at the shop across the road from school. And he spent it all on one day last week and then wanted more, but I was really firm with him, and I didn’t give him any more. And that was really difficult, but I feel like he learned a good lesson. And I learned something about setting clear boundaries, too.”*

### **Positive impact on mothers**

A significant proportion of the parents attending the *MakingCents for Parents Program* were women, many of whom experienced, for various reasons, low levels of financial control within their own household. The program provided both information and strategies that empowered these women to take a more active and consultative role in financial decision making in the home. This is likely to become a valuable legacy of the *MakingCents for Parents Program*.

One female participant, who reported struggling to pay off debts accrued during a period of family crisis, was able to access information about personal credit ratings, as well as learning how to renegotiate repayment plans with creditors.

Some women also felt that participation in the program legitimized their roles as learners of important and useful information. Their children took a keen interest in what their mothers had been learning ‘at school’, and this opened up opportunities for the women to discuss issues such as earning, saving, planning and budgeting with their children.

### **Acquiring new financial skills**

Parents recognised the value of their participation in the parent program as a means of effecting longer-term social change on behalf of their children. The outcomes of the *MakingCents for Parents Program* include real life skill sets that can help families on a variety of fronts including:

- Understanding the hidden financial traps in advertisements for special deals, including delayed payment plans
- Ability to recognise and deal with scams
- Knowledge of local support services that provide help at times of crisis
- Understanding of how to get out of financial traps including use of payday lenders and pawn brokers
- The importance of budgeting and saving and managing debt
- Practical ways that parents can introduce their children to money management.

Armed with these skills, parents reported enhanced self-esteem, increased control over their lives and improved financial well being of their families – the result of more effective management of the family budget.

By increasing the capacity of parents to resolve financial crises, the *MakingCents for Parents Program* has enabled parents to solve problems without negatively impacting family life. In short,

parents with little or no financial literacy have become role models for their children. As one parent described:

*“Now whenever somebody asks if they can have something, or they want money to buy something, I say ‘Is it a need, or a want?’ And they’ve surprised me, because they stop and think about it, and they’re not so pushy about it when they can see it’s a want instead of a need.”*

## The *MakingCents* website

The *MakingCents* website at [www.makingcents.com.au](http://www.makingcents.com.au) was created by the partnership to meet a number of goals. These include:

- Providing teachers anywhere in Australia with all the resources needed to deliver *MakingCents* in their classroom – at no cost to themselves or their school.
- To give parents information and tools that can be used at home to help their children understand money.
- To provide helpful budget calculators to assist families manage their household spending.

In one year alone, there were more than 56,000 downloads of resources from users both in Australia and overseas.

## Looking ahead

Following its extensive review of the achievements to date of the Finance First project, the Centre for Educational Research at the University of Western Sydney has recommended that the partnership :

- Continue to support the existing programs
- Build on this knowledge to enhance the materials and increase their availability to teachers and parents

This will consolidate and embed the program’s achievements to date and establish the *MakingCents* program as a sustainable initiative with the potential to turn the tide of financial exclusion that faces too many Australian families.

Further information on Finance First and *MakingCents* can be found at the website [www.makingcents.com.au](http://www.makingcents.com.au).