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30 November 2017

Australian Securities & Investment Commission (ASIC)

National Financial Literacy Strategy

[submission@financialliteracy.gov.au](mailto:submission@financialliteracy.gov.au)

Dear Sir/Madam,

### **National Financial Literacy Consultation**

The Association of Superannuation Funds of Australia (ASFA) is pleased to provide this submission in response to ASIC's request for comments on the *2018 National Financial Literacy Strategy discussion paper*.

ASFA is currently an active supporter of the National Financial Literacy Strategy 2014-17, contributing through the Super Guru initiative. Super Guru is an independent website that helps people of all ages and life stages to understand and maximise their super. Additionally, several staff members of ASFA participate in ASIC's Financial Literacy Community of Practice forums on a regular basis.

### **About ASFA**

ASFA is a non-profit, non-political national organisation whose mission is to continuously improve the superannuation system, so all Australians can enjoy a comfortable and dignified retirement. We focus on the issues that affect the entire Australian superannuation system and its \$2.5 trillion in retirement savings. Our membership is across all parts of the industry, including corporate, public sector, industry and retail superannuation funds, and associated service providers, representing over 90 per cent of the 14.8 million Australians with superannuation.

### **General observation**

ASFA recognises the contribution the National Financial Literacy Strategy makes to a better awareness and understanding of financial services and concepts among Australian consumers and we welcome the opportunity to participate in the current review.

We have a number of specific comments in response to the consultation paper which appear in the following section however we would like to make one general observation before dealing with the detail of the proposals and discussion items.

A number of ASFA members have observed that a vital part of any effective communication program is plain English and that often the difficulty consumers have in understanding financial services

products and concepts is due to technical, legalistic or arcane language or to jargon which is easily understood by those in the industry but mystifying to outsiders.

One of the many reasons for the failure to use plain English in the industry is the need to comply with statutory or regulatory requirements, sometimes in a way specified by statute or regulatory guidance.

ASFA recommends that the need for plain English in communications relating to financial services be enshrined as a core or guiding principle of the National Financial Literacy Strategy. We also recommend that government and the regulators keep plain English in mind when they impose compliance requirements for public disclosure that force the industry to use language whose primary purpose is to satisfy technical compliance requirements and which cannot be easily understood by consumers.

### **Specific comments**

#### Proposal 1 – From financial ‘literacy’ to financial ‘capability’

A number of ASFA members have expressed support for the proposed change of the description of the National Strategy. ‘Literacy’ is thought to be too narrow a term and constrained by its strict meaning of ability to read and the negative connotations of its antonym illiteracy. Having said that, while capability is a well understood term in this context by professionals in the industry it should be recognised that it is not a colloquial or plain English term either. To address this ASIC should consider the incorporation of a series of pre-determined supporting terms and phrases for financial capability. Some obvious examples being – ‘driving your dollars further’, ‘taking control of your future’ and ‘managing your money better’.

#### Proposal 2 – Timeframe for the 2018 national strategy

ASFA acknowledges that the current three year timeframe is too short to assess the performance of some initiatives and that a longer timeframe would be sensible. However, some ASFA members have questioned whether ten years is too long. ASFA is of the view that ten years is acceptable as long as the proposed mid-term review at five years is a thorough and comprehensive assessment of the National Strategy allowing adjustment if necessary. To ensure this, accompanying action plans for the 2018 strategy should include specific performance measurements being made at the five year point with reporting against pre-determined targets on a scorecard-like tool designed to show results and achievements.

#### Proposal 3 – Core financial capability behaviours

ASFA considers that the introduction of an additional strategic framework element that promotes core behaviours is a positive adjustment. This further element is supportive of the increased focus in the 2018 strategy on capability and driving behavioural change. We support the introduction of the three core behaviours presented and suggest the following enhancements. It would be beneficial for a fourth core behaviour to be included to cover medium term planning capabilities. This could be achieved by changing the current “planning for the future” core behaviour to one that encompasses subject areas relating to housing, managing personal and home loan credit and wealth protection through personal life and disablement insurance. Superannuation and retirement could then

become its own (longer term) core behaviour supporting improved financial capability for retirement planning. In our view, it is confusing to mix up short and medium term planning for goals, like saving for and buying a house, with planning for and managing retirement and we would recommend that the latter be made a separate item.

#### Discussion item 1 – Priority audiences

ASFA supports the concept of priority audiences and is comfortable with the proposed additions to the existing categories. Because of the importance of compounding returns in superannuation and its positive impact on retirement benefits we would also recommend young people be added as a category. At the other end of the age spectrum, we welcome ASIC's recent efforts to better understand the financial capability of seniors through its commissioned research<sup>i</sup> and support further attention to this audience in the 2018 strategy as well.

#### Discussion item 2 – Broadening stakeholder reach and engagement with the national strategy

ASFA supports the proposals to strengthen and broaden stakeholder engagement and reach through 'expanding the number and nature of active contributors'. This should be done in a coordinated fashion to maximise the benefits and prevent duplication or gaps in coverage.

#### Discussion item 3 – Emerging opportunities and challenges

Further to our comments relating to proposal 3 in this consultation, we believe it is an appropriate time for superannuation, inclusive of both pre and post retirement elements to have a more prominent place in the National Financial Literacy strategy. Additionally, the role that superannuation can play in providing personal insurance throughout an individual's lifetime should be advanced.

A constant challenge confronting both individuals and the industry alike relates to continued low levels of engagement and understanding of superannuation in our community. While ASIC's efforts in this area in the past are to be commended, the proposed strategy that is going to be in place for a very long period out to ten years needs an increased focus on superannuation and retirement in our view. The age at which Australians become eligible for the age pension has commenced increasing in 2017 so the impacts of this will become apparent in the approaching years and individuals will require additional guidance.

#### Discussion item 4 – Research, measurement and evaluation

As was mentioned in our comments relating to the proposed 10 year timeframe for the 2018 strategy – measurement and evaluation of progress against some pre-determined performance indicators will be critical for such a long period. These indicators need to be determined with reference to an evidence base initially and involve ongoing research to measure and improve outcomes.

ASFA is supportive of ASIC developing a national financial capability research plan and encourages the use of a variety of research items that we provide through the ASFA Research and Resource Centre. The ASFA Retirement Standard, Super Statistics and Superannuation Account Balances by Age and Gender publications are examples worth mentioning.

### Discussion item 5 – Getting involved

We consider that there is further scope to use the resources and networks of industry associations, like ASFA, to improve the effectiveness and coverage of the National Strategy's programs.

As well as offering Super Guru again in support of the National Financial Literacy Strategy, ASFA can extend our contributions by including various other superannuation engagement and education activities like Super Booster Day and other specific campaigns planned for young people and women.

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If you have any queries or comments in relation to the content of our submission, please contact me on (02) 8079 0849 or [kwhitton@superannuation.asn.au](mailto:kwhitton@superannuation.asn.au) .

Yours sincerely

Ken Whitton  
Senior Policy Advisor

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<sup>i</sup> ASIC Report 537 – Building Seniors Financial Capability (August 2017).