



# SNAPSHOTS

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## Financial literacy

*Surveys like the Programme for International Student Assessment (PISA), Trends in International Mathematics and Science Study (TIMSS) and Progress in International Reading Literacy Study (PIRLS) enable educators, policy makers and the wider community to compare Australian students with each other, as well as their counterparts across the world.*

Young people face financial issues at an earlier age than their parents. Decisions about higher education, the need to be able to manage online payment facilities or even mobile phone plans require a level of financial literacy.

PISA 2012 offered an opportunity to collect information about the financial literacy of Australian 15-year-old students, and compare that with their peers internationally.

Overall, Australian students set a high baseline mark, with a score of 526 points, significantly higher than the OECD average of 500 points. Students in Shanghai-China and in the Flemish community of Belgium performed at a significantly higher level than Australian students.

Sixteen per cent of Australian students were top performers, while 10 per cent were found to be performing at the lowest level of proficiency. This compares to 43 per cent of Shanghai-China students at the highest proficiency level, and just two per cent in the lowest.



## Why financial literacy?

While low levels of financial literacy might not have been the root cause of the Global Financial Crisis in 2008/09, there is evidence that they played a key role in worsening its effects. Responses to a **key questionnaire** conducted by the OECD and the International Network on Financial Education in 2009 indicated that the lack of understanding by households of common financial issues such as credit and investment led to a deepening of the crisis. While the financial sector has grown increasingly complex, **OECD research** has shown that consumers are generally unaware of their financial risks,

overestimate their financial skills, and show little interest in financial issues.

Individuals are required more and more often to make their own financial decisions –options regarding higher education loans, managing online payment facilities, mobile phone plans, and even decisions about self-managed retirement funds – and young people face such decisions at an increasingly early age. The need for additional education was recognised and endorsed by Australia's ministers for education in 2011 and financial literacy has been incorporated into the Australian Curriculum.



Note: OECD average-13 refers to the average of the 13 OECD countries participating in the financial literacy assessment

## How Australian students performed

Overall, Australian students performed well, achieving an average of 526 points.

Students in Australia were outperformed by their peers in Shanghai-China and in the Flemish community of Belgium but in turn outperformed all remaining countries other than New Zealand and Estonia.

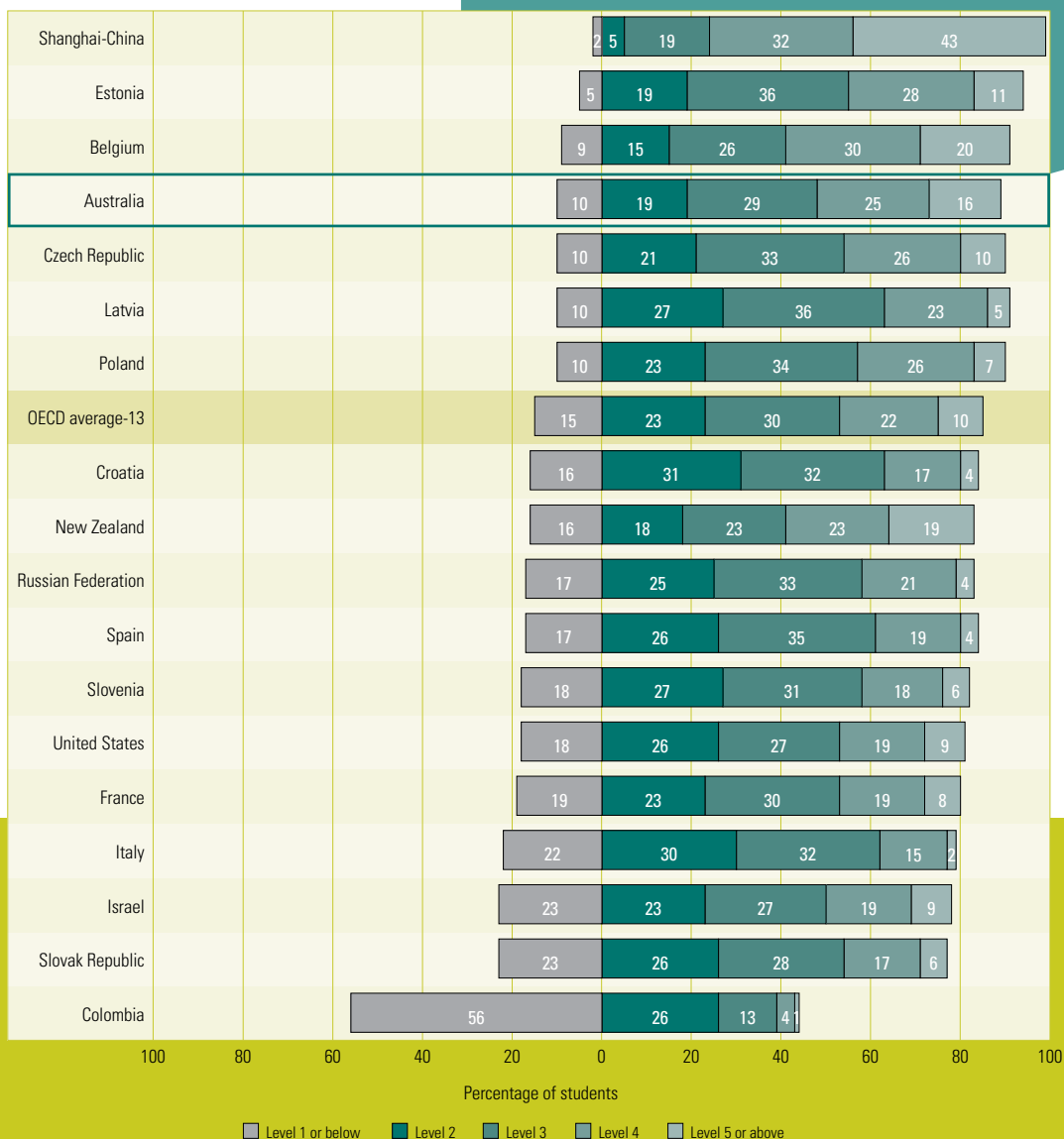
Performance scales in PISA describe the performance of students in terms of their attainment of particular skills associated with increasing levels of competence – or ‘proficiency levels’. Each proficiency level represents a range of scores, and five proficiency levels cover the continuum of scores.

At the lowest proficiency level (Level 1), students can typically:

*identify common financial products and terms and interpret information relating to basic financial concepts. They can recognise the difference between needs and wants and can make simple decisions on everyday spending. They can recognise the purpose of everyday financial documents such as an invoice and apply single and basic numerical operations (addition, subtraction or multiplication) in financial contexts that they are likely to have experienced personally.*

At the highest proficiency level (Level 5), students can typically:

*apply their understanding of a wide range of financial terms and concepts to contexts that may only become relevant to their lives in the long term. They can analyse complex financial products and can take into account features of financial documents that are significant but unstated or not immediately evident, such as transaction costs. They can work with a high level of accuracy and solve non-routine financial problems, and they can describe the potential outcomes of financial decisions, showing an understanding of the wider financial landscape, such as income tax.*



About one in 10 Australian students were at Level 1 or below, a level at which they were only able to participate in a very basic way in financial activities. This level of skills, and probably even those at the baseline of Level 2, are likely to impede students in making financial decisions in the future.



### DID YOU KNOW?

In general, the higher the level of a student's socioeconomic background, the better the student's performance in financial literacy. Students in the highest socioeconomic quartile achieved an average score of 569 points, 87 score points on average higher than students in the lowest socioeconomic quartile.



### SOMETHING TO THINK ABOUT

Almost 30 per cent of Australian students were at Proficiency Level 2 or below. In contrast, just seven per cent of students in Shanghai-China were at Proficiency Level 2 or below. This suggests that financial literacy skills and knowledge can be taught, regardless of students' socioeconomic background. Does your school address financial literacy in a particular way?

Australia's participation in the PISA 2012 financial literacy study was managed by ACER and funded by the Australian Securities and Investment Commission.

The data presented here are drawn from the Programme for International Student Assessment (PISA), which together with the Trends in International Mathematics and Science Study (TIMSS) and the Progress in International Reading Literacy Study (PIRLS), form the suite of international comparative education studies in which Australian students participate as part of Australia's National Assessment Program. Further information about Australia's participation in PISA can be found at [www.acer.edu.au/pisa](http://www.acer.edu.au/pisa)

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