Commonwealth Bank Foundation

Australian Financial Literacy Assessment

2006
“I don’t budget my money yet but I do watch what I spend. I think the assessment has encouraged this even more.”

Jonathan Guy, AFLA 2006 Medal Winner, Circular Head Christian School, Smithton, TAS

“It was really good to be tested on our financial literacy because this is a topic that we encounter everyday in real life. It’s good to know where we might have problems.”

Melinda Norquay, AFLA 2006 Medal Winner, Caringbah High School, Caringbah, NSW

“I manage my money so that I can do things I want to do when I’m older, like travelling for example. I will put my financial literacy to use when I head overseas in a few years time.”

Francis Chan, AFLA 2006 Medal Winner, Scotch College, Hawthorn, VIC
The Commonwealth Bank has been involved in and supportive of education for over 70 years. In 2003, the Commonwealth Bank Foundation was established to encourage developments in education, in particular the financial literacy skills of young Australians. The Foundation is guided by the goal of creating awareness, skill and understanding of a more financially literate community.

The Commonwealth Bank Foundation’s programs are designed to promote the benefits of money management skills amongst those considered least financially literate. Our research has shown that improved financial literacy can reduce poverty, increase economic opportunities and boost national savings*.

Many of our programs are aimed at providing young people with the financial skills they will need to take them through life. We believe that financial literacy education at the grassroots level is one of the most effective ways of ensuring a financially literate population.

“Students my age may not have a lot of money but if they don’t learn how to manage it now, and if they don’t learn why it is important to manage money now, they could have financial problems when they’re older.”
John Buin, AFLA 2006 Medal Winner,
Scotch College, Melbourne, VIC.

Formal research and consultation has revealed that parents and teachers are key influencers on young people, therefore developing their skills and understanding will also have a positive flow effect. Many of our programs are designed to help address the gaps in financial literacy of teachers and parents.

“My parents discuss their finances at home: I often pick up knowledge about finances this way. Commerce class is also very helpful.”
Jacob Cao, AFLA 2006 Medal Winner,
Sydney Boys High School, NSW.

**AN OVERVIEW OF COMMONWEALTH BANK FOUNDATION PROGRAMS**

**FINANCIAL LITERACY GRANTS**
The Commonwealth Bank Foundation Financial Literacy Grants program offers all secondary schools across Australia the chance to receive a $3,500 grant. There are a total of 100 grants available nationally per annum.

The grants seek to help schools implement an education program that will help develop or improve student financial literacy awareness, understanding and skill.

Grant applications are available from May and close in August.

**DOLLARSANDSENSE.COM.AU**
The Dollars and Sense website is available to teachers and students as part of the Financial Literacy Curriculum Resource. It provides interactive teaching resources for teachers as well as relevant and engaging money management information for young people aged 14 to 18.

**STARTSMART FINANCIAL LITERACY FORUMS**
The Commonwealth Bank Foundation also offers a wide range of workshop options for 16 to 24 year olds, including StartSmart workshops in regional Australia, and the StartSmart Youth Financial Literacy Conferences in all capital cities.

The StartSmart Financial Literacy Forums for teachers are designed to develop the confidence and skills of teachers who teach financial literacy, and will be offered in each capital city in 2007.

The StartSmart Schools Program is offered in secondary schools and features interactive lessons delivered by trained Commonwealth Bank staff. Schools can choose from four modules – Earning an Income, Bank Accounts, Managing your Money and Investing.

**YOUTH ADVISORY COUNCIL**
The Commonwealth Bank Foundation has formed a Youth Advisory Council, which is made up of representatives aged 16 to 24 years from each Australian state and territory. The Youth Advisory Council members will provide the Commonwealth Bank Foundation with advice and insight into the needs of youth and the financial issues faced by young people today.

This important input will guide the Commonwealth Bank Foundation in its goal to make a significant difference to the skill development of young Australians by producing financial literacy programs that are relevant and engaging.

**OTHER FINANCIAL LITERACY PROGRAMS**
We will also continue to improve financial literacy awareness and skills with Indigenous people in partnership with organisations such as Caritas and the Indigenous Consumer Assistance Network (ICAN), and with disadvantaged young people with organisations such as Midnight Basketball.

* Research conducted by the Commonwealth Bank of Australia, in conjunction with the University of Monash during 2005 revealed that if efforts are focused on improving the financial literacy of the 10% of the population with the lowest understanding in this area, Australia’s economy could be boosted by $6billion per year with the creation of 16,000 new jobs.
AFLA overview
2005 and 2006

In 2005, the Commonwealth Bank Foundation commissioned the University of NSW’s Educational Assessment Australia (EAA) to conduct the inaugural Australian Financial Literacy Assessment (AFLA), representing the first nationwide research undertaken to determine the level of financial literacy of Australian Year 9 and 10 students.

In 2006, AFLA was repeated with 50,000 Year 9 and Year 10 students participating from over 500 schools, across the Catholic, Government and Independent sectors from all states and territories. This represents an increase of 15% in the number of participants and 20% in the number of schools participating, compared to the 2005 assessment.

The results from the assessment’s large sample base, almost 20% of Australian secondary schools, give an important indication of the level of financial understanding and competency of young people who already use mobile phones and will soon have the opportunity to own credit cards and cars, and enter into full time employment.

"Participating in AFLA 2005 and 2006 was a good way to get students practised and motivated about money and finance. We have found that our students enjoyed taking part in this assessment as the content was applicable to them and included key skills for life.”
Mervat Rafla, Maths and Commerce teacher at St Mina’s and St Mary’s Coptic Orthodox College, NSW.

HOW DOES AFLA WORK?
AFLA assesses a wide range of skills, knowledge and competence in financial literacy by asking a broad range of questions related to everyday financial situations. In total, 48 multiple choice questions were asked, with questions distributed across six categories:

- Managing Income and Finances
- Consumer Decisions
- Personal Finances
- Consumer Rights
- Business and Technology
- Economics and Investment

Almost half of Year 9 students could not understand the purpose of a deposit or understand the term 'debit’ on a bank statement.
The assessment categories were designed to sit alongside curriculum subject areas in each state and territory and are also directly related to the Financial Literacy Curriculum Resource. The Curriculum Resource was developed by the Commonwealth Bank Foundation in association with the NSW Department of Education and Training and a steering committee made up of state and territory government representatives, which included each education sector and peak teaching association.

WHAT DOES AFLA ACHIEVE?
The assessment evaluates young peoples’ knowledge, understanding and skills in money management.

AFLA provides schools, education systems, educational curriculum and assessment authorities, as well as the general public, with a clear indication of the level of financial literacy of 14 to 16 year olds.

HOW AFLA CAN BE USED IN SCHOOLS
AFLA is not designed as a pass/fail assessment as it assesses students in different states/territories and education systems. Therefore it is important to note that all results and statistics expressed in this report as percentages relate to relative levels of achievement. In other words, 50% in this context is not a standard for passing or failing Financial Literacy.

Through EAA, the Commonwealth Bank Foundation has provided individual reports to participating schools and has established an online resource to link results from individual schools to the Commonwealth Bank Foundation’s Financial Literacy Curriculum Resource. The reports and resources give teachers the opportunity to address strengths and weaknesses in their students’ learning with tailored teaching tools.

“The fact that AFLA is a practical and relevant assessment for students means they actually enjoy it. It relates to current affairs and is extremely useful.”

“AFLA is a fantastic mechanism for feedback, allowing teachers to identify strengths and target problem areas.”

Leslie Tilbrook, Head of Business and teacher in Economics, Accounting and Legal Studies at St. Phillips College, Alice Springs, NT.

AFLA 2005 AND 2006: PERFORMANCE AND PARTICIPATION
Of the schools that participated in 2005, 62% participated again in 2006.

Of the students who participated as Year 9 students in 2005, 8,435 (40%) did the assessment again in 2006 as Year 10 students. 69% of these students made an improvement on their performance in 2005, with an average rate of 6% improvement.

88% of students could identify when a refund should be provided.

Fady Salib, a Year 10 student from St Mina’s and St Mary’s Coptic Orthodox College, NSW, sat AFLA in 2006 and 2005. He said: “I found AFLA easier this year and did better in it because I had more knowledge. This is because I’ve been doing Commerce this year and also have a part-time job. When you’re earning your own money, it’s up to you. It makes you more responsible. AFLA gives you an idea of what life’s like outside school: saving money and working.”

STUDENT PARTICIPATION

<table>
<thead>
<tr>
<th>Year</th>
<th>School Year</th>
<th>Number of students who participated</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>Year 9</td>
<td>24,336</td>
</tr>
<tr>
<td>2005</td>
<td>Year 9</td>
<td>22,202</td>
</tr>
<tr>
<td>2006</td>
<td>Year 10</td>
<td>25,223</td>
</tr>
<tr>
<td>2005</td>
<td>Year 10</td>
<td>21,027</td>
</tr>
</tbody>
</table>
AFLA 2006 revealed some positive results, particularly with regard to students’ understanding of consumer rights. While Australian 14 to 16 year olds are reasonably ‘savvy’ consumers, they lack the financial skills to back up this consumer awareness. As it stands, there are some significant gaps in the students’ financial understanding, which, if unaddressed, will put them at considerable risk as consumers.

The results from AFLA 2005 and 2006 show that this young demographic are already active consumers, but lack fundamental numeracy skills and basic financial knowledge. For instance, many students show difficulties interpreting a bank statement, with only 48% of Year 9 students able to understand the term ‘debit’ and only 25% able to understand the term ‘credit’ on a bank statement.

This information is disconcerting given today’s youth will require considerable financial knowledge and confidence if they are to survive as consumers and employees in an increasingly complex and competitive financial world.

AFLA 2006 also revealed a startling number of anomalies which give life to the premise that this school age demographic is not sufficiently prepared to enter into the “real world”.

AFLA 2006 showed that while 76% of Year 9 students could understand the legal responsibilities set out in a mobile phone contract, 50% couldn’t interpret a table to compare mobile phone plans, 51% couldn’t calculate potential savings on SMS messages and 46% couldn’t identify mobile phone call costs using fine print.

These mobile phone statistics highlight the overall theme of the AFLA 2006 results: that students show aptitude for understanding their legal responsibilities and rights as consumers of products like mobile phones, but aren’t able to calculate the every-day running costs required of mobile phone ownership.

It is important to address these gaps in knowledge through education, particularly when 87% of 15 to 17 year olds have mobile phones* and 14 to 18 year olds are the heaviest users of SMS messaging**. While many students see their mobile phone as a gadget or a toy, it is actually a complex and sophisticated financial product. If children are given such products, it is important we provide them with the knowledge to manage their use.
“It’s important to understand finances now…. so many of my friends are racking up big mobile phone bills, for example, and we need to know what we’re getting ourselves into.”

Jason Wong, AFLA 2005 and 2006 Medal Winner, Sydney Boys High School, NSW.

In addition, 91% of students could correctly identify the pay period used on a payslip, however only 32% could correctly work out the number of working hours required to produce an income which meets living expenses and savings goals.

COMPARISON OF YEARS 9 AND 10 PERFORMANCE

The results reveal that Year 10 students performed marginally better (3.8%) than Year 9 students. This can be attributed to an additional year’s experience as a consumer, with a growing proportion holding part-time jobs and having an increased opportunity to learn through courses in Economics, Business Studies and IT.

“I enjoy making financial decisions. I always read the fine print before I buy something and like to make comparisons to find the best deal.

“In Year 10 we’re moving closer to the real world. We haven’t been taught practical things such as how to submit a tax return, and that is something we’re going to need to know.”

Joshua Chakravarty, AFLA 2006 Medal Winner, Somerset College, Mudgeeraba, QLD.

AFLA 2006 also showed that boys outperformed girls by a small margin, despite girls largely outperforming boys in most school assessments, including Maths***.

* Nielsen eGeneration statistics, March 2006
** Mobile Youth: Market Intelligence 2002
*** National results for literacy and numeracy for Year 7 students:

<table>
<thead>
<tr>
<th></th>
<th>Reading</th>
<th>Writing</th>
<th>Numeracy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Girls 04</td>
<td>93.0</td>
<td>95.9</td>
<td>82.3</td>
</tr>
<tr>
<td>Boys 04</td>
<td>89.1</td>
<td>91.1</td>
<td>81.0</td>
</tr>
<tr>
<td>Girls 03</td>
<td>91.9</td>
<td>95.2</td>
<td>81.6</td>
</tr>
<tr>
<td>Boys 03</td>
<td>87.1</td>
<td>86.2</td>
<td>81.0</td>
</tr>
</tbody>
</table>

Source: MCEETYA: Ministerial Council for Education Employment, Training and Youth Affairs
consumer decisions

The Consumer Decisions category was a high scoring category across both year groups. Students scored well on questions relating to car ownership, a circumstance many would have within their grasp. After all, car ownership is a passport to freedom and one that is well esteemed within this age group!

- 91% could identify the running cost of a car
- 89% could recognise a potential problem when buying a second-hand car
- 87% could compare petrol consumption using new car advertisements
- 70% of Year 9 students could calculate best value (in the context of shopping)
- 50% could interpret a table to compare mobile phone plans
- 49% were able to calculate the savings on different SMS messages

“I’ll put my finances to good use one day. I’d like to do up a car.”
Benjamin Peters, AFLA 2006 Medal Winner, Grace Lutheran College, Clontarf, QLD.

“I’m saving for a car at the moment. According to my budget it looks like I’ll be waiting for a few years - until I’m 19 or 20.”
James Kozelj, AFLA 2006 Medal Winner, St. Patricks College, Strathfield, NSW.

Although students showed a good grasp of financial understanding in the context of car ownership, students weren’t able to apply the same capability to a range of questions on shopping and mobile phone usage. While 70% of Year 9 students could calculate best value (in the context of shopping), 57% of Year 9 and 10 students did not understand the concept of product placement, 51% were unable to calculate the savings on different SMS messages and 50% could not interpret a table to compare mobile phone plans.
consumer rights

This was the highest scoring category for Year 9 students and suggests that children as young as 14 years old are already taking an active role as consumers. Even though the legal age to obtain a credit card is 18 years, 97% of Years 9 and 10 students could locate the expiry date on a credit card and 75% could identify a security feature for online shopping, which suggests they could be taking a keen interest in their parents’ shopping habits or are already shopping online themselves.

**KEY FINDINGS**
- 97% could locate the expiry date on a credit card
- 88% could identify when a refund should be given
- 75% could identify a security feature for online shopping
- 59% understood the term ‘unsolicited’ mail
- 45% understood the correct method of redress
- 16% understood the role of the ACCC

“**It’s important for kids my age to know about money and how to use it wisely. Without this knowledge you can easily get tricked into buying things you don’t need. Knowledge makes you less vulnerable.**”
Nigel Thomas, AFLA 2006 Medal Winner,
Somerset College, Mudgeeraba, QLD.

Although students had a clear idea of their rights as consumers, only 16% understood the role of the Australian Competition and Consumer Commission (ACCC).

**SAMPLE QUESTION**
Kahlil has saved for the past three years so that he can buy a car. His father advised him to buy a new car to avoid mechanical troubles. He searched the web and found these cars under $15,000. The site gives information on price, features and petrol consumption.

**Briton – Helios**
$12,490, Hatchback, 5-speed manual, 5.1 litres/100km

**Bellana – Enyo**
$12,990, Hatchback, 4-speed automatic, 6.0 litres/100km

**McGregor – Star**
$13,490, Hatchback, 5-speed manual, 5.6 litres/100km

**Huston – Ceres**
$13,990, Hatchback, 5-speed manual, 6.6 litres/100km

When buying a car, petrol consumption is an important financial consideration.

Which of the following vehicles has the lowest petrol consumption?

(A) Briton-Helios  (C) McGregor-Star
(B) Bellana-Enyo  (D) Huston-Ceres

**CASE STUDY**

**ST PHILLIP’S COLLEGE
ALICE SPRINGS, NT**

After participating in AFLA in 2005 and winning a $3,500 Commonwealth Bank Foundation Financial Literacy Grant last year, St Phillip’s College in the Northern Territory has now dedicated entire programs to financial literacy.

It is therefore not surprising that all 240 Year 9 and 10 students at St Phillip’s College sat AFLA in 2006.

Leslie Tilbrook, Head of Business Studies and Careers (Work Education) teacher, said:

“We’re always refining and improving our programs. In Year 10, we have a new financial literacy program in place and the results of AFLA help us to ensure we’re on track and providing the best education we can.

“AFLA really is a fantastic mechanism for feedback, allowing teachers to identify strengths and target problem areas.

“Students need to know how to manage their money. I see students getting into debt at an alarming rate through expenses such as cars, computers and mobile phones. The fact that AFLA is a practical and relevant assessment for students means they actually enjoy it. It relates to current affairs and it’s extremely useful.”

St Phillip’s College offers international exchange opportunities to students in Years 10 and beyond. Tegan Pannell, a Year 10 student, is saving to go to Kenya at the end of the year on an international exchange program.

“I’ll soon be undertaking a service project in Africa, building classrooms and working with local communities, which means I’m saving my money like never before! I’m putting my financial literacy to use and watching what I spend.”

Tegan says her financial knowledge is largely the result of a recent school day which focused on financial literacy in action.

“We spent an entire day talking about earning money, the implications of signing contracts and how to manage our mobile phone costs. We even had a session about buying cars and the insurance costs involved. This is something I had never considered before.”

As a result, Tegan set up a new savings account.

St Phillip’s College is currently looking to incorporate financial literacy education into the Years 7 to 10 curriculum in both Mathematics and Humanities classes.
Liverpool Boys High School saw AFLA as an opportunity to not only complement subjects such as Commerce and Mathematics, but to also engender a feeling among the student body as participating in wider community activities.

Rachel Mules, Social Science and Commerce teacher said the assessment offered practical knowledge and tested common sense.

“Financial literacy is an important skill that will help students throughout their life,” she said. “It really should be taught from Year 7.

“Many students from Liverpool Boys High School have non-English speaking backgrounds and families who aren’t financially literate. This means it’s more important than ever for the students at our school to understand the implications of signing contracts and managing mobile phone bills, because it is often their responsibility to pass this knowledge on to their parents.

“With so many products on the market targeting youth these days, students need to understand finances and financial responsibility now.”

Seventy-nine Commerce students from Years 9 and 10 sat AFLA.

Shyamal Singh, a Year 9 student at Liverpool Boys High School, enjoys the responsibility of making financial decisions.

“It can sometimes be tough because if you make the wrong decision and spend money you don’t have it can take time to build up that money up again,” he said. “I think it’s very important for students my age to understand finances now, particularly as we start part time jobs.”

Both year groups showed sound knowledge in this category, with Year 10 (71%) scoring higher than Year 9 (64%). This can be attributed to Year 10 students being more likely to have part-time employment and the option of an additional year to participate in Commerce or Technology studies.

**KEY FINDINGS**

- 91% could understand technical terms in a business relationship
- 84% could understand the need for a secure website when shopping online
- 80% could recognise the economic consequences of CD piracy
- 59% could calculate net profit
- 48% could understand the purpose of a deposit
- 26% could calculate the hourly rate of pay

At first glance, the fact that only 26% could calculate the hourly rate of pay seems concerning, however this relatively simple concept was tested in a complex scenario.

**SAMPLE QUESTION**

This table shows wage payment details for some employees of a firm.

<table>
<thead>
<tr>
<th>Employee</th>
<th>Hours worked</th>
<th>Hourly rate ($)</th>
<th>Casual loading ($ per hour)</th>
<th>Total ($ gross per week)</th>
<th>Superannuation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lai</td>
<td>40</td>
<td>14.99</td>
<td>N/A</td>
<td>599.60</td>
<td>53.96</td>
</tr>
<tr>
<td>Habib</td>
<td>6</td>
<td>9.00</td>
<td>1.84</td>
<td>65.04</td>
<td>11.71</td>
</tr>
<tr>
<td>Megan</td>
<td>18</td>
<td>?</td>
<td>1.84</td>
<td>191.70</td>
<td>18.94</td>
</tr>
</tbody>
</table>

What is Megan’s hourly rate?  
(A) $8.81  
(B) $10.65  
(C) $18.94  
(D) $23.99
the economic consequences of CD piracy could not understand the term 'credit' on a bank statement
68% could not calculate the number of working hours required to meet income.
managing income & finance

With the exception of one question, students fared well in this relatively difficult category. 90% could identify the pay period on a payslip and 89% understood that jobs need different qualifications, however only 32% could calculate the number of hours required to work in order to meet income requirements and savings goals. It is critical to address this gap in knowledge at an early age or face the potential consequences of spiraling debt later in life.

KEY FINDINGS

- 90% could identify the pay period on a payslip
- 89% understood that jobs need different qualifications
- 66% could understand the progressive rate of tax
- 65% could understand employment classifications
- 57% could calculate the net wage
- 32% could calculate the number of working hours required to meet income

“I started my first part-time job in the school holidays and was asked to complete superannuation forms, employment details and bank account details. I had to ask a lot of questions at the time, but now that I’ve had that experience, my knowledge of finance has really improved.”

Jason Wong, AFLA 2005 and 2006 Medal Winner, Sydney Boys High School, NSW.

SAMPLE QUESTION

This table shows the rates of pay for a driver delivering pizzas.

<table>
<thead>
<tr>
<th>Age</th>
<th>Part-Time ($ per hour)</th>
</tr>
</thead>
<tbody>
<tr>
<td>17 years</td>
<td>9.50</td>
</tr>
<tr>
<td>18 years</td>
<td>11.08</td>
</tr>
<tr>
<td>19 years</td>
<td>12.66</td>
</tr>
<tr>
<td>20 years</td>
<td>14.24</td>
</tr>
</tbody>
</table>

Joe is 17 years old and works part-time as a driver. He is able to decide his hours of work and would like to earn $195 a week to cover his expenses and have some left over as savings.

How many hours does he need to work to do this?

(A) 19  (B) 20.5  (C) 21  (D) 22.5

“On average it takes less than 20 hours a week to average $195 a week. So the answer is (B) 20.5 hours.”

WESLEY COLLEGE
SOUTH PERTH, WA

Wesley College participated in AFLA for two reasons. Firstly they recognised financial literacy is an important skill and they wanted an indication of the level of literacy of their Year 9 and 10 students. Secondly, Personal Finance Management is part of the school curriculum in Western Australia.

According to Business and Accounting teacher Kathy Krajcar, AFLA was a natural fit.

“AFLA validated the importance of what we already have in the school curriculum: Personal Finance Management. We were also provided with a detailed analysis of our school’s results and this has helped us to identify our strengths and weaknesses. In particular, we will now address the issue of using mobile phones more profitably and the implications of phone contracts on students. This is an area our school and other schools across the country have identified as needing improvement.”

Twenty-five Year 9 and twenty Year 10 students at Wesley College sat AFLA and found it was based on logic, simple Mathematics and common sense.

Tim Siegert, a Year 9 student, said it was the first time he’d ever sat an assessment like AFLA.

“It’s important to start learning about financial literacy in Year 9, if not before. We’ll soon be dealing with finances in our everyday lives, especially when we leave school and start Uni, so I think it’s good to have the right grounding now.”

Kathy believes financial literacy education should be a core area of focus for high school students. “AFLA addresses contemporary issues such as higher youth debt and the social and financial implications of having mobile phones, for example. It’s a practical exam and one of relevance to Australian students.”
personal finances

While students performed well in some components of personal finance, they also revealed some significant gaps in knowledge.

While 78% of Year 9 students understood how an ATM dispenses currency, only 48% of Year 9 students understood the term ‘debit’ on a bank statement and only 25% of Year 9 and 10 students understood the term ‘credit’ on a bank statement.

It is important to address these knowledge gaps as students must get into the habit of diligently checking their bank and credit card account details for anomalies. They also need to ensure they are managing their income and outgoings appropriately, either online or by traditional methods.

**KEY FINDINGS**
- 78% of Year 9 students understood how an ATM dispenses currency
- 75% were able to compare credit cards
- 52% could use the exchange rate to calculate a cost in Australian currency
- 48% of Year 9 students understood the term ‘debit’ on a bank statement
- 46% could calculate superannuation contributions
- 25% understood the term ‘credit’ on a bank statement

**economics & investment**

This was the most difficult category in AFLA 2006. Many questions required a formal understanding of economics and investment that would come from participating in Economics, Business Studies or Commerce classes at school.

Despite the difficulty of the questions, 54% could calculate profit using a graph of share prices and 50% understood the term ‘ethical investment’.

**KEY FINDINGS**
- 54% could calculate profit using a graph of share prices
- 50% understood the term ‘ethical investment’
- 43% understood the term ‘capital gains tax’
- 43% understood the term ‘product disclosure statement’
- 33% could calculate the average Consumer Price Index
- 22% could identify the level of risk of different types of investment

Boys generally outperformed girls in this category, perhaps because they are more likely than girls to elect Economics and Commerce subjects*.

**NOTES** *60% of students who took Economics in the 2002 HSC were male. Except where stated otherwise, all statistics refer to averages of results for Year 9 and 10 students.
could identify the level of risk of different types of investment

22%

SAMPLE QUESTION

This table sets out some of the conditions of standard credit cards available from three different banks.

<table>
<thead>
<tr>
<th></th>
<th>BANK 1</th>
<th>BANK 2</th>
<th>BANK 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest-free period on purchases</td>
<td>Up to 55 days</td>
<td>0</td>
<td>Up to 55 days</td>
</tr>
<tr>
<td>Annual fee</td>
<td>$0</td>
<td>$30</td>
<td>$59</td>
</tr>
<tr>
<td>Interest rate</td>
<td>17.9% pa</td>
<td>16.9% pa</td>
<td>15.25% pa</td>
</tr>
<tr>
<td>Card type available</td>
<td>Mastercard</td>
<td>Mastercard, Visa</td>
<td>Visa</td>
</tr>
<tr>
<td>Rewards program</td>
<td>Frequent Flyer</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>

Sam is attracted to Bank 1’s card because of the extra frequent flyer points he can earn when he uses his credit card. He is a person who always pays his balance in full when his statement arrives.

Which of the following is another attraction of Bank 1’s card when compared to the other two cards?

(A) annual fee    (B) interest rate    (C) card type available    (D) interest-free period on purchases
In 2006, one hundred Richmond River High School students in Year 9 Commerce and Year 10 Geography classes sat AFLA.

According to Steve Dawson, Head Teacher for Human Society and its Environment (HSIE), AFLA provides obvious advantages not only to students and teachers, but schools as well. “It’s important for schools to focus on the development of students as members of the community. This means teaching them life skills, such as first aid and training them for entry into the financial world.

“Assessments such as AFLA are relative to all students as consumers of the world, and it’s good for their personal development and awareness. Particularly in Years 9 and 10, financial literacy is an important skill and very few students at this age have taken any formal or compulsory subjects on this topic.”

Sarah Vidler, a Year 9 student at Richmond River High School, believes it’s important to start learning about financial literacy at her age.

“More than anything, I think AFLA was a good reminder to me and my peers about being responsible with the money we earn. We need to start thinking about these things now.”

Steve identified an interesting dynamic in results among those who sat AFLA. “The students who sit at the top of the class in most subjects didn’t perform as well as in this assessment as they do in many others,” said Steve. “This is because AFLA isn’t an academic test, it’s based on real life knowledge and those financially savvy students outperformed the more scholarly students.

“From a teacher’s perspective, tests such as AFLA create interest in subject areas such as commerce and it’s always pleasing to teach students when they are genuinely interested in the knowledge you’re sharing.”

Richmond River High School participated in AFLA in 2005 and 2006. The school was successful in winning a Commonwealth Bank Foundation Financial Literacy Grant this year and plans to introduce financial literacy materials into its peer tutoring for Year 7 students. This, combined with practical development for senior students focusing on property and the pitfalls of real estate, will ensure students at Richmond River High School are prepared for Year 12 and what lies beyond.

**CASE STUDY**

RICHMON D RIVER H IGH SCHOOL
LISMORE, NSW

Mobile phone usage was a key theme of AFLA 2006, with results showing that:
- 50% of students could not interpret a table to compare mobile phone plans
- 49% could not calculate the savings on SMS messages
- 46% could not identify mobile phone costs using fine print

Many students and teachers interviewed by the Commonwealth Bank Foundation for the AFLA evaluation talked about issues associated with mobile phone usage. Mobile phones are also a source of contention for many parents, who are often left to foot the bill.

Statistics show that consumer debt is rising, with youth debt an increasing component. Of the 21,900 Australians who declared bankruptcy in the financial year 2003, ten per cent were aged between 15 and 24. Under the Bankruptcy Act, up to eighty per cent of “part nine” debt agreements (deals struck where people have relatively small debts of under $20,000), included people running up debts because of their credit card or mobile phone habits.

The Commonwealth Bank Foundation believes that classroom education is an appropriate place to scrutinise mobile phone usage to ensure students are given adequate knowledge to manage their phones.

Liverpool Girls High School recently used a Commonwealth Bank Foundation Financial Literacy Grant to tackle poor usage of mobile phones, with the aim of reducing some of the huge bills being run up by high school students.

The program, introduced into the Year 9 Commerce class, taught students how to read mobile phone contracts, including the fine print. They were also shown how to look at the differences between pre-paid and contract phones, peak and off-peak rates, and the real cost of downloading ring tones.

The response to the lessons was immediate, with many students using their new-found awareness of the pitfalls of mobile phone ownership to save money.

The program is now an ongoing part of the curriculum for Year 9 Commerce students at Liverpool Girls’ High School.

Prushka, one of Australia’s premier debt collection agencies, June 2006
to compare mobile phone plans or calculate the savings on SMS messages could not identify mobile phone call costs using fine print.
Students who achieved a high distinction for their AFLA performance in 2006 and whose performance has been judged to be sufficiently meritorious will receive a University Medal. This year there are thirty-two Medallists, eleven from Year 9 and twenty-one from Year 10.

The Medals are awarded by the University of NSW, whose subsidiary, Educational Assessment Australia, has carried out this assessment for the Commonwealth Bank Foundation.

**2006 AUSTRALIAN FINANCIAL LITERACY ASSESSMENT MEDALLISTS NATIONAL LISTING**

**NSW/ACT**
- Malik Salgado, Year 9
  Baulkham Hills High School, Baulkham Hills
- Kenneth Tam, Year 9
  Baulkham Hills High School, Baulkham Hills
- Melinda Norquay, Year 10, Caringbah High School, Caringbah
- Daniel Atkins, Year 9
  Hunter Valley Grammar School, East Maitland
- Todd Carson, Year 10, Merewether High School, Hamilton
- James Thomas, Year 10, Merewether High School, Hamilton
- Michael O’Shea, Year 9, Saint Ignatius’ College, Lane Cove
- Livia Lam, Year 10, Sefton High School, Chester Hill
- Andrew Lee, Year 10, Shore School, North Sydney
- Camus Ulloa-Jonsson, Year 9, Shore School, North Sydney
- James, Kozelj, Year 10, St Patrick’s College
  - Senior School, Strathfield
- Barry Stanton, Year 10, St Patrick’s College
  - Senior School, Strathfield
- Jacob Cao, Year 9, Sydney Boys High School, Moore Park
- Jason Wong*, Year 10, Sydney Boys High School, Moore Park
- Zhi Zu, Year 10, Sydney Boys High School, Moore Park
- Todd Da Silva, Year 10, Sydney Technical High School, Bexley
- Luke Boyling, Year 10,
  Wagga Wagga High School, Wagga Wagga

**QLD**
- Kimberley Manning, Year 9,
  Ipswich Girls’ Grammar School, Ipswich
- Benjamin Peters, Year 10,
  Grace Lutheran College, Clontarf, M.D.C.
- Joshua Chakravarty, Year 10, Somerset College, Mudgeeraba
- Nigel Thomas, Year 10, Somerset College, Mudgeeraba

**VIC**
- Victoria Bartlett, Year 9,
  Presbyterian Ladies’ College, Burwood
- John Blun, Year 10, Scotch College, Hawthorn
- Francis Chan, Year 10, Scotch College, Hawthorn
- Minh-Quan Nguyen, Year 10, Scotch College, Hawthorn

**WA**
- Jeremy Rogers, Year 9,
  Christ Church Grammar School, Claremont
- Peixin Truong, Year 10,
  Morley Senior High School, Noranda
- Brett Ripper, Year 10
  Carnamah District High School, Carnamah

**TAS**
- Jonathan Guy, Year 9, Circular Head Christian School, Smithton
- David Cocker, Year 10, Queechy High School, Kingsmeadows

**SA/NT**
- Ryan Cassidy, Year 10, Thomas More College, Salisbury

* Medal Winner in 2005
** A student from O’Loughlin Catholic College, Karama, NT, was also awarded a Medal. The name has been withheld.
“I think it’s very important for students my age to start financial literacy now, particularly as we start part-time jobs.”
Shyamal Singh, Year 9 student, Liverpool Boys High School, Liverpool, NSW

“I will buy a house one day, as will most other kids my age, so it’s important to understand contracts and money.”
Zhi Zu, AFLA 2006 Medal Winner, Sydney Boys High School, Moore Park, NSW

“I do enjoy the responsibility that comes with making financial decisions and I always feel better knowing that I’m spending wisely.”
Daniel Atkins, AFLA 2006 Medal Winner, Hunter Valley Grammar School, East Maitland, NSW

For more information on the Commonwealth Bank Foundation visit commbank.com.au/foundation
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Photography taken at Sefton High School, Chester Hill, NSW and Hunter Valley Grammar School, East Maitland, NSW