

Financial literacy as a context for strengthening literacy and numeracy for adults

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Overview

- What is financial literacy?
- Why financial literacy?
- Research questions
- Key findings
- Key considerations
- Examples and resources

What is financial literacy?

- Numerous definitions used by organisations and researchers
- Financial capability, financial literacy and financial learning used interchangeably
- NRDC & NZ Financial Literacy Strategy

*‘the ability to make **informed judgements** and to take **effective decisions** regarding the use and management of money’*

My definition of financial literacy

- *Financial literacy is being aware of financial **opportunities** and **risks** and having the **literacy** and **numeracy skills**, financial **concept knowledge** and **confidence** in one's skills and knowledge to make **informed choices** in their financial behaviour.*
- *This includes knowing when to request help and from whom, and is dependent on the **needs of the individual** which can be affected by their **life stage**, **personal experiences** and **cultural understandings**.*

Why financial literacy?

- People are more aware of the need to strengthen their understanding of financial concepts and the risks related to a changing financial environment
- Increased learner motivation to engage with financial information provides an opportunity to strengthen literacy and numeracy through embedding
- 'financial literacy is a context that is meaningful and relevant to people of all ages' (Basic Skills Cymru, 2007)

Theoretical underpinnings

- My research was informed by two NZ frameworks
 - Learning Progressions for Adult Literacy and Numeracy
 - Adult Financial Literacy Framework
- Constructivist approach focuses on supporting learners to develop expertise through meaningful learning experiences that build on existing knowledge

Theoretical underpinnings

- Three distinct areas inform financial literacy:
 - Knowledge and understanding - financial terms, monetary systems integral to accessing information
 - Skills and competence - make decisions and apply knowledge and understanding in different situations
 - Responsibility - understand wider impact of financial decisions (Orton, 2007)

Research questions

1. What is the relationship between financial literacy knowledge and behaviour, and literacy and numeracy skills?
2. Where and how has financial literacy been used as a context for strengthening literacy and numeracy skills and knowledge for adults?
3. How can financial literacy be used as a context for strengthening adult literacy and numeracy skills and knowledge in New Zealand?

Key findings

- Low literacy and/or numeracy does not automatically mean low financial literacy
- However, people with low literacy and/or numeracy skills may find it difficult to enhance their knowledge
- Financial learning is a context that has relevance to learners at any life stage
 - *...learning how to manage money, how to budget and how to deal with debt were the most useful things that they had learned. These were the things that they believed people in society should learn about, as debt was perceived to be a problem for many, not only those on low incomes (Rhodes & Coben, 2007)*

Key findings

- Explicit teaching and learning activities should be aimed at providing understanding and strategies for approaching each task
- Financial literacy needs are relative to the individual's personal, social, cultural and economic situation
- Cultural and social differences can impact upon a person's financial literacy skills.
 - The difficulty that 'some Pacific people face in maintaining a budget can be attributed to a strong cultural sense of responsibility to help family and friends experiencing hardship both in New Zealand and on the island with which they identify ethnically' (Dupuis, 2009)

Absolute and Relative aspects

- Balanced approach to financial literacy includes consideration of the absolute and relative aspects
- Relative
 - personal experiences
 - cultural understandings
 - current and future needs
- Absolute
 - underlying skills and knowledge
 - includes literacy and numeracy capabilities

Key considerations for organisations

- Need to connect financial literacy explicitly with other study and work with learners to select relevant topics
 - 'Financial literacy in the form of courses on self-employment appears to offer a vehicle that is both interesting and relevant to learners' (York College, 2007)
 - Or family literacy, language and numeracy initiatives of which family finance is one component.
- Resource appropriateness including reading/numeracy demands
- Consideration of the learner's life stage i.e. young people first learning to budget compared to someone with family responsibilities

Key considerations

- Tutor understanding and acceptance of people's own social and cultural context (relative needs)
- 'flexibility the key to success'
- Avoid giving learners financial advice!
- Educators need financial literacy teaching and learning resources with explicit links to literacy and numeracy
- Guidelines for educators and those working in the financial services industry.

Resources available

- Sorted website resources i.e. calculators and specific information for different life stages
- Managing My Money - a money management education package include workbooks, study guides and facilitators manuals linked to Unit Standards at NZQF levels 1-3
- Pathways Awarua – online learning system in reading and numeracy - numeracy activities have financial focus

Examples of embedding

- Financial literacy unit standard workbooks and study guides
 - Making sense of Financial documents (Step 4-6, Vocabulary)
- Pathways Awarua resources:
 - Adding and subtracting up to 20 (Step 3)
 - Calculating GST (Step 6)
 - Understanding compound interest (Step 6)