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## Draft Strategy for Financial Literacy

### Consultation Response

National Strategy for Financial Literacy  
The Retirement Commission  
PO Box 12-148  
Wellington  
New Zealand

#### Background

The Federation is a collective of community organisations that share a common code of ethics, philosophy, and commitment to delivering quality, free budgeting advice to families/whanau and individuals. The current membership comprises 142 budget services throughout New Zealand that employ over 1200 predominantly volunteer staff and represent more than 30,000 clients annually.

#### Snapshot

The Federation comprises a total of 149 members in various categories nation-wide. Member services provide budget advice from Kaitiāia to Invercargill and, including the West Coast, Great Barrier, and Waiheke Islands, provide coverage to most towns and cities in New Zealand. In the year to 30 July 2006, the Federation personnel included 706 certificated budget advisers, 173 service coordinators and staff, 307 other volunteers, 36 Federation tutors, and 104 community educators. Over that 12 month period, Federation services fielded 244,825 enquiries, worked with 30,748 client families, and delivered almost 700 education programmes to the community.

It is from this depth of community knowledge and experience in the consumer finance sector that the Federation makes the following submission.

#### Introduction

1. Thank you for providing the community with the opportunity of providing feedback on the Draft Strategy for Financial Literacy. The Federation, on the whole, absolutely endorses the proposed approach in the draft document. We would like to offer the following amendments for consideration:

#### Response

1. The interest factors outlined in the Executive Summary should include
  - The ease and availability of credit products to an increasing percentage of the population

This is a similar, yet separate, issue to 'the proliferation in the number of financial products' in point four. It is one of the biggest concerns for budget services.

2. At the end of the third bullet point in 'Extending Delivery' on page five add the words 'Or for those for whom workbased programmes have not proved effective.'

This is to catch those of whom the initial training approach may not have worked.

3. In the second bullet point in 'Sharing What Works' on page five after 'work with research and evaluation professionals' add the words 'and bodies with extensive knowledge in this field'.

There are many other areas of society where the Retirement Commission could access good-quality, evidenced-based research and this should be acknowledge in the Draft.

4. Under 'Consumer Protection' on pages 16-17:

- The NZFFBS appears to have been left out of the agencies and organisations in the fourth paragraph. This is surely just an oversight as this constitutes a very large amount of our work. This sentence also has an 'and' in it that should not be there.
- In the fifth paragraph the website is suggested as a vehicle for disseminating information about fraud and scams. This is duplication of the Consumer Affairs ScamWatch initiative and, therefore, redundant.
- The focus is on disclosure in relation to investment statements in the sixth paragraph. This concept needs to be extended to include Credit Contracts to have regard to the new rules in the CCCFA Act.

5. The adult education recommendation discussed on pages 23-24 should acknowledge that because of the diversity of needs in New Zealand there is an indication that a one-to-one educational approach may be more appropriate than group education. Some cultures are unlikely to open up about their financial details in a group situation.

6. The NZFFBS would like to officially enrol as a supporter of the National Strategy on Financially Literacy on page 32.

### **Further Feedback**

The NZFFBS would like to offer the following three recommendations for consideration for inclusion in the Draft Strategy:

1. Recommendation 17 (this is in relation to Recommendation 15) That a research fund is established by the New Zealand Government and made available for multi-year research such as that administered by the Ministry of Health for problem gambling research.

- All stakeholders, and not just research bodies, should have the same ability to apply for this funding.
- The Retirement Commission should be tasked with administering the fund.

- This would show a real commitment to financial literacy by the Government.

## 2. Recommendation 18

That a National Financial Literacy Taskforce with members of government departments, unions, private organisations, NGOs and educational institutes be formed to drive the recommendations and pursue the strategy contained in the draft document.

- This has been a very successful model adopted by the Australian government, which has now become self-sustaining and self-fulfilling.

## 3. Recommendation 19 (in relation to Recommendation 3)

That an annual national symposium on Financial Literacy be organised by the Retirement Commission to formalise the strategy that is developed and allow all interested stakeholders to meet and share ideas and grow the strategy over time.

- This should be considered an essential element of the strategy that will ensure that a wide variety of stakeholders are consulted on this nationally significant and important process.
- It will also offer the opportunity to invite internationally recognised leaders in financial literacy to come to New Zealand and present their ideas for all stakeholders to pursue.
- Finally, it will ensure that best-practice models and practices, which will be developed over time, will have a venue to be widely disseminated.
- Hosting the strategy on the website is an important element of the strategy but far wider and more appropriate information dissemination must be considered.

### **Call to Action**

The New Zealand Federation of Family Budgeting Services Inc thanks the Retirement Commission for offering it the opportunity to make this submission on the Draft Strategy for Financial Literacy

The Federation thoroughly endorses this concept and would like to see the strategy, along with the amendments offered here, pursued with immediacy and enthusiasm.