Financial capability outcomes for children

A framework for young Australians aged 4 – 13 years

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Building a better working world

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1. Financial capability outcomes for Australian children

1.1 Introduction

Financial capability is a topic of increasing public focus. In addition to a proliferation of initiatives and activities aimed at building financial capability, there are also a growing number of frameworks from both Australia and overseas which aim to conceptualise financial capability attainment and outcomes for different audiences. Despite this increased focus, a simple, easy-to-use financial capability outcomes framework has not been developed for children in the Australian context. This document provides such a framework for use by organisations and practitioners to guide the development and measurement of youth financial capability programs delivered in Australia.

This framework synthesises existing publicly available research and examples of leading practice, including data from the recent 2021 National Financial Capability Survey, [1] to identify the general financial capability outcomes that evidence suggests are the most relevant and important for young Australians aged 4-13. The framework has been developed with three age cohorts in mind (4-7 years old, 8-10 years old, and 11-13 years old), and sample indicators have been provided for each cohort.

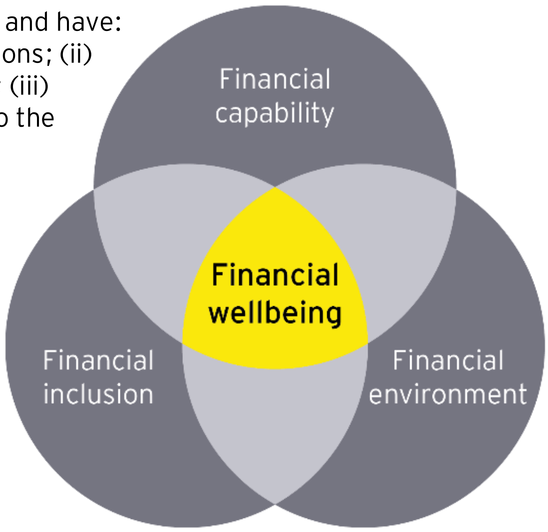
Using the same evidence, we also identify the enabling context, assumptions and foundational outcomes on which the general outcomes are predicated. Taken together, these will be relevant to those who wish to build or measure financial capability for children.

1.2 Key definitions

An individual's financial wellbeing is a product of multiple intersecting factors. Locating financial capability amongst these factors is an important part of understanding the outcomes in this document, and the limitations which are inherent in such a framework.

For the purposes of this framework, we conceptualise financial capability as one of three factors which together influence an individual's financial wellbeing. Noting significant variance in the way these terms are used, below we present the definitions used within this framework.

Financial wellbeing is the extent to which people both perceive and have: (i) financial outcomes in which they meet their financial obligations; (ii) financial freedom to make choices that allow them to enjoy life; (iii) control of their finances; and (iv) financial security now and into the future.[2]



Financial capability is the knowledge, skills, attitudes, self-efficacy and desire to make financial decisions and engage in financial behaviours that best suit individual circumstances.

Financial inclusion is having access to products, services, and opportunities that allow participation in the economy.

Financial environment is the systems, rules, and personal circumstances that shape engagement with products, services and opportunities in the economy.

These definitions have been chosen because they:

► Have been constructed by reputable bodies based on extensive research and evidence.

[1] The Australian Government the Treasury, February 2022. National Financial Capability Strategy. Available at: https://www.financialcapability.gov.au/strategy-2022 [Accessed 21 June 2022].

[2] *Commonwealth Bank of Australia and Melbourne Institute Financial Wellbeing Scale, Technical Report No. 5*, March 2020.

- Are consistent with Australia's National Financial Capability Strategy and align with previous policy documents.
- Are consistent with important allied concepts not focused on in this document, such as financial safety, resilience and regulation.
- Are consistent with the definitions from key authoritative sources such as the *Centre of Social Impact*[3], the *UK Money and Pension Service*[4]*, and the Organisation for Economic Co-operative and Development* (OECD)[5].
- Are functionally useful in helping to shape and measure interventions using a set of consistent and flexible indicators, which is the ultimate purpose of this undertaking.

Note: throughout this document, the generic term 'children' is used to refer to the target cohort of people aged 4-13.

1.3 Australian children

Australia has about 4.7 million children from the age of birth to 14 years.[6] Recent data have highlighted the importance of building financial capability for this cohort: for instance, the 2021 National Financial Capability Survey found that while 94 per cent of Australians aged 14 to 17 agreed or strongly agreed that it is important to learn about money management, only 42 per cent felt confident in doing so.[7]

This framework identifies outcomes for children aged between 4 -13 years, grouped into three age cohorts: 4-7 years old, 8-10 years old, and 11-13 years old. Development through the ages is cumulative, and later stages build on the foundations of earlier skill and knowledge acquisition. Children develop at different rates, and the categories of age cohorts are not mutually exclusive.

- Ages 4-7 are the foundational years characterised by learning the basics that form the building blocks for later, more complex skills, attitudes, and behaviours. A typical 5-year-old is still learning to use language, regulate behaviour and emotions and understand the immediate world.[8]
- Ages 8-10 is middle childhood, where many children grow in independence, build strong friendships, become better at problem-solving, and apply logic and reason to 'here and now' situations.[9]
- Ages 11-13 has children going through significant changes, commencing puberty, marking an end to 'childhood' and moving on to secondary school. Children this age start to realise more

[3] Muir, K., Hamilton, M., Noone, J.H., Marjolin, A, Salignac, F., & Saunders, P. (2017). Exploring Financial Wellbeing in the Australian Context. Centre for Social Impact & Social Policy Research Centre – University of New South Wales Sydney, for Financial Literacy Australia.

[4] Money and Pensions Service, 2019. *The UK Strategy for Financial Wellbeing*. [online] Available at: https://moneyandpensionsservice.org.uk/wp-content/uploads/2020/01/UK-Strategy-for-Financial-Wellbeing-2020-2030-Money-and-Pensions-Service.pdf [Accessed 21 September 2021].

[5] *PISA 2018 Results (Volume IV): Are Students Smart about Money?*, PISA, OECD Publishing, Paris, 2020. Available at: https://doi.org/10.1787/48ebd1ba-en [Accessed 10 October 2021]

[6] *National, state and territory population,* Australian Bureau of Statistics, September 2021. Available at: https://www.abs.gov.au/statistics/people/population/national-state-and-territory-population/latest-release#data-downloads-data-cubes [Accessed 10 October 2021].

[7] The Australian Government the Treasury, February 2022. National Financial Capability Strategy. Available at: https://www.financialcapability.gov.au/strategy-2022 [Accessed 21 June 2022].

[8] Dosman, C. F., Andrews, D., & Goulden, K. J. (2012). Evidence-based milestone ages as a framework for developmental surveillance. *Paediatrics & child health*, *17*(10), 561-568; Dr. David Whitebread and Dr. Sue Bingham, "Habit Formation and Learning in Young Children," The Money Advice Service. University of Cambridge, May 2013. Available at: https://mascdn.azureedge.net/cms/the-money-advice-service-habit-formation-and-learning-in-young-children-may2013.pdf [Accessed 10 October 2021]

[9] "Growth and Development Milestones," Medical Review: John Pope MD - Pediatrics & Kathleen Romito MD - Family Medicine & Louis Pellegrino MD - Developmental Pediatrics & Susan C. Kim MD - Pediatrics, *Michigan Medicine website*, https://www.uofmhealth.org/health-library/abo8756 [Accessed 5 October 2020]

about their wider world and become more susceptible to outside influences, but also more independent and capable of making decisions and understanding consequences.[10]

1.4 Considerations

In interpreting and using this framework, practitioners should hold in mind certain considerations which will aid in extracting maximum value from this framework. Our suggested considerations are:

1.4.1 Inclusive design

Inclusive design considers and prioritises how children can learn and build capability safely, easily and with dignity. An inclusive program, product or service takes into account what children or their caregivers say they need and want. [11] Considering the diversity amongst 4-13 year olds in Australia, there will be no one solution that balances all needs whilst achieving the intended outcomes. Inclusive design helps mitigate exclusion through applying principals that better ensure participation of diverse cohorts. This framework has been constructed to enable inclusive design.

1.4.2 Evolving capacities of children

The Convention on the Rights of the Child introduced the concept of the 'evolving capacities' of the child. [12] This principle recognises that, as children acquire enhanced competencies, there is a diminishing need for protection and a greater capacity to take responsibility for decisions affecting their lives. In line with this concept, as children age and develop from a pre-schooler into their teen years, the framework recognises increased agency in financial decision making, consumer choices and in earning and accumulation of money.

1.4.3 Age- and context-appropriate application

The National Financial Capability Strategy highlights the importance of providing support to individuals "at the right time…to have a tangible effect on financial capability."[13] This is especially important for children, as there is significant developmental and contextual difference across and within the 4–13 age range. Therefore, in applying this framework, outcomes must be selected and refined to be appropriate for the target audience. In doing so, principles of age-appropriate and context-appropriate design, pedagogies and development strategies[14] are likely to be of use and relevance.

1.5 Guiding principles

A number of guiding principles underpin the construction of this framework. They are:

- **Relevance:** include the most important outcomes and indicators for children as indicated by the research, not merely what is easy to measure
- **Materiality:** include only what is material to children and their outcomes as indicated by the research
- **Appropriateness**: be useful for policy makers, practitioners and stakeholders who are operating in the space

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[10] "Milestones for Ages 11 to 14," Medical Review: John Pope MD - Pediatrics & Kathleen Romito MD - Family Medicine, *Michigan Medicine* website, https://www.uofmhealth.org/health-library/abo8758#abo8759 [Accessed 5 October 2020].
[11] *Principles of inclusive design*. Accessed via https://universaldesignaustralia.net.au/principles-of-inclusive-design/ [Accessed 16 October 2021].
[12] *The Evolving Capacities of the Child*, Innocenti Insights no. 11, 2005 (accessed via https://www.unicef-irc.org/publications/384-the-evolving-capacities-of-the-child.html, October 2021).
[13] The Australian Government the Treasury, February 2022. National Financial Capability Strategy. Available at: https://www.financialcapability.gov.au/strategy-2022 [Accessed 21 June 2022].
[14] *Characteristics of age-appropriate pedagogies* (accessed via https://earlychildhood.qld.gov.au/earlyYears/Documents/characteristics-of-age-appropriate-pedagogies-unpacked.pdf October 2021 and Developmentally appropriate practice Accessed via from http://www.naeyc.org/DAP, October 2021).

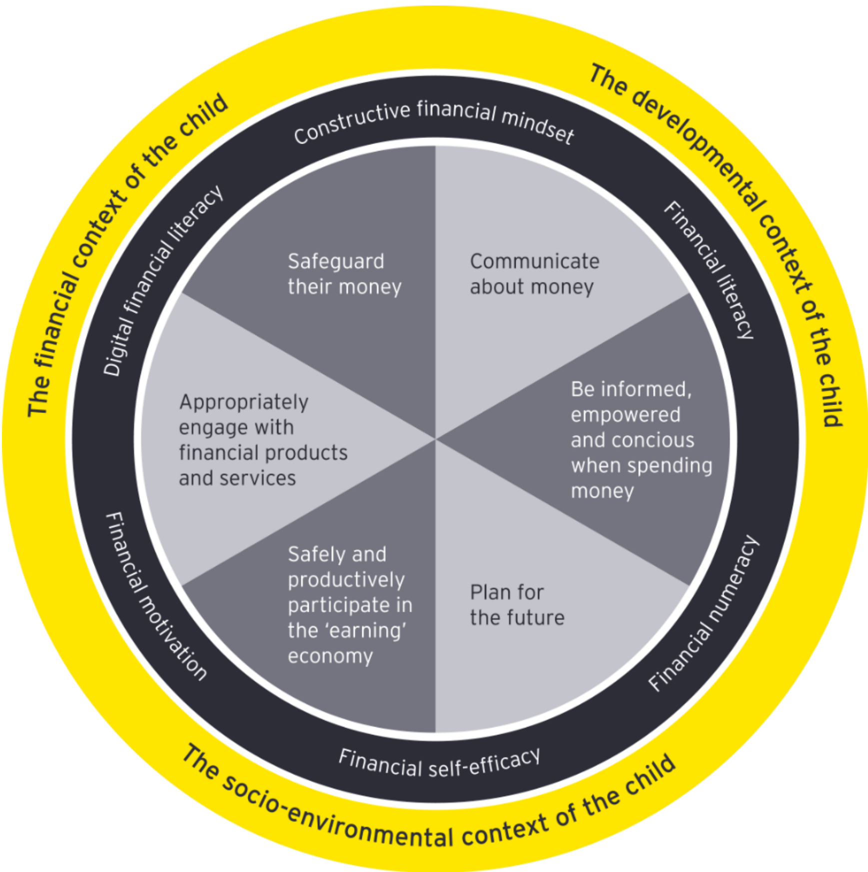
- **Robustness:** be able to withstand external changes socially, systemically or environmentally, especially in the context of a rapidly evolving space
- **Applicability:** have utility across planning, design and management activities
- **Credibility:** be driven and supported by sound evidence

2. The framework

The general financial capability outcomes framework for children was built in line with the evidence and considerations detailed in Section 1 of this report. It consists of three elements:

- **Six general financial capability outcome domains** (henceforth 'outcome domains'), located at the centre of the model, which represent the most important and relevant outcomes for children to achieve. Each outcome domain contains multiple specific outcomes, each with a set of sample indicators, which are included for both illustrative and definitional purposes. The presumption is that these outcomes would be achieved by children in age-appropriate ways, with appropriate supervision, and in both digital and 'real-world' contexts.
- **Foundational outcomes**, which sit in the middle ring of the model, and which articulate more basic, underlying outcomes. The achievement of these will moderate and inform achievement of the general outcomes within the six domains.
- **Enablers and assumptions**, represented in the outer level of the model, the presence of which are critical for any meaningful, sustainable achievement of the foundational and general outcomes.

The outcomes have been constructed and selected in line with current evidence, including drawing on the National Financial Capability Strategy's monitoring and evaluation framework[15] and other established financial capability frameworks. The following sections detail each element and present definitions, descriptions and sample indicators.



[15] The Australian Government the Treasury, February 2022. National Financial Capability Framework. Available at: https://www.financialcapability.gov.au/strategy/framework [Accessed 21 June 2022].

2.1 Enabling contexts and assumptions

To facilitate the financial capability outcomes for children, there are three enabling contexts that this framework assumes will support and drive a child's ability to be financial capable. They are:

- The developmental context of the child: cognitive function, appropriate learning abilities and psychological factors
- The socio-environmental context of the child: home, school, community and external factors
- The financial context of the child: which takes into consideration financial products, services and information the child is exposed to at home, at school or through other agents

Whilst it is not within the remit of this general foundational outcomes document to detail enabling assumptions such as these, it is important to understand that these three factors have material impact on the ability of children to achieve the outcomes in this framework.

2.2 General financial capability outcomes for children: the six outcome domains

We identify six general financial capability outcome domains for children. These outcomes are grounded in evidence and are material to having a level of financial capability that supports broader financial wellbeing outcomes.

Outcome domain	Outcome	Sample indicators
1. Communicate about money	1.1 can have constructive conversations with family and peers around money	1.1.1 discusses their purchases when shopping with adults 1.1.2 actively listens to friends' stories about money and ask questions 1.1.3 asks their caregivers' questions about money
	1.2 can ask for help with money when they need it	1.2.1 asks for advice from trusted adults about money and financial decisions 1.2.2 are comfortable to ask caregiver for help when experiencing financial difficulty
	1.3 can set and respect appropriate boundaries with family and peers about money	1.3.1 can negotiate with their friends how much they will contribute to the purchase of an item, e.g., ice cream during their outing 1.3.2 are aware of what is realistic for their caregivers to purchase for them 1.3.3 are comfortable saying no to financial requests 1.3.4 can challenge gendered statements about roles relating to money 1.3.5 understand that love and trust does not equal unlimited access to or control over finances
	1.4 can support those around them to make informed decisions	1.4.1 shares ways of making safe financial decisions with friends 1.4.2 shares research and information to help others make informed purchases

2. Informed, empowered and conscious when spending money	2.1 can identify influences on their financial decision making	2.1.1 can explain how peer pressure can affect what they buy 2.1.2 can discuss ways companies influence consumers to buy now with debt 2.1.3 understands why companies choose models that look a particular way for their ads
	2.2 can regulate their spending	2.2.1 can decide how to use their weekly allowance to purchase items that are either needs or wants 2.2.2 can prioritise long-term saving over impulse purchases 2.2.3 uses strategies to control the amount they spend
	2.3 can select products and services that align to their needs and their values	2.3.1 can choose sustainable options that are better for the environment 2.3.2 can explain that there are ethical considerations to their consumer decisions 2.3.3 understands that by buying certain products they can help certain causes 2.3.4 considers both long- and short-term needs when selecting products
	2.4 can understand and advocate for their rights as consumers	2.4.1 understands how to return or exchange an item 2.4.2 engages in learning about consumer rights 2.4.3 can identify and discuss some rights and responsibilities of consumers and businesses 2.4.4 knows where to find trusted information on consumer rights
	2.5 can track their spending and financial commitments	2.5.1 values 'keeping track' of their money 2.5.2 tracks their spending and financial commitments 2.5.3 can develop and manage a personal budget on their own

3. Plan for the future	3.1 can set and meet savings and financial goals	3.1.1 understands that they can put money away in a piggy bank to use later 3.1.2 can successfully set a savings goal and create a plan to achieve it 3.1.3 feels that saving money will benefit them in the long-term
	3.2 can make financial decisions in their best interests	3.2.1 can make good supervised financial decisions about their money in real or role play situations 3.2.2 has a desire to learn how to manage their money well for the future
	3.3 can recognise the power of investing to create wealth	3.3.1 can explain how investing and compound interest work in wealth creation 3.3.2 can recognise the importance of investing in themselves, e.g., by setting career goals and identifying the steps towards that career 3.3.3 believes that they can take steps to create wealth
	3.4 can prioritise long-term over short-term financial outcomes	3.4.1 can prioritise long-term financial outcomes by delaying gratification in the short term 3.4.2 can identify the risks of borrowing money in the short term
4. Safely and productively participate in the 'earning' economy	4.1 can identify and make use of sources of income	4.1.1 can identify different forms of income 4.1.2 participates in age-appropriate tasks for income that are available to them 4.1.3 understands that people get paid money for doing certain types of work
	4.2 can understand and navigate the relevant systems related to earning	4.2.2 can explain what a tax file number is for 4.2.3 can explain how taxes are collected and what they are used for
	4.3 have relevant entrepreneurial skills	4.3.1 creates 'mini-shops' to safely sell goods or services to others 4.3.2 can promote an activity to collect sponsor money for a charity
	4.4 can protect themselves from workplace exploitation and advocate for their rights	4.4.1 understands that people have the right to get paid for their work at companies 4.4.2 can distinguish between what should be paid and what can be unpaid work 4.4.3 can identify and discuss some rights and responsibilities of employees and employers

5. Appropriately engage with financial products and services	5.1 can read and understand relevant financial 'documents'	5.1.1 can read and understand basic financial documents 5.1.2 can accurately complete simple financial forms online and offline
	5.2 can use and understand financial products and services (both online/offline)	5.2.1 can explain financial products available to them, e.g., voucher card to an online shop 5.2.2 can use a savings/debit card to buy goods and services 5.2.3 understands the names and terminology used for basic financial products and services 5.2.4 can identify different options for paying for goods and services, e.g., cash, debit card and credit card
6. Safeguard their money	6.1 can engage in practices that keep their money secure	6.1.1 can name some examples of how to keep money safe 6.1.2 sets strong passwords to protect their financial and personal information 6.1.3 keeps their PIN separate from their physical card
	6.2 can recognise and avoid scams and fraud	6.2.1 only uses trusted apps or websites set up/approved by their caregivers 6.2.2 can identify signs of risky websites 6.2.3 can identify signs of online scams, phishing links and fake profiles.

2.3 Foundational outcomes

Foundational outcomes are the building blocks towards the general financial capability outcomes. They represent core skills, attitudes and competencies that are fundamental for building financial capability and on which attainment of the general financial capability outcomes is often predicated. Achievement of the general outcomes in this framework is moderated by these foundational outcomes.

Outcome	Description	Sample indicators
Constructive financial mindset	Financial beliefs, attitudes and values, towards yourself and others, that enable positive financial behaviours and support financial decision making.	▸ believe that money management is important ▸ feel that a person has value and can contribute with or without material possessions or money ▸ are aware that different people will make different financial decisions based on their own unique circumstances, e.g., cultural differences, different family practices ▸ understand that they cannot have everything they want and that everyone has to make trade-offs with their money
Financial literacy	Knowledge and understanding of age-appropriate financial terms and concepts.	▸ have a basic understanding of terms such as saving, spending, borrowing, and investing money ▸ can accurately recognise notes and coins
Financial numeracy	The ability to apply mathematical skills to a financial context.	▸ can solve age-appropriate, real-world financial problems, e.g., 'split the bill' ▸ can apply mathematical reasoning to financial issues ▸ can calculate compound interest over a given time-period ▸ can apply their numeracy skills to financial issues
Financial self-efficacy	A belief that individuals can affect their financial circumstances and outcomes.	▸ feel confident to manage their own money ▸ believe that they can influence and improve their own financial situation through the choices they make ▸ believe that they can pay for some of the things that they need with their own resource
Financial motivation	A motivation and desire to engage in positive financial behaviours.	▸ feel motivated to start looking after their money for their future ▸ feel motivated to only borrow money from family and friends if they can pay it back
Digital financial literacy	The ability to make safe, productive, and appropriate financial decisions in a cashless society.	▸ recognise that spending money in apps and online is still spending money ▸ can navigate an online shop through to payment

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