International Review of Economics Education 16 (2014) 51–62

Contents lists available at ScienceDirect

International Review of Economics Education

journal homepage: www.elsevier.com/locate/iree

Financial literacy education in the curriculum: Making the grade or missing the mark?

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ARTICLE INFO

Article history:
Received 11 October 2013
Received in revised form 17 June 2014
Accepted 11 July 2014
Available online 22 July 2014

Keywords:
Financial literacy education
Teaching financial literacy

ABSTRACT

Financial literacy education (FLE) has become a global priority. In Australia, FLE has been added to the primary and secondary school curriculum. Teachers now have the added responsibility of educating students after receiving some form of professional development. Of concern is how teachers are being financially educated and supported to teach FLE critically and effectively. We find that more is needed to guide, educate and support educators in this area with clearer policy objectives, improved professional development and programme evaluation required. Without a more robust and evidenced based approach we fear the policy intentions of FLE in schools may not be realised.

1. Introduction of FLE in curriculum in Australia

Following the global financial crisis (GFC) of 2008, a significant focus on financial literacy education (FLE) has emerged from countries around the globe (OECD, 2013). This includes the establishment of the International Network on Financial Education (INFE), which was endorsed by G20 leaders (G20, 2012) and currently has over 220 public institutions and 100 countries participating (Grifoni and Messy, 2012; OECD, 2013; OECD INFE, 2012). This financial education network meets bi-annually "to discuss the latest developments in their country and to collect evidence, develop analytical and comparative studies, methodologies, good practice, policy instruments and practical guidance on key

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http://dx.doi.org/10.1016/j.iree.2014.07.005
1477-3880/

priority areas" (OECD, 2013, p. 141). In addition to this network, "the first large-scale international study to assess the financial literacy of young people" (Programme for International Student Assessment (PISA) 2012 Financial Literacy Framework (FLF)) has been established (OECD, 2013, p. 139). Indeed, increasing financial literacy levels to improve financial well-being is of global concern (OECD, 2013) and is regularly identified as a core life skill for everyone (Kezar and Yang, 2010; ASIC, 2011; Atkinson and Messy, 2012).

In Australia, to help improve financial literacy, the Australian Government launched the National Financial Literacy Strategy (NFLS) in 2011 (Australian Securities and Investment Commission (ASIC), 2011). ASIC which is an independent Commonwealth body and is "...Australian's corporate, markets and financial services regulator" (ASIC, 2014), is responsible for this strategy and the other financial literacy initiatives such as the MoneySmart and MoneySmart Teaching websites (http://www.financialliteracy.gov.au). Consumer and financial literacy has been defined as "the application of knowledge, understandings, skills and values in consumer and financial contexts and the related decisions that impact on self, others, the community and the environment" (Hession et al., 2009 p. 1). It is now being viewed as 'core curriculum' or as essential learnings for all young Australians in schools (Hession et al., 2009). After the GFC, many governments around the globe, including Australia, realised FLE had not been a priority subject. It was either not being taught or was being taught in such a way that it was hard to gauge knowledge levels since students were not being assessed on this subject. In other words, it was an optional part of the curriculum. Loreman et al. (2005, p. 135) defined essential learnings or core curriculum as skills that equip students "for a satisfying and effective participation in social and cultural life". Based on this definition, consumer and financial literacy as core curriculum seems appropriate. Therefore, we define FLE as the teaching of personal financial knowledge with a direct intention of increasing an individual's financial literacy through this acquisition of knowledge.

In an attempt to reach individuals from all socio-economic backgrounds who may not otherwise receive this education and may be more susceptible to financial scams (Lusardi and Mitchell, 2013) efforts have also been made to add FLE to the curriculum. Indeed, the importance of educating students from an early age about personal finances remains desirable (ASIC, 2012a, 2012b, 2011) and it has been found that continuous exposure to FLE during a student's schooling experience is beneficial (Lusardi and Mitchell, 2013). This has lead to many countries around the globe, including Australia, integrating FLE into the curriculum for both primary and high school students. Financial literacy has been incorporated into subjects such as mathematics, science, history and English (ASIC, 2012a, 2012b, 2012c, 2011) and may also include subjects such as humanities and social sciences; information and communication technology; health and physical education; sciences and environmental sustainability; civics and citizenship (The Australian Association of Mathematics Teachers (AAMT), 2012). The AAMT supports this whole of school approach to learning FLE skills and recognises the importance contribution mathematics education will have on an individual's FLE skills (AAMT, 2012).

Not everyone supports FLE as Willis (2009) has argued against FLE, asserting that there is not enough reliable empirical evidence showing a statistically-significant difference in regard to the effectiveness of FLE to positively influence financial behaviour and offers alternatives to FLE. These include (1) increasing social security if increasing retirement savings is the goal; (2) regulation to align mortgage sellers with incentives that offer long-term affordable mortgages, if mortgage defaults are of concern; and (3) other suggestions include providing "...consumers with pro bono professional assistance to help them navigate the market" (Willis, 2011, p. 432). These suggestions have been made with the belief that effective FLE "... would need to be individually tailored and given in one-on-one settings..." (Willis, 2011, p. 432) and that the current FLE models are lacking a critical component (Arthur, 2012) and are misguided by presenting all opportunities and risks as equal (Pinto and Coulson, 2011).

Opportunities for increased regulation, such as the ones suggested by Willis (2009) would certainly remove the reliance on FLE to inform and 'protect' consumers about issues such as insufficient retirement savings and unaffordable long-term mortgages. Tightened financial regulation could possibility redirect FLE initiatives to complement learning in these 'problem' areas by: educating individuals about how to establish regular saving habits; explaining the pros and cons of existing home loans available; and, by teaching individuals to recognise 'complex' financial decisions that