

Young Enterprise Trust

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## Submission to the Savings Working Group

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LEADERS IN ENTERPRISE  
AND FINANCIAL EDUCATION

## **1. INTRODUCTION**

- 1.1. Young Enterprise Trust welcomes the opportunity to provide this submission to the Savings Working Group relating to the Terms of Reference
- 1.2. We agree with the statement in Section A of the Saving in New Zealand – Issues and Options document which says that “The choices people make at an individual level can affect New Zealand’s overall indebtedness, the composition of economic activity, and growth prospects”.
- 1.3. Young Enterprise Trust believes that by improving the financial capability of young people through education, that you do more than make a difference to the life of the individual and their family. We believe that you make a difference to the economic and social prosperity of New Zealand.
- 1.4. Young Enterprise Trust has been providing financial education to students since the mid 1990s and as such we have limited our submission to our area of expertise.

## **2. SUMMARY OF RECOMMENDATION**

- 2.1. Young Enterprise Trust makes the following recommendations with regards to the terms of reference, namely that the Savings Working Group:
- 2.2. The Savings Working Group publicly state that it is essential for our young people to have access to teaching and learning in this area from aged five to eighteen when they leave school.
  - 2.2.1. Create a Ministry of Education approved curriculum statement for years 1 – 13.
  - 2.2.2. Create sufficient Achievement Standards for a financial education for NCEA levels 1 – 3. (Suggested subject title Money and Finance).
  - 2.2.3. Ensure that these Achievement Standards are on the approved subject list for University. Such a move would also ensure a pathway to future qualifications, in the same way as Accounting and Economics. At 15 – 18 years, students often look to see what subjects apply to their possible career interest or can be taken at tertiary level.
- 2.3. In making our recommendation, we would also ask the Savings Working Group to review the recommendations in the Capital Markets Matter Report of the Capital Market Development Taskforce in December 2009. In section 1.2 Issues and Recommendations on page 45, the report recommends that investment literacy concepts are incorporated into the school curriculum through:
  - 2.3.1. Encouraging schools to teach personal financial management
  - 2.3.2. Resolving issues preventing approval of the Personal Financial Management unit standards
  - 2.3.3. Ensuring teachers are supplied with appropriate resources.

## **3. THE NEED TO FOR FINANCIAL EDUCATION IN SCHOOLS**

- 3.1. The issue around savings has increased over the last ten to twenty years. In the Saving in New Zealand – Issues and Options document, this is highlighted by the fact that household debt levels are high and have doubled in the last 15 years.
- 3.2. This would imply that the level of acumen around personal financial management and the need for savings has decreased over this period of time.

- 3.3. Traditionally, it has remained the responsibility of parents to teach their children about personal financial management. However, if the generation of adults raising children today does not possess these skills themselves, then they are not going to be in a position to pass this knowledge to their children. This then becomes a downward spiral as each generation becomes less and less astute when it comes to personal financial management.
- 3.4. If New Zealand wants to up skill its citizens about making wise financial decisions and increasing financial capability, then this area of learning needs to be made compulsory in some way within the school curriculum.
- 3.5. This is a long term view, and given the age at which attitudes and values are formed, school is one of the places where a difference can be made. It is never too early to begin financial education, of which savings behaviour is one part.
- 3.6. A survey conducted by the Independent last years, showed that over 80% of respondents wanted financial education to be taught at school. It would appear as though the community agrees with the need to bring financial education into the schools.
- 3.7. According to the Credit Counselling and National Council for Economics Education in the US, they say that 80% of eight year olds have already established their spending and savings habits.
- 3.8. This means that it is essential that we not only introduce students to financial education, but that we start this introduction at a young age.
- 3.9. This information indicates that people will largely formulate their financial behaviour referring to those adults they interact with at a young age. This can include their family group or whanau and/or their teachers. It is our belief that both family groups and teachers both have a role to play in educating young people about money.

#### **4. FINANCIAL EDUCATION AND THE NZ CURRICULUM**

- 4.1. The official New Zealand Curriculum (2007) expects teachers to cover a number of learning areas (subjects), key competencies (capabilities for living and lifelong learning) and values when they present teaching and learning opportunities to their students. It is a core curriculum and covers years one to ten (new entrants to Form Four).
- 4.2. In addition to the learning areas, key competencies and values, the directions for learning also include a vision statement and cover a number of key principles, such as the Treaty of Waitangi.
- 4.3. Financial capability is a lifelong capability. However, it is not included in the learning areas. It is referred to in the New Zealand Curriculum in this way:
  - 4.3.1. "Links between learning areas should be explored. This can lead, for example, to units of work or broad programmes designed to develop students' financial capability, positioning them to make well-informed financial decisions throughout their lives."
  - 4.3.2. This is noted on Page 39 of The New Zealand Curriculum
  - 4.3.3. This statement indicates that teachers can, if they would like to, prepare lessons that have a financial context. However, in no way does it expect or require teachers to make that choice.
- 4.4. So whether or not any financial education takes place in the classroom is entirely at the discretion of the individual teacher, or the school.

- 4.5. At Years 11 – 13 (Forms 5 – 7) the challenge is even greater due to the lack of achievement standards. It is in these years that students study towards their NCEA levels one, two and three.
- 4.6. Accounting and Economics are subjects offered at these levels for students to gain credits towards NCEA. These subjects are assessed via Achievement Standards and are on the entrance to university approved subject list.
- 4.7. Personal Financial Management (PFM) is an area of learning which can be assessed via Unit Standards at these levels. Unit Standards are different from Achievement Standards in that they:
  - 4.7.1. Do not have grades attached to them (Excellence, Merit and Achieve)
  - 4.7.2. Are not on the Approved Subject list for entrance to university
  - 4.7.3. Are not a full year course of learning
  - 4.7.4. Are not based on a Ministry of Education approved curriculum statement.
- 4.8. The climate for entrance to university has changed in recent months. Schools have responded by are choosing to by-pass offering Unit Standards as students have a much better chance of gaining entrance through their grade point average in relation to Achievement Standards. Many schools are refusing to allow Unit Standards to be taught.
- 4.9. Our experience with schools tells us that the schools are reluctant to offer courses that do not have achievement standards associated with them, and students whose goals is to go to university are even less likely to choose those subjects.
- 4.10. Unless the PFM standards can respond to the new environment, financial education at years 11 – 13 will be non-existent in the next few years. Students will not have the opportunity to learn about savings and wise financial decisions. An opportunity will be lost to capture the understanding of a generation.
- 4.11. The Securities Commission is in the process of getting a qualification in place for Financial Advisers. The Financial Advisers Act (in force by June 2011) will mean that all Financial Advisers offering investment advice to the public will have to qualify for the National Certificate in Financial Services (Financial Advice). This is a tertiary qualification. In addition, a number of universities offer papers in Finance.
- 4.12. There is no logical reason why, if tertiary institutions view financial education as a serious area of learning, why it should not be viewed as such at primary, intermediate and secondary school.

## Appendix A: Real Life Examples

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We regularly receive comments, emails and letters from current and past students which talk about the benefits they received from enterprise and financial education. Following is a sample of some recent comments made around Financial Education programmes.

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*“Children began understanding that there are many ways that they could have control over their own finances- it could impact them in a real way”.*

Primary School Teacher

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*“Helps you understand how important it is to save”.*

*“Good for learning how to make good choices when spending money”.*

*“They made financial literacy fun”.*

*“They were an easy way to learn to manage cash”.*

*“They were fun, very easy to pick up giving us good skills for the future”*

*“The financial literacy lessons were an enjoyable way to learn about the importance of money”*

*“The financial literacy lessons will be helpful for us later on in life”*

Various quotes from primary students who participated in various Financial Education programmes.

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*...” The past two years, the financial literacy course has given me an eye opening to the real world, and how to manage the basics that no one else really tells you. It is important to be able to manage your personal finances before you can expect to work for a company. All year 13 students will be leaving school, either to get a job or go to university, and will need to manage their own finances in the real world. I have learned a lot from this course, and appreciate the knowledge not only for my personal finances, but will help me in the business world when I get a job also.... We learnt the real life skills.”*

Year 13 student after completing two years of a financial literacy course

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