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Technology boosting financial literacy

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Robo advice can aid financial literacy. [Shutterstock.com](#)

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Technology will need to play a bigger role in boosting the financial literacy of Australians as a large number of financial planners leave the profession, says Bronny Speed, financial advice leader at Chartered Accountants Australia New Zealand.

Speed says as increased educational and licensing standards for Australia's 29,000 financial advisors will push some out of the market, it will leave a gap in the profession's ability to provide financial advice and boost literacy.

"The accessibility of good advice and the affordability of good advice is going to be in question as a result of these advice changes," she says. "Therefore we need tools like robo advice. We need tools like online electronic interfaces, by industry bodies, by regulators, and even product providers.

"The thing we have to make sure of is that they're not driving product purchases. I think the royal commission has shown the pendulum needs to swing back away from education solely driving consumer behaviour to buy product, to actually driving financial literacy and education and to robo advice having its own place in the world."

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Speed expects the quality of education and advice will become a key differentiator for financial services companies. "The provider who provides outstanding financial

literacy through robo or client or outstanding education or outstanding resources and online solutions will be the provider of choice,” she says.

Speed defines financial literacy as somebody’s ability to understand their current financial circumstances and so people need different levels of financial literacy at different states in life and their careers.

“The need for financial literacy as you go through life might get higher. It might get more complex if you have a business, it might be more demanding if you are an investor who is heavily geared in a trust structure. Financial literacy is an ability I think to have financial knowledge and to be empowered by that knowledge.”

Last year’s Productivity Commission report into the superannuation sector found that about 30 per cent of Australians have low financial literacy, and a quarter do not understand basic financial concepts.

Low financial literacy also led to low engagement among super members with their investments and funds.

In its final report, the banking royal commission stated that “financial literacy among Australians is varied, and research suggests people struggle with more complex financial dealings such as investments and superannuation”.

Recently-founded Up aims to lift engagement and financial literacy among its mostly millennial customers.

“What we’ve tried to do is to say, what if we built something completely new today and tried to do it in a way that people didn’t really have to understand BSB and account numbers and cut off times and bank batch processing to really understand what’s going on with their money,” says Anson Parker, head of product at Up.

One of the app’s innovations is to identify merchants by the trading name their customers would be familiar with, rather than the company or trust name that often appears in bank statements. With the help of users who can submit the correct names for their purchases to help “teach” the app, Up is building up a database of businesses names.

It also includes the time of day of a purchase on statements, which banks traditionally have not done.

“People are disconnected from where their money goes at a fundamental level, particularly young people,” Parker says. “We have really tried to focus on helping people understand where their money goes and where it’s going to go.”

They also try to help users understand their bank balance is in a sense not really their balance. While their account might have \$1000 in it, they will have rent and a phone bill coming out of it, a concept Parker says young people struggle with. The app identifies patterns of charges and lets people know when they have got charges coming up, which they can confirm or reject.

They have also moved on from the “ugly” bank statements with codes and all capital letters, which Parker says turns people off.

“If you open up your banking app and it looks beautiful and it was giving you some insights and telling you how much you spent this week and it’s actually helping you, I think you’re likely to stay engaged,” Parker says.

The app will tell people how much their daily coffee adds up to or how much they spend at the bottle shop. Users can tap on a retailer and see their entire spending history with the retailer, including their average purchase and how much they spend there each year.

“We’re trying to build that stuff in a mass market way without going down a path of being all about spreadsheets and pie charts.

“We are answering some of those challenges in financial literacy by actually helping customers and doing more for them and reducing the busy work. And I think that gives us a much better chance of success because ultimately it’s going to be more sustainable.”



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