



MEDIA RELEASE

Financial institutions have a key role to play in improving financial literacy, says ASIC submission

Proposal to give primary school classes investment portfolios to instil investment fundamentals early

CHICAGO, SYDNEY, December 11, 2017 – Australian banks and fund managers would give primary school classes money to invest in the stock market as part of a financial education program proposed by Chicago-based investment manager Ariel Investments and Sydney-based communications firm Honner.

In a submission to the Australian Securities and Investments Commission's (ASIC) [National Financial Literacy Strategy Consultation 2017](#) Ariel and Honner call on ASIC to expand its national strategy to focus more on educating young children about investment – including teaching kids about financial markets as early as first grade.

The firms also say more real-time and real-world experiences should be incorporated into the curriculum to ensure schools are a place where financial literacy is practised, and not just learned.

The focus on investing comes at a time of immense change for young Australians, who face a future of prohibitively high house prices, rising university costs and the need to save for the future in a low-return environment, the submission says.

Ariel opened a Sydney office in 2015 headed by Ian Webber, Head of Asia Pacific & Middle East and North Africa, and announced its first Australian global equity investment mandate this year. In the submission, the firm shares insights gained from its two-decades of experience developing a program to tackle financial literacy in its home town of Chicago.

Ariel sponsors a financial literacy program at the Ariel Community Academy (ACA), an elementary school on Chicago's South Side, where 98% of students are African-American and more than three quarters qualify for subsidised lunches, reflecting their families' lower household incomes. Through a partnership with Nuveen, the investment manager of TIAA, Ariel also awards each class a US\$20,000 grant to invest in the US stock market over the coming eight years until they graduate.

National framework needed to target disadvantaged kids first

Around a fifth of 15-year-olds in Australia don't have even a basic level of financial literacy that would allow them to recognise the value of a budget or interpret prominent features of everyday financial documents, according to the Organisation for Economic Co-operation and Development (OECD). Only 15% have a high level of proficiency, which would allow them to analyse complex financial products or solve non-routine financial problems – and Australia is going backwards in this area, with the proportion of financially literate teenagers slipping in recent years.

Those with a low socioeconomic background or from Aboriginal communities on average perform much lower in financial literacy assessments than children from more well-off backgrounds, highlighting the need for better programs aimed at disadvantaged students.



The joint Ariel-Honner submission recommends authorities in Australia at a minimum develop a national framework for local banks, fund managers and other financial companies to partner with the country's most disadvantaged public primary schools, similar to the way Ariel supports ACA.

"If a national framework was established to target younger children in need, we believe many generous people across the financial sector would be willing to give time and money to support the program. And we know, from Ariel's small pilot in Chicago, that change is possible," said Ariel President Mellody Hobson and Honner founder Philippa Honner in the submission.

More than just personal finance

Investing is one of four key strands of learning at ACA along with Economics, Personal Finance and Entrepreneurship. Students are introduced to their investment portfolio in first grade and begin trading stocks independently by sixth grade. The program includes a high level of engagement with Ariel staff, with students visiting the Ariel office to observe board meetings and stock presentations by analysts.

Hobson said: "It isn't good enough to wait until kids get to university, or even high school, to begin teaching them about investing. Disadvantaged children are less likely to be exposed to investment concepts at home and research has shown that bad money habits tend to get passed down from generation to generation.

"If we want to truly address inequality, we need to start helping children become familiar with the concepts early in life so they can be comfortable investing on their own behalf by the time they are young adults and have the confidence to seek a job in the financial sector."

Honner and Ariel have worked together for the past two years as Ariel has introduced its global equity capability to the Australian market.

Philippa Honner said: "A lot of money has been spent in an effort to improve financial literacy in Australia, both at the personal finance level and within super. We know these challenges are hard to overcome and Australia's experience is not unique. This submission simply looks to highlight another approach.

"We believe Australian firms could emulate Ariel's pioneering approach, working collaboratively with Government and educators to introduce financial literacy concepts at an earlier age, targeting children most in need, and ultimately helping move the dial on financial literacy in Australia."

Please contact Honner for a full copy of the submission.

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About Ariel Community Academy (ACA)

Through the City of Chicago's New School Initiative, Ariel was awarded a corporate sponsorship of a Chicago Public School. In 1996, [Ariel Community Academy \(ACA\)](#) was established in North Kenwood, a less affluent neighbourhood in the city.

As part of Ariel's sponsorship, ACA adopted a unique financial literacy curriculum, written by ACA teachers, which included investing alongside other standard subjects. The program also includes a high level of engagement with Ariel employees, with students attending investment meetings and



receiving mentoring from Ariel staff. Through a partnership with Nuveen, the investment manager of TIAA, Ariel also awards each class a US\$20,000 grant to invest in the U.S. stock market over the coming eight years until they graduate.

The Academy has become one of the top elementary schools in Chicago. In 2017, ACA received one of the highest ratings possible based on students' academic performance and other measures.

Ariel plans to soon publish the full ACA financial literacy curriculum in print and eventually it will be available online. Ultimately, Ariel hopes its relationship with ACA will serve as a role model for other financial services companies to show them how they can establish similar partnerships with public schools.

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About Ariel Investments, LLC

Ariel Investments is an employee-owned boutique investment management firm with around US\$12.4bn in assets under management. Founded in 1983, the firm is headquartered in Chicago with offices in New York and Sydney. Ariel Investments specialises in managing all-cap global and international equity portfolios, as well as U.S. small and mid-cap equities strategies. More information can be found at www.arielinvestments.com

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About Honner

Honner is a Sydney-based full-service public relations consultancy that specialises in providing multi-stakeholder communications advice to financial and corporate brands. For two decades, the team at Honner has worked with super funds, banks, brokers, asset managers and others to help firms better communicate with members, intermediaries, customers and investors. www.honner.com.au

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