

Unit 2 Consumer and financial literacy

Finance and consumers

In Australia's market economy, we are all consumers. That means we buy goods and services for our own personal use. As consumers, we make decisions about what to spend our money on. Our goal is to buy those things that will best satisfy our needs and wants. This would be simple if not for the millions of products on offer, and the limited amount of money that we have to spend. As savvy consumers, we learn how to make the most of our money. There are many ways we can do this. From looking for things that are within our budget, to understanding what we can do if a product we buy is faulty, each financial decision helps us to learn how to spend our money responsibly.



chapter 18

Source 1 In situations where a consumer wants to return a product to the seller, both the consumer and the seller are protected under Australian consumer law.

18A

What are the rights and responsibilities of consumers?

- 1 What can consumers do if products they purchase turn out to be faulty?
- 2 What does it mean if a product is 'Fairtrade' certified?

18B

What are financial goals and how are they achieved?

- 1 Why is it important to set financial goals?
- 2 What are some strategies that people can use to save their money?

18.1 Consumer rights

In Australia, there are many laws that protect consumers from unfair treatment. In order to be fully protected, we must first learn what our basic rights as consumers are.

Australian consumer law

In Australia, the Competition and Consumer Act (2010) is just one of the laws that states what rights and responsibilities consumers have. Because this law is so important, there are government bodies at both federal and state level whose main purpose is to enforce it. At a federal level, the **Australian Competition and Consumer Commission (ACCC)** makes decisions and provides guidance on issues that affect markets across Australia. At a state level, **Consumer Affairs Victoria** acts as the **regulatory body** that aims to make a fair and competitive marketplace for businesses and consumers in Victoria. As well as providing information to consumers, these bodies guide businesses towards operating in a way that avoids unfair situations. While you do not need to know all of the details of Australian consumer law, it is important that you understand your basic rights and responsibilities as a consumer, as well as where you can get help.



Source 1 The Australian Competition and Consumer Commission (ACCC) is the government authority established to regulate the marketplace nationwide.

Consumer guarantees

Under Australian consumer law, when you buy a product or service it comes with an automatic guarantee that it will work to a reasonable level, or as you would expect it to. This is a consumer guarantee that means that the products you buy must:

- be safe
- be of reasonable quality (won't break after a few uses)
- do all of the things that a person would normally expect them to
- match descriptions made by the salesperson, on packaging and labels, and in promotions or advertising
- not have any hidden costs associated with their use or purchase
- meet any extra promises made about performance, condition and quality, such as lifetime guarantees and money-back offers
- have spare parts and repair facilities available for a reasonable time after purchase unless you were told otherwise.

Services that are provided by people through their skills, knowledge and effort must:

- be provided with acceptable care and skill, taking all necessary steps to avoid loss or damage
- achieve the results that the consumer and the business had agreed to
- be delivered within a reasonable time if there is no agreed end date.

Exceptions

There are some exceptions to the guarantee that can protect sellers from unfair situations. Consumer guarantees do not apply if you:

- got what you asked for but simply changed your mind, found it cheaper somewhere else, decided you did not like the purchase or had no use for it
- misused a product in any way that caused the problem



Source 2 Consumer Affairs Victoria is the state regulatory body in charge of promoting a competitive and fair marketplace in Victoria. You can contact them if you have any questions about your rights and responsibilities as a consumer.

- knew of, or were made aware of, the faults before you bought the product
- asked for a service to be done in a certain way against the advice of the business or were unclear about what you wanted.

Resolving issues

If the goods or services do not satisfy the consumer guarantee, the consumer has the right to approach the seller and request that the problem is fixed by a repair, replacement, refund or, in some cases, compensation (usually in the form of money) for damages and losses.

The seller of the good must help the consumer directly, or by sending them to the **manufacturer** or **importer** of the good who is responsible for the problem.

It is important to keep your receipt to prove that the good or service was purchased from the seller and on what date.

If a consumer has made a complaint to the seller but is still having difficulty resolving the problem, they should contact the ACCC or Consumer Affairs Victoria who will advise them on the best course of action.



Source 3 While Australian consumer laws protect consumers from buying faulty products, they do not apply in instances where the consumer has caused the problem.

Check your learning 18.1

Remember and understand

- 1 Which Australian law outlines the rights of consumers?
- 2 What are the two government bodies that regulate the marketplace and ensure that consumers are protected from unfair treatment?
- 3 Describe three things a product must be to meet its consumer guarantee.

Apply and analyse

- 4 Why do you think there are exceptions to the consumer guarantee?
- 5 Look at Source 3. Explain whether you think the seller of the phone would be required to replace it if:
 - a the consumer opened the box only to find that the phone was already broken upon purchase
 - b the consumer accidentally dropped the phone causing the damage.

Evaluate and create

- 6 Write a letter of complaint to a store about the faulty product you have purchased from them. Visit the ACCC website via the link in your gbook for a template that will help you write your letter.

18.2 Consumer responsibilities

While consumers have many rights that are protected by law, we also have many responsibilities. Some of these are to ensure that we know what we are agreeing to purchase, while others relate to our social and moral responsibilities to the people and environment that we share our planet with, such as buying local produce and consuming less.

Legal responsibilities of consumers

As discussed earlier, there are certain exceptions to the guarantee we receive when we buy a product or service. After all, it would be unfair on the seller if we didn't take the time to consider what we were buying and then demanded a refund because we made a careless mistake. For this reason, it is our responsibility as consumers to learn about the product or service we wish to buy before we commit to buying it. This involves:

- reading the description and specifications carefully
- using the Internet to check the prices of similar goods or services at other stores
- reading online reviews and information about the product
- asking questions about the product or service
- reading the terms and conditions carefully.

Once we purchase a product, we must ensure that we:

- read and follow the instructions for its use carefully
- take care of it so that it is not exposed to anything that is likely to damage it (such as leaving a computer outside where it might rain)
- contact the seller or manufacturer with any important questions about how to properly use the product.

Source 1 It is important to carefully read the specifications of



a product before purchasing it. The important information is generally printed on its packaging.

Social responsibilities of consumers

Socially responsible or **ethical consumers** make an effort to purchase goods and services that do not have a negative impact on other people, animals or the environment. As ethical consumers, we consider how we can satisfy our needs and wants in the way that is least harmful to others.

Consume less

Undoubtedly the easiest way that we can minimise our negative impact on the planet is by simply buying less stuff, especially if it doesn't satisfy a basic need. To consume less we need to be aware of how we use the goods we buy and how the disposal of them will affect our world. If we do not change how wasteful we are with our consumption, we will continue to contribute to the environmental problems that our world is facing.



Source 2 Buying products from your local market is not only better for the environment, but supports your local community

Buy local

By purchasing locally made products, we can be certain that workers from poorer nations have not been exploited to make our products. Buying locally also reduces the negative effect of transportation on the environment.

Research the product and company

Researching products that we regularly buy as well as the companies that make them gives us a better idea of what we are buying. Researching helps us decide for ourselves if a product is being made in an ethical way and whether it is healthy for us to consume. We can also research alternatives to products that don't seem like the best purchasing choices. We can access much of this information on the internet via our smartphones while we are shopping. Websites such as Shop Ethical! have a great deal of information about a wide range of household products.



Source 3 Fairtrade is about stable prices, decent working conditions and the empowerment of farmers and workers around the world.

Look for certification

Another way of helping to ensure that we are being socially responsible is by looking carefully at the packaging of a product. Often, we will see that some products have little certification logos on them such as the Fairtrade logo, that not all products have. A product with Fairtrade certification provides better working conditions for the people who produce it in poorer countries.

Check your learning 18.2

Remember and understand

- 1 Describe three legal responsibilities of consumers.
- 2 What does it mean to be an ethical consumer?

Apply and analyse

- 3 Why do you think consuming less is the easiest way to reduce our negative impact on the environment?
- 4 Which of the strategies for being an ethical consumer do you think you might use in the future?

Evaluate and create

- 5 Log onto the Fairtrade website via the link in your obook and use the information to create a poster explaining and promoting Fairtrade.

18A rich task

You are what you eat

Of all the products that we purchase, none are more important to understand than food and drink. What we eat and drink can have dramatic effects on our health and wellbeing. But with so much information on the labels and so many different ingredients, knowing what we are putting into our bodies can be

a little tricky. Fortunately, the law states that nearly every packaged item of food and drink has to provide nutritional information on its packaging. By learning how to read this information, you can be on your way to a happier and healthier you!



HOW TO UNDERSTAND FOOD LABELS

What to look for...

Don't rely on health claims on labels as your guide. Instead learn a few simple label reading tips to choose healthy foods and drinks, for yourself. You can also use the label to help you lose weight by limiting foods that are high in energy per serve.

Total Fat ▶
Generally choose foods with less than **10g per 100g**.
For milk, yogurt and icecream, choose less than **2g per 100g**.
For cheese, choose less than **15g per 100g**.

Saturated Fat ▶
Aim for the lowest, per 100g. **Less than 3g per 100g is best.**

Other names for ingredients high in saturated fat: Animal fat/oil, beef fat, butter, chocolate, milk solids, coconut, coconut oil/milk/cream, copha, cream, ghee, dripping, lard, suet, palm oil, sour cream, vegetable shortening.

Fibre ▶
Not all labels include fibre. Choose breads and cereals with **3g or more per serve**.

Nutrition Information		
Servings per package – 16 Serving size – 30g (2/3 cup)		
	Per serve	Per 100g
Energy	432kJ	1441kJ
Protein	2.8g	9.3g
Fat		
Total	0.4g	1.2g
Saturated	0.1g	0.3g
Carbohydrate		
Total	18.9g	62.9g
Sugars	3.5g	11.8g
Fibre	6.4g	21.2g
Sodium	65mg	215mg
Ingredients: Cereals (76%) (wheat, oatbran, barley), psyllium husk (11%), sugar, rice, malt extract, honey, salt, vitamins.		
Ingredients ▲ (Listed from greatest to smallest by weight. Use this to check the first three ingredients for items high in saturated fat, sodium (salt) or added sugar.		

◀ 100g Column and Serving Size
If comparing nutrients in similar food products use the **per 100g column**. If calculating how much of a nutrient, or how many kilograms you will actually eat, use the per serve column. But check whether your person size is the same as the serve size.

Energy
Check how many kJ per serve to decide how much is a serve of a 'discretionary' food, which has 600kJ per serve.

Sugars
Avoiding sugar completely is not necessary, but try to avoid larger amounts of added sugars. If sugar content per 100g is more than 15g, check that sugar for alternative names for added sugar) is not listed high on the ingredient list.

◀ Sodium (Salt)
Choose lower sodium options among similar foods. **Food with less than 400mg per 100g are good, and less than 120mg per 100g is best.**

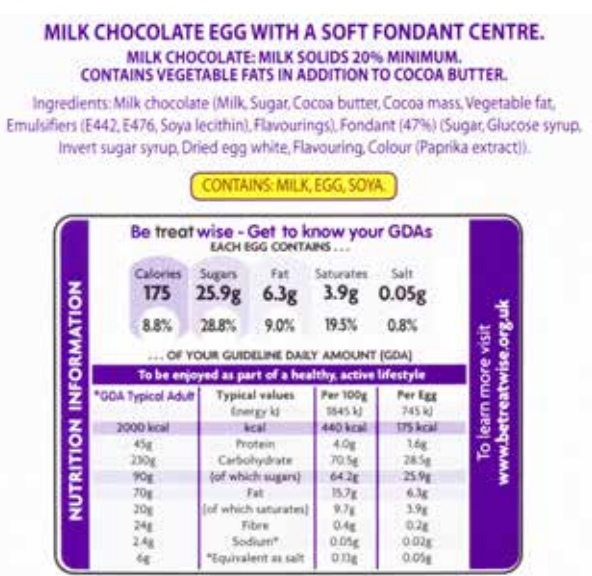
Other names for added sugar: Dextrose, fructose, glucose, golden syrup, honey, maple syrup, sucrose, malt, maltose, lactose, brown sugar, caster sugar, maple syrup, raw sugar, sucrose.

Other names for high salt ingredients: Baking powder, celery salt, garlic salt, meat/yeast extract, monosodium glutamate, (MSG), onion salt, rock salt, sea salt, sodium, sodium ascorbate, sodium bicarbonate, sodium citrate/trisphosphate, stock cubes, vegetable salt.

Source 1 Use this as a guide to help you understand what you are eating and drinking



Source 2 The nutrition label and the information table for saltana cookies



Source 3 The nutritior label and information table for milk chocolate eggs

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How to read a food nutrition label

This infographic from gives a guide of what each part of the label means, and what an acceptable level of consumption is for the ordinary person. Many labels also give a rough guide on the recommended daily intake of each type of nutrient for adults. As a younger person, you would want to consume less than this amount.

Step 1 Locate the food nutrition label on the packaging of a product.

Step 2 Identify the serving size, usually at the top of the label. This indicates how much of the product you should consume. This amount also relates to the nutrition information figures per serve.

Step 3 Use the table of information to identify the amount of energy, protein, fat, carbohydrates (including sugars), fibre and sodium in the product, either per serve or per 100 grams.

Step 4 Find the ingredient list. This is usually located at the bottom of the nutrition information but sometimes on other parts of the packaging. Use the ingredients list to decide if this product is something you can or you want to eat. This is especially helpful for people with food allergies or intolerances. For example, some people might read that there is wheat in the product and decide that they cannot eat it because they are gluten intolerant.

Step 5 Look up any ingredients you don't recognise, such as psyllium husk, and decide if you do or do not want to eat the product.

Apply the skill

- 1 Compare the nutrition information tables from Sources 2 and 3. For each of the items, suggest which product might be healthier.
- 2 Which product do you think is healthier overall?
- 3 If none of the products we bought had nutritional information labels on them, how do you think this would affect consumers?

Extend your understanding

- 1 Find three different products in your kitchen at home. Follow the steps for how to read a food nutritional label on each. Once you've done this, compare the products information and rank them from healthiest to most unhealthy.

18.3 Setting and achieving your financial goals

Knowing how to manage your money is an important life skill. Keeping on top of your finances can give you financial freedom and make your life easier in the long run. Failure to do so can land people in **debt** that they can't repay and make their lives very difficult as they struggle to pay it back. The first step to managing your money is to set financial goals for yourself. After this, you can look at ways of achieving these goals.

Setting financial goals

Managing our money requires patience and discipline, so we want to know what it is we are working towards. By setting financial goals that are achievable, we can motivate ourselves to spend money more wisely. The easiest way to set financial goals is by thinking about what it is that we would like to spend money on in the future.

Short-term goals

These goals are ones that we can achieve in a few weeks or months. They could be to do with saving up enough money to buy a new computer game or tickets to see your favourite band.

Long-term goals

These goals are ones that take a lot longer to achieve. They require a consistent effort over many months or even years, allowing us to save enough money to purchase some more expensive things. Long-term financial goals could be to buy a computer or a car when we are old enough to drive. They might even simply be to save an amount of money in our bank account for the future, without knowing exactly what we will spend it on. Whatever goals you set for yourself, planning ahead will help to prepare you for the future.



Source 1 Many people set life goals, such as travelling to a certain part of the world or climbing a mountain. Such goals are often costly and require us to achieve long-term financial goals first.

Achieving financial goals

As the saying goes, a goal without a plan is just a wish. In order to achieve the financial goals we have set, we have to use certain strategies. At this stage of your life, it is not worth worrying about complicated **investments** that many adults use to make their money grow. Instead, focus on the important things that you can do on a day-to-day basis to save more money.

Opening a savings account at a bank

Did you know that banks will pay you money for keeping your savings in a bank account? This money is called **interest**, and the more money you have in the account, the more interest you will be paid. However, some banks can also charge fees, so ask your parents to help you choose a bank account that doesn't charge any fees.

Minimum savings rule

Saving money is all about discipline. By setting aside a small portion of any money you receive, you will be surprised at how quickly it all adds up. One way of doing this is by setting yourself a rule to save half the money that you receive. Another way is to set a target for how much you want to save each month. When you create a routine for saving money, you will gradually develop more discipline for saving.

Allowance

Keeping track of your money is a skill that people build up over time. If you receive money from your parents whenever you ask for it, and spend it to satisfy your wants rather than your needs, you will find it difficult to develop responsibility for your own finances. Instead, ask your parents for a weekly allowance under the condition that you have to buy things that they would normally pay for. In this way, you will learn that if you don't make smart decisions about spending your money, it will run out very quickly.



Source 2 It takes discipline to save money. Rather than wasting a small amount of money on things you don't need, set it aside so that you save up to purchase something worthwhile.

Check your learning 18.3

Remember and understand

- 1 Why is it important to set financial goals?
- 2 Describe three strategies that can help you achieve your financial goals.

Apply and analyse

- 3 Set two short-term financial goals.
- 4 Set one long-term financial goal.

Evaluate and create

- 5 Use the Internet to research the following banks to find out what kind of savings accounts they offer for people your age. Be sure to write down any important information such as how much interest they offer and what fees they charge. You may ask your parents to help you with this.
 - Commonwealth Bank of Australia
 - National Australia Bank (NAB)
 - Westpac
 - Australia New Zealand Bank (ANZ)
 - Bendigo Bank

18B rich task

The federal budget

Keeping track of our income and spending is an important part of managing our finances. It allows us to predict how much money we will have in the future, and adjust our spending where needed. Budgets are used by individuals, businesses and even governments to figure out how they are going financially. Each year there is great debate over how the government should spend money, and where it needs to get that money from.

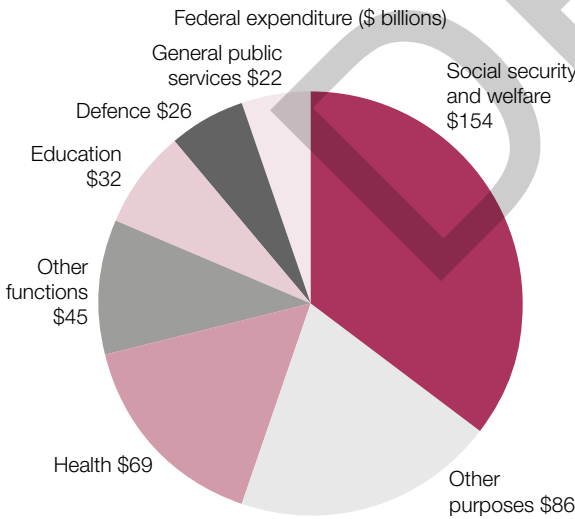
Budget	February 2017	
	Budgeted	Actual
Income		
Allowance	\$150	\$150
Interest on savings	\$10	\$9
TOTAL MONTHLY INCOME	\$160	\$159
Expenses		
Phone bill	\$50	\$60
Fast food	\$20	\$15
Bus and train tickets	\$20	\$10
Cinemas	\$20	\$0
Birthday present for friend	\$30	\$20
TOTAL MONTHLY EXPENSES:	\$140	\$150
Income less expenses		
Total monthly income - Total monthly expenses =	\$20	\$54

Source 1 This is what an individual monthly budget might look like. This person would be happy to know that they have saved more than they have spent.

Managing the federal budget

The government makes very important decisions that affect the lives of every Australian. They receive most of their money through taxes paid by people and businesses who earn an income. They then invest this money into areas that they believe will improve the lives of Australians. This includes funding for schools, hospitals, roads, the military and many other things that our society deems important. In recent years there have been concerns over whether the government is spending too much money. Often, the government has not raised enough income to pay for all of its spending and has had to borrow money from overseas.

The chart below outlines what the Australian government might expect to spend money on throughout the year if it earns around \$380 billion in taxes and \$25 billion in other types of revenue during the financial year. Looking at the chart, we can see that the Australian government has spent most of the federal budget on social security and welfare, which includes payments to carers, senior citizens and people with disabilities. On the other hand, the least amount of money is spent on general public services which include the organisation and operation of government bodies such as councils, libraries and assistance with foreign affairs.



Source 2 This pie chart shows the expenditure (payments) that the government might expect to make during the financial year.

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- Step 1** Decide what time period you want your budget to cover. The federal budget covers a whole financial year, but you would probably find it more useful to prepare a monthly budget for yourself.
- Step 2** Under the heading 'Income', list all of the different types of income you expect to receive for that time period. This can include things like money you have earned from doing odd jobs, an allowance that you have received from your parents, or interest from your bank account.
- Step 3** Add up all of your income to get your total income.
- Step 4** Under the heading 'Expenses', list all of the different types of payments you would expect to make over that time period. This could include things like daily bus tickets and a gift for your friend's birthday.
- Step 5** Add up all of your expenses to get your total expenses.

- Step 6** Take away your total expenses from your total income to check whether you will earn enough money to pay your expected costs, and whether you will save any money.
- Step 7** At the end of the time period, enter in all of your actual income and expenses in the 'Actual' column and compare them against what you budgeted. How close were your estimations? Why do you think there were differences? Did you forget to include something? These are all questions that will help you prepare a more accurate budget for the next period.

Apply the skill

- 1 Using these steps and the information in Source 2, prepare the federal budget. You do not have to complete the 'Actual' column from step 7, but the budget should look similar to the sample budget from Source 1 without the right-hand column.
- 2 Does the government expect to have greater income or expenses? Explain whether you think this is good or bad.

Extend your understanding

- 1 Follow the steps to create your own monthly budget. You should refer to source 2 as a guide.
- 2 Did you save more money than you spent or did you spend more than you had budgeted? Explain where you were able to save money or where you spent more money than you had budgeted.

Source 3 By collecting receipts and invoices of your expenses throughout the time period, it can help you remember what your actual expenses had been in order to create a more accurate budget.

