



FINANCIAL  
COUNSELLING  
FOUNDATION

# ANNUAL REPORT

# 2019



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## From the Chair

On behalf of the Board of the Financial Counselling Foundation, I am delighted to present our second annual report. Launched in December 2017, the Foundation has now been existence for some 18 months. It is pleasing to look back and see what has been achieved in that time.

During the first six months of our existence, the focus was getting the basics right, including developing operational policies and procedures to manage grants. One of the Board's early and important decisions was to develop a set of funding principles, to guide the way it would operate. Given that the Foundation's funds are limited, and demand is almost limitless, one of these principles is that Foundation does not run an open grants round.

The Foundation had been set up with an initial donation of approximately \$250,000 from ANZ. It was not clear at that point whether further donations for funding would be received from any source. The Board's view then and now, is that given the critical demand for financial counselling, any funds received by the Foundation should be distributed, in a measured and considered way, to the sector. An alternative approach, followed by some charitable trusts, would have been to only distribute a portion of funds or distribute only the interest on the corpus.

I am pleased to report that since the initial donation, the Foundation has been the recipient of other funding. There have been donations from individuals, including The Barefoot Investor, Scott Pape as well as companies (for example, from ANZ for drought relief). The Foundation has also been the recipient of Community Benefit Payments made as part of ASIC enforceable undertakings arising from corporate misbehaviour.

On a cumulative basis, the Foundation has received approximately \$8 million in total since it was set up. Consistent with our philosophy that funds should be used, not languish in a bank account, around \$4 million has been earmarked for grants, over periods ranging from 12 months to three years. The lion's share of grants are going to services to deliver direct financial counselling casework (there is a list later in this report).

The Board's intention is that remaining funds will be distributed over the next few years and we are currently considering a number of potential projects. The end result, true to our purpose, is that more people in Australia are being given access to financial counselling.

**George Brouwer**, *Chair*

## About the Foundation and Financial Counselling

Launched in December 2017, the Financial Counselling Foundation is a charitable trust set up to provide grants for financial counselling casework and to help build the capacity of the financial counselling sector, for example through training or investments in technology. The Foundation's website is [www.financialcounsellingfoundation.org/](http://www.financialcounsellingfoundation.org/).

### What financial counsellors do

Financial counsellors provide advice to people with money and debt issues. Working in community organisations, their services are free, confidential and independent. Financial counsellors need an in-depth knowledge of credit law, bankruptcy law, debt collection law and practices, industry hardship processes and government concession frameworks. There are about 800 financial counsellors in Australia, and we estimate this translates into around 500 full time positions.

People can access financial counselling through either face-to-face services or by ringing the phone financial counselling service, the National Debt Helpline on 1800 007 007. We estimate that face to face financial counsellors assist around 125,000 people each year. In 2018, the National Debt Helpline received 176,000 calls, an increase of 4% on the previous year.

### Why we need the Financial Counselling Foundation

Demand for financial counselling is at unprecedented levels yet financial counselling is chronically underfunded. The Federal Government's investment of \$20 million and state government contributions of \$26 million are inadequate for the rising number of Australians needing help each year. Face to face financial counselling services have long waiting lists, while calls to the National Debt Helpline increased by 4% last year.

In December 2018 FCA released the results from its unmet needs survey. [The unmet need for financial counselling survey](#) found that for every five people who seek financial counselling, two people are turned away. Almost half (48%) of the agencies responding said demand was a lot higher than 12 months ago.

## Facts about hardship

In late 2017, National Australia Bank's Centre for Social Impact released its report [Why is financial stress on the rise?](#) It reports the following data from 2016:

- 2.4 million adults were financially vulnerable;
- there was a significant decrease in the proportion who were financially secure (35.7% to 31.2%);
- Almost one in three (31.6%) adults had no savings or were just one month away from serious financial stress if they were to lose their jobs;
- almost one in two reported having less than three months of income saved; and
- More people reported having accessed credit from fringe providers in 2016 (5.4%) compared to 2015 (1.7%).

Other research shows mortgage stress continuing to rise. One survey from [Digital Finance Analytics](#) estimates that mortgage stress has hit an all-time high, with more than 1 million households (31% of owner-occupied borrowing households) in financial difficulty.

Another survey, by comparison site Finder, found that almost half of those with mortgages are struggling to make their payments. The survey estimated that [4.8 million households](#) were in various forms of financial distress.

- 40 per cent were living "month to month";
- seven per cent were "barely able to make repayments each month"; and
- two per cent were "behind in repayments".

Financial hardship is a pervasive problem that also affects wellbeing. [The Financial Fitness Whitepaper report](#) found:

- more than 50 per cent of Australians are stressed about their finances;
- nearly 85 per cent saying the stress affects their wellbeing; and
- 40 per cent of respondents feeling embarrassed by their debt.

## What has the Foundation done so far?

The Foundation has developed a set of [funding principles](#) that guide how it operates. The Foundation does not run an open grants round and does not consider unsolicited requests for funding.

The Foundation identifies particular areas where it will focus its funding. These decisions are informed by knowledge of issues facing the financial counselling sector, consultation with relevant groups (such as the Representative Council of Financial Counselling Australia) and the Foundation's own research.

Current priorities include: prisons, increasing access for First Nations people, responding to natural disasters, and people receiving payments from the National Redress Scheme.

### First Nations Outreach | June 2019

The Foundation is providing total funding of \$630,000 to organisations that work predominantly with First Nations people in regional and remote Australia. Some 21 organisations have been awarded grants of \$10,000 per year for three years. The grants will be used to defray the costs associated with outreach services such as travel, accommodation, materials and, in some cases, presenters. Many of the agencies will increase their outreach services or provide additional staff or resources. A few agencies identified that their greatest need was funding for additional training so staff could be more effective in providing services.

### Townsville floods | April 2019

Townsville experienced serious flooding in February 2019, affecting a large number of people and businesses. The Foundation is providing funding for two financial counselling positions for 24 months to help in the recovery effort (\$520,000 in total). The positions are with UnitingCare Queensland and the Indigenous Consumer Assistance Network. Some of this funding came from a donation from ANZ (\$50K).

## **Rural financial counselling | 2018**

The Foundation is funding four rural financial counselling services in Queensland, New South Wales and Victoria, states that have been hard hit by the long-running drought. The funds come from a \$500,000 donation from ANZ, with an additional \$20,000 from the Foundation. The purpose of the grants is to allow these rural financial counselling agencies to assist small businesses affected by the drought. The positions are based in Roma and Longreach in Queensland, Cooma and Dubbo in New South Wales, and Bairnsdale in Victoria. Small business currently falls through the gaps so the Foundation grant fills a real need in these communities. When farm families are doing it tough they have less money to spend, which really affects the local economy. In making these grants, the Foundation worked closely with the Rural Financial Counselling Network.

## **knowmore Legal Service | September 2018**

The foundation has provided \$540,000 per annum for two years to knowmore legal service to employ financial counsellors. A community legal centre, knowmore was set up to support victims/survivors of institutional child sexual abuse. One recommendation from the Royal Commission into Institutional Responses to Child Sexual Abuse was to establish a National Redress Scheme for victims/survivors. Around 60,000 people are eligible to apply for a redress payment, but there are complex legal/financial issues involved when a person receives a redress payment.

The Royal Commission also recommended that the government fund additional financial counselling services but this was not acted on.

The financial counsellors employed by knowmore will become experts in understanding the financial implications of the National Redress Scheme. They will also act as information sources for other financial counsellors. To this end, a comprehensive manual has been compiled that details how the legal and financial issues associated with redress payments interact which will be a valuable resource for all financial counsellors.

The funding the Foundation is providing will not be enough, however, and based on estimated demand, there will still be a serious shortfall in the number of financial counsellors available to help victims/survivors of child abuse.

## National Debt Helpline | April 2019

The National Debt Helpline, the phone financial counselling service, is operated by 10 different organisations around Australia. Funding of \$1 million has been shared proportionately among the services (based on call volumes) for 12 months (1 July 2019 – 30 June 2020).

The casework will allow the services to continue current staffing levels. Without this funding, a number of financial counselling positions would have been cut because previous funding from an ASIC community benefit payment was exhausted. With call volumes to the NDH increasing year on year it would have been disastrous to lose some positions from this national service.

Some funds have also been provided to Financial Counselling Australia to continue the promotion and development of the NDH website and to keep it up to date.

# Operations, Governance and Administration

## How the Foundation operates

Since its launch, the Foundation has received funds from donations, including from The Barefoot Investor Scott Pape and from Community Benefit Payments as part of ASIC enforceable undertakings. The Foundation has developed a set of funding principles about how it will operate. These are available on the Foundation's website.

## Organisational Structure and Governance

The Financial Counselling Foundation is a public ancillary fund and donations are tax deductible. The trustee for the Foundation is a company limited by guarantee, Financial Counselling Foundation Ltd. The sole purpose of the company is to act as the trustee of the charitable trust called the Financial Counselling Foundation (the public ancillary fund). The directors of Financial Counselling Foundation Ltd are:



**George Brouwer** (Chair) is a former Victorian State Ombudsman

**Carolyn Bond** AO is a consumer advocate and former co-CEO of the Consumer Action Law Centre

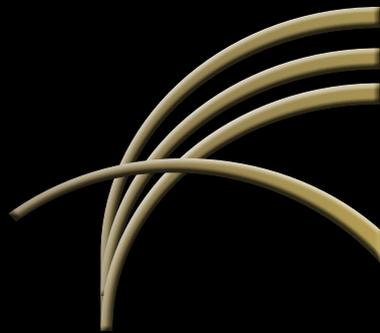
**Greg Tanzer** was most recently a Commissioner at the Australian Securities and Investments Commission. Greg is also a board member of Financial Counselling Australia

**Dr Betty Weule AM** is a well known financial counsellor and founder of the first financial counselling service in NSW

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## Financial Reports

The financial reports for 2018 – 19 are available on the Foundation's website.



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