



**The Australian Scholarships  
Group's (ASG) submission to  
the Senate inquiry into  
cooperative, mutual  
and member owned firms**

**1 July 2015**

## **Executive summary**

The Australian Scholarships Group Friendly Society Ltd (ASG) is pleased to submit a response to the Senate Standing Committee's inquiry on cooperatives, mutuals and member owned firms.

ASG is a friendly society that has been helping Australian parents and families plan for the cost of their children's education for more than 40 years. We are a member owned organisation that strives to enhance the opportunity for children to gain a complete education.

ASG has never lost sight of its core values or its history, which started as a cooperative of parents. We remain committed to both our members and the Australian community in general in the interest of supporting the education aspirations of parents and their children.

ASG and its members believe education positively shapes children's lives. This belief has widespread support. Nations worldwide recognise, as Australia does, that building the education skills of its population is vital. Education helps build skills for the future, develop resilience for times of hardship, and propels nations to greater levels of prosperity. These sentiments are echoed in the national curriculum managed by the Australian Curriculum, Assessment and Reporting Authority (ACARA), which emphasises that Australian students' education must respond to the remarkable changes brought about by globalisation, technological and environmental factors.<sup>1</sup>

However, despite wide acknowledgement of the central role of education in the social and economic wellbeing of our nation, education is not accorded the same amount of support given to other lifetime events such as the birth of children or retirement.

ASG knows first-hand the many sacrifices Australian families make to support their children's education. It is ASG's view that governments and organisations like ASG can and should partner to provide more support to these hard working families who are playing such a crucial and essential role in building Australia's future.

The submission also outlines the specific support that organisations such as ASG request. While mutuals have demonstrated the significant impact they have made in Australia's development, these organisations also have the potential to play an even bigger role in socio-economic development.

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<sup>1</sup> [http://www.acara.edu.au/verve/resources/shape\\_of\\_the\\_Australian\\_Curriculum.pdf](http://www.acara.edu.au/verve/resources/shape_of_the_Australian_Curriculum.pdf)

This paper outlines two broad areas of recommendations to the Senate for consideration. The recommendations are as follows:

**Recognise the unique contribution of the cooperatives and mutuals sector**

- Governments can and should work directly with this sector for the benefit of a large number of Australians. To facilitate such engagement, certain mechanisms should be implemented, such as a national policy that seeks to provide a good level of representation of this sector at key government meetings.

**Tangibly assist Australian families to support their children's education**

As discussed in the FSA submission, the measures outlined below would encourage personal responsibility by Australians and reduce reliance on government funding and social welfare:

- Reduce the current 66 per cent tax on education benefits paid to minors to 0 per cent to reverse the inadvertent and punitive impact of previous tax amendments
- Reduce the 30 per cent tax on friendly society investment products issued under the Life Insurance Act to 20 per cent
- Introduce a government co-contribution scheme to assist parents to be responsible for and plan for their children's education.

## Terms of reference

On 2 March 2015, the Senate referred the following matters to the Economics Reference Committee for inquiry and report by 1 July 2015.

- a. the role, importance, and overall performance of cooperative, mutual and member-owned firms in the Australian economy;
- b. the operations of cooperatives and mutuals in the Australian economy, with particular reference to:
  - i. economic contribution
  - ii. current barriers to innovation, growth, and free competition
  - iii. the impact of current regulations, and
  - iv. comparisons between mutual ownership and private sale of publicly held assets and services; and
- c. any related matters.

ASG is pleased to submit its views to the Senate.

## About the Australian Scholarships Group (ASG)

With more than 155,000 current members, ASG is the largest member owned education services provider in Australia and New Zealand. We provide a range of products, information and resources to support children's education from their early learning through to post-secondary studies. We have been active and successful in Australia for over 40 years.

ASG is also the only mutual that provides more than just education funds. We also support children's academic, social and emotional development through an increasing range of educational products and services.

ASG is a member of the Friendly Societies of Australia (FSA). In accordance with the founding principles of mutuals and friendly societies ASG was created by its founding members and families with the vision and commitment to help as many children as possible receive a quality education. These principles of social protection through community, self help, equity and mutuality remain central to ASG's mission and activities.

Since our formation in 1974 ASG has supported more than 515,000 children in their education journey and returned more than \$2 billion in education benefits and scholarship payments to members and their children. As at the end of the 2015-15 financial year, ASG had more than \$1.7 billion funds under management.

Our premise is simple: parents and families make regular contributions to an education benefit fund that helps offset their children's education fees and other expenses.

Because we are member owned, fund investment earnings are returned as benefits to our members and their children, rather than to external shareholders.

Our education programs operate as scholarship plans under Australian tax law. This means that ASG can claim a tax deduction on certain benefits and members receive a number of tax advantages.

*See Appendix for more information on ASG's education programs and education resources.*

## Education is a major life event and saving for it requires more support

As Nelson Mandela said, "Education is the most powerful weapon which you can use to change the world."

Education is one of the most critical investments parents, families and communities can make. Along with saving for retirement and buying a house, education is one of life's major events and investments.

Education is a fundamental plank of nation building. Australian families are particularly concerned about education believing that a good education provides children with the skills to function in the future as active, responsible citizens, and this contributes to their sense of wellbeing, value, self-sufficiency and self-esteem<sup>2</sup>. It also benefits society in many different ways: competencies, skills and knowledge enable individuals to make a worthwhile contribution to the economy, facilitating a better functioning society and enhanced productivity. Through education, people are also more aware of the world they live in and their impact on it in social, economic, cultural and ecological ways.

Research from various sources<sup>3</sup> confirms the strong relationship between education and life outcomes. Finding rewarding work, making meaningful social connections, caring for the community, and individual well-being are just a few of the numerous benefits.

Research<sup>4</sup> also shows that deficiency in education has a critical role in contributing to disadvantage through a spiralling effect. Low levels of education attainment and poor skills can lead to unemployment, which can lead to poverty, which may produce homelessness and poor health, which in turn may cut off access to education opportunities and services, and so on.

The cost of education in all education sectors (private, public or independent) is increasing significantly. According to the Australian Bureau of Statistics, **the cost of education has risen by more than double the rate of inflation over the past 10 years in Australia.** Data from the ASG Planning for Education Index over the last decade confirms this increase.

In January 2015, the Planning for Education Index showed Australian families<sup>5</sup> could spend up to \$1 million on their children's education from kindergarten to high school. The survey found that for a child born in 2015 a private school education is most expensive on the east coast. Parents in Sydney can expect to spend up to \$541,275 per child, while parents in Melbourne could spend up to \$502,088 for a private school education while a public school education could cost a national average of about \$65,000 (see diagram in the Appendix).

This national survey of Australian parents included costs parents and families can expect to pay for school fees, extracurricular activities and clothing for a child born in 2015.

These are significant costs that parents have to plan for to support their children's education. While ASG's Education Programs qualify as a scholarship plan under Australian taxation law, the 30 per cent tax on fund investment earnings is significantly higher than the 15 per cent maximum tax rate levied on superannuation. This thereby diminishes the savings benefit for ASG members and limits their ability to save for their children's education.

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<sup>2</sup> Ministerial Council on Education, Employment, Training and Youth Affairs, *Melbourne Declaration on Educational Goals for Young Australians*, December 2008

<sup>3</sup> [The OECD Better Life Index](#), The Organisation for Economic Co-operation and Development, 2011

<sup>4</sup> [The OECD Better Life Index](#), The Organisation for Economic Co-operation and Development, 2011

<sup>5</sup> ABS data shows the average Australian family has 1.9 children

While Australian governments recognise the central role of education in the social and economic wellbeing of our nation, education is not given the same support accorded to other significant life events such as buying a first home, having a child, or retirement. Existing incentives and disparities create a focus on and assist with these events and do not encourage or support measures that could support another major life event in the lives of Australian families – their children’s education.

## **A unique business model that deserves more support**

Cooperatives and mutuals are a key and essential part of the Australian economy, yet they are not accorded the recognition and support that can allow them to play an even bigger role in societal development.

Friendly societies such as ASG have a demonstrable record of success. They manage over \$1.8 billion in education savings on behalf of 190,000 students from primary to tertiary ages. The sector is prudently managed and regulated within a strong framework that includes the Australian Prudential Regulatory Authority (APRA) and the Australian Securities and Investments Commission (ASIC).

As noted in the Business Council of Co-operatives and Mutuals (BCCM) submission, these organisations, which operate in education, superannuation, health and banking, account for seven per cent of GDP, number more than 1700 and have a membership of about 13.5 million people - more than double the number of ASX shareholders.

Despite the heavy lifting that the cooperatives and mutuals sector do to support the Australian economy and community, there is little or no support of the sector in comparison to the corporate or other business sectors.

The sector has and continues to provide an alternative, commercially viable and complementary alternative to the traditional services provided by government and other players. Mutuals such as ASG, much like domestic and international non-government organisations, work with communities to protect against risks and plan and provide for major life events.

Yet governments, whose traditional role is to ensure that citizens receive services in areas such as disability, health, unemployment, ageing and education, are under pressure to balance competing challenges that place a considerable strain on the public purse.

As noted in the previous section on education, friendly societies such as ASG have been supporting families and the education sector for decades. Fortunately, we have the support of parents and families who understand the importance of taking personal responsibility for their children’s education.

The investment such Australian parents make means that they require less government support to access to essential services such as participation in primary and secondary education in the public sector. As such they provide a

buffer against crisis. When the main provider of social services – the government – is under more pressure, it is organisations such as ASG and its members who by doing their own planning, look after themselves. However, this also places a heavy onus on parents who often make many sacrifices for their children’s education.

There are numerous other factors that work against the sacrifice such Australian parents make. For example, the Australian taxation regime inadvertently applies a 66 per cent tax on education benefits paid to minors. We consider this punitive and a disincentive that deters parents from saving for their children’s education. Improving the tax regime on education savings plans could attract new savings on the part of families, thus reducing the strain on government revenue. It is a sound means of addressing the existing imbalance and that is consistent with the government’s support for individual responsibility and reduced reliance on welfare.

## Recommendations

### **Recognise the unique contribution of the cooperatives and mutuals sector**

- Governments can and should work directly with this sector to support and engage with the 13.5 million Australians who are members of cooperatives and mutuals. Such engagement could be evidenced by mechanisms such as a national policy that seeks to provide a better level of representation of this sector at key government meetings and in key government initiatives.

### **Assist Australian families who are willing to support their children’s education financially**

As discussed in the FSA submission and the premise that the measures outlined below would encourage personal responsibility by Australians and reduce pressure on government funding and social welfare:

- Reduce the current 66 per cent tax on education benefits paid to minors to 0 per cent to reverse the inadvertent and punitive impact of previous tax amendments
- Reduce the 30 per cent tax on insurance bonds to 20 per cent
- Introduce a government co-contribution scheme to assist parents and families willing to plan for their children’s education. This should be tightly regulated and only available to friendly societies to administer. Our proven success in an established and well regulated sector, and unique structure and ethos of social protection and self-help, makes us the best channel to support such an initiative. There are similar successful partnerships in Canada between education scholarship providers and the government that encourage families to save for their children’s education<sup>6</sup>.

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<sup>6</sup> [http://www.esdc.gc.ca/en/student\\_loans/resp/index.page](http://www.esdc.gc.ca/en/student_loans/resp/index.page)



## Conclusion

The mutuals and cooperatives sector has been a key driver of socio-economic development and outcomes for more than a century in Australia. It is a sector that has demonstrated that it can deliver and support effective social services and has the capacity and willingness to play a much bigger role in the public service sector. It is a sector that has significant reach in Australia: it has 1700 organisations that engage with 13.5 million Australians as members.

ASG with its long history of direct engagement with communities, parents and families is an organisation that has a proven capability to facilitate government's delivery of public services and strategies at the grassroots level.

As a sustainable social organisation, ASG has the potential to be an even more important partner for government to empower and support individuals and communities whilst reducing the increasing burden and cost on government for the provision of education.

Support of this well established and regulated sector will also encourage continued innovation with respect to product and service delivery and contribute further to economic development.

## Appendix

ASG aims to be a holistic education services provider, we believe all Australian and New Zealand children deserve equal access to education regardless of wealth, status and capability.

### ASG's Education Programs

We understand that as the cost of education continues to rise, many people are unsure if they can afford to send their children to the school or post-secondary institution of their choice.

ASG's Education Program is designed to provide a disciplined and flexible approach to preparing for the cost of education, giving children a greater opportunity to achieve their aspirations.

ASG's Education Program offers three different funds:

#### **The Education Fund (TEF)**

Our signature education fund assists with basic secondary education costs. It encourages children to pursue an eligible post-secondary qualification with a scholarship to assist a continued focus and support of educational outcomes.

Fixed contributions start from as little as \$11 per week, depending on the age of the child.

#### **The Supplementary Education Program (SEP)**

Helps parents take greater control of future education expenses by making additional contributions to assist with the cost of primary, secondary and/or post-secondary education.

Flexible contributions start from as low as \$15.62 per week.

#### **ASG's Future Education Program (FEP)**

This program supports people who are planning a child and want to prepare for the cost of education. The FEP is an attractive option for people, such as grandparents or other carers, seeking to leave a legacy for the children in their lives.

### ASG's Educational Resources

ASG members enjoy access to a range of tools and information to help parents and children with their education journey and also supporting key inputs to education such as quality of teaching.

#### **ASG Little Learners Pack**

ASG Little Learners Pack (LLP) is a range of educational videos and books that help build children's social and emotional skills. The pack targets a range of age groups and includes resources from well respected authors and educators.

#### **MY ASG**

The *MY ASG* member portal provides parents with an expanding range of resources to support their children's education now and into the future.

Covering all ages, *MY ASG* provides a selection of articles and exclusive e-guides covering a wide variety of topics on parenting, social and emotional development and career guidance.

Also included in *MY ASG* are special member discounts, offers and competitions.

### **ASG's Career Kaleidoscope**

ASG's Career Kaleidoscope provides expert advice for parents in the areas of study, health and wellbeing, parenting, career and commitments.

These tools help parents 'start the conversation' with children and encourage them to find out more about their learning styles, personality and work preferences while exploring potential career pathways.

### **ASG School Plan**

School Plan is a school fee payment service that allows parents to pay for their child's school fees in fortnightly or monthly instalments.

### **ASG Marcom Projects**

Marcom Projects distributes more than 5000 education programs to schools, universities, libraries, government and businesses. The range of DVD and CD titles are designed specifically to support the Australian curriculum.

### **You Can Do It! Education (YCDI!)**

*You Can Do It! Education* is a training program that utilises social and emotional educational resources to help children be successful in school, experience wellbeing, have positive relationships and make contributions to their community.

*You Can Do It! Education* kits are provided to schools across Australia.

### **ASG National Excellence in Teaching Awards (NEiTA)**

ASG is a proud supporter of quality teaching in Australia and New Zealand. For more than 20 years we have supported the sector with the ASG National Excellence in Teaching Awards (NEiTA). The ASG NEiTA Awards is the only national community-centred teaching awards program that gives parents, secondary students, early childhood and school communities the opportunity to formally thank their hard working and inspirational teachers and leaders.

# Appendix

ASG  
Planning for  
Education Index

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All  
schools

Estimated lifetime costs to educate your child in regional and metropolitan Australia\*.

\*For a child born in 2015, from preschool to year 12.

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G - Government  
S - Systemic  
P - Private


