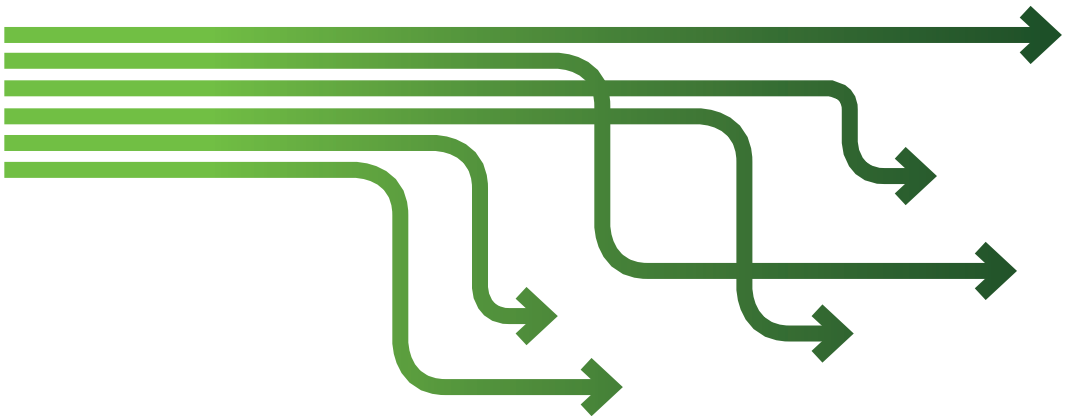
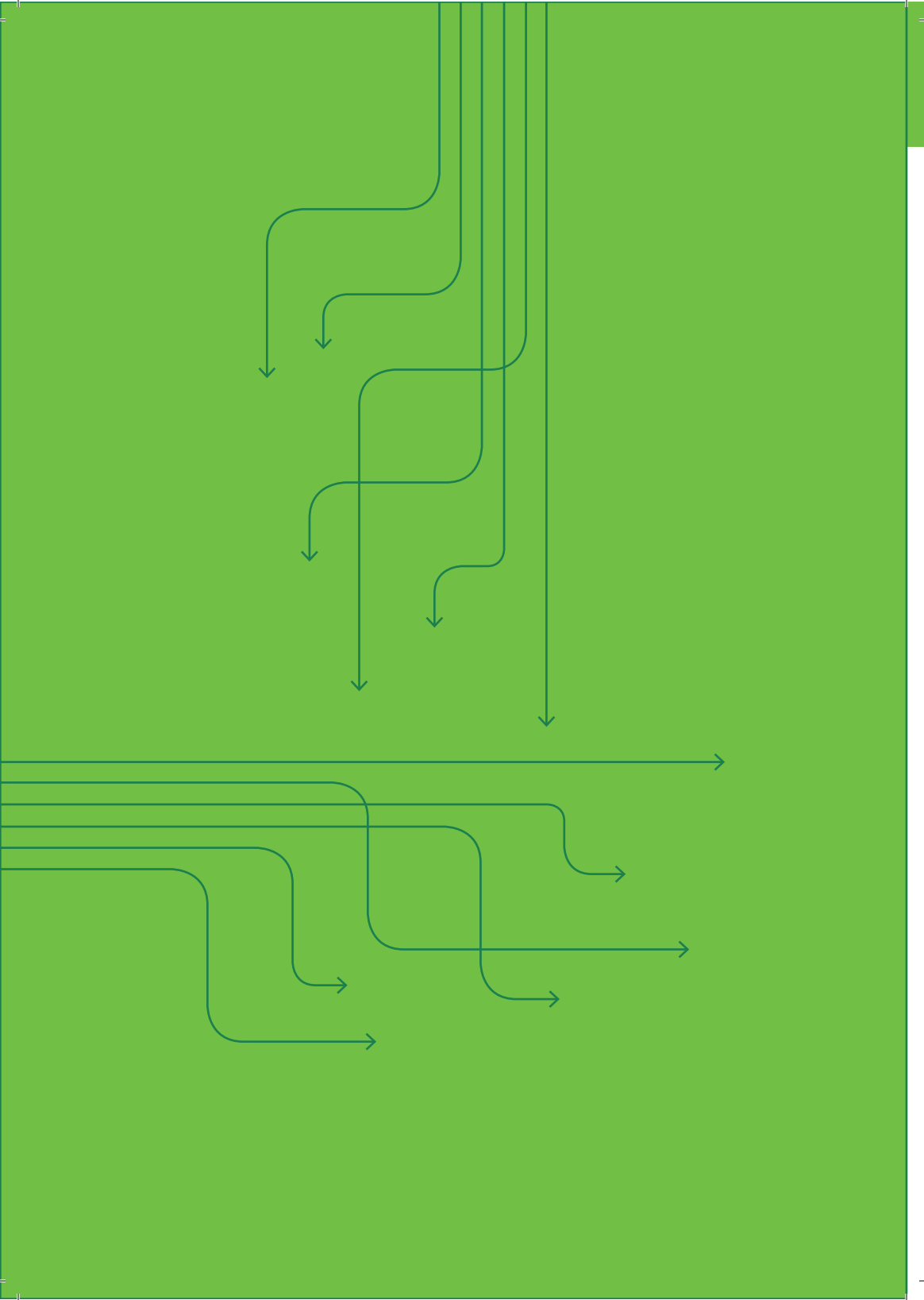


Children & their Financial Futures

Why you should care,
what we are doing and
how you can get involved





Introduction

Far too many people are struggling with their finances:

- **8.2 million** adults are over-indebted
- **5.7 million** either couldn't pay or don't know how they would pay an unexpected bill of £300
- Over half of the debt advice clients we see have previously been diagnosed with a mental health condition

It doesn't have to be like this.

What children learn and experience as they are growing up has the potential to shape how they interact with money for the rest of their lives.

Through the UK Financial Capability Strategy, we are working with funders, providers, policy makers, and the research community. By working together we believe we can make a big difference.

There are big challenges ahead:

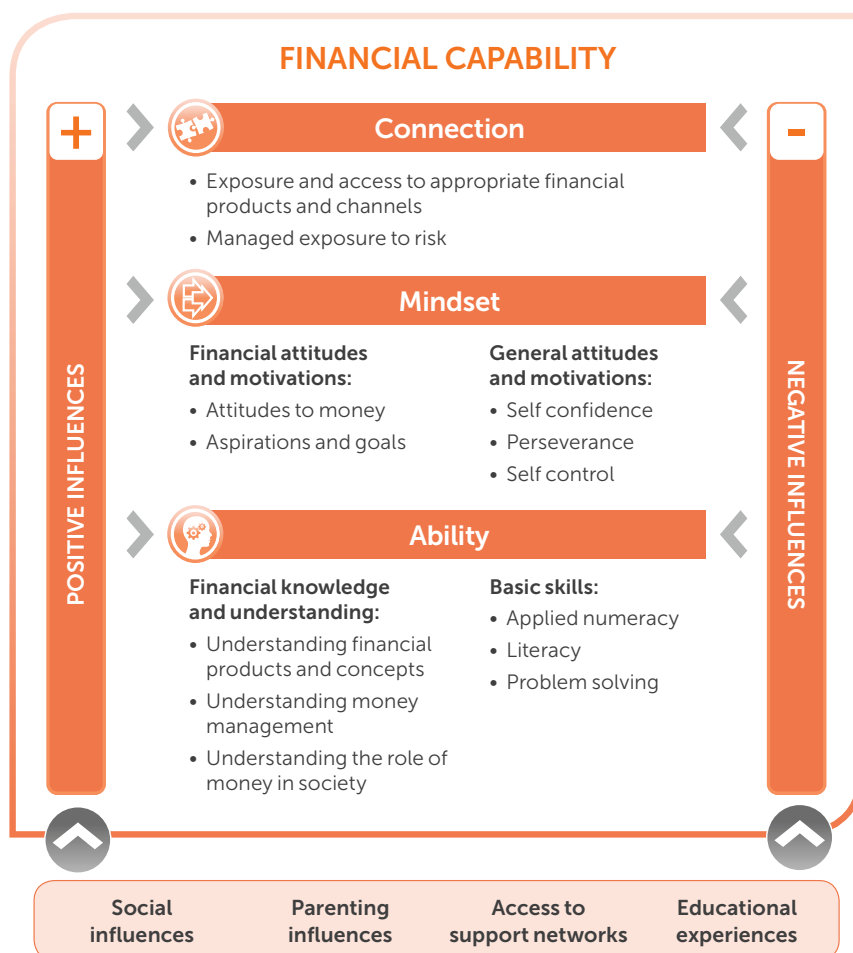
- Evidence points to the need to start young, but this rarely happens.
- Parents are crucial yet schools are expected to do the job, with limited support.
- The majority of children say they don't receive any financial education in school.
- Vulnerable children and young people have greater financial challenges, yet most receive little help.
- There has been little robust evaluation of interventions, and international evidence is mixed.
- Funding is largely dependent on corporate social responsibility, meaning few interventions reach children at the scale needed.

We want to work with you so that more children and young people receive the high-quality financial education they deserve. This booklet provides a snapshot of our recent work and how you can get involved.

What is 'financial capability' for children & young people?

There is not a single part of the brain that is 'financial capability'. Many of the outcomes we care about are common outcomes shared by all who work with children and young people.

We have reviewed the evidence on childhood development and financial ability, and in partnership with NPC, created a financial capability 'Outcomes Framework' for children and young people. This sets out the most important skills, mindsets, and experiences that – developed early in life – contribute to managing money well later on.



Improving the evidence base

Our previous research into financial capability highlighted the need to work with children and young people:

- *It's Time to Talk: Young People and Money Regrets*, showed nearly three-quarters of young adults (in the early years of financial independence) admitted making money mistakes they later regretted.
- *Habit Formation and Learning in Young Children* showed the importance of parents' behaviours, and found by age seven many long-term money habits and skills were in place.

However, international evidence about whether financial education works is mixed. We know effective approaches tend to be practical, relevant and delivered by someone trusted, that there are 'teachable moments' and that 'just-in-time' education works.

We also know existing interventions are not operating at sufficient scale. Schools need more support to deliver effective financial education confidently and consistently. Some teachable moments, such as at primary and pre-school, are being missed, and there are large gaps in provision for parents, and for particularly vulnerable children and young people.

Funders and commissioners do not have the evidence they need to target their funding. There is a need to know much more about 'what works' to ensure children and young people get the high-quality financial education they need, and to identify approaches that can be delivered cost-effectively at scale.

We are working to develop a fuller understanding of children and young people's financial capability needs, including how this varies for different vulnerable groups.

We want to build up a clear picture of what financial education is being delivered, where, when and to whom; and to establish what approaches are most effective.

Why it matters: predicting adult financial behaviour

There is an argument that money management support should be limited to adults, focused at the point in time they need it.

We don't agree. Our ongoing analysis of the 1970 British Cohort Study shows [adult financial outcomes can be predicted by childhood skills and behaviour from as young as five years old](#).

We reviewed the impact of cognitive skills such as reading and numerical skills, and non-cognitive skills such as self-control and behavioural skills at ages 5, 10 and 16 (non-cognitive skills were not tested at five) on financial outcomes at ages 34 and 42. We controlled for factors such as a child's gender, ethnicity, parents' highest level of education, parents' social class, and household income.

We found:

- Cognitive skills at ages 5 and 10 predict whether individuals save regularly, save for a pension, and how well people feel they are managing their money.
- Non-cognitive skills at age 10 predict whether individuals save regularly, save for a pension, and how well people feel they are managing their money. The belief that you have control over your own life (internal locus of control) and the ability to control one's emotions (self-control) are particularly important.
- Behaviour at ages 5 and 16 predict the likelihood of saving for a pension, and the debt to income ratio in adulthood.

We have explored in more detail the relationship between adult financial outcomes and other important social policy issues such as mental and public health outcomes, education and employment.

We are also investigating how the impact of these skills on adult financial outcomes varies amongst different groups of children. This will help us to understand more about vulnerability.

Full results of this analysis will be available in summer 2017.

Why it matters: levels of financial capability

We surveyed almost 5,000 children and their parents or carers, to understand more about the financial capability needs of children and young people. It is the first nationally representative survey of the financial knowledge, attitudes and behaviours of 4 to 17 year-olds and their parents, living in the UK.

We found overall:

- Children have a reasonable grounding of knowledge and understanding about money. They recognise some financial products and concepts and know money has a value.
- They are cautious about debt, and have a theoretical understanding of the importance of savings and the concept of value for money.
- Children begin to demonstrate understanding of concepts such as money having a value very early on, and financial knowledge, skills and abilities typically grow with age, with a significant step-up in understanding at age six, and ages 16–17.

However, it's not the case for all:

- Parents allowing their children to make decisions and to learn from mistakes is important. Even from the age of four, children did worse on a large number of financial measures where parents decide for them how to spend their money.
- Children who don't get money regularly have worse financial engagement. They are less likely to have a bank account, to decide for themselves how they spend their money and whether they save any of it, and to shop around for better value.
- Household income is a factor in adult financial capability, and throughout this research, living in low income households has also been associated with poorer financial capability outcomes for children.

These are a snapshot of the results, and the full results can be found in ***Financial Capability of Children, Young People and their Parents in the UK 2016*** published in March 2017.

Capability



88% of 11–17 year-olds agree it is important to learn about managing their money



21% of 12–17

year-olds cannot tell from looking at a bank statement how much money is available



17% of 14–17

year-olds don't keep track of their money

4–6
year olds

Schools

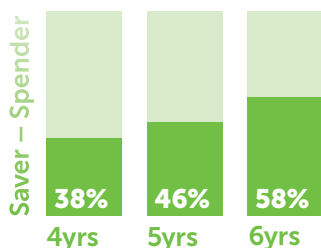
Shopping: 3 in 5

4 year-olds have paid for things in shops



Saving & spending:

Preference to save increases with age



Only 4 in 10

7–17 year-olds recall learning about managing money at school or college. **This does not vary by age.**

16–17 year olds



59% can't read a
payslip properly



don't have a
current account



don't have a
savings account



don't have either

Of those with a bank account:



32%

have never deposited money



40%

have never been into a bank



40%

don't look after their own banking

Parents



4 in 5

parents believe they can
impact their child's money
behaviour as they grow up



3 in 5

parents say they are
confident in talking to
their child about money



Fewer than 1 in 3

parents think they
should encourage
their children to think
about what to do with
their money before the
age of 8



Only 43%

of parents discuss
household finances
openly with their
16–17 year-olds

Supporting parents

As with any other work involving children, what takes place in the home has a significant impact. The choices parents make about what their child sees, hears and experiences with regard to money, helps to shape that child's relationship with it for the rest of their lives.



Yet very few projects work in this space, and little is known about what might work best at helping parents support their children's financial development. Similarly, there are many programmes that reach parents already and help them with their money management, but very few take into account the influence they have on their children.

- ▶ To help address this we are delivering and evaluating a major parenting pilot **Talk, Learn, Do** in every local authority in Wales, in partnership with Big Lottery Wales, Children in Wales, Family Links and Incredible Years. It aims to understand the longer-term impact of building financial education into parents' daily activities with their children. It explores ways to help parents talk to their children about pocket money, reduce 'pester power', and set and stick to family rules and responsibilities on money.
- ▶ We are also investigating the data from the **Financial Capability of Children, Young People and their Parents in the UK 2016** report to find out more about the relationship between children and their parents. We have already learned a lot about how children growing up in low-income households, and those whose parents make the child's money decisions, have much lower financial capability. We will now explore the impact on financial capability of growing up in different types of households, such as single-parent households, large families and over-indebted households. This will help us target resources and form new partnerships.

If you work with parents, particularly those on low-incomes or with young children, and would like to explore how to enhance your support, please get in touch with us.

Supporting schools

Financial education is on the curriculum across the UK; however, not enough children receive it, the quality is inconsistent, and it remains a low priority for most schools. There are many providers that support schools, but funding is patchy, making delivery at scale difficult.



- ▶ We are working to establish a proven business case for financial education, and to develop the evidence base on easy things schools can do to help their students.

We are seeking to support this through a randomised control trial of Young Enterprise's '**Maths in Context**' programme, jointly funded by the Money Advice Service and the Education Endowment Foundation.

The project aims to improve both young people's financial capability and their attainment in Maths GCSEs, by using real world contexts, that young people can relate to, to teach Maths. Research indicates this could be particularly effective for students who struggle with Maths. Delivery starts in September 2017 and will involve over 12,000 pupils in 130 schools in England.

- ▶ We are also working with Young Enterprise to bring good evaluation practice into the **Financial Education Quality Mark**. The Quality Mark is an accreditation awarded to financial education resources that have met quality criteria for educational and financial accuracy and relevance.

All resource providers who seek to obtain the Quality Mark will now be supported by the Money Advice Service to develop a 'theory of change' (a model that sets out why they think their intervention will work) and an evaluation plan.

If you work in the education sector, particularly 16+, and would like to explore how to improve support to students, please get in touch with us.

Supporting vulnerable children and young people

All children and young people need support to learn how to manage money well. Some children may benefit from more help than others.



Some groups considered to be 'vulnerable', such as care leavers, young parents, and young carers, tend to reach financial independence earlier than the majority of young people, often with less family support to rely on. Access to appropriate financial products and services can be difficult. For young people living in families with multiple needs, in the criminal justice system, at risk of exploitation, or with learning disabilities, managing money can be one of many complex challenges.

However, 'vulnerability' in the context of children and young people's financial capability has never been widely explored or defined. Most existing financial education provision does not tailor support to meet the unique needs of specific vulnerable groups. Support available is at a far smaller scale than needed, and there is so far only minimal evaluation of impact.



In late 2016 we began a programme of work to understand which children and young people are most vulnerable to poor financial capability, and/or at risk of disproportionately negative impacts from poor money decisions. Over the coming months we will use the findings of this work to inform practical projects, including exploring the feasibility of a financial capability risk-assessment tool, and working with local authorities to test and evaluate ways to embed financial capability into existing services for vulnerable children, young people and families.

If you deliver support to vulnerable children and young people and would like to get involved with the next phase of this work, please get in touch.

Supporting better evaluation

The **What Works Fund** is a £7 million evaluation fund set up by the Money Advice Service to understand more about the most effective methods of improving financial capability. Project delivery will take place throughout 2017 and into early 2018. A significant number of the projects funded will be working with children, young people, or families and will include:



- testing the impact of family learning approaches
- robust evaluation at scale of existing school workshops
- piloting new financial education for visually-impaired children and young people

The Money Advice Service **Evidence Hub** brings together evaluations of financial capability interventions, including those aimed at children and young people.

The **IMPACT principles** are a set of commitments that promote good use of evidence and evaluation. We are asking financial education funders and providers to sign up to the principles so that collectively we can significantly improve the evidence base and the quality of support children receive.

Signatories receive free evaluation support from us including help to use the **Evaluation Toolkit**, a set of tools and guidance to help funders and providers understand how a project or programme works, and to measure its impact. It includes outcomes frameworks and survey questions for children and young people, parents, and teachers. A youth practice outcomes framework is currently in development.

If you fund, commission or provide financial education for children and young people please consider signing up to the IMPACT principles, making use of our Evaluation Toolkit, and sharing learning through the Evidence Hub.

Our research

Reports

Financial Capability of Children, Young People and their
Parents in the UK 2016
March 2017

A Picture of Over-Indebtedness
March 2016

Financial Capability in the UK 2015
November 2015

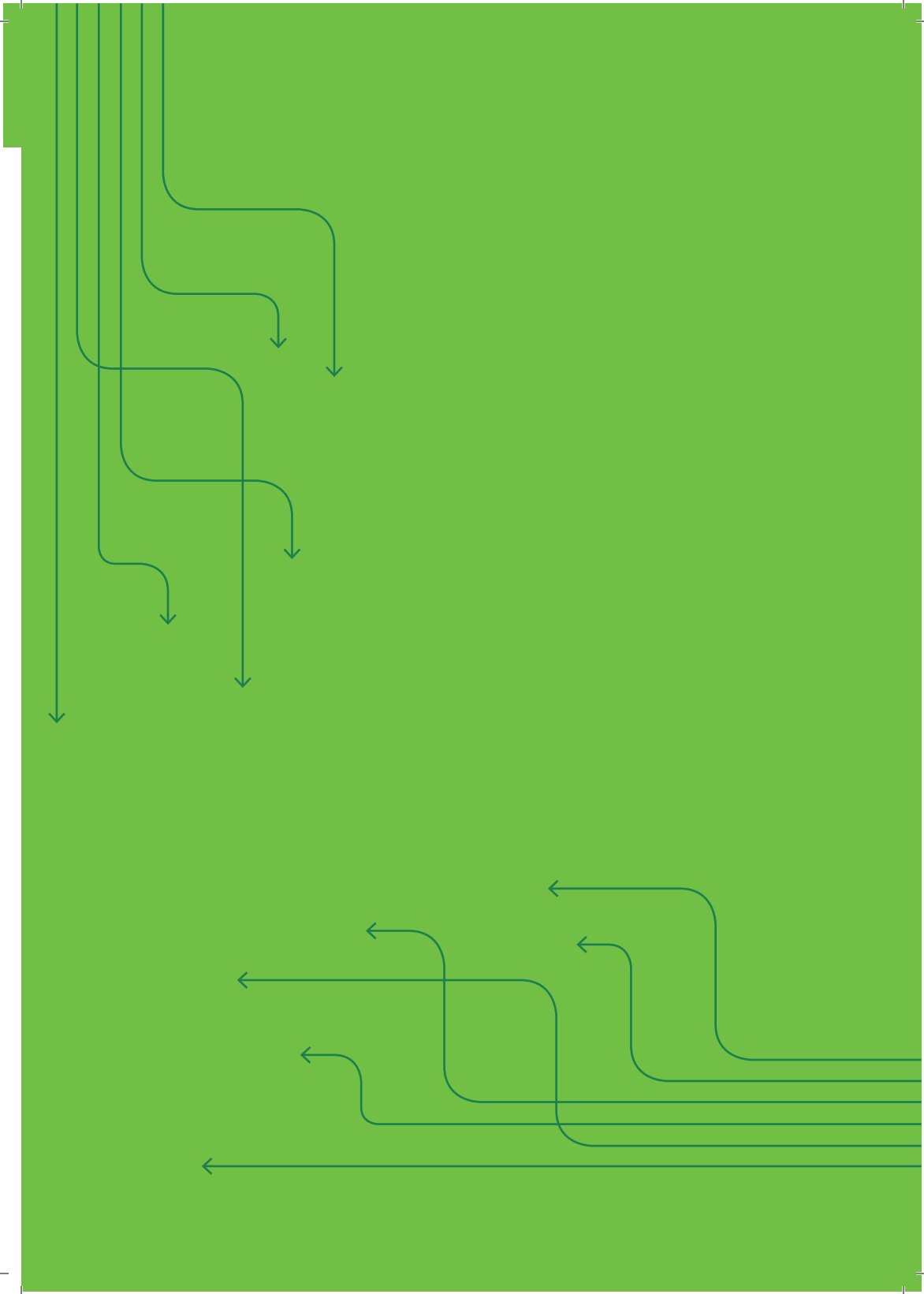
It's Time to Talk: Young People and Money Regrets
September 2014

Habit Formation and Learning in Young Children
May 2013

Further Money Advice Service research can be found at:
moneyadviceservice.org.uk/research

Evidence Hub

fincap.org.uk/evidence_hub





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