Financial Capability

Strategy for the UK

Evidence & Analysis

Acknowledgements

The Money Advice Service would like to acknowledge and thank all the many organisations and individuals that have been involved in the development of this Strategy and have given generously both in terms of their time and expertise. This includes all those who responded to the initial call for evidence and formal consultation; members of the working groups; attendees at the various consultation and workshop events; and, those who have worked with Money Advice Service on the various evidence and evaluation tools that have been developed.

The Money Advice Service looks forward to continuing to work with these organisations in the delivery of the Strategy.

Contents

Foreword

This Strategy puts in place a framework for improving the financial capability of people in the UK.

A wide range of organisations are already involved in helping people to manage their money better – government bodies, commercial organisations, charitable foundations and the voluntary sector. All of whom do excellent work and can deliver real benefits for people.

Yet levels of financial capability across the UK remain frustratingly low – as the findings of a new Money Advice Service survey make clear. While many people are taking control of their finances and putting something aside for a rainy day when they can, there are still far too many at risk of falling into serious financial difficulties and failing to get the help they need if they do.

The result is that, for a great many people across the country, money is a constant source of worry and stress. This is a problem, first and foremost, for the individuals concerned and for their families – but it also has wider implications for society and the economy. Nobody should be prepared to stand by and allow this situation to continue.

Technology has already changed the way many people manage their money and this trend is likely to continue. The world is likely to be a very different place in 10 years' time and this Strategy will ensure that where advances in technology can be used to assist people to improve their financial capability, they are.

The Strategy recognises that people have different needs at different stages in their lives – whether its helping children from an early age to develop the skills and attitudes they will need to manage their finances in adult life; encouraging working-age people to build their financial resilience and plan for the future; or making sure older people make the best use of their money in retirement.

The Strategy presented here is the result of active engagement from many individuals and organisations – and thanks are due to all of them. But the work is only just beginning.

Successful delivery of the Strategy will depend on effective co-ordination to ensure that we avoid duplication and fill gaps. Most importantly it will require a rigorous approach to evidence and evaluation, so that actions are informed by what we know works. It will depend on all those who have been involved this far, and a good many more, committing wholeheartedly to the aims and approach set out in the Strategy, and collaborating to deliver it. I anticipate active support from across Government, the financial services industry, the third sector, local government and others.

I know that if we work together across all sectors of society we will all be able to look back with pride at what we have achieved – a generation of people in our country whose lives have been transformed through managing their money better.

**Andy Briscoe – Chair,
Financial Capability Board**

Part 1

The Strategy

Financial Capability
Strategy for the UK

Introduction

Working-age people in the UK don’t plan ahead:

- 12 million aren’t saving enough for their retirement
- 27 million don’t have a sufficient savings buffer to allow them to cope with a significant income shock
- Only half of people with families have any life cover

Many UK adults don’t have the resilience to deal with day to day events:

- 21 million don’t have a modest £500 savings buffer to replace a fridge or mend the car
- 19 million don’t have an approach to budgeting that they feel works

And too many are in financial difficulties:

- Around 8 million have problems with debt
- Of those, just one in six is seeking help

This Strategy aims to improve financial capability, giving people the ability and motivation to address the situation described above.

That means **improving people’s ability to manage money well, both day to day and through significant life events, and their ability to handle periods of financial difficulty**. It will focus on developing people’s financial skills and knowledge, and their attitudes and motivation. This, combined with an inclusive financial system, can help people achieve the best possible financial wellbeing.

This document consists of:

- a clear description of the problem the Strategy is looking to solve, and why it matters, including a comprehensive analysis of the 2015 Financial Capability Survey,
- an articulation of what success looks like over the 10-year life span of the Strategy, and
- a plan for how to get from today, to achieving the ambitions of the Strategy.

Central to the success of the Strategy will be ensuring that resources are deployed as effectively as possible, on interventions that are proven to work. The Strategy will also need to ensure that, where appropriate, interventions are sufficiently targeted to meet the needs of people in vulnerable circumstances. To facilitate this, the Money Advice Service will continue to contribute strategic and thought leadership and will focus on improving and disseminating the evidence about what works, increasing the amount and visibility of robust evaluation, and working with others to design, fund and evaluate interventions with the potential to improve financial capability. This is a similar role to that carried out by a ‘What Works Centre’,[1] and it will support the development of evidence needed for all key groups and needs covered by the Financial Capability Strategy over its 10-year period.

[1] The What Works Network aims to improve the way government and other organisations create, share and use high-quality evidence for decision-making. There are currently seven What Works Centres.

The Money Advice Service will also look to fill gaps in guidance, based on its observation of people's behaviours, the likely detriment to particular consumer groups, and the extent and effectiveness of existing provision. The Money Advice Service corporate strategy and business plan will set out these roles for the Money Advice Service in more detail. There will be a focus on working-age people (in particular their capabilities in budgeting and saving); children and young people; supporting everyone who needs it with high-quality debt advice; and encouraging everyone that has to make an important financial decision to access the information, advice and guidance they need to support them.

This Strategy is UK-wide but, where appropriate, has developed nationally-specific actions for England, Scotland and Wales that recognise and address the policy contexts of each nation. Northern Ireland has developed a Financial Capability Strategy and Action Plans for Northern Ireland consumers, which have been submitted to the Northern Ireland Executive for approval.

Part 2 of this document sets out more detailed analysis focusing on the evidence, needs and priorities for each life-stage and theme. This will be of particular interest to the many organisations, such as funders and delivery partners, who focus on particular sections of the population.

With the publication of the 2015 Financial Capability Strategy for the UK, the hard work begins. The challenge for everybody with an interest in raising financial capability is to work collaboratively to deliver the improvements that people need.

Context

The Money Advice Service has led the development of this Strategy, on behalf of all organisations with an interest in improving financial capability. This work has been overseen by the Financial Capability Board,[2] and has had the benefit of wide consultation on what is currently happening, what works, where the gaps are in current provision and what priorities stakeholders want the Strategy to take forward.

The first ever financial capability strategy for the UK was developed and published by the Financial Services Authority (FSA) in 2006. In September last year, following an initial call for evidence, the Money Advice Service published the *Draft Strategy* which built on the work done by the FSA and focused on defining the problem and the approach to developing the Strategy. It proposed a framework for understanding the concept of financial capability and priority areas for action.

The *Draft Strategy* was positively and constructively received. In March 2015 the Money Advice Service published the *Consultation Response and Next Steps*. This report described progress in developing the Strategy in response to the consultation feedback and an update on the key initiatives under way. It promised the final Strategy with detailed delivery plans later in the year.

[2] Full membership of the Financial Capability Board can be found in Appendix 1.

Why this Strategy is needed

Improving financial capability is a huge challenge but one that collectively it is possible to rise to. There is a need to counter deeply embedded social norms which mean that many people are spending today, rather than saving for tomorrow. And to prove which initiatives can make a difference in improving financial capability.

There will always be external factors that impact on how people manage their money or indeed how much money they have, such as wider economic circumstances or changes to Government policy, over which the Strategy has no direct control. What the Strategy can and will do is build levels of financial capability to enable more people to navigate changes in their financial circumstances when they occur and help them to manage the money they do have.

The belief, and the consistent message from stakeholders, is that levels of financial capability must be improved from their current low levels, and that if everybody works together it is possible to rise to the challenge. Life is getting more complex. The *Draft Strategy* described a compelling case for raising financial capability and helping people to improve their lives. The changing financial environment will make financial capability ever more important.

The new Strategy builds on recent work by, and insights from, the likes of the Financial Inclusion Commission, the Archbishop of Canterbury's Task Group, and the Tax Incentivised Savings Association (TISA)'s Savings & Investments Policy Project (TSIP). The Chair of the Financial Inclusion Commission, Sir Sherard Cowper-Coles, and the Chair of the Archbishop's Task Group, Sir Hector Sants, sit on the Financial Capability Board along with Jasper Berens of J.P. Morgan who serves on the Executive Committee of TSIP.

Financial capability matters

Money Advice Service research confirms that work to build financial capability needs to start at a very young age. By the age of seven many money attitudes are already set,[3] but currently some 'teachable' moments are being missed. Parents are the key influencers on their children, but few are given the support they need to fulfil this role. Financial education is now on the curriculum across the UK, but only on the secondary curriculum in England. The education sector needs support to deliver high-quality financial education.

Talk, Learn, Do: Parents, Kids and Money

The Money Advice Service and Big Lottery Wales have launched a new pilot project which aims to motivate parents and carers and equip them with the confidence and ability to develop children's positive money habits that will stay with them for the rest of their lives. Parents and carers will be encouraged to help their children develop skills such as self-control, perseverance, sensible attitudes to money and setting financial goals. The pilot will be implemented via nearly half of all local authorities in Wales and will reach as many as 1,000 parents and 1,600 children aged 3 to 11.

For many young adults, navigating the transition from education to the jobs market and independent living can be challenging. Poor financial decisions made at this time of life can have severe consequences, so there is a need for financial capability interventions to support young people at key points of transition.

[3] Habit formation and learning in young children, Money Advice Service 2013

As people move through their working lives they need to be able to build resilience to cope with financial shocks, such as redundancy, divorce, serious ill health or bereavement, and to plan ahead for life events such as buying a home, starting a family and retirement. People need to be able to budget, create a savings buffer and understand how to avoid financial difficulties.

For those approaching retirement the landscape has changed significantly in recent times and now raises a very particular set of financial capability issues. It does not end there – deteriorating physical health and cognitive decline in later life can present new challenges. At the same time there is the need to make complex financial decisions around planning and paying for care.

Low financial capability leaves a huge part of the population with limited financial resilience to deal with unexpected life events. Societal influences encourage spending now rather than saving for the future. Every day people are bombarded with marketing messages to spend and borrow. People may spend more than they can afford because they feel under pressure to match spending behaviours of friends and family.[4] Social norms tend to prompt poor financial choices as people are primarily concerned with hiding financial problems by continuing to spend.[5] Low income can exacerbate all these issues, but we also know that people on low incomes can budget extremely effectively and many can and do save.

The impact of financial difficulties on health can be significant – more than half those accessing debt advice funded by the Money Advice Service have mental health issues.[6]

The Draft Strategy published by the Money Advice Service in 2014 recognised the importance of shifting social norms to improving financial capability, but equally recognised this would be a complex and long-term endeavour. The consultation responses strongly supported this view. The Strategy proposes some first steps in taking this forward, building on the growing body of evidence on the application of behavioural economics and psychology to shifting norms, attitudes and motivations.

The changing financial environment

Recent and impending changes in the financial environment are increasing the importance of individuals being able to manage their money well. For example, the introduction of pension freedoms and Universal Credit demand greater engagement with, and understanding of, money management. Overall more responsibility for financial decisions is shifting to the individual. How successfully people adapt to this change will be affected not only by their skills and knowledge, and their attitudes and motivations, but also by their access to appropriate financial products, services and information. People need help to make the choices that are right for them, and to understand the consequences of the choices they are making.

Inevitably over the next 10 years there will be further political and economic changes that affect the way people manage money day to day, and how they make critical financial decisions about their future. Since the Money Advice Service published the *Consultation Response and Next Steps*, the Government has announced a decision to defer the planned ‘cap’ on care costs and is consulting on further changes to the pension regime.

[4] Financial Capability and Wellbeing, Money Advice Service, 2015
[5] Financial Capability and Wellbeing, Money Advice Service, 2015
[6] Debt Advice Review, Money Advice Service, 2014

In light of the importance of the changing regulatory and policy landscape, key insights from the Strategy will be shared with regulators and Government to help inform policy. Both HM Treasury and the Financial Conduct Authority are represented on the Financial Capability Board.

As well as Government and regulators playing their part, the Financial Capability Board will also be looking for support from financial services firms who can do much to assist people manage their money and plan ahead, and have much to gain from improved levels of financial capability.

The pace of technological advance in financial services is quickening and having a significant impact on the way we manage our money, delivering, for example, simpler and quicker methods of digital payment and further growth of low-cost platforms for transacting and managing investments. Technology presents new opportunities for those engaged in delivering advice and financial planning services, and in helping people keep on top of their finances with new tools. But it also presents new risks, enabling money transactions to be made ever more quickly without prior consideration of the consequences. And there are many who cannot, or choose not to, use new technology.

There are other changes, predominantly to the labour market, that are beyond the scope of this Strategy but will affect people's financial situation. For example, there has been a shift from employment to self-employment, to zero-hours contracts and a continued wealth gap between those at the top and bottom end of the income distribution.[7]

Financial capability is a global issue

As *The Draft Strategy* indicated, financial capability is a global issue and more countries are recognising the importance of developing strategies to co-ordinate and drive forward collective action to improve financial capability. As of June 2015, the OECD network estimated 62 countries were designing, implementing or revising national strategies on financial capability and financial education.[8] Under the auspices of the OECD and outside it, the Money Advice Service has been working closely with countries across the world, particularly English-speaking countries. It is clear many countries share similar concerns although it is hard to make direct comparisons because of the different size, culture and infrastructures across the world. Nevertheless we can and do learn from each other.

For example, a comprehensive evaluation of a flagship financial education programme in Brazil showed evidence of an increasing number of students and parents saving, and an increased amount saved. The programme has since been rolled out to over 3,000 new schools.[9]

On the other hand, a meta-analysis of just over 200 studies carried out in the United States[10] found that whilst financial education programmes did improve longer-term financial behaviour, the impact was "minuscule" and the effect of interventions decreased over time. The study, which was based on young people aged 12 and over, did however recommend a place for 'just in time' financial education.

The OECD will be publishing an international comparison of levels of financial literacy and financial inclusion globally in the Spring of 2016, which will include a contribution from the UK.

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[7] Wealth in the Downturn: Winners and losers; Social Market Foundation, March 2015

[8] OECD / INFE, *Policy Handbook on the Implementation of National Strategies for Financial Education* (Draft, due for publication in 2015)

[9] World Bank. 2014. *Enhancing financial capability and behavior in low- and middle-income countries.* Financial Literacy and Education Russia Trust Fund. Washington, DC : World Bank Group. http://documents.worldbank.org/curated/en/2014/01/19770351/enhancing-financial-capability-behavior-low--middle-income-countries

[10] Fernandes, D., Lynch, J.G. and Netemeyer, R.G. (2014). 'Financial literacy, financial education and downstream financial behaviours', published in *Management Science*, 60(8), 1861-1883).

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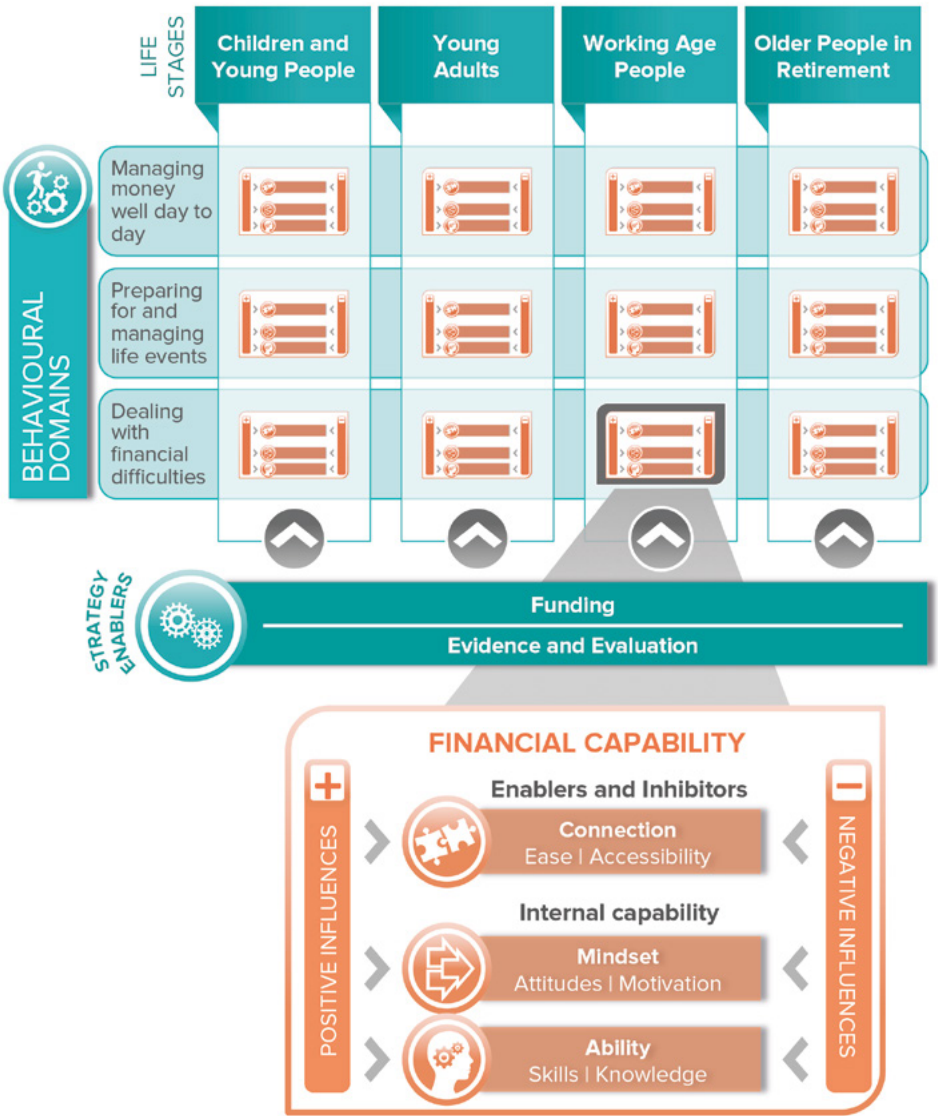
Levels of financial capability are too low

Based on extensive evidence and analysis, the Money Advice Service developed the 'financial capability framework', which captures the main elements of financial capability – the behaviours underpinning financial capability and the factors impacting it – in a single model, shown in Figure 1.[11] The Financial Capability Survey looks at current levels of financial capability based on this framework.[12]

The findings from this survey have in turn been used to identify where the Strategy needs to focus its efforts in improving financial capability.

Figure 1: The Financial Capability Strategy Framework



[11] The framework has been further amended to include Young Adults
[12] See Appendix 2 for more information.

The Financial Capability Survey is a nationally representative survey of adults aged 18 and over and living in the UK. Presented here are some of the main findings from the survey. More information about the survey can be found in Appendix 2 and more detailed findings are available **online here**

Managing money well day to day

Most people are generally managing their money well day to day, though a sizeable minority are not.

- Around four out of ten adults are not in control of their finances, i.e. they do not know their current account balance to within £50, do not feel their approach to budgeting works well or cannot keep up with their bills and commitments without difficulty.
- Four in ten adults have less than £500 savings to cover an unexpected bill.
- Around a quarter normally revolve a credit card or used high-cost short-term credit in the last year.
- There is a gap between what people say and what they do. Many more say it is important to save for a rainy day than are currently doing it.

Without the basics in place, it is much harder to prepare for life events, such as having a baby, retirement or bereavement. People who do not keep track of money or have an effective budgeting system are less likely to be able to save and cope with income shocks.

The biggest differences in day to day money management are related to household income. People on middle and higher incomes are generally managing better than those on lower incomes. There are particular issues among people in receipt of welfare benefits, living in social housing, and in lower income bands. But problems are by no means confined to these groups.

Preparing for and managing life events

The UK scores less well at planning ahead than at managing day to day.

- Just over half of the population save every month or most months. But far fewer have a significant emergency fund: two-thirds don't have a savings buffer equal to or exceeding three months' income. Amongst working-age people this rises to almost three-quarters.
- Almost half of working-age couples or families do not have life cover.
- Only one in two working-age people are currently paying into a pension or are a member of a previous pension scheme
- Only a third of over-50s have even the roughest plan for how they will pay for long-term care.

Again, things improve with income and there are specific groups of particular concern. But the lack of planning and preparation is widespread and not confined to a small number of groups in the population.

Dealing with financial difficulties

- Around a third of adults have unsecured debts equivalent to more than one month's income.
- One in ten find their debts to be a heavy burden.
- Similarly, one in ten have missed bill payments in three months out of the last six.

Skills/Knowledge

Relatively simple concepts and calculations are challenging for a sizeable minority. This may affect people's ability to manage their money effectively and choose financial products and services that meet their needs.

- One in five could not read a bank statement (and this does not appear to be linked to increased use of mobile banking).
- People aged 75 and over tended to perform noticeably worse on these questions.

One-third cannot perform a relatively simple calculation to add interest earned to a savings balance.

If anything the picture is worse than it was in 2005 when the FSA conducted its Baseline Survey.

Attitudes/Motivations

- Around half of all adults have a mindset that focuses more on current needs and wants at the expense of providing for the future.
- Three in ten people do not openly discuss their household finances regularly with anyone.
- People are more likely to save regularly if they have future-focused attitudes or specific goals, plans or reasons to save. By contrast, building up a significant savings buffer – i.e. having a higher ratio of savings to income – appears more driven by a belief in saving for the unexpected and a rainy day.

Ease and accessibility

To be financially capable, people need to be able to select products or services that meet their needs and access them via appropriate channels (digitally or offline).

Confidence and internet access often pull in different directions:

- Confidence in making choices about financial products and services generally increases with age – less than a third of young adults feel very confident, but this rises to two-thirds among older people in retirement.
- Internet access, usage and willingness to use the internet for financial tasks such as banking are all high within the working-age population. But they drop off among older adults, especially those in their 70s.

This creates very different challenges for different groups: young adults lack confidence in making financial decisions but have fewer access issues, whereas people aged 70 and over mostly feel very confident but may be on the digital margins. In addition, some low-income groups lack both confidence and access.

Using the findings

These findings, together with other data analysis and extensive consultation, have driven the priorities for action and action plans set out later in this document. The full detail which describes the interpretation of the evidence and how this leads to the identified priorities is contained within the relevant chapters later in this document and updates can be found **online here**.

For example, the recurring evidence about the importance of having a savings buffer, set against existing low levels of saving, have led to a real focus on improving our understanding of how to best encourage people to save. Likewise, the evidence about how and when to improve the financial capability of children and young people, combined with the evidence about low levels of financial capability amongst young adults, has led to the focus on those groups and the specific priorities and actions highlighted.

As the evidence builds and our understanding deepens the relevant steering groups (see page 16) will further evolve the action plans, over the lifetime of the Strategy.

Managing money well day to day

SIX out of TEN people have a savings buffer of £500

23% of people either revolve a credit card or use high cost short term credit

41 % of adults do not know their current account balance **within £50**

Preparing for life events

Less than **3 in 10** of the working age population have **savings of 3 months income or more**

1 in 3 people have financial goals and a plan in place to achieve these

Only **28%** of people at retirement age have any form of **plan for funding long term care**

Only about **HALF** of people with families have life cover

12 million people are not saving enough for their retirement *(DWP, 2014)*

Dealing with financial difficulties

1 in 6 people are over indebted *(Money Advice Service/ CACI, 2015)*

Just under **1 in 6** over indebted people are currently seeking help *(Money Advice Service, 2013)*

Financial capability

22% of people could not read the balance on a bank statement **(an increase from 9% in 2005)**

4 in 10 people in retirement had **not been online in the past week**

FIVE in TEN have a mindset that focuses on their current needs and wants, at the expense of providing for the future

40% of people do not understand the **impact of inflation on the real value** of money **(up from 21% in 2005)**

What the Strategy needs to achieve

As a result of the Strategy, there needs to be significant improvements in financial capability over the course of the next 10 years.

The Financial Capability Board considered, at length, whether to set specific targets for the Strategy around improved financial capability (behaviours, skills, knowledge, attitudes, motivation and accessibility). They decided against doing so at this stage. The limited evidence about the impact of interventions on financial capability makes it difficult to assess what would be a challenging yet realistic outcome. Specific indicators of financial capability based on particular questions in the financial capability survey are likely to be subject to too much volatility to make meaningful assessment of progress possible.

Over the next six months, the Money Advice Service will focus on developing a small set of composite measures that combine the key indicators of financial capability. These will be monitored over the life of the Strategy, together with the impact of specific financial capability interventions.

This approach is consistent with that taken by the vast majority of other countries around the world who have developed financial capability strategies.

In the meantime, although we will not be assessing progress against targets as such, the focus will still be on measuring the impact of the Strategy against it's aim of improving people's ability to:

- manage money well day to day,
- prepare for and manage life events, and
- deal with financial difficulties.

We will focus on developing people's financial skills and knowledge (for example improving their ability to use basic numeracy in complex situations); and their attitudes and motivation (for example, saving for tomorrow rather than spending today). This, combined with an inclusive financial system can improve financial capability.

The two main vehicles for measuring the success of the Strategy will be:

- the Financial Capability Survey, which will measure the extent to which the behaviours, skills, knowledge, attitudes, motivation and accessibility described above change over time; and
- robust evaluation of specific interventions, targeted at specific groups of people, including the exploration of longitudinal studies.

Other research sources, such as the Office for National Statistics (ONS) *Wealth and Assets Survey;*[13] *Understanding Society*;[14] and other qualitative research will also be useful to measure progress.

[13] http://www.ons.gov.uk/ons/rel/was/wealth-and-assets--experimental-/index.html
[14] https://www.understandingsociety.ac.uk/

Delivering the Strategy

The Strategy is built around the concept of 'collective impact', a strong emphasis on evidence and evaluation, and a clear plan of what will happen.

Collective impact

As a minimum, collective impact involves a co-ordinated approach to ensure that the resources devoted to building financial capability are focused on interventions that are proven to work and will achieve a significant impact in improving financial capability. The Strategy has already put in place a suite of products and services to promote and support this.

'Collective impact' is where large-scale social change comes from cross-sector co-ordination, not isolated interventions of individual organisations.

In the long term this approach should deliver the transformational change that is needed and that the Strategy is designed to achieve.

Since the Strategy is based on collective impact, with a wide range of organisations involved in its delivery, there needs to be an effective delivery framework that is capable of co-ordinating these combined efforts, and will monitor and evolve the action plans outlined in this Strategy. This delivery framework is shown in Appendix 3, and more detail can be found **online here**.

A number of Steering Groups are being established to guide the delivery of the different aspects of the Strategy that apply to England and the rest of the UK. Groups have been established for:

- Children and Young People;
- Young Adults;
- Working-age People;
- Savings;
- Retirement Planning; and
- Older People in Retirement.

There will be separate groups set up in Scotland, Wales and Northern Ireland.

The Debt Advice Steering Group (DASG) – already established by the Money Advice Service Board – will be the main mechanism for delivering the priorities of the Strategy relating to people with financial difficulties. The Money Advice Service's Research and Evaluation Group (REG) will provide expert advice and guidance in relation to the evidence and evaluation strand of the Strategy. The Money Advice Service is considering the creation of an expert group to advise on financial technology ("fintech") and how this can be harnessed to help achieve the aims of the Strategy.

The role of the Steering Groups

The Steering Groups will provide guidance and recommendations to the entire sector on their specific theme. This will include analysis and insight of: evidence around what works; progress and evolution of the action plan; and prioritisation of activities and resources needed to maximise collective impact. The Steering Groups will be made up of organisations, from across all sectors, such as Government departments, regulators, research bodies, voluntary sector organisations, trade associations, consumer groups and financial services firms.

Many respondents to the consultation on the *Draft Strategy* raised questions about what should be done to help people in vulnerable circumstances. Responsibility for taking account of vulnerability will be formally incorporated into the Terms of Reference for each of the Steering Groups.

As the evidence of what works builds, the Steering Groups will need to evolve the action plans. The initial action plans included in Part 2 of this document are just the start of the journey. The Steering Groups will provide updates to the Financial Capability Board on a regular basis and the Strategy as a whole will be formally reviewed in 2020 and 2025.

The Financial Capability Board will oversee the continuing development and implementation of the Strategy, seeking to influence others to support it. The Board is made up of senior and influential figures from a range of sectors, and will be supported by the Money Advice Service who have led the development of the Strategy and will continue to provide the secretariat to the Financial Capability Board and the Steering Groups.

Evidence, evaluation and the Money Advice Service

This Strategy needs to make a real difference. So it places a strong emphasis on developing the evidence base, including through piloting interventions and evaluating their success to identify where and how resources across the financial capability sector should be targeted to maximise impact.

Although more is known than when the original Strategy was launched in 2006, there are still significant evidence gaps about what really works, both at a national and individual intervention level.

The Money Advice Service will take on a role akin to a 'What Works Centre', seeking to improve and build understanding of the effectiveness of interventions designed to improve financial capability. It will do this by focusing on increasing the use of evidence about what works, helping build the capability and capacity of organisations to evaluate their interventions against common outcome measures. It will prove what works (and what doesn't) by partnering with others to design, fund and robustly evaluate initiatives which show the potential to improve financial capability.

Please see page 20 for more information on the work that the Money Advice Service will do in relation to Evidence and Evaluation.

The development of the action plans

The *Draft Strategy* proposed priorities for each of the different life stages contained within the financial capability strategy framework. *The Consultation Response* set out next steps in each area – children and young people; young adults; working-age people; older people in retirement; and people in financial difficulties.

A range of organisations and individuals have worked with the Money Advice Service to develop these priorities into specific action plans for each life stage and for each devolved nation – setting out the interventions that it is believed will have an impact on knowledge and skills, attitudes and motivations or ease and access of financial products and services.

This is a UK-wide Strategy which reflects the devolved nature of certain aspects of policy relating to financial capability. The Strategy action plan includes a mix of initiatives, some of which will apply across the UK, with others focussed on England, Scotland and Wales. Northern Ireland has developed a Financial Capability Strategy and Action Plans for Northern Ireland consumers. There is a good opportunity for each of the nations to work closely together, to learn from each other, and to spread best practice. The Money Advice Service has established Financial Capability Forums in Scotland, Northern Ireland and Wales to facilitate this learning. In addition, the devolved nations are represented on the Financial Capability Board.

The initial action plans should not be viewed as a full set of interventions that will 'solve' the issue of low financial capability. There is still far more work to be done to understand what works in improving financial capability. The action plans presented in this document are based on the priorities for action that have been identified from the current evidence base. This will inevitably change and evolve over the lifetime of the Strategy, as will the action plans.

Part 2 of this document sets out the current evidence, key issues and action plans for each of the key life stages and themes of the Strategy. It includes sections on: evidence and evaluation; children and young people; young adults; working-age people; retirement planning; older people in retirement; people in financial difficulties and ease and accessibility. Each section also sets out the priorities for action, based on the current evidence and feedback from stakeholders, together with a detailed action plan. Part 3 of this document provides an overview of how the Strategy applies in the devolved nations.

Delivery – next steps

The Money Advice Service, Financial Capability Board and Steering Groups will work together to inform, guide and coordinate efforts aimed at driving up financial capability. They will champion the Strategy, and build and share evidence on what works in driving up financial capability.

But this will not be enough on its own to achieve the aims of the Strategy. Success will require the combined, concerted and coordinated efforts of a wide range of organisations and individuals. This Strategy is a call to action to all those with an interest or ability to contribute to improving financial capability.

All organisations are asked to consider how they can contribute to the collective action needed to achieve the aims of the Financial Capability Strategy, and to contribute to building the evidence base on what works by:

- committing to applying the IMPACT principles set out in this document;
- conducting robust and comparable evaluation of the impact of actions;
- sharing the results of evaluation via the Money Advice Service Evidence Hub; and
- using that evidence base at it evolves to drive resources towards what the evidence shows works.

To support the Strategy the Money Advice Service will commission an economic analysis to understand the impact of improved financial capability on the economy. This will contribute to the evidence base and help to inform future financial capability interventions.

Part 2

Evidence, Priorities and Action Plans

Financial Capability
Strategy for the UK

Evidence and Evaluation

- Improving evidence and evaluation is at the heart of the Strategy – it is critical that service design and funding decisions are based on robust evidence of need and what works.
- There has been some progress made in developing a strong evidence base and improving evaluation practice, but there are still gaps in our understanding of what works to increase financial capability.
- The Money Advice Service will take on a role akin to a 'What Works Centre', seeking to enhance the effectiveness of interventions designed to improve financial capability. It will do this by focusing on increasing the use of evidence about what works, helping build the capability and capacity of organisations to evaluate their interventions using common outcome measures, and partnering with others to design, fund and evaluate initiatives which show the potential to improve financial capability.
- The Money Advice Service will support an evidence driven sector by:
  - promoting good practice through the IMPACT principles to promote good practice;
  - co-ordinating research and evaluation across the sector to ensure resources are targeted at filling key evidence gaps;
  - developing a Common Evaluation Toolkit to help providers to consistently measure and report outcomes; and
  - continuing to publish and disseminate impact evaluation through the Evidence Hub and accompanying Insight Library.
- The Money Advice Service will contribute to the evidence base by:
  - delivering a joint initiative with the Education Endowment Fund to fund and evaluate interventions that seek to improve financial capability in schools; and
  - undertaking a pilot project with Big Lottery Wales which aims to motivate parents and equip them with the confidence they need to develop their children's financial capability.

Introduction

Evidence and evaluation is fundamental to the success of the Strategy. In order for the financial capability sector to make the best use of finite resources, it is critical that service design and funding decisions are based on robust evidence of need and what works.

The aim of this element of the strategy is to develop a highly effective financial capability sector, underpinned by a robust evidence base in which resources are directed to areas of unmet needs and interventions which have been proven to work. And to ensure that the impact of innovative new programmes is evaluated in a rigorous and consistent way.

Money Advice Service analysis suggests that around 7 in 10 UK-based financial capability programmes are evaluated or assessed in some way. There are pockets of excellent practice, but much of the activity focuses on monitoring reach, outputs and customer satisfaction rather than measuring outcomes and impact. It is also difficult to compare the results from published impact evaluations due to the diverse and sometimes significantly different ways in which organisations define and measure financial capability outcomes.

There remain significant gaps in our understanding. Many existing interventions have not been rigorously evaluated and the evidence that does exist is not always taken into account when designing services or making funding decisions. To achieve the sustained cultural change needed, the Money Advice Service will take on a role similar to a 'What Works Centre', working with and through a range of strategic partners from across the financial capability and research and evaluation sectors.

The Money Advice Service will:

- support an **evidence-driven sector** by providing guidance and practical tools that will support impact evaluation and evidence-based commissioning; and
- contribute to the **wider evidence base** by:
  - developing and sharing insight about levels of financial capability at the UK population level and identifying areas of unmet need - this will primarily be done through the Money Advice Service's Financial Capability Survey and wider strategic research; and
  - partnering with others to design, fund and evaluate initiatives which show the potential to improve financial capability.

The Financial Capability Framework on page 11 lies at the heart of the approach to both intervention and population level measurement. It enables linkages between the two types of insight to be made and creates a shared language for success.

Context

Important advances have been made in the last few years, both within the UK and internationally, in the understanding of the most effective ways to improve financial capability.[15] Yet our shared understanding of people's financial behaviour and what drives it still lags significantly behind other behaviour-change fields, such as health. Greater co-ordination of research and evaluation activity is needed to minimise duplication and ensure the focus is on filling agreed core evidence gaps.

Funders and practitioners are largely supportive of an increase in evidence-based commissioning. Given current gaps in the evidence base, and a lack of resource and skills amongst frontline providers to capture and interpret evaluation data, more work is needed both to build the evidence base and the capacity to conduct robust evaluation.[16]

Supporting an evidence-driven sector

The Money Advice Service will improve the effectiveness of the wider sector by supporting stakeholders in the appropriate generation and use of evidence. This will require sector-wide cultural change and an environment in which openness and innovation can thrive, with providers willing to share information on approaches that have not worked as well as those that have.

The Money Advice Service will work with the sector to promote good evidence and evaluation practice in the following ways:

- supporting organisations who sign up to the **IMPACT principles** in embedding and promoting good practice;
- **co-ordinating the sector** to promote evidence-based practice and ensure evidence gaps are filled without duplication;
- support consistent evaluation by promoting the use of the **Financial Capability Outcomes Frameworks**;
- providing guidance and practical tools to help practitioners evaluate their provision through the **Common Evaluation Toolkit**; and
- supporting the dissemination of evidence through the UK Financial Capability **Evidence Hub**.

[15] The Financial Capability Evidence Hub includes robust impact evaluations of interventions. **Available online here**.
[16] The Financial Capability Consultation Response, Next steps document and responses to the consultation can be found at **www.fincap.org.uk/development-of-the-strategy**.

IMPACT principles

The Money Advice Service has developed IMPACT principles. These principles set out the high-level approach to evidence and evaluation that the Strategy wants to embed in all organisations at all levels, particularly within funder, commissioning and delivery organisations. They have been developed to encourage organisations across the sector to make a public commitment to maintaining the evidence base and ensuring that robust evidence is at the heart of everything they do. Signatories to the IMPACT principles will act as impact champions, helping to share and embed best practice amongst the wider sector.

Make an IMPACT: principles for financial capability funders and providers

I

Be an Impact champion

Whatever your role, you consider evidence and evaluation at every stage of commissioning and delivering financial capability programmes, and are a proactive champion of the approach to others. This includes factoring the evidence of need and what works into funding decisions, building evaluation in from the start of new interventions, and sharing effective practice around evidence and evaluation with others.

M

Mind the gap

When making decisions about the programmes you fund or deliver, you take into account the 'gaps' in both current provision and knowledge about what works. This will help to ensure that your initiatives compliment rather than duplicate programmes that are already being delivered and will enable you to focus innovation, research and evaluation activity on filling key gaps in knowledge about the most effective approaches for different groups.

P

Properly resource it

You allocate sufficient resources to impact and process evaluation activity to ensure it is high quality and that the findings are reliable, but you also make sure the scale of the evaluation remains proportionate to the programme in question. If you are a funder, this will involve building resource for evaluation into funding arrangements.

A

Add to the wider evidence base

You are committed to sharing the learning about what has worked - and what hasn't – from the evaluation of your programmes with the wider financial capability sector through the Financial Capability Evidence Hub (as well as other channels). This involves sharing information on the nature of the programme or initiative you deliver, the resources required to deliver it, the number of people and who it reaches, as well as what impact it has had.

C

Be Consistent when measuring outcomes

You use the financial capability shared outcome frameworks when developing your new programme evaluations (unless there is a clear justification for not doing so). This will help improve the consistency in the way the sector measures its impact and will enable stronger conclusions to be made about the most effective means of improving people's financial capability.

T

Take Time to understand the results and their implications

You make learning from and acting on the lessons from evaluation a priority to ensure you continuously improve the programmes you fund or deliver. You use the evaluation findings to both help adapt and refine any ongoing initiatives, as well as informing the design and commissioning of new ones; designing new interventions to deliver specific identifiable outcomes. You demonstrably change as a result of what you have learnt, becoming a true IMPACT champion.

Co-ordinating the sector

The Money Advice Service will help to co-ordinate the sector's research and evaluation activity. This will ensure that new research targets key knowledge gaps and delivers actionable insight to the sector, thereby maximising the impact of research spend.

This Strategy also acknowledges the vital importance of securing buy-in from funders and commissioners to achieving sustained change over and beyond the course of the Strategy. This will require bringing them on board with the importance of robust and consistent impact evaluation and the use of evidence to drive commissioning. The Money Advice Service has co-ordinated two funders' summits with funders of financial education and services targeting Children and Young People. One of the aims of the summits was to promote the IMPACT principles to promote better generation and use of evidence across the sector, with the intention that funders will go on to encourage the organisations they fund to embed good evaluation practice into the work they do.

Common evaluation toolkit

Improving evaluation activity will help providers to understand what outcomes they achieve, demonstrate their impact and, continuously improve their services. The Money Advice Service is currently developing the Common Evaluation Toolkit which will increase consistency and quality of impact evaluation and support proportionate and tailored evaluation. It will help organisations move from measuring reach and outputs to outcomes and impacts.

The Common Evaluation Toolkit will be flexible enough to apply to a wide range of interventions, including both those seeking to affect long-term behavioural change and those just looking to prompt a single action, such as accessing advice. It will also apply to different beneficiary groups and take account of the fact that some interventions differ in the degree to which they seek to change attitudes, knowledge and skills. It will consist of shared outcome frameworks, practical tools and guidance.

Outcomes frameworks

There are four 'outcomes frameworks' for differing life stages and beneficiary types. The frameworks for Adults and for Children and Young People were developed by New Philanthropy Capital in collaboration with the Money Advice Service. The Money Advice Service has since developed two further frameworks for Teachers and Parents (developed with pfeg - part of Young Enterprise, and NatCen respectively). The figure below outlines the intended intervention type for each framework; these can be accessed on the UK Financial Capability site.

Figure 2: Outcome framework

Adults	Children & Young People	Parents	Teachers
Interventions that target adults aged 18 and above, with amended indicators for Older adults and scope to develop further indicators for Young Adults as required	Interventions that target Children and Young People aged 3-17with sets of age appropriate indicators for different age groups	Interventions that seek to enhance Parents' capacity to support and develop their children's financial capability	Interventions that seek to enhance Teachers' skills, knowledge and understanding to drive the effictiveness of financial education

Each outcomes framework will have a corresponding set of Measurement Tools (e.g. survey questions) to measure the 'distance travelled' against these outcomes.

Practical tools and guidance

Alongside the outcomes frameworks, users of the Common Evaluation Toolkit will have access to:

- guidance and a template for developing a **Theory of Change** to enable users to determine which outcomes their intervention is seeking to effect;
- a **Decision Tree** tool which will help providers to decide upon the most appropriate evaluation approach; and
- **guidance** to support providers in using the toolkit and in effectively evaluating their provision. To avoid duplicating existing work, users will be signposted to external resources and training on evaluation best practice where available.

Piloting of the Common Evaluation Toolkit is underway and will continue through to Spring 2016. The Money Advice Service is piloting the toolkits with providers, schools and funders delivering a range of types of intervention. The Money Advice Service is also working with Age UK to develop and pilot indicators for Older People and with Project Oracle to pilot the Children and Young People toolkit with providers of financial capability provision for young people. Further details of piloting activity can be found in the action plan. Based on learning from the pilots the toolkit will be adapted before final publication.

Whilst there are a large number of outcomes which can be measured using the toolkit, it is not expected that all these would be measured when evaluating a particular intervention. Rather the outcomes frameworks incorporate a wide range of key outcomes providers may want to measure, to ensure they are able to identify an appropriate set of indicators and measurement tools.

Evidence Hub

The Money Advice Service launched the Evidence Hub in March 2015 to make it easier for everybody involved in financial capability to access evidence of what works in improving financial capability. All evaluation reports placed on the evidence hub are assigned a Standards of Evidence rating, in line with best practice established by What Works Centres including the Early Intervention Foundation and the Education Endowment Foundation. The Standards of Evidence rating indicates whether the intervention itself was effective and also provides an assessment of the robustness of the evidence, based on the evaluation methodology used. The rating signifies how certain we can be that the observed effect on beneficiaries’ financial capability resulted from the intervention itself rather than other external factors. The Standards of Evidence rating acts as a quality mark for evaluation, denoting good practice and identifying evaluation approaches which should be replicated more widely.

The Money Advice Service have recently launched a revised version of the Evidence Hub, based on feedback from users on their expectations and experience of use. On the whole, the feedback received has been positive. Some changes to functionality have been made, together with further clarification around the purpose of the Hub and the Standards of Evidence rating. Users wanted a wider range of interventions and different types of evidence, beyond impact evaluation, in addition to further curation of content, in particular higher-level interpretation of the Hub content and implications for funding decisions.

In response to user feedback the Hub will develop to include higher-level summaries of key learnings which further interpret the evidence and also include an Insights Library where other types of evidence can be stored. This will help funders identify the key characteristics of the kinds of intervention that work, and direct funding accordingly.

Insights library

The Money Advice Service will lead on the development of the Insights Library, which will sit within the Evidence Hub, but contain other forms of evidence aside from impact evaluation (e.g. national level survey data, evidence of need and service gaps, process evaluations and qualitative insight). Through the creation of the Insight Library and development of learnings summaries the Service will significantly expand the 'What Works' area to provide the sector with an accessible repository of key evidence to inform decision making, as well as thought leadership that brings to the foreground key learnings or implications for programme and research design. The Money Advice Service will work closely with key stakeholders and funders, both in the development of the Insight Library and ongoing curation to ensure that the content delivered is useful and addresses pertinent questions for the sector.

Contributing to the wider evidence base

There are significant gaps in our understanding of the UK's population's financial capability and the best ways to improve it. The Money Advice Service will contribute to the evidence base by running the national Financial Capability Surveys of adults and also for children and young people to help us better understand the profile and distribution of the UK's financial capability.

The Money Advice Service will aim to partner with others to fund interventions that will be robustly evaluated to help fill key evidence gaps. For example, there is limited evidence on the best way to improve children's financial capability, so the Money Advice Service is working with the Education Endowment Fund to support robust evaluation of interventions that have been shown to have promise in raising pupils' financial capability and educational attainment.

There is also limited evidence on which interventions work to improve the impact parents can have on children's financial capability so the Money Advice Service is working with Big Lottery in Wales and other partners to carry out 'Talk, Learn, Do: Parents, Kids and Money' pilots to test the most effective ways to support parents to improve their children's financial capability. More details can be found on page 8.

The Money Advice Service will also help to co-ordinate the activities of the wider research sector and focus them on filling key evidence gaps (informed by content and gaps in the Evidence Hub and Insights Library), and reducing duplication through our Money Advice Service Research and Evaluation Group, and wider research gatherings. We will encourage organisations to share information about current projects, through the Financial Capability website, and broker relationships between researchers looking to evaluate interventions and front-line providers delivering those interventions.

The Money Advice Service will monitor change across the sector using both qualitative and quantitative approaches to evidence the extent to which the Strategy is prompting sector-wide change and uptake of good evaluation practice.

Action Plan

The Money Advice Service will take forward this action plan and will draw on the Research and Evaluation Group (REG) for advice and guidance on the approach taken.

1 Grow the evidence base

a. Support funders and providers to conduct more consistent and better-quality outcome evaluation by:

- developing and piloting, then launching the Common Evaluation Toolkit;
- continuing to develop the Evidence Hub and Insights Library;
- delivering support to providers seeking to integrate the Outcomes Frameworks into their evaluation activity; and,
- continuously reviewing and updating the Outcomes Frameworks and Common Evaluation Toolkit in line with user feedback and learnings about key indicators of financial capability.

b. Co-ordinate research and evaluation across the sector, including conducting new research, to fill key evidence gaps and reduce duplication. This will include:

- running the Financial Capability Survey;
- commissioning research to fill key gaps in our understanding of what drives or impedes Financial Capability;
- delivering research events and co-ordinating research programmes across the sector with support the from the Money Advice Service Research and Evaluation Group;
- publishing research programmes for the Money Advice Service, and other key commissioners of Financial Capability research, on the Financial Capability website;
- conducting research to demonstrate the social and economic benefit of financial capability; and
- commissioning research to develop an understanding of how nudge theory can be applied to change people's financial behaviour.

c. Engage with funders to enable them to build robust evaluation into their requirements for funding. This will include:

- launching the IMPACT principles and working with early signatories to embed these; and,
- continuing to increase the number of funders signing up.

2 Promote greater use of the evidence base

a. Continue to develop and expand the Evidence Hub as a comprehensive resource for the sector to inform funding decisions, design of interventions, and research activity; and incorporate an accompanying Insight Library.

b. Support funders and providers to use and apply evidence to ensure that resources are used to deliver interventions that are proven to work, or show promise, and meet a known need:

- promote use of evidence by funders through appropriate forums and channels; and,
- support signatories of the IMPACT Principles in applying evidence to the work they do, and producing funding applications that are underpinned by robust evidence.

Children and Young People

- Adult financial capability is developed throughout childhood and adolescence.
- There is a need to know what works in the short, medium and long term to ensure children and young people get the high-quality financial education they need; and to identify intervention models and techniques that can be delivered cost-effectively at scale.
- It is clear that there are 'teachable moments'; that the messenger matters; and that 'just-in-time' education works.
- It is also clear that whilst there are many examples of well delivered financial education, existing interventions are not operating at sufficient scale to meet need, and some teachable moments, such as at primary and pre-school are being missed.
- Funders and commissioners do not have the insight they need to target their funding and there are provision gaps for interventions involving children, peers, parents, vulnerable children and young people, and learning by doing.
- Teachers and schools need more support to deliver effective financial education.
- The Strategy will focus on: understanding what works; targeting effective provision to those who need it most; and supporting schools to deliver their statutory responsibilities effectively.

Introduction

The aspiration is to have 'all children and young people receiving the high-quality financial education they need by 2025.'

Adult financial capability is a direct consequence of what is seen, learned and experienced in childhood and adolescence.

Approximately 750,000 young people in the UK turn 18 each year,[17] but too few are fully equipped with the mindset and skills needed to navigate the adult world of financial responsibility. The work in this strand provides a plan of action, for the vital fifteen-year window of opportunity from the ages of 3 to 18, to transform the UK's future financial health.

Currently the evidence for whether financial education is working is mixed. What is clear is that effective approaches tend to be practical, relevant and delivered by someone trusted. This is why the priority for the first few years of the Strategy will be understanding what works and then scaling up effective interventions more widely.

This section of the Strategy provides an overview of evidence and key issues for children and young people. It is focussed on preventative education in advance of the transition to independent living which is covered in the following young adults section. It is acknowledged that there is no set age at which this transition begins to happen and there may be some areas of overlap, for example, young people attending further education colleges. The respective Steering Groups for these work strands will, therefore, share information effectively and at times collaborate.

Some of the areas of policy covered in this section are either wholly devolved or have separate delivery mechanisms in the devolved nations. Where this is the case the priorities for action and initial action plan apply to England only. Other actions are UK-wide. Please refer to the separate documents for Scotland, Wales and Northern Ireland for further detail on the specific actions being taken forward for children and young people in the devolved nations.

[17] Mid-year population estimates for the UK 2014 (Office of National Statistics, 2015)

Evidence and key issues

For children and young people today money management is less visible than ever before, but opportunities to spend have increased exponentially and the consequences of mistakes made early on can be significant.

Cashless transactions have now overtaken physical money payments[18] and 34% of parents pay their child's pocket money into a digital bank account.[19] This lack of visibility is a problem as the events which trigger a money conversation have rapidly reduced. Research shows that parents teach financial capability as and when the opportunity presents itself, in a reactive rather than planned way.[20] Financial education is now on the curriculum across the UK (although only at secondary level in England). This provides a mechanism for proactive financial education - but as discussed later, this isn't necessarily filling the gap effectively.

Children have an increased opportunity to spend more at an ever earlier age – pocket money has increased by twice as much as earnings over the last 25 years.[21] Online gaming has become increasingly popular, with membership fees to take part in some of the most popular children's games becoming more and more accepted. Access to spending has increased through the rapid increase in access to smartphones and tablets. By the age of 8-11 20% of children and young people already have their own smartphone and 34% have their own tablet. By 12-15 this increases to 65% and 43% respectively, yet of this age group only 56% are aware that personalised advertising takes place online.[22]

The stakes for good money management are higher than ever before. This generation of children and young people is the first that is likely to be worse off than their parents by many measures. This means there is less room to make mistakes.[23] The increased financial pressures that many young adults face are discussed in more detail in section, see page 37.

Children and young people in vulnerable situations

Some children and young people face further challenges and will need more support due to the additional responsibilities they face at an early age. The most significant of these are: children in care and care leavers; young carers; and those eligible for Personal Independence Payment (PIP).

There are 90,033 children in care.[24] The majority leave care at age 18 but 36% in England leave school at 16 and 17.[25] Care leavers have to deal with significantly more financial responsibility at an earlier age, and few have had positive money role models to look up to or turn to for advice. There have been efforts made to support those in care, and there are a variety of resources available to help local authorities and others. It is unclear how English local authorities are implementing the requirements of the Children's Act 2010 to address care leavers' financial needs and skills for independent living. What is taking place now does not appear to be enough as over half of care leavers have to borrow money to pay for food, rent or bills.[26]

Young disabled people are eligible for Personal Independence Payment from the age of 16 in England and Wales. While many will have a family to turn to that can help them determine how best to use their weekly allowance, not all will. Those who do not may require more intensive support to help them budget.

[18] Payments Council, 2015
[19] Intelligent Environments, 2015
[20] Money Advice Service unpublished parenting research, 2015
[21] Halifax Pocket Money Survey 2014 (Halifax, 2014)
[22] Children and Parents: Media Use and Attitudes Report 2014 (Ofcom, 2014)
[23] State of the Nation 2013: social mobility and child poverty in Great Britain (Child and Poverty Commission, 2013)
[24] Getting a fair deal? (Action for Children, 2015)
[25] Care leavers in England data pack (Department for Education, 2012)
[26] In the red: homeless young people's experiences of debt (Centrepoint, 2013)

Young carers are more likely to face additional financial responsibility during childhood and adolescence, with many having to manage the family budget on behalf of their parents. Schooling can also be disrupted. There are 170,000 carers under the age of 18 in England and Wales and nearly 15,000 provide 50 or more hours of care a week.[27] Whilst the 2014 Care Act provided increased statutory responsibilities for English local authorities to identify and support young carers, they are not yet treated with the same attention as many other vulnerable groups. They are not eligible for the 16-19 bursary fund for vulnerable young people and they are not exempt from the '21-hour rule' meaning they lose their weekly carer's allowance if they learn for longer than 21 hours a week.[28]

How financial capability is learned

With the stakes so high and the consequences of low financial capability so severe it is absolutely vital that any learning opportunity is based around what we know is most likely to make a difference. Financial capability is learned (or not) through what is seen in the home, what is taught and what is experienced. The evidence suggests there are a number of issues that need to be considered to ensure financial capability is developed well before the age of 18.[29]

There are teachable ages

The Money Advice Service commissioned research in 2013 to understand the habits that can impact on financial capability later in life. It highlighted how the brain is in a period of rapid development throughout childhood and adolescence, creating, strengthening, and discarding the connections which govern everything we do. This includes our attitudes about, and our ability to manage our money, potentially from the age of three years old.

The mind is highly malleable in the early years, but as the brain matures, learning and behaviour that is not embedded is likely to be lost, whilst that which is firmly ingrained becomes habitual. Attitudes and habitual responses such as whether we avoid bills, or value money above all can be shaped by the age of seven. Other aspects of financial capability, such as the ability to override your habitual responses reach adult levels by the age of 12.[30]

This has a long-term impact. Children's self-control ability is as likely as IQ and socio-economic status to predict adult financial wellbeing outcomes such as future savings and investment behaviour, home and retirement account ownership, and self-reported money and credit management success.[31] The ages of 3 to 6 should focus on developing the appropriate executive functions, such as self-control; ages 6 to 12 on financial socialisation and basic skills development, e.g. understanding consumer culture; and age 13 and over on experiential learning and 'just-in-time' financial skills education, e.g. managing your own money with parental oversight.[32]

[27] Providing unpaid care may have an adverse effect on young carers' general health (Office of National Statistics, 2013)
[28] Ten policies for ten people (NIACE, 2015)
[29] See Children & Young People evidence paper (Money Advice Service, 2014)
[30] Habit formation and learning in young children (Money Advice Service, 2013)
[31] A Gradient of Childhood Self-Control Predicts Health, Wealth, and Public Safety (Moffitt et al, Proceedings of the National Academy of Sciences, 2011)
[32] Foundations of Financial Well-Being: Insights into the Role of Executive Function, Financial Socialization, and Experience-Based Learning in Childhood and Youth (Drever et al, The Journal of Consumer Affairs, 2015)

The messenger is important

Parents and carers play a key role in developing their child's financial capability, providing the main opportunity for their children to see, talk and experience money. Below the age of seven, children are most receptive to their parents' advice.[33] In turn they may be able to influence their parents' behaviour through what they are learning. Throughout adolescence, young people are still most likely to turn to their parents for advice, but peers become increasingly important. There are promising indications that slightly older peers who have experienced money problems and resolved them could be an effective messenger for those on the cusp of financial independence.[34]

Learning has to be put into practice

Theoretical learning, without the opportunity to put that learning into practice, rarely works with life skills. Education that takes place just before making a financial decision has the largest impact on financial behaviour, meaning that skills-based interventions for 17-18 year-olds are an absolute necessity.[35] Almost everyone will make mistakes as they learn to manage their own money – whether that is forgetting to budget for an important item, or impulse spending affecting a longer-term goal.

The most financially capable young adults are those who have had the opportunity to make those mistakes before the age of 18, by having some of their own money to manage and experiencing some elements of financial responsibility and consequences. Those who did not have that opportunity found that the first time they had to manage their own money – with any real responsibility and consequences – attached they did so in an environment where the stakes were much higher and the consequences serious and potentially long-lasting.[36]

Current provision of financial education in schools and colleges

Financial education in schools and colleges provides an opportunity to deliver financial learning at scale, Around 2.5 million 11-16 year olds in secondary schools across the UK should be receiving financial education,[37] and we know that interventions funded by the financial services sector are estimated to reach one million children and young people a year.[38] There are also a wide range of not-for-profit resources, training and workshops, largely focused on secondary school age.

When asked, only 31% of 15-16 year-olds stated they had received financial education at school this year, a significant drop from 53% last year. Only 30% of 17-18 year-olds said they received financial education this year, despite the evidence showing that this could be one of the most effective ages for conducting financial education.[39]

Financial education can be delivered by teachers using existing curriculum resources, some of which have been developed by funding provided by financial services firms, who also provide training for the teachers involved. The private sector also fund a variety of third-sector organisations to go into schools to deliver financial education programmes.

The majority of interventions funded by financial services firms take place in schools and colleges from age 11 and over, and are delivered by teachers. A review of these interventions identified support for a number of primary school interventions but all were comparatively small in scale. Only one programme was identified to reach pre-school children.

[33] ibid
[34] It's time to talk: Young people and money regrets (Money Advice Service, 2014)
[35] The Effect of Financial Literacy and Financial Education on Downstream Financial Behavior (Fernandes et al 2013)
[36] It's time to talk: Young people and money regrets (Money Advice Service, 2014)
[37] Calculation = all 11-16 year olds in Northern Ireland, Scotland and Wales and half of 11-16 year olds in England, Mid-year population estimates for the UK 2014 (Office of National Statistics, June 2015)
[38] Money Advice Service unpublished financial services funded programmes research (March 2015)
[39] Financial Education and the young person's money index 2015 (ifs University College, July 2015)

There is a lack of widespread interventions in primary and pre-school, so many teachable moments are missed, leading to the much harder task of behaviour change, rather than habit formation. One of the key learnings shared by organisations working on financial education in the devolved nations is that financial education being on the curriculum is not enough.[40] If the school values financial education, teachers either need to have the ability to deliver financial education well, or they need to be able easily to identify external programmes which they could use. There are a mixture of people delivering financial education currently, including teachers, financial services volunteers and not-for-profit organisations. Whoever delivers, the confidence and relatability of the facilitator, the relevance of the learning, and the quality of the content are what matters.

More can be done to make the link between effective financial education and helping schools deliver the outcomes on which they are measured. Currently an English school's main source of discretionary spending – the pupil premium – is unlikely to be used on financial education until a link with attainment can be robustly made. Making this link will provide a compelling reason for schools to deliver effective financial education; it will help monitoring bodies to know 'what good looks like'; and it will enable publishers of education resources to have a commercial reason to make an impact beyond basic curriculum requirements.

Well delivered financial education is currently too reliant on a passionate teacher or head teacher who recognises the importance of equipping their students with money skills – and passion is difficult to scale up. Teachers are time-poor and the financial education landscape is complex.

Is provision out of school targeted effectively?

Provision needs to be targeted to where there are gaps, aimed at those most likely to benefit and delivered based on the evidence of what works. At the moment this does not always happen, but many funders are now in the process of reviewing their corporate social responsibility funding and share the desire to increase their impact.

There are significant gaps in learning opportunities for children that help them develop positive attitudes and the self-control strategies needed to manage money well. There are also limited interventions that equip parents with the techniques and practical strategies to develop children's financial capability. Opportunities to leverage existing contact with parents are not always used. There could also be significant further investment in equipping 17-18 year-olds with the money skills they need directly before, and as they start to engage with adult financial products and take on increasing financial responsibility.

Funding is shifting away from standalone financial education programmes towards integrating financial capability into employability and entrepreneurial programmes. Concern has been expressed by this shift in emphasis, but this may be a more effective way of engaging young people, particularly young people in vulnerable situations.[41] There are a number of programmes and learning resources targeting 'at risk' groups, but the interventions do not meet the full scale of need and resources are not shared consistently. It is difficult to calculate the size of the gap in terms of numbers, as vulnerable young people interact with multiple different services both via their local authority and in the community. What is important, is that there is the opportunity for learning about financial capability during any one of these interactions.

[40] Feedback from UK Strategy consultation events, 2014

[41] Financial Education for vulnerable young people (All-party parliamentary group on Financial education for young people, 2013)

Whilst young people in vulnerable situations are a priority, they can also be the hardest to reach – as shown by the work of Big Lottery Fund's 'Improving Financial Confidence' project. It proved so difficult to reach and maintain contact with young social housing tenants that the programme was expanded to include all social housing tenants in order to meet programme targets.[42] Co-ordinated activity is key for this target group and some local authorities have taken on the challenge by developing financial inclusion partnerships, e.g. Derbyshire's 'Financial Action and Advice' partnership which brings together over 50 organisations to address issues of financial exclusion, early intervention and debt. This model is yet to be widely replicated.

Are learning opportunities making a difference?

Internationally, evidence of whether financial education really works is mixed. A comprehensive evaluation of a flagship financial education programme in Brazil showed evidence of increased numbers of students and parents saving, and the amount saved. This programme has since been rolled out to over 3,000 new schools.[43] At the same time, a meta-analysis of just over 200 studies, carried out in the United States, found that whilst financial education programmes did improve longer-term financial behaviour, the impact was "minuscule" and the effects of interventions decreased over time.[44]

These studies, and others, have been placed on the Money Advice Service Evidence Hub. What emerges from these studies is the importance of the messenger; the age at which interventions happens, especially the need to capture those 'teachable' moments; and, the frequency of the intervention. It is unrealistic to expect financial capability to improve in the long term based on one single intervention.

What the Evidence Hub also demonstrates is the shortage of robustly evaluated programmes aimed at improving the financial capability of children and young people.

Existing evaluations too often focus on customer satisfaction and reach, with limited assessment of sustained behaviour change. Analysis by the Money Advice Service earlier this year suggested that the vast majority of financial capability programmes delivered or funded by the financial services sector, and aimed at children, are not evaluated in terms of outcomes. That is why a key focus for the Strategy will be to continue to scrutinise and build the evidence base in this area.

Doing this will build on the ever-growing desire amongst funders and delivery organisations to improve the evidence base on financial capability for children and young people. Effective interventions do exist and the key challenge is to be able to identify more clearly what works before scaling up provision more widely. Building sufficient evaluation funding into all commissioning should significantly improve the evidence base in this area and ensure that children and young people are reached by the interventions most likely to develop their financial capability.

[42] Improving Financial Confidence evaluation report 2014-15 (Big Lottery Fund et al, 2015)
[43] World Bank. 2014. Enhancing financial capability and behavior in low- and middle-income countries. Financial Literacy and Education Russia Trust Fund. Washington, DC : World Bank Group. http://documents.worldbank.org/curated/en/2014/01/19770351/enhancing-financial-capability-behavior-low--middle-income-countries
[44] Fernandes, D., Lynch, J.G. and Netemeyer, R.G. (2014). 'Financial literacy, financial education and downstream financial behaviours', published in Management Science, 60(8), 1861-1883).

Priority areas for action

In ten years' time the Strategy wants all children and young people to receive high-quality financial education targeted to the times they are most receptive to learning, and tailored with content most relevant to their needs.

The priorities for action have been designed to deliver this and are deliberately focused in the early years of the Strategy on getting funders, commissioners, providers and the research community working more effectively together.

Priority 1: Understanding what works

What is needed is financial education that makes a real difference to people's financial behaviour as adults. There is a substantial amount of work that needs to be done to identify which models and techniques work best. This involves defining more precisely what the desired outcomes are; designing effective models of evaluation against these agreed outcomes, including for different priority groups; and encouraging an approach to funding that incentivises improving the evidence base, including through innovation.

Priority 2: Targeting effective provision to those who need it most

The Strategy will look to combine the improved evidence base about what works with a greater understanding of the current need, and provision to help funders and commissioners make informed decisions on where resources can be most effectively allocated. The greater understanding of what works will also provide the basis for new funding partnerships with organisations who already reach children and young people.

Priority 3: Supporting schools to deliver their statutory responsibilities effectively

Helping the education sector deliver the most evidence-based, effective programmes of work is vital. Focusing efforts concurrently on why and how schools can deliver effective financial education will be a key priority of the Strategy.

Action plan

This section outlines the proposed interventions to address the priority areas outlined above. It will be for the Children and Young People Steering Group to further refine, prioritise, and evolve the action plan for delivery. This will be published and updated in response to growing evidence on the Financial Capability website.

The Money Advice Service will conduct a Financial Capability Survey for Children and Young People which will provide useful baseline data. In the early years of the Strategy the focus is very much on getting the right systems and processes in place to improve the evidence base; identifying key gaps in provision; testing interventions; and building and sharing the business case for why financial capability interventions for children and young people are important. Once this evidence is in place the Strategy will focus on ensuring that effective provision is scaled up across the UK and supported by ongoing innovation and monitoring. Towards the final years of the Strategy this work should be able to provide longitudinal evidence about what is effective, with the results shaping future priorities and delivery.

1 Understanding what works

a. Enable existing interventions to robustly evaluate and publicise their effectiveness:

- finalise free-to-use outcomes frameworks and measurement tools for 3-18 year-olds, parents and teachers, working with *NatCen* and *Young Enterprise/pfeg*;
- launch an evaluation toolkit pilot with a range of not-for-profit delivery organisations.

b. Identify what works for current priority gaps: 3-11 year-olds, 17-18 year-olds, vulnerable young people. Seek to involve parents and carers where appropriate and possible, peers for older ages and incorporate experiential learning:

- The *Money Advice Service* conduct a parenting pilot project aimed at parents of children aged 3-11 to test the effectiveness of integrating financial capability content in existing parenting programmes. This will be achieved in partnership with *Welsh Government, 11 local authorities, and the Family Links Nurturing Programme.*

c. Cultivate a funding landscape that fully resources and incentivises innovation, evidence based design, outcomes led delivery and robust evaluation (for detail see Evidence and Evaluation action plan).

2 Targeting effective provision to those who need it most

a. Provide UK analysis to enable the sector to identify priority gaps:

- conduct quantitative survey into the financial capability of children and young people and their parents;
- collate and aggregate provision, reach and evaluation data from funders and providers;
- enhance the *Money Advice Service's* role in providing the sector with more detailed analysis of provision and evaluation data.

b. Scale up effective non-statutory provision to meet priority gaps by brokering funding relationships for effective interventions.

c. Support local authorities to integrate and co-ordinate financial education opportunities, particularly for vulnerable young people:

- integrate financial capability into existing programmes that already reach children and young people either directly or indirectly;
- conduct a review of resources for vulnerable young people then identify and fill gaps in resource provision and publicise;
- conduct a landscape review of non-financial capability programmes by target age groups and broker partnership agreements to integrate financial capability content; and
- investigate how to support local authorities to integrate and co-ordinate financial education and learning opportunities, particularly for vulnerable young people.

3 Supporting schools to deliver their statutory responsibilities effectively

a. Develop and publicise a clear evidence base on how financial capability supports the delivery of wider school outcomes:

- deliver a Children and Young People evaluation fund (jointly funded by the *Money Advice Service* and the *Education Endowment Fund*) to provide rigorous evidence of impact on financial capability and attainment;
- run a publicity campaign targeted at the education and learning sector on the business case for financial education.

b. Help schools make informed decisions on how financial education is implemented:

- develop schools and learning portals to include information on all types of financial capability interventions including curriculum requirements, cost per pupil and impact;
- support Schools appointing a financial education lead to:
  - ensure that financial education is integrated across the curriculum and other relevant programmes where possible, e.g. enterprise and employability;
  - identify and signpost vulnerable young people to services that can help them;
  - equip teachers and learning professionals to deliver effective financial education and learning through training and professional development, including initial teacher training; and
  - consider how teachers and those in the learning community and external delivery partners can work more effectively together.

c. Enable each national curriculum to be informed by the evidence on what will most likely deliver financially capable adults by:

- supporting monitoring bodies to assess how schools deliver financial education with effective practice defined as what will have the most impact on financial capability;
- conducting analysis so that future revisions of the national curriculums are informed by the evidence of what will most likely improve financial capability;
- supporting financial education becoming part of the primary school curriculum in England; and,
- assisting publishers in developing resources that support effective financial capability learning.

Young Adults

- Young adults can face a difficult transition towards independent living, which begins typically between the ages of 16 to 18 and continues to their mid-20s.
- The Financial Capability Survey confirms previous research that suggests young adults typically display lower levels of financial capability than older age groups.
- Many providers report that they struggle to engage young adults on day-to-day money management, including on sensible credit use, or on important financial decisions that will have an impact on their future wellbeing.
- A key aim of the Strategy will be to listen to and understand more fully the differing capabilities of, or barriers faced by, young adults in order to enable more effective, sustainable and engaging financial capability approaches to be developed.
- Wherever possible, the involvement of young adults will be sought in the initiation and design of interventions, for example through peer-to-peer or 'near-to-peer' support and in the use of digital technology.
- Young adults in the coming years will face major changes to the policy, economic and social landscape in which they have to manage their money day to day and take important financial decisions about their future. These changes are likely to have a disproportionate impact on those who come from more marginalised backgrounds.
- In devising approaches to trial and measure, the Strategy will focus on: welfare reform; changes to further and higher education funding; and developments in the jobs market, such as an increase in apprenticeships.

Introduction

Young adults, as they leave school[45] or other statutory settings, will face major changes in the coming years to the policy, economic and social landscape within which they will start managing money day to day and making critical financial decisions about their future. The degree of financial capability they display during this transition can have a major bearing on their resilience and wellbeing throughout their adult lives.

This age group has a wide spectrum of needs, experiences and capabilities, but particular pressures may be faced by young adults from more marginalised backgrounds, and the proposed actions for this life stage reflect this diversity of need.

This section of the Strategy provides an overview of evidence and key issues faced by young adults as they transition to independent living. There is no set age at which this transition begins to happen – and so there may be some areas of overlap with the previous Children and Young People section, for example, young people attending further education colleges. The respective Steering Groups for these work strands will, therefore, share information effectively and, at times, collaborate.

Some of the areas of policy covered in this section are either wholly devolved or have separate delivery mechanisms in the devolved nations. Where this is the case the priorities for action and initial action plan apply to England only, whilst other actions are UK wide. Please refer to the separate documents Scotland, Wales and Northern Ireland for more detail on the specific actions being taken forward for young adults in the devolved nations.

[45] This includes 16 and 17 year olds in England, who have the right to leave school as long as they are in a recognised form of further education, training or employment. Financial education in school settings across the UK is dealt with in the sections on Children & Young People.

Evidence and key issues

Lack of experience of financial services, in particular credit, can leave young adults vulnerable. The 2015 Financial Capability Survey[46] shows that 18-24 year-olds report lower levels of confidence in their financial capability than the wider adult population. Only 28% of 18-21 year-olds express a high confidence in choosing financial products, compared to 33% of 22-24 year-olds and an average of 47% for all adult groups. 44% of 18-21 year-olds report a high confidence in managing their money, compared to 45% of 22-24 year-olds and an average of 57% for all adult groups.

Young adults move at different rhythms between the family home, post-school education and training, and entry into the jobs market, often punctuated by periods of joblessness, low pay or job insecurity.[47] This range of experience has implications for approaches to, and the sustainability of, financial capability support to young adults.

Mapping of financial capability support suggests that a fair amount of money management guidance, at times duplicative, from a wide range of sources, is readily available to young adults. Professional support is targeted in particular at young adults in more pressurised situations who are seeking information on eligibility for welfare benefits, while online and digital support is targeted at higher education students, though less so at graduates. Many universities and colleges also have student money advisers on campus who can offer telephone or face-to-face support.

While young adults with the means and motivation can readily access financial information online, many, in particular those with more specialist needs or from more marginalised backgrounds, value professional, face-to-face interaction and the holistic support this offers.[48]

Providers, ranging from statutory and voluntary youth-work professionals, housing officers, funders through their community programmes and student money advisers, report a general lack of engagement by the young adults that financial capability support, through online and offline channels, is intended to help.

A key aim of the Strategy will be to listen to and understand more fully the differing capabilities of, or barriers faced by, post-school 16-24 year-olds, to enable more effective, sustainable and engaging financial capability approaches to be developed. Wherever possible, we will seek to involve young adults in the initiation and design of interventions, for example through peer-to-peer or near-to-peer support and the use of digital technology.

Alongside this, there will be an assessment, of behavioural-science, cognitive and marketing approaches that have been shown to work in engaging young adults to improve their resilience and wellbeing, which could be applied through testing to improving their financial capability.

Managing money well day to day

Welfare reform and young adults

Labour market statistics for the period from April to June 2015 show that 13.2% of young adults were unemployed and not in full-time education, with a further 13.9% recorded as being inactive.[49] The latter can include having caring responsibilities or having a medical condition preventing them from working or staying in education or training.

Levels of youth unemployment and inactivity are improving, but young adults generally experience higher rates than older adult groups and are disproportionately affected in downturns. This can be particularly marked for young adults from more marginalised backgrounds, for example those leaving care, youth detention or with learning difficulties.

[46] Financial Capability Survey (Money Advice Service, 2015)
[47] Catch 16-24 (UK Commission for Employment and Skills, 2015)
[48] Getting a fair deal? (Action for Children, 2015)
[49] UK Labour Market (Office for National Statistics, August 2015)

Welfare reform, in terms of restrictions on Housing Benefit and other entitlements to under-25s, is likely to affect the financial resilience of young adults who are jobless or in low-paid and insecure jobs with uncertain income. Many of these young adults will become eligible for Universal Credit (UC) and may need support in managing these payments and their priority bills through a transactional bank account.

Around 15% of unemployed 18-24 year-olds have been so for between six and 12 months, and roughly 24% for over 12 months.[50] 18-21 year-olds in England, Scotland and Wales are likely to be subject to a 'youth obligation', where they are offered a period of intensive support from day one of their UC claim, leading to a requirement to apply for an apprenticeship or traineeship or to go on a work placement once they have been unemployed and claiming UC for a period of six months or more.[51]

Welfare reform, notably the rollout of UC and the 'youth obligation', provides an opportunity to test effective interventions to improve the financial resilience of young adults who are unemployed or in low-paying jobs. In particular, the resilience of those from more marginalised backgrounds who are likely to face additional life pressures beyond joblessness.

As well as providing support on day-to-day money management, for example prioritising bills such as rent payments or striving to build a savings buffer – there is also scope to frame messages on the sensible use of credit and where to seek crisis support, including housing and debt advice.

Changes to student finance affecting young adults

Further education colleges and training providers are an important route that many young adults choose to boost their skills and job prospects. Many are also taking vocational qualifications, such as BTECs, as a route into higher education.[52] Funding entitlements for young adults aged 16 to 19, such as the Bursary Fund in England or the Educational Maintenance Allowance schemes in Northern Ireland, Scotland and Wales, are often the first real experience that young adults have of managing a regular income day to day.

Around 30% to 40% of young adults across the UK choose to go into higher education.[53] On current trends, half are applying directly from school, while the other half are delaying their entry by one year or more.[54] Such trends will have a bearing on which institutions and media are best placed to provide relevant financial capability support.

Research shows that higher education students display a wide range of attitudes and capabilities.[55] 86% of students stated in a survey from June 2014 that they manage their money with no great difficulty, reporting in equal measure that they are either 'comfortable' or 'just getting by', thanks in large part to parental support. The remaining 14% reported struggling constantly.

The ability of a considerable number of higher education students to 'just get by' may be tested by changes to the regime for student finance in England. The replacement of maintenance grants with loans for higher education students is likely to have most impact on the 40% who come from lower-income households.[56] And this is despite the prospect of higher maintenance loans to offset the loss of grants.

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[50] Ibid.
[51] The day 1 'youth obligation' is expected to come into force in England, Scotland and Wales from April 2017, with the 6-month requirement coming into force initially in England, and, through negotiation, in the devolved administrations.
[52] Independent Commission on Fees (The Sutton Trust, July 2015)
[53] End of Cycle Report (Universities and Colleges Admissions Service, December 2014)
[54] Ibid.
[55] UK student lifestyles (Mintel, June 2014)
[56] In 2014, there were around 395,000 higher education students across all years of study in receipt of a full maintenance or special support grant and just over 135,000 who received a partial one (House of Commons Library, July 2015)

Changes to student finance in England from 2016-2017 provide an opportunity to trial targeted support to affected young adults on day-to-day money management, sensible access to credit beyond student loans and overdrafts, and adequate savings and protection insurance.[57] Such support may more easily be targeted, given that affected students are more likely to be in relatively less selective higher education colleges and universities.[58]

A broader opportunity exists to work with the banking sector to explore how, through the data that banks hold, they can target messaging and support at further and higher education students across the UK who may, both during their studies and once they graduate and enter the labour market, be displaying signs of increased financial difficulty. Other sectors, such as media, can also play an important role in targeting co-ordinated and engaging support.

Preparing for and managing life events

Financial education for young adults in the workplace

Moving from education into employment is a significant life event for young adults. Around 2.9 million 18-24 year-olds not in full-time education are employed.[59] In addition, 214,000 18-24 year-olds started apprenticeships in England in the 2013-2014 cycle, and made up just under half the total of number of apprentices.[60] It is estimated that 77% of higher education students work, at least part time.[61]

As young adults move into employment, there will inevitably be trade-offs that they will face in taking key financial decisions to deal with the here-and-now as well as plan for their futures. These can be particularly acute for young adults moving into low-paid or insecure jobs with uncertain hours and variable income. Employers and apprenticeship providers are a key conduit through which to trial interventions to young adults from all backgrounds, enabling messaging in particular on workplace savings both for the short and long term.

Levels of student debt are increasing, with the raising of tuition fees from 2012 and the proposed replacement of maintenance grants with loans in England starting in 2016-2017. For those impacted it is estimated that the average debt could rise from £40,500 to around £53,000, taking an extra four years to repay.[62]

The planned 5-year freeze on the repayment threshold[63] for student loans is also anticipated to impact hardest on those previously eligible for grants who are likely to be middle-income earners on graduation. Rises in earnings compared to rises in prices will, over time, mean more graduates will have to start repaying their loans at an earlier stage.[64]

Repayment of student loans and other debts accumulated during their studies may have broader implications for the financial capability of young adults, including their willingness to stay enrolled in or to take up workplace pensions.[65]

[57] Higher education students own an average of £3,658 worth of gadgets and other possessions. Student Survey (Endsleigh conducted by the National Union of Students, 2015)
[58] Independent Commission on Fees (The Sutton Trust, July 2015)
[59] UK Labour Market (Office for National Statistics, August 2015)
[60] Apprenticeship Statistics: England (House of Commons Library, June 2015)
[61] A survey of 4,642 higher education students by Endsleigh and the National Union of Students, August 2015.
[62] Independent Commission on Fees (The Sutton Trust, July 2015)
[63] Student loan repayments from April 2016 start when graduates in England earn £21,000 or more per annum.
[64] Independent Commission on Fees (The Sutton Trust, July 2015)
[65] By 2018, if not already offered one by their employer, all young adults from age 22 will be automatically enrolled into a workplace pension if they are earning enough.

Priority areas for action

Priority 1: Improve our understanding of the differing capabilities or barriers faced by post-school young adults in managing money and making key financial decisions

This is an important first step to enable more effective, sustainable and engaging financial capability approaches to be developed. The Strategy will mobilise a cross-sector group to develop and share insights and identify more opportunities to involve young adults as fully as possible in the development of initiatives.

Priority 2: Identify effective approaches to support young adults impacted by welfare reform

Welfare reform provides an opportunity to trial targeted support for affected young adults on effective day-to-day money management.

Priority 3: Identify effective approached to support young adults impacted by changes to student finance, both during their studies and after they graduate

Changes to student finance will have a direct impact on young adults as they move to independent living. Opportunities also exist to explore how financial capability support can be targeted at students exhibiting signs of financial difficulty during their studies or after graduation.

Priority 4: Trial financial capability interventions with leading employers of young adults

The transition into the working environment is a critical moment in a young adult’s life, presenting new challenges and requiring financial decisions to be made that could have a major impact on their adult lives. It also presents an opportunity to trial interventions and messaging through employers and apprenticeship providers in the workplace.

Action Plan

This section outlines the proposed actions to address the priorities outlined above. The Young Adults Steering Group will further refine, prioritise and evolve the action plan which will be published and updated on the Financial Capability website.

1 Improve our understanding of the differing capabilities or barriers faced by post-school young adults in managing money and making key financial decisions

a. Lead coordinated work with experts and stakeholders (youth-workers, housing and student professionals, online support services, national and international research bodies, media and financial services, as well as young adults) to gain a more thorough understanding of the capabilities and barriers faced by 16-24 year-olds in managing their money and making key financial decisions.

b. Identify effective, sustainable and engaging financial capability interventions targeted at this group through pilots and evaluation to establish what works.

c. Identify opportunities to develop peer-to-peer or near-to-peer interventions, using learnings from existing pilots that have been proven to work.

2 Identify effective approaches to support young adults impacted by welfare reform

a. Lead coordinated work with experts and stakeholders on welfare reform (government, work-based learning providers, not-for-profit sector and financial services, as well as young adults) to explore how best to target financial capability support at young adults impacted by welfare reform, in particular at those from more marginalised backgrounds.

b. Lead coordinated work with the financial services industry to examine how to target effective financial capability support at young adults impacted by welfare reform, in particular through new basic bank accounts, or where they face financial difficulty.

3 Identify effective approaches to support young adults impacted by changes to student finance both during their studies and after they graduate

a. Lead coordinated work with experts and stakeholders on student-finance, (government, student bodies, further and higher education institutions and not-for-profit sector, as well as young adults) to examine how best to target effective financial capability support to further and higher education students and graduates impacted by changes to student finance.

b. Lead coordinated work with the financial services industry to explore how to target effective financial capability support at students showing signs of financial difficulty during their studies and after graduation.

4 Trial financial capability interventions with leading employers of young adults

a. Lead coordinated work – involving further and higher education institutions, work-based learning providers, and employers – to examine how best to target effective financial capability support to young adults in the workplace, including piloting of interventions aimed at young adults by:

- apprenticeship providers;
- graduate employers;
- employers with large numbers of young adult employees.

Working-Age People

- The Financial Capability Survey suggests the key priority for people in working-age life is to focus on: building resilience; saving for the future; planning ahead; and managing life events.
- A key aim for the Strategy will be to help people establish a buffer against financial shocks and, where possible develop a regular savings habit. For some people, the priority will need to be 'making ends meet' and focusing on reducing debt.
- There is a significant opportunity over the course of the Strategy to create a stronger savings culture in the UK in which it is easier for people to save for the short and longer term.
- For many people the transition to Universal Credit (UC) will be a significant life event. For some people it will create disruption and change but it does provide an opportunity to focus support with budgeting and accessing mainstream financial products on those who most need it.
- Evidence shows people tend not to consider and plan for negative life events. Information on products, guidance and support with financial capability need to help people to understand and make active decisions about risks they face.
- To maximise their impact and reach, more needs to be done to embed financial capability interventions in services that people already look to for support during major life events, and in accessible through the workplace.
- Financial capability in working-age life is dependent on being able to access and use financial products and services with confidence. The Strategy will build on existing initiatives to ensure a diverse range of accessible products and services are available to meet people's needs.

Introduction

This section of the Strategy provides an overview of evidence and key issues for working-age people across the UK (broadly those aged from 16 to 70). There are approximately 41 million people of working age in the UK.[66] Of these, nearly 74% are employed. Some of the areas of policy covered in this section are either wholly devolved or have separate delivery mechanisms in the devolved nations and where this is the case the priorities for action and initial action plan apply to England only, whilst other actions are UK wide. Please refer to the separate documents for Scotland, Wales and Northern Ireland for more detail on the specific actions being taken forward for working-age people in the devolved nations.

Financial capability interventions for this age-group need to address diverse needs and experiences including the financial pressures of making ends meet, balancing costs and commitments day to day with longer-term goals like buying a home, starting a family or planning ahead for later life.

Younger working-age adults are seemingly less likely than older cohorts to plan ahead and save. Those in the middle age-range are more likely to report struggling to keep up with bills and commitments and feel less confident managing money.[67]

Some working-age people do need more support to manage money day to day, but the main aim of the Strategy for this age-group will be to improve the financial resilience of working-age adults by focusing on the capability to save for the future, plan ahead and manage life events.

[66] Mid-year Labour Market profile (NOMIS, 2015)
[67] Financial capability in the UK: Analysis of the Wealth and Assets Survey Wave 3 (Office of National Statistics, 2015)

These areas of capability are dependent on being able to access and use financial products and services with confidence. More information on the approach the Strategy is taking to improving the ease and accessibility of products for working-age adults can be found on pages 76-81.

The Strategy also considers the role of the workplace and employers in supporting improved financial capability, and the scalability and sustainability of different interventions.

Evidence and key issues

Managing money well day to day

Half (49%) of working-age people are keeping up with bills and commitments without difficulty. Around a quarter (28%) are struggling from time to time and one in five (20%) constantly struggling, falling behind or have already fallen behind. People of working age are three times more likely to feel like they are constantly struggling or falling behind than older people in retirement (6%).[68]

78% of working-age people report regularly keeping track of income and expenditure and 63% regularly checking their bank balance. Half (53%) of working-age people with a current account claim to know their balance to within £50 or less. Less than half of working-age people (43%) have £500 in savings.[69]

A Department for Work and Pensions (DWP) survey of recipients of benefits and tax credits found that two-thirds (68%) of respondents budgeted regularly. Respondents with children, particularly lone parents and parents with children under 12, were more likely to budget regularly.[70]

There are a wide range of providers of guidance and information to help people to manage money well day to day. This includes consumer groups and charities who provide a mix of guidance online with face-to-face support where money management can be added on to wider interventions. There is also an increasing number of online commercial firms offering information and comparison tools for different products. This market is changing and evolving and although taking action in this area is not an initial priority for the Strategy, developments in this area will be kept under review.

Working-age adults are more likely than older people in retirement to demonstrate capability in choosing products.[71] Some working-age people face particular barriers to accessing support on managing money day to day.

Welfare Reform and Universal Credit (UC)

11.5 million working-age adults will move on to UC over the next five years, which will impact on how they manage their money. UC presents opportunities to test interventions to improve financial resilience and integrate effective financial capability interventions into wider services.

Claimants, many for the first time, will have to manage a transactional bank account and switch to monthly budgeting and payments. In 2013, Citizens Advice ran a pilot project, which found that 77% of claimants needed help with budgeting, 73% with monthly payments and 52% with banking.[72] In DWP's survey of benefit recipients in 2012, respondents thought that a change to monthly payments would make it harder for them to budget – the main concern was running out of money before the end of the month.[73]

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[68] Financial Capability Survey (Money Advice Service, 2015)
[69] Financial Capability Survey (Money Advice Service, 2015)
[70] *Work and the Welfare System: a survey of benefits and tax credit recipients* (T.Tu and S. Ginnis, DWP, 2012)
[71] Financial capability in the UK: Analysis of the Wealth and Assets Survey Wave 3 (Office of National Statistics, 2015)
[72] *Universal Credit Managing Migration Pilot – final results* (Citizens Advice, 2013).
[73] *Work and the Welfare System: a survey of benefits and tax credit recipients* (T.Tu and S. Ginnis, DWP, 2012)

UC and other significant changes to welfare will affect large numbers of working-age adults on low incomes and in insecure jobs. Unpredictability of income can make it harder for working-age adults to manage their money well day to day and create barriers to planning ahead. Three-quarters of a million people are employed on contracts that do not guarantee a minimum number of hours as their main contract.[74]

Support provided to UC claimants will include elements of money management and how to make and manage claims online. This support will be led by local authorities but is also likely to include housing associations and voluntary sector partners. This provides an important new local network through which financial capability interventions for working-age adults can be targeted and prioritised.

The Welfare Reform and Work Bill is likely to introduce further changes over the first five years of the Strategy.[75] The Bill includes: lowering the benefit cap threshold, a four year benefit freeze, the introduction of loans for mortgage interests and reducing rents in social housing. Some of these changes will apply across the UK as a whole, others in England, Scotland and Wales only. These changes will require working-age adults to engage with their finances and create opportunities to engage people in financial capability.

Preparing for and managing life events

People are better at managing their money day to day than they are at planning ahead. Surveys conducted at different points of the economic cycle (2005, 2010-2 and 2015) have all found this.[76]

Over half of working-age people (58%) say they have financial goals for the next five years. While this is an encouraging headline figure, financial goals tend to be around positive life events, such as holidays (33%).[77] Optimism bias encourages us to plan ahead for positive life events that we look forward to, but we are less inclined to plan ahead to mitigate the financial impacts of negative life events. There is evidence that people's planning horizons tend to be limited. Standard Life estimates that the average adult in the UK is unable to think about more than eight years into the future.[78]

In Money Advice Service research individuals have reported a lack of information being provided, for example by employers, hospitals or solicitors, on the potential financial impacts of significant life events, and how to mitigate those impacts.[79]

[74] *Contracts with No Guaranteed Hours, Employee contracts that do not guarantee a minimum number of hours: 2015 update* (Office of National Statistics, 2015)
[75] Welfare Reform and Work Bill 2015-16
[76] The Baseline Survey of Financial Capability in the UK (FSA, 2006); Financial capability in the UK: Analysis of the Wealth and Assets Survey Wave 3 (Office of National Statistics, 2015); and Financial Capability Survey (Money Advice Service, 2015).
[77] Financial Capability Survey (Money Advice Service, 2015)
[78] *Eight Year Blind Spot* (Standard Life, 2015)
[79] Milestones and Millstones – Life Events Research (Money Advice Service, 2015)

Preparation for coping with unplanned life events

The level and nature of protection needed by individuals and households against the financial impacts of unplanned life events can vary considerably. Protection against such impacts can include building up a savings buffer, paying off unsecured debt, and buying protection insurance.

Low rates of saving mean a large proportion of people of working age are vulnerable to financial shocks, such as a sudden loss of income or an unexpected expense. This is particularly significant given the high levels of indebtedness of the UK population (see the section on People in Financial Difficulties for further information, page 68). A study by the Money Advice Service on the possible impacts of rising interest rates found that one in five mortgage holders said they would “really struggle to find the extra money” to cover any increase in repayments. Nearly half would find it difficult to cover up to £150 extra per month.[80]

While building a savings buffer is an important step to guard against financial shocks, it is important to recognise that for some people their priority should be either paying down debt or ensuring they can avoid further use of credit, rather than to save.

It is also important to recognise that the financial impacts of some life events can be so great that few people will ever have enough savings to cushion them from these impacts. This may include large unexpected expenses such as replacing a car after a serious accident, repairing a home after a fire, having to be hospitalised while abroad, or becoming unable to work due to serious illness or injury. This highlights the importance of helping people understand and access the types and levels of insurance appropriate to their circumstances, to ensure they are able to cope with large financial shocks.

According to an ABI report, each year 1 million workers suddenly find themselves unable to work due to serious illness or injury, and around 250,000 people leave employment permanently each year due to ill health.[81] But understanding of this risk and the financial impacts is very low.

Protection insurance is one way to prepare for coping with the potentially large financial impacts of ill health or early death of a household earner, but only around 1 in 6 working-age households have income protection insurance. Of those who are covered, around 1 million chose to purchase this type of insurance, with the rest, with almost twice this number covered by policies that are arranged and paid for by an employer.

1.18 million people in the UK have bought the insurance cover themselves, typically through a regulated financial adviser. Almost twice as many people – 2.02 million – are covered by policies that are arranged and paid for by an employer.[82]

Research conducted by the Money Advice Service highlights that 1 in 3 UK adults have had a serious financial shock in the last five years, yet of these only 1 in 3 of them had insurance in place to guard against it.[83] The Money Advice Service has partnered with the Association of British Insurers (ABI) to raise consumer engagement and knowledge on the importance of safeguarding finances. The campaign will encourage people to think about who and what they want to protect, breakdown barriers associated with saving or taking out protection insurance, and drive conversation around the importance of ensuring family and finances are safeguarded against an unexpected event.

Another consequence of the capability gap in planning ahead for negative or seemingly distant life events is the low number of people who have made a will. Only around 23% of working-age people say they have made a will, compared to 66% of older people in retirement.[84] See the section on Older People in Retirement (page 59) for more information.

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[80] www.moneyadviceservice.org.uk/files/final-interest-rates.pdf
[81] Welfare reform for the 21st century: the role of income protection insurance (ABI, 2014)
[82] ibid
[83] Press release (Money Advice Service, 2015)
[84] Financial Capability Survey (Money Advice Service, 2015)

Financial capability interventions need to support people in understanding and considering the key risks they face, and making informed choices about ways in which they could protect against them. The Strategy will explore whether additional messages, guidance or other actions are effective in helping working-age people better consider their financial risks, and to what extent barriers to managing risks surrounding negative life events can be overcome by delivering messages, guidance or other actions through trusted messengers.

The importance of savings

The Strategy's key aim for working-age people is to tackle the persistent under-saving in the UK. The Strategy will focus on:

- developing and maintaining a resilience buffer against financial shocks;
- promoting a regular savings habit; and
- working to reduce the attitudinal barriers to saving.

A buffer against financial shocks

The Financial Capability survey found that 30% of working-age adults have no savings and only 26% have the equivalent of three months' income. A buffer against financial shocks can provide increased resilience, helping individuals meet unexpected costs - and thus avoid unnecessary or inappropriate use of credit - and providing a base from which to build greater financial resilience. StepChange Debt Charity estimate that savings of £1000 could help 500,000 people avoid falling into problem debt.[85] Qualitative research by the Money Advice Service found that individuals who experience a financial shock find their financial buffer does not last as long as they planned for.[86]

The Strategy will bring together partners from the financial services industry, charities and consumer groups to develop and pilot clear and simple guidance messages to promote savings as well as build a shared agenda on products and mechanisms that will encourage and enable people to develop and maintain a buffer against financial shocks.

Promoting a regular savings habit

Saving is not just about creating a one-off buffer against financial shocks, but creating and maintaining a savings habit, for those that can afford to. Two-fifths (40%) of working-age adults say they save something every month. The likelihood to save every/most months rises noticeably with household income, but 26% of working-age adults are saving every month in households with income below £17,500.[87]

Research suggests that once developed, the strength of the savings habit increases over time and reduces levels of stress when faced with financial difficulties.[88] But there are still a number of key evidence gaps around how policy, products and different incentives can help raise household saving.[89] Over the lifetime of the Strategy it will be important to learn more about effective messages and interventions that support working-age adults to build and sustain savings habits.

There have been a number of policy interventions and product offers to promote and encourage savings in recent years, but the evidence base on what works in encouraging savings behaviour is patchy. A Savings Gateway was piloted twice between 2002 and 2007. This was a government-supported cash savings scheme designed to help people on low incomes initiate a habit of savings. It tested different matching rates for every £1 saved.

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[85] *An Action Plan on Problem Debt* (Step Change, 2015)
[86] *Financial Capability and Wellbeing* (Money Advice Service, 2015)
[87] *Financial Capability Survey* (Money Advice Service, 2015).
[88] Accounting for the Role of Habit in Regular Saving (Cäzilia Loibl, David S. Kraybill, Sara Wackler DeMay, Journal of Economic Psychology, 2011)
[89] *Raising Household Saving* (Crossley, Emmerson, Leicester, IFS, 2012.

The evaluation of the Savings Gateway pilot found 65% of subscribers made additional contributions over the amount required for maximum matched saving.[90] It is unclear whether incentives like this increase total savings or simply cause assets to be shifted from one place to another. One of the challenges to evaluating the effectiveness of savings initiatives is the difficulty in isolating the impact of specific products or policy interventions from other possible drivers or influencing factors.

The Financial Inclusion Commission has highlighted the variety of mechanisms and incentives that have been piloted to enable more people on lower incomes to save.[91] These include matched savings schemes like Savings Gateway, Lloyd's Banking Group's 'Save the Change' initiative that rounds up purchases and transactions and move the difference to a savings account,[92] and mobile applications like the Westpac Bank's Impulse Save App in New Zealand,[93] and True Potential LLC's impulseSave.[94] These applications make it easier to move pre-determined sums into separate savings or investment accounts, aiming to make it as easy to save impulsively as it is to spend. A number of credit unions have partnerships in place with employers to offer savings schemes through payroll deductions to harness the power of inertia to increase saving.

To develop a clearer understanding of what works, there is a need to co-ordinate new work to better understand the feasibility and effectiveness of different mechanisms that can help people on low incomes who can afford to build a regular savings habit.

Existing research on saving in lower income households suggests that most saving is done over the short term for a specific goal or purchase. A key challenge for the Strategy is to work with the grain of existing goal-related savings habits and shift mindsets for planned saving further into the future and build confidence and attitudes towards saving.[95] The remedies proposed by the Financial Conduct Authority (FCA) in the Cash Savings Market Review, to improve the information provided to savers and simplifying the switching process, could help existing savers to engage with saving products and choices.[96]

To make saving easier, there is a need to improve access to relevant savings products, and provide clear and effective guidance about savings products and incentives available. This area of work will be part of this strategy's focus on Ease and Accessibility (see page 76).

Engaging with the barriers to saving

There is a need to reach and engage people who do not believe saving is currently achievable for them. Research by the Building Societies Association (BSA) found that people's decisions to save or not were made in advance of, and separate from, choices about savings product.[97] This suggests a need to engage with attitudes of non-savers to build motivation and practical opportunities to convince themselves they could save within existing budgets and pressures.

The Money Advice Service's Savings Initiative will work with partner organisations to pilot an approach to engaging non-savers in planning to manage their spending and creating headroom to save. This will be followed by support to set a savings goal to provide non-savers with a route into developing a savings habit.

The Strategy will explore and share learning on different ways in which current non-savers can be effectively supported and given opportunities to build a savings habit.

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[90] Final Evaluation of the Saving Gateway 2 Pilot: Main Report (Harvey, P. et al., HM Treasury, 2007)
[91] *Improving the Financial Health of the Nation* (Financial Inclusion Commission, 2015)
[92] http://www.lloydsbank.com/savings/save-the-change.asp.
[93] http://www.westpac.co.nz/impulsesaver.
[94] http://www.tpllp.com/impulsesave/.
[95] Saving in Lower Income Households, A Review of the Evidence (Kempson et al, PFRC, 2009)
[96] Cash Savings Market Review Study (FCA, 2015)
[97] *The Individual's Saving Decision* (Building Societies Association, 2007)

The role of the workplace

The previous Financial Capability Strategy for the UK sought to increase levels of financial education in the workplace. There is evidence from the US on the effectiveness of workplace interventions in encouraging new savings behaviour by employees,[98] and that improved financial wellbeing can increase productivity and workplace satisfaction.[99]

The previous Strategy's workplace interventions were focused on one-off sessions and evidence has suggested this is not sufficient for improving capability.[100] The challenge for this Strategy will be to identify whether there is a successful model that can be delivered at scale and effectively engage employees.

Priority areas for action

This section has identified that the biggest gap for the Strategy to fill is increasing resilience by enabling more working-age adults to save and plan ahead. The Strategy will do this through collective action on:

Priority 1: Build a stronger savings culture in the UK

Making it easier for more adults to save regularly and develop a buffer against financial shocks.

Priority 2: Planning ahead and managing life events

The Strategy will improve the evidence of what works in designing financial capability interventions to build resilience to the financial impacts of planned and unplanned life events, and explore how the workplace could be used as a route for interventions in the future.

Priority 3: Improving the ease and accessibility of financial products

The capability to save regularly and plan ahead is dependent on being able to access and use financial products and services with confidence. There is also a need to improve ease and accessibility of products for working-age adults. Over the lifetime of the Strategy, there are a number of industry-led initiatives and potential policy and regulatory interventions that will affect the supply of products and services in the market. The Strategy can add value to this by building the evidence base on what works and sharing insights into needs and gaps in provision across the sector.

Working-age adults' needs for support to manage money well day to day are served through diverse sources of guidance, information and tools from the commercial and charity sectors. The focus of the Strategy will be to understand the barriers that stop people using existing tools and sources of information, and improve access to money management tools that will help working-age adults build their financial capability and resilience.

[98] The Effects of Financial Education in the Workplace: Evidence from a Survey of Employers (Bayer, P.J Bernheim, B.D and Scholz, Economic Inquiry, 47: 605–624, 2009)
[99] Understanding the Impact of Employer-Provided Financial Education on Workplace Satisfaction (Hira & Loibl, Journal of Consumer Affairs 173, 185, 2005)
[100] *Evidence of impact: An overview of financial education evaluations* (Adele Akinson, PFRC, 2008)

Action Plan

The section outlines the proposed actions to address the priorities outlined above. The Working Age Steering Group and Savings Steering Group will further refine, prioritise and evolve the action plan, which will be published and updated on the Financial Capability website.

1 Building a stronger savings culture in the UK

a. Develop a cross sector plan to encourage people to build a savings buffer and develop a stronger savings culture by:
   - more effectively targeting relevant messages and guidance to encourage a regular savings habit, developing and piloting clear and simple guidance messages;
   - securing agreement from trade bodies and industry groups to adopt and communicate common rules of thumb for lower income savers;
   - analysing and monitoring policy and impacts of market changes on savings and financial capability.

b. Co-ordinate across the financial services industry to build a shared agenda on products and mechanisms that will enable consumers to more easily develop a savings habit.

c. Understand and share learning from innovations in fintech that could make saving more accessible and compelling for consumers.

d. Build on work with the *Financial Inclusion Commission* to conduct a feasibility study into which savings schemes and mechanisms work best for households on low incomes.

e. The *Standard Financial Statement governance groups* will monitor the use and impact of the savings element in the Standard Financial Statement for debt advice clients and share this learning across the sector.

f. Conduct analysis to improve understanding of the impacts and trade-offs for consumers between short-term and long-term saving.

g. The *Money Advice Service* is developing a programme aimed at supporting key consumer groups who do not currently save, helping them to better manage their money, as a route into developing a savings habit in the longer term.

2 Planning ahead and managing life events

a. Improve the capability of people claiming Universal Credit (UC) to budget and plan ahead. This will include:

- co-ordination with the *Department for Work and Pensions (DWP)* to embed financial capability into the claimant journey;
- sharing learning and insights about the need for budgeting support, and working with relevant partners to design services and evaluate their effectiveness; and
- co-ordination with the financial services industry to understand and monitor take up of transactional accounts by UC claimants.

b. Support working-age people to make active decisions about whether, and what type of, protection insurance is right for them. This will include exploring:

- the potential for common benchmarks for protection insurance products to enable easier comparison; and
- whether additional guidance on protection insurance product features could help people choose protection insurance that meets their needs and expectations.

c. Work with the sector and employer groups to identify the most effective role for money management in the workplace. This will include:

- developing the business case for workplace money management;
- sharing insights and learning on different and distinct needs for support with money guidance and planning ahead across the workforce;
- drawing on evidence and experience of the sector;
- building on the roll-out of auto-enrolment, exploring the potential for workplace payroll savings schemes.

d. *National Numeracy* are collaborating with the *Money Advice Service* to make it easier for people to assess their numeracy and find tools to improve it.

3 Improving the accessibility of financial products, services and advice

a. Support existing cross-industry initiatives on access to mainstream banking including:

- work on identity requirements for opening current and savings accounts;
- monitoring the take-up of basic bank accounts and 'jam-jar' facilities and the introduction of 'simple products'; and
- understanding the impact of industry approaches to improve access to banking services.

b. Embed financial capability in the development and delivery of the *Digital Passport* project to help consumers open and switch providers of savings accounts more easily and flexibly, in collaboration with *TSIP*.

c. Work with organisations, in particular credit unions, to co-ordinate existing projects monitoring access to affordable credit and to investigate and pilot different approaches to meeting identified gaps in demand.

d. As innovative products and payment systems are rolled out, partners involved in the Strategy will monitor their take-up and, where possible, develop shared understanding of their impacts on consumer behaviour.

e. Building on the *Financial Conduct Authority (FCA) Smarter Communications* paper, work with partners to co-ordinate industry initiatives to test and learn from different approaches to product communications that help consumers engage with the features, costs and risks of different financial products.

Retirement Planning

- The entire retirement planning landscape has undergone significant change in the last decade, and this seems likely to continue.
- Given the evolving environment of pensions and retirement planning, developing an evidence base to understand people's financial capability for this area is a key priority for the Strategy.
- Key elements of the Strategy will also include improving access to and people's understanding of guidance and regulated financial advice and piloting interventions with selected employers to help their employees see the need to plan and increase their retirement savings.

Introduction

Retirement planning raises a very particular set of financial capability issues that affect young adults, working-age people and older people in retirement. The Strategy has developed a distinct action plan focused on retirement planning to reflect the unique challenges people face in planning for retirement, making decisions about retirement income, and managing retirement savings throughout life.

This part of the Strategy applies to the whole of the UK.

Evidence and key issues

This is an area that has undergone significant change, which looks set to continue in the short and medium term. Automatic enrolment into workplace pensions started in 2012. April 2015 saw the introduction of the biggest reform of the retirement system which gives people freedom over how to use their pension savings and the introduction of the Pension Wise guidance service.

The pension reforms are continuing with the introduction of the new state pension from April 2016 and the secondary annuities market in 2017. Changes in areas of guidance and financial advice, pensions tax relief, pension transfers and charges are also likely to affect financial capability. These changes represent a significant cultural shift in the way individuals save, plan for their retirement and manage their retirement savings. Retirement is a key focus for the Strategy as people's behaviours change in response to the new reality.

The Office of Fair Trading (OFT's) market study into defined-contribution workplace pensions stated that "the buyer side of the DC workplace pensions market is one of the weakest that the OFT has analysed in recent years".[101] People find it hard to engage with or understand their pensions due to the high level of product complexity.

Financial capability and retirement

People preparing for later life will need improved financial capability and support to make informed choices when building and then turning investments and savings into an income to fund retirement.

The evidence base for this area is varied and there is no single definitive source of data on financial capability in the area of retirement planning. The current Financial Capability Survey contains a relatively small set of questions around pensions and retirement. Developing the financial capability evidence base, including providing a baseline for financial capability around retirement planning is a significant priority for the Strategy. It requires a different set of capabilities than being able to manage money day to day. It is imperative to gain insight into people's ability to save and manage their long-term savings.

[101] Defined contribution workplace pension market study (Office of Fair Trading, September 2013 revised February 2014)

Under-saving

The Strategy will focus on people who are investing or saving inadequately for retirement.

The Financial Capability Survey indicates that 46% of working-age people say they are currently paying into a pension, 49% are not and 4% don't know. Automatic enrolment will increase the number of people saving into pensions but it is widely acknowledged that automatic enrolment levels at 8% total minimum contribution are not going to provide adequate savings for most people.[102] DWP analyses give a sense of the scale of the working-age population who are currently saving/planning inadequately for retirement (under-savers).[103]

This analysis suggests almost 12 million people are under-saving, with most of those people (three-quarters) earning between £22,700 and £52,000 per annum.[104]

Table 1: Undersavers by Pensions Commission income band

Pensions Commission income band	Number of undersavers	As proportion of Pensions Commission band	As proportion of all undersavers
Band 1 (under £12,300)	0.2m	7%	1%
Band 2 (£12,300 to £22,700)	1.9m	23%	16%
Band 3 (£22,700 to 32,500)	4.2m	52%	35%
Band 4 (£32,500 to £52,000)	4.6m	62%	38%
Band 5 (Over £52,000)	1.1m	67%	10%
Total	11.9m	43%	100%

Thanks to policies on automatic enrolment, the single-tier state pension and the pension triple lock, projections are that 93% of those in the lowest income band (under £12,300 per annum) will achieve adequate retirement income.

Mild under-savers, i.e. people already within 20% of achieving adequate retirement income, could improve their situation by making relatively achievable changes to their behaviour – choosing to work longer, saving more while in work, or saving more than the minimum.

Yet modest under-savers – those between 50%-80% of achieving target retirement income – could benefit from more support, whether that be to increase their pension saving or to better financial planning of their assets and liabilities during their working lives.

Research initiatives are needed to test and pilot different approaches to nudge people into saving more into their pensions, which would benefit the vast majority of people who are currently under-saving.

[102] The total minimum contribution is currently set at 2%, from October 2017 this will rise to 5%, from October 2018 it will rise to 8%.
[103] *Framework for the analysis of future pension incomes* (DWP, 2013); Scenario analysis of future pension incomes (DWP, 2014)
[104] The Pensions Commission was a public body set up to review the regime for UK pensions and long-term savings. The Commission is now disbanded. Its reports are often referred to as the Turner Reports.

Retirement income decisions

Under-saving is only part of the story. Even the most financially capable people can struggle to understand the benefits and risks of different product choices and to make informed decisions about retirement planning, especially all of the new choices provided by the pension freedoms.

Prior to the changes announced in the 2014 Budget, the FCA estimated that people lose out on around £115-£230 million a year by not making the best choices about how to turn retirement savings into income.[105] In a National Employment Savings Trust (NEST)[106] survey, only 40% of respondents under 40 felt they had an idea of what kind of income they might need in retirement; and this figure rose to only 57% of people over 40.[107]

It is too early to understand fully the behaviour and decisions that people are making about their pension pots. Early reports from the FCA indicate that 204,581 pension policies have been accessed within the three months following the pension reforms. 120,688 individuals have accessed some form of cash withdrawal with 71,455 individuals using some form of income drawdown and 12,418 individuals buying an annuity.[108]

The Financial Capability Survey shows that whilst there are a wide range of sources people intend to use to fund their retirement, the state pension and personal or workplace pensions are by far the most common.

Base: All who are not retired	Total (2849)	18-24s (744)	Working age (2786)
	%	%	%
State retirement pension	49	22	48
Personal or workplace pension	42	29	44
Your partner/spouse's personal/workplace pension	14	6	15
Savings or investments	32	34	32
Downsizing your home or equity release	10	4	10
Buy-to-let or other income from a property which is not your main home	6	4	6
Inheritance that you expect to receive	12	10	12
Inheritance that you have already received	3	4	3
Earnings from part-time/freelance work	12	10	12
Something else (please specify)	1	1	1
Don't know	18	37	19
Prefer not to say	4	4	4
NET: Any pension	**66**	**41**	**65**
NET: Any inheritance	**13**	**14**	**13**

[105] *Freedom and Choice in Pensions* (HM Treasury, 2014)
[106] NEST is a pension scheme set up by the government mainly to help employers with automatic enrolment.
[107] *Taking the temperature of automatic enrolment* (NEST, 2014, p. 25)
[108] Pension freedoms data collection exercise: analysis and findings (FCA, 2015)

There is a role for the Strategy to create a comprehensive literature review to co-ordinate the various reports and research that are emerging. This will enable the sector to identify key areas for further research or highlight synergies that may be exploited across different projects.

Changing policy landscape

The pensions policy landscape is continuing to evolve. The Work and Pensions Committee is currently undertaking an inquiry to "examine whether people are adequately supported in making good, informed decisions about their retirement savings in light of the changes on access to pensions and pension drawdown introduced in April 2015".[109]

The government has also issued consultations on pensions tax relief[110] and pension transfers and exit charges.[111] The outcome of these consultations may result in new legislation that may have an impact on people's behaviour in the retirement market.

Improving access to pension information

Pension language and jargon make the market difficult for people to navigate. The Department for Work and Pensions and NEST have created language guides to support consumer understanding for the introduction of automatic enrolment.[112] The Association of British Insurers (ABI) are also starting a cross sector group to build on the work of DWP and NEST in light of the new pension freedoms.

The FCA's retirement income market study is testing ways to improve how consumer information is presented to help people to make decisions about their retirement income and the type of information they receive in the run up to their retirement.[113] All of these initiatives need to be co-ordinated to reach people and improve their retirement journey.

The ease with which people can access their information is important to address when improving financial capability. There are currently a number of digital initiatives aimed at addressing this.

- 'Pensions Dashboard' – The FCA would like to see the development of a pensions dashboard for the UK which would allow individuals to see all of their lifetime pension savings including their State Pension.[114]
- Open Identity Exchange (OIX) 'Pension Finder' Tool – This project developed a pension finder prototype to examine the hypothesis that individuals will take action and make informed choices when they have information about their pension savings.[115]
- The Savings and Investment Policy Project (TSIP) 'Digital Passport' – This type of digital initiative would verify individuals' identity and allow savers to open new products and transfer money between organisations more easily, through making information more accessible.[116]

As a result of the significant developments in retirement planning there are many initiatives being conducted to develop our understanding and improve the landscape for individuals. The Strategy offers the ability to co-ordinate initiatives to maximise the benefit for individuals and leverage resources across organisations, and avoid duplication.

[109] Pension freedom guidance and advice inquiry (Work and Pensions Committee, 2015)
[110] Strengthening the incentive to save: a consultation on pensions tax relief (HMT, July 2015)
[111] Pension transfers and early exit charges (HMT, July 2015)
[112] Automatic enrolment and pensions language guide (DWP, 2011) and Phrasebook v 2 (NEST, 2011)
[113] Retirement income market study: final report – confirmed findings and remedies (FCA, March 2015)
[114] Ibid., Remedy 4 page 52
[115] The Pensions Finder tool: a discovery project white paper (Open Identity Exchange (OIX), June 2015)
[116] Press release (Tax Incentivised Savings Association (TISA, December 2014)

Priority areas for action

The identified priority areas for action are:

Priority 1: Developing the evidence base to understand people's financial capability for retirement planning

The capabilities required to plan for retirement are very different from those needed to manage money well day to day. There is currently no definitive evidence base – it is vital to gain insight into people's ability to save and manage their long-term savings.

Priority 2: Improving access to pension information

Navigating the complex pensions market can be difficult for people, so one area where the Strategy will focus will be improving the ease and accessibility of pension information.

Priority 3: Leading the co-ordination of collaborative efforts to improve the consumer retirement journey

The retirement journey can and should be improved to help people build their financial capability around making decisions about what they do with their pension pots.

Priority 4: Improving access to, and consumer understanding of, guidance and regulated financial advice

Understanding the value of, and knowing how to access guidance and advice on saving and planning for later life is an important element of building people's financial capability.

Priority 5: Piloting programmes to nudge people to increase their pension contributions during their working lives

The majority of people are not saving enough for their retirement. The Strategy will seek to pilot different interventions with some employers and their employees to establish what works in terms of helping people increase their retirement savings.

Action Plan

This section outlines the proposed actions to address the priority areas outlined above. The Retirement Planning Steering Group will further refine, prioritise, and evolve the action plan, which will be published and updated on the Financial Capability website.

1 Developing the evidence base to understand people's financial capability for retirement planning

a. Create a retirement planning financial capability survey to provide a better understanding of key barriers and enablers to retirement planning.

2 Priority 2: Improving access to pension information

a. Co-ordinate digital initiatives focused on improving the ease and accessibility of pension information for consumers. This activity will provide a platform to create synergies across digital projects and use resources most effectively across the sector. At the time of publishing, projects that could be included are the *Pensions Dashboard, Open Identity Exchange (OIX) Pension Finder Tool* and the *Digital Passport*.

b. Build an enhanced retirement income planning tool that allows people to develop different retirement income scenarios.

3 Leading the co-ordination of collaborative efforts to improve the consumer retirement journey

a. Removing barriers such as unaligned hand-offs between organisations. Agree common tools and protocols to help to improve the consistency of the customer experience as individuals move between different organisations on their customer journey.

b. Champion the use of consistent consumer language and messaging for people's pension savings and retirement income choices:

- the *Association of British Insurers* is leading a cross-sector group to create a common protocol for pensions language.
- Incorporate the recommendations of the remedies from the *FCA Retirement Market income study* to improve the way information is framed to consumers in making their decisions about retirement income.

4 Improving access to, and consumer understanding of, guidance and regulated financial advice

a. Help consumers to understand the value of both guidance and regulated financial advice, and the appropriate times to access each service.

b. Take forward the recommendations from the *FCA/HMT Financial Advice Market Review*, *HMT*'s guidance review and the *Work and Pensions Committee* to translate these for consumers.

5 Testing and piloting programmes aiming to nudge people to increase their pension contributions during their working lives

a. Create interventions to pilot with some employers and their employees to help people see the need to and increase their retirement savings.

b. Develop easily understood ‘rules of thumb’ on retirement saving that are capable of being taken up population-wide.

c. Develop tools to enable people to co-ordinate their retirement saving with other aspects of financial management such as budgeting, debt management and debt repayment.

Older People in Retirement

- While some older people in retirement are relatively well placed for financial security in later life, a significant minority have very limited financial means.
- While older people are generally good at managing money day to day, they can be hampered by difficulties accessing products and services. Attitudinal barriers exist that prevent many older people from accessing available financial support and shopping around.
- Life events that affect older people are typically unpredictable and can derail financial plans overnight, for example ill health, care needs and bereavement.
- There is no shortage of advice available but more can be done to ensure advice meets changing needs and reaches the people who really need it. To make a real difference to the UK's financial capability, initiatives that have been shown to work need to be supported so that they can be developed into sustainable solutions operating at scale.
- Priorities for the Strategy are to develop the evidence base; make greater use of trusted messengers; improve access to money management tools and guidance that reflect the reality of life in retirement and improve the accessibility of products and services for older people in retirement

Introduction

This section provides an overview of evidence and key issues for people who are already drawing an income from their pension savings or are reliant on the state pension, across the UK.

There are 11.4 million people aged 65 or over in the UK and 3 million people aged over 80.[117] The number of people over 85 in the UK is predicted to double in the next 20 years.[118] The financial capability needs and situations of people at the start of their retirement can differ greatly from those aged over 80.

The key challenge for older people in retirement is the need to manage financial resources over their entire retirement, balancing the need to make ends meet day to day while preparing for and managing expenditure related to life events. Life events that typically affect older people, for example ill health, care needs or bereavement, are unpredictable and can derail financial plans overnight.

Some of the areas of policy covered in this section are either wholly devolved or have separate delivery mechanisms in the devolved nations and where this is the case the priorities for action and initial action plan apply to England only, whilst other actions are UK wide. Please refer to the separate documents for Scotland, Wales and Northern Ireland for more detail on the specific actions being taken forward for older people in retirement in the devolved nations.

[117] Mid-2014 Population Estimates, UK (Office for National Statistics, 2015)
[118] National population projections, 2012-based (Office for National Statistics, 2013) National population projections, 2012 (Office for National Statistics, 2013) National population projections, 2012 (Office for National Statistics, 2013)

Managing money day to day

Managing money well day to day in retirement is less about regular saving or building a savings buffer, and more about ensuring existing savings are invested in the right place, and the ability to make good decisions about how to spend retirement income and savings.

The majority of older people do not make a budget but most feel that their approach to managing their money day to day works well for them, with 83% reporting that they are able to keep up with bills and commitments without any difficulty. 74% say that they could pay an unexpected £300 bill from spare money or savings without having to cut back on essentials.[119]

Most of us were brought up to save for a rainy day- now it's starting to drizzle – most of us have been careful and saved and it's difficult to break the habit – Participant in Age UK older people's forum on financial inclusion, 2008

As discussed in the previous section on retirement planning, pension freedoms have given new retirees greater responsibility for actively managing their pension savings. The vast majority of older people already in retirement will not be affected by this change, but this is expected to begin to change over the lifetime of the Strategy. This increased responsibility means that it is more important than ever that older people consider the entirety of their retirement and future spending needs.

Older people are generally good at managing their money day to day but their ability to do so can be hampered by product design and inflexible services. In particular digital exclusion, branch closures and product availability present challenges to older people's financial capability. These issues are discussed in detail in the section on Ease and accessibility (see page 76).

Only 5 per cent of the retired population is over-indebted and the likelihood of being indebted reduces significantly with age.[120] Although the numbers involved are small, indebted older people typically have higher debts than other groups and their ability to make repayments on a fixed retirement income is severely constrained.[121] The strategies priorities related to debt are discussed in the section on People in Financial Difficulties (see page 68).

More can be done to assist poorer pensioners to maximise their income

Far too many older people struggle to make ends meet. 6 million pensioners (13%) live below the poverty line and it is estimated that 10% of pensioners are not able to replace a cooker if it breaks with the majority citing 'no money for this' as their reason for going without.[122] It is beyond the scope of the Strategy to try and lift people out of poverty but it can focus on encouraging people to maximise their income.

119 Financial Capability Survey (Money Advice Service, 2015)
120 Financial Capability Survey (Money Advice Service, 2015)
121 Problem Debt Among Older People (Age UK, 2013)
122 Households Below Average Income 2013/14, supporting data tables (DWP, 2015)

Benefits entitlement

It is estimated that 1.3 million older people in Great Britain who are eligible for Pension Credit are not taking up their entitlement.[123] Only one-third (32%) of the retired population say they have checked within the last three years whether there were any benefits they could be claiming.[124]

Research shows that attitudinal as well as awareness barriers prevent older people claiming pension credit. Many older people are reluctant to talk about money outside of the family,[125] assume the benefit is not available for them or are reluctant to accept 'hand-outs'.[126] Various approaches have been tried in the past to improve take up rates, both by Government and voluntary sector organisations but shifting rates remains very hard to achieve. Highly targeted interventions such as the Age UK money bus have yielded good results but have been relatively small scale. The Strategy will explore a sustainable way to encourage people to maximise their income by checking they are accessing available benefits.[127]

Accessing the best deals

Four-fifths (80%) of older people think shopping around is important in order to make their money go further but good intentions do not always translate into action as far fewer do this for financial products 62% of older people with current accounts have not checked they have the best current account, and 65% of people aged 80+ have not checked their electricity deal.[128]

Older people are well known for their loyalty and reluctance to switch providers, but the success of 'Pensioner Bonds' earlier this year suggests that when there is a good deal on offer they will switch. The Strategy must learn from initiatives making an impact in other markets, for example face-to-face energy-switching guidance and collective purchasing, and develop innovative solutions to encourage older people to seek out better deals. Since many of the best deals are available online, the Strategy can usefully join up activity in this area by including switching and other financially capable behaviours with digital inclusion initiatives.

Safeguarding from fraud

More than half (53%) of older people aged 65+ believe they have been targeted by fraudsters. A third of those who responded to fraudsters may have lost £1000 or more. 60% of older people who believed they had been targeted did not report the attempted fraud.[129]

Age UK have found that, while "anyone can become a victim of scams … older people may be particularly targeted, often because it is assumed that they have more money than younger people." It also found that "many older people may be especially at risk of becoming a victim of fraud at particular times because of personal circumstances such as social isolation, cognitive impairment, bereavement and financial issues."[130]

Older people who rely on others to assist them with their finances can also be at risk of financial abuse; that includes theft, fraud, exploitation, pressure in connection with wills, property, inheritance or financial transactions, and the misuse or misappropriation of property, possessions or benefit.

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[123] Income-Related Benefits: Estimates of Take-up - Financial Year 2013/14 (experimental), DWP, 2015
[124] Financial Capability Survey (Money Advice Service, 2015)
[125] Financial Capability Survey (Money Advice Service, 2015)
[126] Investigating the triggers into pension credit (DWP, 2011)
[127] Pension Credit eligible non-recipients barriers to claiming (2012, DWP)
[128] Financial Capability Survey (Money Advice Service, 2015)
[129] Only the tip of the iceberg: fraud against older people (Age UK, 2015)
[130] Ibid.

A number of organisations, including Age UK, Citizens Advice, Age Action Alliance, Action Fraud, Action on Elder Abuse and Think Jessica have campaigns to raise awareness of fraud and how to guard against it amongst older people and those who care for them. The threat of fraud associated with new pension freedoms has focused attention on the risks posed by investment and pension scams and 'Project Bloom', a cross-government task force, has successfully brought organisations together to tackle these issues. Co-ordination is also needed to tackle other types of scams, for example, doorstep crimes, bank and card account takeover, mass marketing fraud, and romance scams. As an increasing number of older people begin to access the internet, a focus is also needed on online fraud.

Unpredictable life events make managing money hard

The Strategy has identified the following life events as significant risks to older people's ability to manage their finances that increased financial capability could help guard against.

Cognitive Decline and the on-set of ill-health

People's own confidence in their ability to manage their finances increases with age up to around the age of 70 - 72% of 60-69 year-olds feel very confident managing their money, compared to only 51% of working-age people. At the same time their functional numeracy and awareness of key financial terms and concepts declines steeply after age 70.[131]

Cognitive decline can have a significant impact on financial resilience. The Alzheimer's Society has found that 76% of people with cognitive decline had experienced difficulties in managing their finances, with 15% of carers reporting that the person they cared for had been subject to some kind of financial abuse.[132]

Ill health and reduced mobility can also affect people's ability to manage their finances from it being harder to travel to a bank branch, finding it difficult to use certain payment types (such as chip and pin) to it being harder to obtain insurance.

More can be done to educate people about options available to help them manage their money at time of need, building on guidance from the Payments Council and BBA;[133] and to encourage people to make plans ahead of time to manage the impact of cognitive decline and ill health, for example, by getting a lasting power of attorney.

The sector needs to work together to challenge perceptions that 'it will never happen to me' and to raise awareness of options available to assist more older people to stay in control of their finances for longer. The Strategy can also use its influence to help ensure that key industry projects and areas of product innovation keep the needs of older customers, and those who care for them, in mind.

Paying for care

People who require care are usually required to contribute to the costs and those who need care in a residential setting must pay 'hotel charges' for their accommodation. Care costs are hard to predict: the Dilnot Commission estimated that "a quarter of people aged 65 will need to spend very little on care over the rest of their lives. Half can expect care costs of up to £20,000, but one in 10 can expect costs of over £100,000".[134]

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[131] Financial Capability Survey (Money Advice Service, 2015)
[132] Short Changed - Protecting people with dementia from financial abuse (Alzheimers Society, 2011)
[133] Guidance for people wanting to manage a bank account on behalf of someone else (BBA, 2013) Pay your Way: managing payments, safe ways to allow others to pay on your behalf (Payments Council, 2014).
[134] Fairer Care Funding (Commission on Funding of Care and Support, July 2011).

Only 28% of older people have even a rough plan for how they might fund long-term care.[135] Demos has found that "There is strikingly low public awareness of the likelihood of needing care, of the potential costs of that care, and of the division of responsibility for meeting those costs between the state and the individual … there may also be strong behavioural barriers to people acting on the information that they have. People tend to suffer from optimism bias – the tendency to overestimate the probability of desirable things – and underestimate the probability of undesirable things."[136]

Duties placed on Local Authorities in England by The Care Act 2014 have created new opportunities to identify and support people making decisions about their care. There remains more to do to help increase people's understanding of the costs of care and to help people make sustainable decisions about funding it – both to assist them in planning ahead for their own care needs and navigating the complexities of paying for care at the point their parents or other family members need it.

As well as assisting people at point of need, older people need to be encouraged to consider the future and potential care needs when making decisions related to their retirement income and their choice of housing in the early years of their retirement. Part of this is about encouraging older people and their families to discuss and agree preferred options for financing care well in advance of need.

Bereavement and funeral costs

More can be done to get people to talk about the financial aspects of death and to assist people to plan ahead for end of life.

The early death of a partner is associated with falling actual income against income requirements meaning that those left behind may need to readjust their financial plans to adjust to their reduced financial means.[137] In many older households one person controls the finances. If they die (or are otherwise unable to manage finances) the partner who had not been as involved may suddenly find themselves managing their finances for the first time at a time of reducing income and great stress.[138]

Three-quarters (72%) of older people in retirement who have a partner or spouse discuss their household finances openly with them.[139] Couples need to be encouraged to share information about household finances and understand and plan for their financial situation if one of them dies. Support needs to be available and accessed by older people who lack experience to build the skills and understanding needed to manage finances, ideally ahead of bereavement.

Funeral costs are soaring in the UK with the cost of a simple funeral increasing by 80% between 2004 and 2014. It is predicted that the cost of a simple funeral could rise to £5,226 by 2020.[140] Given these rising costs, there is a growing need for people to plan ahead to ensure appropriate provision is made for their funeral wherever this is possible. Support needs to be made available to bereaved people struggling to pay funeral expenses at time of need to avoid them falling into financial difficulty.

Older people are significantly more likely to have a will than working-age people (23% of whom say they have a will) but still only 66% say they have one. Will Aid's research has found that 13% of people think there is no need for a will because their loved ones will automatically inherit with this view being most prevalent amongst respondents over 55 years old.[141] Initiatives such as Will Aid and the Dying Matters Coalition are focused on assisting people to plan for death and encouraging people to write wills. The Strategy can also help raise awareness of the need to make arrangements.

[135] Financial Capability Survey (Money Advice Service, 2015)
[136] Unlocking potential: We need a step-change in the way people plan for social care (Demos, 2014)
[137] The financial resilience of the recently retired (Pensions Policy Institute, 2014)
[138] Financial Resilience in later life, Age UK, June 2014)
[139] Financial Capability Survey (Money Advice Service, 2015).
[140] The Funeral Time bomb (International Longevity Centre, April 2015)
[141] TNS survey

Lending in retirement

A small (7%) but increasing number of older people are entering retirement with a mortgage.[142] Many will be able to afford mortgage payments on a reduced retirement income, but a study of people over 50 found that owner-occupiers with mortgages were five times more likely to be in problem debt than those without.[143]

The vast majority of lenders operate upper age limits that mean people who are struggling to repay a loan in retirement, have fewer options open to them. Many lenders now offer people who can't repay grace periods to seek advice, including both debt advice and advice about the availability of suitable alternative products. Many lenders also now directly refer people on to advice agencies to get the help they need. The Strategy can encourage more lenders to adopt this good practice. It can work with lenders to develop communications strategies that encourage more people to engage with them and access available advice.

A recent case[144] could potentially mean that lenders will have to amend their stance on lending to those with pension income. The Council of Mortgage Lenders and the Building Societies Association are both undertaking projects looking at lending to older people and will make their recommendations by the end of 2015. The Strategy will engage with this work and will encourage the sector to adopt evidence-based recommendations that improve access to products for older people.

Releasing housing equity can be a valuable source of additional money for homeowners struggling to make ends meet. Equity release products are complex and the majority of people find it difficult to understand the long-term impacts of interest on their finances.[145] It is essential that anybody considering purchasing an equity release product accesses advice that explores all of the options available to them (including non-equity-release solutions). The Strategy will explore how best to ensure that this support is available and accessed by those who need it.

The sector needs to scale up initiatives that are proven to work

There is limited evidence on financial capability provision for older people, how they access it, and how effective it is. Money management services exist but most existing provision aims to help people to make informed decisions, rather than building wider positive financial behaviours such as budgeting, planning ahead or shopping around. More can be done to ensure that advice meets older people's changing needs and reaches the people who really need it.

To increase the positive impact and cost effectiveness of programmes, robust understanding is needed of what interventions are most effective in improving people's financial capability. Age UK recently published the lessons they have learnt from their experience providing information and advice to older people,[146] which will inform the delivery of the Strategy. The Money Advice Service is also working with Age UK to develop and pilot indicators for Older People for the common evaluation toolkit. The toolkit will be available to be used by the sector to assess the impact of financial capability projects aimed at older people. Where evaluations show that pilot initiatives work, the Strategy will focus on developing these into sustainable solutions that can be scaled up. See the section on Evidence and evaluation for further information (page 20).

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142 TNS survey for Age UK, April/May 2012 in Later Life in the UK (Age UK, 2014)
143 Problem debt among older people (Age UK, 2013)
144 Financial Ombudsman Service, Ref DRN9905176, 2015
145 The future of the UK equity release market: consumer insights and stakeholder perspectives, 2015, Louise Overton and Lorna Fox O'Mahony.
146 Never too late: Money advice and financial capability in later life (Age UK, April 2015)

Priority areas for action

There are a large number of issues which can negatively impact older people's ability to make the financial decisions that are in their best interests.

The key challenges for this group are empowering older people to balance their spending needs today with the need to manage their income, savings and assets over the entirety of their retirement while navigating life events such as declining health and care costs. To do this the Strategy will:

Priority 1: Develop the evidence base

The Strategy presents the opportunity to maximise the impact of the support the sector provides to older people through co-ordination and collective impact. The basis of this will be building the evidence base and sharing of information about older people's financial capability needs, gaps in provision and evidence of what works.

Priority 2: Use trusted messengers to reach older people with consistent messages that improve their financial capability

There is a need to influence older people's attitudes by reaching them with key messages around taking up the benefits they are entitled to and accessing advice. There is also a need to encourage older people to think about and plan how they will manage their finances in the future. The sector can and should do far more to use relevant 'trusted messengers' - people with whom older people interact regularly - to deliver these messages.

Priority 3: Improve access to money management tools and guidance that reflect the reality of life in retirement.

Empowering older people to access web-based tools and information if they can is an imperative, whilst at the same time improving access to face-to-face and telephone support for those who need it most by integrating it into other initiatives targeted at older people - for example, existing health and social care interventions. To do this, the Strategy will encourage the use of evidence-based provision to scale up initiatives that have been proven to work.

Priority 4: Improve the accessibility of products and services for older people in retirement

Older people's financial capability can be hampered by external factors around the ease and accessibility of products and services. The Section on Ease and Accessibility outlines in further detail what the Strategy will do to address these supply-side issues.

Action Plan

This section outlines the proposed actions to address the priorities outlined above. The Older People Steering Group will further refine, prioritise and evolve the action plan which will be published and updated on the Financial Capability website.

1 Develop the evidence base by co-ordinating research to fill gaps in our understanding

a. Develop an older people specific outcomes framework, and pilot it to evaluate a financial capability project aimed at older people.

b. Explore how the Strategy can work with the Centre for Ageing Better (a Cabinet Office 'What Works Centre' focused on older people) as the newly formed Centre's priorities emerge, and with universities and other organisations.

2 Use trusted messengers to reach older people with consistent messages that improve their financial capability

a. Test what approaches are effective at encouraging financially capable behaviour amongst older people and share learning with the sector. The Older People Steering Group will prioritise areas of focus. They may include messages that encourage older people to:

- think about the future and impacts of possible life events on their finances e.g. increasing care needs;
- seek advice if they are in financial difficulties;
- shop around;
- engage with lenders if they are struggling to repay maturing interest-only mortgages; and
- engage with support available when they have been identified as possible victims of scams.

b. *The Age Action Alliance* will co-ordinate activity that uses trusted messengers to encourage older people in retirement to access the benefits they are entitled to.

c. Co-ordinate activity to raise awareness of the need to plan ahead for care costs.

d. Co-ordinate activity to raise awareness amongst older people about scams.

e. Raise awareness of the risks in managing pension savings and other investments throughout retirement e.g. how to avoid excessive charges and fees and the risk of drawdown in a declining market.

f. Use evidence to build relationships with relevant trusted messengers, including household brands, charities and consumer groups, local authority staff and health services. Trusted messengers will be encouraged to disseminate key messages and signpost to further information and relevant advice services.

3 Improve access to money management tools and guidance that reflect the reality of life in retirement

a. Monitor the availability of money management tools and guidance for older people:
   - use developing insights to encourage the development of tools and guidance that reflect the reality of life in retirement;
   - highlight gaps in provision and consult with the sector on how to fill them; and
   - identify what is required to scale up from successful pilots to population-wide interventions.

b. Pilot and evaluate the impact of approaches to empowering older people to use the internet safely for financial activities:
   - prioritise reaching older people who are already online but lack the confidence to use the internet for financial activities;
   - provide internet security training, including scams awareness, as part of the digital inclusion activity;
   - scale up approaches that are proven to be effective.

c. Once the evidence base is developed, create a toolkit for use by organisations interested in offering money guidance to older people. The toolkit could:
   - encourage activities to cover key risks to older people's financial capability, e.g. focusing on mindset not just skills and knowledge; and
   - signpost people to the evidence base being developed through the Strategy and highlight key messages / approaches that have been proven to work.

d. Develop tools and guidance that assist people both to plan ahead for life events that affect people in retirement, and to deal with them at point of need, for example onset of ill health or needing to pay for care.

4 Improve the accessibility of products and services for older people in retirement

a. Engage with existing initiatives looking at access to financial products and services and encourage the implementation of evidence-based recommendations. Existing initiatives to be considered include:
   - *The British Bankers Association (BBA)* Vulnerability Taskforce;
   - *Council of Mortgage Lenders (CML)* and *Building Societies Association (BSA)* projects looking at Lending in Retirement;
   - *FCA* market study on big data and accessibility in the insurance market;
   - *FCA* study on access to financial services;
   - *BBA, Department for Business Innovation & Skills (BIS)* and *HM Treasury (HMT)* planned independent review of the Access to Banking Protocol.

b. Work with the sector to develop innovative solutions to encourage older people to seek out better deals.

People in Financial Difficulties

Work to support people in financial difficulties can be considered from three perspectives:

- early intervention to prevent emerging issues from becoming more serious;
- crisis support to help resolve a debt problem that requires urgent attention; and
- building resilience so that, after crisis support, future debt problems become less likely.

Co-ordinating work to support people in financial difficulties is the responsibility of the Debt Advice Steering Group (DASG), chaired by the Money Advice Service and drawing its membership from the senior staff of the major advice sector and creditor organisations from across the UK.

The DASG has established increased engagement with and greater awareness of debt advice as its current priorities in light of the extremely low proportion of over-indebted people that seek such support.

Priorities for the Strategy are to:

- develop and implement effective early arrears and pre-arrears interventions with multiple partners including housing associations, local authorities and financial services firms;
- identify the most effective ways to increase engagement through a series of experiments targeting clearly identified groups using evidence-based behavioural science techniques;
- maximise opportunities in the debt advice process to build a savings habit amongst clients and provide access to a wider suite of services, including psychological therapies; and
- deepen understanding of the impact of debt advice in the long-term and clearly assess the social and economic benefits of advice to creditors, health professionals and UK Plc.

Introduction

Financial difficulties can be experienced at all life stages and may be an ongoing feature of a person's life or only a passing phase. People in financial difficulties are more likely than average to be women, living on lower incomes and have experience of mental health issues.[147]

Financial difficulties have direct and indirect effects. Evidence suggests that adults that have experienced financial difficulties are more likely to become financially excluded, and children growing up in over-indebted households are more likely to be bullied at school.[148] Over-indebted people also report negative impacts on their relationships and physical health as a result of their debt problems.[149]

The Money Advice Service has a central role to play in the delivery of this aspect of the Strategy given its statutory responsibility to co-ordinate the debt advice sector – or more precisely to work with partners to improve the availability, quality and consistency of debt advice. Accessing debt advice is an important mechanism through which people can resolve financial difficulties and the key strategic aim the Money Advice Service and its partners on the Debt Advice Steering Group have identified is to increase engagement with high-quality debt advice across all channels of delivery.

[147] Indebted Lives (Money Advice Service, 2013)
[148] The Debt Trap (StepChange Debt Charity and the Children's Society, May 2014)
[149] Statistical Yearbook 2014 (StepChange 2015)

The most recent estimate is that 16% of the adult population are over-indebted.[150] In 2013, the Money Advice Service estimated that around 83% of over-indebted people were not seeking advice, and of those that did seek advice 50% wait over a year to do so. The Debt Advice Steering Group aims to double the proportion of over-indebted people seeking advice by 2020 and then to double it again by 2025.

This significant increase in levels of engagement will increase demand for advice services across all channels. Shared efforts to use evidence to diversify the funding base, improve funding co-ordination and increase funding levels will be essential to ensure that demand is met. The Debt Advice Steering Group will have an important role to play in overseeing this process.

Work on financial difficulties is broader than the delivery of debt advice when someone is in a crisis and as such the Strategy considers financial difficulties from three perspectives: early intervention; crisis support; and long-term resilience.

Evidence and key issues

Early intervention

Financial difficulties are not inevitable. By planning for potential difficulties in the future, interventions can be put in place to mitigate the impact of a negative change in circumstances, reduce its likelihood or remove the possibility altogether. This is as true when it comes to financial difficulties as in any of the other areas in which early intervention approaches are flourishing.[151]

When it comes to financial difficulties in particular we know that early intervention can make a significant difference. Many financial services firms, for example, have been using analysis of the data they hold on customers to trigger interventions, but it is not always clear how effective these interventions are.[152] This remains an under-researched area and one where the Strategy will seek to fill evidence gaps.

Early intervention is important when people may be heading towards financial difficulties because:

- most people take more than a year to seek support themselves – often due to a belief that their situation is normal for 'people like them';[153] and
- the earlier someone takes action to address a situation the more options they will have, including the potential of avoiding financial difficulties completely.

A central hypothesis of the Strategy is that by improving financial capability it will make it less likely that someone will end up in financial difficulties. Building the evidence around this is an important part of the Strategy's work. If this is shown to be the case then work to improve financial capability will have a key role to play in helping people avoid financial difficulties. This could be in multiple ways and would include:

- building tangible assets such as a savings buffer or an appropriate set of insurance products like home contents insurance or life cover;
- building intangible assets such as a support network of peers to talk to about financial matters; and
- developing an understanding of when and where to seek out support from expert agencies when facing a major financial decision.

[150] Forthcoming (Money Advice Service/CACI, 2015)
[151] See the work of the Early Intervention Foundation in the UK or the Cure Violence initiative in the USA
[152] For example, see Understanding financial difficulty: exploring the opportunities for early intervention (Barclays/PFRC/Money Advice Trust, 2011)
[153] Indebted Lives (Money Advice Service, 2013); An Action Plan on Problem Debt (StepChange, 2015).

Crisis support – Debt Advice

There is compelling evidence that support in a crisis is effective. When people access debt advice – over the phone, face to face or online – they are, in the main, able to resolve their problems. When people access advice they resolve their problems more quickly and more sustainably than if they had taken action to address their difficulties alone.[154]

Debt advice can deliver good value for money,[155] although its impact in the widest possible sense – including impact on health, family relationships and long-term financial well-being – is not yet fully understood.

An example from the Courts in England is that when someone facing possession action received advice immediately prior to their hearing, the chances of that person subsequently being repossessed reduced to almost nil, whereas if no advice was given the likelihood of that person losing their home became significant.

While the causal relationship between mental ill health and problem debt is not fully understood, it is most likely to be causal in both directions but for different groups of people. There is evidence from independent evaluation of projects funded by the Money Advice Service that significant improvements in mental health are noted by clients after they have received debt advice.[156] This is supported by similar research carried out on behalf of other advice providers across the UK.[157]

A final example is drawn from qualitative research looking at a set of debt advice projects focused on people from particularly marginalised groups. This found that for clients who were experiencing domestic abuse, receiving debt advice and wider support around money management made it possible for them confidently to leave abusive relationships, leading to significant benefits both for them and their children.[158]

The central challenge around crisis support is that not enough people in serious financial difficulties seek out and access support. Research conducted the Money Advice Service found that only around 17% of over-indebted people actively seek out advice.[159] It is the strong evidence for its effectiveness combined with the low levels of people seeking advice that have informed the aim for this section of the Strategy.

The Money Advice Service will take forward its work delivering this aim and developing a broader strategy for debt advice with support from the recently convened Debt Advice Steering Group. This group includes senior representatives from the key organisations that work with over-indebted people and has been put in place following a recommendation in the recent independent review of the Money Advice Service.[160]

The Steering Group builds on an existing advisory group the Money Advice Service had in place and will be complemented by action groups to take forward work in clearly defined areas. Membership of these action groups will be drawn from the wider Debt Advice Operational Group that will report to the Debt Advice Steering Group.

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[154] The effectiveness of Debt Advice (YouGov for Money Advice Service, 2012); Debt Advice Channel Strategy Research (Money Advice Trust, 2012)
[155] Helping consumers to manage their money (National Audit Office, 2013); The Social Cost of Problem Debt in the UK (StepChange, 2014)
[156] Debt Advice Review (Money Advice Service, 2014)
[157] http://www.rcpsych.ac.uk/pdf/Debt%20and%20mental%20health%20(lit%20review%20-%2009_10_18).pdf
[158] Forthcoming, Evaluation of Making Advice Work Stream 3 (TNS-BMRB for the Money Advice Service, 2015).
[159] Indebted Lives: the complexities of life in debt (Money Advice Service, 2013)
[160] Money Advice Service: Independent Review (HM Treasury, 2015)

Building resilience

Financial difficulties also need to be considered in the longer term. Once a problem has been addressed, either by an individual themselves or with support from an external party, it is important to reduce the likelihood of that problem or a similar one recurring.

The point of advice delivery is a critical one at which to intervene as not only are finances an extremely salient topic at the time but evidence suggests that people receiving advice will almost always follow the guidance of their adviser.[161]

This is the first point at which resilience can be supported, through helping people facing difficulties in the moment to reflect on the possibility of them recurring again and put in place strategies to minimise that likelihood.

It is also important to consider support on an ongoing basis. There will be some people who resolve their financial difficulties through a structured solution such as bankruptcy or a debt management plan and for those people there are numerous further touch points that could be used to support the development of greater resilience.

A useful resource made available by StepChange Debt Charity, for example, is an online cognitive behavioural therapy tool, which for some clients will help to resolve mental health issues that may have pre-dated their debt problem or been exacerbated by it.

Other organisations, such as Christians Against Poverty, will provide ongoing financial planning support to their clients to ensure that effective prioritisation of bills and payments is sustained long after the initial advice process.

Money Advice Service research suggests that around a third of over-indebted people who have accessed advice have done so before.[162] For some of those people returning to advice will be an important strategy to avoid a deepening debt problem and will reflect a greater awareness of the benefits of accessing advice. For others though it may indicate a recurrence of problem debt that could have been avoided if more action had been taken during the advice process or further to it in order to provide greater support, focused on the long term, to the client.

[161] The Money Advice Service 2012 and 2013.
[162] Indebted Lives: the complexities of life in debt (Money Advice Service, 2013)

Priority areas for action

Priority 1: Early intervention

The benefits of early intervention are clear; but the best manner of going about it is not. This is owing to a lack of detailed evaluation of the impact of efforts to intervene with people experiencing financial difficulties as well as the lack of a common language to talk precisely about over-indebtedness and interventions.

The Strategy aims to address these issues through an initial phase of experimental research with different types of creditors making different types of interventions with different client groups. This will be informed by analysis the Money Advice Service has conducted of existing data sets on both an attitudinal and demographic basis.

This will be complemented by work to create a shared understanding of what the key indicators of financial difficulties are at each step in the journey leading to problem debt. This will make it easier to identify consistent intervention points both within and across different creditor types and allow for transferable learning from evaluation work. This work builds on a similar exercise co-ordinated by the Money Advice Service to create an evaluation toolkit to enable consistent evaluation of crisis interventions.

When a shared understanding of key indicators has been reached, pilot activity will be taken forward collectively to test interventions designed to support people at a variety of points on the journey. These will build on the experimental research being co-ordinated by the Money Advice Service.

This work on early intervention as a whole will be supported by an action group set up under the auspices of the Debt Advice Steering Group.

Priority 2: Crisis support – Debt Advice

As noted above, the Debt Advice Steering Group has decided that its principal aim will be to significantly to increase levels of engagement with debt advice by over-indebted people. In parallel with an increase in engagement it is important to ensure that the quality of advice and its accessibility across communities continues to increase.

Making debt advice attractive and as easy to access as possible is critical. Citizens Advice, StepChange and the Money Advice Trust are working together to develop options for a smoother process of initial entry to debt advice and more effective referrals between the three charities.

Reviewing the suitability of existing solutions to problem debt, such as Debt Management Plans or Bankruptcy, is also required to ensure that what is available now is appropriate and, if not, what changes should be made. It is currently not clear that existing solutions are as effective or accessible as they might be and there may be additional solutions required to meet the full set of needs of over-indebted people. The Money Advice Service has begun research on solutions and will work with its partners across the sector to disseminate the findings and support efforts for change as appropriate. The review into Breathing Space announced by HM Treasury and the Insolvency Service[163] will also provide important input to work on creating the most appropriate suite of solutions for the whole of the UK.

Debt advisers are highly effective messengers and so identifying the most appropriate financial capability messages during the crisis support phase is critical for long-term impact. Money Advice Service projects are already beginning to integrate financial capability work into their practice and so understanding what works and subsequently embedding good practice is an important area of focus for the Strategy.

The Money Advice Service has committed to measuring the impact of debt advice in the long term and will undertake that work through a longitudinal study involving clients of its own funded projects and those of its partners.

Priority 3 Building resilience

Too many people return to debt advice having fallen back into financial difficulties. This area of the Strategy focuses on ensuring that people that have had debt advice are able to emerge in a much stronger position for the long-term than when they entered the advice process.

High-quality post-crisis support should be available for everyone across all channels and that it should be tailored to the individual and the particular solution they have received.

There is great promise in the integration of financial capability support into the insolvency process in Scotland and the Money Advice Service will work with the Accountant in Bankruptcy (AiB) on its assessment of the effectiveness of its new requirements.

The Money Advice Service is committed to working with its partners to gather evidence of what works best, be that the e-e-couch CBT programme[164] offered by StepChange, the annual review process conducted by debt management firms or financial capability buddies that people can work with after they have visited Citizens Advice.

[163] The government's response to the independent review of the Money Advice Service (HM Treasury, 2015)
[164] E-couch is linked to StepChange's Debt Remedy tool.

Financial Capability Strategy for the UK

Action Plan

This section outlines the proposed actions to address the priorities outlined above. The Debt Advice Steering Group will further refine, prioritise and evolve the action plan which will be published and updated on the Financial Capability website.

1 Early intervention

a. The *Debt Advice Steering Group (DASG)* will set up an Early Intervention action group to co-ordinate best practice.

b. The *Money Advice Service* will facilitate 'pre-arrears' pilots with several creditor bodies including *Fife Council and Community Housing Cymru*. These pilots will test and evaluate various methods of proactive and reactive communication with people showing signs of being in financial difficulty. The pilots will be followed by replicability testing and wide dissemination of the findings through the action group.

c. Work collaboratively with creditor organisations to standardise the process and protocols for 'warm transfers' so that they are used more consistently by creditors.

d. The *Money Advice Service* and *OFGEM* will run an engagement pilot to test effectiveness of gender specific messages.

e. The *Money Advice Service* will test insight-based engagement strategies using social media.

f. The *Steering Group* will co-ordinate action across the sector to develop an over-indebtedness taxonomy to help people and organisations spot the early signs of financial difficulties.

2 Crisis support – Debt Advice

a. *Citizens Advice, StepChange Debt Charity* and the *Money Advice Trust* are working together to improve the initial point of entry into debt advice and to have more effective referrals between them.

b. Expand the scope of projects funded by the *Scottish Government* and the *Money Advice Service* that reach people who are particularly marginalised from debt advice. The learning from this work will be shared across the UK by the *DASG*.

c. The *DASG* will engage with the financial abuse work led by the *Addressing Financial Difficulties Group*.

d. The Strategy will continue to build the capacity of the sector to deliver high-quality advice across all channels to meet client demands.

e. The Strategy will co-ordinate longitudinal research to understand the effectiveness of debt advice across all channels over the medium to long term.

f. The *Money Advice Service* will commission research into the effectiveness of the existing debt solutions. This will help identify if there are any types of over-indebted people for whom the current suite of debt solutions does not work. Findings will be shared and if necessary, recommendations made for any new solutions if required.

g. Work with *StepChange Debt Charity* to learn from their research into the social return from investment in debt advice to develop an enhanced evidence base – including a full economic appraisal – to support building capacity in the sector through contributions from a more diverse group off funders.

3 Building Long-Term Resilience

a. Undertake deeper analysis of the data supplied by *Money Advice Service*-funded organisations on their repeat client rate.

b. Maximise the use of learnings from behavioural science within the debt advice process and tools, including integration of the savings element of the Standard Financial Statement into debt advice practice across the sector.

c. Work with debt management plan providers, including *PayPlan* and *StepChange*, to maximise the value of the customer annual review process and ad hoc customer contact in strengthening financial capability.

d. Work with *Grant Thornton* to integrate financial capability support into the Individual Voluntary Arrangement (IVA) journey.

e. Consider the role the County Court system might play in embedding financial education into the process that a debtor is expected to follow post hearing/court action.

f. Measure the benefits and effectiveness of statutory financial capability support as part of the insolvency process in Scotland, and use the insights gained from this to work with other organisation on its wider implementation across the UK.

g. Collaborate with financial services organisations on an approach to rehabilitating those coming out of debt with regard to repairing credit history, opening bank accounts etc.

Ease and Accessibility

- At any stage of life, people's circumstances can make accessing financial services harder and the design and delivery of products can exacerbate difficulties people experience accessing the products and services they need.
- The overall aim in this area is to improve financial capability by enabling better access to appropriate and easy-to-use financial services and advice.
- The Strategy's work will build on the significant amount of activity already underway in the sector to improve the ease and accessibility of products and services, including current initiatives looking to improve information and choice in terms of simpler products and clearer, customer-focused communications.
- Issues the Strategy will seek to engage with include: filling the current gap in affordable credit; empowering people who are currently unbanked to start using a bank account; working with the sector to ensure that people can continue to have access to banking services; and working with digital inclusion initiatives to empower people new to the internet to use it for financial transactions.

Introduction

This section provides an overview of evidence and key issues surrounding ease and accessibility across the UK. Some of the areas of policy covered in this section are either wholly devolved or have separate delivery mechanisms in the devolved nations and where this is the case the priorities for action and initial action plan apply to England only, other actions are UK wide. In Wales, Ease and Accessibility factors are core themes in the Welsh Government's Financial Inclusion Strategy which is being refreshed for 2016. The Wales Forum will work with Welsh Government in taking forward priority issues and actions relating specifically to Wales.

The majority of the priority issues and actions identified in this section will be taken forward by the Working Age Steering Group. Others of particular relevance to older people will be taken forward by the Older People in Retirement Steering Group.

Being financially capable requires not only the appropriate skills, knowledge, attitudes and motivation, but also the opportunity to connect to financial services, support and advice. These need to be accessible and easy to use, with clearly understandable options, trade-offs and consequences.

At any stage of life, people's circumstances can make accessing financial services harder. For example:

- physical access to bank branches and cash machines is more difficult for people with low mobility;
- accessing appropriate credit quickly is more difficult for people with variable incomes or poor or incomplete credit records; and
- geographical remoteness and digital exclusion can significantly affect people's ability to access services.

The design and delivery of products can exacerbate difficulties people experience accessing the products and services they need. For example:

- use of technical and complex language in marketing and terms and conditions mean that the consequences of decisions can be unclear;
- automated approaches to product eligibility can mean people are locked out of mainstream products; and
- the closure of bank branches will have a significant impact on people who prefer to access their bank through this channel, particularly those who are not able or willing to use digital or phone services.

There is a significant amount of activity going on in this area, which has seen an increased focus in recent times, including: work led by the Financial Inclusion Commission; the Credit Union Expansion Project; and the Archbishop of Canterbury's Task Group on Responsible Credit and Savings.

Since the publication of the *Consultation Response and Next Steps* document in March, a Financial Services Vulnerability Taskforce has been launched in order to look proactively at the ways in which institutions can improve the experience of customers who may be in vulnerable circumstances. The Taskforce will be looking out for good practice in financial services – as well as other sectors – that can be adopted more widely. The Strategy will work with and seek to build on this activity.

Access to Banking

Basic bank accounts

Almost 2 million people are currently unbanked. The introduction of fee-free basic accounts by the end of 2015 should enable a range of people who are currently unbanked, or do not have access to a transactional bank account, to become banked. Approximately a quarter of unbanked people have previously had bank accounts, so there will also be attitudinal barriers to overcome, based on previous negative experiences.[165]

HM Treasury (HMT) recently consulted on regulations that would place a duty on the Money Advice Service to raise awareness of Basic Bank Accounts. Through the Strategy, the Money Advice Service will work with partners to fulfil this duty to reach people who would most benefit from the new accounts.

Using current accounts

The Competition and Markets Authority (CMA) has published the provisional findings on the current account market.[166]This has noted that it is difficult for customers to understand and compare banks and products and highlighted the persistent low levels of current account switching. This may limit consumers' capability and opportunity to make choices that are right for them.

Debit cards account for the majority of card transactions in the UK. Their use is expected to rise over the next ten years, with credit card payments expected to remain steady.[167] One significant driver to this growth will be younger people, who have grown up more used to high-frequency debit card use and are more likely to adopt innovations like 'contactless' and mobile payments.[168]

In addition to the unbanked, the Strategy also needs to consider people who do have access to a current account but who are not able or willing to use the transactional functions it provides, for example direct debits and chip-and-pin payments as well as emerging payments. Assisting people to use the functionality available to them should help them manage their finances more effectively.

Physical access

As more customers use technology for banking, the number of transactions completed in bank branches is declining. The British Bankers Association (BBA) have reported that one major bank saw a 40% decline in transactions in branch between 2009 and 2014.[169] Banks are continuing to reduce their high-street presence, closing unprofitable branches.

Branch closure can have a significant impact on older people who typically prefer to bank in branch and are less likely to use digital services. Government and the British Bankers Association (BBA) have developed the 'access to banking protocol', an industry-wide agreement to work with customers and communities to minimise the impact of branch closures by making sure that customers still have banking services close at hand if a branch closes. The agreement also commits the industry to making sure there is the right support to help customers use internet or mobile banking.

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[165] Financial Inclusion Annual Monitoring Report (Karen Rowlingson and Stephen McKay , University of Birmingham 2014)
[166] Retail Banking Market Investigation Summary of provisional findings report, CMA 2015 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/470032/Banking_summary_of_PFs.pdf
[167] UK Card Payments (UK Cards Association, 2014)
[168] UK Cards Payment Summary (UK Cards Association, 2015).
[169] World of Change (BBA, 2015)

Access to affordable credit

There are over 30 million credit card customers who together account for an estimated £56.9 billion of outstanding credit card balances. 36% of credit card users revolve their credit balances, with working-age credit card holders (43%) the most likely to do so.[170]

Recent changes in regulation, for example the payday lender price cap, has led to an estimated reduction in the availability of high-cost short-term credit of £1.25 billion in 2015. The FCA estimates that around 70,000 people will no longer be able to access payday loans and that this will disproportionately affect those under 35 who make up 50% of payday loan customers.[171] The Community Development Finance Association have suggested that potential demand from small organisations and individuals unable to access affordable credit from mainstream sources could be as high as £6bn per year.[172]

Existing sources of credit do not fully meet the needs of low-income groups. There is considerable interest in exploring the potential of credit unions and Community Development Finance Institutions (CDFIs) to fill this gap and develop sustainable models of delivery. A number of credit union pilots have trialled alternatives to payday loans, offering similar speed of access and flexibility but with more affordable repayments. These do not currently operate at scale and the distribution of credit unions varies significantly across the UK.

The Credit Union Expansion Project has been funded by the Department for Work and Pensions (DWP) to make the credit union sector financially self-sustainable and provide one million more people with access to affordable loans, debt advice and other financial products. The Association of British Credit Unions Limited (ABCUL) is leading the delivery of this.

The Strategy will seek to share learning and insights into what works to meet the current gap in affordable credit and test the feasibility and sustainability of different models and approaches; including hand-offs or overlaps between providing affordable credit with broader money advice and financial capability interventions.

Digital Exclusion

78% of adults (39.3 million) in Great Britain used the internet every day or almost every day in 2015.[173] It is estimated that the number of people who have never been online is reducing by approximately 3% a year.[174] 44% of people aged 65 and over (4.8 million people) have never been online. Reasons people give for not having internet access vary with 53% across all age groups feeling that they don't need the internet because it is not useful or not interesting and 32% saying that they don't have the skills to use it.[175] There is still significant variation across the UK in access to reliable broadband and for some cost remains a barrier.[176]

People who use the internet for financial transactions can make significant savings from gaining access to the best deals and comparison sites that make it easier to shop around. BT has calculated direct financial savings to individuals of digital inclusion to new users to be £560.[177]

[170] Financial Capability Survey (Money Advice Service, 2015)
[171] Press release, FCA confirms price cap rules for payday lenders (FCA, November 2014)
[172] CDFA, *Mind the Finance Gap* (2013) www.cdfa.org.uk/wp-content/uploads/2013/02/CDFA-Mind-the-Finance-Gap-full-report-WEB-VERSION1.pdf
[173] Internet Access - Households and Individuals (Office of National Statistics, 2014)
[174] Government Digital Inclusion Strategy (Government Digital Service, 2014)
[175] ONS, Internet Access - Households and Individuals, 2014
[176] ibid
[177] Valuing digital inclusion, 2014, BT

A majority of adults in the UK use the internet for banking and financial transactions and mobile banking is becoming a more accepted part of money management with almost four in ten (37%) of mobile internet users accessing their bank account via their mobile phone at least once a month. One in four (24%) mobile internet users reported making an electronic payment or money transfer with their mobile phone.[178]

Within that broad picture of increasing use of the internet for banking and financial transactions there are significant variations by age. Ofcom statistics show that only one-third (32%) of people aged 55 and over use the internet for banking, compared to two-thirds (66%) of 35-54 year olds.[179] The percentage of older people who would be happy to use the internet for day-to-day banking transactions declines slightly above the age of 60 and drops very sharply above the age of 70.[180] Of people over 55 who already use the internet, 53% don't use it for banking and 41% don't use it for purchasing goods and services.[181]

The Strategy can work with digital inclusion initiatives to promote the financial benefits of being online to those who are currently not interested in accessing services; and it can assist people who are interested to develop the necessary skills and knowledge. As older people who currently use the internet for non-financial reasons already have some digital skills and confidence using technology, the Strategy will initially prioritise this group for joint financial capability / digital inclusion interventions.

Developments in financial technology ("fintech")

Technology has already changed the way we access banking and financial services and is likely to continue to do so in the future. Many organisations are already exploring the potential of "fintech" to make it easier for people to access, understand and engage with their finances. At the moment we know less about the extent to which different products and platforms help to boost engagement. A key area for the Strategy to consider and learn more about is the extent to which different "fintech" solutions can be shown to improve financial capability of people in addition to providing new ways for the already financially capable to increase their engagement with their savings, budgeting and planning.

Improving information and choice

'Simple Products'

The Sergeant Review in 2013 concluded that UK customers would benefit from the option to purchase simple, standardised, easy to understand and comparable savings and protection insurance products.[182] The Association of British Insurers (ABI), British Bankers' Association (BBA) and the Building Societies Association (BSA) have worked together, and consulted many stakeholders, to develop a 'Simple Products' framework. The framework has gained approval under the Trading Standards Institute (TSI) Consumer Codes Approval Scheme (CCAS). Three product standards to be launched under the scheme have also been approved: a simple life insurance product and two deposit savings accounts. Work is now underway to ensure that the name and logo to be used by companies wishing to offer 'simple products' can only be used under licence, following accreditation and subject to monitoring. Once this work has been completed, the framework, new name and logo will be launched and companies will be able to offer products meeting the scheme standards to the public.

[178] The Communications Market, Ofcom, 2015 http://stakeholders.ofcom.org.uk/binaries/research/cmr/cmr15/UK_5.pdf.
[179] Technology Tracker data tables, Wave 1 2015, Ofcom
[180] Financial Capability Survey, Money Advice Service, 2015
[181] Technology Tracker data tables, Wave 1 2015, Ofcom
[182] Sergeant Review of Simple Financial Products: Final report, March 2013
https://www.gov.uk/government/publications/simple-financial-products

Clearer customer-focused communication

Evidence from the FCA has highlighted that there is more for firms to do to empower people to make the best decisions for them, including, better understanding of what people need to know and when they need to know it.[183] Through the *Smarter Communications* discussion paper, the FCA has shown its willingness to work with providers to address regulatory requirements that can be show to be preventing or inhibiting effective customer communications.

Improving inclusivity of products and services

Despite the fact that most financial services firms have policies in place to provide assistance to people that need it to access their services, frontline staff may not be aware of or implement them or refer people on to specialist teams able to provide assistance. As a result, many people dealing with events or 'non-standard situations' continue to face barriers to accessing services.[184] For example, a lack of forms of identification or a transaction record for a credit history can prevent people from accessing mainstream financial products.

There has been a welcome increase in focus on this issue in recent years. A number of charities including Macmillan and Age UK proactively raise issues and work with industry to develop and promote solutions.

The FCA recently published an Occasional Paper on consumer vulnerability and an accompanying Practitioners Pack for firms.[185] Amongst other initiatives, the BBA has set up a Vulnerability Taskforce that will look to co-ordinate an industry response to the address the issues raised by the FCA.

As there are currently a number of initiatives already underway the Strategy is not proposing any new work in this area. The Strategy will continue to monitor progress of initiatives and encourage the sector to implement evidence based recommendations.

Extra costs

Around 15 million adults in Britain have long-term health conditions[186] that can place extra financial demands on individuals, families and carers. Macmillan's research has highlighted the significant financial impact of cancer, while the impact varies, 83% of people affected by cancer are, on average £570 a month worse off following their diagnosis.[187] As well as the additional higher costs of living, the impact of a life event or a change in circumstances on confidence, skills and motivation can be profound.

The Extra Costs Commission has highlighted the additional costs faced by disabled people as a result of their impairment(s). This can be, for example, around £200 a week for someone with a neurological condition, or around £300 per week for someone living with a physical impairment. Extra costs have an impact on disabled people's financial resilience. Disabled people have lower levels of savings and assets than non-disabled people and are more likely to experience debt.[188]

Scope is taking forward the Extra Costs Commission's recommendations for disability organisations to develop information resources and peer-to-peer platforms that have a greater focus on disabled people's needs as consumers. The Money Advice Service is working with Scope to build financial capability support and insight into these resources.

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[183] FCA, Smarter Communications paper (2015)
[184] Occasional Paper Number 8: Consumer Vulnerability, FCA, 2015
[185] Occasional Paper Number 8: Consumer Vulnerability, FCA, 2015
[186] Department of Health Long-term conditions compendium of Information: 3rd edition (2012).
[187] Macmillan, *Cancer's Hidden Price Tag* (2013)
[188] Scope, Priced out: ending the financial penalty of disability by 2020, (2014)

Action Plan

The following actions have been included in the priorities for action and action plans for Working-age people (page 50) and older people in retirement. (page 66) The following actions will be taken forward by the Working Age Steering Group.

1 Improving the accessibility of financial products, services and advice

a. Support existing cross-industry initiatives on access to mainstream banking including:
- work on identity requirements for opening current and savings accounts;
- monitoring the take-up of basic bank accounts and 'jam-jar' facilities and the introduction of 'simple products'; and
- understanding the impact of industry approaches to improve access to banking services.

b. Embed financial capability in the development and delivery of the *Digital Passport* project to help consumers open and switch providers of savings accounts more easily and flexibly, in collaboration with *TSIP*.

c. Work with organisations, in particular credit unions, to co-ordinate existing projects monitoring access to affordable credit and to investigate and pilot different approaches to meeting identified gaps in demand.

d. As innovative products and payment systems are rolled out, partners involved in the Strategy will monitor their take-up and, where possible, develop shared understanding of their impacts on consumer behaviour.

e. Building on the *Financial Conduct Authority (FCA) Smarter Communications* paper, work with partners to co-ordinate industry initiatives to test and learn from different approaches to product communications that help consumers engage with the features, costs and risks of different financial products.

The following actions will be taken forward by the Older People in Retirement Steering Group.

2 Improve the accessibility of products and services for older people in retirement

a. Engage with existing initiatives looking at access to financial products and services and encourage the implementation of evidence-based recommendations. Existing initiatives to be considered include:
- *The British Bankers Association (BBA)* Vulnerability Taskforce;
- *Council of Mortgage Lenders (CML)* and *Building Societies Association (BSA)* projects looking at Lending in Retirement;
- *FCA* market study on big data and accessibility in the insurance market;
- *FCA* study on access to financial services;
- *BBA, Department for Business Innovation & Skills (BIS)* and *HM Treasury (HMT)* planned independent review of the Access to Banking Protocol.

b. Work with the sector to develop innovative solutions to encourage older people to seek out better deals.

Part 3

Devolved Nations

Financial Capability
Strategy for the UK

Scotland

Context

In 2010 the Scottish Government commissioned an in-depth analysis of the future delivery of public services, "The Christie Commission"[189] which reported back in 2011. The Scottish Government's response[190] and subsequent approach to public service reform closely reflects the key themes and aims of the Christie Commission and is built on four pillars:

- a decisive shift towards prevention;
- greater integration of public services at a local level driven by better partnership, collaboration and effective local delivery;
- greater investment in the people who deliver services through enhanced workforce development and effective leadership; and
- a sharp focus on improving performance, through greater transparency, innovation and use of digital technology.

These are key priorities for the Scottish Government over this current Parliament and will intensify the focus on improving service outcomes for the people of Scotland. We have already seen the integration of health and social care and the introduction of Curriculum for Excellence in all schools.

The current Programme for Government 2015/16[191] aims to create a fairer and more prosperous nation, in which opportunities are open to everyone and where because of that, everyone is able to contribute their talent, skill and commitment. It includes a new Private Tenancies Bill which is intended to provide tenants with protection against excessive rent rises and steps will also be taken to deliver a new social security system,* as soon as the power is granted. As the next phase of Curriculum for Excellence, a new National Improvement Framework for Scottish Education will be developed and implemented, to ensure that all children are being equipped with the skills they need to get on in the world.

*The Scotland Bill[192] is currently being considered by the UK and Scottish Parliaments and sets out the UK Government's proposals for the implementation of the recommendations of the five-party Smith Commission in November 2014.Some of the main provisions of the Bill cover: powers for the Scottish Parliament to set rates and thresholds of Income Tax; devolution of certain social security benefits, including disability and carers' benefits; and powers for the Scottish Parliament to adjust Universal Credit in Scotland including the housing element.

The Scottish Government has also opened up a national dialogue about how the country can be a fairer and more equal place to live."Creating a fairer Scotland"[193] will invite people to set out their vision of a fairer Scotland and suggest practical solutions, based on local and personal experience. Capturing the voices of those with direct experience of poverty and exclusion will be vital.

[189] http://www.gov.scot/Publications/2011/06/27154527/0
[190] http://www.gov.scot/Resource/Doc/358359/0121131.pdf
[191] http://www.gov.scot/Resource/0048/00484439.pdf
[192] http://services.parliament.uk/bills/2015-16/scotland.html
[193] http://fairer.scot/about/

The Government policies that will have relevance and impact on the Financial Capability Strategy for Scotland include:

Early Years Framework[194] – partners across Scotland have been building a shared understanding of why children's early years experiences are so important and how big a part they play in individual life outcomes. From this the Early Years Collaborative (EYC) was formed which is a coalition of Community Planning Partners, including social services, health, education, police and third sector professionals committed to ensuring that every baby, child, mother, father and family in Scotland has access to the best support available. By the end of July 2015 there are over 530 government supported EYC improvement tests underway all over Scotland These plus the eight Key Change themes, are helping identify what works to make the biggest difference in children's lives including an income maximisation model that entails midwifes identifying and referring vulnerable families to local welfare benefits advice services.

Child Poverty Strategy[195] – The 2014 revision of the Child Poverty Strategy focuses on maximising household resources, reducing pressure on household budgets among low income families, improving children's wellbeing and life chances. It also promotes greater financial inclusion and capability to ensure people have a basic understanding of how to manage their money more effectively. The most recent report[196] tells us that the number of households with children that report not managing well financially and the proportion with access to a bank account has been relatively stable since 2004.

Getting it Right for Every Child (GIRFEC)[197] – this provides a delivery framework for all services and agencies working with children and families. It covers key actions being undertaken by the Scottish Government and its partners to tackle, amongst other things, the social problems experienced by some children and communities in Scotland. It aims to improve the early years' experience in Scotland to address issues such as poverty, poor health and poor attainment.

National Parenting Strategy[198] – The National Parenting Strategy is all about valuing and supporting Scotland's parents as one of the single biggest ways of giving children the best start in life. This is about making it easier for parents to understand the positive difference they can make to their child's development, helping parents to feel confident in their ability to care for their children, feel reassured that help is available if and when they need support and ultimately making parenting an even more rewarding experience.

These **strategies** will have strong connections to the children and young people section of the Financial Capability Strategy for Scotland. Research confirms that the brain is in a period of rapid development throughout childhood and adolescence, creating, strengthening, and discarding the connections which govern everything we do.[199] This includes our attitudes about, and our ability to manage our money, potentially from the age of three years old. We also know that peers and family members play a key role in reinforcing financial education and providing role models

National Youth Work Strategy 2014-19[200] – The ambition of this strategy is that all young people, in every part of Scotland, should have access to high quality and effective youth work practice. Since the Youth Strategy of 2007 started this process there have been many achievements to date including youth work now being recognised as a vital component in a wide range of national policy areas such as justice, health, employability and education. The Financial Capability Strategy for Scotland will look to form new connections for the young adult strategy and wherever possible, seek to involve young adults in the initiation and design of interventions. For example, through peer-to-peer or near-to-peer support and in the use of digital technology including financial technology.

[194] http://www.gov.scot/Resource/Doc/257007/0076309.pdf
[195] http://www.gov.scot/Resource/0044/00445863.pdf
[196] http://www.gov.scot/Resource/0048/00487238.pdf
[197] http://www.gov.scot/Topics/People/Young-People/gettingitright
[198] http://www.gov.scot/Resource/0040/00403769.pdf
[199] Habit formation and learning in young children, Money Advice Service, 2013
[200] http://www.educationscotland.gov.uk/Images/YouthWorkStrategy181214_tcm4-823155.pdf

Developing the Young Workforce[201] – Since 2014 the Scottish Government has embarked on a seven year national programme which will look to substantially and permanently improve the transition of all young people from education into sustainable, productive employment. The number of Modern Apprenticeship opportunities available each year has increased from over 21,000 starts in 2010/11 to over 25,000 in each of the last 3 years. The Financial Capability Strategy for Scotland can work across this framework to support money management learning in all of the contexts included in the programme.

The Strategy for Justice in Scotland[202] – within this strategy some of the focus includes building legal capability which will equip people and communities with the knowledge and resources to identify, prevent and resolve issues affecting their rights and responsibilities at the earliest opportunity and at the most appropriate level. Debt problems feature significantly in both criminal and civil justice. The Financial Capability Strategy for Scotland will support work in these area including work with young offenders.

Digital participation strategy[203] – The aim of this strategy is to grow levels of digital participation by individuals, so that Scotland has the highest rates of participation among UK countries by end 2015. In Scotland access to the internet has continued to grow steadily. The proportion of households with internet access in Scotland now stands at 76%, compared to 40 % at the beginning of 2003.

S**cotland's Digital Future: Delivery of Public Services**[204] – The Scottish Government is working with the wider public sector to achieve public services that are high quality, continually improving, efficient and responsive to local needs. This strategy sets out the vision and ambitions to take this forward. An example of progress includes Skills Development Scotland's "My World of Work"[205] which helps individuals find out what kind of job they would be suited to and how they can go about getting it.

Digital learning strategy consultation[206] – this consultation will run until December 2015 and seeks views on the development of a Digital Learning and Teaching Strategy for Scotland.

Cyber resilience strategy consultation[207] – this consultation takes forward Scottish Government's commitment to building cyber resilience amongst our communities, our businesses and our public services. With ever increasing digital connectivity and opportunities comes new risks.

These strategies will have relevance across all of the age groups within the Financial Capability Strategy for Scotland in relation to ease and accessibility, digital and financial inclusion. For example, working with digital initiatives to promote the financial benefits of being online to those not interested in banking online and making sure financial capability resources are embedded in services for users. All of these issues will feed into the developing Financial Capability Strategy for Scotland which will continue to evolve over the next ten years as any new legislation, new devolved powers, financial and social changes come into effect.

[201] http://www.gov.scot/Resource/0046/00466386.pdf
[202] http://www.gov.scot/Resource/0040/00401836.pdf
[203] http://www.gov.scot/Resource/0044/00448804.pdf
[204] http://www.gov.scot/Resource/0040/00407741.pdf
[205] http://www.myworldofwork.co.uk/
[206] https://consult.scotland.gov.uk/learning-directorate/digital-learning
[207] https://consult.scotland.gov.uk/cyber-resilience-policy-team/cyberconsultation

Scotland Financial Capability Survey 2015

Money Advice Service research shows that around two fifths of Scottish adults aren't confident managing their money. Those who manage less well tend to be younger working age adults, particularly 18-24 year olds, recipients of benefits and tenants in social housing but problems are not confined just to these groups.

Around two in five Scottish adults are preparing for and managing life events with those aged 25-54 performing better. There are still on average 49% of people struggling or falling behind and of those who are over-indebted only 16% are currently consulting an external advice organisation about debt.

In terms of skills and knowledge 17% of adults in Scotland found it challenging to answer questions about reading a bank balance and 33% was unable to correctly calculate an account balance after interest is added. This raises questions about the extent to which consumers can effectively select and manage financial products and services.

Around half of Scottish adults indicate a mindset that focuses more on their current needs and wants and also don't think it's very important to save (either for a rainy day or for retirement).

There is scope to improve people's engagement with money. A quarter of Scottish adults do not discuss money openly with friend or family; 13% are too busy to sort their finances at the moment and Scottish adults are slightly less likely to think it's important to shop around compared to the UK.

Only 58% of adults in Scotland are happy to bank online. Older people in retirement are least likely to have accessed the internet in the past seven days or are happy to bank online. Whilst younger people scored higher on both these measures their levels of confidence making financial product/service decisions are lower (only 27% felt very confident compared to 60% of older people in retirement).

The Scotland Financial Capability Strategy

The Scotland Strategy and its action plans are being developed in consultation with a wide number of stakeholders across Scotland including the Scottish Government, local government, public bodies, the advice sector, housing associations, third sector organisations and financial services providers. It sets out how the Money Advice Service will work with the sector to improve financial capability across Scotland.

The Strategy will be owned and managed by the Scotland Forum, chaired by Money Advice Scotland and includes representation from a wide range of organisations.

In order for the strategy to succeed in Scotland, it is essential that these key stakeholders work to a common set of goals. Members of the Forum have agreed the following key priorities for Scotland.

Over the next ten years, the Scotland Strategy aims to target the following areas:

Need

- Money advice is part of managing day-to-day and nor for financial difficulties only
- Needs of vulnerable groups are met and are not further marginalised
- More of those who need them are taking up basic products and services to manage their money

Knowledge

- A step change in the number of people regularly using a planned approach to managing income and expenditure
- Preparing young people to meet financial challenges in their adult life
- Supporting people to develop their knowledge (including digital) enabling them to access the best financial products and services and detect scams and fraud

Accessibility of advice

- All people who receive debt advice to be provided with financial capability training/support
- Existing touchpoints with employers, local authorities and NHS are maximised and leveraged
- A significant increase in the proportion of people with problem debt seeking help
- Young people, parents and families have better support around accessing affordable credit

Planning for future events

- Better understanding of income needs in retirement
- More people have a savings buffer for unplanned expenditure, reducing reliance on short term credit and access to affordable credit

Wales

Context

The usually resident population of Wales was 3.1 million people living in 1.3 million households in 2011, with nearly one in five of residents aged 65 or over. Wales had a higher percentage of residents with a long-term health problem or disability. One in four of those aged 16 and over reported having no recognised qualification.[208] There are 700,000 people in poverty in Wales, equivalent to 23 per cent of the population.[209]

The Welsh Government has long recognised that financial exclusion and over-indebtedness are issues that need serious consideration and concerted action.

In 2005 the Welsh Government published the *Review of Over-indebtedness*;[210] and in August 2007 the Financial Inclusion Unit was established and began to develop Wales's first Financial Inclusion Strategy *Taking Everyone into Account*.[211] There has been an excellent historical working relationship between the Money Advice Service (and previously CFEB and the Financial Services Authority) and the Welsh Government who have worked together to promote financial inclusion and financial capability in Wales since the original Financial Inclusion Strategy for Wales was published in 2009.

Following on from the existing Welsh Government strategy, and in consultation with a ministerially-agreed external advisory group, the revised 2016 Financial Inclusion Strategy will build on the key themes from the 2009 strategy. The Financial Inclusion Strategy will set out how the Welsh Government aspires to work with partner organisations, both within Wales and at the UK level, and be focused on three core themes:

- access to credit and financial services;
- access to financial information, including debt advice; and
- building financial understanding and capability.

The definition of financial capability used in the Financial Capability Strategy (illustrated in the Financial Capability Strategy framework on page 11), agreed through Money Advice Service consultations is now broader than the one used by Welsh Government, which only covers the more historically understood Internal Capability factors (Mindset and Ability) as financial capability.

For the Welsh Government, the Enablers and Inhibitors factor (Connection – Ease and Access) is considered part of wider Financial Inclusion considerations.

Following consultation with the Money Advice Service Wales Forum and with the Welsh Government's Financial Inclusion Development Group, there is general agreement that there should be one Strategy for Wales. The Wales Financial Capability Strategy will be included as part of the Welsh Government's revised Financial Inclusion Strategy that is currently being developed. As such the ambitions for both will be aligned. Where there is crossover in relation to 'ease and access', the Financial Capability Strategy will concentrate on the knowledge, skills, attitudes and motivation of the connection rather than the financial inclusion factors, which will be covered under the other two themes of the Welsh Government Financial Inclusion Strategy.

[208] http://gov.wales/docs/statistics/2012/121211-census-2011-second-release-data-wales-en.pdf
[209] https://www.jrf.org.uk/report/monitoring-poverty-and-social-exclusion-wales-2015
[210] http://webarchive.nationalarchives.gov.uk/20080910110835/http://new.wales.gov.uk/dsjlg/publications/communityregendevelop/overindebtedness/report?lang=en
[211] http://gov.wales/docs/dsjlg/publications/comm/090924fininclstraten.pdf

The Financial Capability Strategy will also support the Welsh Government's Programme for Government and relevant strategies and programmes within that:

- The revised **Child Poverty Strategy**, published in March 2015, which includes new objectives for improving the outcomes of children and young people living in low income households. One of these new objectives is "to support families living in poverty to increase household income through debt and financial advice, action to address the poverty premium and action to mitigate the impacts of welfare reform".
- The Welsh Government **Advice Services Review**[212] published in May 2013 explored how a stronger advisory network in Wales could be developed to ensure better co-ordination and collaboration between advice services. From this review, recommendations included a National Advice Network. This was established in 2015, bringing together funders, advice providers, umbrella organisations and other partners to discuss the mapping, planning and delivery of national and local advice services to ensure individuals and families have access to good and accurate advice and support services.
- The Welsh Government's **Warm Homes programme**, has made considerable investment to address home energy efficiency in low income communities and households. Within this programme the advice and support includes referral for a Benefits Entitlement Check, money management advice and Warm Home Discount rebate, amongst others.
- The **Social Services and Well-being (Wales) Act 2014** received Royal Assent on 1 May 2014. The Act forms the basis for a new statutory framework for social care in Wales. The Act includes a strong emphasis on prevention and a duty on local authorities to provide information, advice and assistance services within the new model of social care.
- The implementation of the **Housing (Wales) Act 2014** has greatly strengthened the range of help which people who are threatened with homelessness or are homeless receive, including assistance with housing-related debt and help in accessing affordable housing.
- The **National Youth Work Strategy for Wales 2014–2018** calls on the sector to ensure youth work provision acts as an effective preventative service, supporting young people's engagement and progression in education and training in preparation for employment and wider adult life.
- The **Strategy for Older People** Phase 3, Living Longer, Living Better - Delivery Action Plan focuses on the three priorities for the Strategy for Older People. These priorities are that older people in Wales have the social, environmental and financial resources to age well.

[212] Advice Services Review http://gov.wales/statistics-and-research/advice-services-review/?lang=en

Wales Financial Capability Survey 2015

The 2015 Survey finds that people in Wales are managing money day to day more effectively than they are planning for life events and the future. This is similar to the picture in the UK overall.

But in Wales, slightly smaller proportions are saving every or most months than in the UK overall. In addition, working-age people in Wales are keeping up slightly less well with bills and commitments than the UK average. In the UK overall, there is an even split between working-age people keeping up without difficulty and those struggling. In the Wales working-age population, the struggling slightly outnumber those keeping up without difficulty. People in Wales score slightly above the UK average on the three skills and knowledge questions.

For **young adults** the survey tells us that young people in Wales are evenly split between keeping up with bills without difficulty (38%) and struggling (62%). Only 42% rate their approach to keeping track of income and expenditure as 8 or more out of 10. Almost two-thirds of young people (56%) claim to know their current account balance to within £50. Just over half (55%) of young people save every month or most months. Two-thirds(60%) could pay an unexpected bill of £300 from their own money or from savings without cutting back.

Of **working-age people** in Wales there are more struggling or falling behind (61%) than keeping up without difficulty (39%). In respect of household income/expenditure, 50% rate their approach to keeping track as 8 or more out of 10, 54% claim to know their current account balance to within £50 or less and just over half (51%) save every month or most months. 63% could pay an unexpected £300 bill from their own money or from savings without cutting back. When it comes to keeping track of income & expenditure, 51% regularly check incomings and outgoings.[213] These statistics are in line with the UK as a whole, but there is still room to improve both budgeting skills and awareness of and choice of the most appropriate products.

For older people in Wales the survey tells us that most say that they are keeping up with bills without difficulty (63%) though some are struggling or falling behind (37%). With regard to household income and expenditure, 78% rate their approach to keeping track as 8 or more out of 10 and 56% claim to know their current account balance to within £50. 43% of older people in Wales save every month or most months and 80% could pay an unexpected bill of £300 from their own money or from savings without cutting back.

[213] Financial Capability Survey, Money Advice Service 2015

The Wales Financial Capability Strategy

The Wales Strategy and its action plans have been developed in consultation with a wide number of stakeholders across Wales including the Welsh Government, local government, the advice sector, housing associations and the third sector. It sets out how everybody can work together to deliver collective impact to improve financial capability across Wales.

The Financial Capability Strategy is aimed at all key stakeholders including the Welsh and UK Governments, local authorities, housing associations, advice providers, banks, utility companies, community organisations, and programmes aimed at tackling poverty – including Communities First Clusters, Families First teams, Flying Start teams, the Supporting People programme and credit unions.

The Strategy will be owned and managed by the Wales Forum which includes representation from a wide range of organisations. This group will feed into the relevant governance for the revised Financial Inclusion Strategy and any delivery plan for that strategy.

Following feedback from consultations which have included the three financial capability forums in Wales, the independent advice providers' forum, the Welsh Government's Financial Inclusion Development Group and the Money Advice Service's Wales Forum, recommendations for action have been identified and agreed by the Wales Steering Group.

- For **children and young people** – work towards more effective evaluation and consistency of existing provision in schools; increasing the capacity for more financial capability interventions; support for informal and peer-to-peer interventions and more interventions targeted at families and parents.
- For **young adults** – targeting support for those most in need, looking to provide financial education in all learning environments (formal or informal, FE and HE) and equipping young people to be financially independent when they leave home.
- In respect of **working-age people** – improve basic money management skills; reduce the impact of welfare reform; influence attitudes to affordable credit; implement interventions to help people build financial resilience; and provide support for vulnerable groups.
- For **older people** in Wales – support older people to access financial capability initiatives and raise awareness of preventative money advice; tackle scams, fraud and financial abuse; and enable older people to make more informed choices about using their pension assets plan ahead for future life events.

Through consultation, actions linked to these priorities have been identified for consideration and prioritisation by the Wales Forum. These actions can be found in the Wales Financial Capability Strategy document, due to be published **online here** shortly. They include:

- increase consistency of financial education in all learning environments targeting learners of all ages and those that support and teach them;
- share the learnings from the Money Advice Service and Community Housing Cymru pre-tenancy work with housing associations to understand how pre-tenancy work can support debt prevention;
- work closely with the Wales Against Scams Partnership (WASP) to support the development and implementation of an action plan to tackle scams in Wales; and
- the Money Advice Service, Big Lottery Wales, public and third sector working together to deliver a parenting pilot to develop financial capability behaviours in young children through their parents.

Northern Ireland

Context

The Northern Ireland Executive's Programme for Government 2011-2015 included a commitment to develop and implement a Financial Capability Strategy for Northern Ireland consumers.

The Executive's inclusion of a commitment to develop a Financial Capability Strategy had an immediate and significant impact. Many organisations across all sectors in Northern Ireland had already made substantial progress in the area of financial capability and improving individuals' money management skills but the Programme for Government gave the issue the political and public profile that it critically needed. The development of the Strategy and Action Plans brought the various sectors, public, private, and voluntary, together to focus collectively on this issue for the first time.

It quickly became apparent that many of the programmes and strategies being taken forward by Executive departments either already had valuable financial capability components to them, or had the potential to support or signpost individuals to the advice or assistance that they needed to manage their personal or household finances better.

The Strategy has also demonstrated the potential for effective and productive joined up working across all sectors in Northern Ireland, to deliver a Strategy and Action Plans, focused on delivery and outcomes, and delivered on target.

Strategy

A draft Financial Capability Strategy, covering the 5-year period 2013-18, and supported by a series of Action Plans, has been developed using a cross-sectoral partnership approach. The work on the development of the Strategy was led by the Executive's Department for Enterprise, Trade and Investment, who worked closely with the Money Advice Service to ensure that the key themes and priorities for action in the Northern Ireland Strategy were consistent with the generic issues emerging in the development of the UK Strategy, while ensuring that they were tailored to the specific needs and priorities of Northern Ireland's consumers.

The Strategy was subject to public consultation in summer 2013, and is currently with the Executive for final approval.

The essential message and theme of the Northern Ireland Strategy and its Action Plans is one of **empowerment** – equipping and enabling consumers to take control of their financial affairs, and to manage their money effectively. The Strategy espouses a vision of better-informed, more skilled and more confident consumers, better able to manage, plan and take responsibility for their financial affairs.

The Action Plans are dynamic documents, which will continue to develop and grow across the life of the Northern Ireland Strategy. The emphasis and focus of the Strategy has been on delivery, and the relatively short five-year lifespan recognises the changing economic, financial services, and technological context that financial capability measures must address and respond to.

Measurement is a key aspect of the Executive's Programme for Government monitoring process in terms of establishing a baseline to determine need, how the policy and delivery outcomes should be focused, and to facilitate the monitoring of progress in the achievement of targets.

A broad evidence base for the Executive's Financial Capability Strategy was created in 2012. This included:

- a brief social and economic contextual overview;
- secondary analysis of existing household survey sources reflecting thematic perspectives underpinning Financial Capability; and
- the analysis and reporting of bespoke qualitative focus group and quantitative household survey research based on results from the Northern Ireland Statistics and Research Agency's (NISRA) Omnibus Survey.[214]

The evidence generated, in turn assisted the development of a monitoring and evaluation reporting framework in support of the Northern Ireland Strategy. In brief, that monitoring and evaluation framework comprises four distinct 'layers':

- Departmental Action Plans and associated outputs or impacts;
- Key Actions associated with the Strategy and their associated outputs or impacts;
- Financial Capability Omnibus Survey results reflecting the thematic areas of making ends meet, keeping track, planning ahead, choosing products, and staying informed; and
- High level composite measures of Financial Capability and Financial Inclusion.

These high level composite measures were developed using an analysis of the first 2012 Financial Capability Omnibus survey, reflecting the main dimensions of Financial Capability: keeping track; planning ahead; choosing products; and staying informed. In addition, a composite financial knowledge measure was created.[215]

The intention in developing these composite measures was to derive relatively straightforward high-level measures which could be used for tracking changes in Financial Capability amongst the population as a whole.

The Financial Capability Omnibus Survey questions originally developed and first deployed in September 2012 were reviewed and subsequently re-run in September 2014. The results of the 2014 survey demonstrated a general stability of the survey indicators between 2014 and 2012, indicating that the framing and content of the draft Northern Ireland Financial Capability Strategy remains appropriate.

A further evaluation of the impact of the Strategy will be undertaken in 2018, again incorporating the Northern Ireland Statistics and Research Agency Omnibus survey to capture key data. Quarterly and annual monitoring of Action Plans will continue throughout this period.

Improving and strengthening an individual's money management skills empowers the individual to take control of their personal finances, and in so doing, their quality of life and life choices. Equally, the individual's level of financial capability also requires action and ownership on the part of that individual.

This Northern Ireland Strategy aims to help people to help themselves, and this will be underpinned by regularly raising awareness of the importance of good money management, and signposting to and supporting individuals in getting the help and advice that they need when they need it.

All sectors in Northern Ireland, public, private and voluntary, have made and continue to make a significant contribution to developing the Financial Capability of Northern Ireland's consumers. The continuation of the partnership approach that has characterised work in this field to date, and the development of the Northern Ireland Strategy and Action Plans, will continue. Work in this area is organic, and will grow and develop over time and in response to changing needs and demands.

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[214] See: http://www.detini.gov.uk/index/what-we-do/deti-stats-index/economic-research/financial-capability.htm

[215] For full methodology see http://www.detini.gov.uk/index/what-we-do/deti-stats-index/economic-research/financial-capability.htm

Appendix 1 – Financial Capability Board membership

Andy Briscoe, Chair, the Money Advice Service (Chair of the Board)

Jasper Berens, Head of UK Funds, J.P. Morgan

Sir Sherard Cowper-Coles, Senior Advisor, HSBC and Chair of the Financial Inclusion Commission

Benny Higgins, Chief Executive Officer, Tesco Bank

Professor Elaine Kempson CBE, Emeritus Professor, University of Bristol

Lily Lapenna, Founder and Co-Chief Executive Officer, MyBnk

Phil Loney, Group Chief Executive Officer, Royal London

Eleanor Marks, Deputy Director Communities Division, Welsh Government

Louise Macdonald OBE, Chief Executive Officer, Young Scot

Gwyneth Nurse, Director of Financial Services, HM Treasury

Steve Pateman, Executive Director, Head of UK Banking, Santander

Caroline Rookes CBE, Chief Executive Officer, the Money Advice Service

Roger Sanders OBE, Managing Director, Lighthouse Group

Sir Hector Sants, Chair, Archbishop of Canterbury's Taskgroup and StepChange Debt Charity

Otto Thoresen, Chair, National Employment Savings Trust

Sian Williams, Head of National Services, Toynbee Hall

Christopher Woolard, Director of Strategy and Competition, Financial Conduct Authority

Tom Wright CBE, Group Chief Executive Officer, Age UK

Appendix 2 – The Financial Capability Survey

The Financial Capability survey is a nationally representative survey of adults aged 18+ living in the UK. It is central to the evidence base that informs the development and delivery of the Strategy. Emerging findings will be published on the Financial Capability website, and the full survey data deposited in the UK Data Service Data Archive.

The survey is funded and managed by the Money Advice Service.

Over the ten year course of the Strategy the survey will provide topline measures of the extent to which financial capability and / or behaviour are improving. It is proposed to run the Financial Capability Survey periodically, recognising that year to year changes at national level may be limited.

The 2015 survey

The 2015 survey was conducted mainly (74%) online with some face-to-face interviews (26%) to represent lighter users and non-users of the internet.

Interviews were conducted with a sample of 3,461 adults. Additional interviews were conducted in each of the Devolved Nations (Scotland, Wales and Northern Ireland) in order to ensure a robust base for analysis. In total, 5,603 respondents took part in this research between April and July 2015.

The 2015 survey updates the evidence base provided by the Money Advice Service's 2013 and 2014 Financial Capability Trackers and the baseline survey conducted for the Financial Services Authority (now the Financial Conduct Authority) in 2005-6.[216]

It was necessary to update the questionnaire to meet the evolving insight needs of the Financial Capability Strategy. This included redesigning the sampling structure of the survey to enable comparisons between subgroups within life stages, and adding additional booster interviews in Wales, Scotland, and Northern Ireland and with young adults aged 18-24.

The questionnaire for the survey was developed from previous waves of Financial Capability research, sector expert review by the Research and Evaluation Group, comparison with international surveys such as that run by OECD[217] and ASIC,[218] specific qualitative research conducted for this survey,[219] cognitive testing of the questions and quantitative piloting of some questions.

[216] Report at http://www.fsa.gov.uk/pubs/consumer-research/crpr47.pdf and full dataset at http://discover.ukdataservice.ac.uk/catalogue/?sn=5697

[217] The Organisation for Economic Co-operation and Development - survey details at http://www.oecd.org/daf/fin/financial-education/measuringfinancialliteracy.htm

[218] Australian Securities & Investments Commission- Financial Attitudes and Behaviour Tracker survey detail at http://asic.gov.au/regulatory-resources/find-a-document/reports/rep-419-australian-financial-attitudes-and-behaviour-tracker/catalogue/?sn=5697

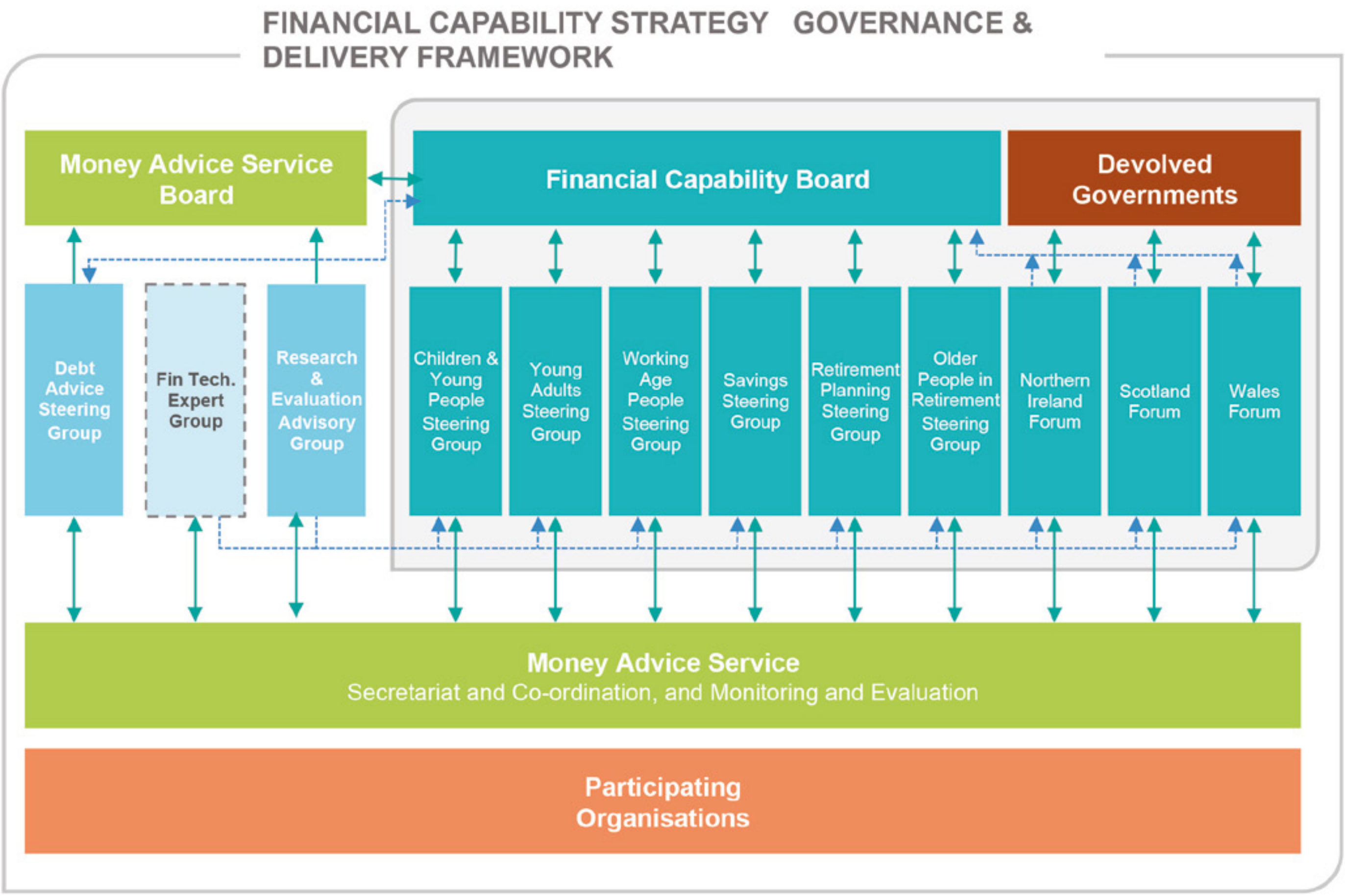
[219] Financial Capability and Well being Qualitative Research conducted by TNS BMRB for Money Advice Service, 2015 http://comfy.moneyadviceservice.org.uk//system/comfy/cms/files/files/000/000/213/original/financial-capability-and-wellbeing.pdf

Appendix 3 – The Delivery Framework

The delivery framework for the Strategy needs to be established and operated in a way that provides clear governance, direction, engages a diverse range of organisations, and ensures progress is made. A number of principles have been used to develop the delivery framework for the Strategy:

- it should be inclusive and involve the key partners and stakeholders from England, Wales, Scotland and Northern Ireland;
- it should focus on the key life stages of the Financial Capability Strategy framework;
- it should be action and results oriented;
- it should be flexible enough to adjust to any changes in the priorities of the Strategy, in response to the growing body of evidence on what works;
- it should promote the sharing of evidence on what works and what does not, and better targeting of resources, through encouraging robust evaluation and widespread sharing of results;
- it should enable the effective flow of information between the stakeholders involved so that the activities of all can be co-ordinated and insights shared; and
- it should identify gaps and overlaps in financial capability initiatives, to minimise duplication and ensure resources are allocated to where there is greatest need, and where they can deliver the greatest benefit.

Based on these principles the delivery framework is outlined below:



* The establishment of a fin tech expert group is still under consideration.

The roles of the different groups are:

- **Financial Capability Board –** The Board's aim is to improve the financial capability of the UK and to ensure the Strategy achieves this. It will work closely with the Money Advice Service Board and Steering Groups to provide governance review progress, give steer on approach.
- **Devolved Nations Forums –** The role of these forums is to support and guide the Money Advice Service and the sector in the delivery of the Strategy and ensure it remains relevant to the unique context, requirements, funding arrangements and stakeholders within each nation.
- **Debt Advice Steering Group (DASG) –** This group will be responsible for working with the Money Advice Service and the Financial Capability Board to identify opportunities to improve the efficiency, effectiveness and reach of free debt advice in the UK. DASG, already established by the Money Advice Service Board will be the main mechanism for delivering the priorities of the Strategy relating to people in financial difficulties.
- **The Money Advice Service's Research and Evaluation Group (REG) –** The REG will provide expert advice and guidance in relation to the evidence and evaluation strand of the Strategy, including the most robust ways of monitoring progress against the Strategy's targets.
- **Money Advice Service Board –** This body has the statutory accountability for improving financial capability in the UK. It will work closely with the Financial Capability Board to ensure that financial capability in the UK is being improved and it will allocate Money Advice Service resources to support the Strategy as appropriate.

The Financial Capability Board

The purpose of the Board is to:

- develop, maintain, Steer and champion the Financial Capability Strategy for the UK;
- be the public face of the Strategy, use their collective and individual influence to promote the Strategy, and
- influence the targeting of resources to achieve the aims of the Strategy.

The key responsibilities of the Board are to:

- define the aim and priorities of the Strategy;
- champion the Strategy and bring the collective and individual influence and insights of the Board members to bear in order to maximise its effectiveness;
- build collective impact by encouraging strategic partners and other relevant bodies to contribute to the implementation of the Strategy;
- promote the sharing of evidence of what works and the better targeting of resources, through encouraging the use of evaluation and measurement of financial capability interventions and the sharing of insights;
- evaluate the Strategy against agreed performance measures and adjust the Strategy and action plans as required over time; and
- guide the evolution of the action plans for delivery of the Strategy.

Membership

Members are appointed to the Board in their personal capacity and are not required to report back on the activities of the Board to their representative organisations or any other party. They are appointed by the Chair of the Board (who is also the Chair of the Money Advice Service) for a fixed term of three years. The Chair will keep the composition of the Board under review, and appointments to the Board will be at the discretion of the Chair.

The key characteristics for members of the Board are that they are passionate about improving people's financial capability in the UK, they are influential leaders in their areas, and they have the ability to mobilise support from the wider sector. A list of the Board's members can be found in Appendix 3 below.

Relationship between the Money Advice Service Board and the Financial Capability Board

The Financial Capability Board is able to:

- make specific recommendations to the Money Advice Service Board, should it wish the Money Advice Service to take specific actions to deliver the Strategy;
- with prior permission, incur relevant costs on behalf of the Money Advice Service in relation to this work; and
- establish Steering Groups to provide expertise and recommendations on prioritisation and evolution of the action plans to the Financial Capability Board and the sector.

The Money Advice Service Board will require the secretariat of the Financial Capability Board to provide them with regular reports on progress being made towards achieving the Strategy.

The Steering Groups

Purpose

The purpose of the Steering Groups is to support and guide the Money Advice Service and the sector in the delivery of their area of the Strategy, reporting to the Financial Capability Board. This will involve the provision of guidance on the evolution of action plans, and potentially establishing ad hoc Action Groups for specific areas or issues.

The initial action plans published in this document are the initial proposed action plans that have been developed, based on an analysis of the current evidence and key issues for each life stage and consultation with stakeholders. These action plans do not represent everything that the strategy will do. They will be passed on to the relevant Steering Group who will recommend to the Money Advice Service further refinements and prioritisations The action plans will be updated by the Money Advice Service on a regular basis.

The key responsibilities of the Steering Groups are to:

- make recommendations in the prioritisation of interventions set out in the Strategy based on the level of impact and the availability of funding, they should consider escalating actions where the potential impact is high but no funding is available, to the Financial Capability Board;
- review the relevant action plans in light of the above information, and make recommendations for amendments to ensure it remains robust, with clear and delineated responsibilities for specific actions within agreed and monitored timelines;
- consider whether further analysis is required and suggest where and how to source it;

- champion the Strategy with all stakeholders, and bring the collective and individual influence and insights of the Steering Group to bear in order to maximise its effectiveness;
- build collective impact by encouraging strategic partners and other relevant bodies to contribute to the implementation of the Strategy;
- guide the evolution of the action plans for delivery of the strategy; and
- where further work is required the Steering Group will consider setting up one or more ‘action groups’ to carry out specific and clearly defined tasks and report back to the steering group on the results of their work - membership of these groups can be drawn more widely at the discretion of the Steering Group; and
- make recommendations to ensure that the need of people in vulnerable situations are appropriately reflected in the delivery of the Strategy.

The devolved nations steering groups / forums will make recommendations for the prioritisation and delivery of those interventions which are specific to their nation. Their nation’s element of UK wide interventions will be delivered in consultation with the Steering Group for the relevant life stage or theme. To aid this consultation process, a member of each devolved nations steering group / forum will be invited to sit on each life stage or theme steering group, unless all interventions in the particular area are fully devolved.

The Steering Groups will provide regular updates to the Financial Capability Board via meeting minutes and updated action plans, and escalation of any other matters they wish to raise for the attention of the Board.

Membership

The Steering Groups members will include representatives of organisations with subject matter expertise and experience from across the UK and represent all aspects of the life stage or theme

In Wales, Scotland and Northern Ireland, the existing Money Advice Service Financial Capability Partnerships/Forums will form the membership of the Financial Capability Steering Groups.

New Steering Groups will be established for the other areas - ‘Children and Young People’, ‘Young Adults’, ‘Working-Age People’, ‘Older People in Retirement’, ‘Savings’, ‘Retirement Planning’.

The Debt Advice Steering Group (DASG), already established by the Money Advice Service Board, will be the main mechanism for delivering the priorities of the Strategy relating to people with financial difficulties.

A list of the Chairs and members of each of the Steering Groups, once they are established, will be available on **the fincap website**.

Financial Capability
Strategy for the UK

fincap.org.uk

October 2015