

# The Financial Capability Strategy for Wales







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## Foreword

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

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 in Wales 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 it's 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 the Welsh 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 Wales whose lives have been transformed through managing their money better.



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

## Part 1

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# The UK Strategy





## Introduction

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People in Wales don't plan ahead.

- Only 1 in 3 of working age people in Wales have financial goals and a plan in place to achieve them
- Only around a half of the population save every or most months

They don't have the resilience to deal with day to day events.

- Around four out of ten are not in control of their finances
- Only six out of ten people in Wales have a modest £500 savings buffer to replace a fridge or mend the car

And too many are in financial difficulties.

- 1 in 5 people in Wales are over indebted

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',<sup>1</sup> 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.

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.

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<sup>1</sup> 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. <https://www.gov.uk/guidance/what-works-network>



This Strategy is UK-wide but has developed nationally-specific actions for England, Scotland and Wales that recognise and address the policy contexts of each nation. This document sets out the full action plan for Wales in Appendix 1.

More detailed analysis focusing on the evidence, needs and priorities for each life-stage and theme is available **here** which will be regularly updated with progress on Strategy delivery. 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 Wales, 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,<sup>2</sup> 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, following consultation events in Cardiff and Llandrindod Wells. 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 underway. It promised the final Strategy with detailed delivery plans later in the year.



## 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 that many are people 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 in Wales, 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.

<sup>2</sup> Full membership of the Financial Capability Board can be found in Appendix 2.



The new Strategy builds on recent work by, and insights from, the likes of the Financial Inclusion Commission, Financial Education and Inclusion (Wales) Bill, 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,<sup>3</sup> 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 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 with Welsh Government support, 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.

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.<sup>4</sup> Social norms tend to prompt poor financial choices as people are primarily concerned with hiding financial problems by continuing to spend.<sup>5</sup> 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.<sup>6</sup>

<sup>3</sup> Habit formation and learning in young children, Money Advice Service 2013

<sup>4</sup> Financial Capability and Wellbeing, Money Advice Service, 2015

<sup>5</sup> Financial Capability and Wellbeing, Money Advice Service, 2015

<sup>6</sup> Debt Advice Review, Money Advice Service, 2014





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.

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.<sup>7</sup>

<sup>7</sup> Wealth in the Downturn: Winners and losers; Social Market Foundation, March 2015

## 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.<sup>8</sup> 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.<sup>9</sup>

On the other hand, a meta-analysis of just over 200 studies carried out in the United States<sup>10</sup> 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.

## Levels of financial capability in Wales 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.<sup>11</sup> *The Financial Capability Survey* looks at current levels of financial capability based on this framework.<sup>12</sup>

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

<sup>8</sup> OECD / INFE, Policy Handbook on the Implementation of National Strategies for Financial Education (Draft, due for publication in 2015).

<sup>9</sup> 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://www-wds.worldbank.org/external/default/WDSCContentServer/WDSP/IB/2015/04/06/000333037\\_20150406092002/Rendered/PDF/953910WP0Box380me0countries0summary.pdf](http://www-wds.worldbank.org/external/default/WDSCContentServer/WDSP/IB/2015/04/06/000333037_20150406092002/Rendered/PDF/953910WP0Box380me0countries0summary.pdf)

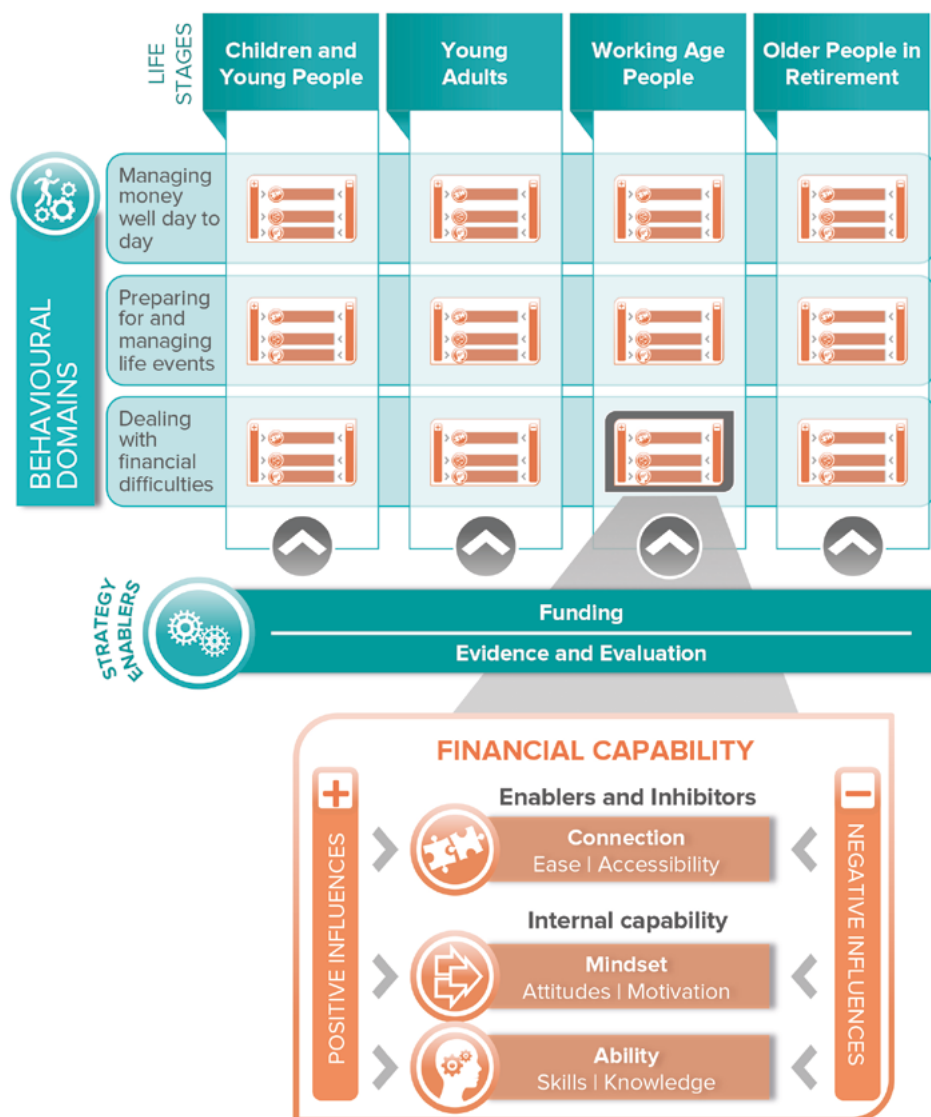
<sup>10</sup> Fernandes, D., Lynch, J.G. and Netemeyer, R.G. (2014). ‘Financial literacy, financial education and downstream financial behaviours’, published in *Management Science*, 60(8), 1861-1883).

<sup>11</sup> The framework has been further amended to include Young Adults.

<sup>12</sup> See Appendix 2 for more information.



Figure 1: The Financial Capability Strategy Framework



## Findings from the Financial Capability Survey

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 for Wales. More information about the survey can be found in Appendix 1 and more detailed findings are available at [www.fincap.org.uk](http://www.fincap.org.uk)

### *Managing money well day to day*

Most people in Wales are generally managing their money 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.



- A quarter (23%) have either revolved 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***

People in Wales score less well at planning ahead than at managing day to day.

- Around 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 three-quarters.
- Only half of working-age people are currently paying into a pension or are a member of a previous pension scheme
- Only a quarter 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 quarter of Welsh adults have unsecured debts equivalent to more than one month's income.
- One in eight find their debts to be a heavy burden.
- Similarly, one in ten have fallen behind on or 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 seven could not read a bank statement (and this does not appear to be linked to increased use of mobile banking).
- Two in five could not understand the effect of inflation on the real value of savings.
- Three in ten cannot perform a relatively simple calculation to add interest earned to a savings balance.
- People aged 75 and over tended to perform noticeably worse on many of these questions.



### ***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.
- A quarter of Welsh adults do not openly discuss their household finances regularly with anyone.

### ***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 18-24s feel very confident, but this rises to six in ten 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 aged 75+.

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.

### ***How Wales compares to the rest of the UK***

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.

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.

These findings, together with other data analysis and extensive consultation with stakeholders in Wales, have driven the priorities for action and action plans set out later in this document.

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 understanding deepens the Wales Forum will further evolve the action plan, over the lifetime of the Strategy.




## Financial Capability in Wales

### Managing money well day to day

**SIX**  
out of  
**TEN**  
people have savings of £500 or more



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

 **38%** of adults do not know  
their current account  
balance **within £50**

### Preparing for life events

Only  
**1 in 4**  
of the working  
age population  
have **savings of  
3 months income or more**




**3 in 10**  
people have  
financial  
goals and a  
plan in  
place to  
achieve these




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



Only  
**24%**  
of people of  
retirement age  
have any form of  
**plan for funding  
long term care**



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



### Dealing with financial difficulties


**1 in 5**  
people in  
Wales are  
over indebted  
(Money Advice Service/  
CACI, 2015)



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

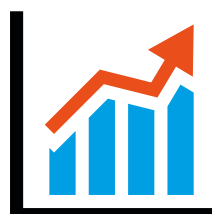
### Financial capability

 **15%**  
of people could  
not read the balance  
on a bank statement

 **34%**  
people of  
retirement age had  
**not been online  
in the past week**

#### When it comes to money

A **QUARTER**  
of people say they prefer  
to live for today,  
rather than plan  
for tomorrow



**37%**  
of people do not  
understand the  
**impact of inflation  
on the real value  
of money**





## 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 its 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*,<sup>13</sup> *Understanding Society*,<sup>14</sup> *the National Survey for Wales*,<sup>15</sup> and other qualitative research will also be useful to measure progress.

Part 2 of this document sets out how the Financial Capability Strategy applies to Wales; the approach the Strategy will take; the role of the Money Advice Service; and how the Strategy will be delivered.

<sup>13</sup> <http://www.ons.gov.uk/ons/rel/was/wealth-and-assets--experimental-/index.html>

<sup>14</sup> <https://www.understandingsociety.ac.uk/>

<sup>15</sup> <http://gov.wales/docs/statistics/2015/150914-national-survey-wales-2014-15-headline-results-revised-en.pdf>



## Part 2

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# Delivering the Strategy in Wales





## How this Strategy applies to Wales

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### Context

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; and in August 2007 the Financial Inclusion Unit was established and began to develop Wales' first Financial Inclusion Strategy '*Taking Everyone into Account*'. 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 Financial Inclusion 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 revised 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 will be focused on three core themes:

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

The definition of financial capability (illustrated in the financial capability strategy framework (page 11) agreed through Money Advice Service consultations is now broader than the one used by the 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 Financial Capability Strategy for Wales will be included as part of the Welsh Government's revised 2016 Financial Inclusion Strategy that is currently being developed. As such the ambitions for both will be aligned. Where there is cross over 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 revised Financial Inclusion Strategy.

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

- 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**<sup>16</sup> published in May 2013 explored how a stronger advisory network in Wales could be developed to ensure better coordination 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** which 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** focusses 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.

## Delivering the Strategy

### Collective impact

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

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

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.

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 4, and more detail can be found **online here**

<sup>16</sup> Advice Services Review <http://gov.wales/statistics-and-research/advice-services-review/?lang=en>



## Evidence, evaluation and the Money Advice Service

This Strategy needs to make a real difference. 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 Financial Capability Strategy for the UK was launched by the Financial Services Authority in 2006, there are still significant gaps in our knowledge about what really works, at a UK, Wales 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. More detail on this work can be found on pages 23-28.



## Steering Groups

A number of Steering Groups are being established to guide the delivery of the different aspects of the Strategy. The Money Advice Service Wales Forum will guide delivery of the Strategy in Wales.

The Wales Forum was set up in 2012, to act in an advisory capacity to the Money Advice Service, informing the organisation on key issues facing people in Wales, and advising on the impact of Money Advice Service plans on people. The scope of this group, with agreement from the current membership, is being extended to ensure that the Wales relevant recommendations within the UK Financial Capability Strategy are delivered and remain relevant to the unique context, requirements, funding arrangements and stakeholders within Wales. The membership is also being widened to ensure the group has appropriate sector wide representation and knowledge to deliver these recommendations.

Steering Groups are also being established at a UK level for each of the following:

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

There will be separate groups, similar to the Wales Forum, operating in Scotland 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. There is a Wales representative on the Debt Operational Group that feeds into these priorities. 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 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. Wherever possible representatives from Wales will be asked to sit on the Steering Groups listed above.

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, including the Wales Forum.

As the evidence of what works builds, the Wales Forum and Steering Groups will need to evolve the action plans. The initial action plan for Wales is set out in Appendix 1. 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. Wales is represented on the Financial Capability Board.

## The development of the Action Plan

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 Wales Forum to develop these priorities into an action plan for Wales – 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.

The initial action plan 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 plan presented in this document (Appendix 1) is based on the priorities for action that have been identified from the current evidence base and by stakeholders in Wales. This will inevitably change and evolve over the lifetime of the Strategy, as will the action plan.

The UK-wide Strategy reflects the devolved nature of certain aspects of policy relating to financial capability. The UK Strategy action plan, which can be found at **online here** includes a mix of initiatives, some of which will apply across the UK, and some of which are focussed on England. Action Plans have also been developed for Scotland and Northern Ireland.

There is a good opportunity for each of the nations within the UK to work closely together, to learn from each other, and to spread best practice.



## Delivery – next steps

The Money Advice Service, Financial Capability Board, Wales Forum and Steering Groups will work together to inform, guide and co-ordinate 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 co-ordinated efforts of a wide range of organisations and individuals. The Strategy is a call for action to all those with an interest or ability to contribute to improving financial capability. All organisations in Wales 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 as 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 inform future financial capability interventions.

Part 3 of this document sets out the current evidence and key issues 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 extensive feedback from stakeholders. A detailed action plan, linked to the identified priorities for Wales can be found in Appendix 1.

## Part 3

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# Evidence and priorities







## 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, for example, by
  - ▶ 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.<sup>17</sup> 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.<sup>18</sup>

### 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**.

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<sup>17</sup> The Financial Capability Evidence Hub includes robust impact evaluations of financial capability provision, using a standards-of-evidence rating to indicate the quality of the evaluation approach.

<sup>18</sup> The Financial Capability Consultation Response, Next steps document and responses to the consultation can be found at [www.fincap.org.uk](http://www.fincap.org.uk)



## 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.

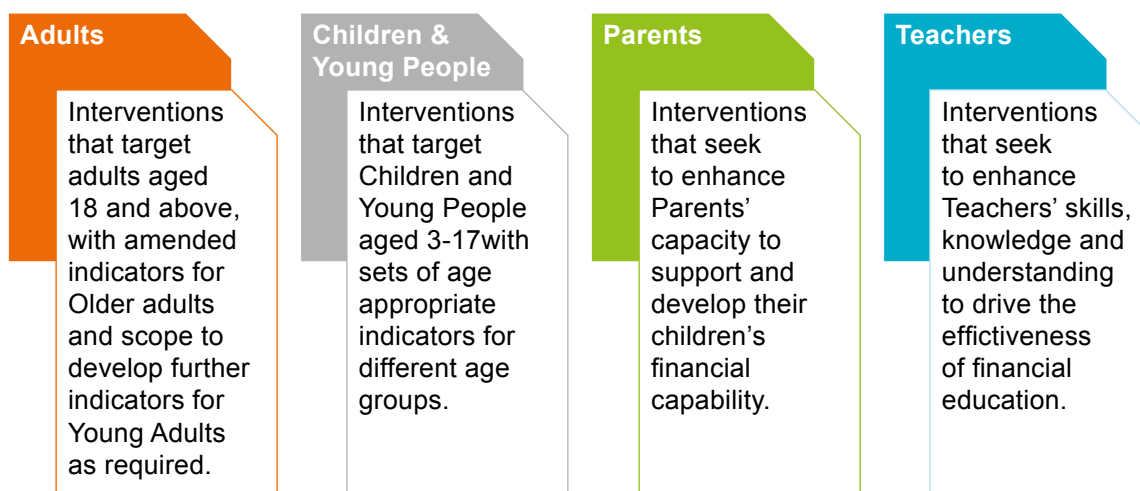
The Common Evaluation Toolkit will be flexible enough to apply to a wide range of interventions, including both those seeking to affect long-term behavioural change and those just looking to prompt a single action, such as accessing advice. It will also apply to different beneficiary groups and take 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 NatGen respectively). The figure below outlines the intended intervention type for each framework; these can be accessed on the UK Financial Capability site.

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

**Figure 2: Outcome framework**





### *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 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.

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.

The Money Advice Service will take forward the action plan for this area and will draw on the Research and Evaluation Group (REG) for advice and guidance on the approach taken. Further details can be found **online here**





## Children and Young People

- Adult financial capability is developed throughout childhood and adolescence.
- 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 that there is a lack of consistency in provision in Wales.
- 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.
- At a UK level, 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.
- In Wales the Strategy will focus on: more effective evaluation and consistency of existing provision in schools; increasing capacity for more financial capability interventions; support for informal and peer to peer interventions; supporting interventions targeted at families and parents and targeting support for those most in need

### Introduction

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,<sup>19</sup> but too few are fully equipped with the mindset and skills needed to navigate the adult world of financial responsibility.

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.

### Evidence and key issues

#### *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.<sup>20</sup>

<sup>19</sup> Mid-year population estimates for the UK 2014 (Office of National Statistics, 2015)

<sup>20</sup> See Children & Young People evidence paper (Money Advice Service, 2014)



### ***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 which 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.<sup>21</sup>

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.<sup>22</sup> 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.<sup>23</sup>

### ***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.<sup>24</sup> 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.<sup>25</sup>

### ***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.<sup>26</sup> 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.<sup>27</sup>

<sup>21</sup> Habit formation and learning in young children (Money Advice Service, 2013)

<sup>22</sup> A Gradient of Childhood Self-Control Predicts Health, Wealth, and Public Safety (Moffitt et al, Proceedings of the National Academy of Sciences, 2011)

<sup>23</sup> 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)

<sup>24</sup> Ibid

<sup>25</sup> It's time to talk: Young people and money regrets (Money Advice Service, 2014)

<sup>26</sup> The Effect of Financial Literacy and Financial Education on Downstream Financial Behavior (Fernandes et al 2013)

<sup>27</sup> It's time to talk: Young people and money regrets (Money Advice Service, 2014)



## Formal Education Environments

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.<sup>28</sup> 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.<sup>29</sup>



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.

## Financial Education in Wales

Financial education has had a place in the school curriculum in Wales since 2008. It features within the mathematics curriculum, as well as in the framework for Personal and Social Education, and Careers and the World of Work. There are detailed skills relating to managing money and financial education within the Literacy and Numeracy Framework, which has been statutory for 5 to 14 year olds since September 2013.

A new statutory programme of study for mathematics in Wales was introduced in September 2015 and covers ages 7 to 16 (key stages 2 to 4). The new programme highlights the importance of developing financial skills and awareness appropriate to the age of the child, not simply through increasing numerical ability and reasoning, but also through specific ‘manage money’ strands.

Curriculum changes also impact the re-launch of a revised and more rigorous Welsh Baccalaureate. The primary aim of this tiered qualification is to enable learners to develop and demonstrate an understanding of, and proficiency in, essential and employability skills, which includes a strong emphasis on numeracy and digital literacy.

The introduction of the revised Welsh Baccalaureate is coupled with the first teaching of new mathematics and mathematics – numeracy GCSEs from September 2015. These qualifications provide the opportunity to assess learners’ skills and knowledge, including aspects such as:

- the basic principles of personal and household finance, including fuel and other bills, hire purchase, discount, VAT, taxation, best buys, wages and salaries, loan repayments, mortgages, budgeting, exchange rates and commissions;
- simple interest;
- profit and loss;
- foreign currencies and exchange rates; and

<sup>28</sup> 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://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2015/04/06/000333037\\_20150406092002/Rendered/PDF/953910WP0Box380me0countries0summary.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2015/04/06/000333037_20150406092002/Rendered/PDF/953910WP0Box380me0countries0summary.pdf)

<sup>29</sup> 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).

- carrying out calculations relating to enterprise, saving and borrowing, investing, appreciation and depreciation.

The Financial Services Authority carried out a study in 2006 which highlighted that while some teachers have confidence in delivering personal finance education, this is by no means universal.<sup>30</sup> The Welsh Financial Education Unit (WFEU), established in 2009, provided support to practitioners who delivered financial education to 7 to 19 year olds. It offered a programme of Continuing Professional Development (CPD) training for teachers. The training enabled schools to help equip young people to manage their finances and make informed financial decisions. Although WFEU is no longer available there is a legacy learning pack available on the 'Learning Wales' website<sup>31</sup> and Hwb+, the all Wales virtual learning environment also has resources.<sup>32</sup>

It may be the case that teacher confidence in delivering financial education is still low. Because of the ever changing economic, social, political and environmental contexts continuing professional development opportunities for teachers are essential, so that all those who are going to deliver this subject feel ready and able to take on this most important task.

As part of the New Deal for the education workforce, work has begun to review the professional standards, which provides a unique opportunity to ensure any lack of confidence to teach financial capability, is addressed.<sup>33</sup>

### ***Improving the effectiveness, consistency and timing of financial education in schools***

There are a number of resources available and interventions currently being delivered by external providers in both primary and secondary schools in Wales.

Consistency and continuity of funding remains a key issue, as highlighted by a 2014 report by the Children, Young People and Education Committee.<sup>34</sup>

Research by Citizens Advice and pfeg confirmed that teachers often feel they lack personal finance expertise and value the credibility and the 'real life' contribution that external agencies can make.<sup>35</sup> As welcome as external interventions are, it is essential that teachers are confident in delivering financial education interventions so that the learning can be embedded into the curriculum, beyond the initial intervention itself.

Feedback from pupils and teachers following financial capability sessions tends to be positive but what seems to be important is not the quantity of financial education but the timing of it. Generally sessions are better received by young people about to embark on financial independence. This finding fits with previous research that confirms that what is needed is 'just in time' financial education.<sup>36</sup> This is particularly important for groups such as care leavers who may need additional support and advice at specific points in time, for example, as they leave the care system.

### ***Financial Education in informal environments***

Youth workers are in a unique position to be able to respond to financial capability needs creatively and at the right time, at 'teachable moments', such as when a young person starts living independently, turns 18 and has access to credit. It is often assumed that young people prefer to get advice online, but research undertaken by 'Youth Access' suggests face to face is preferred.<sup>37</sup>

<sup>30</sup> <http://www.fsa.gov.uk/pubs/consumer-research/crpr50.pdf>

<sup>31</sup> <http://learning.gov.wales/resources/learningpacks/financial-education/module-1-introduction-to-financial-education/?lang=en>

<sup>32</sup> <http://hwb.wales.gov.uk/Resources/resource/24b3a9f5-a28d-4b02-a7f4-368b2fed7b3d>

<sup>33</sup> <http://learning.gov.wales/yourcareer/professionalstandards/?lang=en>

<sup>34</sup> On 15 July 2014, Bethan Jenkins AM, introduced the Financial Education and Inclusion (Wales) Bill. The Bill was referred to the Children, Young People and Education Committee for consideration of the general principles (Stage 1), in accordance with Standing Order 26.9.

<sup>35</sup> [https://www.citizensadvice.org.uk/pdf\\_added\\_interest\\_full\\_report\\_2006.pdf](https://www.citizensadvice.org.uk/pdf_added_interest_full_report_2006.pdf)

<sup>36</sup> 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).

<sup>37</sup> [http://www.justrights.org.uk/sites/default/files/Youth%20Access%20-%20YYPs\\_Access\\_to\\_Advice\\_colour.pdf](http://www.justrights.org.uk/sites/default/files/Youth%20Access%20-%20YYPs_Access_to_Advice_colour.pdf).



Interventions for young people in an informal education setting such as youth clubs and outreach/ detached youth work are varied and ad hoc. Existing interventions and resources include the Money Advice Service Young People's toolkit for youth workers and videos of young people talking about money matters. Also Cardiff & Vale CAB plan to run budgeting sessions with NHS Wales for 14-25 year olds who have completed cancer treatment.

### ***Parenting and family interventions***

Money advice works best when delivered through a trusted messenger. Below the age of 7, children are most receptive to their parents' advice. Throughout adolescence, it is still parents to whom young people are most likely to turn, 77% find their parents' advice most helpful. US research shows that college students whose parents exhibit positive parenting are the most financially capable. Talking about money with their parents was the most significant factor. This parental influence was found to be one-and-a-half times stronger than financial education, and twice as strong as the influence of peers.<sup>38</sup>

It is vital to support parents to improve their own financial capability and help them support their children. Good parenting can make a significant and positive contribution to the lives of children and young people. Supporting children and young people from infancy to their transition into financial independence, fostering positive financial mind-sets, and using a wider range of messengers, are likely to further improve the financial capability amongst children and young people.

The Money Advice Service in partnership with Welsh Government and Big Lottery Wales and various local authority run programmes<sup>39</sup> and third sector organisations, will be conducting some ground breaking research in Wales. The pilot (and accompanying 2 year longitudinal evaluation) will test the effectiveness of programmes designed to improve children's financial capability through working with parents. The aim is to produce rigorous evidence on the impact and cost-effectiveness of parenting programmes. The pilot will raise awareness to parents of the important role they play and equip them with the desire, confidence and ability to develop the next generation of financially capable adults.

### ***Supporting families and children living in poverty***

The link between poverty and poorer health and education outcomes is widely recognised and supporting the early years is a key component to breaking this link. Supporting parents to increase financial capability is a key component of tackling child poverty.

There are an estimated 200,000 children living in poverty in Wales and the revised 2015 Child Poverty Strategy for Wales includes a new objective which looks to support families living in poverty to increase their household income through debt and financial advice, and actions to address the poverty premium and mitigate the impacts of Welfare Reform.<sup>40</sup> Digital inclusion has a particular role to play in supporting the delivery of these new strategic objectives. Developing skills through using digital technologies, improving employability and having access to cheaper goods and services, often only available online, can help support those living in low-income households.<sup>41</sup>

Educational attainment is much lower amongst children eligible for free school meals and poverty impacts both on physical and mental health.<sup>42</sup> There is support currently available which includes the Money Advice Service parenting videos and various providers have several different app-based budgeting tools. Families First, Flying Start and Communities First<sup>43</sup> amongst others are working with families in more deprived areas across Wales. Some food banks signpost users to sources of advice and guidance and although some stakeholders have voiced concerns around the impartiality of providers, there are examples of good practice.

<sup>38</sup> APLUS Wave 2: Changing Financial Behaviors of First Year College Student (The University of Arizona, 2011)

<sup>39</sup> Families First and Flying Start Programmes funded through Welsh Government <http://gov.wales/docs/dsjlg/publications/cyp/140910-parenting-in-wales-guidance-en.pdf>

<sup>40</sup> <http://gov.wales/docs/dsjlg/publications/150327-child-poverty-strategy-walesv2-en.pdf>.

<sup>41</sup> <http://gov.wales/docs/dsjlg/publications/150825-di-delivery-plan-annual-progress-15-en-v1.pdf>

<sup>42</sup> *ibid*

<sup>43</sup> <http://gov.wales/docs/dsjlg/publications/cyp/140910-parenting-in-wales-guidance-en.pdf>



There are concerns around the impact of changes to welfare benefits on children & young people, resulting in the withdrawal of housing benefits for some young people, changes to the Youth Allowance and a particular impact on lone parents. The Money Advice Service is working with DWP on the roll out of Universal Credit and many housing associations are looking at providing money advice and support for tenants on Universal Credit.

Hywel Dda Primary School in Ely has been earmarked for a potential time banking/reward scheme to enable financially excluded children to be able to earn small rewards which will allow credits to their credit union account. Cardiff Council have allocated £600 funding for this pilot project, which should be delivered during the 2015/16 academic year.

### Supporting people in vulnerable situations

There is a broad need to make sure that financial capability interventions are tailored to support people in vulnerable circumstances, including those with learning disabilities, young offenders, care leavers, and those with a need to access housing costs. The Money Advice Service provides a learning disabilities toolkit to support those working with young people, and SNAP Cymru delivers training or information to Families, Children and Young people who have or may have Additional Learning Needs. Other interventions that currently exist across Wales have been identified by various forums and stakeholders and can be found on the Wales section of the [fincap.org.uk](http://fincap.org.uk) website

Care leavers who need financial capability support, will need tailored support. Recommendations from the Consumer Focus Wales report '*From care to where? How young people cope financially after care*' (2011) include: "...co-ordinate financial education activity to ensure that care leavers not in formal education receive financial education in ways that are most appropriate to their circumstances"; and, "explore different methods of delivering financial education, such as using Peer Educators, to help those preparing to leave care understand the financial choices they may face when living independently for the first time".

One example of financial capability work with young people includes the ACT school in Cardiff which caters for pupils who have had problems while attending mainstream education. Sweet - succeeding with education employment and training - is billed as a guide on "how to be successful". The BTEC qualification covers issues such as managing money and risk, career success and self-esteem. Targeting pupils in Year 9, the programme is aimed at tackling potential 'NEETs'. Almost 1,000 young people in south Wales are already following the scheme and 95% of young people who have followed the Sweet course this year have gained the qualification - a Level 1 or Level 2 GCSE.

### Priority areas for action

Based on the issues and evidence outlined above, the Wales Forum will consider the following priorities for action:

- more effective evaluation and consistency of existing provision in schools;
- increasing capacity for more financial capability interventions;
- supporting informal and peer to peer interventions;
- supporting interventions targeted at families and parents, and
- targeting support for those most in need.

Actions linked to these priorities can be found in Appendix 1.

The Children and Young People Steering Group will take forward actions that apply across the UK, details of the initial action plan is available **online here**. If activities are identified with a relevance to Wales, the Children and Young People Steering Group will invite a representative from the Wales forum to sit on the Steering Group.





## 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.
- 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.
- Widespread communication of basic messages about money will enable young adults in Wales to navigate the demanding environment they face.
- Housing providers in Wales have a key role to play in working with younger tenants to sustain their tenancies.
- In devising approaches to trial and measure, the UK 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.
- A key aim of this Strategy in Wales will be to: target support, including for those most in need, look to provide financial education in all learning environments, both formal and informal, and equip young people to be financially independent when they leave home

### Introduction

Young adults, as they leave school<sup>44</sup> 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 areas identified as priorities for action in this Strategy are applicable to meeting the financial capability needs of young adults across Wales. The Financial Capability Strategy document for the United Kingdom provides more detail of activities targeting young adults that may also be relevant in Wales.

Interventions that currently exist across Wales have been identified by various forums and stakeholders and can be found **online here**

<sup>44</sup> Financial education in school settings across the UK is dealt with in the sections on Children & Young People.

## Evidence and key issues

### *Financial Capability Survey findings*

For young adults the survey tells us that 51% of young people in Wales are keeping up with bills without difficulty but 49% are struggling. Only 43% rate their approach to keeping track of income and expenditure as 8 or more out of 10. Two-thirds of young people (67%) claim to know their current account balance to within £50. Just over half (55%) of young people save every month or most months. 60% could pay an unexpected bill of £300 from their own money or from savings without cutting back.

Young adults score slightly lower than the working age average when it comes to:

- confidence managing money (41% 18-24s, 47% of working age adults);
- confidence making financial product and service decisions (30% 18-24s, 41% of working age adults); and
- thinking it's very important to shop around to make their money go further (41% 18-24s, 50% of working age adults) which ties in with the fact that they are also less likely than average to have maximised income i.e. explored alternative tariffs or suppliers in the last year.

These findings suggest there may be a case for targeted young adult interventions to address a lack of confidence in managing money and budgeting, and related to financial decisions. Interventions may also wish to encourage greater shopping around. Interventions could also make use of young adults' above average likelihood of open discussions about money (though there are half of young adults saying they do *not* openly discuss money with anyone). Previous qualitative research with young adults<sup>45</sup> suggests that finding the right messenger could be an important part of designing and delivering successful interventions.

Bearing these survey results in mind, it is important to understand the context for young adults in Wales and the provision and policy environment that applies.

### *Young People Not in Education, Employment or Training (NEET)*

At the end of 2014, 10.9 per cent of 16-18 year olds and 20.7 per cent of 19-24 year olds were NEET.

In Wales, young adults transitioning from compulsory education at age 16, now have the Youth Guarantee which is an offer of a suitable place in education or training. Overall responsibility for the delivery and achievement of the Youth Guarantee lies with local authorities. This is part of their lead strategic role for implementation of the Youth Engagement and Progression Framework which aims to reduce the number of young people classified as NEET. The proposed Youth Obligation from DWP as part of Universal Credit will also apply, but as yet it is unclear as to exactly how it will be delivered in Wales.

The Strategy could usefully look to see how financial capability can be built into the support offered to young adults at this stage in their transition.

### *The provision of financial capability support in Further and Higher Education*

The annual survey of Welsh school leavers shows that 86.9% of pupils who have reached statutory school leaving age choose to continue in full time education.

Young people face more responsibilities and challenges than ever. They now bear more of the costs of their education, they are able to borrow large sums of money, and they must do more to plan for the future. Financial difficulty is a major reason, that both further education and higher education students in Wales cite, for dropping out of their studies (48.5% of FE students and 55.8% of HE students).<sup>46</sup>

<sup>45</sup> It's time to talk: Young people and money regrets (Money Advice Service, 2014)

[https://53b86a9de6dd4673612f-c36ff983a9cc042683f46b699207946d.ssl.cf3.rackcdn.com/mas\\_money\\_regrets\\_online.pdf](https://53b86a9de6dd4673612f-c36ff983a9cc042683f46b699207946d.ssl.cf3.rackcdn.com/mas_money_regrets_online.pdf)

<sup>46</sup> National Union of Students 2014





Widespread communication of basic messages about money will enable young adults to navigate the demanding environment they face. They will be better able to plan ahead and to avoid the pitfalls of over-indebtedness, and those in difficulty will know where to turn for help.

The Money Charity reports considerable demand for their post-16 workshops in Wales, which provide students with important money management skills and knowledge about finance, including university student finance.

NUS Wales have found that students who have received formal financial education are more likely to have lower debt levels and higher levels of wellbeing.<sup>47</sup> Of those who had received formal financial education, 27 per cent had a debt of over £1001, compared to 40 per cent of those who had not. The report recommends that there is a need to ensure sustainable and ethical means of lending are available, for example by expanding the role of credit unions on campuses in Wales.

### ***Sustainable tenancies***

The need for young adults to be able to keep up with their rent when they first move out of home was specifically raised by stakeholders. The Joseph Rowntree Foundation recommend that a proactive approach is needed to ensure that young people are better equipped to understand the implications of leaving home. They suggest that initiatives that improve access to generalised information about independent living and housing include peer education, educating parents, working with schools and working with young people to overcome social disadvantage are needed.<sup>48</sup> Learning from mistakes, building resourcefulness and resilience, knowing what to do when things go wrong and where to go for help, are vitally important. This is especially so for those young people who do not have the backing of supportive families or who have past experience of damaging upheaval and uncertainty in their life.

Registered Social Landlords have a key role to play in working with younger tenants to sustain their tenancies. Through the Supporting People Programme, Welsh Government provides housing-related support to help vulnerable people live as independently as possible.<sup>49</sup> There is also a need to provide this support for young adults renting within the private rental sector.

### **Priority areas for action**

Based on the issues and evidence outlined above, the Wales Forum will consider the following priorities for action:

- providing financial education in all learning environments both formal and informal; and
- equipping young adults to be financially independent when they leave home.

Actions linked to these priorities can be found in Appendix 1.

The Young Adults Steering Group will take forward actions that apply across the UK, details of the initial action plan is available **online here**. If activities are identified with a relevance to Wales, the Young Adults Steering Group will invite a representative from the Wales forum to sit on the Steering Group.

<sup>47</sup> National Union of Students 2014

<sup>48</sup> <https://www.jrf.org.uk/report/housing-options-and-solutions-young-people-2020>

<sup>49</sup> <http://gov.wales/topics/housing-and-regeneration/services-and-support/supporting-people/?lang=en>



## Working-Age People

- The *Financial Capability Survey* suggests the key priority for people of working-age in Wales is to focus on: building resilience; saving for the future; planning ahead; and managing life events.
- A key aim for the UK 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 across Wales and 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 is accessible through the workplace.
- This strategy will work to promote the good initiatives happening across Wales to encourage people to consider the appropriate actions for their circumstances.

### Introduction

There are an estimated 1.9 million working-age people in Wales. The population in this age group include people focused on immediate financial pressures associated with managing costs and commitments day-to-day, such as paying off debt, building resilience to cope with income shocks with longer-term goals like buying a home, starting a family or planning ahead to retirement.

Reductions in public sector spending are likely to hit the Welsh economy and public sector employment particularly hard, as the proportion of the workforce employed in the public sector is far greater in Wales than the UK average. It has been estimated that there may be a loss of around 58,800 jobs in the Welsh public sector (excluding public corporations) between 2011 and 2018.<sup>50</sup>

The areas identified as priorities for action in this section of the Strategy are applicable to meeting the financial capability needs of working age people across Wales. The Financial Capability Strategy for the United Kingdom provides more detail of activities targeting working-age people that may be relevant in Wales. In Wales, the policy environment has a strong focus on people in poverty. And this section will have a particular focus on adding value to the ongoing work in Wales linked to the Welsh Government's Financial Inclusion Strategy and other relevant policies.

Interventions that currently exist across Wales have been identified by various forums and stakeholders and can be found **online here**

<sup>50</sup> <http://www.assembly.wales/Research%20Documents/Public%20Sector%20Employment%20-%20Research%20paper-07052013-245987/rn13-008-English.pdf>



## Evidence and key issues

### *Financial Capability Survey Findings*

In terms of managing money day to day working-age people in Wales are more likely to be struggling or falling behind (54%) than keeping up without difficulty (46%). 1 in 2 rate their approach to keeping track as 8 or more out of 10. 60% claim to know their current account balance to within £50 or less and just over half (53%) save every month or most months. 63% could pay an unexpected £300 bill from their own money or from savings without cutting back. 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.

When preparing for life events, 61% of people in Wales say they have financial goals for the next five years, almost half of working-age couples or families do not have life cover, and 51% of working age people say they are paying into a pension.

These survey results help us identify relevant interventions for working age people. There is also other Wales specific evidence that needs to be taken into account to align interventions with the unique environment, relevant strategies and need in Wales.

### *Basic Money Management Skills and Knowledge*

In-work poverty remains a key concern, with 24 percent of Welsh workers earning less than the recommended Living Wage of £7.65 per hour<sup>51</sup> suggesting families need more support to make their money go further. Research by the Joseph Rowntree Foundation shows there are now more people living in in-work poverty in Wales than out of work poverty.<sup>52</sup> To support this, the revised Child Poverty Strategy recognises the need to tackle this and includes a strategic objective which focuses on using all available levers to create a strong economy and labour market which supports the tackling poverty agenda and reduces in-work poverty in Wales.

The Welsh Government's Fuel Poverty Strategy 2010 included a commitment to reduce the number of households living in fuel poverty in Wales. In 2012, 30% of households in Wales were projected to be in fuel poverty, equivalent to 386,000 households.<sup>53</sup> The Welsh Government fuel poverty scheme known as Nest started in April 2011 and is complemented by the area-based scheme, Arbed. Both schemes support households in fuel poverty. Nest provides support for households whereas Arbed helps to provide targeted improvements for communities in the most deprived area in Wales.

### *Impact of benefit changes*

In the UK as a whole, there are 8m households moving onto Universal Credit; 7.5m are estimated to need extra budgeting support to help them transition onto Universal Credit (UC) as the benefit will be paid monthly.<sup>54</sup> A formal delivery partnership has been agreed between DWP and local authorities to deliver personal budgeting support to claimants during Universal Credit roll out. Many local authorities in Wales have already embedded the Money Advice Service tools and resources developed to support people with the changes. The Wales Cooperative Centre is running a 'Your Money Your Home' project funded by Comic Relief providing support including financial capability for vulnerable tenants in the private rented sector. Early findings from this project show that whilst 27% of tenants were aware that benefits were changing, 86% had no or very little awareness of what the effect of the changes would be. This project is taking part in the piloting of the Money Advice Service evaluation toolkit, see page 26 for more information.

<sup>51</sup> Markit Group (2014), Living Wage Research for KPMG, <http://www.kpmg.com/UK/en/IssuesAndInsights/ArticlesPublications/Documents/PDF/Latest%20News/living-wage-research-october-2014.pdf>

<sup>52</sup> JFR (2013), Monitoring Poverty and Social Exclusion in Wales 2013, <https://www.jrf.org.uk/report/monitoring-poverty-and-social-exclusion-wales-2013>

<sup>53</sup> <http://gov.wales/docs/statistics/2015/150914-national-survey-wales-2014-15-headline-results-revised-en.pdf>

<sup>54</sup> <http://gov.wales/topics/people-and-communities/welfare-reform-in-wales/analysing-reforms/?lang=en>



Transition to Universal Credit presents additional challenges for benefit recipients (and initially unemployed people who are transitioning first) because of the switch to monthly payment and the requirement for recipients to pay housing costs, rather than having this paid direct. This means that managing money day to day and longer term planning will become more important, so there is particular need for interventions related to these attitudes and behaviours amongst these groups.

Housing associations in Wales have expressed concerns about the fact that under Universal Credit rent payments will be made directly to the tenant rather than the landlord. In a DWP Direct Payment Demonstration Pilot, 34% of the tenants of Bron Afon Community Housing Limited (the Wales contributor to the pilot) were switched back to landlord payments primarily because they had consistently underpaid their rent.<sup>55</sup>

Many housing associations are working with their tenants to get them ready for the budgeting changes that will be needed when universal credit is rolled out across Wales. The *Financial Capability Survey* for Wales identifies that social housing tenants may benefit from targeted interventions. It found, for example, that social housing tenants are less likely to save regularly; are less likely to have financial goals; and, have lower skills and knowledge.

There is also a need to find out how to apply what we have learnt about supporting tenants in social housing to the private rented sector. The *Financial Capability Survey* found that private renters, for example, are less likely to use credit sensibly, and have lower levels of confidence managing money and making financial product/service decisions than tenants in social housing.

### **Role of business and the workplace**

A YouGov survey was conducted on behalf of Barclays Corporate & Employer Solutions and Barclays Workplace Banking in 2014 and revealed that employers could lose as much as 4% of their payroll in lost productivity as a result of staff worrying about their financial situation.<sup>56</sup> The report argued that a significant number of employees would benefit from greater employer support to manage their day-to-day finances as well as education about the benefits of a savings buffer.

Research from the Money Advice Trust tells us that more than one in three small business owners drew less than £100 income from their business each month, leaving them in a constant struggle to stay on top of their personal, as well as business, finances. Also that more than three quarters reported cutting down on household spending, with more than a third of these reducing spending on gas/electricity and a worrying number reporting they were paring back on food.<sup>57</sup>

SMEs are the back bone of the Welsh economy. Over 99% of businesses in Wales are SMEs, and they account for 60% of private sector employment.<sup>58</sup> Helping employers in small and micro business to support themselves and their staff with their financial capability in similar ways as the public sector could be investigated. Options such as replicating the payroll deduction option in the public sector with SME and micro businesses could be encouraged.

### **Planning/resilience for financial shocks**

There is a particular issue around how low income families can be supported to generate resilience and prevent them from falling into debt. There are a number of ongoing initiatives to help families plan for emergencies, such as the ongoing work with ABI and the Money Advice Service to raise the awareness of the value of protection products e.g. contents insurance. The Credit Union payroll deduction in the public sector makes it easier for eligible employees to save. Community Housing Cymru runs an affordable Home Contents Insurance across housing associations in Wales called My Home Contents Insurance.

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<sup>55</sup> CIH Direct Payments Demonstration Projects Landlord Learning Document March 2014

<sup>56</sup> <https://wealth.barclays.com/content/dam/bwpublic/global/documents/ces/financial-well-being-report.pdf>

<sup>57</sup> [www.moneyadvice.org.uk/SiteCollectionDocuments/Research%20and%20reports/MAT\\_BDL\\_COST\\_OF\\_BUS.pdf](http://www.moneyadvice.org.uk/SiteCollectionDocuments/Research%20and%20reports/MAT_BDL_COST_OF_BUS.pdf)

<sup>58</sup> <http://gov.wales/newsroom/businessandconomy/2015/150317SMESupportService/?lang=en>



## *The importance of savings*

A key aim for the UK Strategy, including for people in Wales, is to tackle persistent under-saving. 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*

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.<sup>59</sup> 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.<sup>60</sup>

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. Around half of the population in Wales save every or most months.<sup>61</sup>

Research suggests that once developed, the strength of the savings habit increases over time and reduces levels of stress when faced with financial difficulties.<sup>62</sup> But there are still a number of key evidence gaps around how policy, products and different incentives can help raise household saving.<sup>63</sup> 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 UK government-supported cash savings scheme designed to help people on low incomes initiate a habit of savings by matching every £1 saved with 50p.

The evaluation of the Savings Gateway pilot found 65% of subscribers made additional contributions over the amount required for maximum matched saving.<sup>64</sup> 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.<sup>65</sup> These include matched savings schemes like Savings Gateway, Lloyd's Banking Group's 'Save the Change' initiative that rounds up

<sup>59</sup> An Action Plan on Problem Debt (Step Change, 2015)

<sup>60</sup> Financial Capability and Wellbeing (Money Advice Service, 2015)

<sup>61</sup> Financial Capability Survey (Money Advice Service, 2015).

<sup>62</sup> Accounting for the Role of Habit in Regular Saving (Căzilia Loibl, David S. Kraybill, Sara Wackler DeMay, Journal of Economic Psychology, 2011)

<sup>63</sup> Raising Household Saving, (Crossley, Emmerson, Leicester, IFS, 2012)

<sup>64</sup> Final Evaluation of the Saving Gateway 2 Pilot: Main Report (Harvey, P. et al., HM Treasury, 2007)

<sup>65</sup> Improving the Financial Health of the Nation (Financial Inclusion Commission, 2015)

purchases and transactions and move the difference to a savings account,<sup>66</sup> and mobile applications like the Westpac Bank's Impulse Save App in New Zealand,<sup>67</sup> and True Potential LLC's impulseSave.<sup>68</sup> 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.<sup>69</sup> 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.<sup>70</sup>

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 58).

### *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.<sup>71</sup> 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.

### *People in vulnerable circumstances*

There are a number of people in Wales who have distinct needs in order to improve financial capability and may require particular support. As well as those identified within the *Financial Capability Survey*, stakeholders in Wales have identified three groups within the consultation of this Strategy: individuals with mental health problems, those with physical or learning disabilities, and ex-offenders.

<sup>66</sup> <http://www.lloydsbank.com/savings/save-the-change.asp>.

<sup>67</sup> <http://www.westpac.co.nz/impulsesaver>.

<sup>68</sup> <http://www.tpilp.com/impulsesave/>.

<sup>69</sup> Saving in Lower Income Households, A Review of the Evidence (Kempson et al, PFRC, 2009)

<sup>70</sup> Cash Savings Market Review Study (FCA, 2015)

<sup>71</sup> The Individual's Saving Decision (Building Societies Association, 2007)





### *Mental Health*

One in four people with a mental health problem are in debt.<sup>72</sup> Moving from low to average financial capability increases psychological well-being by 5.6 per cent and decreases the likelihood of suffering from anxiety or depression by 15 per cent.<sup>73</sup> Mind Cymru research<sup>74</sup> states that almost 60 per cent of those in problem debt had told their health or social care professionals about their financial difficulties and that more than three-fifths of all respondents and three-quarters of those in problem debt reported often feeling confused about their finances.

### *Disabled People*

Disabled people are twice as likely to say they have greater difficulty making ends meet than non-disabled people and also less likely to draw on banking systems when they run out of money – 18% use an authorized / arranged overdraft when they run out of money compared to 31% of non-disabled people.<sup>75</sup>

### *Offenders*

In 2013/14 there were 1,867 prison leavers presenting to local authorities in Wales.<sup>76</sup> Almost three-quarters (72%) of prisoners interviewed for a 2010 report by Prison Reform Trust and UNLOCK said they had not been asked about their finances while in prison. A third said they did not have a bank account; of whom 31% had never had one.<sup>77</sup> Current examples of work with offenders include the Wallich Clifford Community, with a three year project, based in Bridgend, working with offenders, helping them manage their finances through budgeting and supporting them by advocating on their behalf to help them access services relevant to their needs. Also, in Swansea is the Credit Union Prisoners Project which encourages prisoners to save with LASA (Loans and Savings Abertawe) Credit Union so they are more financially resilient when they leave prison.

## Priority areas for action

Based on the issues and evidence outlined above, the Wales Forum will consider the following priorities for action:

- improving basic money management skills;
- managing the impact of welfare reform;
- influencing attitudes to affordable credit;
- implementing interventions to help people build financial resilience; and
- supporting vulnerable groups.

Actions linked to these priorities can be found in Appendix 1. The Working-age and Savings Steering Groups will take forward actions that apply across the UK, details of the initial action plan is available **online here**. A representative from the Wales forum will be asked to sit on the both these Steering Groups.

<sup>72</sup> [www.rcpsych.ac.uk/healthadvice/problemsdisorders/debtandmentalhealth.aspx](http://www.rcpsych.ac.uk/healthadvice/problemsdisorders/debtandmentalhealth.aspx)

<sup>73</sup> <http://www.fsa.gov.uk/pubs/occpapers/op34.pdf>

<sup>74</sup> <http://www.mind.org.uk/media/273468/still-in-the-red.pdf>

<sup>75</sup> <https://www.ipsos-mori.com/Assets/Docs/Polls/IpsosMORIdisabledpeopleandfinancialexclusion.pdf>

<sup>76</sup> The WLGA's Scoping and Mapping Study to improve the Resettlement of Prisoners coming out of Custody February 2015

<sup>77</sup> Bath, C., and Edgar, K. (2010) Time is Money: Financial responsibility after prison, London: Prison Reform Trust





## Retirement planning

- The entire retirement planning landscape in Wales and across the UK 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, including Wales. All statistics used in this section are for the UK as a whole.

### 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".<sup>78</sup> 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.

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<sup>78</sup> 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.<sup>79</sup> DWP analyses give a sense of the scale of the working-age population who are currently saving/planning inadequately for retirement (under-savers).<sup>80</sup>

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.<sup>81</sup>

**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.

<sup>79</sup> 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%.

<sup>80</sup> Framework for the analysis of future pension incomes (DWP, 2013); Scenario analysis of future pension incomes (DWP, 2014)

<sup>81</sup> 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.<sup>82</sup> In a National Employment Savings Trust (NEST)<sup>83</sup> 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.<sup>84</sup>

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.<sup>85</sup>

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
<b>NET: Any pension</b>	<b>66</b>	<b>41</b>	<b>65</b>
<b>NET: Any inheritance</b>	<b>13</b>	<b>14</b>	<b>13</b>

<sup>82</sup> Freedom and Choice in Pensions (HM Treasury, 2014)

<sup>83</sup> NEST is a pension scheme set up by the government mainly to help employers with automatic enrolment.

<sup>84</sup> Taking the temperature of automatic enrolment, (NEST, 2014, p. 25)

<sup>85</sup> 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”.<sup>86</sup>

The government has also issued consultations on pensions tax relief<sup>87</sup> and pension transfers and exit charges.<sup>88</sup> 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.<sup>89</sup> 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.<sup>90</sup> 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.<sup>91</sup>
- 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.<sup>92</sup>
- 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.<sup>93</sup>

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.

<sup>86</sup> Pension freedom guidance and advice inquiry (Work and Pensions Committee, 2015)

<sup>87</sup> Strengthening the incentive to save: a consultation on pensions tax relief (HMT, July 2015)

<sup>88</sup> Pension transfers and early exit charges (HMT, July 2015)

<sup>89</sup> Automatic enrolment and pensions language guide (DWP, 2011) and Phrasebook v 2 (NEST, 2011)

<sup>90</sup> Retirement income market study: final report – confirmed findings and remedies (FCA, March 2015)

<sup>91</sup> Ibid., Remedy 4 page 52

<sup>92</sup> The Pensions Finder tool: a discovery project white paper (Open Identity Exchange (OIX), June 2015)

<sup>93</sup> Press release (Tax Incentivised Savings Association (TISA), December 2014)



### Priority areas for action

The UK Retirement Planning Steering Group will further refine and agree the priorities below and will develop a more detailed action plan for delivery, which will be published on the fin cap website **available here**

The key priorities identified are:

- developing the evidence base to understand people's financial capability for retirement planning;
- improving access to pension information;
- leading the co-ordination of collaborative efforts to improve the consumer retirement journey;
- improving access to and consumer understanding of guidance and regulated financial advice; and
- piloting programmes to nudge people to increase their pension contributions during their working lives.

In addition to these priorities, there are some actions relating to retirement planning contained within the older people in retirement priorities part of the Wales action plan.



## 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 and many are not accessing the benefits they are entitled to.
- While older people are generally good at managing money day to day, they can be hampered by difficulties accessing products and services. 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 older people's financial capability, learning needs to be shared from the initiatives that have been shown to work.
- Priorities for the Strategy are to: support older people in Wales to access financial capability initiatives and raise awareness of preventative money advice; tackle scams, fraud and financial abuse and to enable older people to make more informed choices about using their pension assets and plan ahead for future life events.

### Introduction

As elsewhere the population in Wales is ageing, nearly one in five (19%) of the population of Wales is aged over 65. The number of people aged 65<sup>94</sup> and over is projected to increase by 50 per cent between 2012 and 2037.<sup>95</sup>

The Strategy for Older People in Wales (2013-2023) highlights that older people are among those at highest risk of financial exclusion.<sup>96</sup> A higher proportion of older people live in rural areas, where physical access to financial services is limited. Equally they are more likely to be digitally excluded, affecting their ability to access discounts, shop around and access digital advice sources.

The most recent data for Wales shows that for the three year period 2011/12 to 2013/14, 16% of pensioners were living in households in relative income poverty in Wales, with 9% of pensioners aged 65 and over in material deprivation.<sup>97</sup>

Many interventions with older people that currently exist across Wales have been identified by various forums and stakeholders and can be found **online here**

### Evidence and key issues

#### *Managing money well day to day*

The *Financial Capability Survey* suggests that older people in retirement are less likely to be anxious about their financial situation, but more likely to think nothing they do will make a difference. In comparison to the working age population, older people in retirement in Wales score well on managing money well day to day and dealing with financial difficulty, and have higher resilience via savings. Around 8 in 10 say that they are keeping up with bills without difficulty (78%) though some are struggling or falling behind (22%). With regard to household income and expenditure, 80% rate their approach to keeping track as 8 or more out of 10 and 65% claim to know their current account balance to within £50. 47% 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.

<sup>94</sup> <http://gov.wales/statistics-and-research/mid-year-estimates-population/?lang=en>

<sup>95</sup> <http://wales.gov.uk/docs/statistics/2013/131106-national-population-projections-2012-based-en.pdf>

<sup>96</sup> The Strategy for Older People in Wales 2013-2023. [gov.wales/docs/dhss/publications/130521olderpeoplestrategyen.pdf](http://gov.wales/docs/dhss/publications/130521olderpeoplestrategyen.pdf)

<sup>97</sup> <http://gov.wales/statistics-and-research/households-below-average-income/?lang=en>

These survey results help us identify relevant interventions for older people in retirement. There is also other Wales specific evidence that needs to be taken into account to align interventions with the unique environment, relevant strategies and need in Wales. These are linked to digital inclusion, income maximisation, scams and preparing for and managing life events.

### *Digital Inclusion*

Older people are less likely than the working-age population to use the internet on a regular basis. Older people are also less likely to say that they would be happy using online banking, which may make it more difficult for them to manage their money effectively.<sup>98</sup> Levels of digital exclusion in Wales are also high. Digital exclusion can present a significant challenge to financial capability, especially for older people and this is reflected in the action plan. This issue is discussed in detail in the section on Ease and Accessibility (see page 58).

### *Income Maximisation*

It is estimated that there are 100,000 older people in Wales living in poverty, with 50,000 of those in 'severe' poverty'. Despite this there is still £168m of unclaimed pension credit in Wales.<sup>99</sup> There remains a stigma attached to claiming benefits, particularly those which are means tested, and tackling these negative attitudes towards benefits is particularly important for older people, who are more likely to cut spending than get into debt, and less likely to take available support such as food banks.

### *Scams, fraud and rogue traders*

Scams and rogue traders continue to be a concern for Wales' ageing population, where in 2013 there were an estimated 45,529 people living with dementia.<sup>100</sup> Age Cymru estimates that older people who are targeted and caught up in scams lose an average of £1,200 each.<sup>101</sup> It is estimated that 40% of older people in the UK with dementia are regularly targeted by scam mail.<sup>102</sup> As an increasing number of older people begin to access the internet there is a heightened risk that without sufficient information or guidance on how to distinguish between legitimate/illegitimate deals, they could be more susceptible to internet fraudsters.

There are currently several projects to tackle scams linked to Trading Standards. Earlier this year, a new partnership called 'Wales Against Scams Partnership' (WASP) was established by Age Cymru and the Older People's Commissioner. WASP includes representatives from the public sector and private companies who will aim to create a partnership strategy with the mission of making Wales a safer place for older people and a hostile place for scammers. A strategy and action plan will be published in the autumn 2015.

Community Housing Cymru is investigating the need for a combined awareness campaign for freedoms, the new state pension and financial assistance for low income pensioners.

<sup>98</sup> Financial Capability Survey, Money Advice Service 2015

<sup>99</sup> Age Cymru Report - Life on a low income - The reality of poverty for older people in Wales

<sup>100</sup> [http://www.cpa.org.uk/cpa-lga-evidence/Merthyr\\_Tydfil\\_County\\_Borough\\_Council/Ageing\\_Well\\_in\\_Wales\\_Programme.pdf](http://www.cpa.org.uk/cpa-lga-evidence/Merthyr_Tydfil_County_Borough_Council/Ageing_Well_in_Wales_Programme.pdf)

<sup>101</sup> <http://www.ageuk.org.uk/cymru/latest-news/archive/scams-awareness-month/>

<sup>102</sup> <https://www.alzheimers.org.uk/shortchanged>





## ***Preparing for and managing life events***

Whilst older people do relatively well on managing money well day to day, there is a more mixed picture on planning for and managing life events - with older people in retirement less likely than working age adults to have plans and goals in particular.

Only a quarter of older people in Wales say they have financial goals for the next five years.

The Supporting People programme<sup>103</sup> provides housing-related support to help people in vulnerable circumstances, including older people, to live as independently as possible by helping them to develop the skills needed to live independently. Workers often provide advice on managing personal budgets, maintaining support networks and managing relationships with neighbours. People can also be signposted to other services such as specialist housing and financial advice, care or treatment services.

## ***Cognitive decline***

Much work has taken place in Wales recently to identify the priority areas that need to be addressed to improve the lives of those with and affected by dementia. The vision in Wales is to create Dementia Supportive Communities. Wales will work to strengthen communities, creating a key resource for people affected by dementia at local and national level.<sup>104</sup>

In Wales, the guidance review '*In Safe Hands*', recommended a national publicity campaign aimed at raising awareness amongst the general public of financial abuse.<sup>105</sup>

## ***On-set of ill health and paying for care***

Welsh Government have made a commitment to establishing a sustainable system for paying for social care in Wales. New legislation for Wales, the Social Services and Well-being (Wales) Act 2014, came into force in May 2014.

From April 2011 a limit was placed on the amount councils can charge for all non-residential social services, meaning that the most an individual in Wales will pay is £60 per week. Organisations working with older people have detailed fact sheets on paying for care in Wales.

Only 24% of people of retirement age in Wales say they have any form of plan for funding long term care.<sup>106</sup> 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, we need to encourage older people 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. As part of this, we must encourage older people and their families to discuss and agree preferred options for financing care in advance of need to ensure their wishes are known.

<sup>103</sup> <http://gov.wales/docs/desh/publications/130501spfactsheeten.pdf>

<sup>104</sup> <http://gov.wales/docs/dhss/publications/110302dementiaen.pdf>

<sup>105</sup> <http://www.elderabuse.org.uk/Documents/Other%20Orgs/In%20Safe%20Hands%20review.pdf>

<sup>106</sup> Financial Capability Survey, Money Advice Service, 2015



### *Bereavement and end of life planning*

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.

In Wales, *'Together for Health – End of Life Delivery Plan'* was published in 2013 and provides a framework for action by Local Health Boards and NHS Trusts working together with their partners.<sup>107</sup> Plans for action include the key area of 'Supporting living and dying well' which can include informing and supporting patients to make arrangements in advance for the end of life.

The *'Dying Better'* report by Which? outlines the host of confusing private markets and public services bereaved people navigate at a very difficult time.<sup>108</sup> Which? quotes recent research that has shown that consumers face a range of often unforeseen costs at the end of life – for example, travel to and from hospital, increased heating bills, and the price of special foods and clothing.

Funeral costs have been soaring in the UK with the cost of a simple funeral increasing by 80% between 2004 and 2014. It is predicted that funeral costs could reach or exceed an average of £7,000 by 2020, with the cost of a simply funeral projected to rise by £5,226 by 2020.<sup>109</sup>

The Financial Capability Survey indicates that 60% of people in Wales have not made a will. The Strategy can also raise awareness of the need to make appropriate arrangements

### **Priority areas for action**

Based on the issues and evidence outlined above, the Wales Forum will consider the following priorities for action for older people in retirement in Wales:

- supporting older people to access financial capability interventions and raise awareness of preventative money advice;
- tackling scams, fraud and financial abuse; and
- enabling older people to make more informed choices about using their pension assets and enable older people to plan ahead for future life events

Actions linked to these priorities can be found in Appendix 1.

The UK Older People in Retirement Steering Group will take forward actions that apply across the UK, details of the initial action plan is available **online here**. A representative from the Welsh Forum will be asked to sit on this group.

<sup>107</sup> <http://gov.wales/docs/dhss/publications/130416careen.pdf>

<sup>108</sup> <http://www.staticwhich.co.uk/documents/pdf/dying-better---the-consumer-experience-at-the-end-of-life-398283.pdf>

<sup>109</sup> ILC



## 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 across the UK is the responsibility of the Debt Advice Steering Group (DASG), chaired by the Money Advice Service. In Wales the National Advice Network will develop and take forward an advice services strategy which will include debt advice.

Priorities for this Strategy are to:

- Ensure coordination between the national Debt Advice Strategy work and the work of the Wales National Advice Network;
- 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;
- 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; and
- share the learnings from the MAS/Community Housing Cymru (CHC) pre tenancy work with housing associations to understand how pre tenancy work can support debt prevention.

### Introduction

Financial difficulties can be experienced at all life stages and may be an on-going 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.<sup>110</sup>

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.<sup>111</sup> Over-indebted people also report negative impacts on their relationships and physical health as a result of their debt problems.<sup>112</sup>

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 (DASG) have identified is to increase engagement with high quality debt advice across all channels of delivery.

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

<sup>110</sup> Indebted Lives, Money Advice Service, 2013

<sup>111</sup> The Debt Trap, StepChange Debt Charity and the Children's Society, 2014

<sup>112</sup> Statistical Yearbook, StepChange 2015

## Evidence and key issues

### *Debt in Wales*

19.6% of people in Wales are over-indebted.<sup>113</sup> There has also been a shift in the nature of debt, from consumer debt for non-essential spending towards priority debt connected with the home including rent, mortgage and council tax costs and essential household bills.<sup>114</sup> The information and advice sector focus is shifting gradually to reflect this however awareness of the availability of different services – including free and paid for debt advice – remains low. With current services already stretched there is a risk that preventative services are deprioritised in order to meet demand for debt advice.

### *Advice Services in Wales*

As part of the recommendations from the Advice Services Review, Welsh Government has prioritised the development of an information and advice strategy to ensure consistent access to high quality services across Wales. Research completed by the review highlights that debt advice is offered by a number of different providers in Wales. The ambition in Wales is that funding for advice services including debt advice is co-ordinated by the National Advice Network. The network has membership from funders such as the Big Lottery Wales, Welsh Government, the Welsh Local Government Association and the Money Advice Service.

The National Advice Network has identified the need for a comprehensive needs analysis across the advice sector to include debt advice. The Network is also progressing supply mapping of quality assured information and advice services across various channels including face to face, telephone and online services. Additional evidence which assists the identification of individuals in or at risk of debt, such as data which has been made available from free to client advice services including the Money Advice Trust, Payplan, StepChange Debt Charity and the Citizens Advice service will be considered when developing a draft Information and Advice Strategy for Wales which will be brought forward in 2016.

Welsh Government and the National Advice Network will undertake a mapping exercise in late 2015 which will, on completion, be made readily accessible to the public and to others who may signpost those in need of information and advice to reliable sources through an interactive map which will incorporate face to face, online and telephone advice provision. Plans to maintain this directory of services will be developed as part of the Information and Advice Strategy for Wales discussed above.

### *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.<sup>115</sup>

When it comes to financial difficulties in particular we know that early intervention can make a significant difference. Success relies on an agency to intervene and 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.<sup>116</sup> This remains an under-researched area and one where the Strategy will seek to fill evidence gaps.

<sup>113</sup> MAS/CACI 2015

<sup>114</sup> <https://www.citizensadvice.org.uk/about-us/policy/policy-research-topics/citizens-advice-cymru-wales-policy-research/advice-trends-in-wales-2014-15/>

<sup>115</sup> See the work of the Early Intervention Foundation in the UK <http://www.eif.org.uk/publications/> or the Cure Violence initiative in the USA <http://cureviolence.org/>

<sup>116</sup> See for example the assessment of a Barclays programme by Bristol University <http://www.bristol.ac.uk/geography/research/pfrc/themes/credit-debt/understanding-financial-difficulty.html>



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

- most people take more than a year to seek support themselves<sup>117</sup> – often due to a belief that their situation is normal for ‘people like them’; 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;
- developing an understanding of when and where to seek out support from expert agencies when facing a major financial decision.

The Money Advice Service and Community Housing Cymru are developing a pilot that will utilize housing association’s data to identify people at risk of falling into debt and design early intervention models through pre-tenancy work. The Wales Cooperative Centre is also providing sign posting and referral for money advice targeted at private rented sector tenants through the project ‘Your Money Your Home’.

### ***Crisis support – Debt Advice***

Research done by the Money Advice Service shows that only 17% of over-indebted people across the UK seek debt advice.<sup>118</sup> Many more remain vulnerable to the consequences of poor financial decision making but have the potential to benefit from effectively targeted preventative interventions. 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.

Evidence from stakeholders in Wales suggests that advice providers feel that with the reduction of legal aid there may be an increase in the risk of people not accessing appropriate advice. The Welsh Government have committed £2m funding for frontline advice services yet demand for face-to-face debt advice continues to rise.

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.

Debt advice can deliver good value for money, 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.

<sup>117</sup> Indebted Lives, Money Advice Service, 2013; An Action Plan on Problem Debt, StepChange, 2015.

<sup>118</sup> Indebted Lives, Money Advice Service, 2013



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. This is supported by similar research carried out on behalf of other advice providers across the UK.

A final example is drawn from qualitative research looking at a set of debt advice projects focussed 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 to confidently leave abusive relationships leading to significant benefits both for them and their children.

### ***Building resilience***

Financial difficulties need also 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.

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 on-going 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 Caerphilly and Blaenau Gwent CAB are delivering the project 'Confident with Cash'. This project takes referrals directly from Families First agencies, interweaving debt and financial capability with home visits working with families over a three- to six-month period to resolve people's debt issues and increase their confidence in dealing with money thus putting them back in control of their finances.

Money Advice Service research<sup>119</sup> suggests that around a third of over-indebted people who have accessed advice have done so before. 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.

To build on existing work, innovation examples of helping people access debt advice need to be encouraged and evaluated, such as one to many interest group interventions vs. one to one interventions focused on individual circumstances.

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<sup>119</sup> Indebted Lives: the complexities of life in debt (Money Advice Service 2013)



### Priority areas for action

Much of this section will be reflected in the Welsh Government's Financial Inclusion Strategy. With this in mind, the following priorities for the Wales Forum have been identified:

- increasing the take up of debt advice; and
- early intervention.

Actions linked to these priorities can be found in Appendix 1.

The Money Advice Service Debt Advice Steering Group will take forward the work on people in financial difficulties across the UK. The Debt Advice Operational Group will have a representative from the Welsh National Advice Network.





## 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

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.

This section provides an overview of evidence and key issues surrounding ease and accessibility across the UK, which may also be relevant for Wales.

The priority issues and actions identified in this section that are relevant at a UK level will be taken forward at that level by the Working Age Steering Group or, for those of particular relevance to older people, 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.<sup>120</sup>

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) is currently investigating the retail current account market. While there is evidence of shopping around and switching, the market may not be working to support peoples' long-term ability to make choices that are right for them, for example, pricing is not always transparent in a 'free-in-credit' model.

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.<sup>121</sup> 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.<sup>122</sup>

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.

<sup>120</sup> Financial Inclusion Annual Monitoring Report (Karen Rowlingson and Stephen McKay, University of Birmingham 2014)

<sup>121</sup> UK Card Payments (UK Cards Association, 2014)

<sup>122</sup> UK Cards Payment Summary (UK Cards Association, 2015).

## 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.<sup>123</sup> 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.

## 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.<sup>124</sup>

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.<sup>125</sup> 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.<sup>126</sup>

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, such as Moneyline Cymru, to fill this gap and develop sustainable models of delivery. The Welsh credit unions are developing their own Credit Union Strategy for Wales, which will be published in early 2016; this along with the revised Wales Financial Inclusion Strategy will set out the appropriate way forward.

Many local authorities can and do support people in their financial attitudes and behaviours. For example, some are undertaking changes to council policy to limit the visibility of websites identified as "pay day lenders", and signpost those seeking to access that facility to appropriate support. The City and County of Cardiff have decided that upon trying to access a high interest short term lending website via an internet facility administered by the Council, the user will be taken to a 'coaching' page providing a signposting service.

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.

<sup>123</sup> World of Change (BBA, 2015)

<sup>124</sup> Financial Capability Survey (Money Advice Service, 2015)

<sup>125</sup> Press release, FCA confirms price cap rules for payday lenders (FCA, November 2014)

<sup>126</sup> CDFI, Mind the Finance Gap (2013) <http://static1.squarespace.com/static/5406dac3e4b02d186666bcb68/t/54634eede4b0f587f5d5e560/1415794413786/CDFI-Mind-the-Finance-Gap.pdf>



## Digital Exclusion

78% of adults (39.3 million) in Great Britain used the internet every day or almost every day in 2015.<sup>127</sup> It is estimated that the number of people who have never been online is reducing by approximately 3% a year.<sup>128</sup> 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.<sup>129</sup> There is still significant variation across the UK in access to reliable broadband and for some cost remains a barrier.<sup>130</sup>

Wales has the lowest levels of internet access compared to the rest of the UK and only 62% of adults have the five basic digital skills, as defined by Go ON UK. Conwy, Pembrokeshire and Anglesey are among the Welsh counties where digital exclusion is high. Blaenau Gwent has the lowest number of adults possessing all five basic digital skills at 69%, compared to Ceredigion which has the highest percentage with 80% of adults. Nearly half of adults on Anglesey have never been online, the highest percentage in Wales, while just 13.2% have never accessed the internet in Cardiff and the Vale of Glamorgan.<sup>131</sup>

Welsh Government's work on digital inclusion is strongly linked to the tackling poverty and economic priorities. The National Survey for Wales: 2014-15 confirmed that 19% (approximately 473,959) of the Welsh adult population (aged 18 or over) do not regularly use the internet, this included 35% of those aged 50 and over, 31% of social housing tenants and 38% of disabled people (those with a limiting long-standing illness, disability or infirmity).

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.<sup>132</sup>

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.<sup>133</sup>

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 in the UK aged 55 and over use the internet for banking, compared to two-thirds (66%) of 35-54 year olds.<sup>134</sup> 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.<sup>135</sup> 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.<sup>136</sup>

The Strategy can work with digital inclusion initiatives, including the refresh of the Welsh Government's combined Digital Inclusion Strategic Framework and Delivery Plan, 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.

<sup>127</sup> Internet Access - Households and Individuals (Office of National Statistics, 2014)

<sup>128</sup> Government Digital Inclusion Strategy (Government Digital Service, 2014)

<sup>129</sup> ONS, Internet Access - Households and Individuals, 2014

<sup>130</sup> *ibid*

<sup>131</sup> <http://www.go-on.co.uk/insight/>

<sup>132</sup> Valuing digital inclusion, 2014, BT

<sup>133</sup> The Communications Market, Ofcom, 2015 [http://stakeholders.ofcom.org.uk/binaries/research/cmr/cmr15/UK\\_5.pdf](http://stakeholders.ofcom.org.uk/binaries/research/cmr/cmr15/UK_5.pdf).

<sup>134</sup> Technology Tracker data tables, Wave 1 2015, Ofcom

<sup>135</sup> Financial Capability Survey, Money Advice Service, 2015

<sup>136</sup> Technology Tracker data tables, Wave 1 2015, Ofcom

## 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, choice and access

### *‘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.<sup>137</sup> 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.

### *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.<sup>138</sup> Through the Smarter Communications discussion paper, the FCA has shown its willingness to work with providers to address regulatory requirements that can be shown 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.<sup>139</sup> 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.<sup>140</sup> 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.

<sup>137</sup> Sergeant Review of Simple Financial Products: Final report, March 2013 <https://www.gov.uk/government/publications/simple-financial-products>

<sup>138</sup> FCA, Smarter Communications paper (2015)

<sup>139</sup> Occasional Paper Number 8: Consumer Vulnerability, FCA, 2015

<sup>140</sup> Occasional Paper Number 8: Consumer Vulnerability, FCA, 2015



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<sup>141</sup> 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.<sup>142</sup> 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.<sup>143</sup>

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.

### Action Plans

Actions around ease and accessibility that relate across the UK will be taken forward primarily by the Working-age Steering Group **online here**, with those actions specifically relating to older people, taken forward by the Older People in Retirement Steering Group, details of the initial action plans can be found **online here**. A representative from the Wales Forum will be asked to sit on both of these Steering Groups.

<sup>141</sup> Department of Health Long-term conditions compendium of Information: 3rd edition (2012).

<sup>142</sup> Macmillan, Cancer's Hidden Price Tag (2013)

<sup>143</sup> Scope, Priced out: ending the financial penalty of disability by 2020, (2014))



## Appendix 1 – Wales Action Plan

### Recommendations

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 Wales Forum. Relevant priorities have been identified and agreed by the Wales Forum. The recommended actions linked to these priorities have been listed below and the Wales Forum will consider and prioritise these actions. Following that a delivery plan will be developed and partners identified to take forward the actions.<sup>144</sup>

### Children and Young People priorities

1

#### More effective evaluation and consistency of existing provision in schools

- a. Ensure the National Support Programme for the Literacy and Numeracy Framework specifically looks at financial education with a view to ensuring it is consistently delivered in schools.
- b. Encourage Estyn to undertake a thematic review as part of the remit to look at and review effective provision of financial education in schools.
- c. Encourage Welsh Government to improve teacher confidence in delivering financial education by reviewing this in the forthcoming revision of professional teaching standards.
- d. Work with external agencies who deliver financial education in schools to adopt the Money Advice Service children and young people evaluation framework so Local Education Authorities and schools are able to coordinate, evaluate and compare the interventions consistently across Wales.
- e. Consider ways of working with the Education Regional Consortia in order to share best practice throughout all schools in Wales.

2

#### Increasing capacity for more financial capability interventions

- a. Help schools and external financial capability providers to identify funding streams to encourage both agencies to work together to deliver appropriate interventions at appropriate curriculum stages.
- b. Work with the wider financial services community to improve and increase financial capability interventions in schools in Wales, specifically focussing on Wales based financial services.
- c. Explore how Credit Unions can work in more high schools as well as primary schools e.g:
  - ▶ consider raising awareness of the online resource 'CU@theCU' to improve awareness of credit unions in secondary schools, to encourage savings habits in young people;
  - ▶ look to expand school interventions to support parents as well as children – e.g. highlighting the role of Credit Unions in supporting parents and their children to save for trips and events; and
  - ▶ evaluate and share impact of the Cardiff Credit Union Schools Strategy.

<sup>144</sup> It is important to note that there will be steering groups for these life-stages and themes being taken forward at a UK level and there will be actions linked to these. Some of these actions may have relevance in Wales. Where there is a policy or delivery difference across the UK, representatives from Wales will be invited to sit on these steering groups. To see the UK actions for each theme go to [www.fincap.org.uk](http://www.fincap.org.uk)



### 3 Supporting informal and peer to peer interventions

- a. Promote more peer to peer interventions by supporting organisations such as local authority youth services and third sector youth groups and encourage them to build more financial capability elements into their interventions.
- b. Ensure that financial capability is embedded within the National Youth Work Strategy for Wales.
- c. Further activity is needed to promote financial capability resources to youth workers across Wales.
- d. Consider revisiting previous peer to peer programme evaluations to identify the learning and share with the sector.
- e. Undertake more research to demonstrate the value of peer to peer coaching, such as the Money for Life project 'DOSH'.

### 4 Supporting interventions targeted at families and parents

- a. Using the MAS, Welsh Government and Big Lottery Wales Parenting Pilots, we will share the evaluation and learning to ensure parenting programmes across Wales know what works and what doesn't.
- b. Encourage more opportunities to embed money conversations in the family by promoting these for family interventions across Wales. To achieve this we suggest including financial capability interventions into parenting initiatives and guidance and into family learning across Wales.
- c. Financial capability should be considered as a consistent part of the parenting programmes for the Welsh Government's Education Begins at Home, Flying Start Programme and incorporated into the Families First Initiative and successive programmes.

### 5 Targeting support for those most in need

- a. Assessing the needs of families living in low income households and vulnerable groups and what interventions will work well to deliver financial education.
- b. Promoting the needs of these groups to organisations responsible for delivering interventions.
- c. Explore different methods of delivering financial education, such as identifying the right messenger and using Peer Educators, to help those more vulnerable young people with their transition into independent living.
- d. The Money Advice Service should consider updating and making available online the resource 'Helping young people with learning disabilities to understand 'money'.



## Young Adults priorities

1

### Providing financial education in all learning environments both informal and formal

- a. Co-ordinate work with DWP and others to ensure that the support offered to 18-21 year olds as part of the new youth obligation in Wales is consistent and of high quality to ensure the best possible financial outcomes for young adults.
- b. Explore whether the Money Advice Service teachers outcome framework can usefully be adapted for youth workers to improve the resources available to effectively evaluate financial capability interventions in youth work practice and programmes.
- c. Help identify resources to support youth workers and other trusted messengers to start money conversations with young adults.
- d. Increase consistency of financial education in all learning environments targeting learners of all ages and those that support and teach them.
- e. Explore how the role of credit unions can be expanded on University campuses in Wales to support the financial behaviours and attitudes of students, particularly around accessing credit.
- f. Work with National Association of Student Money Advisors (NASMA) and NUS advisors to ensure they are aware of relevant tools and resources to support their money advice work.

2

### Equipping young adults to be financially independent when they leave home

- a. Investigate whether there are appropriate resources and consistent training for frontline housing staff on basic aspects of money management to increase their capacity for providing help to young people.
- b. Evaluate interventions with young people in the housing sector to understand what works well and share this across the sector.
- c. Determine whether successful interventions in social housing with young people can be replicated in the private rented sector.



## Working-Age People priorities

### 1 Improving basic money management skills

- a. Leverage opportunities to embed budgeting and savings behaviours when people are planning for births, marriages and entering employment or when they are experiencing events such as bereavement or redundancy.
- b. Use opportunities such as the 'Business Wales Accelerated Growth' programme and Welsh Government funded 'Business Wales' to encourage saving through payroll deduction as an option for Small and Medium Sized Enterprises (SMEs) and micro businesses in Wales to support good money attitudes and behaviours.
- c. Consider the introduction of budgeting and money management interventions at employer induction programmes to target 'in work' poverty.
- d. Raise awareness of payroll deduction in the private and public sector through Credit Unions in Wales.

### 2 Managing the impact of welfare Reform

- a. Explore opportunities to expand on the DWP Trusted Partners work and Universal Support Delivered Locally, particularly in relation to attitudes and behaviours of claimants identified in the Financial Capability Survey in Wales.
- b. Promote existing resources developed by and for local authorities and make them available on the Money Made Clear Wales website: <http://www.moneymadeclearwales.org/>
- c. Share the learning from housing associations that have delivered money advice sessions for tenants to help them prepare for welfare reform, particularly in the private rented sector (landlords forums etc.).

### 3 Influencing attitudes to affordable credit

- a. Promote the Wales Illegal Money Lending Unit educational resources with parenting and 'supporting people' programmes.
- b. Promote initiatives, such as the Cardiff Council coaching page, with local authorities, to encourage people to consider the appropriate actions for their circumstances.
- c. Ensure the recommendations and learning from the High Cost Credit research being undertaken by the Young Foundation with Public Policy Institute Wales is shared through the Wales financial Capability Forums.



#### 4 Implementing interventions to help people build financial resilience

- a. Consider the addition of financial capability to the assessment of local well-being thus informing the local Well-being plans provided for in the Well-being of Future Generations Act.
- b. Encourage local authorities to embed financial capability through some of the existing statutory responsibilities for example child poverty, economic development, health, social care and wellbeing.
- c. Encourage organisations to share information on current provision and lessons learned to encourage the replication of effective support for people using the Financial Capability forums in north, west and south Wales.
- d. Work with the sector to address the savings interventions identified in the Financial Capability Survey for Wales for all adults.
- e. Ensure preventative money advice is included in the work of the National Advice Network and any local networks that do or will exist going forward.
- f. Raise awareness of financial capability with the SPOA (Single Point of Access) where they exist in each local authority.

#### 5 Supporting vulnerable groups

- a. Ensure support staff working within domestic abuse initiatives are aware of the resources available to support financial resilience and capability.
- b. Ensure financial capability resources are highlighted with those that work with offenders.
- c. Ensure those delivering financial capability interventions are aware of the particular issues experienced and the needs of vulnerable individuals, and raise awareness of the resources available from specialist support agencies such as those who work in mental health and disability charities.



## Older People in Retirement priorities

1

### Supporting older people to access to financial capability interventions and education and raise awareness of preventative money advice

- a. Work with DWP and media outlets in Wales to develop positive attitudes and behaviours to benefit entitlements for older people and encourage more to claim the benefits they are entitled to.
- b. Consider the learning from the 'Make the Call' campaign in Northern Ireland and explore what can be implemented in Wales.
- c. Engage money advice services in the Ageing Well in Wales networks.
- d. Promoting initiatives which build the referral links from social care and wellbeing services into money information and advice.
- e. Raising awareness of financial capability events for older people in their area.
- f. Ensure learning and skills development for financial and digital inclusion is helping older people to become more resilient in later life.
- g. Leverage local networks and trusted advisors to encourage uptake of and engagement with money advice.
- h. Share the good practice of digital inclusion initiatives that exist in rural areas that promote digital inclusion.
- i. Ensure digital inclusion programmes aimed at older people include an element of financial capability.

2

### Tackling scams, fraud and financial abuse

- a. Ensure that money advice services are part of the Ageing Well in Wales, Dementia Supportive Communities.
- b. Work closely with the Wales against Scams Partnership (WASP) to support the development and implementation of a Strategy an action plan to tackle scams in Wales.

3

### Enabling older people to make more informed choices about using their pension assets and to plan ahead for future life events

- a. Increase people's financial capability about the pension system and options for what to do with their pension pots to provide with an income during retirement.
- b. Raise awareness of the sources of information and advice available on pension options with the Welsh Government funded redundancy initiatives.
- c. Ensure appropriate information on pension access and future financial planning are signposted to older people taking redundancy through relevant agencies.
- d. Engage money advice services in the Ageing Well in Wales networks.
- e. Work with older people advice agencies to raise awareness of care related financial products.
- f. Work with health agencies delivering the Wales Strategy "Together for Health – End of Life Delivery Plan" to support people in their financial planning for end of life.



## People in Financial Difficulties priorities

### 1 Increasing the take up of debt advice

- a. Ensure coordination between the national Debt Advice Strategy work and the work of the Wales National Advice Network.
- b. Work towards better co-ordination of funding for debt advice through the Wales National Advice Network.
- c. Publicise trusted online and telephone resources and availability of quality assured and accredited information and debt advice services.
- d. Co-ordinate with the national Debt Advice Strategy work.

### 2 Early intervention

- a. Ensure funding is increasingly being directed at services striving for high quality and continuous improvement.
- b. Share the learnings from the MAS/Community Housing Cymru (CHC) pre tenancy work with housing associations to understand how pre tenancy work can support debt prevention.





## Appendix 2 – The Financial Capability Board

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**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**, Director Communities Division, Welsh Government

**Louise Macdonald OBE**, Chief Executive Officer, Young Scot

**Gwyneth Nurse**, Director of Financial Services, Her Majesty's 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 3 – The Financial Capability Survey

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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.<sup>145</sup>

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<sup>146</sup> and ASIC,<sup>147</sup> specific qualitative research conducted for this survey,<sup>148</sup> cognitive testing of the questions and quantitative piloting of some questions.

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<sup>145</sup> Report at <http://www.fsa.gov.uk/pubs/consumer-research/crpr47.pdf> and full dataset at <http://discover.ukdataservice.ac.uk/catalogue/?sn=5697>

<sup>146</sup> The Organisation for Economic Co-operation and Development - survey details at <http://www.oecd.org/daf/fin/financial-education/measuringfinancialliteracy.htm>

<sup>147</sup> 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/>

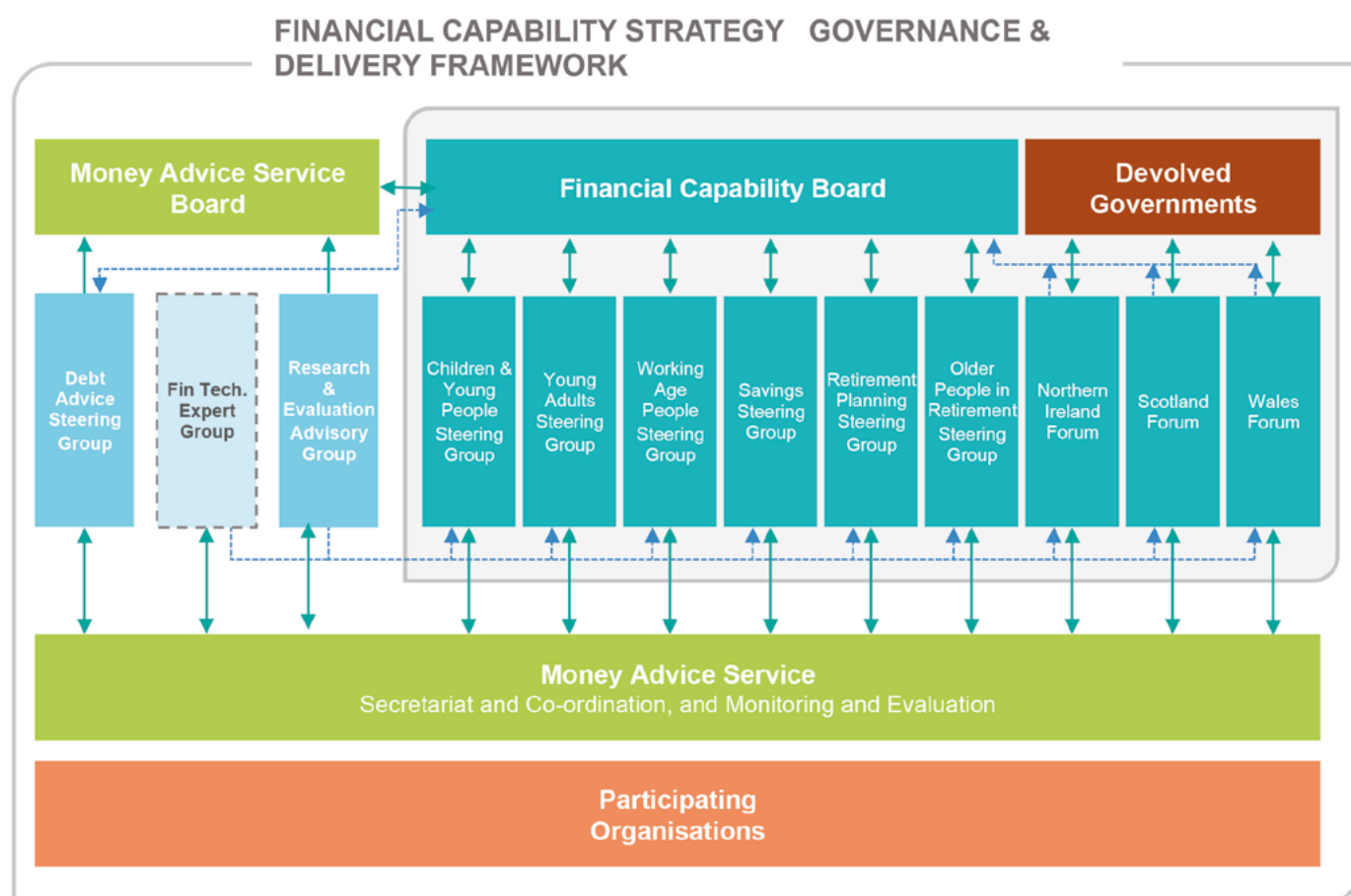
<sup>148</sup> Financial Capability and Well being Qualitative Research conducted by TNS BMRB for Money Advice Service, 2015 <http://comfy.moneyadviceservice.org.uk/system/comfy/cms/files/files/000/000/213/original/financial-capability-and-wellbeing.pdf>



## Appendix 4 – The Financial Capability Strategy Governance and Delivery Framework

This diagram shows the different elements of the Strategy Governance and Delivery Framework and their relationship to each other.

For more details on this framework, and the groups within it [visit here](#)



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



## Notes

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**Financial Capability  
Strategy** for the UK

[fincap.org.uk](http://fincap.org.uk)

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