



Centre on Household Assets and Savings Management

Policy, practice and research in relation to financial education

A roundtable event organised by CHASM

Birmingham, June 16th 2011

Minutes

In attendance:

University of Birmingham: Ricky Joseph; John Moss; Karen Rowlingson; Sohaib Ahmad,
Barclays: Kate Millar; Faye Jordan,
PFEG: Celia Allaby,
Birmingham Settlement: Cheryl Daniels,
Loughborough University: Jackie Goode,
Runnymede Trust: Omar Khan,
Digital Birmingham: Annette King,
Open University: Jonquil Lowe,
Birmingham Illegal Money Lending Team: Nadeem Mahammed,
Staffordshire University: Gary.W.Moorcraft,
Barrow Cadbury Trust: Clare Payne,
Department for Work and Pensions: Steve Duffy
University of Bath: Tess Ridge,
City save Credit Union: Angela Clements.

Apologies:

University of Birmingham: Tom Bisschoff; Paul Cox; Andrew Mullineux,
Crisis: Matthew Green,
Toynbee Hall: Chris Hobson,
Fair Finance: Jahanara Khanom,
Kings College London: Debora Price,
Leeds City Council: Shaun Kelly,
Centre for Responsible Credit: Damon Gibbons,
Birmingham City Council: Hasan Wazir,
Fabian Society: James Gregory.

Key Issues:

Policy

- Is financial education important, and if so, why?
- Should personal finance be in the national curriculum?
- What should young people learn about personal finance, and at what stage?
- What is the role here of central government, local government, the third sector, schools and other actors?

Practice

- What is the best way to deliver such education?
- Who might be best placed to deliver it?
- What are the barriers to improving financial education for young people?

Research

- What does research tell us about all of this?
- What are the gaps in research and how can we fill them?

Further issues posed by Attendee's

- Have the poor and the unemployed been abandoned by financial education and is it now all about getting those in work to budget better?

Proceedings:

- Meeting called to order at 3:15 p.m. by Chair, Karen Rowlingson

Introduction (3:15pm):

- Karen discusses CHASM and its research on financial education in Birmingham schools. She commented that it was difficult to find secondary schools engaging with financial education sufficiently to take part in the research. National provision of financial education is currently rather limited and very patchy. Karen and Lindsey Appleyard are currently drafting a paper on this.
- All Attendees gave introductions

PfEG Presentation by Celia Allaby (3:30pm):

- Brief Introduction by Celia Allaby, described PfEG as a small organisation (10 staff) but one that has been in operation for 11 years and is award winning in its field.
- Discussed how Financial Education is a necessity given some children cannot recognise domestic currency. Described how money use is changing from physical to electronic form.
- PfEG work is split into 2 work streams: an educational direction and policy influential direction.
- Educational direction is mostly funded by financial services sector. Majority of the work is done in England, including educational interactions such as "My Money Week". Celebrity associations such as HRH Duchess of Cornwall help to increase exposure.
- Political Influential work stream through an All Party Parliamentary Group which PfEG are the secretariat for. 222 MP's have signed up. It is the 2nd biggest group and has 4 work strands of an inquiry into primary and secondary education, work with the vulnerable young people and also work within further and higher education.

- Discussed how Financial Education should become a statutory element into education and how it should be implemented more so in PSHE based subjects. But this would only be the start as it could be statutory but still be marginal.
- Omar Khan discussed how there is a disparity between low/middle/upper class with respect to financial education, how younger people in of lower income families may have a better understanding of financial capability but do not have a safety net for costly random events. Diversity among young people was therefore a key issue to consider here
- Omar also questioned whether financial education/capability was really the solution to the problem if the problem was sustained low income for some people.
- Jackie Goodie discussed how PSHE is not valued as a subject and so, would the education be of a high enough standard. Further discussion emerged about how financial education can be incorporated into general teaching, such as insurance in the great fire of London.
- Jackie and Celia discussed the competing demands for knowledge e.g. Sex education is of a higher priority and so discussed the opportunity costs of each.
- Importance of children's education was then discussed as children do not all necessarily value money appropriately. Examples of the affordability of Nike shoes were demonstrated and how children do not understand the true value of goods. Adults are the first financial port of call for children, demonstrated in healthy eating campaign and how healthy food can be cheaper.
- It was then discussed that all individuals need to be educated – 48% of pay-day loans are to those earning over £25,000 a year. Individuals do not understand APR and so expensive loans of up to 4000% seem attractive, Wonga.com was discussed.
- Contrasts to perception were discussed, how low income families may have more knowledge about personal finance than higher income families and children attune to the level of knowledge of the families.
- the importance of involving parents in financial education with children was discussed though it was noted that it is not always easy to engage parents in this
- Importance of Pocket money was highlighted as it is an opportunity for education on the important value of money; it is also a bargaining form. Higher income households mostly fail to see this as the consensus is that children are bought what they desire – children are not taught about the values of saving.
- The importance of international perspective on financial education was discussed with Karen pointing to research by Margaret Sherraden on the 'I Can Save' programme in the US as an example.

Money advice service Presentation by Linda Jack (4:00pm):

- Linda described her background at the FSA, working at the Liberal Democrat back bench and her transition to the Money Advice Service.
- Aims of Money Advice Service were highlighted, to support individuals through the use of intermediaries such as youth workers and foster carers ETC. Aimed to spread the "Net" of education for wider financial inclusion.
- Linda explains how Money advice service have worked with many organisations such as Connexions ETC.
- The effectiveness of this method was discussed. Young people were saving more as they were more in control. It was discussed that financial education should be less about skills and more about behaviour and attitude.

- The wheel of financial capability was highlighted and it was discussed to overcome barriers, it is necessary for good youth workers to subjectively work with children to fine tune education. The importance to raise awareness of financial education between the parent and children was also highlighted.
- the usefulness of peer-to-peer education was discussed
- The future of money advice was discussed. Development was said to be fast and encouraging. A new “Health Check” is being released; there is likely to be a shift in the organisation from a face to face to a more electronic stream.
- Many attendees discussed how they had tried the “Health Check”; it was user friendly but did not give the more individual advice that was desired.
- Issues were also highlighted about the motivation to use the “Health Check” and the lack of motivation was said to be resolved through financial education.
- Concern was raised that the Money Advice Service was moving out of financial education provision and how the withdrawal of those resources (eg through PfEG) would impact on provision as no other funders could be easily identified
- Attendees discussed that financial education was more impactful and that the “Health Check” is not so useful without education.
- the role of teaching skills was discussed but financial education is often about broader issues of behaviour and values which raise issues of which behaviours/values are the 'right' ones. For example, saving is often seen as a virtue but people on low incomes may be better off consuming than saving (especially when returns are so low, particularly on the savings products that most people on low incomes use)
- Funding was discussed. Celia of PFEG discussed that a levy could be set on Financial institutions to result in increased funding for financial education – the example was made that PFEG's work with 4200 schools will no longer be able to continue if funding is withdrawn.
- The psychology of education was then discussed. Financial education was more about personal behaviour as compared to capability, however education was moving to a more ‘nudging’ type.
- Omar and Jonquil highlighted the ethical boundaries of incentivising decision making through behavioural economics with respect to life changing decisions, such as saving for pensions.
- Jonquil explained how emotions and rationality are linked, and that how taking away emotion to make a more rational approach, in fact takes away rational decisions.
- Celia talks about how risk needs to be highlighted more, especially with younger adults who find risk attractive. Education needs to be fine-tuned towards risk assessment to help manage finance.
- Steve discussed how various forms of financial products can potentially mislead even those who were financially ‘savvy’. This lack of knowledge catches people out.
- Tess further highlighted how over the period of life, preferences and so behaviour changes.

City Save Credit Union presentation by Angela Clement (4:30pm):

- To begin with, Angela distributed a hand-out as a basis for her presentation.
- Initially the history and vision was explained, how City Save aims to help empower and support a wide and diverse community financially.
- The youth strategy was discussed, how young adults are more comfortable with more expensive lenders as compared to credit unions. The youth outreach programme was also discussed, how financial exploitation was a factor highlighted by mystery shoppers.

- the benefits of peer-to-peer education were discussed but also the need/challenges of supporting peer educators
 - The school bank project was then discussed to empower young adults and to train their financial capability. Peer-to-peer advice services were discussed and said to have no downside, how appropriate training is being given.
 - the importance of providing strong research evidence about the success (or otherwise) of different schemes was discussed
 - Celia Allaby discussed how some secondary schools are being branded as 'saver' schools and that this method was working to improve the schools performance.
 - Kate Millar and Faye Jordon discussed the community finance program where community finance can work alongside credit unions and how new government legislation was working well towards this.
 - City Save discussed how there should be a theoretical common bond between the communities but this hasn't been as easy as though to implement structure because of the diversity of the public, however, government policy is changing in this area and may enable credit unions to expand further.
 - Karen discussed the Wonga model of financial availability, how that it is very expensive yet it is deemed attractive. It was also discussed how credit unions may be able to use this model.
 - Annette King discussed how there was a movement to electronic transactions such as by paying on mobile phones. She discussed how this meant that money had less of a value in the eyes of the consumer as it was more readily available. However, it was discussed that because poor people have these similar electronics, education should shift to use these electronics
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- Steve discussed how some of the bottom 20% of the market may not have financial capability issues, but more so they do not have funds to generally suffice and cannot cope with irregularities. Further, he explained how because of having restricted funds, they may only be able to purchase items on a weekly credit basis, such as purchasing from firms like Bright house.
 - It was then discussed how money advice is moving online and the limitations of this
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- Barclays' work with NEETs (Not in Employment, Education or Training) young people was then discussed not least in relation to peer-to-peer advice services
 - Barclays are also working with care leavers and so are dealing with highly important groups
 - It was also explained how Barclay's are working with My Money Week to help children with relevant matters such as fashion on a budget.
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- Tess discussed how some purchases such as Sky TV and broadband may be unsustainable over time. She further emphasised that education is a life course and that a move is being made to a system where families are being forced to manage their benefit income monthly which will put a massive strain on family budgeting.

Closing of the event by Karen Rowlingson (5:15pm)

Replies from Questionnaire for Attendees:

- 1. Which Key conclusions about policy, practice and/or research would you draw following today's event?*

 - “Very Broad area, important to tightly define what you are trying to look at outcomes you'd like”
 - “good range of attendees in the room – range of opinions”
 - “That it is difficult to establish the full range of financial education taking across the UK as it varies so much – on the face of it there is a vast amount of it – so what is missing?”
 - “Education even in schools, is not just a teacher-pupil channel, but needs to involve families as a whole, most particularly because parents are usually the first source of advice that young people turn to.”
 - “There seems to be a lot of potential around peer-to-peer projects, i.e. training a few that can cascade to mentor their peers, whether credit unions banking in schools or other initiatives.”
 - “Evaluation is essential. The EU has had a database of Europe-wide personal financial education initiatives that unfortunately is about to close down. It reveals a huge number of projects, some reaching thousands but others reaching very few. Some systematic way of identifying the projects that are most effective would be incredibly useful.”
 - “Financial education should be part of the curriculum.”
 - “Don't assume only low-income require financial education. Education is also necessary for adults. The Money Advice Service is being reduced in permit. The Parent-child relationship is important.”
 - “Should be teaching young people about risk and about stock markets?”
 - “APRs are misleading”
 - “Financial education needs to focus on high/low incomes and young people/ parents”
 - “We need to evaluate some of the initiatives we've been hearing about”
 - “We need to look into digital exclusion as a factor of financial exclusion”
 - “More research is needed on migrants and minority ethnic groups”
 - “Different Methods of payment of universal credit is going to be problematic.”
 - “I think that the progressive role of education is important across time”
 - “I think the volunteer is an important role to consider delivering such training”
 - “I think the Scout/Brownie movement could potentially have a financial badge”
- 2. Please give us any feedback on today's event (location, venue, content, format)*

 - “I enjoyed the event – I am not sure if it will have given you all the information you needed as the topic is too broad!”
 - “Very useful event. Good balance of arranged addresses to have the focus and free form discussions. Would be great to repeat in other areas. If getting people physically together is problematic, could work as a forum, open for say 1 week”
 - “Great Initiative. The format was good and it gave people a chance to communicate.”
 - “All good – well chaired, especially for discussion and participation.”
 - “The venue was a good choice of location. Since the date I looked it up on the Internet. The format was good, I liked the layout and engagement of conversation.”

Comments from Damon Gibbons submitted after the event:

Whether financial education can genuinely change behaviour? Most use of financial services is driven by wider social policy decisions which seem to generate demand - e.g. lack of alternative housing options drives the demand for home ownership and mortgages. For young people, financial education therefore needs to involve both consideration of financial products and their role in helping people to attain desirable 'life outcomes' and consideration of alternative means (other than using financial products) to achieve these. In other words 'why buy your own home?' would be as or even more meaningful a question as 'how do mortgages work?'

How do we evaluate the impact of financial education? Teaching financial education in schools is a long term project and the question arises as to whether education makes people more resilient when things go wrong. Most debt is the result of changes in circumstances which cannot be avoided (although the scale of the problem is also contributed to by over-optimism - e.g. young people expecting to earn far more than is realistic). Measuring the impact of financial education on the extent of credit use for example is really difficult. It is entirely possible that providing financial education could make people feel more confident about their use of credit but does not strengthen their resilience to deal with the life events which commonly lead to debt. A more helpful approach may be to teach 'what happens when things go wrong', 'causes of debt problems' etc.

Financial education within the curriculum? I have no problem with including some aspects within the national curriculum. However, there appears to be a lack of imagination in some respects, as FE tends to focus on products - insurance, savings, credit etc.. It would, particularly in the light of the crisis, be useful to teach young people about the changing role of credit and debt in society as part of the history curriculum.