



The state of the nation's financial capability

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Agenda

- Concerns about the financial health of the UK
- What is “financial capability”?
- What might be done to improve it?



Concerns about the financial health of the UK



1 in 5 not saving anything for retirement



1 in 5 can't understand the balance on a bank statement



2 in 5 don't understand how inflation affects money



2 in 5 have just £100 in savings



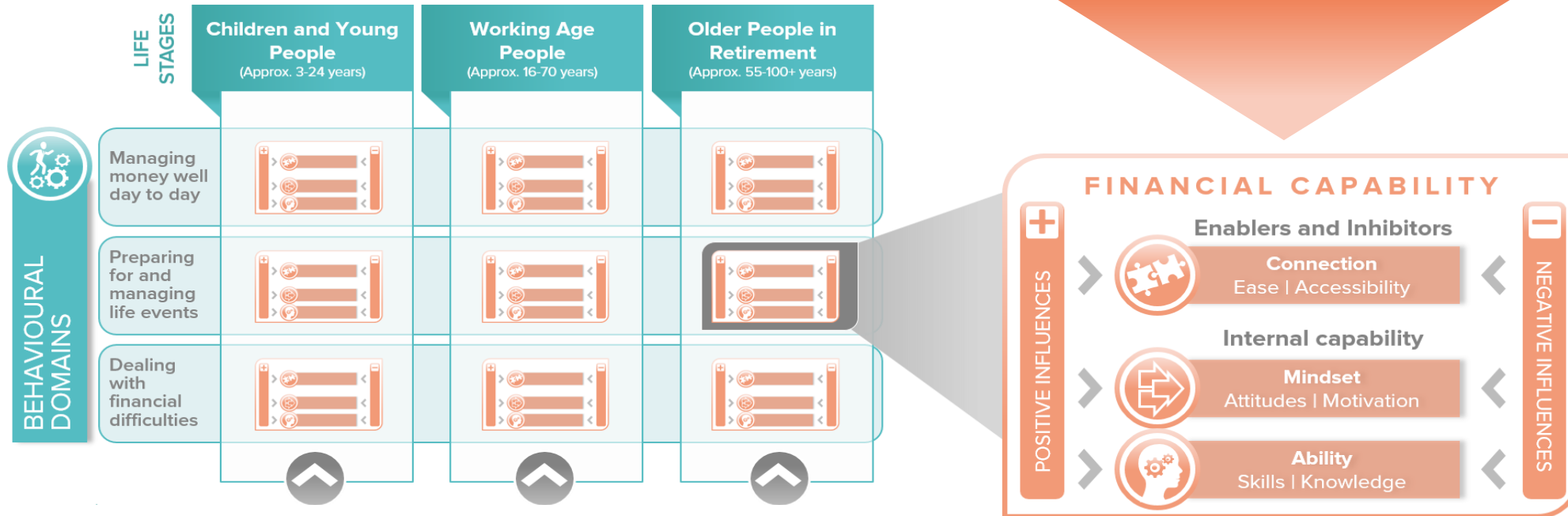
1 in 6 are over-indebted



What is “financial capability”?

In short:
the ability to manage your money well –
 day to day, planning ahead and dealing with
 unexpected difficulties

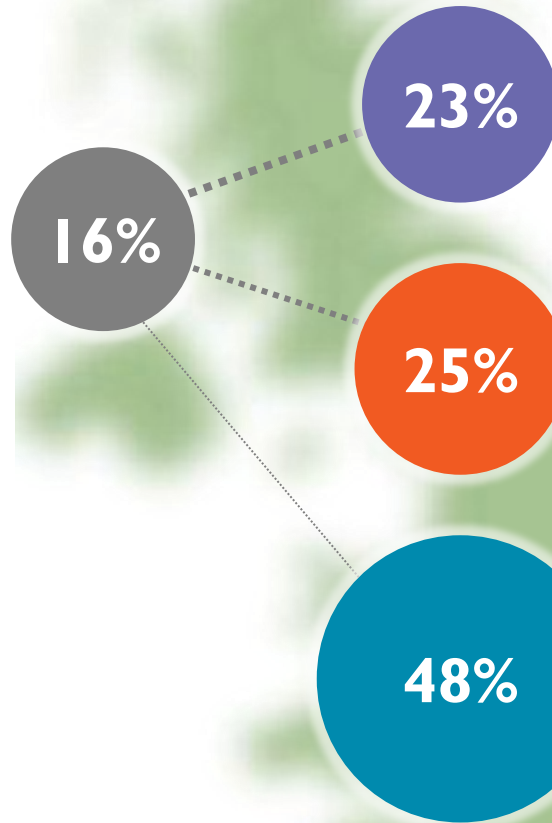
But **multiple factors**
 impact that ability – and they differ by
 age and circumstance.



UK levels of financial capability

Over-indebted 7.9m people

- Find debts a heavy burden
- Missed 3 or more bills in last six months



Struggling 11.6m people

- All ages
- Social housing
- Benefits-dependent

Squeezed 12.7m people

- Working-age
- Private or mortgaged housing
- Often families

Cushioned 24.5m people

- All ages
- Active consumers of financial products & info

3 months
income in
savings

Has a
financial
goal

19%

40%

25%

60%

47%

45%

UK average

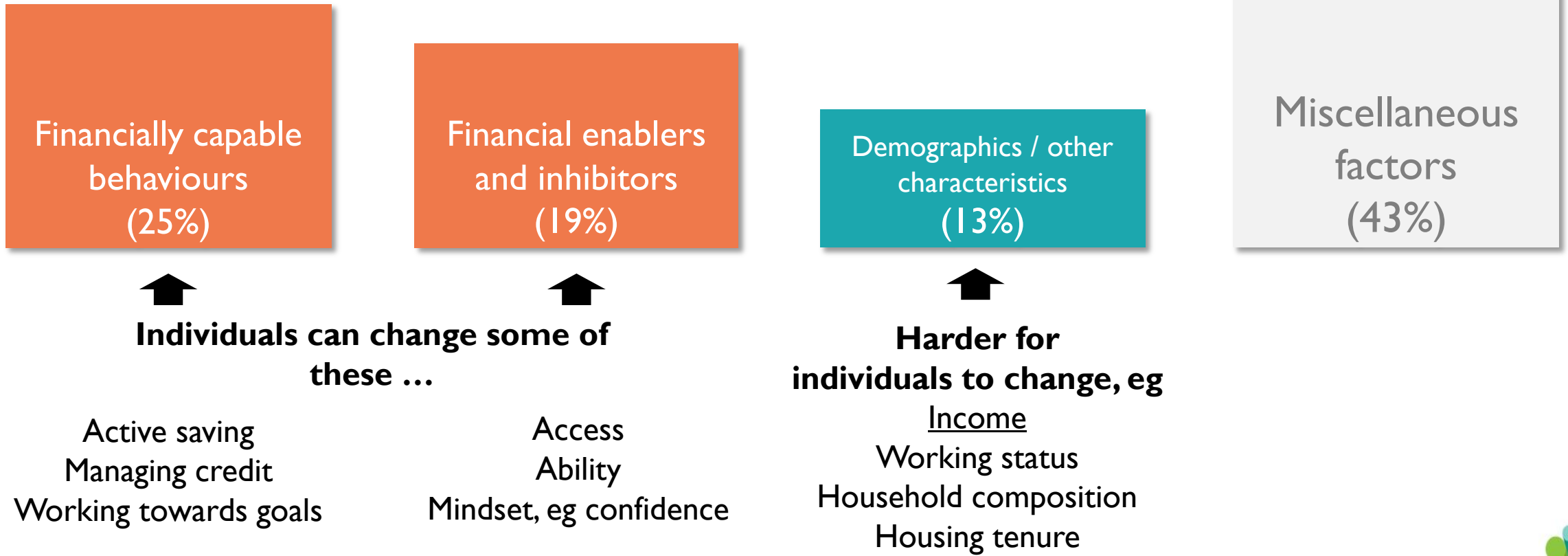
34%

49%



Where is change possible?

Money Advice Service research looked at the “Building Blocks” of financial capability ...



The most important building blocks

**Financial
Confidence**

**Managing
credit**

Financial
engagement

**Building
resilience**

Financial numeracy

Active saving



What tools are available?

There are four levers that could affect change.

None is a “silver bullet”.

To bring about large-scale change *and* capable consumers, a combination of them is needed.

Examples		A “lever” such as this has potential to improve ...		
		Access	Ability	Mindset
Legislation	<i>Auto-enrolment</i>	★ ★ ★ ★ ★	★ ★ ★ ★ ★	★ ★ ★ ★ ★
Nudges	<i>Different coloured envelope</i>	★ ★ ★ ★ ★	★ ★ ★ ★ ★	★ ★ ★ ★ ★
Education	<i>Money mentoring</i>	★ ★ ★ ★ ★	★ ★ ★ ★ ★	★ ★ ★ ★ ★
Information	<i>Website, apps, leaflets</i>	★ ★ ★ ★ ★	★ ★ ★ ★ ★	★ ★ ★ ★ ★



What will work?

Three of the 70+ projects funded by the Money Advice Service What Works Fund 2016-2018

Teacher-to-peer or peer-to-peer?

A financial capability toolkit will be tested with 60 young adults who are accessing vocational training in South Wales. The target young adults are likely to have low basic skills, have had negative experiences of learning, and possibly will be marginalised and vulnerable to financial shocks. The training outcomes from this peer-to-peer group will be evaluated and compared with that of a control group of 60 young adults that will have received teacher-to-peer financial capability training.

Checkout savings

An online simulation with hundreds of people in the “squeezed” segment replicated the experience of paying at a supermarket checkout, giving participants 3 choices about savings:

- 1. “Impulse buying” savings like any other physical product at checkout*
- 2. A chance to win a small prize if savings are chosen*
- 3. Banking discounts offered by the supermarket, as savings.*

In the online test 9 out of 10 participants opted to bank savings through one of the three routes.

School of Hard Knocks

Young men in deprived areas are offered, through school, the chance to play rugby and learn life skills alongside the sport. A financial capability module has been added to this in some schools.

The results from these schools will be compared with young men with comparable characteristics learning money skills in a more traditional “classroom” setting.



Children and young people

Much evidence suggests that attitudes and motivations critical to money management are formed by the age of 7.

Talk, Learn, Do – money skills with parents

Evening parenting lifeskills classes already take place in deprived areas of Wales. An 11th class has been added, which covers money skills for parents to consider as part of their parenting responsibilities. This is a large-scale intervention that will be measured through a randomised control trial (RCT), looking at parents who do and don't receive the intervention.

Maths in context – practical maths lessons in schools

The Money Advice Service and the Education Endowment Foundation are funding a large-scale RCT looking at maths lessons delivered to 6,000 school children using practical money-based examples, versus 6,000 who receive more traditional maths lessons. The trial will test whether the real-world-based lessons improve money management skills, maths attainment, both or neither.

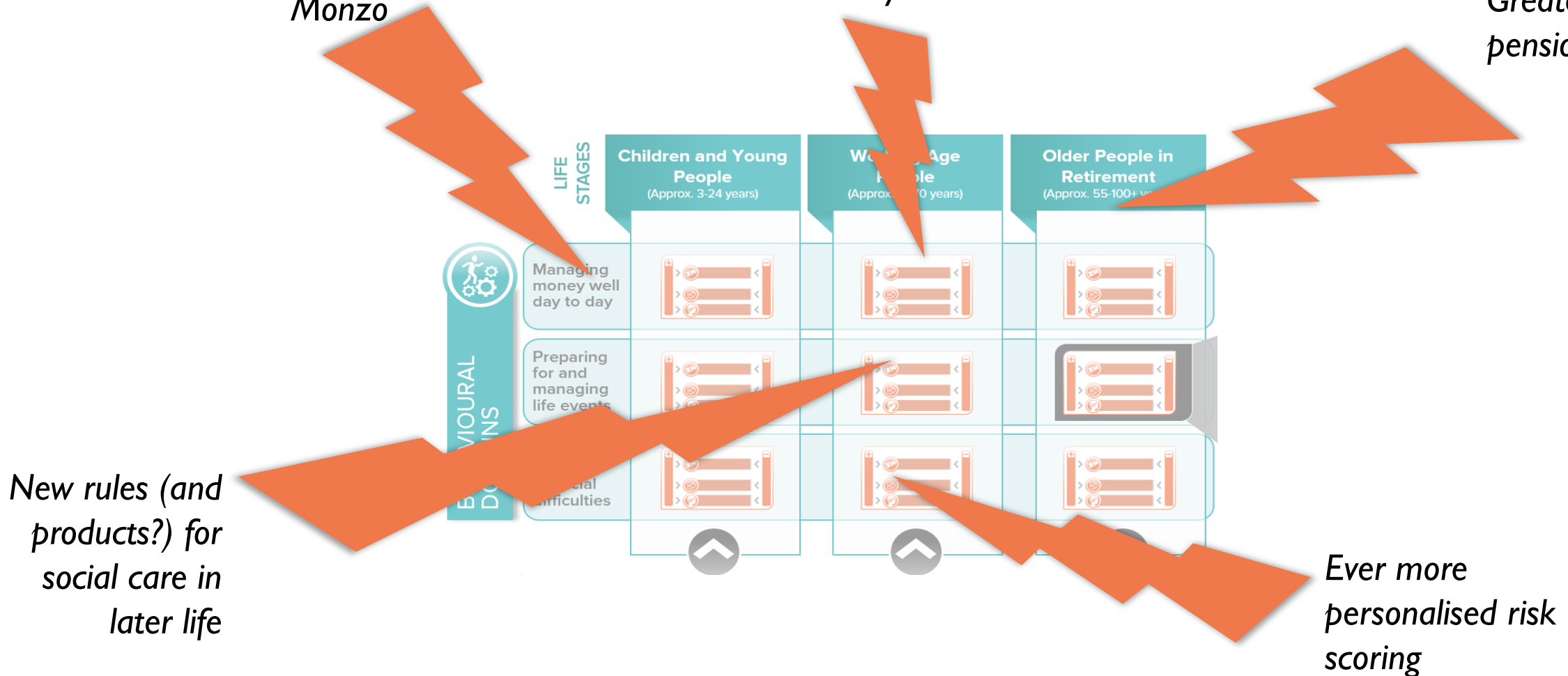


Future factors will continue to pressurise financial choices and decisions

New technologies of money, eg bitcoin, Monzo

Portfolio careers, instability

Greater impact of pension freedoms



New rules (and products?) for social care in later life

Ever more personalised risk scoring





Thank you. Any questions?

