Take interest in finance

Alison Pask highlights the importance of financial education for the young and believes that the financial services sector must play a role in its delivery

Estimated average debt for UK new graduates from the poorest backgrounds is £50,000, according to the Institute for Fiscal Studies. But the burden of student loans is not the only reason why it is a good idea for young people to understand how to manage their finances. The demands on their financial understanding are growing, whether they decide to borrow to study or not, at the same time as many of them have a limited idea of how finance works. What to do?

The first thing might be to examine what needs to be fixed. The London Institute of Banking & Finance issues an annual research report on the attitudes and behaviour of UK students in relation to money and personal finance – the Young Person's Money Index. A survey carried out for the Index 2016 found that 58 per cent of students receive no financial education in school or college.

Around 80 per cent of students glean what they know about finance from their parents and 50 per cent of students overall feel they do understand money on a day-to-day basis. There may be some unworldliness in this. More than 50 per cent are also confident they will earn more than the national average by the time they are 30.

There are bright spots. Since the introduction of financial education into the curriculum of all maintained schools in 2014, as part of maths and citizenship, personal financial understanding among teenagers has been growing. More of them are saving and making independent financial choices.

Although school is the main formal source of information, only 7 per cent of teenagers see their teachers as a source of financial education and just 2 per cent talk to teachers about money. Banks fare even less well. But, when teenagers do have financial education, it seems to boost both their confidence and their understanding of how money works.

It might be argued that burdening schools with teaching yet another subject is unnecessary – "they will soon learn". Once young people have to start paying bills, budgeting and planning for the future, they will make a point of educating themselves – this was certainly the approach taken in the not-too-distant past. But learning the hard way is not helpful. Most people in the past also lived in a cash economy. They got a weekly pay packet, drew pensions built up at companies that employed them for life and rarely took out unsecured loans, all of which made financial matters simpler to manage. Today's young people will have to make important financial decisions before they ever begin to earn money, with many of them borrowing substantial sums without a firm understanding of what the terms and conditions will mean for their future.

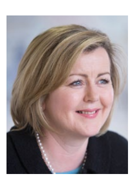
There is a bewildering array of financial choice in today's cashless society. How, when and where to borrow, the cost of borrowing and the consequences of poor financial choices are all of particular concern where no financial education exists. Even for those who do not take out student loans, financial understanding will be as fundamental as reading and writing.

According to the National Literacy Trust, around 16 per cent of adults in England are "functionally illiterate", which means that, once they move beyond the bounds of short, straightforward texts on familiar topics, they face problems. That is considered a challenge deserving of significant, dedicated resources – above and beyond the time devoted to literacy right through school.

> *A 2016 survey found that 58 per cent of students receive no financial education*

What should happen in financial capability? The All Party Parliamentary Group on Financial Education's report in 2016 found that, although there had been progress, there was still much to do. The group would like to see financial services organisations provide "a significant amount of funding to financial education initiatives in schools".

Financial education is not something we can leave to chance. We all have a responsibility to ensure that future generations are competent and confident consumers. The addition of financial education to the national curriculum does not mean that the financial services industry has no role to play in its delivery. Educators, industry and policy makers must collaborate to ensure that resources and funding are available to ensure real financial education for all. ■



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