Lack of financial education still plagues young people

***Catherine Winter** analyses the results of the LIBF's latest Young Persons' Money Index, which again shows worrying levels of financial anxiety among that age group, alongside a lack of access to financial education in schools*

The London Institute of Banking & Finance has been tracking the take-up of financial education in schools since September 2014, when learning about money became part of the national curriculum. Getting financial education onto the curriculum was seen as a big win among the charities, financial organisations (including ourselves) and influencers who had been lobbying government for some time.

But was it 'job done' as some commentators hoped back then? Do we now have a new generation of money-savvy consumers? Unfortunately not, as our latest Young Persons' Money Index (YPMI) illustrates.

We surveyed more than 2,000 young people aged 15-18 for our 2020/21 report and found that 83% of young people wanted to learn more about money and finance in school. That sounds like good news, but it actually demonstrates a big hole in provision. While 64% said they had access, it was not regular and it was not for long. Only 19% had access to financial education in the last month and 58% said they got "less than an hour a week".

It was not clear exactly how much time they did spend on this subject. We suspect it was much less than an hour a week. In fact, our research found that most financial education is incorporated into other subjects – such as maths, economics, PSHE (political, social, health, economic) and citizenship courses. Only 5% of young people reported having dedicated personal finance lessons. So, it's often squeezed into other subjects, fighting for space among what is no doubt an already crowded timetable – and one that has only become more constrained in lockdown.

Any financial education is better than none, but teaching it as part of another subject risks downplaying its importance. Financial decisions are some of the most significant that people take. Financial education needs dedicated, regular classroom time, with clearer guidance for teachers on what to cover and more support for schools. To help ensure this, financial education needs to be included in the Ofsted inspection framework.

As the Financial Conduct Authority points out, almost every adult in the UK uses financial services: bank accounts, mortgages, credit cards, loans, savings and pensions.

Consumers need to be able to choose well between the numerous different products on offer, but many only learn how to do that from hard experience.

When we talk to people about the personal finance qualifications and tools we provide, almost everyone says: 'I wish I'd learned that when I was at school. It would have stopped me making some very expensive mistakes.'

> *More than 67% of young people reported worrying about money and Covid-19 has made that anxiety worse*

Managing debt is a particular pain point. Access to credit has huge value to society. Mortgages, for example, allow people to build up assets that would otherwise be out of reach. But problems with debt can range from the stressful to the catastrophic. Someone who borrows too much, or at too high a rate, can face financial hardship. Getting into unsustainable debt is a serious issue that affects physical well-being and mental health – one the next generation must be equipped to avoid.

Financial worry is endemic

We might like to think that those with unsustainable debts are an imprudent minority, but worry about money is endemic in the UK. Research for the Money and Pensions Service last autumn suggested that 48% of adults worry regularly about money, and concern seems to be starting young.

In our survey, more than 67% of young people reported worrying about money and the Covid-19 pandemic hasn't helped. When asked specifically about what impact Covid-19 had had on their anxiety levels, 59% said they were more concerned about money as a result.

They have good reason for that concern. According to the Office for National Statistics, two-thirds of the 700,000 job losses since the start of the pandemic have been among the under-25s.

Protecting young people in the future

The economic pain that young people have suffered during Covid-19 may, however, have an upside: it should make society focus on ensuring they are better protected in future crises. That must include improving financial education in schools.

When we published our report this year, the Bank of England was keen to show its support, with Andy Haldane, Chief Economist, saying: "The Young Persons' Money Index once again shines a light on the important issue of financial education and the need for more to be done to prioritise it. This need has only been exacerbated by the events of the last year which, as the survey shows, have further increased young people's anxieties about money.

"The Bank of England fully recognises the need for young people to get more comprehensive financial education and we try to play our part through our education programme, including the resources we make freely available for schools. We'll continue to invest in this area and support the efforts of others who are trying to address this issue."

What's critical is that schools recognise and support the need to provide more – and more regular – access to good-quality financial education.

It's telling that 75% of young people surveyed said that most of their financial understanding and knowledge comes from their parents. That increases to 88% when those who say they are 'self-taught' are included. Only 8% cite school as their main source of financial education.

You might ask: 'Is it so bad if families are talking about money?' That's definitely to be encouraged – unless parents with patchy financial knowledge are passing on bad habits to the next generation. That, unfortunately, will often be the case because parents have 'learned by doing'. The truth is, if we want young people to have a solid foundation in managing money, they need access to quality education that covers all the essentials. That foundation should start in school.

What they need to know and when

Young people tell us that what they really want to learn about are the practicalities of managing money – how mortgages, credit cards and loans work; what 'APR' is, and other confusing jargon; how to budget and how to understand tax. High on the wish list is learning about debt. It's worrying that more than 40% are 'unsure' about how a student loan works.

One of the new questions we asked this year was at what age would they like to start learning about money. The majority (81%) said in secondary school, with 54% saying between 11 and 14 and 27% saying between 15 and 18. It's encouraging that most wanted to learn about money from a young age, but what comes through loud and clear is that those in the older age group (17-18) were more worried about money overall (82%) and wanted to learn more (89%). You can take a detailed look at the results in the full report.

> *"Young people say that what they really want to learn about are the practicalities of managing money*

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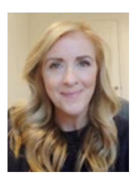
If we can get young people interested in money and understanding the basics, then we'll be doing our job. You can support our campaign for more financial education in school by sharing our report with your networks, joining our call for financial education to be included in the Ofsted inspection framework and supporting us on social media. If you're a parent, you could ask your child's school what it's doing about financial education and encourage it to consider offering personal finance as a dedicated subject.

To end on a more positive note, while the picture is generally gloomy, 32% of young people reported being interested in learning about what a career in the finance sector could offer them. So there's a new generation potentially preparing to join the fight for better financial understanding for all. ■



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