Children and Young People Financial Capability Deep Dive: Parenting

Exploring relationships using CYP Financial Capability Survey data

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Contents

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Executive summary

Introduction

The experiences children and young people have growing up, and what they learn about money during that time, have a profound effect on their chances of having good financial capability later in life. Parents and carers are central to children's development, but the detail of the influence of parents on children's financial capability has never been explored in depth.

This study uses the Money Advice Service's Children and Young People Financial Capability Survey to examine the links between parental financial capability, attitudes and behaviours around how they show, talk, and teach their children about money, and their children's financial capability.

It reveals significant new findings around the importance of parents, helps us understand more about which parents and children may benefit from additional support, and helps identify the ways parents (and those practitioners who support them) can take actions that are likely to link to better financial capability for their children.

Description of the Children and Young People's Financial Capability Survey

The **Children and Young People's Financial Capability Survey** ('the CYP FinCap Survey') was conducted in 2016, and aimed to better understand the current financial capability of children and young people in the UK and the drivers of this. It surveyed 4,958 children aged 4–17, and a parent or carer for each child. For this analysis, the data are weighted to achieve a **representative picture** of the UK population of children and young people.

The analysis in this report focuses only on children in the survey aged 7–17.

What do we mean by financial capability?

The Financial Capability Strategy for the UK defines 'financial capability' as encompassing the **financial skills, knowledge, motivation, and attitudes** required to make good financial decisions and to achieve a high level of financial wellbeing. The foundations for these are developed and can be observed in childhood and adolescence.

In this report, we consider **composite measures of financial capability**, representing different elements of financial capability, building from a wide range of individual measures originally captured in the CYP FinCap Survey:

- level of **Ability**: children's financial knowledge and skills;
- **Mindset**: children's values and attitudes towards money;
- level of financial **Connection**: children's engagement with money and access to financial products/services; and
- financial **Behaviour**: children's actions with money.

What do we mean by parental behaviour and attitudes?

We have considered a range of things parents do and think, which may link to their children's financial capability. In this report we focus on:

- the financial capability of the parent;
- how much **financial responsibility** is given to the child by parents in the household;
- **Role modelling** by the parent – ie, discussions and demonstrations with money; and,
- **attitudes** of the parent **towards teaching children about money**, such as the ages they think are appropriate to begin learning about different financial topics.

Key findings

The analysis provides strong evidence of a link between a child's financial capability and their parent's financial capability, and between child financial capability and how parents act (behaviour) and think (attitudes) about teaching their children about money.

Children who do better on financial capability tend to have parents who:

- **are more financially capable themselves** (in particular, those who save regularly, are able to pay an unexpected bill, are very confident about managing money) –
  - This is most strongly linked to child Mindset elements like understanding money has a value, and financial Behaviour such as saving.
- **give them responsibility** for saving and spending decisions –
  - This is strongly and positively linked to Mindset indicators, such as understanding money has a value and understanding needs and wants. It is also linked to some Ability, and Connection indicators, such as understanding how to read a payslip and using a bank account.
  - A small number of negative links were found for giving children responsibility over spending decisions – these children are less inclined to save and more inclined to spend, less likely to accept not getting things they want and more likely to ask for things even when they have been told they cannot have them. No negative links exist related to responsibility for saving decisions.
  - Giving children full responsibility for decisions on how to spend money is generally associated with better financial capability than giving only partial responsibility; there is little difference in the extent of responsibility given for saving decisions.
- are very confident talking to their children about money, discuss money matters, and show the child how to complete money-related tasks often (rather than sometimes or never) –
  - There are strong links between this role modelling and all aspects of financial capability, but particularly Mindset indicators such as understanding money has a value.
  - Setting rules about money for their children is associated with children doing better on many areas of Behaviour, such as planning spending and saving up, and Mindset elements such as being confident managing money, understanding money has a value, and the difference between needs and wants.
  - While relationships are generally positive, there is one strong negative relationship: children who have been shown how to check a bank balance are more likely to be anxious thinking about money; however this link disappears when family background characteristics (such as household income and parental qualifications and employment) are taken into account in the regression analysis, suggesting these other factors drive the link.

Parental attitudes towards teaching their children about money are generally positively related, but overall more weakly than other factors. There are also a very small number of negative links found – for example, parents who have a generally favourable attitude to involving their children in financial matters tend to have children who are less likely to use or have a bank account, and to not ask for things repeatedly after being told they can't have them.

- Links between children's financial capability and **responsibilities** given to the child, the parent as **role model** and parental **attitudes** towards teaching children about money, are strongest for children aged 7–11, pointing to the importance of starting giving responsibility and teaching children about money early in life. Links between children's financial capability and parents' own **financial capability** are strongest for children aged 12–15.
- Additional regression analysis suggests most of these relationships remain even after taking into account a range of factors about the child's background.

Figure 1: Links between child financial capability composite indicators and parental behaviours and attitudes

Type of financial capability composite measure	Responsibility		Role modelling								Parental attitudes							Parent's financial capability						
	Spending autonomy given	Saving autonomy given	Talks about household income	Talks about spending	Talks about debt and borrowing	Shows how to set budget	Shows how to check bank balance	Shows how to pay bills	Confident talking about money	Can be good role model	General attitude involvement	Talk about bills by age 7	Give money by age 7	Talk about debt by age 7	Money habits formed by age 7	Give freedom with money by age 7	Expose to how money works	Not anxious about financial situation	Can change financial situation	Grandparents talked about money	Parents save regularly	Sets rules about money	Confident managing money	Parent can pay unexpected bill
Ability	Strong	Weak	Strong	Weak	Weak	Weak			Strong	Weak	Strong		Weak				Strong	Weak	Strong	Weak	Weak		Weak	Strong
Mindset	Strong	Strong	Strong	Strong	Strong	Strong	Strong	Strong	Strong	Strong	Strong	Weak	Weak	Weak	Weak		Strong	Weak	Weak	Weak	Strong	Strong	Strong	Strong
Connection	Strong	Strong	Strong	Strong	Strong	Strong	Strong	Weak	Strong	Weak	Strong	Weak	Strong	Weak	Weak		Weak	Weak	Weak	Weak	Strong	Weak	Weak	Strong
Behaviour	Weak	Strong	Strong	Strong	Strong	Strong	Strong	Weak	Strong	Strong	Strong	Weak	Weak				Weak		Weak	Weak	Strong	Strong	Strong	Strong

Strength and direction of relationship

Strong negative link ● Weak negative link ● No link ☐ Weak positive link ● Strong positive link ●

Conclusions

- The findings confirm the important role of parents in children's financial capability. Children who are exposed to certain behaviours and attitudes have a higher level of financial capability than those who are not.
- While other factors linked to financial capability (such as family income, family structure, or having a disability) may be hard or impossible to change, the findings suggest parents can take certain actions to promote better financial capability for their children.
- Giving financial responsibilities to a child, showing them how to complete money-related tasks, and talking to them about money are shown to be linked to better financial capability in children.
- The findings provide useful pointers for designing interventions, and valuable considerations for targeting support – while identifying need in terms of how parents act with money around their children might be difficult, where parents are struggling with money themselves, there may be considerable additional value in helping them teach their children about money as well as improve their own financial capability.
- The findings from this work will be used alongside other research findings to inform the Money Advice Service's Needs Analysis report, to be published alongside this analysis in spring 2018. This report will set out everything the Money Advice Service knows to date about what children and young people need to develop financial capability; how well they are doing; which groups may benefit from additional support; what the nature of those unique needs may be; and how this should affect decisions about tailoring and targeting future financial education provision. This Needs Analysis is the first in a series of reports that will inform our CYP Commissioning Plan, to be published in late autumn 2018.
- The Money Advice Service will also continue to explore in more detail the questions that could not be addressed by this research – such as the effect of multiple parental factors occurring at once (eg, giving children responsibility but not talking to them about money), or which aspects will be the most important to children in different situations and circumstances (eg, would getting good financial education in school help those who do not at home?) or understanding the reasons why certain links that have been identified in this report exist.

Chapter 1: Introduction

1.1. What are the objectives of this study?

In 2016, the Money Advice Service (MAS) carried out its Children and Young People's Financial Capability Survey ('the CYP FinCap Survey') to better understand current levels of financial capability among children and young people and within families. In this study, we use the survey data to explore the **relationship** between **parental behaviour and attitudes** and the **behaviour and attitudes of their children**.

The Money Advice Service believes that what people see, learn, and experience during childhood and adolescence can have a profound effect on how they manage their money as adults. Parents and carers are pivotal in influencing child development but many children and young people do not grow up in environments that enable them to grow up to manage money well later on. These families (children and parents) may have specific needs and may benefit from more targeted support.

By examining financial capability within a family (parents and their dependent children), we can understand the influence of parents on children's financial capability, and identify the mechanisms by which parents and carers can promote better financial capability.

Throughout this report we use the term 'children' as shorthand for children and young people, and we use the term 'parents' as shorthand for parents, carers or guardians.

1.2. Structure of the report

The structure of the report is as follows:

- This chapter provides key information on background and methodology, describing the CYP FinCap Survey, defining key variables (financial capability indicators and parental behaviours and attitudes) and outlining limitations of the study.
- Chapters 2–5 present the results of the analysis, structured by the groups of parental behaviours and attitudes. These chapters begin with a summary of findings and a description of the behaviours and attitudes under consideration. The findings are then presented graphically, supported by discussion in the text.
- Chapter 6 draws together the results from the previous chapters and outlines the main conclusions and next steps.

1.3. The Children and Young People's Financial Capability survey

The Children and Young People's Financial Capability Survey (CYP FinCap Survey) is a nationally representative study (in terms of age, region of residence and other demographic characteristics) of children aged 4–17. A total of 4,958 children, and a parent[1], carer or guardian for each child, were interviewed. For this analysis the data are weighted to achieve a representative picture of the UK population of children and young people[2]. Initial results on financial capability of children and young people in the UK were published in March 2017[3].

The CYP FinCap Survey consists of two questionnaires; one for children aged 7–17 and their parents, and one for children aged 4–6 and their parents. Both questionnaires have a common core of questions asked of the parents. These questions relate to – among other things – child characteristics, household characteristics, and parental financial capabilities and attitudes.

[1] Throughout the analysis, when referring simply to a 'parent', this term covers the information collected from the responding child's parent, carer or guardian. However, in different sections of the report, a respondent parent may be answering solely on their own behalf (for instance in relation to role modelling or financial capability); on behalf of all parents with responsibility for the child in question (for instance, in relation to responsibilities given to the child); or in some cases relating to wider attitudes of parents more generally (for instance in relation to perceptions of more general parental attitudes towards teaching children about money). We try and make these distinctions clear throughout the report.

[2] Weights have been applied in the analysis when estimating descriptive statistics – eg, the proportion of children with good financial capability based on a particular indicator. Weights, however, have not been applied to correlations and regressions. Whether weights need to be applied in the latter case is an open question in the literature without strong recommendations in favour or against. For more details, please refer to the accompanying technical report.

[3] Money Advice Service (2017). *Financial Capability of Children, Young People and Their Parents in the UK 2016. Initial results from the 2016 UK Children and Young People's Financial Capability Survey*. Available at: www.moneyadviceservice.org.uk/en/corporate_categories/research

The questionnaires differ significantly across ages for questions asked of the children. Although not the focus of this analysis, the questions asked of children aged 4–6 are different to those asked of children aged 7–17 (as 4- to 6-year-olds would be expected to have a lower level of understanding). Within the 7–17 age-group, not all questions are asked of all children, either to keep the length of the questionnaire reasonable (i.e. shorter for younger children) or because questions are unlikely to be relevant for younger children (e.g. questions related to GCSE results). More detail on the CYP FinCap survey be found in the technical report[4].

For the purpose of this report we have concentrated the analysis on children aged 7–17 as the questionnaires between the ages are too different to allow meaningful comparison. For the same reason the data for 4- to 6-year-olds is not included in the financial capability composites we outline in section 1.4.1.

1.4. What do we mean by financial capability?

The Financial Capability Strategy for the UK defines the term 'financial capability' as the **financial skills, knowledge, motivation** and **attitudes** required to make good financial decisions and to achieve good financial wellbeing[5]. The Money Advice Service recognises that adult financial capability is linked to skills, knowledge, mindset, attitudes and behaviours developed and observed in childhood and adolescence. Additionally, there is evidence that financial capability **begins to develop early in childhood**. For instance, attitudes towards money can be set by the age of seven[6]. Therefore, it is worthwhile to look at the financial capability not only of adults but also of children and young people.

1.4.1. Which aspects of financial capability are considered in this report?

The table below shows all the financial capability indicators included in this study.

The indicators are grouped according to the Money Advice Service's four CYP financial capability composite measures which are aligned with the CYP Outcomes Framework[7]. The composite measures represent different elements of financial capability:

- level of **Ability**: children's financial knowledge and skills;
- **Mindset**: children's values and attitudes towards money;
- level of financial **Connection**: children's engagement with money and access to financial products/services; and,
- financial **Behaviours**: children's actions with money.

These measures were constructed through an iterative process and were refined to include the questions that were most strongly connected to each other. These composites are therefore not exhaustive and there are other outcomes that are important to consider in the context of vulnerability. These indicators are grouped under 'other aspects of financial capability' in this analysis.

Table 1 also shows for which age-groups the financial capability indicators have been measured. Note that for each indicator relating to children's financial capability, a child is considered 'capable' or not. For example, a child either chooses the correct coins when paying (indicating financial capability according to that indicator), or they do not choose the correct coins (indicating absence of financial capability according to that indicator).

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[4] Money Advice Service (2017). *Financial Capability of Children, Young People and their Parents in the UK 2016 Technical Report.* Available at: https://www.moneyadviceservice.org.uk/en/corporate/research

[5] Money Advice Service (2015). *The Financial Capability Strategy for the UK.* Available at: www.fincap.org.uk/uk_strategy

[6] Money Advice Service (2013). *Habit Formation and Learning in Young Children.* Available at: www.moneyadviceservice.org.uk/en/corporate/habit-formation-and-learning-in-young-children

[7] The CYP Outcomes Framework was produced by the Money Advice Service and is designed to help organisations plan and evaluate their work, by listing outcomes in different areas of financial capability (that would be hope to be seen) for children and young people at different ages between 3 and 18.

Table 1: Financial capabilities indicators and grouping

GROUP	FINANCIAL CAPABILITY INDICATOR: A CAPABLE CHILD…	AVAILABLE AT AGES
Ability	Chooses correct coins when paying	7–17
	Waits for and/or checks change	7–17
	Displays good financial knowledge (as indicated through the knowledge index[8])	7–17
	Can read bank statement	12–17
	Understands interest rates	12–17
	Can read a payslip	14–17
	Answered question about currency correctly [Correctly combines currency]	7–11
Mindset	Is able to recognise difference between needs and wants	7–17
	Is not bothered by parents not giving what she/he sees in shops [Accepts not getting things]	7–17
	Is not bothered by friends having things he/she does not have [Accepts getting less than friends]	7–17
	Is able to explain choices made when spending	7–17
	Understand that money has value	7–17
	Understand that you have to make choices when spending money	7–17
	Understands that adverts try to sell things	7–17
	Would save more of £10 windfall	7–17
	Compares prices	11–17
	Agrees thinking about money does not make them anxious	11–17
	Agrees they feel confident managing money	12–17
	Says they prefer not to borrow	12–17
	Would save more of £100 windfall	12–17
	Does not ask for things after been told he/she can't have them [Doesn't ask for things repeatedly]	7–17

[8] The knowledge index is a composite measure derived from variables reflecting the child's ability to correctly answer questions testing financial knowledge. Examples of questions include "What would be the consequence if you weren't able to pay your council tax?" (for children aged 14 to 17). Good knowledge is defined as a child scoring "high" or "intermediate" on the knowledge index.

GROUP	FINANCIAL CAPABILITY INDICATOR: A CAPABLE CHILD…	AVAILABLE AT AGES
Connection	**Talks about money with appropriate people**	7–17
	Does things with his/her bank account (child question)	8–17
	Knows the type of bank account	8–17
	Uses internet banking and/or mobile banking	8–17
	Has a bank account	7–17
	Pays for things in shops	7–17
	Pays for things online	7–17
	Gets money	7–17
	Pays for non-school clothes and shoes	11–17
	Pays for snacks or sweets	11–17
	Pays for presents for other people	11–17
	Pays for going out with friends	11–17
	Earns regular money	7–17
Behaviour	Sticks to agreements when paying online	7–17
	Is able to save up for short time for something he/she wants	7–17
	Saves up more frequently (e.g. Weekly, monthly)	8–17
	Spends money he/she gets less often	8–17
	Plans how to pay for things	14–17
	Appropriately keeps track of spending	14–17
	Saves up more often when he/she gets money	8–17
	Can pay an unexpected bill	15–17
	Is able to manage day-to-day money or allowance	7–17
	Has money in appropriate financial products	7–17
	Does something with his/her bank account (parent question)[9]	7–17

*Financial capability indicators that have been answered by children are presented in **bold** text, while financial capability indicators that have been answered by the responding parent on behalf of their child are in normal text. Financial capability indicators that have been used in the construction of the composite indicator for the respective group are in black text, while financial capability indicators that have not been used in the construction of the composite indicator for the respective category are in grey text.*

[9] For children aged 8 to 17, both the parent and the child are asked whether the child uses his/her bank account

1.5. What do we mean by parental behaviours and attitudes?

The table below presents the **parental behaviours** and **parental attitudes** considered in this analysis. These can be grouped as follows:

- the **financial capability** of the parent responding to the survey;
- how much **financial responsibility** is given to the child by parents in the household;
- **Role modelling** by the parent responding to the survey – ie, discussions and demonstrations with money; and,
- **attitudes** of the parent responding to the survey **towards teaching children about money**, such as the ages they think are appropriate to begin learning about different financial topics.

The selection of behaviours and attitudes included in the analysis was guided by discussions with the Money Advice Service, previous research on parental influence in children's financial capability, and availability within the CYP FinCap Survey data. Each measure represents whether a certain behaviour is practiced or held by the parent or those responsible parents in the household, or the responding parent's views in relation to wider parental attitudes towards teaching children about money.

Table 2: Parental behaviours and attitudes and grouping

GROUP	PARENTAL BEHAVIOURS AND ATTITUDES	AVAILABLE FOR CHILDREN OF AGES…
Parent's financial capability	Grandparents talked to parent about money (when parent was a child)	7–17
	Parent does not feel anxious thinking about his/her financial situation	7–17
	Parent feels he/she can change his/her financial situation	7–17
	Parent saves regularly	7–17
	Parent feels very confident managing money	7–17
	Parent can pay unexpected £300 bill without resorting to credit or other external resources	7–17
Financial responsibility given to the child	Child is involved in decisions how the child's money is spent	7–17
	Child is involved in decisions whether to save any of their money	7–17
Role modelling	Parent discusses where money in the household comes from with child	7–10
	Parent feels very confident talking about managing money with child	7–17
	Parent feels he/she is able to be a good role model around money for child	7–17
	Parent discusses the choices made when spending money with child	7–17
	Parent shows child how to check a bank balance	7–17
	Parent sets clear rules for the child about money that they stick to	7–17
	Parent shows child how to set a budget	11–17
	Parent discusses the risks of debt and borrowing with child	12–17
	Parent shows child how to pay different household bills	14–17

GROUP	PARENTAL BEHAVIOURS AND ATTITUDES	AVAILABLE FOR CHILDREN OF AGES…
Attitudes towards teaching children about money	General attitude towards children's involvement in finances	7–17
	Parent thinks that parents should start talking about bills that need to be paid to a child by age 7	7–17
	Parent thinks that children should be given their own spending money or an allowance to a child by age 7	7–17
	Parent thinks that parents should talk about debt and borrowing to a child before age 7	7–17
	Parent thinks that a person's money habits are formed by age 7	7–17
	Parent thinks that children should be free to start making mistakes with own money by age 7	7–17
	Parent thinks that children should be exposed to understanding how money works	7–17

*Parenting indicators that have been answered by children are presented in **bold** text, while indicators that have been answered by the responding parent are in normal text.*

1.6. Methodology

There are two parts to this analysis presented in this report:

1. We compare the financial capability outcomes of children aged 7–17 whose parents report a certain behaviour or attitude with those children whose parents do not report that same behaviour or attitude. Any significant differences[10] in a financial capability outcome between those children with different certain parental behaviours or attitudes and those without, indicate which financial capability outcomes are linked to which types of parental behaviour or attitudes, in what direction[11], and how big the differences are. As the links between a potential parental behaviour or attitude and financial capability may differ substantially between children of different ages, we have also broken up the main age-group into three smaller groups: 7–11, 12–15, and 16 and 17. To avoid repetition, these results are not presented in every case but interesting findings are noted.
2. It is also possible that these links may be explained by differences in other associated factors rather than just the parental behaviour or attitudes. For example, children living in families that can pay an unexpected £300 bill without resorting to credit or help from family score better on Ability. Parents who can pay an unexpected £300 bill also have on average higher incomes than those that cannot (about 17% of parents who can pay an unexpected £300 bill are classified as such versus 3% for other families), and it may be this income difference driving why they are more likely to be able to pay an unexpected bill of £300. To test this, the second part of this analysis uses a technique called logistic regression. This allows us to see whether significant differences remain between groups of children that are similar in other respects (for example in households with similar incomes). If significant differences remain, this suggests a particular parental behaviour or attitude is a key factor explaining differing levels of financial capability.

[10] Tested using a Chi-square test at the 99% confidence level. This means our result could only be generated by pure random chance at most once for every 100 samples we could have drawn. A high confidence level is chosen because of the large number of tests being carried out and because of the complex survey design used.

[11] Direction and the size of the differences are investigated with correlation analysis taking into account the nature of our measures.

1.7. Limitations of the study

As in any study, there are limitations associated with the analysis and with the underlying survey, including:

- The survey is weighted to be nationally representative of children aged 4–17 (in terms of age, gender, ethnicity, region or country of residence, level of income deprivation and rural versus urban areas) and for each child, one parent, carer or guardian was interviewed. However, the survey is not necessarily representative of the population of parents. For example, 71% of parent survey respondents are female even after applying weights. This may bias the results in cases where the link between a parental behaviour or attitude and the child's financial capability is not the same for male and female parents (eg, if the saving behaviour of mothers has a smaller positive influence on the child's financial capability than the saving behaviour of fathers, then the overrepresentation of female parent respondents in the survey will underestimate the link between parental saving behaviour and the child's financial capability).
- Linked to the profile of parental respondents, in each household, the analysis is based on the responses of a particular child and one parent, carer or guardian. It is likely that where more than one parent has responsibility for the child's upbringing, they will both be influencing the child. Furthermore, if there are other children or adults in the house, they may have an influence too, so these results can only ever show part of the picture.
- Throughout the analysis, we rely on parent reports of children's ability for a number of financial capability measures. There is no way of knowing the extent to which these assessments are reliable (as a validated tool to accurately capture parental assessment of financial capability in children doesn't exist). So, while this remains the best means of measuring financial capability we currently have, it is possible that parental reports or assessments might not perfectly reflect a completely accurate picture for all children. This applies to both individual indicators and the composite indicators of financial capability.
- A lack of data may also affect the possibility of robust analysis of some measures when looking at specific age ranges. In particular, the survey includes a relatively small number of children aged 4–6 (and hence excluded from this analysis), which makes differences more difficult to detect (in addition to these relationships being weaker than those for older children). Furthermore, a further breakdown by age of the sample used in the analyses (ie, 7–11, 12–15 and 16–17) might not provide sufficiently large sample sizes for statistically significant relationships to be detected. For this reason, this report does not focus on relationships by age-group. Also, when examining trends across age-groups, it should be noted that the survey does not track the same individuals over time. Instead, it acts as a snapshot for each age.
- This study cannot establish whether parental behaviour and attitudes *cause* poor financial capability, only whether there is a link between the two. Regression analysis provides a useful step towards establishing causality but, despite the wide range of information collected by the survey, it is still possible that there are some underlying factors linked to both parental behaviour and attitudes and financial capability that are not captured by the survey or simply not observable. This is a potential issue in every study of this sort.

Chapter 2: Parents' financial capability

SUMMARY OF RESULTS:

- **Parents' financial capability and children's financial capability are strongly and positively linked in many cases.**
- Parents saving regularly, and being very confident managing money, as well as their ability to pay an unexpected bill, have the strongest links with the child's financial capability.
- These elements of parents' financial capability are most strongly linked to the child's Mindset, in particular the child's understanding of the economic environment (for example, the child understands that money has value).

In this chapter, we explore the links between *parents'* financial capability and their *children's* financial capability. We define parents' financial capability as the skills, knowledge, motivation and attitudes required of the parent to make sound financial decisions and to achieve good financial wellbeing for themselves and their family. Children's financial capability is defined similarly, but refers to the skills, knowledge, motivation and attitudes of the child.

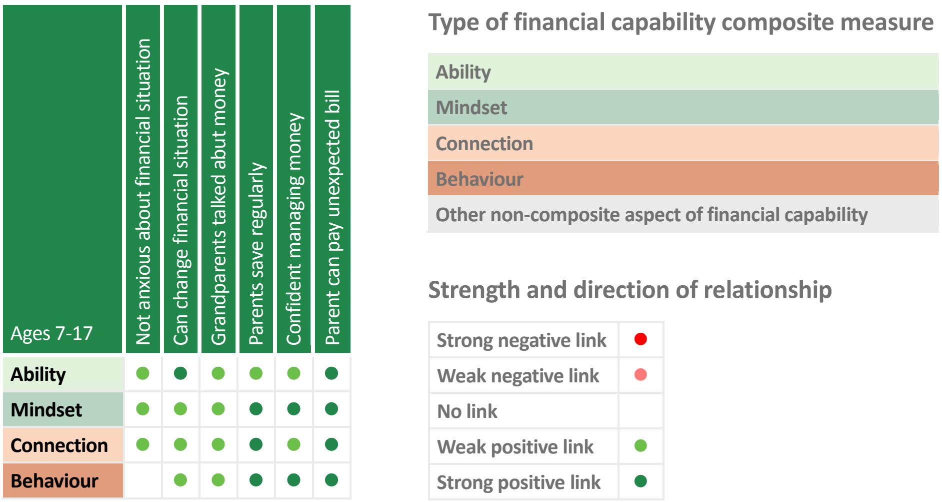
The indicators representing a parent's financial capability investigated in this analysis are whether the parent:

- does not feel anxious about their financial situation;
- feels he/she can change their financial situation;
- saves regularly;
- feels very confident managing money;
- can pay an unexpected bill without resorting to credit or other external resources; and
- whether the grandparents talked to the parent about money.

For all these indicators it is important to keep in mind that only one parent filled in the survey for each child, and that we only know about the attitudes, behaviours and other aspects of financial capability of this parent, and not necessarily those of other adults with child caring responsibilities.

2.1. Which measures of parents' financial capability are most linked to the child's financial capability?

Figure 2: Links between a parent's financial capability and the child's financial capability



Interpreting the tables:

A red cell indicates a negative link while green indicates a positive link. The darker the colour, the stronger the link. A white cell indicates no statistically significant difference in financial capability between the groups.

Figure 2 shows the links between indicators of parental financial capability and the **composite measures** of children's financial capability created by the Money Advice Service. The analysis reveals that the financial **Mindset** of the child is most strongly related to parents' financial capability, with **Behaviour** also demonstrating a number of strong links.

In particular, **Mindset** is related to all parental financial capability indicators - and strongly related for the majority. **Behaviour** follows a similar pattern, but parents not being anxious about their financial situation is not linked to the child's financial **Behaviour**.

Figure 2 also shows that the parent's and the child's financial capability are strongly and positively linked in many cases. Of the **parent's financial capability indicators**, the **parent being able to pay an unexpected bill** is **strongly linked** to **every element of the child's financial capability**, with the **parent saving regularly** also demonstrating extensive links with the child's financial capability. A pa rent being **very confident managing money** is also strongly linked to **Mindset** and **Behaviour**.

Figure 3: Individual child's financial capability indicators most linked to parent's financial capability

Ages 7-17	Not anxious about financial situation	Can change financial situation	Grandparents talked abut money	Parents save regularly	Confident managing money	Parent can pay unexpected bill
Ability						
Chooses correct coins						
Waits for or checks change						
Knowledge index	Weak	Strong	Weak	Strong	Weak	Strong
Can read bank statement		Strong	Weak		Strong	Strong
Understand interest rates	Weak	Strong	Weak	Weak	Weak	Strong
Can read payslip						
Correctly combines currency		Strong				
Mindset						
Is not anxious about money	Strong	Weak	Weak		Strong	Weak
Confident managing money	Weak		Weak	Weak	Strong	Weak
Prefers not to borrow	Weak	Strong	Strong		Weak	Strong
Saves more of £10					Weak	
Saves more of £100		Weak	Weak		Weak	Weak
Accepts not getting things						
Accepts getting less than friends	Weak		Weak		Weak	
Compares prices				Weak	Strong	Weak
Understanding: money has value		Weak		Strong	Strong	Strong
Understanding: money and choices				Strong	Strong	Weak
Understanding: adverts sell things				Weak	Weak	Weak
Can explain choices				Weak	Strong	
Understands difference needs/wants	Weak		Weak	Weak	Strong	Weak
Doesn't ask for things repeatedly						

Ages 7-17	Not anxious about financial situation	Can change financial situation	Grandparents talked abut money	Parents save regularly	Confident managing money	Parent can pay unexpected bill
Connection						
Bank account: knows type	Weak			Strong	Weak	Weak
Bank account: uses (child)						
Uses mobile/internet banking						
Talks about money			Weak	Weak		
Bank account: has one	Weak	Weak	Weak	Strong	Weak	Strong
Pays for things in shops		Strong			Weak	
Pays for things online				Weak		
Gets money						Strong
Pays for: clothes						
Pays for: snacks						
Pays for: presents						
Pays for: going out						
Earns regular money				Weak	Weak	
Behaviour						
Saves up frequently				Strong	Weak	Weak
Spends money less often						
Plans spending				Weak	Strong	
Sticks to online paying agreements					Strong	Strong
Tracks spending				Strong	Weak	
Can save for short time	Weak		Weak	Strong	Strong	Weak
Saves up when receives money	Weak	Weak	Weak	Strong	Weak	Strong
Can pay unexpected bill				Weak	Strong	Weak
Can manage money/allowance	Weak			Weak	Strong	Weak
Has money in financial products	Weak	Strong		Strong	Strong	Strong
Bank account: uses (parent proxy)				Weak	Weak	Weak

Type of financial capability composite measure

Ability
Mindset
Connection
Behaviour
Other non-composite aspect of financial capability

Strength and direction of relationship

Strong negative link	●
Weak negative link	●
No link	
Weak positive link	●
Strong positive link	●

Note that not all financial capability indicators are available for all ages.

To examine these relationships further, Figure 3 presents the links between parents' and children's financial capability broken down for the individual children's financial capability measures. Each category of indicators also includes some financial capability indicators that were not included in the respective composite measures but are part of the respective category (ie, Ability, Mindset, Connection and Behaviour) according to the Money Advice Service outcomes frameworks[12].

The in-depth analysis of the links between children's financial **Mindset** and **parental financial capability** shows that there are strong links between children's **understanding that money has value,** their **ability to explain choices** and **understanding the difference between wants and needs** and parents **saving regularly, being very confident managing money** or **being able to pay an unexpected bill**.

The number of links observed between individual financial capability indicators related to **Behaviour** and parents' financial capability is smaller but the links tend to be particularly strong (and stronger than for Mindset).

2.2. Results by parent's financial capability indicator

The parent is not anxious about their financial situation

For children, the **parent not being anxious about money** is positively related to all elements of the child's financial capability but generally only weakly.

The only strong link that is observed is between the **parent not feeling anxious about money and the child not feeling anxious about money**.

Children's financial capability indicators that illustrate a weaker link with parents not being anxious about money include:

- understanding interest rates;
- confidence about managing money;
- preferring not to borrow;
- acceptance of getting less than friends;
- understanding the difference between needs and wants;
- having a bank account;
- saving activity; and
- managing money.

The parent feels they can change their financial situation

There is a positive relationship between **parents who feel that they can change their financial situation** and the financial capability of children. In particular, the analysis identified links between parents feeling they can change their financial situation and:

- the child's financial **Ability** measures of **knowledge** (as represented by the knowledge index), **understanding bank statements** and **understanding interest rates**;
- the child's financial **Mindset** in terms of attitudes towards borrowing and saving (ie, the **child prefers not to borrow**). **Saving more of a £100 windfall** and **understanding that money has value** are weakly linked; and
- a weak positive relationship with the child's **access to financial products** (ie, the child has a bank account or money in appropriate financial products).

[12] The categorisation of indicators is listed in Table 1 of the Introduction of this report.

Grandparents talked to the parent about money[13]

There is a positive relationship between grandparents talking to the parent about money when the parent was a child and the child's financial capability. This suggests potential intergenerational effects of financial capability. These relationships are generally weak with the exception of the link with the child **preferring not to borrow**.

Children's financial capability indicators that illustrate a weak link with the parent's own experience of being talked to about money when they were children include:

- understanding interest rates;
- reading bank statements;
- confident about managing money;
- not anxious about money;
- acceptance of getting less than friends;
- understanding the difference between needs and wants;
- having a bank account;
- saving activity; and
- talking about money.

Parent saves frequently

A parent saving frequently is also positively associated with the child's financial capability. Relationships emerge across all elements of financial capability but they seem particularly strong:

- within financial Mindset, and in particular, the child's understanding that money has value and that there are choices to be made about how to spend money;
- within financial **Behaviour**, where there are links between the child's attitude towards saving (ie, the **child can save**, the **child saves up frequently,** or **saves when she receives money**), and the child **tracks spending**; and
- the child's access to financial products (ie, the child has a bank account or money in appropriate financial products).

Children's financial capability indicators that illustrate a weak link with whether the parent saves regularly also include:

- understanding interest rates;
- compares prices;
- can explain choices;
- understanding the difference between needs and wants;
- talks about money;
- earns money;
- plans spending; and
- manages money.

[13] This variable is derived from a survey question where parents did not agree that their own parents never talked to them about money.

Parent is very confident managing money

A parent who is **very confident about managing money** is positively associated with the child's financial capability. These relationships emerge most prominently for:

- the child's financial Mindset, and in particular, confidence about managing money; anxiety about managing money; comparison of prices; understanding that money has value; understanding that choices need to be made when spending money; and understanding the difference between needs and wants;
- the child's financial Behaviour, and in particular, the child's ability to plan spending; stick to online payment agreements; and whether they can save for a short time.

There are also a large number of child financial capability indicators that are also weakly related to the parent's confidence in managing money, including:

- understanding interest rates;
- knowledge Index;
- saving activity (from a £10 or £100 windfall), saving regularly, or saving for a short period of time;
- acceptance of not getting things or less than friends,
- preference for understanding that advertisements sell things;
- not borrowing;
- having and bank account and knowing the type;
- paying for things in shops; and
- tracking spending.

Parent can pay an unexpected bill

For children, a **parent being able to pay an unexpected £300 bill without resorting to external resources such as credit, overdrafts or help from family**, is strongly positively linked to the child's financial capability across all elements of financial capability. The strongest relationships are found with:

- Ability (including their knowledge index, understanding interest rates and the ability to read a bank statement); and
- Mindset (including understanding that money has value and having a preference not to borrow).

Other child financial capability indicators demonstrating a strong relationship include**:**

- having a bank account;
- getting money;
- sticks to online paying agreements;
- saves when receives money; and
- has money in financial products.

Results from regression analysis

The analysis finds that there are fewer remaining relationships once we account for differences in the child's background (like family income and parent's qualifications). This is especially the case for the links with financial **Ability**, as well as a **child having a bank account** and a **child earning regular money**.

Across the parent financial capability measures, many relationships can be explained by other factors.

Nevertheless, overall some of the links between parents' and children's financial capability remain even when a child's background is accounted for, particularly those with financial capability indicators related to **Mindset**, including a child's confidence managing money, their understanding that money has value and of choices, and understanding the difference between wants and needs. These links particularly remain with the parent's confidence managing money and whether parents can pay an unexpected bill. Links also remain with **behaviour** indicators, particularly those linked with saving behaviour.

2.3. How do these links differ by age?

To investigate further how the links between parents' financial capability and children's financial capability differ with age, we split the group of 7- to 17-year-olds into three smaller groups (7–11, 12–15 and 16–17), and repeated the analysis to identify the number of links that were identified in the data. The results are presented in Table 3.

The analysis suggests that the link between the different elements of a child's and a parent's financial capability remain important at all ages. However, the analysis confirms that **the overall link between parents' and children's financial capability is stronger later in childhood** – especially between the ages of 12 and 15 – and it is within financial **Ability** and financial **Mindset** that the strength and number of links develops to the greatest extent.

Table 3: Number of links observed at each age-group, as percentage of total links investigated

STRENGTH OF LINK	7–11	12–15	16–17
Strong links	18%	19%	18%
Weak links	6%	12%	9%

Note: table based on the relationships between a parent's financial capability and children's individual financial capability indicators

Chapter 3: Responsibility given to the child

SUMMARY OF RESULTS:

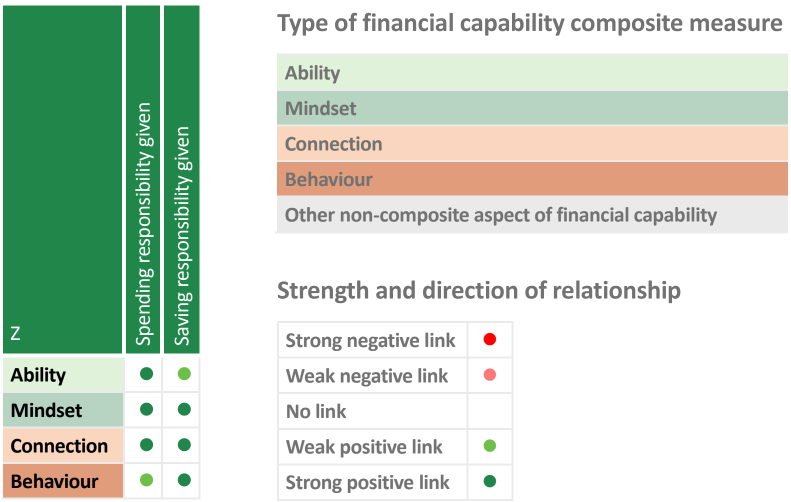
- **The parent giving responsibilities to the child for spending and saving decisions is generally positively related to financial capability for children.**
- The elements of children's financial capability most strongly linked to being given responsibilities are **Mindset** (eg, understanding **money has value** and **choices need to be made when spending money**; the ability to explain **choices** made when spending; and to **understand the difference between wants and needs**); and **Ability** (**can read payslips** or **bank statement**, **understands interest rates** and **knowledge index**).
- Some negative links are observed. Children who are given responsibility for spending decisions are **less inclined** to **save** and **more inclined to spend**, less likely to **accept not getting things they want** and more likely to **ask for things even when they have been told they cannot have them**. No negative links exist related to responsibility for saving decisions.
- Giving children **full responsibility** for decisions on **how to spend money** is generally associated with better financial capability than giving only **partial responsibility**; whereas there is little difference in the case of giving responsibility for saving decisions.

In this chapter, we examine the relationships between responsibilities given by parents to children for their own spending and saving decisions and children's financial capability. We look at responsibility in terms of whether children are given at least some autonomy in deciding how their money is spent or how much they save, using the following measures:[14]

- whether the child is usually involved in decisions how to spend their money; and,
- whether the child is usually involved in decisions whether to save any of their money.

3.1. Which measures of responsibility are most linked to the child's financial capability?

Figure 4: Links between responsibility given to the child and the child's financial capability



Giving a child at least some responsibility on spending and saving decisions is strongly and positively related with the child's financial capability. The only weaker links (but still positive) are between spending autonomy and financial **Behaviour**, and between saving autonomy and financial **Ability**.

Figure 5 illustrates that many of the individual financial capability indicators that drive the relationships for financial **Mindset** for children are related to the child's **understanding that money has value; that adverts sell things; that choices need to be made in relation to spending decisions**; the **ability to explain choices made when spending** and to **understand the difference between wants and needs**.

[14] Note that respondents are asked both questions in relation to the extent of the decision making responsibility in respect of spending and saving. Therefore, 'responsibility' relates to either the child's responsibilities for either spending or saving decisions.

In relation to the links between responsibility and financial **Connection**, the strongest links exist between whether children **know the type of their bank account they have** and **whether they use it**.

Figure 5: Links between responsibility given to the child and the individual indicators of the child's financial capability

Ages 7-17	Spending responsibility given	Saving responsibility given
Ability		
Chooses correct coins		Strong positive link
Waits for or checks change		
Knowledge index	Strong positive link	Strong positive link
Can read bank statement	Strong positive link	Strong positive link
Understand interest rates	Strong positive link	
Can read payslip	Strong positive link	
Correctly combines currency	Strong positive link	Weak positive link
Mindset		
Is not anxious about money	Weak positive link	
Confident managing money		
Prefers not to borrow	Strong positive link	Strong positive link
Saves more of £10		
Saves more of £100	Weak positive link	
Accepts not getting things	Weak negative link	
Accepts getting less than friends		
Compares prices	Weak positive link	
Understanding: money has value	Strong positive link	Strong positive link
Understanding: money and choices	Strong positive link	Strong positive link
Understanding: adverts sell things	Strong positive link	Strong positive link
Can explain choices	Strong positive link	Strong positive link
Understands difference needs/wants	Strong positive link	Strong positive link
Doesn't ask for things repeatedly	Weak negative link	

Ages 7-17	Spending responsibility given	Saving responsibility given
Connection		
Bank account: knows type		Strong positive link
Bank account: uses (child)	Strong positive link	Strong positive link
Uses mobile/internet banking		
Talks about money		Strong positive link
Bank account: has one	Strong positive link	Weak positive link
Pays for things in shops	Strong positive link	Strong positive link
Pays for things online	Strong positive link	Strong positive link
Gets money	Strong positive link	
Pays for: clothes	Strong positive link	Strong positive link
Pays for: snacks	Strong positive link	Strong positive link
Pays for: presents	Strong positive link	Strong positive link
Pays for: going out	Strong positive link	Strong positive link
Earns regular money	Weak positive link	Strong positive link
Behaviour		
Saves up frequently	Weak negative link	
Spends money less often	Strong negative link	
Plans spending		
Sticks to online paying agreements	Strong positive link	
Tracks spending		
Can save for short time	Strong positive link	Strong positive link
Saves up when receives money	Weak positive link	
Can pay unexpected bill		
Can manage money/allowance	Strong positive link	Strong positive link
Has money in financial products	Strong positive link	
Bank account: uses (parent proxy)	Strong positive link	Strong positive link

Type of financial capability composite measure

Ability
Mindset
Connection
Behaviour
Other non-composite aspect of financial capability

Strength and direction of relationship

Strong negative link	●
Weak negative link	●
No link	
Weak positive link	●
Strong positive link	●

Note that not all financial capability indicators are available for all ages.

We examined these relationships further to see whether there is a difference between children who are given **full responsibility**[15] for spending or saving (ie, children who decide how to spend or save on their own) and children who are only given **partial responsibility** (ie, children who decide with their parents). There are some differences.

Children who are given **full responsibility for spending decisions generally score better** on all elements of financial capability relative to children who are given only partial responsibility.

In contrast, children who are given full autonomy on saving tend to score similarly to children who are given only partial responsibility. The exception here is relation to financial **Mindset** and financial **Connection**, where children who decide how much to save on their own tend to perform better in these components of financial capability.

3.2. Results by responsibility given to the child

Whether the child is involved in spending decisions

In general, being given responsibility in spending decisions is positively associated with children's financial capability. These links are particularly strong for:

- financial capability indicators related to Ability, and in particular the ability to read a bank statement or payslip; to understand interest rates; and the knowledge index;
- the child understanding that money has value, advertising sells things and that choices need to be made in relation to how money is spent; the child's ability to explain choices made when spending, and understanding the difference between needs and wants;
- the child's ability to save up for a short time, stick to online payment plans and to manage an allowance;
- pa**ying for things** (eg, in shops, online or for things); and
- having access to (and use of) financial products (ie, the child has or uses a bank account, or has money in appropriate financial products).

A handful of negative links stand out, especially in relation to financial **Mindset** and financial **Behaviour**. It seems that children who are involved in decisions how to spend their money are:

- more likely to spend;
- less likely to save;
- less likely to accept not getting things; and,
- more likely to ask for things even when told they cannot have it.

Whether the child is involved in saving decisions

The child being involved in saving decisions is also generally positively related to their financial capability.

Many of the links that were demonstrated between responsibility for spending decisions and financial capability indicators are repeated. However, in addition, the analysis identified strong links between responsibility for saving decisions and **choosing the correct coins**, **knowing the type of bank account, and earning regular money**.

Although there are fewer positive links between saving responsibility and children's financial capability outcomes compared to spending responsibility, there are no negative links identified.

[15] The indicator(s) are derived from the questions "Who is mainly responsible for deciding how your child's day-to-day money is spent?" and "When you have money, who usually decides whether you save any of it?". The variables take the value 1 if the child decides or the parent and child decide together, 0 otherwise. A secondary was also generated that takes the value 1 if the child decides and 0 if the child and parent decide together, disregarding children who are not involved in spending (saving) decisions. This allows us to analyse whether the level of responsibility matters.

Results from regression analysis

About one-third of the relationships between responsibility given to the child and the child's financial capability can be explained by differences in a child's background (including family income, the parent's educational attainment and occupation) and once we take these into account the relationships that remain become weaker. This suggests that background and family characteristics are driving some of the relationships between the child's financial capability and responsibility given to the child.

Most notably, the link between children **knowing the type of bank account they have** and the responsibilities they have been given is explained by other factors. These factors can also explain the links between being given responsibility over spending and **whether children pay for clothes, snacks or presents**.

The child's **age** seems to provide a slightly better explanation of the links between responsibilities given to the child and the child's financial capability than the other variables considered in the regression analysis. This might be due to the fact that older children are more likely to be given responsibilities than younger children.

However, many of the relationships still remain even after accounting for these personal and family background characteristics. In particular, the relationships which mostly remain are those between responsibility given to the child and the child's financial capability indicators related to **Mindset** (eg, understanding the difference between needs and wants, understanding that money has value, understanding money and choices, preference not to borrow, ability to explain choices). Furthermore, other remaining relationships between spending responsibility and other indicators, like whether the child can manage their own money, pays for things in shops or the knowledge index remain strong. The negative relationships that were found also remain.

3.3. How do these links differ by age?

As shown in Table 4, the relationship between the spending and saving responsibilities given to the child and financial capability is strongest for children aged 7–11. Both the overall number of links and the proportion of strong links is largest at this age. This suggests that giving responsibilities to children of primary-school age might be particularly consequential in shaping their financial capability.

Looking at individual financial capability indicators, two findings stand out. The relationships between a child's financial **Mindset** (ie, understanding that money has value) and **responsibility** are strong for children aged 7–11 but largely absent at other ages. However, this lack of relationship might be solely due to the fact that the majority of children are given responsibility at older ages. In contrast, the links between responsibility and Ability are strongest for children aged 16 or 17.

Table 4: Number of links observed at each age-group, as percentage of total links investigated

STRENGTH OF LINK	7–11	12–15	16–17
Strong links	32%	28%	27%
Weak links	8%	4%	0%

Note: table based on the relationships between responsibilities given and children's individual financial capability indicators

Lastly, we can further examine the difference between a child being given full or partial responsibility in making spending or saving decisions within the smaller age-groups. Consistent with the overall group of children, being given **more responsibility for spending decisions is positively related to all elements of financial capability**, while **being given more responsibility for saving decisions is positively related to Mindset**.

However, the exact natures of these relationships are different for different age-groups:

- Giving more spending responsibility at ages 7–11 is positively liked to child's Behaviour.
- Giving more spending responsibility for children aged 12–15, and children aged 16 or 17 is positively linked to Ability.
- Giving more spending responsibility to children aged 12–15, and giving more savings responsibility for children aged 12–15, or children aged 16 or 17, are positively linked to Mindset; and
- Giving more spending responsibility at age 16 or 17 is positively linked to the child's Connection.

Chapter 4: Role modelling

SUMMARY OF RESULTS:

- **Parents' role modelling behaviour** (such as talking to the child about money, showing them how to complete money-related tasks) **and attitudes towards role modelling** (for example, having a more positive attitude to being a role model) **are positively related to children's financial capability**.
- **Talking to the child about money** or **showing the child how to complete money-related tasks often** (rather than sometimes or never) is associated with better financial capability.
- Role **modelling is most strongly related to financial Mindset**, particularly the child's understanding that money has value.
- While **relationships** are generally positive, one strong negative relationship emerges. Children who have been shown how to check a bank balance are more likely to be anxious thinking about money. However, this link disappears when family background characteristics (such as household income and parental qualifications and employment) are taken into account in the regression analysis suggesting that these other factors drive the link.

In this chapter we acknowledge the potential of parents to be role models for their children in discussing money matters with their children or showing their child how to complete certain money-related tasks. We investigate the links between this type of role modelling behaviour and children's financial capability. We also consider the extent to which parents feel confident fulfilling the task of being a role model and whether they consider themselves good at it.

The types of role modelling or parental attitudes towards role modelling considered in this chapter are whether parents:

- discuss where household money comes from with their children;
- discuss the choices required when spending money with their children;
- discuss the risks of debt and borrowing with their children;
- show their children how to set a budget;
- show their children how to check a bank balance;
- show their children how to pay different household bills;
- set rules or agreements with their children about money that they stick to;
- are very confident talking about money to their children; and,
- feel they are able to be a good role model around money for their children.

4.1. Which types of role modelling are most linked to the child's financial capability?

Figure 6: Links between role modelling and the child's financial capability

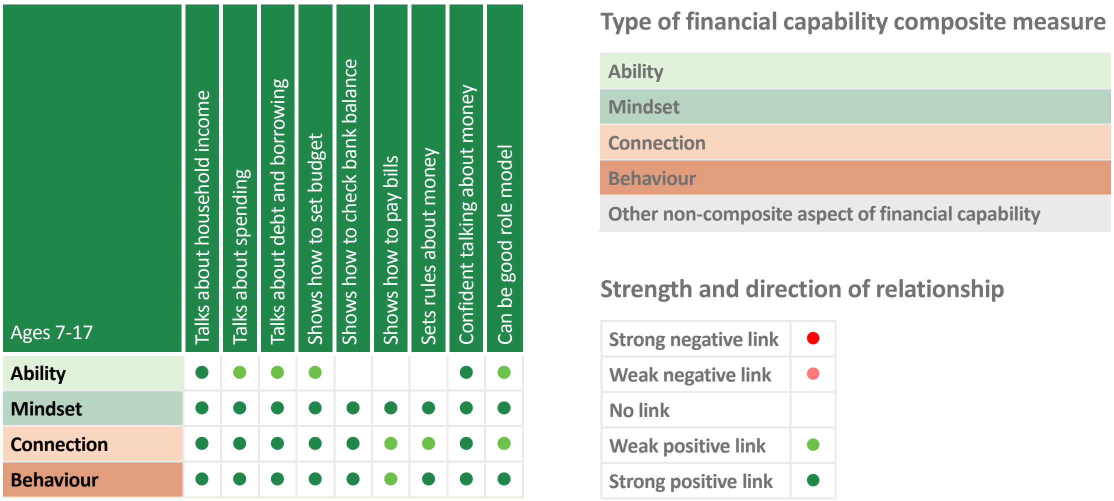


Figure 6 shows the relationships between the parent as a role model and the child's financial capability.

- **Discussing financial matters with children and showing them how to complete financial tasks is strongly and positively associated with children's financial capability, particularly Mindset**, but also **Connection** and **Behaviour**. Furthermore, parents who have **more positive attitudes** towards being a role model tend to have children who score better on financial capability.
- In relation to specific parental role modelling behaviours, **whether parents discuss where household income comes from** and **whether parents are very confident talking about money with children** stand out as the two types of role modelling that show the strongest links to financial capability: both are strongly linked to each element of financial capability. A parent **setting rules about money** for the child is also strongly linked to Mindset and Behaviour.

The links between the child's financial capability and the **parent talking about financial matters or showing the child how to complete financial tasks** can be further examined by looking at whether **frequency** matters. We can compare children of parents who discuss financial matters or show how to complete financial task *often* with children of parents who only do so *sometimes*.

- Generally, discussing financial matters or how to complete financial tasks **often** rather than **sometimes** is **positively associated with financial capability**, except for financial **Ability**. Children whose parents actively serve as examples of money-related behaviours or attitudes often rather than sometimes score equally well on financial Ability.
- The positive impact of doing things often rather than only sometimes is particularly strong for **parents showing things to the child**, especially showing **how to check a bank balance**.

Figure 7: Links between role modelling and the individual indicators of the child's financial

Ages 7-17	Talks about household income	Talks about spending	Talks about debt and borrowing	Shows how to set budget	Shows how to check bank balance	Shows how to pay bills	Sets rules about money	Confident talking about money	Can be good role model
Ability									
Chooses correct coins	S+	S+			S+	S+	W+	W+	
Waits for or checks change		S+							W+
Knowledge index		S+	S+	S+	S+			W+	W+
Can read bank statement		S+				W−		S+	W+
Understand interest rates								W+	W+
Can read payslip									
Correctly combines currency	S+	S+							
Mindset									
Is not anxious about money					S−			S+	W+
Confident managing money			W+	S+	W+	W+	S+	S+	S+
Prefers not to borrow		S+	W+					W+	W+
Saves more of £10							W+	W+	
Saves more of £100							W+	W+	W+
Accepts not getting things		W−						W+	
Accepts getting less than friends							W+	S+	
Compares prices		W+	S+	S+	W+	W+	S+	S+	S+
Understanding: money has value	S+	S+	S+	S+	S+	S+	S+	S+	S+
Understanding: money and choices	S+	S+	S+	S+	S+	S+	S+	S+	S+
Understanding: adverts sell things	S+	S+	S+	S+	S+		W+	S+	W+
Can explain choices		S+	W+	W+	S+	S+	S+	S+	S+
Understands difference needs/wants		W+	W+		S+		S+	S+	W+
Doesn't ask for things repeatedly					W+		W+	W+	W+

Ages 7-17	Talks about household income	Talks about spending	Talks about debt and borrowing	Shows how to set budget	Shows how to check bank balance	Shows how to pay bills	Sets rules about money	Confident talking about money	Can be good role model
Connection									
Bank account: knows type			W+	S+	S+				
Bank account: uses (child)			S+	S+	S+	W+	W+	W+	
Uses mobile/internet banking				W+	S+				
Talks about money	S+	S+	S+	S+	S+		W+	W+	W+
Bank account: has one	S+	S+	W+	W+	S+			W+	W+
Pays for things in shops	S+	S+			W+			W+	
Pays for things online	S+	W+	W+	W+	S+				
Gets money		S+							
Pays for: clothes		W+	S+	W+	W+			W+	
Pays for: snacks		W+	S+	W+				W+	
Pays for: presents			W+		W+			W+	W+
Pays for: going out					W+				
Earns regular money		W+	W+	W+	S+				
Behaviour									
Saves up frequently			S+	S+	S+	S+	S+	W+	W+
Spends money less often									
Plans spending			S+	S+	S+	S+	S+	S+	S+
Sticks to online paying agreements		S+						S+	W+
Tracks spending		S+	S+	S+	S+	W+	W+	S+	W+
Can save for short time		W+	W+	W+	W+	W+	S+	S+	S+
Saves up when receives money				W+			S+	S+	W+
Can pay unexpected bill			S+	W+			W+	S+	S+
Can manage money/allowance		W+	W+	S+	S+	W+	S+	S+	W+
Has money in financial products	S+	S+						W+	W+
Bank account: uses (parent proxy)		S+	S+	S+	S+	S+		W+	W+

Type of financial capability composite measure

Ability
Mindset
Connection
Behaviour
Other non-composite aspect of financial capability

Strength and direction of relationship

Strong negative link	S−
Weak negative link	W−
No link	
Weak positive link	W+
Strong positive link	S+

Note that not all financial capability indicators are available for all ages.

Amongst the individual indicators in the **Mindset** category, those most strongly linked to role modelling relate to the child's **understanding of the economic environment** (i.e. **understanding that money has value**; **understanding that spending money involves choices;** and **understanding that advertisements try to sell things**).

Within the financial capability indicators related to financial **Connection**, one indicator is worth highlighting. Whether the child **talks to appropriate people about money** is strongly related to parents talking to the child about money-related activities.

In addition, the child's **knowledge of the type of bank account** and **whether they use it** is positively related to parents showing children **how to set a budget** and **how to check a bank balance**.

4.2. Results by type of role modelling

Parent discusses where household income comes from

For children, **whether parents discuss where household income comes from** is positively linked to a few financial capability indicators. Relationships are particularly strong for:

- the child's **understanding that money has value**; that **choices need to made in relation to spending decisions**; and that **advertisements attempt to sell things**;
- the **child has a bank account** or **money in appropriate financial products**; and,
- the **child paying for things in a shop or online**.

Parent discusses the choices required when spending money

Parents **discussing the choices required for spending money** is largely positively related to children's financial capability. Links are particularly strong for:

- financial capability of the child related to financial **Ability**, and in particular, **choosing the correct coins**, **checking change**, **reading a bank statement,** and their **knowledge index**;
- the child's **understanding that money has value**; that **choices need to made in relation to spending decisions**; the **ability to explain choices**; and that **advertisements attempt to sell things**; and,
- the **child has a bank account** or **money in appropriate financial products**.
- One relationship stands out as negative; a child who has been **talked to about the choices required when spending money** is *less* likely to **accept not getting things**.

Parent discusses the risk of debt and borrowing

Parents who discuss the risks of debt and borrowing with their child tend to have children with better financial capability. The strongest links are found for

- the child's **understanding that money has value**; that **choices need to made in relation to spending decisions**; **comparing prices**; and that **advertisements attempt to sell things**;
- the **child uses a bank account** and **talks about money**; and,
- in relation to financial **Behaviour**, **saving up frequently**, **planning** and **tracking spending**

Parent shows how to set a budget

Whether the parent shows the child how to set a budget shows positive links with the child's financial capability for children, with particularly strong relationships found for:

- the child's **understanding that money has value**; that **choices need to made in relation to spending decisions**; **comparing prices**; and that **advertisements attempt to sell things**;
- whether the child **knows the type of bank account**, **uses a bank account** and **talks about money**; and,
- in relation to financial **Behaviour**, **saving up frequently**, **planning** and **tracking spending**

Parents shows how to check a bank balance

Children with parents who show them how to **check a bank balance generally** have better financial capability. The strongest links relate to:

- the child's **understanding that money has value**; that **choices need to made in relation to spending decisions**; **comparing prices**; **understanding the difference between needs and wants**; and that **advertisements attempt to sell things**;
- all financial **Connection** measures (i.e. whether the child **knows the type of bank account**, uses a bank account, **uses mobile/internet banking** and **talks about money**); and,
- in relation to financial **Behaviour**, **saving up frequently**, **planning** and **tracking spending**

One strong negative relationship also emerges. Children who have been **shown how to check a bank balance** are **more likely to be anxious thinking about money**.

Parent shows how to pay different household bills

For children, having been shown how to pay different household bills is generally positively associated with financial capability although the links tend to be fewer and relatively weak compared to other links considered in this chapter.

The strongest positive links with financial capability are found for:

- whether the child **understands that money has value** and that **choices need to be made when spending money**;

However, parents showing the child how to pay household bills also has a weak negative link with the child's ability to read a bank statement.

Parent sets rules for the child

We find positive links between a child's financial capability and the parent setting rules for the child. These links are relatively strong for:

- the child's financial **Mindset**, and in particular, **being confident about managing money**; **understanding that money has value**; that there are **choices to be made about how to spend money**; the **ability to explain choices**; and an **understanding of the difference between needs and wants**; and
- the child's financial **Behaviour**, and in particular, the **ability to save for a short time**, **save frequently**, or **plan spending**.

In addition, other child financial capability indicators weakly linked with whether the parent sets rules for the child include whether the child:

- can combine the correct coins;
- saves more of a £10 or £100 windfall;
- accepts getting less than friends;
- understands that advertisements sell things
- doesn't ask for things repeatedly;
- talks about money;
- uses his/her bank account;
- tracks spending; and
- can pay an unexpected bill.

Parent is very confident talking about money to the child

- Parents being very confident about talking to their children about money is positively associated with all elements of a child's financial capability.
- These links are particularly strong for **Mindset** and **Behaviour** elements of the child's financial capability; however, the analysis also demonstrates further weak relationships with a range of financial Ability and financial Connection capability measures.

Parent feels he/she can be a good role model for the child

Having a parent who feels that they can be a good role model around money is positively related with the child's financial capability. These relationships, however, tend to be relatively weak. Relatively strong links are found for:

- the child's financial **Mindset** (**understanding that money has value** or that **choices have to be made when spending money**); and
- financial **Behaviour** (**can save for a short time** and **planning spending**)

Results from regression analysis

The majority of these links remain even once we take a child's background into account (such as gender, family income, parent's educational attainment and occupation) – particularly those connected with **Mindset** and **Behaviour**. This implies that overall, irrespective of background, a child whose parents demonstrate role-modelling behaviour will typically have better financial capability.

Notable exceptions are links with the child **paying for things online**, links with the **child paying for presents**, and the negative link between being shown **how to check a bank balance** and **not being anxious thinking about money**. These links are explained by the other factors. This is particularly interesting when considering the impact of checking a bank balance. The vast majority of positive links remain, however the negative link with a child's anxiety thinking about money disappears, suggesting that, as you might hypothesise, it is driven by other factors such as household income or parental employment.

4.3. How do these links differ by age?

To investigate the extent to which the results vary by the age of the child, smaller age bands are examined (ie, children aged 7–11, 12–15, and 16–17). The results are shown in Table 5. This table shows that we observe the most links for children aged 7–11, but also that the links at this age-group tend to be stronger than for older age-groups. It seems that the links between the parent as role model and the child's financial capability are strongest for children aged 7–11.

Table 5: Number of links observed at each age–group, as percentage of total links investigated

STRENGTH OF LINK	7–11	12–15	16–17
Strong links	35%	29%	28%
Weak links	6%	12%	6%

Note: table based on the relationships between types of role modelling and children's individual financial capability indicators

Lastly, we can further examine how the **frequency** of discussing financial matters or being shown how to complete financial tasks is linked to financial capability at different ages. We compare the children of parents who discuss financial matters or show them how to complete tasks *often* with children who only do these things *sometimes*.

Discussing financial matters or showing how to complete tasks **often** rather than sometimes is associated with better **Mindset, Connection** and **Behaviour**. There is little difference between the different frequencies in the case of **Ability**.

Chapter 5: Attitudes towards teaching children about money

SUMMARY OF RESULTS:

- Relationships between parents' attitudes towards teaching children about money and children's financial capability are generally positive but relatively weak.
- The **general attitude towards involving children in financial matters** and **exposing children to how money works** stand out as the two attitudes most strongly related to the child's financial capability.

In this chapter we study the links between parents' attitudes towards teaching their child about money and the child's financial capability. We consider:

- general parental attitude towards children's involvement in finances[16], comparing parents who generally feel that children should be involved in financial matters by the age of 7 with parents who generally feel that children should only be involved at the age of 16 years or older (if at all);
- and whether parents believe that:
- children should be talked to about household bills by the age of 7;[17]
- children should be given their own spending money or allowance by age of 7;
- children should be talked to about debt and borrowing by the age of 7;
- money habits and attitudes are formed by the age of 7;
- children should be given freedom to make mistakes with their money by the age of 7; and,
- children should be exposed to how money works.

Some of the above measures capture parents' attitudes towards teaching children about money by age 7. Parents were asked the same question regardless of the age of their own child. Therefore, it is possible that when providing an answer, the parents might be biased by the age of their child. For instance, if the child is young and they have not involved them in finances, they might be biased to respond that children should not be involved in finances at a later age. As a result, the reported findings might have been implicitly affected by the age of the child who completed the survey (and whose parent completed the survey). A discussion on how this bias might have affected the results is provided in the presentation of the regression results further in this chapter.

[16] General parental attitudes towards children's involvement in finances is derived from the parent's response to the question "At what age-group do you think parents and carers should start doing the following with their children to help them become good with their money when they grow up?" Parents are categorised according to the probability that they respond with particular children's age-groups (aged 7 or younger, aged 8–11, aged 12–15, and aged 16–18 or not at all). The final variable compares the first group (children aged 7 or younger) with the last group (children aged 16 or older, or not at all). The first group is assigned the value 1, the second group is assigned the value 0.

[17] For this measure and the measures that follow, we considered an alternative based on parents' beliefs about children at age 11. The measures based on parents' beliefs about children at age 11 were found to be even more linked to children's financial capability, but we have focused on the earlier age cut-off in this discussion.

5.1. Which parental attitudes are most linked to the child's financial capability?

Figure 8: Links between parental attitudes towards teaching children about money and the child's financial capability

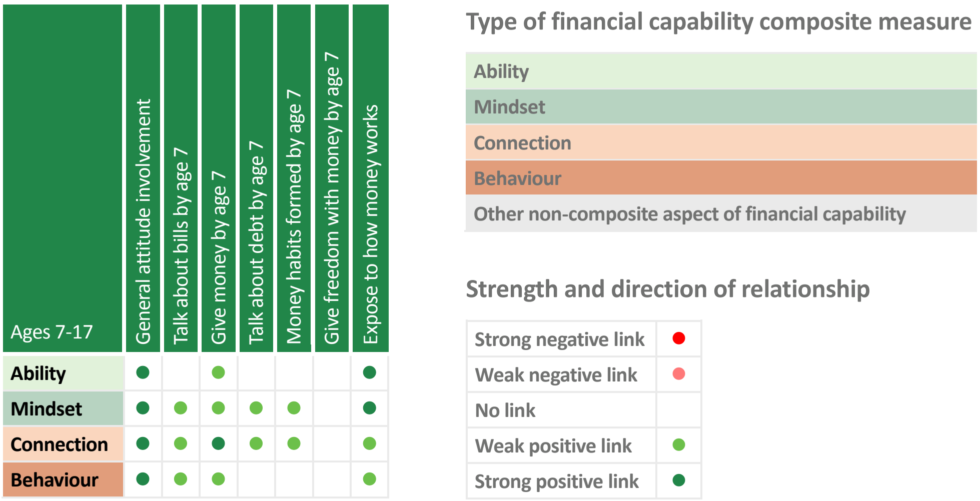


Figure 8 shows the links between parents' attitudes towards teaching children about money and children's financial capability.

The relationships are generally positive but weak. Parents who tend to think that children should be exposed to money matters (at younger ages or at all) tend to have children with better financial capability across all four elements. All four elements of financial capability are roughly equally strongly related to parental attitudes towards teaching children about money, although financial Ability, Mindset and Connection are slightly more strongly related.

The **general attitude towards involving children in financial matters**, the **belief that children should be given their own spending money or allowance by age of 7**, and **whether children should be exposed to how money works** stand out as the attitudes most strongly related to the child's financial capability. Whether parents feel that children should be exposed to how money works is more strongly related to financial Ability and Mindset.

To investigate what might be driving these broader links, Figure 9 presents the relationships between individual financial capability indicators and the parents' attitudes towards teaching about money. The analysis confirms that parental attitudes are linked to a broad range of financial capability indicators.

Figure 9: Links between parental attitudes and the individual indicators of the child's financial capability

Ages 7-17	General attitude involvement	Talk about bills by age 7	Give money by age 7	Talk about debt by age 7	Money habits formed by age 7	Give freedom with money by age 7	Expose to how money works
Ability							
Chooses correct coins							
Waits for or checks change							Weak positive
Knowledge index							Strong positive
Can read bank statement	Strong positive		Weak positive				Strong positive
Understand interest rates	Strong positive						Strong positive
Can read payslip	Strong positive						Strong positive
Correctly combines currency							
Mindset							
Is not anxious about money	Strong positive		Weak positive				Strong positive
Confident managing money	Strong positive						Weak positive
Prefers not to borrow							Strong positive
Saves more of £10		Weak positive					
Saves more of £100	Strong positive	Weak positive	Weak positive				Strong positive
Accepts not getting things						Weak positive	
Accepts getting less than friends							
Compares prices	Strong positive						Strong positive
Understanding: money has value	Strong positive						Weak positive
Understanding: money and choices	Strong positive		Weak positive				
Understanding: adverts sell things	Weak positive						Weak positive
Can explain choices			Weak positive		Weak positive		Weak positive
Understands difference needs/wants	Strong positive						Weak positive
Doesn't ask for things repeatedly	Strong negative						

Ages 7-17	General attitude involvement	Talk about bills by age 7	Give money by age 7	Talk about debt by age 7	Money habits formed by age 7	Give freedom with money by age 7	Expose to how money works
Connection							
Bank account: knows type	Strong negative						
Bank account: uses (child)							
Uses mobile/internet banking	Strong negative						
Talks about money	Strong positive						Weak positive
Bank account: has one	Strong positive						Strong positive
Pays for things in shops	Strong positive		Strong positive				Strong positive
Pays for things online							
Gets money	Strong positive		Strong positive				Strong positive
Pays for: clothes	Strong positive						Weak positive
Pays for: snacks	Strong positive		Weak positive				Weak positive
Pays for: presents	Strong positive		Weak positive				Weak positive
Pays for: going out	Strong positive						Weak positive
Earns regular money			Weak positive				
Behaviour							
Saves up frequently					Weak positive		Weak negative
Spends money less often							
Plans spending			Weak positive				
Sticks to online paying agreements	Strong positive						Strong positive
Tracks spending							
Can save for short time	Strong positive		Weak positive		Weak positive		Weak positive
Saves up when receives money	Strong positive	Weak positive	Weak positive		Weak positive		Weak positive
Can pay unexpected bill	Strong positive		Weak positive				
Can manage money/allowance	Weak positive		Weak positive				Weak positive
Has money in financial products	Strong positive	Weak positive	Strong positive		Weak positive		Strong positive
Bank account: uses (parent proxy)	Strong negative	Strong negative					

Type of financial capability composite measure

Ability
Mindset
Connection
Behaviour
Other non-composite aspect of financial capability

Strength and direction of relationship

Strong negative link	● (red)
Weak negative link	● (pink)
No link	
Weak positive link	● (light green)
Strong positive link	● (dark green)

Note that not all financial capability indicators are available for all ages.

5.2. Results by type of attitude

General parental attitude towards involvement of children in financial matters

The **general attitude of parents that children should be involved with financial matters sooner rather than later** is generally positively associated with children's financial capability. The strongest positive links are found for:

- whether the child can **read a bank statement**, **understands interest rates** or can **read a payslip**;
- whether the child is **confident managing money** or **not anxious thinking about money**;
- whether the child **pays for things** or **pays in shops**; and,
- the child's **access to financial products** (ie, the child has a bank account or has money in appropriate financial products).

A number of negative links are also found. In particular, children whose parents believe that children should in general be involved in financial matters are:

- less likely to **know the type of bank account they have**;
- less likely to **use a bank account**, or **mobile or internet banking**; and,
- more likely to **ask for things even when told they can't have them**.

As observed among the older children, the general parental attitude is also related to whether the child asks for things repeatedly.

One possible explanation for these observed negative links might be the intricate relationship between a child's financial capability, particularly in terms of their use of banking products; parents' attitude towards teaching children about money; and the child's *age*.

Although parents were asked to answer the questions regarding attitudes towards teaching children about money in general, it is possible they take their own children as a reference point. Parents of 7-year-olds and parents of 17-year-olds, therefore, have a different reference point when answering the questions about their attitudes towards teaching children about money. This makes the parents of children of different ages systematically different in the way they answer the questions[18].

Once this has been taken into account (see the 'Results from regression analysis' box below), the previously existing negative relationship between a child's financial capability and parental attitudes now disappears: for children of similar age, parental attitudes towards involving children in financial matters are not strongly linked to children's use of banking products. This could be because children's use of banking products is a function of age more so than it is of parental attitudes, and a statistically significant positive link cannot be identified in the sample.

Parent believes that children should be talked to about household bill by the age of 7

Having a parent who believes that children should be talked to about household bills early in childhood is only weakly related to a child's financial capability. No strong positive links emerge, but there are weak links associated with whether the child would **save from a £10 or £100 windfall**.

Parent believes that children should be given their own spending money or an allowance by the age of 7

The parents' belief that children should be given their own spending money or allowance by age of 7 is generally positively but weakly related to children's financial capability. These relationships are strong in the case of:

- whether the child **pays for things in shops**;
- whether the child **gets money**; and,
- whether the child has money in **appropriate financial products**.

Parent believes that children should be talked to about debt and borrowing by the age of 7

No links were found between whether the parent believes that children should be talked to about debt before the age of 7 and the child's financial capability.

[18] This effect is known as anchoring, where people base their judgments on the first piece of information they have.

Parent believes that money habits and attitudes are formed by the age of 7

The links between the beliefs of parents about when money habits are formed and children's financial capability are positive and weak. Children of parents who believe that money habits are formed by the age of 7 are more likely to:

- have **better saving behaviour**;
- be **able to explain spending choices**;
- and **have money in financial products**.

Parent believes that children should be free to make mistakes with their own money by the age of 7

Having a parent who believes that children should be free to make mistakes with money is rarely associated with a child's financial capability. The only positive relationship is found with whether children are more likely to **accept not getting things**.

Parent believes that children should be exposed to how money works

Having a parent who believes that children should be exposed to how money works is generally positively related to the financial capability of children. These relationships are particularly strong for:

- financial capability of the child related to Ability (can read a bank statement, payslip or understand interest rates);
- financial capability of the child related to Mindset (compares prices, prefers not to borrow, not anxious about money); and,
- the child's access to financial products (ie, the **child has a bank account** or **money in appropriate financial products**).

A weak negative relationship also emerges. Children of parents who feel that children should be exposed to how money works are **less likely to save up money frequently**.

Results from regression analysis

We tested a range of other variables (including gender, family income, parent's educational attainment and parent's occupation) to see whether they might explain the links that appear in this chapter.

Rather than the links disappearing, the opposite seems to be the case: once we account for these other variables, the relationships between parents' attitude towards teaching children about money and children's financial capability **seem to strengthen**. Further links emerge especially between parents' attitudes and the child's understanding of the economic environment (eg, the child understands that adverts try to sell things).

Further examination reveals that these new links emerge because we included the age of the child and the stage of the child's education (ie, primary or secondary school) within the set of other factors. Digging deeper, we see that both a child's age and educational stage are positively related to their understanding of the economic environment. However, they are negatively related to parents' attitudes.

A possible reason why we observe this negative link might be that the age and stage of education of a child influences the attitudes of the parent. Although parents were asked to answer the questions regarding attitudes for children in general, it is possible they take their own children as a reference point. Parents might ask themselves whether their own children should be given, say, an allowance and base their answer on this thought experiment. Parents of 7-year-olds and parents of 17-year-olds, therefore, have a different reference point when answering the questions about their attitudes towards teaching children about money. This makes the parents of children of different ages systematically different in the way they answer the questions.[*] Indeed, as noted above, we find in the survey that parents of older children believe that children should be involved in financial matters later in childhood, compared with parents of younger children.

Therefore, controlling for the child's age somewhat serves as a proxy for this parental anchoring bias. Once this bias is eliminated with the addition of control variables, the positive relationship between a child's financial capability and parental attitudes is identifiable: **for children of similar age, those whose parents believe that children should be taught about money at a younger age tend to have better financial capability**.

[*]This effect is known as anchoring, where people base their judgments on the first piece of information they have.

5.3. How do these links differ by age?

Table 6 presents an overview of the types of links observed for smaller age-bands (ie, children aged 7–11, 12–15, and 16 or 17). The results show that the strongest relationships between parental attitudes towards teaching children about money and children's financial capability are found for children aged 7–11.

Table 6: Number of links observed at each age-group, as percentage of total links investigated

STRENGTH OF LINK	7–11	12–15	16–17
Strong links	23%	16%	14%
Weak links	7%	6%	5%

Note: table based on the relationships between parents' attitudes towards teaching children about money and the children's individual financial capability indicators

Chapter 6: Conclusions

Analysis of the Money Advice Service's Children and Young People Financial Capability Survey has revealed strong links between parental financial behaviour and attitudes and the financial capability of their children.

Children who have parents who are financially capable themselves (especially those who save regularly, are very confident managing money and are able to pay an unexpected bill), are more likely to do better on many aspects of financial capability, but particularly some aspects of Mindset such as understanding money has a value. The strongest links here are found when children are aged 12–15.

Children are also more likely to have better financial capability if they have responsibility for making their own spending and saving decisions, and have parents who talk to them about money and show them how to do money related tasks. There are particularly strong links with Mindset and Connection elements of financial capability, and at the ages of 7–11, demonstrating the importance of starting to teach children about money and giving them responsibility from a young age.

Additional regression analysis suggests most of these relationships remain even after taking into account a range of factors about the child's background, such as family income.

These findings provide valuable indicators of actions parents can take which may improve their children's financial capability, and areas that support for parents can focus on, regardless of whether their wider economic circumstances can or do change.

They also provide important clues for targeting and tailoring of provision aiming to improve children and young people's financial capability, and suggest that supporting parents to improve their own financial capability may have an additional positive knock-on effect to their children.

A small number of parental behaviours and attitudes were also found to be linked to worse outcomes in a small minority of financial capability aspects. This raises questions about why this might be the case, and suggests that further research to explore the nature of these relationships – as well as understanding more depth behind the reasons for the positive links found – may be valuable. The Money Advice Service will consider ways to explore these questions.

In the shorter term, the findings from this research will be essential inputs to a detailed analysis of the financial capability needs of children and young people currently in development, for publication in spring 2018. This Needs Analysis will draw together findings from this report, further deep dives into the CYP FinCap Survey data looking specifically at vulnerability, and wider research such as the analysis of the 1970 British Cohort Study, to set out all we know to date about children and young people's financial capability needs, which groups may have additional needs, and the nature of these. It will also summarise the gaps in insight and understanding from research at present.

This Needs Analysis will feed into a Gap Analysis comparing current need to financial education provision and evidence about what is likely to be most effective in meeting needs. This will inform the Money Advice Service's future children and young people commissioning plan, laying out how we believe resource can best be targeted to improve children and young people's financial capability, to be published in autumn 2018.

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