Children and Young People and Financial Capability: Needs Analysis

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Ann Griffiths and Shadi Ghezelayagh

the Money Advice Service

Foreword

I am proud and delighted to say a few words of introduction to this comprehensive report on the financial capability needs of children and young people.

We know that adult financial capability is a direct consequence of what is seen, learned and experienced in childhood and adolescence. If we want to improve the ability of people to make the most of their money we need to start young.

In doing that we must understand what people's financial capability needs are – be that improving confidence, developing self-control or dealing with financial concepts. Who has those needs – is it children and young people in vulnerable circumstances, from low-income households or particular geographical areas? And when is support needed – at what age, or at what stage in an individual's development?

This report is the result of the extraordinary passion, dedication, hard work and critical thinking of a small team at the Money Advice Service. Collaborating with numerous experts from across the UK, they have produced a report which captures in one place everything we know about the financial capability needs of children and young people. They have done a phenomenal job.

We'll be taking the findings forward with our own commissioning plan in the autumn but I hope that practitioners and funders and all those involved with children and young people, at whatever stage of their development, will take a close look at this report and use it to inform their own work.

Because ultimately it is only **really** a good document if it makes a genuine difference on the ground to how, as a society, we go about helping our children and young people learn about and experience money. If it serves to make the case that financial education in schools is a start but for many children not enough; if it helps funders or providers think about the sorts of children and young people they're working with and how to take account of that in what they do; if it broadens the way we talk about what matters for children and young people, and helps expand the range of methods we explore and fund. If it does all that, then it will have been worth it.

David Haigh
Strategy Advisor
Money Advice Service

Contents

Executive Summary

Background and Context

The Money Advice Service (MAS) believes that childhood and adolescence are vital times to influence skills, knowledge, mindset, attitudes and behaviours essential to adult financial capability and the outcomes people achieve in life. A key theme of both the Financial Capability Strategy for the UK and the MAS Business Plan, is ensuring all children and young people get the financial education they need to be able to manage money well and make good financial decisions later in life. We do this through building evidence about what children need to develop good financial capability and what works to help them achieve that; and using these insights to develop and influence funding, commissioning, policy, and delivery of financial education in schools, homes, and communities across the UK.

This Needs Analysis summarises the findings of a wide range of research the Money Advice Service has conducted over recent years, combined with findings from relevant studies from other agencies working on financial education and children's wellbeing, setting out a robust overview of everything known about children and young people's financial capability needs for the first time. It sets out what we know about what children and young people (CYP) need so they can develop good financial capability, and how well they are doing at the moment. It then looks at which children and young people do better or worse on different measures of financial capability, and what we know about these children's unique financial capability needs.

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. It does not aim to cover what we should do to address identified needs. The implications of our findings will be explored in a future 'gap analysis' document comparing need to current provision, and evidence on what's effective at meeting needs, enabling us to make recommendations on the best use of resource to meet needs in future commissioning intentions. The analysis will also be updated as new research becomes available, so should be seen as a starting point for our understanding of need rather than a picture that will remain unchanged for the long term.

Findings

What children need to develop good financial capability

Our research suggests that many different factors are important for children developing good financial capability. The development of essential skills such as self-control, from the earliest years of life, are key. Children are capable of and can benefit from learning about needs and wants, saving, delayed gratification, and choices, amongst other key money concepts, by the age of 7, well before the end of primary school. Exposure to, and experience of, money and calculations from a young age is also important. Experience of making choices and taking responsibility with money continues to be important throughout childhood and adolescence. By the time young people reach 16–17, skills-based learning relevant to the independent financial lives they will soon be leading, the problems they will need to solve and decisions they will need to make, is essential.

Parents and carers, formal education settings like schools and colleges, and other routes of influence for young people, such as community and youth groups, and statutory services for more vulnerable children and young people, may all be important routes through which to provide this support. This is not the focus for this report, but it is relevant in the context that children and young people who do **not** receive age-appropriate financial education through any or all these routes can be seen to be at greater risk of poor outcomes later on.

How children and young people are doing overall

Our findings suggest many children and young people are doing well in developing financial capability, but that there are some areas that remain worthy of additional focus. In particular, at a UK-population level, overall priority needs of children and young people that still require focus are:

- developing good money habits, like regular saving and planning ahead, early;
- depth of understanding around financial concepts and mindsets;
- key knowledge for living independently, at age 16–17; and
- getting experience of using money from an early age, adapting to relevant situations throughout childhood and adolescence, including access to appropriate products.

In the devolved nations:

- For Scotland, priority needs include enabling children to have greater responsibility over saving decisions, and considering further why fewer young people aim to be financially independent.
- In Wales, encouraging more conversations about finances during childhood may be beneficial (in ways that recognise the higher proportion of parents who consider their bills a burden), as well as again considering the reasons why fewer young people aim to be financially independent.
- Northern Ireland has several areas where additional focus may be valuable, including children saving and keeping track, being given financial responsibility, seeing a range of financial transactions, and parents talking about money with their children on a regular basis.

Which children and young people may be in greater need

We find there are some children and young people who are at greater risk of doing worse on measures of financial capability than others, and that some characteristics and contexts in childhood are predictors of poorer financial outcomes in the long term.

The specific nature of needs varies – some children could benefit from more support on using money and accessing products, while for others, support on attitudes and mindset may be better suited, for example – but our findings indicate the potential value both of **targeting** additional support at children and young people who seem to be at particular risk, and of **tailoring** existing support to take account of the unique financial capability needs of those with different characteristics, skills, and/or life contexts.

A full summary of findings is set out in a table in the pages that follow. In outline however, we find:

- Children with low levels of cognitive and/or social-emotional skills, and poor behaviour, are likely to be at risk of poor financial capability and in many cases poor financial outcomes, and support targeted at these groups should be considered.
- The strongest indicators of need in these areas seem to be a child's perseverance, irritability, and maths ability.
- In many cases these skills appear stronger indicators of need than certain characteristics or life contexts, such as having caring responsibilities, which is positive as skills can be developed.
- However, we recognise that many children and young people may be at risk of additional challenges and poorer financial outcomes even with good financial capability, so there is a case for support targeted at those who, for example, have financial responsibilities earlier and/or with less support than their peers.
- There are also some characteristics and life contexts that are linked strongly enough to poorer financial capability to justify targeted support, notably: having a longstanding illness or disability; having parents with no or low levels of qualifications; growing up in a low-income, over-indebted, and/or MAS 'struggling' or 'squeezed' home; having a lone parent; or having parents with low financial capability themselves.
- An examination of key drivers of children's financial behaviour shows that their financial mindset and connection (access to and use of products) are key. Their ability matters but to a lesser extent. Needs identified that relate to an impact on mindset and connection should therefore be considered of particular importance.
- In almost all potential categories of need we considered, there are at least some findings of relevance to those delivering interventions, to consider when working with children who have those characteristics, skills or contexts affecting them, for the potential of tailoring content and methods to address unique financial capability needs and strengths.
- Analysis also uncovered vitally important findings for tailoring of support to parents. Children receiving regular money, regardless of the amount, and having the opportunity to make financial decisions, as well as parents setting rules about money, are directly linked to better financial capability. Parent role modelling, such as showing children how to use a bank balance, and their attitudes towards teaching children about money also matter.

We also examined the potential role of wider social and community factors, and found other factors worth considering in assessing children and young people's financial capability needs may include peer influence; exposure to or participation in gambling; and possibly living in environments which encourage or promote less constructive financial choices (such as where betting shops, pawn shops, and sources of high-cost credit are normalised and readily available).

However, there is a lack of definitive research on these areas at present, and so while we suggest these considerations should be taken into account in designing or tailoring support for children and young people, other factors should form the basis for *targeting* support.

Finally, children who report that they have learned about managing money at school have better financial capability overall, even when a child's background is controlled for. It may be worth considering whether children say they have learned about money at school, when assessing their potential level of need. Again, it would be difficult to target additional support on this basis, but may be a potential indicator to inform tailoring of interventions.

Importantly, while financial education has a small positive link to better financial capability for children with vulnerabilities, this positive difference is about the same size as for children who do not have vulnerabilities. This suggests financial education alone as it is currently delivered in schools is not likely to be sufficient to 'close the gap' and meet the additional needs of more vulnerable groups fully.

We also identified a number of groups wider research suggests may have unique or additional financial capability needs, but on whom there is little or no current research. These include:

- CYP with special educational needs and disabilities (SEND);
- young people with mental health challenges;
- LGBT young people;
- young people involved in the criminal justice system, gangs or youth violence;
- homeless families and young people;
- CYP living in homes in receipt of benefits;
- young people exhibiting risky behaviours, including substance misuse;
- young people at risk of or who have experienced exploitation;
- CYP who have experienced domestic violence and abuse;
- refugees, asylum seekers, and migrant families and young people;
- military families and service children;
- children growing up in rural communities; and
- children in need and living in families with multiple problems/disadvantages.

Further research into the extent and nature of any specific financial capability needs of these groups would be beneficial to inform future iterations of this analysis and subsequent commissioning plans.

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INDIVIDUAL CHARACTERISTICS (UNLIKELY TO CHANGE OVER TIME)					
Gender	Unlikely at this stage. There is mixed evidence of how well boys and girls fare, so it seems insufficient and potentially unhelpful to suggest targeting additional support on a gender basis alone.	Possibly – it seems girls do better on many measures of financial capability but that boys are more confident and more likely to save more of a £10 windfall. Areas of possible strength and weakness for boys and girls on average may be worth considering in the design and delivery of interventions – eg specifically focusing on raising confidence of girls.	There do not appear to be specific ages where gender comes more or less into play. However, the period prior to financial independence at 16–17 may be of particular interest	n/a	Boys are over-represented in some of the other priority groups identified, eg children with behavioural difficulties
Children from an ethnic minority background	Unlikely at this stage. While overall children with a parent from BME background score worse on some areas in our survey they score better on others. Research on adults is mixed. Research to date has not looked in any detail at variations between groups or potential cultural factors affecting measures of financial capability, so we would not recommend targeting purely on this basis at present.	Possibly – our analysis of CYP FinCap survey results showed that when controlling for other factors children with a parent from a BME background tended to be less likely to have access to financial products, pay for things themselves, and to do worse on some areas of ability and behaviour, but did better on measures of choosing to save rather than spend and accepting not getting things that want. These areas of possible strength and weakness to address could be considered when working with children or parents from particular backgrounds. However, any tailoring of provision should consider carefully the unique characteristics of specific cohorts worked with.	The links we found were strongest from age 12 upwards. At age 16–17 only negative links were found, suggesting this may be an age worth focusing on. However, this is based on one year's survey results taking a snapshot of children at different ages so does not give us clues about change over time and further work in this area is required.	England has a higher proportion of children from ethnic minority backgrounds than other parts of the UK. Some regions and areas within each nation have much higher rates than others.	Some groups are more likely to score poorly on other areas that may be connected to financial capability – eg Gypsy/Roma/ Traveller children have consistently poorer educational attainment on average than any other group.
Longstanding illness, impairment or disability	Yes, our research show that children with a longstanding illness or disability tend to have poorer financial capability. Our analysis of the drivers of CYP financial behaviour showed that both child and parent disability were important indicators of need. It is also likely some CYP with a disability or impairment will have unique contexts in which they need to manage money in adulthood; eg additional access issues or vulnerability to exploitation. This adds to the case for specific targeted support, though more work to understand the varying nature of financial capability needs for children with different kinds of disabilities is also required.	Yes, there are specific areas in which children in this group seems to do worse than their peers on average, including choosing the correct coins, understanding the value of money, and being anxious about money, as well as weaker links with areas such as comparing prices, and planning spending. Support for children in this group could consider ensuring these areas are covered.	Links seem to be strongest from age 12 upwards.	Difficult to pinpoint at this time because of varying measures across nations. However, there tend to be greater levels illness or disability in areas with higher deprivation levels. This would suggest the potential for focus in Wales, NI and Scotland, and some regions of England such as the North-East.	Children with disabilities are much more likely to grow up in a low income or workless household, and to be NEET as young adults[1].

[1] *Disability in the UK, 2016* (Papworth Trust, 2016) http://www.papworthtrust.org.uk/sites/default/files/Disability%20Facts%20and%20Figures%202016.pdf

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INDIVIDUAL SKILLS AND BEHAVIOURS (LIKELY TO EVOLVE)					
Poor behaviour	Yes. We believe based on consistent messages emerging from several analyses that there is sufficient evidence to suggest children with behavioural difficulties are at greater risk of poor financial capability and outcomes and may benefit from extra support. Our analysis of drivers of financial behaviour suggested that 'irritability' (parent report of child being irritable or quick to anger) may be a particularly important indicator of need.	Yes. Children who scored worse on measures of behaviour also had poorer scores on most ability and mindset elements of financial capability. There are also strong links between poor behaviour and doing worse on some aspects of financial behaviour, such as saving, planning ahead, and being able to manage an allowance.	These links are present from early ages and strengthen over adolescence, suggesting opportunities for targeting at younger ages with basic support, and offering more intensive help for those still experiencing poor behaviour at age 16–17.	We have been unable to find measures of need around behaviour across different areas at present.	The relationship between social-emotional skills, behaviour, and cognitive skills is complex and these skills are all inter-related. Children who struggle in one area may well require additional support in other as well. Our analysis suggests that high levels in one area of skill may compensate for low areas in another. This suggests that potentially the children in greatest need will be those who struggle across multiple areas of behaviour, cognitive, and non-cognitive skills.
Low social-emotional skills	Yes. We have demonstrated links between poor perseverance, self-esteem, and self-efficacy, and some elements of financial capability, though the links tended to be weaker and fewer than those found for behaviour. Within these skills poor perseverance is found to be a particularly strong driver of financial behaviour. There is also evidence of the importance of self-control and locus of control for adult financial outcomes. Identifying children with low levels of these skills may be more challenging than identifying those with low attainment, but we believe there is potential for targeting on this basis.	Yes. Many of these skills tend to be linked most strongly to financial mindset measures, suggesting the focus of support for children with needs in this area should focus more on these elements of financial capability rather than say, connection. Self-esteem has links to some different measures, including confidence and anxiety managing money as well as eg preferring not to borrow, and there is a positive link around having experience of paying for things themselves, which could offer strengths to build on in interventions.	The largest increase in the number of associations is between the age-groups of 7–11 and 12–15. This suggests that social-emotional characteristics may be particularly consequential towards the start of secondary school.	There do not appear to be comparable sources of data about the extent of need across different areas at present.	
Cognitive skills and educational attainment	Yes. Cognitive skills in both literacy and numeracy are shown to be strongly linked to financial capability. Maths ability is shown as a particularly strong indicator of the key drivers of financial capability. Attainment in school and future educational routes have an impact on financial outcomes. These findings suggest support for those who are struggling academically may offer opportunities.	Yes. Measures of ability are particularly important here. There are also strong links with scoring worse on some measures of mindset such as being confident and not being anxious about money, and understanding that money has a value. They also less likely to have a bank account or have money in appropriate financial products – an indicator of connection that did not occur so strongly for the social-emotional skills examined in the last section.	These links are present from early ages and strengthen over adolescence, suggesting opportunities for targeting at younger ages with basic support, and offering more intensive help for those still experiencing low skills levels or poor behaviour at age 16–17.	Attainment appears to be lowest at GCSE level in Wales, though this should be treated with caution (lack of comparability of measures). It would be possible to prioritise within each nation areas with lowest attainment levels.	

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ENVIRONMENTAL FACTORS – FAMILY STRUCTURE					
Lone parents	Yes. Our survey findings suggest that, even once we account for differences in the child's background (including family income, parent's educational attainment, and parent's occupation), there is a strong and largely negative link between a parent having sole caring responsibility for a child, and the child's financial capability.	Yes. Having a parent with sole caring responsibility is strongly and negatively associated with measures of financial ability, whether a child prefers not to borrow, and a child's experience of paying for things in shops. There is also a positive association with the child saving however, and whether a child uses any bank account they have.	Associations become increasingly negative with increasing age, suggesting that there are vital opportunities for early intervention at younger ages, and 'just in time' support for those approaching independence.	It does not appear from high level stats lone parent families are particularly over-represented in one UK nation, however, some local areas will have higher rates and could be targeted.	It is also worth noting that our debt research has identified that parents, and single parents in particular, are more likely to be over-indebted.
Young parents	Possibly. The children of young parents do seem to do worse on some areas of financial capability but these links are explained when other demographic variables are controlled for. This is perhaps unsurprising as younger parents are likely to have lower income and educational attainment. The group could still be worth targeting on this basis, however, especially given other agencies' research which has suggested that young parents themselves may face some financial challenges that the average young person may not face, and the potential for supporting both young parents themselves and their children.	Possibly. Areas of financial capability that may be of potential relevance are connection, children feeling anxious about money, and banking-related ability indicators, though the fact the differences in financial capability for children of young parents are explained by other factors that can be controlled for should be taken into account and the profile of any parents considered. There may be specific challenges faced by young parents themselves connected to low income and barriers to work for example, that would be worth tailoring support around.	Having a young parent (defined as the parent being 20 years or younger at the birth of the child) only seems at best weakly related to financial capability until a child is 15 years old. However, for children aged 16 and 17, having a young parent has a relatively strong and predominantly negative relationship with financial capability.	Young parents who are also lone parents appear to be slightly over-represented in Wales and Northern Ireland. Some locations have particularly high teenage pregnancy rates and could be targeted.	A fairly high proportion of young parents are also lone parents. Young parents are more likely than their peers to be living on a low income and to have lower qualifications on the whole.
Looked after children and care leavers	Possibly – while our survey analysis did not reveal significant differences in many aspects of financial capability for this group a range of other research has shown the unique and additional challenges faced which may increase risk of poor outcomes, which seem to justify specific targeting. The same may well apply to young people who leave home early and with less support from family than their peers more widely.	Possibly. Our 'deep dives' showed looked after children aged 7–17 are less likely than their peers to be able to explain choices made when spending money. At age 16–17, they do worse in managing a day-to-day budget or allowance, understanding choices have to be made when spending, waiting for and checking change when buying things in shops, and sticking to agreements about buying things online. Other skills and unique life circumstances such as having to set up home alone, should be considered.	Negative links seemed to be particularly strong at age 16–17, and this age will be vital for preparation for independence. However, early intervention at younger ages may be especially valuable for this group taking the opportunity of wider support being offered.	Need appears to be fairly evenly spread though some local areas will have greater numbers of children in care than others; this is associated with other factors such as deprivation.	More likely to have other characteristics associated with poorer financial capability, including poor behaviour, social-emotional skills, educational attainment. Also more likely to be NEET, young parents.

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Young carers	Possibly – while our survey analysis did not show definitive differences in financial capability overall for young carers, wider qualitative research has suggested young carers face additional and sometimes substantial financial capability needs that may make them disproportionately vulnerable to poor outcomes, and it certainly seems some have unique contexts in which they manage money, which may benefit from support.	Possibly. Interestingly only positive relationships with financial capability remained after other factors were controlled for in our analysis for 7–17 year olds overall – they were more likely than peers to accept not getting things their friends did, pay for things online, and use a bank account. At age 16–17, they are less likely to be able to read a payslip than the average young person of this age, or to prefer not to borrow. These may provide indications of areas of strength and weakness to focus on though other skills and the unique context of how they manage money should be considered.	Support throughout childhood is likely to be beneficial, and again additional help prior to independence when specific barriers may be faced may be key.	Proportions of children and young people who are carers appear to be roughly the same across Devolved Nations, and potentially higher than in England, though figures are not comparable and English figures may be an underestimation.	More likely to be living in low-income households, to average to achieve poor educational attainment and employment outcomes, and to find transition to adulthood, such as getting a job or moving out of the home, more difficult.
ENVIRONMENTAL FACTORS – PARENTING					
Children without experience of using money	Possibly – strong messages emerged from our analysis about the importance of children receiving regular money, having responsibility for making spending and saving decisions, and children who do not have this experience are likely to be in greater need. However, we recognise that practically, it may be difficult to identify children in this group, so this may not be an ideal targeting priority.	Yes – there are very clear messages for parenting interventions about the importance of children receiving regular money, regardless of the amount, and having the opportunity to make financial decisions. These are actions all parents can be supported to take regardless of other characteristics and circumstances. There are also clear findings about areas where children who don't have these experiences do worse, including connection for those who don't receive regular money, and mindset and ability indictors for those not involved in financial decisions. If it is possible to get a sense of children's level of exposure to money when delivering interventions these may be worth considering for those with less experience.	Differences emerge very early, even among 4-6 year olds. This is likely to be a relevant consideration throughout childhood and adolescence. The relationship between saving 7 spending responsibilities and child financial capability is strongest at age 7–11, but there continue to be links at all ages.	Children in Scotland are more likely than the UK average to have experience paying for things but less likely to have responsibility for saving at a young age. Children in Northern Ireland have less financial responsibility than UK average; younger children in Northern Ireland are more likely to receive regular money, but older children are less likely to receive pocket money than UK counterparts.	Children in low income homes were less likely to receive regular money.

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Parents who are unable to be positive role models	Possibly – we have shown important links between children's financial capability and parents' role-modelling behaviour (talking to the child about money, showing them how to complete money-related tasks such as checking a bank balance), having a more positive attitude to being a role model, and believing children should be taught about money at younger ages. Again however, it may be difficult to identify children to target on this basis so these may be more practically used to tailor support for parents and children targeted through other means.	Yes. Again, there are important messages about actions all parents can take to support their children's financial capability, and which should be considered in delivering support to parents and in understanding the particular needs of CYP who may not have had positive parental role modelling, notably: Parents setting rules about money directly influences their financial capability. Parents showing and talking to children about money affects connection and mindset, which influences financial behaviour. Parent confidence about role modelling is also important, and parents believing children ought to be taught about money at younger ages, is directly linked to their financial behaviour and all other areas of financial capability.	Important from the youngest ages, in an age-appropriate manner throughout childhood and adolescence. We found the strongest links between parent role modelling and child financial capability to be between ages 7–11.	Parents of 7–17 in Wales and Northern Ireland are less likely to discuss their household finances openly with their children. Children's experience of transactions in Northern Ireland is heavily weighed to cash rather than other methods. However, parents in Northern Ireland are more likely to say they are confident talking to their children about money.	Role modelling matters regardless of other factors, however, it may be the case that parents who have low financial capability, or are in financial difficulties, may be more likely to be and/or feel unable to role model positive behaviours. Links to other parental characteristics will be an area worth exploring in further analysis.
Parents with low financial capability	Yes – 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.	Yes. Parents who scored lower on measures of financial capability themselves tended to have children who also scored worse, so considering the family context in which a child is growing up may be useful in shaping support. In particular, parents saving often is directly linked to children's saving behaviour, and their use of saving products is linked to children's connection, which in turn influences behaviour. These areas will be worth considering including specifically in support.	Again, important at all ages from youngest ages throughout childhood until independence. The link appears to be strongest at age 12–15.	Parents in Wales and Northern Ireland are more likely to say their bills are a burden. Parents in Northern Ireland are less likely to be satisfied with their own financial circumstances.	Likely to be an overlap between segmentation and over-indebtedness, as well as potentially other parental characteristics.
Parents with few qualifications	Yes - Parents' qualifications were revealed to be important drivers of child financial behaviour, as well as predictors of financial outcomes. Importantly, they seem to be connected to both their parenting behaviour and their child's individual skills and behaviours, which in turn are linked to their child's financial mindset and connection, and then financial behaviour.	Possibly – understanding the level of educational attainment of a child's parent may help give clues about the nature of the child's need, though the child's own skills and wider context should also be considered, as it is the child's skills and behaviours and parenting behaviours that matter here (qualification is simply a useful indicator of a key driver of those).	Relevant throughout childhood and adolescence from a young age.	The proportion of adults with no qualifications appears to be highest in Northern Ireland of all UK nations. However, there will be areas with high levels of parents with low levels of qualifications in pockets in each nation, highly associated with areas of low income.	Closely related to income, however, there is some indication this is a stronger indicator of need- meaning higher levels of qualification can to an extent mitigate the impact of growing up in a lower income household.

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ENVIRONMENTAL FACTORS – ECONOMIC CIRCUMSTANCES					
Low-income households	Yes. On average, children in low-income households have poorer financial capability. Other factors should be taken into consideration, such as the child's skills and behaviours, and parent qualification, (shown to be a stronger predictor than income, but closely linked), but on the whole income is an easily-identifiable and justifiable basis on which to target and is often closely linked to other indicators of need.	Possibly. There are areas on the whole that children in low-income homes do worse on, including lower understanding and access to financial products; feeling powerless about changing their financial situation; being less likely to save and keep track of spending; understanding money has a value; and shopping around. They are also less likely to receive regular money and to have parents who talk to them about money. Positively, there appears to be little difference in confidence about money, a potential strength. These areas may be worth considering in design of support for children from lower income homes, however individual skills, behaviours, and wider factors like parental qualification should always be considered.	Again, appears to matter from the youngest ages up.	Wales has consistently had the highest poverty levels, with only London as an English region higher, and North-East England a similar level. Scotland has the lowest poverty levels, with Northern Ireland in between.	Also likely to be families with lower qualification levels, to have more children, and overall, there is an overlap with vulnerabilities
Income- deprived area	Possibly. There are some strong links between living in an income-deprived area and poorer financial capability. Many of these are explained by other factors such as family income, but there may be a case to suggest areas that score highly on Indices of Multiple Deprivation (IMD) may be benefited by additional targeted support as a way of accessing families likely to be in higher need.	Possibly. There seem to be some aspects of financial capability that are unique additional factors associated with living in an income deprived area which are not explained when other factors are controlled for, namely children understanding that money has value, whether they have a bank account and whether they pay for things in shops. Connection aspects might therefore be considered worthy of particular focus for these areas, but skills and characteristics of individuals should be considered before applying a blanket approach.	Overall, the greatest number of links between economic factors and financial capability were seen between ages 12–15, implying the start of secondary school may be particularly important, particularly for 'ability' indictors which only appear linked from this age upwards. However, links were found at all ages.	There are separate indices of deprivation for each UK nation. There will be areas of high deprivation in each nation worthy of focus. The most deprived areas in each nation are set out in the body of this report.	High cross-over with lower levels of other life outcomes including employment, education, and health outcomes.

WHO: TYPE OF POTENTIAL CYP NEED	WHAT AND HOW: IS THERE SUFFICIENT EVIDENCE TO SUGGEST BENEFITS OF ADDITIONAL TARGETED SUPPORT FOR CYP ON THIS BASIS?	WHAT AND HOW: IS THERE EVIDENCE TO SUGGEST HOW BEST TO TAILOR SUPPORT THAT IS BEING DELIVERED?	WHEN: ARE THERE PARTICULAR AGE GROUPS THAT SEEM TO BE OF MOST RELEVANCE?	WHERE: ARE THERE PARTICULAR LOCATIONS WITH GREATER NEED?	ANY OTHER LINKS OF NOTE?
Social housing	Yes – living in social housing as a child is linked to poorer financial outcomes as an adult. Children living in social housing were more likely to score worse on a number of measures of financial capability, though many of these are explained by low income. However, living in social housing may be a good, easily identified and targeted proxy for low income and in many cases low qualifications, so worth considering for targeted support.	Yes – specific areas children living in social housing scored worse on included measures of financial ability, understanding money has a value, paying for things themselves, and having and using a bank account. Even when controlling for household income, living in social housing is linked negatively to whether the child has a bank account, whether they use the account, whether they pay for their own clothes or snacks, whether they save up frequently, and whether they can manage their own money, so these areas may be worth considering tailored support on for cohorts that include large numbers of children growing up in this context.	Links are present throughout childhood and adolescence but ages 12–15 may be particularly important, as this age showed the greatest number of links.	There are different approaches to allocation and delivery of social housing across the UK so it is very difficult to compare nations. However, there will be areas with high proportions of social housing that could be targeted in each nation.	Associated with income and other economic factors such as employment.
Unemployment & NEET	Possibly – overall children growing up in a household where the main income earner is unemployed are at greater risk of some poorer financial outcomes, though the links are relatively few, and it is likely other skills and contexts showing stronger links would provide a stronger basis for targeting. There is limited research around young people who are 'Not in Education, Employment or Training' (NEET) themselves, but their being at risk of wider poor outcomes and likely to have low levels of skills and behaviour set out above may suggest they would be a group who could benefit extra support.	Children who grow up in a household with an unemployed parent are likely to score worse on measures of financial knowledge and ability elements such as reading a payslip and understanding interest rates, and having money in appropriate financial products. However, these links are explained when other demographic variables are controlled for. There is limited research on young people who are NEET but qualitative research suggests they may face significant challenges beginning to live independently on very low incomes and with often low qualification levels amongst wider vulnerabilities. These needs could be taken into account when designing support for young people and families affected by unemployment.	Support for children at risk of NEET from age 16 may be useful. As with all economic measures, there are links to financial capability at all ages however.	Statistics are difficult to compare across nations. There will be areas within each nation with the highest levels of NEET and wider unemployment that could be focused on for targeted support if required.	Linked to low income. Young people who are NEET are likely to experience multiple vulnerabilities, including potentially low levels of skills and poor behaviour, and some groups such as looked after children and SEND are over-represented in the NEET population.

WHO: TYPE OF POTENTIAL CYP NEED	WHAT AND HOW: IS THERE SUFFICIENT EVIDENCE TO SUGGEST BENEFITS OF ADDITIONAL TARGETED SUPPORT FOR CYP ON THIS BASIS?	WHAT AND HOW: IS THERE EVIDENCE TO SUGGEST HOW BEST TO TAILOR SUPPORT THAT IS BEING DELIVERED?	WHEN: ARE THERE PARTICULAR AGE GROUPS THAT SEEM TO BE OF MOST RELEVANCE?	WHERE: ARE THERE PARTICULAR LOCATIONS WITH GREATER NEED?	ANY OTHER LINKS OF NOTE?
Over-indebted home	Yes – there are negative association between living in an over-indebted family and child financial capability. While the majority of these links are explained when other demographic variables are controlled for, some do remain. Wider research also suggests there may be a range of other increased risks associated with living in an over-indebted family, including potential impact on social-emotional wellbeing, adding to the case to focus on support for children here, including potentially through help already being offered to parents.	Yes. There are links to ability, connection, and mindset indicators, including scoring worse than peers on having money in appropriate financial products, and preferring not to borrow. Even after other factors like income are controlled for, children in over-indebted homes are less likely to understand money has value, the difference between needs and wants, more likely to ask for things repeatedly, and to be anxious about money. These specific areas could be considered as priority content to address in support for children living in over-indebted homes, taking into account the unique circumstances they may be living in, though their individual skills should also be considered.	There are links to poorer financial capability throughout childhood. The greatest number and strongest negative links were present for children aged 16–17, suggesting the point pre-independence may be particularly vital.	Areas of the UK with highest levels of over-indebtedness overall are Wales, North-East and North-West England, London, Yorkshire & the Humber. Local authorities (LAs) with the highest over-indebtedness rates are Newham, Tower Hamlets, Sandwell, Nottingham, Barking & Dagenham, Blaenau Gwent, Kingston upon Hull, and Manchester.	Associated with low income, unemployment, larger families, lone parents.
MAS 'struggling or 'squeezed' household	Yes – children growing up in families that are less financially resilient (ie they cannot withstand an income shock easily) demonstrate poorer financial capability on average. Falling into any segment other than 'cushioned' is sufficient to make a child vulnerable to poor financial capability (with the exception of 'older squeezed' homes). Family income explains some but not all of these links. There is an opportunity when working with parents in these segments to support children too.	Yes, we find that children growing up in 'struggling' or 'squeezed' homes are less likely than their peers to have a bank account or use their bank account or pay for things online, even when other factors are controlled for. These areas of connection may be vital to focus on in support for these groups. The areas where children do worse but which are explained by other factors like income may still be of relevance to consider as higher priority within this group, though other characteristics and skills should also be taken into account. These include tracking spending, being able to manage money, and knowledge indicators, and in squeezed younger families, being anxious about money, preferring not to borrow, and having experience of paying for things in shops.	There are links found at all ages. The greatest number of links are found for ages 12–15. The link between becomes more negative with age. Links found with mindset are most prevalent at ages 7–11, while ability features at older ages. This suggests support is vital throughout childhood and adolescence but the focus may benefit from being tailored to age.	There are households within these segments in all areas of the UK. Regions with the greatest proportion of struggling families are: London, Northern Ireland, and the West Midlands (Newham and Barking & Dagenham are the LAs with highest %); regions with the greatest proportion of squeezed younger families and couples are Yorkshire & the Humber, NW England, Wales, and the West Midlands (Pendle and Blackburn with Darwen are LAs with highest %).	Links to factors considered as part of segmentation, including income, housing tenure, over-indebtedness.

Chapter 1: Introduction and background

Who we are and what we do in relation to children and young people

The Money Advice Service (MAS) is a UK-wide, independent service set up by the government to help people manage their money. We are paid for by a statutory levy on the financial services industry, raised through the Financial Conduct Authority. We have three statutory aims - to enhance the understanding of members of the public about financial matters; to enhance the ability of members of the public to manage their own money; and to improve the availability, quality and consistency of debt advice across the UK.

This matters because far too many people are struggling with their finances. 8.3 million adults in the UK are over-indebted, including 1 in 5 young adults aged 18–24;[2] 11.9 million adults would have to borrow or could not pay an unexpected bill of £300;[3] 44% of working-age adults in the UK has less than £100 in a formal savings account.[4] Over half of the debt advice clients we see have previously been diagnosed with a mental health condition.[5] In research we conducted with young adults in their twenties, nearly three-quarters admitted making money mistakes in their early years of financial independence which they later regretted, and almost half said they felt 'depressed' as a result.[6]

Our work aims to address these issues. In October 2015, we launched the 10-year Financial Capability Strategy for the UK. This sets out how MAS and the wide range of organisations working to help people manage their money better will work together to improve financial capability in the UK.[7] This includes testing and scaling 'what works'.

A key theme of this strategy, and the MAS Business Plan, is work to improve the ability of children and young people (CYP) to manage money well and make good financial decisions. We do this through building the evidence base, improving co-ordination of financial education, and sharing evidence and insights to influence funding, commissioning, delivery, and policy.

We believe that adult financial capability is a direct consequence of what is seen, learned and experienced in childhood and adolescence. Skills, knowledge, mindset, attitudes and behaviours all matter to people's financial capability and the outcomes they achieve in life. Childhood and adolescence is a vitally important time to influence these.

What this Needs Analysis is for

This Needs Analysis draws together what we know about the things children and young people need to develop good financial capability, and how children and young people today are faring in relation to this.

It sets out the current needs of the CYP population in the UK overall, which children and young people may have greater or different needs, and what we know about the nature of these. It also explores what we know about the scale and location of need, and potential future trends.

This information is vital to understand how resource may best be targeted – where, when, and with whom it can make the most difference. Demonstrating the range and scale of financial capability needs of children and young people can also help make the case for why financial education of different sorts, delivered in different ways and contexts, is important. Finally, this analysis is also essential to inform the effective design and delivery of support that meets unique needs of different groups.

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. It will sit alongside a Provision Analysis, summarising existing financial capability support and education for children and young people in the UK; an Evidence Analysis setting out what we know about which approaches are likely to be most effective at delivering outcomes for different groups; and a Landscape Analysis summarising an overview of risks and opportunities in the policy, commissioning and delivery landscape, and wider external drivers of change, such as social and technological trends.

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[2] Available at: http://overindebtednessmap.org/
[3] *The Savings Challenge - Is the UK prepared for a rainy day?* (MAS, September, 2016), available at: www.moneyadviceservice.org.uk/en/corporate/research
[4] Ibid.
[5] 2016 outcome evaluation of debt advice funded by Money Advice Service (MAS, October 2017), available at: www.moneyadviceservice.org.uk/en/corporate/research
[6] *It's time to talk: young people and money regrets* (MAS, September 2014), available at: www.moneyadviceservice.org.uk/en/corporate/research
[7] Such as financial education providers, financial services firms, advice providers, charities, research agencies, trusts and foundations, and government agencies.

These reports will feed into a Gap Analysis, which will compare needs to existing provision and evidence, in the context of wider risks and opportunities, and make recommendations about future commissioning intentions based on a balance of all the evidence available. The Commissioning Plan will then set out how we believe resources across the financial education sector can best be targeted to meet need and our goals to ensure all children and young people get the financial education they need to manage money well as adults.

In this wider context, the scope of this Needs Analysis report extends only to setting out the nature and extent of different financial capability needs and the potential implications of these for targeting and tailoring of support; the gap analysis and commissioning intentions which follow will take this a step further to say **what** should be done as a result of these findings when combined with those about evidence and existing provision. This analysis will also be updated in future as further insights on need come to light, so should be seen as a starting point for our understanding of need as it currently stands rather than a definitive picture for the long term. The commissioning plan will be iterated accordingly, as component analyses are updated on an annual basis.

Sources of Research

This document brings together several sources of MAS research carried out to help reach these objectives, including:

- ***Vulnerable children and young people and financial capability: Literature Review*** (**'VCYP literature review'**) – we worked with the University of Brighton to review existing literature addressing which children and young people are most vulnerable to developing poor financial capability, and/or to facing disproportionately large or negative impacts of poor financial decisions. This review will be published in spring 2018 alongside this Needs Analysis. We draw from the findings of this literature review and in some cases, specific reports and studies the review identified, referenced separately where relevant.
- ***The journey from childhood skills to adult financial capability – analysis of the 1970 British Cohort Study*** – in November 2017 we published analysis of data from the 1970 British Cohort Study (**BCS70**), a longitudinal survey that gathers information on 17,000+ individuals born in Great Britain in April 1970, interviewing them periodically throughout their lives. We used a regression-analysis approach to control for personal and family background characteristics, allowing us to isolate the links between cognitive, non-cognitive and behavioural skills in childhood, and adult financial outcomes, for individuals who are otherwise identical.
- ***2016 UK Children and Young People's Financial Capability Survey*** ('the **CYP FinCap Survey'**) – our ground-breaking nationally representative survey of a total of 4,958 children and young people aged 4–17, and their parents, living in the UK.

  This needs analysis draws on a range of analysis conducted using CYP Fin Cap Survey data:

  - Overall UK results, from the **report *Financial Capability of Children, Young People and their Parents in the UK 2016**,* and underlying results for each Devolved Nation.[8] This report looked at:
    - how children access and use money;
    - what children think about money;
    - what children know about money; and
    - how children learn about money.
  - ***'CYP Fin Cap Deep Dive – Vulnerability'*** – a 'deep dive' into survey data aiming to understand which child characteristics are most strongly associated with children's financial capability.
  - ***'CYP Fin Cap Deep Dive – Parenting'*** – a 'deep dive' into survey data exploring the relationship between parent characteristics and behaviours and children's financial capability.
    - Both these 'deep dives' will be published in spring 2018 alongside this needs Analysis report.
    - Within both these 'deep dive' reports we identify associations and use logistic regression to test relationships. The findings referred to in this report are those areas where links remain between vulnerability or parenting factors and financial capability after this testing.
    - Where regression analysis has shown that some other reason is explaining a relationship, we do not highlight any link that might have originally appeared to be present, unless this is particularly worthy of note (for example because

[8] Reported in: Northern Ireland, Scotland, and Wales

a link expected to remain strongly does not, or because we feel the original relationship is still a useful or practical measure for targeting).

  - We also group financial capability indicators under the categories used in our CYP Outcomes framework.[9] These categories are referred to throughout this report and are set out in detail in the 'deep dive' reports:
    - **Ability** (financial knowledge and skills) – such as choosing the correct coins to pay for things, understanding different financial terms, being able to read a bank statement or payslip.
    - **Mindset** (values and attitudes towards money) – such as whether a child feels anxious about money, is confident managing money, prefers not to borrow, recognises difference between needs and wants, chooses to save or spend.
    - **Connection** (engagement and access to financial products/services) – such as using a bank account, talking about money with appropriate people, using online banking.
    - **Behaviour** (actions with money) – such as frequency and regularity of saving, planning what to do with money, keeping track.

- ***Measuring Financial capability of Children and Young People. What drives financial behaviours? –*** this report analyses the CYP Fin Cap Survey to provide data driven measures of various aspects of children's Mindset, Connection, Ability, and Behaviour in relation to money. With these measures we use regression analysis to identify key drivers of children's behaviour with money – what role a child's financial enablers and inhibitors play in determining their financial behaviour, as well as examining the role parents, a child's social-emotional, cognitive and behavioural skills, their receipt of regular money and demographic factors play in driving children's behaviour.

What regression analysis tells us

Some links found in our analysis can be explained by other factors. For example, living in a single-parent household may be negatively linked with a child's financial capability, but single parent households are also more likely to be low-income households. Regression analysis used in the reports above allows us to test if a connection remains once other characteristics of the child and their parents are considered.

- This document also draws on **wider MAS research –** including:
  - ***Habit Formation and Learning in Young Children,*** a 2013 literature review conducted by University of Cambridge to better understand habits that can impact on financial capability in later life.
  - ***It's Time to Talk: Young People and Money Regrets,*** a 2014 qualitative study examining the development of young people's money habits as they enter independence, aged 16–29.
  - ***2015 UK Financial Capability Survey***, a nationally representative survey of adults aged 18+ living in the UK. In total, 5,603 respondents took part in this research between April and July 2015. This needs analysis draws on a range of analysis conducted using Adult Fin Cap Survey data:
    - ***Financial Capability in the UK 2015***, a report presenting initial overall results from the survey.
    - ***Young Adults' Financial Capability***, a 2016 report combining:
      - a 'deep dive' into the Adult Fin Cap survey data - looking at the 744 complete responses from young adults (aged 18–24) from across the UK;
      - a review of existing research on young adults and financial capability; and
      - primary qualitative research – five focus groups with a total of 23 young adults.
  - ***Over-Indebtedness in the UK – 2017 statistics*** and underlying data telling us about rates of over-indebtedness among parents and young adults.

[9] 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. It can be found at: www.fincap.org.uk/outcome-framework

- ***Right Place, Right Time***, a 2017 report which uses a quantitative survey of 3,545 adults to look at the association between life-events and seeking advice and guidance and the barriers to this.

All of these publications can be found on the MAS research pages.[10]

As with all research, each of these pieces of work has limitations and strengths, which are set out in detail in the full reports sitting behind and referenced in this document. It is important to note that while this needs analysis draws together for the first time a range of research findings, our understanding of needs to date is based on a limited number of studies.

The CYP FinCap Survey on which we have based most of our analysis is representative of children in the UK. However, when we talk about the unique needs of different groups, the surveys are not necessarily representative of children with each of these individual needs. This means that while we can say many things with confidence about children with different sorts of characteristics and lives, we're unlikely to have the whole picture of all children's unique needs at this stage. For example, we can talk to some extent about statistically significant differences found between the financial capability of children who are looked after by a carer rather than a parent, but we cannot claim that our findings represent the population of looked after children as a whole.

There also remain some sorts of characteristics and cohorts of young people on which there is very little research and data at present. These gaps are identified throughout the Needs Analysis.

[10] https://www.moneyadviceservice.org.uk/en/corporate/research; https://www.moneyadviceservice.org.uk/en/corporate/debt-publications

Chapter 2: Needs Analysis – overall population of CYP

There are almost 14 million children and young people aged 0–17 in the UK; 11.8m in England, 1.03m in Scotland, 628,000 in Wales, and 436,000 in Northern Ireland.[11] Children and young people represent more than a fifth of the UK population. What they learn about money in the coming years, ahead of gaining their financial independence, will influence how they manage money as the next generation of adults. A financially capable UK depends on supporting them to succeed.

What we know about the things children need to develop good financial capability

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 a high level of financial capability later in life.

Early MAS research found that the skills needed to manage money well, such as self-control and wider executive function, begin to form in the earliest years of life.[12] By the age of 7, attitudes towards money, such as how much money is valued, can be well formed. Learning about basic money skills and socialisation with money are vital at this age. Children are beginning to understand that the things they want cost money, and can understand the concept of delayed gratification, and saving up for things, as well as beginning to determine the difference between 'needs and 'wants'.

As children pass through the ages 7–11, they can do more calculations with money, and understand that money is finite, and that they need to make choices with it. By the age of 12, abilities that become very important around money, such as the ability to override initial instinctive responses, reach adult levels. As they reach the years before financial independence at 16–17, skills-based learning relevant to the independent financial lives they will soon be leading, the problems they will need to solve and the decisions they will need to make, are a necessity.[13]

The evidence about what is most effective to help develop financial capability in children and young people remains limited. Evidence to date suggests that children and young people are most receptive to learning about money at points where it makes sense to them in their real lives, in 'teachable moments' and 'just in time' when their learning can be applied – so homes, schools, and communities are all important channels for learning.[14]

We also know that the influences of the adults around them are vital. Parents and carers are seen by children as overwhelmingly the main source of advice about money. The behaviours and attitudes they role model are significant influences on what a child or young person learns and believes are desirable. The extent they engage their children in discussions about money, and the choices they make about setting rules, allowing their children to be involved in decisions about money, to receive regular money, and to learn from mistakes, are key. We cover the important roles of parents in detail later in this report.

The overall financial capability of children and young people in the UK

In 2016 we undertook our Children and Young People's Financial Capability Survey, the first nationally representative survey of nearly 5,000 children and young people aged 4–17 and their parents and carers in the UK. This survey allowed us to explore what drives children and young people's financial capability and to identify the main gaps.

Our research has found that, overall, children have a reasonable grounding in knowledge and understanding about money. They recognise some financial products and concepts and know money has a value. They are cautious about debt, and have a theoretical understanding of the importance of savings and the concept of value for money. Most children know about the most familiar financial products, such as bank accounts and credit and debit cards and understood what needs to be paid for in our society, such as utilities, rent and mortgages.

- Nearly all children (98% of 7- to 17-year-olds and 89% of 4- to 6-year-olds) report having at least some money of their own.
- Two-thirds (67%) of 7- to 17-year-olds receive pocket money.
- Many children experience paying for things from an early age, with 62% of 4-year-olds having paid for things in shops.
- Most children aged 8–17 have experience of saving their money (94% of those that have money).
- Most children above the age of 7 are involved in how their money is saved (88%) or spent (95%), either by deciding themselves or with their parents.

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[11] Mid-2016 population estimates, ONS https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/datasets/populationestimatesanalysistool

[12] *Habit Formation and Learning in Young Children* (MAS, May 2013), available at: www.moneyadviceservice.org.uk/en/corporate/research

[13] The Effects of Financial Literacy & Financial Education on Downstream Financial Behaviours, (NEFE, 2013) http://www.nefe.org/what-we-provide/primary-research/effect-of-financial-literacy-on-financial-behavior.aspx

[14] Ibid.

- Most children aged 11–17 (88%) agree that it is important to learn about managing their money.
- Children have a cautious attitude towards borrowing: nearly six in ten (57%) would prefer not to borrow at all.
- Only 20% of children aged 11–17 feel that they are unable to make a difference to their money situation.

While the overall picture is generally positive, there is still work to do, and some significant areas where children and young people are doing less well:

- Only half of children (52%) save regularly.[15]
- Only 39% of 14- to 17-year-olds often or always plan how they are going to buy the things they need.
- There is a knowledge gap around relatively simple concepts such as interest and inflation, with only 63% of 12- to 17-year-olds knowing that 'inflation' was the term for prices going up in the shops.
- One in five (21%) of 12- to 17-year-olds were unable to correctly identify from looking at a bank statement how much was in the account.
- 51% of 14- to 17-year-olds could not identify pension contributions correctly from a payslip, and 62% could not identify how much had been paid.
- Four in ten 16- to 17-year-olds (39%) don't have a current account, six in ten (60%) don't have a savings account, and nearly one in five (18%) have no bank account at all (neither savings nor current account).
- Of those that do have an account, 32% have never deposited money, 40% have never been into a bank, and 40% don't look after their own banking details.

How does this differ across the UK?

Information about the unique needs of children and young people living in different nations within the UK is available for some aspects which may affect financial capability and included in this report where available. We have not been able to include references to all nations in all parts of the report because of a lack of data and research. However, the CYP FinCap Survey specifically included a boost of additional interviews in each of the devolved nations to allow us to be able to explore differences in CYP financial capability between the nations. This data reveals some important differences, explored below in some detail.[16]

Scotland

Overall, children in Scotland appear to do slightly better than their counterparts across the UK on several measures of financial capability.

They are more likely to have bank accounts (72% compared to 63% UK) and look after their own bank details. They are more likely to have seen their parents pay for things and to have experience paying for things themselves, including being significantly more likely to have paid for things online (52% Scotland, 41% UK).

They do better across measures of financial knowledge such as understanding terms and products. Parents of 7- to 17-year-olds in Scotland are more likely than those across the UK (90% vs. 84%) to say that their child could manage their money, and children in Scotland are more likely than those in the UK overall to recall being taught about managing money in school (46% compared to 40% UK).

However, children in Scotland are less likely to have responsibility over saving decisions at younger ages than their UK counterparts – only 32% of 7- to 11-year-olds in Scotland have sole responsibility for deciding whether they should save their money vs. 42% across the UK – and only 23% of young people in Scotland have a goal to be financially independent from their parents within the next five years, significantly lower than the 31% reported across the UK.

Wales

Of all the devolved nations, the overall picture in Wales most closely reflects the UK-wide results. Children do slightly better on some measures on financial capability. They are more likely to have seen their parents pay for things, and to have and use bank accounts (72% of children in Wales have a current account compared to 61% in the UK, and only 12% have no account at all compared to 18% in the UK).

[15] Every or most times they get money.

[16] We have not produced an England specific report as the sample from England forms such a large proportion of the overall sample, and England-only results are in line with those for the UK overall. Conclusions made regarding the UK as a whole can be considered to also be relevant to England.

Children in Wales do better on measures of financial knowledge. For example, only 11% of 12- to 17-year olds in Wales were unable to correctly identify how much was in a bank account when looking at a bank statement, much lower than the 21% reported UK-wide.

Only 22% of 11- to 17-year-olds in Wales have a goal to be financially independent from their parents within the next five years, which is lower than the 31% reported UK-wide.

Three in ten (31%) parents of children aged 4–10 in Wales say they never or rarely discuss where the money in their household comes from with their child, which is significantly higher than the 23% reported UK-wide. Parents in Wales are also more likely to say their bills are a burden: 75% vs. 68% across the UK.

Children in Wales are less likely to recall learning to manage their money in school. 35% of 7- to 17-year-olds say they have learnt about managing money at school or college compared to 40% across the UK.

Northern Ireland

Overall, children in Northern Ireland appear to do slightly worse than children in the UK as a whole on several measures of financial capability.

Younger children in Northern Ireland are more likely to receive regular money than their UK counterparts (52% of 4-6 year olds vs. 44% across the UK). However, older children are less likely to receive pocket money - 48% of 16–17 year olds vs. 67% overall UK.

Children in low-income households in Northern Ireland are more likely to report never saving than those in the UK (23% vs. 12% UK). Children in Northern Ireland are less likely to know how much money they had (56% compared to 64% UK) and a greater number of young people don’t keep track of money (23% of 14- to 17-year-olds vs 17% UK) or keep track only in their head (42% compared to 34% UK). However, they are also more likely to plan how they are going to pay for things.

Experience of transactions in Northern Ireland seem weighted towards cash use: 98% had seen their parents use cash (84% overall UK), while only 66% had seen parents use a debit card (74% overall UK) and 29% an online account (43% overall UK).

Children aged 7–11 and 12–15 in Northern Ireland are less likely to have a current account than across the UK, but by the age of 16–17 they are more likely to have some sort of bank account – just 9% of 16–17 year olds in Northern Ireland have no bank account at all, which is half of that of the UK overall (18%). Those with bank accounts are more likely to use them.

Children in Northern Ireland have less financial responsibility compared to those across the UK – parents are more likely to make money choices for them. Children in Northern Ireland are more likely to agree that “I don’t like it when friends have things I don’t have” (63% agreed vs. 51% overall UK), and are less likely to think about whether something they want to buy is value for money (73% vs. 83% UK).

Parents of 7- to 17-year-olds in Northern Ireland are less likely to discuss their household finances openly with their children (20% vs 32% UK), and 30% said they never or rarely discussed where household money comes from (compared to 23% UK). However, they are more likely to say they are confident talking to their children about money (69% vs. 61% UK-wide). Parents in Northern Ireland are less likely to be satisfied with their own financial circumstances and are more likely to say their bills are a burden (78% vs. 68% UK).

Only 26% of 11- to 17-year-olds in Northern Ireland have a goal to be financially independent from their parents within the next five years vs. 31% for the UK as a whole.

Children aged 7–17 in Northern Ireland are more likely than those across the UK to say that they have learnt about managing money at school or college (57% vs. 40% UK).

SUMMARY

At a UK population level, overall priority needs of children and young people as indicated by our survey, and based on previous evidence about key components of financial capability while growing up, can be summarised as:

- developing good money habits, like regular saving and planning ahead, early;
- depth of understanding around financial concepts and mindsets;
- key knowledge for living independently, at age 16–17; and
- getting experience of using money from an early age, adapting to relevant situations throughout childhood and adolescence, including access to appropriate products.

For Scotland, priority needs include enabling children to have greater responsibility over saving decisions, and considering further why fewer young people aim to be financially independent of their parents.

In Wales, encouraging more conversations about finances during childhood may be beneficial (in ways that recognise the higher proportion of parents who consider their bills a burden), as well as again considering the reasons why fewer young people than the UK average aim to be financially independent.

Northern Ireland has a number of areas where additional focus may be valuable, including children saving and keeping track, being given financial responsibility, seeing a range of financial transactions taking place, and parents talking about money with their child(ren) on a regular basis.

Our research also identifies some groups of children who are doing less well than others. The remainder of this report goes on to set out which children and young people we have identified as particularly vulnerable to low levels of financial capability and what we know about their specific needs.

Chapter 3: Specific needs and vulnerability

Defining vulnerability, and why it matters

Some children and young people face additional barriers to developing the financial skills, knowledge, attitudes, and access to appropriate products and services needed to manage money well as adults. Particular characteristics or contexts in which they live may mean they have unique financial capability needs, and could benefit from more targeted and tailored support.

Without this, opportunities to learn how to manage money well in a way that can contribute to a range of other positive life outcomes, may be lost, and money management difficulties may act as a contributing factor to ongoing complex challenges and disadvantages in their lives.

This needs analysis considers which children and young people may be most vulnerable in both the sense of those who are **at increased risk of poor financial capability**, and/or those who **are at risk of disproportionately negative impacts of poor money decisions**. This is consistent with the way we have defined 'vulnerability' throughout our research.

In each section of the analysis that follows, we have drawn from all sources of research we are aware of to create an overview of potentially vulnerable groups, and what we know to date about the nature of that need.

For ease of reference, we have set this out according to different types of characteristics and contexts influencing children and young people's lives:

- Individual characteristics (unlikely to change over time)
- Individual skills and behaviours (likely to evolve)
- Environmental factors – family structure
- Environmental factors – parenting
- Environmental factors – economic circumstances
- Environmental factors – social and community context

We then go on to explore briefly some potential vulnerabilities we have been unable to find research around in our work to date.

We recognise however that children and young people will have multiple characteristics simultaneously, and that the strengths and protective factors present in their lives will also be key to the outcomes they achieve. Having any vulnerability factor (or even several of these) will not necessarily mean a child or young person will have poorer outcomes, just that children and young people with this factor on average have a higher likelihood of doing less well than their peers who do not.

This section therefore begins with a short overview of some suggestions for ways to think about the complexity of vulnerability in identifying need going forward.

Complexities in the nature of need

Children, young people, and their families are unlikely to experience just one risk/vulnerability or strength/protective factor (characteristics, skills, or contexts that hinder or help their chances of wellbeing and success) alone. Factors affecting a child or young person's financial capability needs may overlap and interact; difficulties in one area may have knock-on effects to others.

Some of these complexities are explored in the chapters that follow, but for example, a young person who has behavioural difficulties may be at greater risk of poor financial capability directly, but also face wider challenges if their difficulties lead to their not being in education, employment, or training, facing a very low income as a result of that, and perhaps struggling with self-esteem, each of which may interact and in themselves impact on their relationship with money.

In our work to date, we have been limited in the extent to which we can examine the relationships between vulnerabilities, the effect of experiencing multiple vulnerabilities at once, or the potential interactive effects of strengths and protective factors. If a child struggles with behaviour but has parents who role model good financial capability, will one have a greater effect than the other? The answer is likely to depend on the duration and extent of their strengths and vulnerabilities, and a myriad of other family and social factors influencing the child's development.

A child who has any characteristics associated with a greater risk of poor financial capability and/ or poor outcomes later is by no means guaranteed to end up doing worse than their peers. It's possible that the greater number of risk factors or needs, and the longer they are experienced, the more significant the likelihood of poor outcomes, but at this stage this is hypothesis rather than backed up by specific evidence in the financial capability space.[17]

It's also possible that some factors may be more important than others. We have begun to understand more about the components of financial capability for children and young people in our work on CYP Composites, referred to throughout this report, but we cannot yet determine definitively which factors in childhood are of greatest strength in influencing financial capability in adulthood.

Work by the FCA (2015) suggests that adult vulnerability can "come in a range of guises, and can be temporary, sporadic or permanent in nature."[18] MAS research has similarly found that in adulthood, facing stresses such as losing a job or suffering a bereavement can render people more vulnerable to economic pressures at any given time.[19]

The nature of need and strengths also change over time for children and young people – potentially even more so than for adults, as the rate of development is greater. A young person who is financially capable for their age may find themselves in need of extra support because of a life-event, such as becoming a parent, or experiencing bereavement, or parental illness leading to greater caring responsibilities in the home. A child who has learned good money habits at home may face new pressures from peers and wider influences as they enter adolescence, or find the later transition to financial independence leads to new challenges when faced with greater responsibility and risk.

We do not yet understand fully how financial capability needs and strengths in childhood and adolescence link to those in adulthood. Further work is required to understand more about the complexities highlighted above and the paths through which financial capability needs evolve and develop as children and young people grow up. We are pursuing research to understand more about this, building on the significant steps the research covered in this document has enabled.

[17] The effect of multiple compounding risk factors has been explored in child development more widely, see for example: Multiple Risk Factors in Young Children's Development (IoE, 2012) http://www.cls.ioe.ac.uk/shared/get-file.ashx?id=1327&itemtype=document; Adverse Childhood Experiences (Public Health Institute, Liverpool John Moores University, 2015) http://www.cph.org.uk/case-study/adverse-childhood-experiences-aces/

[18] Consumer vulnerability (Financial Conduct Authority, 2015), https://www.fca.org.uk/publication/occasional-papers/occasional-paper-8-exec-summary.pdf

[19] *Milestones & Millstones Life Events Research* (MAS, September 2015), available at: www.moneyadviceservice.org.uk/en/corporate/research

3.1. Individual characteristics

For the purposes of this analysis, 'individual characteristics' are seen as something a person is born with and/or is unlikely to change in the short-medium term. The characteristics we can comment on based on analysis of data, and previous research, are gender, ethnicity of a parent, and a child having longstanding illness.

Gender

The role of gender in children and young people's financial capability and financial outcomes is unclear. Our vulnerability literature review found mixed evidence: previously published research suggested there are generally lower financial literacy levels for females but higher levels of debt for young adult males.

Data from the 2015 PISA Financial Literacy test with 15-year-olds across 15 OECD countries found that the difference between boys' and girls' performance was not statistically significant in most countries, but where differences do exist, these tend to favour girls – more boys than girls are in the lowest performance groups in 9 out of 15 countries.[20]

'Deep dive' analysis of our CYP FinCap Survey showed that in most cases where there is a difference between genders, girls tend to display better financial capability than boys. Girls score better than boys on roughly half the indicators we explored. They are more likely to understand that money has value, to use their bank account, to understand the difference between wants and needs, to be able to manage an allowance, and to track their spending. Boys, on the other hand, are more likely to save a significant amount of a £10 windfall. There is some indication that boys are more confident managing money.

Our analysis did not show any role for gender in the link between poor behaviour and poor financial capability, or the positive link between financial education and financial capability, set out later in this report. Our survey found no significant difference between the number of boys and girls who reported having received financial education in school, though some other sources, such as the London Institute of Banking & Finance 'Young Person's Money Index' have suggested that fewer girls may be getting financial education in the years before independence.[21]

Our analysis of BCS70 demonstrated some differences in financial outcomes for adult men and women. Women were less likely to be saving for a pension at age 34 and had lower scores around net wealth at age 42, but had higher levels of positive financial self-assessment. This analysis also suggested that cognitive skills had a stronger relationship with regular savings, and non-cognitive skills a weaker relationship with regular saving and financial self-assessment, for females compared to males.

These insights should be treated carefully, as gender roles have changed for many since the survey began in 1970. The results may not be applicable to today's children and young people (though it is worth noting that the generation focused on in this research are some of today's parents).

It is interesting to consider how wider studies around adult financial capability also find varying results on the role of gender; some studies have suggested that women on average score worse on financial literacy (knowledge and skills) measures,[22] while others have found men and women do better on different aspects of financial capability, with men better at staying informed about the economy and choosing products, but women slightly better at controlled spending and organised money management.[23]

We also know from the Adult Financial Capability Survey that women are more likely to talk about money openly with friends and family than men, and that men are more confident about managing money on average, with this gap particularly wide for 18- to 24-year-olds.[24]

MAS's research on numeracy has shown that men tend to score more highly than women in this area, men were somewhat more likely to persist when stuck working something out, and that men are generally more confident than women, especially in regard to using numbers every day and choosing financial products and services.[25] Confidence is an important component of financial capability, but not always a positive indicator, as over-confidence could potentially lead to unhelpful decisions and risks being taken.

It seems then, that girls do better than boys on several aspects of financial capability while growing up, but that boys are more confident about managing money in young adulthood, and the story in later life is more complex.

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[20] *What do 15 year olds really know about money? (*OECD, 2015) http://www.oecd-ilibrary.org/docserver/download/21dc1a9a-en.pdf?expires=1510160139&id=id&accname=guest&checksum=EC9FBF2CA337F4518196328EB40288D4

[21] Young Persons Money Index (LIBF, 2017) https://www.libf.ac.uk/news-and-insights/young-persons-money-index

[22] How Financially Literate are Women? (Global Financial Literacy Excellence Centre, 2016) http://gflec.org/wp-content/uploads/2016/02/WP-2016-1-How-Financially-Literate-Are-Women.pdf

[23] Who is Best at Managing Money (ONS, 2015) https://visual.ons.gov.uk/managing-money/

[24] *Young Adults' Financial Capability* (MAS, September 2016), available at: www.moneyadviceservice.org.uk/en/corporate/research

[25] *Numeracy and Financial Capability – Exploring the links* (MAS, November 2017), available at: www.moneyadviceservice.org.uk/en/corporate/research

The indirect link to academic attainment and later income and employment may be important here – in childhood, girls also do better than boys on average in literacy and numeracy throughout school from the early years to Key Stage 4 (though the gap narrows round mathematics in KS4).[26] The differences in school attainment have changed over recent decades, with girls beginning to overtake boys in the late-1980s / early-1990s.[27] There are also important differences between groups when eligibility for free schools meals, and ethnicity are taken into account – for example, white British boys eligible for free school meals are the lowest achieving group at GCSE level in England, followed by black Caribbean boys eligible for free school meals, the white British girls eligible for free schools meals.[28]

It is possible that as today's generation become adults, the indicators of apparently greater levels of financial capability seen in girls in childhood may translate into a changing pattern in the adult population; however, we also know that differences remain in income and employment outcomes on average for men and women, so this may not necessarily be the case.[29] As we show later, attainment, cognitive skills, and employment outcomes are related to financial capability, so understanding as well as possible the inter-relationship of these factors in the lives of any target group will be vital to understanding the ways that financial capability can best be supported.

It is unlikely gender alone will be a sufficient basis on which to target financial capability support, and further work is needed to understand the nuances of the gender differences that may exist, and how this is changing over time and for different generations. However, there is sufficient evidence to inform consideration of gender as one factor that may play into financial capability needs, and to help tailor interventions based on what is known about the areas where different genders appear to do better or worse.

Finally, it is worth noting that our research has only been able to consider gender in terms of binary male/female categories, and cannot comment as to whether there may be unique needs of transgender young people in relation to financial capability.

Ethnicity

Over 13% of children born in England in 2016 were identified as being Bangladeshi, Indian, Pakistani, Black African, and Black Caribbean, and 11% were categorised as 'All Others'.[30]

While Wales has lower proportions of ethnic minority groups, with less than 5% of the population saying they are from non-white groups, this is increasing,[31] and some groups are over-represented in the children and young people population. For example, 47% of the Mixed/multiple ethnicities population is aged under 20; and under-10s are over-represented in the Asian and Asian British, and 'other' population.[32]

Scotland also has low proportions of ethnic minority children, with 4% being reported as Mixed Ethnicity, Asian, Asian Scottish or Asian British; Black; Black Scottish or Black British as of July 2016.[33]

Northern Ireland also has low proportions of ethnic minority groups, with 5.4% from Asian, Black, or Mixed ethnicity. However, over half of people of Mixed ethnicity were aged under 16, and a quarter were aged under 5.[34]

Our literature review found a lack of sufficient evidence to draw a compelling conclusion as to whether ethnicity plays a role in the financial outcomes of children and young people. One US study suggested that BAME respondents had lower levels of financial literacy than their white counterparts.[35] MAS analysis using data from the Adult Financial Capability Survey results has shown that on average, adults from BME groups do worse than white adults on measures of longer-term financial security, financial numeracy, and keeping track of their finances.[36]

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[26] *Revised GCSE and equivalent results in England 2016-17* (Department for Education, 2018) https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/676596/SFR01_2018.pdf

[27] http://webarchive.nationalarchives.gov.uk/20090108131527/http://www.dcsf.gov.uk/research/data/uploadfiles/RTP01-07.pdf; http://dera.ioe.ac.uk/27199/1/CDP-2016-0151.pdf

[28] *Revised GCSE and equivalent results in England 2016-17* (Department for Education, 2018) https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/676596/SFR01_2018.pdf

[29] *Opportunities & Outcomes in Education and Work: Gender Effects (*UK Commission for Employment & Skills, 2015) https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/477360/UKCES_Gender_Effects.pdf

[30] *Birth Characteristics* (Office for National Statistics, 2016) https://www.ons.gov.uk/peoplepopulationandcommunity/culturalidentity/ethnicity

[31] *Ethnicity by Year and Ethnic Group, (*StatsWales, 2018) https://statswales.gov.wales/Catalogue/Equality-and-Diversity/Ethnicity/ethnicity-by-year-ethnicgroup

[32] *Ethnicity and Health in Wales (*Public Health Wales Observatory, 2015) http://www2.nphs.wales.nhs.uk:8080/PubHObservatoryProjDocs.nsf/3653c00e7bb6259d80256f27004900db/a6cabddc045b6c8980257e52003969e1/$FILE/EthnicityAndHealthInWales_2015_v1.pdf

[33] *Ethnicity Summary* (Scottish Government, 2018) http://www.gov.scot/Topics/People/Equality/Equalities/DataGrid/Ethnicity

[34] *Census 2011: Detailed Characteristics for Northern Ireland on Ethnicity, Country of Birth and Language* (NISRA, 2013) https://www.nisra.gov.uk/sites/nisra.gov.uk/files/publications/2011-census-results-detailed-characteristics-statistics-bulletin-28-june-2013.pdf

[35] *Financial literacy and the young* (Lusardi, A, Mitchell, OS, Curto, V., The Journal of Consumer Affairs, 44(2), 358-380., 2010)

[36] *Defining, measuring and predicting financial capability in the UK - Technical report* (MAS, November 2016) , available at: www.moneyadviceservice.org.uk/en/corporate/research

Our analysis of BCS70 examined outcomes for different ethnic groups and found the only significant difference to be Indian, Pakistani or Bangladeshi children at age 10 were more likely than other groups to save regularly at age 34, less likely to have a low debt-to-income ratio at age 42, and to have higher net wealth at age 42.

Our CYP survey captured the ethnicity of the parent who filled out the survey (it did not ask ethnicity of the child). Many of the relationships we identified are weak links, however, analysis of survey data finds that children (aged 7–17) with a parent from an ethnic minority background are less likely to have access to financial products, or to pay for things themselves (such as snacks and clothes). Importantly, they tend to score worse on some measures of ability and behaviour, such as being able to read a bank statement or payslip, and understanding the difference between needs and wants.

We also found a positive, though weaker, link to being more likely to accept that they may not get things they want, or that they may get less than friends, and a strong positive link to choosing to spend (rather than save) money less often.

The links found above remain even once we account for differences in the child's background (including family income, parent's educational attainment, and parent's occupation). The links appear strongest from age 12 upwards, and the positive links are only present for ages below 16 – no positive connections were found for 16- to 17-year-olds.

These findings are limited and do not consider the many complexities and nuances that may be in play in the link between ethnicity and financial capability. There may be cultural factors affecting values and behaviours with money that affect some groups and not others, which have not been considered at all in research we have found.

We also know that there are variations in academic attainment and other life outcomes for different ethnic groups; for example, Gypsy, Roma, and Traveller children score consistently poorly on many childhood outcomes,[37] and may grow up in homes and communities where financial exclusion is more common than average and where there are unique financial literacy and management challenges.[38]

To get a sophisticated understanding of the potential relationship between ethnicity and financial capability would require more detailed work looking at the differences between different groups, and understanding more about the reasons for these. Nevertheless, research to date suggests a one-size-fits-all approach may be inappropriate, and while again ethnicity may not be the clearest basis for targeting financial capability support upfront, it may give clues to unique needs and strengths of particular cohorts receiving interventions.

Child has a longstanding illness, impairment or disability

The number of children and young people living with a longstanding illness, impairment or disability (such as asthma, diabetes, cerebral palsy, autism)[39] – hereafter abbreviated to 'longstanding illness' – in the UK is significant. According to the General Lifestyle Survey, 16% of males and 11% of females in England aged 5–15 reported a longstanding illness.[40] In Wales, it increases to 19% reporting having a longstanding illness, and 7% reporting a limiting longstanding illness[41], and in Scotland, over 25% of all young people aged 5–16 have a long-term health problem or disability.[42] We have been unable to find statistics on the proportion of children in Northern Ireland who have a longstanding illness or disability at this time, but rates of longstanding illness and disability in the working-age population of Northern Ireland are higher than all other areas of the UK apart from Wales and North-East England.[43] These figures must be treated with caution as different countries define illness, health problems, and disability in varying ways, but give an indication of the scale of need.

[37] *Tackling Inequalities faced by Gypsy, Roma, and Traveller Communities (*Women & Equalities Committee, UK Parliament, 2017) https://www.parliament.uk/business/committees/committees-a-z/commons-select/women-and-equalities-committee/inquiries/parliament-2015/inequalities-faced-by-gypsy-roma-and-traveller-communities-16-17/

[38] *Gypsies & Travellers, Financial capability Best Practice Guide (*Citizens Advice, 2015) https://www.citizensadvice.org.uk/Global/Public/Education%20resources/Financial%20capability/Trainer%20guidance/Best%20practice%20guides/Best%20practice%20guide%20-%20Gypsies%20and%20Travellers.pdf; *Gypsy/Travellers and Financial Exclusion – An examination of Best Practice in the development of financial capability* (Shelter Scotland, 2015) http://www.mecopp.org.uk/files/documents/gypsy%20traveller/7697_gypsy_travellers_report_v5.pdf

[39] *Long-lasting Health Conditions and Illnesses; Impairments and Disability* (ONS, 2015) https://www.ons.gov.uk/ons/guide-method/harmonisation/primary-set-of-harmonised-concepts-and-questions/long-lasting-health-conditions-and-illnesses--impairments-and-disability.pdf

[40] *General Lifestyle Survey 2011* (Office for National Statistics, 2013) https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/compendium/generallifestylesurvey/2013-03-07

[41] *Welsh Health Survey 2015; Health of Children (*Statistics Wales, 2016) http://gov.wales/docs/statistics/2016/160929-welsh-health-survey-2015-health-children-en.pdf

[42] *National Records of Scotland Table DC3101SC*, Scotland's Census 2011 http://www.scotlandscensus.gov.uk/ods-web/home.html

[43] *Northern Ireland: Longstanding Illness and Disability,* The Poverty Site http://www.poverty.org.uk/i61/index.shtml

Our CYP FinCap Survey asked parents whether their child had a longstanding physical or mental impairment, illness, or disability. Our 'Deep dive' analysis revealed several negative links between a child having a longstanding illness and poorer financial capability. Children with a longstanding illness did worse at choosing the correct coins, understanding the value of money, and understanding advertising, and were more likely to be anxious about money. Weaker but still negative links were found with accepting getting less than friends, comparing prices, and planning spending.

These links remain, even when controlling for family income and parental employment and education. However, there may well be other factors – such as missing school or additional pressures on the family – that play a part.

For example, our literature review found no direct studies examining whether having a longstanding illness as a child impacted on adult financial outcomes, but it did find that children with more severe conditions, whose families provide healthcare at home, were more likely to have parents who experience financial problems due to the condition. This may be relevant given the importance of financial socialisation, parenting and family economic environment considered later in this report.

Our analysis of BSC70 did not establish whether a child having a longstanding illness impacted on financial capability, but it did establish links between adulthood longstanding illnesses and financial capability, including that individuals with a high debt-to-income ratio at age 42 are more likely to have a longstanding illness. It also found indications that adults who say they are managing well with financial matters are less likely to have longstanding illnesses.

This would seem to give good basis to suggest that children with a longstanding illness may warrant targeted support to help develop financial capability and prepare them for their future lives in ways that take into account the additional challenges they may face.

Further work to understand the different impacts of different kinds of conditions children and young people are living with, including mental health difficulties, and SEND, would fill a gap in current understanding.

SUMMARY

Individual characteristics like gender, ethnicity, and longstanding illness, seem to be connected to some aspects of financial capability. The nature of these links vary.

In childhood, girls seem to do better than boys on more financial capability measures, though we understand this relationship becomes less clear later in life.

Children from ethnic minority backgrounds are at greater risk of doing poorly on some aspects of financial capability, particularly around having access to financial products and experiences, though also do better in some areas such as choosing less often to spend rather than save money they have.

The reasons for these relationships are not clear, and in some cases the links found are relatively weak. As a result, these characteristics may best be considered as factors to take into account when delivering financial education, rather than a basis for primary targeting of interventions – for example, a programme could be targeted based on other factors, but also consider the profile of the children and young people who will be involved and whether there may be unique needs among the group, or whether content could be tweaked to focus on topics that may be of particular value.

Children with longstanding illness, disability or impairment tended to score worse than their peers on some aspects of ability and mindset measures, and there are also proven connections between illness and financial outcomes later in life. This group may therefore benefit from targeted support addressing financial capability in the context of the challenges they may face in their lives.

3.2. Individual Skills and Behaviours

Our analysis of BCS70 showed that adult financial outcomes can be predicted by childhood skills and behaviour, in some cases from as young as five years old. Even when personal and family characteristics like income and parents' education are controlled for, children with better non-cognitive, cognitive, and/or behaviour in childhood are more likely to have better financial outcomes later in life.

The links between skills and financial outcomes tend to strengthen with the age at which the skills are measured. Some of the stronger relationships appear to embed at age 10, suggesting a turning point between the ages of 5 and 10, reinforcing the importance of primary school years.

Our analysis of the key drivers of CYP financial behaviour included several measures of children's social-emotional, cognitive skills, and behaviour. Once we controlled for other factors we found out more about how the relationships between these and financial capability work.

We found that a child's individual skills and behaviours is linked to a child's financial mindset, which is linked to their financial behaviour. This suggests that children's social-emotional, cognitive and behavioural skills are all important in predicting children's behaviour with money and they do so through their connections with children's money mindsets.

When controlling for a large range of other factors, the aspects of children's skills that seem to drive financial mindset most appear to be a child's maths ability; a child's perseverance; and irritability of the child. While these appear to be the key drivers it is likely that these are also highly associated with other social-emotional, cognitive and behavioural factors and demonstrate the importance of these skills as a whole. These should be interpreted as the skills that best identify the link with financial capability, rather than necessarily the specific skills that need to be targeted.

The effect of individual skills and behaviours can also be isolated and are considered in the section that follows.

Behaviour

It is estimated that behavioural difficulties affect around 5–6% of children aged 5–16.[44] We have been unable to find measures of how this may vary across different nations and regions within the UK at present. Results of a new national survey of children and young people's mental health and wellbeing are due in 2018, which may provide more insight into behavioural and wider emotional difficulties experienced across the UK.[45] Conduct disorder and associated antisocial behaviour are the most common mental health and behavioural issues reported in children in the UK. Prevalence of conduct disorder increases with age, and is more common in boys than girls. It is also much more common among children who are looked after, and 'children in need'. On average, a child who is diagnosed with conduct disorder is at greater risk of doing poorly at school, and contact with the criminal justice system in adolescence, amongst other challenges.[46]

Measures of a child's behaviour, such as parental reports of their conduct, were included in BCS70 and our CYP FinCap Survey. The precise measures differed in each piece of research. In our analysis of BCS70 we used the reversed Rutter Scale (capturing information on how frequently a child exhibits behaviours such as being restless, bullies others, fights, or worries excessively), as well as individual personality traits such as agreeableness, and extraversion.[47] Our CYP FinCap Survey captured information from the parent and/or child on their irritability, quickness to anger, disobedience, and willingness to do what's asked of them.[48]

Using either of these ways of measuring behaviour, children with poor behaviour are more likely to have poor financial capability during childhood and to have poorer financial outcomes later, even accounting for some other factors in their lives such as their academic attainment.

Deep dives into the CYP FinCap Survey showed that poor behaviour is particularly strongly associated with poorer financial capability across a majority of indicators.

[44] *Mental Health Difficulties and Children at Risk of Exclusion from Schools in England* (Cole, T, University of Oxford, 2015) http://www.education.ox.ac.uk/wordpress/wp-content/uploads/2015/02/MENTAL-HEALTH-AND-EXCLUSION-FINAL-DIGITAL-13-06-15.pdf

[45] *Mental Health – how are children and young people affected?* (ONS Blog, 2017) https://blog.ons.gov.uk/2017/02/22/mental-health-how-are-children-and-young-people-affected/

[46] *Antisocial behaviour and conduct disorders in children and young people: recognition and management (*NICE, 2017) https://www.nice.org.uk/guidance/cg158/chapter/introduction

[47] *The journey from childhood skills to adult financial capability – Technical Appendix* (MAS, London Economics, November 2017), available at: www.moneyadviceservice.org.uk/en/corporate/research

[48] *CYP Fin Cap Deep Dives technical report* (MAS, London Economics, April 2018), available at: www.moneyadviceservice.org.uk/en/corporate/research

Children who scored worse on measures of behaviour also had poorer scores on most ability and mindset elements of financial capability, such as understanding financial terms, being able to read a bank statement, being confident managing money, not being anxious about money, understanding money has a value, the difference between needs and wants, preferring not to borrow, and being able to explain choices. There are also strong links between poor behaviour and doing worse on some aspects of financial behaviour, such as saving up when money is received, planning ahead, and being able to manage an allowance. The majority of these links remain even once we account for differences in the child's background (including family income, parent's educational attainment, and parent's occupation).

Childhood behaviour was found to be a key predictor of adult financial outcomes in our BCS70 analysis. Children with better behaviour (as measured by the Rutter score, reported by the child's mother) at age 10 are more likely to have better scores for pension saving at age 34.

By age 16, relationships have strengthened – children who score better on measures of behaviour at this age do better at pension saving at age 34, having a lower debt-to-income ratio at age 42, and rating themselves better on financial self-assessment at age 42.

The links between behaviour at age 16 and long-term financial outcomes remain even when intermediate outcomes like employment, education, and income are controlled for – meaning that children who score worse on measures of behaviour at age 16 are more likely to have worse financial outcomes later, regardless of their academic attainment or the job they go on to do.

Research also highlighted that in our analysis of BCS70, extraversion and agreeableness appear to be the personality traits that drive the relationship between behaviour at age 16 and adult financial outcomes most strongly.

While we don't fully understand the exact nature and direction of the relationship at this stage, the consistency and strength of the links found between behaviour and financial capability suggests behaviour may be a valuable basis for targeting financial capability support. This may be particularly important at age 16–17, when links are particularly strong and when 'just in time' pre-independence support can be provided.

Social-emotional (non-cognitive) skills

Social-emotional, or 'non-cognitive' skills, are abilities beyond purely cognitive skills such as literacy or numeracy, covering aspects of a person's capabilities such as self-perception, motivation, resilience, self-control, and social skills. Previous research has shown their development is closely linked to development of cognitive skills, and that they are of at least equal importance to cognitive skills in predicting a child's long-term mental and physical health, and many employment outcomes.[49]

There are a range of ways of measuring social and emotional skills and there do not appear to be consistent measure of rates of children with different levels of skills across the UK. However, about 80% of children aged 10–15 in Great Britain reported high or very high life satisfaction in 2015.[50] It is estimated that around 3–4% of children aged 5–16 in England have emotional disorders.[51] Around 11% of 7-year-olds in Scotland were classified as having high levels of behavioural and emotional difficulties and 25% as having low life satisfaction in a study using the 'Growing up in Scotland' survey.[52] The Northern Ireland 'Young Life and Times' survey reported that 29% of 16-year-old respondents had serious personal emotional or mental health problems.[53] In Wales around 1 in 5 children aged 11–15 said they had felt low at least once a week in the past six months; a similar number reported feeling nervous during the same time period.[54] These statistics relate to different time periods, ages and measures, so must not be considered comparable, but can give us a rough indication of the extent of potential need in this area.

'Deep dives' into the CYP FinCap Survey revealed links between poor perseverance, self-esteem, and self-efficacy, and some elements of financial capability, though the links tended to be weaker and fewer than those found for behaviour. As with behaviour, these links seem to become stronger with increasing age, and hold even when other characteristics such as family background are taken into account.

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[49] *Social & Emotional Learning; Skills for Life and Work* (Early Intervention Foundation, 2015) http://www.eif.org.uk/publication/social-and-emotional-learning-skills-for-life-and-work/

[50] *Children's Wellbeing Measures (*ONS, 2018) https://www.ons.gov.uk/peoplepopulationandcommunity/wellbeing/datasets/childrenswellbeingmeasures

[51] *Children & Young People's Mental Health and Wellbeing (*Public Health England, 2018) https://fingertips.phe.org.uk/profile-group/mental-health/profile/cypmh/data

[52] *Growing up in Scotland: Family and school influences on children's social and emotional well-being* (Scottish Government, 2014) http://www.gov.scot/resource/0045/00452548.pdf

[53] *Mental Health in Northern Ireland: Fundamental Facts 2016 (*Mental Health Foundation, 2017) https://www.mentalhealth.org.uk/file/1610/download?token=vOtlEP36

[54] *Emotional Health & Wellbeing* (Blaenau Gwent Public Service Board, 2016) https://www.blaenaugwentpsb.org.uk/media/25226/55-a-Social-Emotional-Health-Wellbeing.pdf

Poor perseverance (persistence in completing something despite difficulties or delay – measured in our survey by parent and child report of the extent to which the child finishes tasks) showed a large number of links to financial capability, though some of these links are weaker than those found for poor behaviour.

Nevertheless, there are strong links between poor perseverance and scoring worse on many mindset indicators, such as understanding that money has value, understanding the difference between needs and wants, being able to explain choices, and preferring not to borrow, as well as some aspects of ability and behaviour, such as being able to perform basic money-related tasks, planning spending, and saving up frequently.

Poor self-efficacy (belief in one's ability to exert control over behaviour and circumstances, measured in our survey by questions to the child on extent to which they believe good things happening is just down to good luck, and for those aged 12+, whether they believe they can make a difference to their money situation) is negatively associated with some financial capability indicators, particularly those around mindset.

Strong negative links were found for whether a child is not anxious about money, is confident managing money, whether a child prefers not to borrow, compares prices, understands that money has a value, and whether the child chooses to save more.

Low self-esteem (belief in one's own worth, measured in our survey by child reports of how much self-esteem they believe they have, feeling shy, and having lots of things about them they want to change) has generally fewer and weaker links with financial capability indicators, compared to behaviour and perseverance.

The links that exist tend to be negative with notable exceptions. For children aged 7 to 17, the strongest negative links between low self-esteem and financial capability indicators are the child being confident managing money, not being anxious about money, preferring not to borrow, accepting getting less than their friends, and not asking for things repeatedly when told – ie, a child with lower self-esteem will tend to score worse on these measures.

Interestingly, a positive link is found between low self-esteem and whether the child pays for things – a child with low self-esteem is **more** likely to have experience of paying for things in shops, and to pay for things online (though this latter link is weaker). This positive link persists when we control for other factors (such as gender, family income, parent's educational attainment and parent's occupation). It is unclear why the direction of this relationship is positive. However, it could be the result of some unobserved characteristic of family environment, such as a parent or carer recognising a child's low self-esteem and encouraging them to practice with spending money as a way to boost self-esteem.

Our analysis of BCS70 also examined the role of self-esteem in impacting future adult financial outcomes. Self-esteem at age 10 is linked positively to a low debt-to-income ratio at age 42 and to higher net wealth at age 42.

However, BCS70 analysis showed that some other social and emotional skills showed stronger links to adult financial outcomes than self-esteem.

Self-control (one's ability to regulate behviour, emotions and thoughts)and **locus of control** (the extent to which someone believes they have control over experiences and situations that affect them) are the most important factors driving the links between social/emotional (non-cognitive) skills and adult financial outcomes in our analysis of BCS70. If we compare two children with the same personal and family background characteristics, the child that displays stronger self-control and/or locus of control is more likely to have positive financial outcomes in later life.

At age 10, locus of control is linked positively to regular saving at age 34 and net wealth and financial self-assessment at age 42. Self-control is linked positively to savings behaviour age 34 and financial self-assessment at ages 34 and 42. At age 16, locus of control is linked positively to financial self-assessment at age 34.

Self-control, which may be considered to be linked to behaviour and perseverance, has also been shown in previous research to be as likely as IQ and socio-economic status to predict adult financial wellbeing outcomes such as future savings and investment behaviour, home and retirement account ownership, and self-reported money and credit management success.[55]

Other literature has found that conscientiousness (defined as including perseverance, impulse control, task- and goal-orientation and delay of gratification) and financial literacy are consistent predictors of asset accumulation in young adult Americans,[56] and that emotional stability and conscientiousness may impact one's saving probability positively, whereas extraversion does so negatively.[57]

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[55] *A Gradient of Childhood Self-Control Predicts Health, Wealth,* and Public Safety (Moffitt et al, Proceedings of the National Academy of Sciences, 2011) http://www.pnas.org/content/108/7/2693.full.pdf

[56] Conscientiousness, financial literacy and asset accumulation of young adults (Letkiewicz, JC, & Fox, JJ., The Journal of Consumer Affairs, Summer 2014, 274-300)

[57] The Importance of Early Conscientiousness for Socio-Economic Outcomes: Evidence from the British Cohort Study (Prevoo and Ter Weel, 2013) https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2314832 – this study used BCS70 data to examine childhood predictors of whether an individual saves any amount of their monthly income other than to meet regular bills. They found a link between some characteristics, whereas our analysis of BCS70, looking at whether the individual saves regularly rather than occasionally, did not find any link between individual characteristics and saving later in life.

Our findings demonstrate strong links between social and emotional characteristics and financial capability, and provide a good case to suggest these characteristics may offer a basis for targeting of support. Children who have poorer social and emotional skills are likely overall to have worse financial capability, with mindset elements of financial capability particularly linked and worthy of focus.

However, the aspects of financial capability specifically linked to different types of social-emotional skills should be taken into account. For example, supporting young people who have poor self-esteem may benefit from focusing on help around confidence and anxiety managing money, exploring why it's important they should learn to accept not getting things their friends do and to not keep asking for things they are told they can't have, as well as potentially building on the positive that these young people are more likely than average to have experience of paying for things in shops.

Interventions for young people who struggle with poor perseverance meanwhile might benefit from focusing more on basic ability and strategies for managing financial behaviour such as planning spending and saving up, as well as elements of mindset such as understanding money has a value, understanding choices and needs and wants, and being confidence managing money.

It is also worth noting that the relationship between social and emotional skills (and links to other skills) is complex. Self-control, perseverance, and behaviour are closely related, as are locus of control and self-efficacy. In some cases these words may be used to describe the same trait. Self-esteem may be related to any or all of the other factors we have considered.

Children who struggle with one may also have difficulties in other areas. Our analysis cannot at this stage unpick that complexity. We don't consider the impact of more than one vulnerability at once, and the way these factors are measured differs across analyses, so it is not possible to conclude exactly how relationships work, or to understand in full the strength of one compared to the other. Nevertheless, understanding that links exist enables us to begin to target and learn more about these.

Cognitive skills and educational attainment

Cognitive skills are the abilities associated with thinking functions such as remembering, reading, calculating, and reasoning. They are the sorts of skills often measured by academic tests and are closely related to educational attainment.

Children and young people's attainment in school varies across regions, and is not comparable across nations because of different measures and tests. In England, at KS2, Yorkshire & the Humber and the East and West Midlands score worst, with 58% of pupils reaching expected standards in literacy and numeracy, with North-West England also low at 60%. London scores best at 66%. In Wales, over 90% of children reaching the expected levels in literacy and numeracy, with little difference between the regions.[58] For Scotland, 70% of Scottish children reach the expected level for numeracy at Primary 7, and 76% reach the expected level for reading.[59] In Northern Ireland, around 80% of children reached levels 4 and 5 at KS2 for communication, and around 80% reached the same levels for using mathematics.[60]

For 2017, 70.7% of 16-year-olds in England achieved a grade C or 4 in Mathematics. In English language 69.9% achieved a grade C or 4.[61] Levels were lower in Wales, with 52.6% attaining a grade C in English Language, and 46.2% attaining a grade C in Mathematics – Numeracy, and 45.7% attaining a grade C in Mathematics.[62] For Northern Ireland, 79.6% of entries received A* to C in GCSE English, and 66.6% achieved A* to C in Mathematics.[63] Meanwhile in Scotland in 2017, 87.4% of young people sitting National 5 exams in English attained A to C, and 63.9% of young people sitting these exams in Mathematics, and 46.6% of those sitting Lifeskills Mathematics attained A to C (though it should be noted grades in Scotland extend only A-D, or 'no award').[64]

'Deep dive' analysis of our CYP FinCap Survey reveals that cognitive skills are strongly linked to financial capability even once we account for differences in the child's background (including family income, parent's educational attainment, and parent's occupation).

Performing below expectation in maths or English according to the child's latest school report (reported by the parent) shows a particularly strong link with poorer financial capability.

[58] *Key Stage 2 Results,* Statswales https://statswales.gov.wales/Catalogue/Education-and-Skills/Schools-and-Teachers/Examinations-and-Assessments/Key-Stage-2
[59] Achievement of Curriculum for Excellence Levels, Scottish Government, 2017 http://www.gov.scot/Topics/Statistics/Browse/School-Education/ACELHLS
[60] Key Stage 2 Statutory Assessment, Northern Ireland Summary, CCEA 2017 http://ccea.org.uk/sites/default/files/docs/research_statistics/cross_curricular_skills/2017/Key%20Stage%202%20Northern%20Ireland%20Summary%202017.pdf
[61] Guide to GCSE results in England 2017, Ofqual 2017, https://www.gov.uk/government/news/guide-to-gcse-results-for-england-2017
[62] WJEC Provisional Results, June 2017 - GCSE Full Course, WJEC, 2017 http://www.wjec.co.uk/students/results-and-research/GCSE+%28Full+Course%29+Provisional+Results+June+2017.pdf
[63] GCSE/GCE Summer 2017, CCEA 2017 http://ccea.org.uk/news/2017/gcsegce_summer_2017_%E2%80%93_timetables_results_dates
[64] Attainment Statistics, SQA Dec 2017 https://www.sqa.org.uk/sqa/64717.4239.html

Children whose parents report that they scored below average in maths on their last school report also do worse across measures of ability, from combining coins correctly and checking change, to being able to understand a bank statement, and correctly identify financial terms. They are less likely to be able to manage money or an allowance. There are also strong links with scoring worse on some measures of mindset such as being confident and not being anxious about money, and understanding that money has a value. They also less likely to have a bank account or have money in appropriate financial products – an indicator of connection that did not occur so strongly for the social-emotional skills examined in the last section.

Children who have below average reports for English also score worse on a number of ability measures and some aspects of mindset, including confidence managing money, understanding money has a value, understanding the difference between needs and wants, and being able to explain choices.

The link between cognitive vulnerability and financial capability indicators revealed in our survey tends to strengthen with age. Cognitive vulnerabilities and indicators related to Ability and Mindset tend to be strongest around the age of 12 to 15. However, links between cognitive vulnerabilities and indicators related to Connection and Behaviour and emerge at ages 16 and 17.

Our analysis of BCS70 also showed a strong link between cognitve skills from the age of 5, and later adult outcomes.

Even at the early age of 5, we identify positive relationships between cognitive skills and adult financial outcomes such as regular saving, pension saving, net wealth and financial self-assessment.

The links between cognitive skills and financial outcomes strengthen throughout childhood. At age 10, we identify positive relationships between cognitive skills and multiple adult financial outcomes such as regular saving, pension saving and financial self-assessment. By age 16, we identify positive relationships between cognitive ability and the likelihood of saving for a pension at age 34.

Importantly, both the reading score and the maths score drive the link between the cognitive skills at age 10 and adult financial outcomes to a comparable extent. There is no evidence to suggest that one is more important than the other. However, the links are slightly different – reading score is linked positively with pension saving at age 34. Maths score is linked positively with net wealth at age 42.

Our BCS70 analysis also examined the potential role of intermediate outcomes in life, like educational attainment and employment, in explaining the links between early skills and long-term outcomes. At age 5, the links between cognitive skills and adult financial outcomes seem to be channelled through an intermediate outcome in many cases, with future educational attainment playing a strong role. This suggests one of the reasons a child with better cognitive skills at age 5 is more likely to end up saving for a pension in adulthood is because they are also more likely to attend university, which itself is linked to a higher likelihood of pension saving.

Educational attainment also channels the link between cognitive skills at age 10 and the financial outcomes of regular saving and financial self-assessment at age 34, with income also playing a role in later financial self-assessment.

Nevertheless, some strong links remain that cannot be explained by intermediate outcomes. The link between cognitive skills at age 10 and 16, and pension saving at age 34, and cognitive skills at age 10 and financial self-assessment at age 42, remain regardless of the educational attainment, employment, or other life factors such as marriage and income.

Educational attainment can act as a protective factor for those who have low skills. Doing well in school and further/higher education, and taking certain employment routes, were found in our analysis of BCS70 to raise the likelihood of positive financial outcomes for children of all cognitive skill levels. For example, looking at children age 10, those children who had low cognitive skills tended to have better financial outcomes overall when they had experienced vocational education and/or went into paid employment; those children with low non-cognitive skills had better outcomes when they had high levels of academic attainment and/or a professional occupation.

Wider research has also found links between academic attainment and financial capability or outcomes. A 2010 study found cognitive ability is strongly linked to financial literacy, and those with higher levels of educational attainment have higher levels of financial literacy than those with lower educational attainment,[65] while a study using European Community Household Panel data in 2009 found the longer spent in education meant the lower likelihood of poverty later in life.[66]

A longitudinal study of young adults from Finland found that having only 'primary' education (leaving school at 15) significantly increases chances of debt enforcement activity – 37% of females and 43.9% of males in this category have debt problems, compared to only 6.0% of female and 9.3% of their male peers.[67]

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[65] *Financial literacy and the young* (Lusardi, A, Mitchell, OS, Curto, V., The Journal of Consumer Affairs, 44(2), 358-380., 2010)
[66] *What keeps young adults in permanent poverty? A comparative analysis using ECHP* (Mendola, D, Busetta, A, Aassve, A., Social Science Research, 38, 840-857, 2009)
[67] *Debt problems and life transitions: a register-based panel study of Finnish young people* (Oksanen, A., Journal of Youth Studies, 19(9), 1184, 2016)

Children who do less well in school may therefore be an important group to consider targeting to support development of financial capability alongside support for other skills and abilities. Numeracy and literacy both matter, with financial ability and mindset key areas for focus in thought there appear to be some subtle differences in area of possible focus. The point at which young people decide their future plans for education and/or employment may be a key moment to consider offering financial capability support tailored to their choices and needs – as it is likely that those who choose to leave school early may benefit from extra help, and support at this stage could be tailored to be relevant to the future paths chosen.

SUMMARY

Strong relationships exist between behaviour, cognitive, and social-emotional skills and financial capability. Behaviour is strongly linked to the majority of financial capability indicators, meaning that children with poor behaviour may be a priority group for future targeting, and/or that programmes that aim to address behaviour and financial capability may be beneficial.

Among social-emotional skills, perseverance and self-control have been shown to be strongly linked to financial capability. Locus of control and self-efficacy are also important, particularly for mindset measures. There is also evidence of the importance of self-control and locus of control for financial outcomes later in life. Self-esteem is linked, although in some cases less strongly and to different measures. This includes a positive link – these children are more likely to have experience of paying for things themselves – which could offer strengths to build on in interventions.

Cognitive skills in both literacy and numeracy are shown to be strongly linked to financial capability, particularly around ability. Attainment in school and future educational routes have an impact on financial outcomes, so support for those who are struggling academically may offer opportunities.

These links are present from early ages and strengthen over adolescence, suggesting opportunities for targeting at younger ages with basic support, and offering more intensive help for those still experiencing low skills levels or poor behaviour at age 16–17.

Analysis of drivers of children and young people's financial behaviours show that the skills most strongly driving financial mindset – which in turn drives behaviour – are a child's maths ability; perseverance; and irritability. Support aimed at improving children and young people's financial capability while they are growing up may therefore benefit from considering these skills in particular, though recognising that these are likely to be highly associated with other social-emotional, cognitive and behavioural factors and demonstrate the importance of these skills as a whole.

Importantly, analysis of BCS70 showed that a **high level in one skill can in many cases compensate for a low level in another skill**. For example, behavioural skills are an effective protective pathway for individuals with lower levels of cognitive ability when it comes to pension and regular savings behaviour. High levels of cognitive skills act as a protective factor for children with low social-emotional (non-cognitive) skills in relation to regular saving, pensions saving, and financial self-assessment.

This would suggest that children most in need of support may be those who experience multiple challenges of low skills and/or behavioural difficulties at once.

3.3. Environmental factors – family structure

The structure and composition of the family environment in which children and young people grow up can have an impact on their financial capability.

'Deep dives' into our CYP FinCap Survey findings and analysis of the drivers of financial behaviours for children and young people (composites) have given some clues as to the nature of these relationships.

Single parents

There are 2.8 million lone parent families in the UK, 1.8m of which have dependent children living in their household (the other 1m having non-dependent children only). 1.6m of the lone parent families with dependent children are lone mother households. Over 220,000 lone parent families are estimated to have 3 or more children. [68] Around 84% of the UK's lone parent families live in England, 5% in Wales, just under 8% in Scotland, and just less than 4% in Northern Ireland.[69] (This share is roughly the same as the proportion of children in each nation of the UK.)

Our survey findings suggest that, even once we account for differences in the child's background (including family income, parent's educational attainment, and parent's occupation), there is a strong and largely negative link between a parent having sole caring responsibility for a child, and the child's financial capability.

Having a parent with sole caring responsibility is strongly and negatively associated with:

- financial Ability (such as being able to read a bank statement, and understand interest rates);
- whether the child prefers not to borrow; and
- the child's experience of paying for things in shops.

However, having a parent with sole caring responsibility also appears to be positively associated with the child saving frequently and parent report of whether the child **uses** any bank account they have.

It is also worth noting that our debt research has identified that parents, and single parents in particular, are more likely to be over-indebted. This is explored further in Section E. Lone parents are also over-represented among people who use food-banks in the UK, and that even among low-income households, lone parents and their children are particularly at risk.[70]

We also explored whether children whose parents share caring responsibility but live separately tended to have any differences in their financial capability from other children. We found very few connections, and these connections disappeared in the regression analysis, suggesting they were explained by other factors such as income and education levels.

Young Parents

Overall in the UK, there are over 540,000 parents aged under 25,[71] with over 80% in England, nearly 5% in Wales, 9% in Scotland, and 4% in Northern Ireland. 35% of English young parents are lone parents, compared to 47% of Welsh young parents, 35% of Scottish young parents, and 44% of Northern Irish young parents.

Analysis of our CYP FinCap Survey showed that having a young parent (defined in our analysis as 20 years or younger at the birth of the child) has strong and negative links to a child's financial capability around:

- banking related ability indicators (ie the child can read a bank statement, or understands interest rates);
- the child feeling anxious about money; and
- whether a child has access to financial products (ie the child has a bank account or money in financial products).

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[68] *Families and Households,* ONS Dataset, 2017
https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/families/datasets/familiesandhouseholdsfamiliesandhouseholds

[69] *Lone Parent Families in the UK by Country, 1996 to 2015,* ONS 2016
https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/families/adhocs/006183loneparentfamiliesintheukbycountry1996to2015

[70] *Financial insecurity, food insecurity, and disability: The profile of people receiving emergency food assistance from The Trussell Trust Foodbank Network in Britain (*Trussell Trust, 2017) https://www.trusselltrust.org/wp-content/uploads/sites/2/2017/07/OU_Report_final_01_08_online2.pdf

[71] *Number of parents aged 25 and under, regions of England and UK, 2016 and 2017*, ONS 2017
https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/families/adhocs/007278numberofparentsaged25andunderregionsofenglandanduk2016

However, these links are explained when other demographic variables are controlled for (including family income, parent's educational attainment and parent's occupation). This is perhaps unsurprising as younger parents are likely to have lower income and educational attainment.

We have not been able to consider the financial capability needs of young parents themselves; our survey did not ask about this group. However, other agencies' research has suggested that young parents may face some financial challenges that the average young person may not face.

Young parents are more likely to be living on a low income – more than half live in poverty72 and four in ten of them say they are only just getting by financially, compared to just over a quarter of young people who aren't parents.[73] Young single mothers are more likely than the average young person of their age to have low qualifications and to remain out of work or in low-paid work, meaning they have to survive on a small budget.74 For those living in relationships where domestic abuse and violence is present, financial dependence on a partner has been noted as a barrier to being able to leave.[75]

There is also some suggestion from qualitative research that young parents (like many other parents) can feel under pressure to buy the latest products for their children and to borrow for events such as Christmas.[76] Discussions with practitioners working with young parents have suggested that one of the challenges with providing support for this cohort may be their strong desire to demonstrate that they can parent well, meaning that sometimes they may be reluctant to admit difficulties or worries they have. We have found no definitive research that explores this topic robustly at this stage.

However, these findings provide clues as to the kinds of support young parents may benefit most from, the areas of financial capability children with young parents may do worst around on average, and the context in which financial capability provision ought to consider when being designed and delivered.

Other aspects of family structure

Our analysis of the CYP FinCap Survey also explored any links between financial capability and a child living in a multi-generational household. No links were found, but this may be because of the very small number of children who completed the survey who are living in families with this structure.

Analysis of BCS70 provides further insight into the links between family structure and financial outcomes later in life, though of course this must be seen in the context of the subjects of this study growing up in a different time.

Some characteristics, such as growing up in a **household with more than three children**, are negatively associated with some adult financial outcomes, even when controlling for other characteristics and skills. Other factors, such as **higher levels of parental education**, have a positive impact on financial outcomes – this will be explored further in the section that follows on economic context.

Our analysis of BCS70 suggests that the link between childhood skills and adult financial outcomes is **greater for certain demographic subgroups** than for others. Children who grow up in households with three or more children are one of these groups for whom skills can play a larger role in determining later life financial outcomes than for other children.

Wider family contexts

We also know that other specific family contexts can have impacts on children and young people's financial capability. Previous research set out in this chapter suggests that children who leave home early, have caring responsibilities in the home, or are looked after children or care leavers, may face unique and sometimes additional financial capability challenges.

Analysis of our CYP FinCap Survey did not reveal many strong connections in these areas, though this may be because of the relatively small number of children from these groups who were included, and the fact that the survey did not aim to be representative of these characteristics.

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[72] *Poverty among young people in the UK* (New Policy Institute, 2015) www.npi.org.uk/files/7114/2892/2456/Poverty_among_young_people_in_the_UK_FINAL.pdf

[73] The Next Chapter: Young People and Parenthood (Action for Children, 2017) https://www.actionforchildren.org.uk/media/9612/the-next-chapter.pdf

[74] Parenting alone: work and welfare in single parent households, (Tinsley, M, Policy Exchange, 2014) www.policyexchange.org.uk/images/publications/parenting%20alone.pdf

[75] Standing on my own two feet: Disadvantaged Teenagers, Intimate Partner Violence and Coercive Control (Wood, M., Barter, C., Berridge, D., NSPCC, 2011)

[76] Paying the Price (Action for Children, 2014) https://www.actionforchildren.org.uk/media/3224/paying-the-price-can-we-help-the-most-vulnerable-young-people-avoid-unmanageable-debt.pdf

Looked After Children and Care leavers

The definition of 'looked after child' (LAC) differs across the UK – in general, it refers to those children who are in the care of a local authority, but for example in Scotland, children who are still living at home but under supervision orders are considered to be 'looked after'.[77] A child will cease to be 'looked after' when they return home, are adopted, or turn 18, though they will continue to be supported by their local authority until at least 21, and in some cases 25 years old.

As of 31 March 2017, there were 72,670 LAC in England,[78] 5,955 in Wales,[79] 2,983 in Northern Ireland,[80] and there were 15,317 LAC in Scotland as of July 2016.[81] In 2016/17 there were just over 27,000 care leavers aged 19–21 in England, and just over 10,700 more aged 17–18. There were just over 580 care leavers aged 16–19 in Northern Ireland in 2016/17, 710 in Wales,[82] and in July 2016 there were 4,600 young people eligible for after-care support in Scotland.[83]

Looked after children and care leavers are one of the groups covered by a relatively larger range of research around money matters. These young people tend to reach financial independence earlier than the average young person and with less family support. For example, 37% of 19- to 21-year-old care leavers in England are living independently,[84] while 57% of the overall population of this age are still living at home with their parents,[85] and the majority will likely still get help from them.

They are significantly more likely to be NEET than the average young person,[86] meaning managing on a very small budget is essential, and more likely to become parents themselves at a young age,[87] resulting in wider responsibilities and demands on their money. In general, children who have been in care – as well as 'children in need' – have far lower educational attainment than their peers who live at home,[88] and it is estimated only around 12% of care leavers are in or have been to higher education by age 23.[89]

Those who go on to further or higher education are eligible for grants, some of which are paid in lump sums, and many receive other grants and bursaries to set up home and move into independence, meaning the ability to manage a relatively large sum of money available in one go is essential. They are also more likely to have emotional, behavioural or mental health issues than their peers.[90] This means that the vulnerabilities associated with these characteristics earlier in this report are over-represented in this group, though it should be noted that there are differences in trends for children who have been in care at different ages, for different lengths of time, and for different reasons. For example, those who have entered care as adolescents are more likely to have behavioural difficulties than those who entered care as a younger child, or have spent less time in care.[91]

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[77] *Children in Care: Legislation, Policy, Guidance (*NSPCC online sources) https://www.nspcc.org.uk/preventing-abuse/child-protection-system/children-in-care/legislation-policy-guidance/

[78] Children Looked After in England (DfE, Sept 2017) https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/664995/SFR50_2017-Children_looked_after_in_England.pdf

[79] Children Looked After by Local Authority, Gender & Age (StatsWales, 2017) https://statswales.gov.wales/Catalogue/Health-and-Social-Care/Social-Services/Childrens-Services/Children-Looked-After/childrenlookedafterat31march-by-localauthority-gender-age

[80] Children's Social Care Statistics for NI 2016/17 (NI Department of Health, 2017) https://www.health-ni.gov.uk/news/publication-childrens-social-care-statistics-ni-201617

[81] Children's Social Work Statistics Scotland 2015/16 (Scottish Government, 2017 http://www.gov.scot/Publications/2017/03/6791/339814

[82] Children aged 16 and over ceasing to be looked after during year ending 31 March by local authority, qualifications and measure (StatsWales, 2017) https://statswales.gov.wales/Catalogue/Health-and-Social-Care/Social-Services/Childrens-Services/Children-Looked-After/Educational-Qualifications-of-Care-Leavers/childrenaged16andoverceasingtobelookedafterduringyearending31march-by-localauthority-qualifications-measure

[83] Latest statistics about children and young people in and leaving care (Centre for Excellence for Looked After Children in Scotland, 2017) https://www.celcis.org/our-work/looked-after-children/facts-and-figures/

[84] Children Looked After in England as at March 2016 (DfE, 2016) https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/556331/SFR41_2016_Text.pdf

[85] Young Adults Living with their Parents (ONS Dataset, Nov 2017) https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/families/datasets/youngadultslivingwiththeirparents

[86] Children Looked After in England as at March 2016 (DfE, 2016) https://www.gov.uk/government/statistics/children-looked-after-in-england-including-adoption-2015-to-2016

[87] Preventing Unplanned Pregnancy and Improving Preparation for Parenthood for Care-Experienced Young People (Coram, 2015) http://www.coram.org.uk/sites/default/files/resource_files/Preventing%20unplanned%20pregnancy%20and%20improving%20preparation%20for%20parenthood%20for%20care-experienced%20young%20people.pdf

[88] Outcomes for children looked after by local authorities in England, 31 March 2016 (DfE, 2017) https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/602087/SFR12_2017_Text.pdf

[89] Moving On Up (National Network for Education of Care Leavers, Nov 2017) http://www.nnecl.org/resources/moving-on-up-report?topic=guides-and-toolkits, Topic Brieifng, Care Leavers (Office for Fair Access, 2018) https://www.offa.org.uk/universities-and-colleges/guidance/topic-briefings/topic-briefing-care-leavers/#offa

[90] See for example, Children in care: Our work with looked after children, the challenges in care and what the law says (NSPCC, online guide, accessed Jan 2018) https://www.nspcc.org.uk/preventing-abuse/child-protection-system/children-in-care/; Children looked after in England (including adoption), year ending 31 March 2017: additional tables (DfE, 2017) https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/664998/SFR50_2017_Additional_Tables_Text.pdf - only half of children in care had scores on the Strengths & Difficulties Questionnaire considered to be within 'normal' range for emotional and behavioural health.

[91] *Suporting Transitions for Young People Leaving Care (*Research in Practice, 2017) https://www.rip.org.uk/news-and-views/blog/supporting-transitions-for-young-people-leaving-care/

Multiple reports have found money management to be a top concern for young people leaving care. Research by The Prince's Trust and NCB found money and benefits to be the area that care leavers completing their baseline survey (117 young people) were least confident about: almost 4 in 10 said they were not at all or not really able to manage this area of life.[92] An accompanying report by young researchers also found money to be a key barrier and area care leavers wanted more support on.[93]

The Centre for Social Justice found that 57% of young people find it difficult managing their money and avoiding debt.[94] Shelter Cymru reported that the majority of care leavers and those providing services to them in Wales involved in their survey thought that more could be done to help prepare care leavers for financial independence, and highlighted a wide range of challenges faced by young people leaving care, including lack of access to appropriate products and use of high-cost credit, and, despite many being very resourceful, a struggle to save and manage multiple conflicting priorities on very tight budgets.[95]

More recently, the Children's Society suggested that young people leaving care are falling into debt and financial difficulty due to insufficient financial education from local authorities, with almost a half of local authorities not offering specific financial education to those leaving care.[96]

As one young person noted,

> *"I'm still paying off debts now [nine years after her first independent placement], if somebody had have gone through these bills, bills I didn't even know existed, I've had to figure everything out myself, I've had to learn the hard way. If I had have had support with that it would have changed things."*[97]

Care-experienced young people may also have missed the opportunities to see examples of, and role models for, effective money management in their life so far. Many will have experienced material deprivation. Multiple placements,[98] and traumatic or disruptive experiences in their lives may have led to intermittent and inconsistent chances to receive and use money, difficult relationships with role models, or missed school.[99] Some may have encountered particularly complex situations where money was involved, such as witnessing financial abuse, experience of gangs or offending, use of illegal money lenders, or gambling, or being at risk of exploitation.

However, there is limited research that looks at the specific nature of these challenges in relation to their effects on developing financial capability, or how looked after children's experiences and understanding of money differs from those of other young people in practice.

Our CYP FinCap Survey included some children who were living with carers rather than a member of their family (it did not include those living in residential care), sufficient to identify statistically significant differences between their financial capability and that of other children. Our 'deep dives' showed that (according to parent/carer reports) looked after children aged 7–17 are less likely than their peers to be able to explain choices made when spending money.

At age 16–17, a key age for steps towards independence for this group perhaps even more so than for the average young person, they do worse than their peers who aren't looked after in: being able to manage a day-to-day budget or allowance; understanding that choices have to be made when spending money; waiting for and checking change when buying things in shops; and sticking to agreements about buying things online.

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[92] *From Care to Independence (*NCB, Prince's Trust, Big Lottery Fund, 2017) https://www.princes-trust.org.uk/From-Care-to-Independence-Full-Final-Report.PDF

[93] *Supporting Care Leavers: A Prince's Trust Report by Young Researchers* (Prince's Trust, 2017) https://www.princes-trust.org.uk/Document_Young-Researchers-Report.pdf

[94] *Survival of the Fittest? Improving Life Chances for Care Leavers* (Centre for Social Justice, 2014) https://www.centreforsocialjustice.org.uk/library/survival-fittest-improving-life-chances-care-leavers

[95] *From Care to Where? How Young People Cope Financially After Care* (Consumer Focus Wales, 2011) https://sheltercymru.org.uk/wp-content/uploads/2015/02/From-care-to-where-Web-21.pdf

[96] *The Cost of Being Care Free* (Children's Society, 2016) https://www.childrenssociety.org.uk/sites/default/files/care-leavers-financial-exclusion-september-2016.pdf

[97] *The costs of not caring: supporting English care leavers into independence* (Barnardos, 2014) http://www.barnardos.org.uk/costs_of_care_leavers.pdf

[98] *Children looked after in England (including adoption) year ending 31 March 2016 (*DfE, 2016) - 31% of LAC in 2016 had two or more placements in the past year. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/556331/SFR41_2016_Text.pdf

[99] *Getting a Fair Deal (*Action for Children, 2015) https://www.actionforchildren.org.uk/media/4247/gettingafairdeal2015.pdf

Young carers

Estimates using the 2011 Census suggest there may be up to quarter of a million under-19s in the UK who have caring responsibilities for a family member.[100]

The 2011 Census showed that in England, there were around 170,000 young carers aged under 18 (around 1.2% of the CYP population), though wider research suggests this may be an underestimate.[101] In Wales, there are 28,600 children and young people providing unpaid care (3.2% of children and young people); 3,500 of these children provide more than 50 hours of unpaid care per week.[102] In Scotland, there are estimated to be 29,000 carers aged 4–15 (4% of children) and a further 64,000 aged 16–24 (10% of young people).[103] In Northern Ireland, 6,700 young people under 18 provide between one and 19 hours of unpaid care per week, while a further 960 provide 20–49 hours, and 820 care for 50 hours or more; approximately 4% of children are young carers.[104] Again, these figures should not be treated as comparable across nations because of the potential for different interpretations in definitions of caring responsibility and different forms of measurement.

Previous research has suggested that children who have caring responsibilities may be exposed to a greater level of responsibility (and possibly risk) in managing money than some other young people of equivalent age without caring responsibilities might be. As a result they may face unique challenges in developing financial capability appropriate to the circumstances they face.

DfE research found that 11% of young carers in England were helping with financial matters such as paying bills, compared to 1% of 11- to 17-year-olds in the comparison survey.[105] For 16- to 17-year-olds, this increased to 17% who reported helping deal with financial matters in the home.

The Children's Society Young Carers Festival 2016 interviewed 64 young carers, 70% of whom said paying the bills and affording basic items was a real concern for them. Other Children's Society qualitative research has suggested money plays a part in the wider challenges they face, for example:

> *"The last few months mum has been short on money. She was struggling with things like rent and everything, groceries. So I had to lend her money, coz I normally don't like spending my money, but I gave her money for the last week. It's been a bit up and down but we are coping."* Alex, 15

> *"I literally do everything on my own - sorting out bills, paperwork – I have always done them."* Samayya, 16

> *"Bailiffs, I hate them."* Bobby, 9[106]

We also know that young carers are more likely to be in groups of young people who are more vulnerable to poor financial capability anyway, such as low-income households – young carers are more likely to be living in poverty because of the additional costs and lower levels of employment associated with illness and disability.[107]

There are also other connections to wider disadvantage – for example, young carers are also more likely on average to achieve poor educational attainment and employment outcomes, and to find transition to adulthood, such as getting a job or moving out of the home, more difficult, because of the barriers they'll have faced in attending school regularly and balancing additional responsibilities at home with their education.[108]

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[100] 2011 Census figures https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/bulletins/2011census/2013-05-16 , quoted in http://www.bbc.co.uk/news/education-22529237

[101] *Live of Young Carers in England (*DfE, 2017) https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/582575/Lives_of_young_carers_in_England_Omnibus_research_report.pdf

[102] *Health of Children and Young People in Wales* (Public Health Wales Observatory, 2013), available at: http://www2.nphs.wales.nhs.uk:8080/PubHObservatoryProjDocs.nsf/3653c00e7bb6259d80256f27004900db/0035dd30aaa1a24980257c27005a9955/$FILE/Children%20and%20YP%20Profile%20Wales%20report%20-%20high%20res%20(Eng).pdf

[103] *Young carers: Review of research and data* (Scottish Government, 2017), available at: http://www.gov.scot/Publications/2017/03/2478/8

[104] *Carers in Northern Ireland – Some key statistics* (Northern Ireland Assembly, 2017), available at: http://www.assemblyresearchmatters.org/2017/06/15/carers-in-northern-ireland-key-statistics/

[105] *The lives of young carers in England: Omnibus survey report* (DfE, 2017), available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/582575/Lives_of_young_carers_in_England_Omnibus_research_report.pdf

[106] *'There's nobody is there – no one who can actually help?': The challenges of estimating the number of young carers and knowing how to meet their needs* (The Children's Society, 2016), available at: http://www.childrenssociety.org.uk/sites/default/files/CFD094_YoungCarers_Report_V10_LOW%20RES%20SINGLE%20PAGES.pdf

[107] *Disability, long term conditions and poverty* (New Policy Institute,2014), available at: http://www.npi.org.uk/files/7814/0490/1005/Disability_long_term_conditions_and_poverty.pdf

[108] *Getting a fair deal? How to help vulnerable young people manage their money* (Action for Children, 2015), available at: https://www.actionforchildren.org.uk/media/4247/gettingafairdeal2015.pdf ; *Hidden from view: The experiences of young carers in England* (The Children's Society, 2013), available at: http://www.childrenssociety.org.uk/sites/default/files/hidden_from_view_final.pdf

Our CYP FinCap Survey included enough young carers to explore the links between this characteristic and their financial capability, though again the survey was not designed to be representative of this group. The analysis showed few links, and those that did exist were relatively weak. It suggested that children and young people aged 7–17 who had caring responsibilities were less likely than their peers to be able to read a bank statement, but more likely to accept getting less than their friends, pay for things online, and use a bank account. After regression analysis however, only the positive links remained. At age 16–17, heading towards independence, they are less likely to be able to read a payslip than the average young person of this age, or to prefer not to borrow.

Leaving home and becoming independent early

Qualitative research on young people reveals a theme of potential vulnerabilities arising for young people who become independent and responsible for money matters earlier in life than average, including those groups covered in the previous section.

As noted earlier, studies elsewhere in Europe have suggested young people (16–19) are more likely to live in poverty when they leave home than if they continue to live at home, and that debt problems are more common among those young adults who have left home before 18.[109]

Several Action for Children reports suggest that some young people such as care leavers, homeless young people, young carers, and those not in training or education or employment (NEET), experience multiple vulnerabilities with many trying to manage on a low or unpredictable income just as they are transitioning into adulthood and attempting to live independently. They need to handle money responsibly at an earlier age than their peers, and have additional demands on their time and resources.[110]

MAS research shows that the moment that young people receive an income from employment for the first time is both loaded with opportunity, but also with risk.[111] Nearly three-quarters of young adults in their twenties in this research admitted to making money mistakes in their early years of financial independence which they later regretted, and the knock-on effects were significant – almost half said they felt 'depressed', 28% said they couldn't afford everyday essentials like food and transport costs, and more than a quarter said it impacted on relationships with their family and friends, and left them with a poor credit rating.

Our research also shows that those who have received 'premature wealth' in relation to their friends – usually through their first job – frequently struggled with their money when they reached age 18. This was down to the experience of having money, but not having responsibilities – ie, bills – before the age of 18 and so therefore becoming used to feeling they could spend money freely and easily with no need to budget.

Our recent analysis of the scale of over-indebtedness in the UK shows that younger people are much more likely to be over-indebted.[112] Around a fifth of all 18–24 year olds are over-indebted across the UK – higher than the nation average.[113]

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[109] Debt problems and life transitions: a register-based panel study of Finnish young people (Oksanen, A., Journal of Youth Studies, 19(9), 1184, 2016); What keeps young adults in permanent poverty? A comparative analysis using ECHP (Mendola, D, Busetta, A, Aassve, A., Social Science Research, 38, 840-857, 2009)

[110] Paying the price- can we help the most vulnerable young people avoid unmanageable debt?, Action for Children (2014), https://www.actionforchildren.org.uk/media/3224/paying-the-price-can-we-help-the-most-vulnerable-young-people-avoid-unmanageable-debt.pdf; How to help vulnerable young people manage their money, Action for Children (2015), http://cdn.basw.co.uk/upload/basw_113508-7.pdf; *Getting a fair deal for young people in Wales,* Action For Children (2016), https://www.actionforchildren.org.uk/media/6832/getting-a-fair-deal-for-young-people-in-wales-report.pdf

[111] *It's time to talk: young people and money regrets* (MAS, September 2014), available at: www.moneyadviceservice.org.uk/en/corporate/research

[112] *Over indebtedness in the UK - 2017 statistics* (MAS, September 2017), available at www.moneyadviceservice.org.uk/en/corporate/debt-publications

[113] We define a person as over-indebted when they find keeping up with bills and credit commitments a heavy burden and/or they have fallen behind or missed payments in at least three of the last six months.

SUMMARY

Analysis of our CYP FinCap Survey suggests that some aspects of family structure are linked negatively to financial capability, though in some cases there are some positive links found too. Children who have a parent with sole caring responsibility, or young parents, are likely to score worse on some elements of financial capability, notably around ability and access to appropriate financial products/bank accounts.

We found fewer links between ‘traditional’ categories of vulnerability associated with family structure, such as being a looked after child, or a young carer, and differences in financial capability, though there are limitations in how representative our survey was of those groups. Other qualitative research suggests these groups and other young people who become independent earlier may face unique financial challenges.

The links we found from ‘deep dives’ into the CYP FinCap Survey on these topics were fewer than for the skills examined in the last chapter, and some economic factors covered later. Our findings alone do not provide a strong case for targeting support solely on the basis of family structure factors, perhaps with the exception of children whose parents have sole caring responsibility, where targeted interventions could address the specific and focused areas of need identified.

However, taking into account wider research it is likely that young people who reach financial independence earlier and with less family support could benefit from additional, tailored help to enable them to rise to the challenges of managing money under challenging circumstances. Our analysis of the areas where their financial capability may be different from the average young person may help to shape and inform the content of support, though further robust research to understand more about the differences in financial capability between young people reaching independence early and others would be beneficial.

3.4. Environmental Factors – Parenting

It is widely accepted across a range of sectors and academic literature, including developmental psychology and education, that parents and carers are the key influencers of children and young people when they are growing up.[114] MAS believes the same is true when specifically looking at children and their financial capability – what children see, learn and experience about money while they are growing up, affects their own values, skills and behaviours later on.

Our CYP Fin Cap Survey shows parents and carers are seen by children as overwhelmingly the main source of advice about money: 91% of children and young people aged 7–17 would turn to their parents if they needed advice about money.

The following sections explore the ways parents influence their children's financial capability. A lot of this evidence comes from our 'deep dives' into our CYP Fin Cap Survey – this survey was designed to include a parent survey alongside each child interview and is uniquely placed to show the interplay between a parent's behaviours and attitudes, and their child's financial capability.

Responsibility given to child – whether child receives money, how often, how much

In our CYP Fin Cap Survey report we found that 98% of 7- to 17-year-olds and 89% of 4- to 6-year-olds report having at least some money of their own. Two-thirds (67%) of 7- to 17-year-olds receive pocket money and a third (34%) of 16- to 17-year-olds get money from work outside the home. The peak ages for receiving pocket money are between 12–15.

We found that children who get money regularly have better financial engagement (connection). They are more likely to:

- have a bank account;
- be involved in the choice of their own banking products;
- keep track of their money;
- decide for themselves how they spend their money and whether they save any of it;
- shop around for better value.

For example, 4- to 6-year-olds who receive regular money are less likely to spend a £5 windfall at once (31%) compared to those who don't (40%).

We included 'child means' in our analysis of the key drivers of CYP behaviour (composites) – whether the child receives money regularly and how much they receive. We found that, even when controlling for a variety of other factors (including parenting, demographics including household income and children's attitudes and experience of money amongst others), children getting money regularly and having received any money in the previous week have strong direct links with more financially capable behaviours in childhood.

This link is similar regardless of the amount of money a child received, suggesting it is the fact that they have access to any money that is important, rather than the specific amount.

Responsibility given to child – what they do with the money they receive

Our parenting deep dive report revealed many strong positive links between parents giving responsibilities to their child for spending and saving decisions and financial capability for children.

Being involved in spending decisions was most strongly linked to a child's financial mindset and ability. Children with responsibility for their spending decisions were more likely to understand the value of money and that choices need to be made when spending money; more likely to be able to explain choices made when spending; and to understand the difference between wants and needs. It was also linked to their ability - whether they could read payslips or bank statements.

Involving the child in saving decisions was also generally positively related to their financial capability and many of the links were the same as with responsibility for spending decisions.

Interestingly, our deep dive also highlighted that children having responsibility for spending decisions also has a handful of negative links with their financial capability. It seems that children who are involved in decisions how to spend their money are less inclined to save, more inclined to spend, and less likely to accept not being able to have things they want. None of these negative relationships appear for those with saving responsibility.

Many of these positive and negative links remain, even when controlling for family income and parental employment and education.

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[114] How children develop (3rd ed.), (Siegler, R., DeLoache, J., & Eisenberg, N., New York: Worth Publishers, 2011). https://my.vanderbilt.edu/developmentalpsychologyblog/2014/05/parental-influence-on-the-emotional-development-of-children/

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.

Previous research has also suggested a potential positive link between having a savings account as a child, and better financial outcomes later in life. Our literature review identified three studies suggesting that owning a savings account as a child was associated with greater financial asset ownership as an adult,[115] more savings and less debt,[116] and better financial literacy.[117]

Role modelling – Discussions and demonstrations with money

Evidence in our literature review suggests that most financial 'socialisation' in families is implicit rather than explicit (ie, it occurs as part of everyday events, rather than being actively or overtly taught) and that financial socialisation may be more successful when parents show warmth and involvement with their children. There is evidence that a lot of financial socialisation in families happens through observation, day-to-day interaction and relationships.[118]

Parents' role modelling emerged as positively related to children's financial capability in our Parenting deep dive report. This included aspects like role-modelling behaviour (such as talking to the child about money, showing them how to complete money-related tasks) and having a more positive attitude to being a role model.

Whether parents discuss where household income comes from, and whether parents are very confident talking about money with children, emerged as the two types of role modelling that showed the strongest links to all aspects of financial capability. We found that parents' role modelling is most strongly related to children's financial mindset, particularly the child's understanding that money has value and understanding that spending money involves choices.

Talking to the child about money, or showing the child how to complete money-related tasks, is often (rather than sometimes or never) associated with better financial capability.

These links largely remain even when controlling for other factors, such as gender, family income, parent's employment and education.

We also examined parenting in our analysis of the key drivers of CYP financial behaviour, including several measures of a parent's role-modelling behaviour. Once we controlled for other factors we found out more about how these relationships work.

In some cases it appears parents' role-modelling behaviour is directly linked to a child's financial behaviour, while in other cases it is indirectly linked, through a link with a child's financial mindset and connection, which in turn is linked to their financial behaviour.

When controlling for a large range of other factors we found:

- Parents setting rules about money directly influences a child's day-to-day money management and their active saving behaviour.
- Parents showing children how to check a bank balance influences a child's financial connection, which in turn influences their day-to-day money management.
- Parents talking to their children about the fact advertising happens online influences a child's financial mindset, which in turn influences their active saving behaviour.

While these are the key parent role-modelling drivers that emerge from this analysis, it is likely that these are also highly associated with other role-modelling factors and demonstrate the importance of parental influence as a whole. Therefore they should be interpreted as the parent role-modelling characteristics that best identify parents having a positive influence on their children's behaviour, rather than necessarily the most important or only specific behaviours parents need demonstrate.

[115] *Childhood financial socialisation and young adults' financial management (*Kim, J, Chatterjee, S., Journal of Financial Counseling and Planning, 24(1), 61, 2013)

[116] *Accumulating assets, debts in young adulthood: children as potential future investors (*Friedline, T, Song, H., Children and Youth Services Review, 35, 1486-1502, 2013)

[117] *Factors associated with financial literacy among high school students in New Zealand* (Cameron, MP, Calderwood, R, Cox, A, Lim, S, Yamaoka, M., International Review of Economics Education, 16, 12-21, 2014)

[118] *Family financial socialisation: Theory and critical review* (Gudmunson, CG, Danes, SM, J Fam Econ Iss, 32, 644-667, 2011)

Attitudes towards teaching children about money

Our Parenting deep dive also explored relationships between a range of parents' attitudes towards teaching children about money and their children's financial capability. These were generally positive but relatively weak.

The general attitude towards involving children in financial matters by the age of 7 and believing children should be exposed to how money works stand out as the two attitudes most strongly related to the child's financial capability. When we controlled for a range of other demographic factors, including the child's age, we found that these relationships become **stronger**, suggesting that parents' attitudes towards teaching children about money have a role to play in developing their financial capability, but also that these attitudes change with the child's age: parents of older children believe that children should be involved in financial matters later in childhood, compared with parents of younger children.

As mentioned, we included parenting in our analysis of the key drivers of CYP financial behaviour. This included measures about parent attitudes towards teaching children about money.

Once we controlled for other factors we found out more about how these relationships work. Even when controlling for a variety of other factors – including other elements of parenting, demographics (including household income), and children's attitudes and experience of money, amongst others – a parent thinking children should be given experience with money earlier is directly linked with their child's active saving behaviour. It is also indirectly linked to their day-to-day money management, through links with their financial mindset, connection and ability which in turn are linked to day-to-day money management.

International research seems to have come to conclusions similar to those from our 'deep dives' about the importance of parents' choices in teaching their children about money. For example, a study analysing longitudinal data from the Dutch Household Survey reviewed the interventions in childhood most likely to lead to greater levels of saving in adulthood.[119] It concluded that teaching children about saving had a large significant positive effect on propensity to save and amount saved in adulthood, to the extent that adults (in the household head role) who were unemployed or who did not complete high school but who had been taught by their parents about saving, were more likely to save than their employed and better qualified peers who had not been taught about saving.

This study also found that the more parents did to teach their children about money the greater the effect. Specifically, giving pocket money at age 8–12, together with parental control on how to spend the money, combined with giving advice on saving at age 12–16 seemed the most effective strategy; but while teaching children about saving alone generated an impact in adulthood, giving pocket money alone, without other actions, was not in this analysis proven to be effective.

Parent financial capability

Our literature review found research that suggested financial education has been mostly left to parents, yet many parents do not have financial capability themselves.[120] The impact of this was explored as part of our Parenting deep dive, where we found that parents' financial capability and children's financial capability are strongly and positively linked in many cases.

Parents who save regularly, set rules about money for their child, are very confident managing their money and can pay an unexpected bill, are more likely to have financially capable children.

These elements of parents' financial capability are most strongly linked to the child's financial mindset, in particular whether their child understands that money has value, their child's ability to explain choices and understanding the difference between wants and needs. It is also linked to their child's financial behaviour, specifically whether they save (both frequently and for a short time) and whether they plan their spending.

The strongest links outlined above remain even when we account for variables related to the child and their household situation, such as family income, parent's education and employment. However, other links that are found can be explained by these factors. This suggests that in some cases a child's background and their household situation (eg family income and parent's education) are influencing the parent's financial capability and driving these links.

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[119] *Teaching Children to Save: What is the Best Strategy for Lifetime Savings*? (Netspar, 2013), available at: http://arno.uvt.nl/show.cgi?fid=132235

[120] *Financial literacy of young adults: The importance of parental socialisation, (*Jorgensen, BL, & Savla, J., Family relations, 59, 465-478, 2010).

We included a parent's own financial capability in our analysis of the key drivers of CYP financial behaviour. In some cases a parent's own financial capability appears to be directly linked with a child's financial behaviour while in other cases it is linked to a child's financial mindset and connection which is then linked to their financial behaviour. When controlling for a large range of other factors we found that:

- Parents' saving often is directly linked to a child's active saving behaviour.
- Parents' use of saving products is linked to a child's financial connection, which in turn is linked to their day-to-day money management and active saving behaviour.

While these are the key parenting financial capability drivers that emerge from this analysis, it is likely these are also highly associated with other aspects of parents' financial capability and with their role-modelling behaviours, meaning parental influence as a whole is very important. The drivers identified should be interpreted as the parent financial capability characteristics that best identify parents having a positive influence on their children's behaviour, rather than the *only* specific behaviours parents need demonstrate.

Parental qualifications and other non-financial characteristics

The areas of England and Wales with the highest levels of adults with no qualification are Wales, the West Midlands, North-East England, and Yorkshire & the Humber (all >25.8%). The North-East of England has the lowest rate of adults with level 4+ qualifications (22.2%).[121] Data for Scotland and Northern Ireland are not directly comparable, but Scotland appears to have a high number of adults with no qualifications (26.8%) though also a relatively high number with level 4+ qualifications (26.1%).[122] Northern Ireland reports 29.1% of adults having no qualifications, and 23.6% with level 4 or above. The proportion of working age adults (16-64) with no qualifications is significantly higher in Northern Ireland (15.8%) than the UK as a whole (8.1%).[123]

As part of our analysis of the drivers of CYP financial behaviours we explored the links between a parent's qualifications and their child's financial behaviour, before looking at how this relates to other factors.

We found that having a parent educated to degree level is linked to both children's saving behaviour and their day-to-day money management. Parents' qualifications are connected to both their parenting behaviour and their child's individual skills and behaviours (like those covered in Section B), which in turn are linked to their child's financial mindset and connection, which are then further linked to their financial behaviour.

In addition, in our analysis of BCS70 we found that, even when controlling for a range of other demographic factors in childhood such as household income, children whose father's educational qualifications were below A-levels are more at risk of not saving regularly or for a pension, and at risk of having a lower financial self-assessment score.[124]

Our literature review identified other parental characteristics that may also play a part. For example, one study showed that maternal emotional distress is strongly associated with family financial vulnerability (defined by insecurity and exposure to risk, shocks and stress)[125]. In turn, children's social and emotional wellbeing was found to be linked to both family financial vulnerability and maternal emotional distress. It is suggested that the negative impact on social and emotional wellbeing for younger children is indirect, via mothers' emotional distress, while for older children, the impact of financial vulnerability is through negative comparisons to peers, which can lead to subjective deprivation – seeing oneself as more deprived than others, regardless of what outside objective measures may say – which may be experienced as injustice or emotional distress.

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[121] *2011 Census Data on Nomis (*Office for National Statistics, 2011), available at: https://www.nomisweb.co.uk/census/2011

[122] *Education* (Scotland's Census, 2011), available at: http://www.scotlandscensus.gov.uk/education-0

[123] *Education and Skills Statistics* (Northern Ireland Statistics and Research Agency, using ONS data 2011) https://www.nisra.gov.uk/statistics/uk-national-wellbeing-measures-northern-ireland-data/education-and-skills

[124] Parental qualifications between mothers and fathers are found to be highly correlated. Because these interrelated characteristics are considered at the same time in our analysis, it is possible that existing differences in financial outcomes between for mother's qualifications diminish once father's are added.

[125] *The Effects of Financial Vulnerability and Mothers' Emotional Distress on Child Social, Emotional and Behavioural Well-Being: A Structural Equation Model* (Treanor, M., 2016).

This ties back to the link between social-emotional skills of the child and their financial capability, as explored earlier in this report, and to the effects of peers, considered in the next section, and is an example of how multiple vulnerabilities may interact – financial difficulties and stress at home impacting social and emotional wellbeing of a child, in turn potentially impacting their own financial capability and learning potential.

With a longitudinal UK sample, one study found that children who had lower levels of family and peer support, tend to be less psychologically resilient to economic shocks, such as job loss, in the future.[126] While this may not be a direct financial capability outcome, it is worth noting because of the relationship between mental health and money in adulthood.[127]

SUMMARY

Our analysis has revealed strong and important links between parents' actions with money and financial capability, and the financial capability of their child, particularly in relation to the child's mindset about money.

Children with better financial capability tend to: receive regular money (regardless of the amount), have responsibility for saving and spending decisions. They have parents who discuss where household income comes from, are very confident talking to their children about money, and often show the child how to complete money-related tasks.

Children whose parents are financially capable themselves – especially those who save regularly, are able to pay an unexpected bill, are very confident about managing money, and set rules about money for their children – also tend to do better in many areas of financial capability.

The links revealed provide useful pointers for designing interventions, in identifying parental behaviours that may be most beneficial to support parents to do, to help their children, such as giving regular money and responsibilities. However, they also provide valuable considerations for targeting of 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.

[126] *What childhood characteristics predict psychological resilience to economic shocks in adulthood*, (Powdthavee, N. Journal of Economic Psychology, 45, 84-101, 2014).
[127] Widely explored by multiple reports of https://www.moneyandmentalhealth.org/

3.5. Environmental factors – economic circumstances

The family economic context in which a child is raised is linked to their financial capability. Different ways of looking at this impact are considered in this section.

Household income

There are differing measures of low income across and within the UK. Department for Work and Pensions (DWP) estimates suggest some 20% of children across the UK were living in relatively low-income households by 2015/16.[128]

In Wales, 30% of children were in relative income poverty between 2013/14 and 2015/16, and were the age-group most likely to be in relative income poverty,[129] with lone-parent families and families with a head of the household from a non-white background being more likely to be in poverty.[130] In Scotland, 19% of children were living in relative poverty before housing costs; 26% after housing costs.[131] In Northern Ireland, in 2015/16, 21% of children were living in relative poverty.[132]

The relative position of the UK nations in these figures seems consistent with findings from the Joseph Rowntree Foundation's analysis of overall poverty in the UK, which suggests that, of the UK nations, Wales has consistently had the highest poverty levels, with only London as an English region higher, and the North-East of England a similar level. Scotland has the lowest poverty levels, with Northern Ireland in between.

This analysis also notes that poverty rates are highest among families with children, and that those families with a greater number of children are more likely to be in poverty (for example, it estimates that 39% of families with three or more children were in poverty in 2015/16), as well as noting that according to this analysis, child poverty levels are currently increasing, having previously decreased over the 20 years to 2012/13.[133]

Our CYP FinCap Survey results suggest that children in low-income households may be vulnerable to poor financial capability.

Children aged 7–17 in low-income households are slightly less likely to receive pocket money: 62% vs. 69% in medium- and 72% in high-income households; or money for birthdays, Christmas or special occasions: 68% vs. 76% in medium- and 81% in high-income households.

Only 50% of children from low-income households, aged 7–17, had a bank account of any type. This was significantly lower than the average of 63%, and far lower than high-income households, where 78% of children have a bank account. The greatest gap was in possession of a savings account, with 47% of children from high-income households having a savings account, compared to just 23% of children from low-income households.

Nearly one in eight children aged 8–17 from low-income families (who receive money) have never saved their money – much higher than children from medium-income and high-income households, where only 5% and 4% respectively reported never saving.

Children from low-income households were also less likely to shop around, and less likely to keep track of the money they get and spend (22%), compared to 14% of children from high-income households.

There were also differences in some elements of mindset. Children in low-income households are more likely to feel unable to make a difference to their money situation (25%) than those in high-income households (15%), and just 68% of parents in low-income households feel able to be a good role model, compared to 83% in high-income families. However, there was little difference in terms of confidence managing money.

Our 'deep dives' into the survey results showed further links and revealed that results for children in over-indebted families and low-income families show many similarities. The associations are relatively weak but always negative. The financial capability indicators most strongly related to living in a low-income family are indicators related to 'ability', such as whether the child understands that money has value; and whether the child has access to a bank account and has money in financial products. Other less strong links are found between child understanding money and choices, understanding advertising, talking about money, saving up frequently, using bank accounts. These relationships all remain even when you control for other factors such as parents' qualifications.

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[128] *Households Below Average Income, Family Resources Survey* (Department for Work and Pensions, 2018) https://www.gov.uk/government/collections/households-below-average-income-hbai--2

[129] Ibid

[130] Poverty statistics (Welsh Government, 2018), available at: http://gov.wales/statistics-and-research/households-below-average-income/?lang=en

[131] Poverty and Income Inequality in Scotland: 2015/16 (Scottish Government, 2017), available at: http://www.gov.scot/Publications/2017/03/2213/4

[132] The Northern Ireland Households Below Average Income Report: 2015-16 (Department for Communities, 2017), available at: https://www.communities-ni.gov.uk/news/northern-ireland-households-below-average-income-report-2015-16-released

[133] UK Poverty 2017 (Joseph Rowntree Foundation, 2017), available at: https://www.jrf.org.uk/report/uk-poverty-2017

Overall, the extent to which parents talk to their children about money increased with household income, and parents in low-income households were most likely to talk to no-one about money. Children in low-income households are also less likely to have exposure to various financial tasks – with parents in low-income households most likely to never show checking a balance (32%), and also less likely to set clear rules for their child about money (33% thought that they did not, compared to 24% of high-income households).

We also found that parents from low-income households are much less likely to believe that their children can manage their own money, with nearly a quarter (23%) saying their children cannot manage their money, compared to 14% of parents from both medium-income and high-income households.

These differences in parental behaviour are important because of the links shown in the previous chapter around the choices parents make about exposing their children to financial responsibility and their developing financial capability. While money may be tight, parents can change some elements of these differences found between low-income households and others, and support for them to learn ways to achieve this may be a useful area for targeting in future financial capability support.

There is also a range of other research and literature covering the potential impact of household income on financial capability and financial outcomes.

This includes research from 2005 suggesting children growing up in low-income homes know far less about banks and banking services than their better-off peers, although these children can also tend to have a much greater awareness of the budgeting techniques used by their parents, and are acutely aware of parents regularly paying bills.[134]

A study based on student-loan debt in the US found that young adults from the highest income brackets and college-educated families are relatively protected from student-loan debt compared to less advantaged young adults[135]. Cross-sectional research on US teenagers also appears to confirm that young adults with college-educated mothers and high levels of wealth display higher levels of financial literacy than those with less wealth and mothers with lower levels of education.[136]

Other research suggests that parent socioeconomic status is significantly associated with financial worry[137], which may have impact on financial socialisation, and consequently have knock-on effects to the development of financial capability.

Our analysis of BCS70 found that having a higher family income when growing up was positively related to having a positive financial self-assessment at age 42, but found no links with key outcomes such as saving, pension saving, and net wealth.

As part of our analysis of the key drivers of CYP financial behaviour we explored the links between household income and a child's financial behaviour (before looking at how this relates with other factors). We found that household income has an indirect relationship with children's day-to-day money management. Income is connected to parenting behaviour and their child's individual skills and behaviours (like those covered in Section B), which in turn are connected to a child's financial mindset and connection which then has a relationship with a child's day-to-day money management.

This relationship is not as strong as that found with parental qualification, considered later in this chapter, which implies that parental qualification can to an extent mitigate the impact of growing up in a lower-income household. However, as parental qualification and household income appear to be so highly correlated, household income may still be the more practical measure for targeting.

As with our analysis of our CYP Fin Cap Survey it should be noted that some personal and family background characteristics are strongly interrelated. Children whose parents have lower levels of education are likely to come from lower-income families, and more likely to have grown up in families with more children. As these interrelated characteristics are considered at the same time in our analysis, it is possible that the differences in financial outcomes for certain groups are reduced once they are all considered together. This can explain why coming from a low-income family seems to put individuals at higher risk only in terms of one financial outcome, but low levels of paternal education put individuals at risk in terms of most financial outcomes.

[134] Financial capability amongst adults with literacy and numeracy needs (Atkinson, A., University of Bristol, 2007).

[135] Disparities in debt: parents' socioeconomic resources and young adult student loan debt (Houle, JN., Sociology of Education, 87(1), 53-69, 2013)

[136] Financial literacy and the young (Lusardi, A, Mitchell, OS, Curto, V., The Journal of Consumer Affairs, 44(2), 358-380., 2010)

[137] Childhood financial socialisation and young adults' financial management (Kim, J, Chatterjee, S., Journal of Financial Counseling and Planning, 24(1), 61, 2013)

Deprivation in local area

Each nation of the UK has its own indices of deprivation, produced for different years, meaning it is difficult to compare levels across the UK, and it should be noted that indices of deprivation take into account a range of factors beyond just income.

However, Middlesbrough, Knowsley, Kingston upon Hull, Liverpool and Manchester are the five local authority districts with the largest proportions of highly deprived neighbourhoods in England in 2015.[138] In Wales in 2014, there are pockets of high relative deprivation in the South Wales valleys and large cities, and in some North Wales coastal and border towns. Blaenau Gwent had the highest percentage of LSOAs in the most deprived 10 per cent in Wales.[139] In Scotland in 2016, Glasgow City, Inverclyde, West Dunbartonshire, North Ayrshire, and Dundee City had the greatest local share of the most deprived 20% data zones.[140] In Northern Ireland in 2017, 50% of the 100 most multiply deprived Super Output Areas are in Belfast, with Derry City & Strabane also scoring highly, and having the greatest number of areas scoring worst on income deprivation measures alone.[141]

Our literature review found that in an area of high deprivation, doorstep lenders and weekly payment online sites were part of the intergenerational culture, and that young people were often targeted by doorstep lenders.[142]

Analysis of the CYP FinCap Survey shows some strong and negative links between living in an income-deprived area and poorer financial capability, notably around financial ability and having access to a bank account and appropriate financial products, and weaker links to aspects of mindset and connection, such as understanding money has a value, and paying for things themselves.

A weak positive relationship is also identified between living in an income-deprived area and children accepting not getting things they want.

As might be expected, the majority of these links are explained when other demographic variables are controlled for (including family income, parent's educational attainment and parent's occupation). This is not surprising given that deprivation in the local area acts as proxy measure for, and is highly correlated with, low income.

Interestingly however, a small number of links do remain even when controlling for factors including household income, suggesting that living in an income-deprived area still has something of an impact regardless of household income. It is still linked negatively to the child's understanding that money has value, whether they have a bank account and whether they pay for things in shops.

Housing tenure

As of June–September 2017, more than 6 million of the UK's 41 million households lived in local authority or housing association property.[143]

Analysis of the CYP FinCap Survey showed links between living in social housing and poorer financial capability. Children living in social housing were more likely to score worse on measures of financial ability, such as understanding financial terms and being able to read a bank statement; understanding money has a value, paying for things themselves, and having and using a bank account. Weaker negative links were found to indicators of mindset, connection, and behaviour.

Weak positive links were found between children living in social housing and being more likely to accept getting less than their friends, and accepting not getting things they want.

However, as might be expected, the majority of these links are explained when other demographic variables are controlled for (including family income, parent's educational attainment and parent's occupation). This is not surprising given that living in social housing acts as a proxy measure for, and is highly correlated with, low income.

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138 *The English Indices of Deprivation* 2015 (Department for Communities and Local Government, 2015), available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/465791/English_Indices_of_Deprivation_2015_-_Statistical_Release.pdf

139 Welsh Index of Multiple Deprivation (WIMD) 2014 (Welsh Government, 2014), available at: http://gov.wales/docs/statistics/2015/150812-wimd-2014-revised-en.pdf

140 The Scottish Index of Multiple Deprivation 2016 (Scottish Government, 2016), available at: http://www.gov.scot/Resource/0050/00504809.pdf

141 Northern Ireland Multiple Deprivation Measures 2017 (NISRA, 2017) available at: https://www.nisra.gov.uk/sites/nisra.gov.uk/files/publications/NIMDM17-%20with%20ns.pdf

142 Paying the Price (Action for Children, 2014) https://www.actionforchildren.org.uk/media/3224/paying-the-price-can-we-help-the-most-vulnerable-young-people-avoid-unmanageable-debt.pdf

143 People in households by housing tenure and combined economic activity status of household members: Table I (ONS, 2018), available at: https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/workingandworklesshouseholdstableipeopleinhouseholdsbyhousingtenureandcombinedeconomicactivitystatusofhouseholdmembers

Interestingly however, a small number of links do remain even when controlling for factors such as household income, suggesting that living in social housing still has an additional impact. It is still linked negatively to some aspects of financial ability: whether the child has a bank account, whether they use the account, whether they pay for their own clothes or snacks, whether they save up frequently, whether they save whenever they receive money, and whether they can manage their own money.

Our analysis of BCS70 also found that children who grew up in social housing were less likely to save as adults, and less likely to rate their financial situation positively at age 34, when compared to individuals whose families lived in other types of accommodation. In addition, cognitive skills have a positive relationship with the propensity to save regularly only for individuals who lived in social housing in their childhood, with no such relationship found for similar individuals whose families lived in other types of accommodation at age 10.

Our BCS70 analysis also tested home ownership in adulthood as a channel for the link between childhood skills and adult financial outcomes, finding it plays a weak role in channelling the link between cognitive skills at age 5, and regular saving at age 34, having a positive financial self-assessment at age 34 and 42, as well as strong links channelling the link between non-cognitive skills at age 10 and regular saving at age 34, and pension saving at age 34. No evidence was found suggesting a role for home ownership in channelling the links between childhood behaviour and adult financial outcomes.

Household employment

The most recent figures for April–June 2017 show that 10.5% of children aged 0–15 were living in workless households, 58.9% of children were living in working households, and 30.6% of children were living in mixed households.[144]

While figures broken down on a national basis are not available for the same period, the most recently available figures for 2016 show that England has the greatest proportion of children aged 0–15 living in mixed households, while Northern Ireland has the highest proportion of children between these ages living in workless households.

	MIXED HOUSEHOLDS (%)	WORKLESS HOUSEHOLDS (%)	TOTAL (MIXED + WORKLESS (%))
England	**33.0**	11.2	**44.2**
Scotland	28.7	12.5	41.2
Wales	27.2	13.9	41.1
Northern Ireland	23.2	**17.6**	40.8

Source: Annual Population Survey household datasets: January – December 2016

Overall, children living in a household where the main earner is unemployed are at greater risk of poorer financial outcomes, though the number of links we were able to find is relatively few.

Analysis of BCS70 found that children with only one parent in regular employment, as opposed to both parents, were less likely to be saving for a pension at age 34.

In our CYP FinCap Survey 'deep dives', having an unemployed parent has a strong negative impact on children aged 7–17 across a small number of factors,[145] including financial knowledge and ability elements such as reading a payslip and understanding interest rates, and having money in appropriate financial products.

Weaker negative links are found with respect to tracking spending and having an individual bank account. However, there is also one strong positive link for this group – children with an unemployed parent are more likely than their peers to accept getting less than their friends.

As might be expected, these links are explained when other demographic variables are controlled for (including family income, parent's educational attainment and parent's occupation). This is not surprising given that household unemployment acts as a proxy measure for, and is highly correlated with, low income.

[144] *Labour Force Survey* household datasets, UK Data Service https://discover.ukdataservice.ac.uk/series/?sn=2000026. The data for mixed households is limited in that it does not distinguish between the main earner and others, however it highlights over 40% of children in the UK are living in households where there is not full employment.

[145] Our survey does not distinguish between two parents not working, one parent not working and the other homes in which both parents are present but not working, where both parents are present and one is unemployed, or single parent unemployed

Young people not in education, employment or training (NEET)

Overall, in England the number and proportion of young people who are NEET has been in decline since 2011. The most recent figures at point of writing show that 11.2% of 16- to 24-year-olds are NEET in the UK (in the last quarter of 2017).[146] In this quarter, in England, NEET rates for 16- to 24-year-olds stood at 11.1%; for 16- to 18-year-olds, 6.2%; and for 19- to 24-year-olds, 13.2%.[147]

Statistics are difficult to compare on a nation-by-nation basis, as there are different measures – Scotland identifies that in 2016 the proportion of NEETs aged 16–19 was 3.7%,[148] which appears significantly lower than England, although it excludes 20- to 24-year-olds. In Wales, 10.4% of 16- to 18-year-olds were NEET at the end of 2016, and 18.5% of 19- to 24-year-olds were NEET.[149] In Northern Ireland, 12.0% of 16- to 24-year-olds in Northern Ireland were NEET between April and June 2017.[150]

Generally, children and young people who have low attainment and/or no qualifications, have been eligible for free school meals, have been frequently absent from school, live in a deprived area, are a 'child in need' or looked-after child, or who have SEND, are over-represented within the NEET population.[151]

Our CYP FinCap Survey did not capture information about young people who are NEET, so we cannot identify links through analysis of quantitative information. However, other research has suggested that young people who are NEET may be at risk of poor financial management skills.

A 2012 report by IPPR[152] used surveys and workshops with young people, and reported young people's relative position in the labour market had deteriorated over the two decades prior, and also identified a link to low income; over a fifth of young people who were eligible for free school meals in year 11 had experienced two or more spells of being NEET between ages 16 and 19, compared with less than a tenth of those who were not eligible. This research also found that young adults who were NEET were more likely to turn to short-term or doorstep lenders charging extremely high rates of interest.

A report by Action for Children also note that young people who are designated NEET are at particular risk of having poor financial management skills.[153] They are often caught up in a cycle of short-term loans and debt, and are dependent on benefits or a low income. It also suggests that NEETs experience multiple vulnerabilities, with many trying to manage on a low or unpredictable income as they are transitioning into adulthood and attempting to live independently. They need to handle money responsibly at an earlier age than their peers, and have additional demands on their time and resources, linking back to the earlier findings around young people who leave home early.[154]

Other studies have found a link between disadvantage and young people seeking immediate gratification, an issue made worse by drugs, alcohol, or cigarette dependency – directly impacting on money behaviours, such as spending without planning or budgeting. Access to and knowledge of appropriate financial services was also found to be a challenge for this cohort.[155]

As noted previously, our analysis of BCS70 found both academic and vocational education, and employment, can play an important role in financial outcomes. A lack of participation in education and employment could mean individuals miss out on opportunities that would support positive outcomes later on.

Living in over-indebted homes

The DWP estimates that 6% of children are living in homes with problem debt, and notes that this is more than twice as prevalent in workless households.[156] Our debt research has shown Wales is the UK nation with the highest rates of over-

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146 NEET: Young People Not in Education, Employment or Training (House of Commons Library, 2018), available at: http://researchbriefings.parliament.uk/ResearchBriefing/Summary/SN06705

147 *NEET Statistics Quarterly Brief October to December 2017, England* (Department for Education, March 2018) https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/683881/SFR13-2018_NEET_Statistics_Quarterly_Brief_Q4-2017.pdf

148 *Annual Participation Measure for 16-19 year olds in Scotland 2017* (Skills Development Scotland, 2017) available at: https://www.skillsdevelopmentscotland.co.uk/publications-statistics/statistics/participation-measure/?page=1&statisticCategoryId=7&order=date-desc

149 *Young people not in education, employment or training (NEET)* (Welsh Government, 2018), available at: http://gov.wales/statistics-and-research/young-people-not-education-employment-training/?lang=en

150 *Quarterly Supplement to the Labour Market Report April – June 2017* (NISRA, 2017), available at: https://www.nisra.gov.uk/sites/nisra.gov.uk/files/publications/Quarterly-Supplement-to-the-Labour-Market-Report-April-June-2017.PDF

151 *Characteristics of young people who are long-term NEET* (DfE, 2018), available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/679535/Characteristics_of_young_people_who_are_long_term_NEET.pdf

152 *Young people and savings a route to improved financial resilience* (Dolphin, T., IPPR, 2012), available at: http://www.ippr.org/files/images/media/files/publication/2012/11/young-people-savings_Nov2012_9849.pdf?noredirect=1

153 Action for Children, 2015, op cit

154 Action for Children, 2014, 2015, 2016, op cit

155 Atkinson, 2005., op cit

156 *Improving Lives: Helping Workless Families Analysis and Research Pack* (DWP, 2017), available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/642566/improving-lives-helping-workless-families-web-version.pdf

indebtedness overall, at 17.7%. The North-East of England also has this level of over-indebtedness, closely followed by London at 17.2%, and North-West England and Yorkshire & the Humber, both at 16.9%. Local authority areas with the highest levels of over-indebtedness across the UK are: Newham, Tower Hamlets (22.7%), Sandwell (22.1%), Nottingham (21.9%), Barking & Dagenham (21.8%), Blaenau Gwent (21.6%), Kingston upon Hull and Manchester (21.5%).[157]

As mentioned earlier, our debt research has also identified that one in five parents (20%) are over-indebted. Parents are more likely than adults without children to be over-indebted. This is particularly the case for single parents (25%) and for those with three or more children (24%).[158]

In our 2015 Adult Financial Capability Survey a quarter of parents (24%) reported that they feel under pressure to spend money on their children, even when they can't afford it, and this is a sentiment that is often echoed in our work within squeezed and struggling households.[159] Parents are also more likely than those without children in the household to want and seek advice or guidance when they experience a life-event, such as a negative family event, moving in with a partner or problem debt.[160]

The Children's Society (2014) conducted a survey of 2,000 families and in depth interviews with 14 families to understand more about the impact of problem debt on children, and estimated that 2.5 million children were living in families with problem debt.[161] They talk of a 'debt trap' where children and young people growing up in families unable to keep up with payments on credit miss out on the basics, and take out more credit to pay for necessities; 10% of families said they had taken out credit to pay for food for their children, 18% for clothing, and 6% for heating.

This may be particularly relevant because of the potential link to research noted above on the importance of family socialisation for young people's future capability. Over-indebted households may find it challenging to show good examples of financial capability. Our research has shown that young people aged 15–17 were more likely to be financially capable if they grow up in a family that is usually able to pay the bills and have money set aside for emergency expenses.[162]

The Children's Society report also finds that living in homes with problem debt can damage children's relationships with their peers. More than half of children aged 10–17 in families with problem debt said they had been embarrassed because they lacked the things that their peers had, and nearly one in five say they had been bullied. While the impact of these experiences is not clear, and is likely to be complex and varied depending on children's wider strengths, skills, and risk and protective factors in their environment, it is possible making good financial choices in these circumstances may be challenging for some children and young people.

International research has also echoed messages about the negative impact of parental debt on children. For example, a US study used longitudinal databases to show that greater total parental debt was associated with poorer child socio-emotional wellbeing. However, this association varied by type of debt; higher levels of home mortgage and education debt were associated with greater socio-emotional wellbeing for children, whereas higher levels of and increases in unsecured debt were associated with lower levels of and declines in child socio-emotional wellbeing.[163] Given the links shown earlier between social-emotional skills and lower levels of financial capability, this provides further evidence of the many complex challenges that may be faced by children growing up in over-indebted homes, which may impact on their own financial capability and outcomes later in life.

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[157] *Over-indebtedness* in the UK – 2017 statistics (MAS, September 2017), available at https:// www.moneyadviceservice.org.uk/en/corporate/debt-publications

[158] Ibid.

[159] *Financial resilience segmentation conference slides; The Squeezed Segment* (MAS, May 2016), available at https://www.moneyadviceservice.org.uk/en/corporate/research

[160] *Right Place, Right Time – Helping people with their finances when they need it most* (MAS, November 2017) , available at: www.moneyadviceservice.org.uk/en/corporate/research

[161] The Debt Trap: Exposing the impact of problem debt on children (The Children's Society, 2014), available at: https://www.childrenssociety.org.uk/what-we-do/resources-and-publications/publications-library/debt-trap-exposing-impact-problem-debt-ch

[162] The Financial Capability of 15-17 year olds (MAS, October 2013) , available at: www.moneyadviceservice.org.uk/en/corporate/research

[163] Parental Debt and Children's Socioemotional Well-being (American Academy of Pediatrics, 2015), available at: http://pediatrics.aappublications.org/content/early/2016/01/20/peds.2015-3059

'Deep dives' into our CYP FinCap Survey data confirmed that the associations between living in an over-indebted family and financial capability are negative. There are strong links between children living in over-indebted families and being less likely than their peers to prefer not to borrow, to understand interest rates, or to have money in appropriate financial products. Weaker negative links are also found with other elements of ability and mindset, such as understanding money has a value, and the difference between needs and wants.

As might be expected, the majority of these links are explained when other demographic variables are controlled for (including family income, parent's educational attainment and parent's occupation). This is not surprising given that living in an over-indebted household acts as a proxy measure for, and is highly correlated with, low income.

Interestingly however, a small number of links do remain even when controlling for factors including household income suggesting that living in an over-indebted household still has something of an impact regardless of household income. It is still linked negatively to the child's understanding that money has value, their anxiety with money, their understanding of the differences between needs and wants and whether they ask for things repeatedly.

Money Advice Service financial resilience segmentation

As part of our 'deep dives' into the CYP FinCap Survey, we explored the links between MAS financial resilience population segments and financial capability.[164]

The Money Advice Service financial resilience segmentation groups people[165] according to their level of financial resilience, namely the ability to withstand income shocks based on income and savings levels, financial protection (such as life or health insurance), credit card usage and demographics.

It is used by the Money Advice Service to create an understanding of the different needs of different consumers, to improve policy targeting and to facilitate co-operation between different organisations by providing a common language. In this study, children and young people have been segmented according to their responding parent's segment. The financial resilience segmentation therefore reflects the household in which they are growing up.

The segmentation consists of three broad categories: **struggling** (the most vulnerable group); **squeezed**; and **cushioned** (the most financially resilient group). The two main vulnerabilities we define in terms of the segmentation are:

- whether the child belongs to a **struggling** family; and,
- whether the child belongs to a **struggling** or **squeezed** family.

We also use a further level of MAS segmentation to assess whether the family can be considered an 'over-burdened family' and to take into account the life-stage of the parents: under 35 years old ('younger family'), middle-aged ('working family') or around pre-retirement age ('older family').

Analysis of our segmentation shows there are more than 3.3m squeezed younger families and couples and more than 1.3m struggling working families with dependent children in the UK. The regions with the greatest proportion of squeezed families are Yorkshire & the Humber, North-West England, Wales, and the West Midlands. The local authority/council areas with the greatest proportion of squeezed families are Pendle, Blackburn with Darwen (both around 12.7%) Hyndburn, Bradford, Luton, Slough, and Burnley (all between 11–12%). Dungannon (10.6%), Cookstown (10.1%) and Magherafelt (9.7%) come highest in Northern Ireland, Merthyr Tydfil (10.3%) and Rhondda Cynon Taf (9.6%) in Wales (these are all in the top 20), and Midlothian is the area in Scotland with the highest proportion of squeezed families, though at 7.4% this comes some way down the list.

London is the region with the lowest proportion of squeezed families among the population, yet interestingly is the region with the **highest** proportion of struggling working families, followed by Northern Ireland, and the West Midlands. Newham is the local authority area with by far the highest proportion of struggling families in the local population (8.45%), with Barking & Dagenham next (7.1%), then Birmingham, Luton, and Bradford (all >5%).

Derry has the highest proportion of struggling families of council areas in Northern Ireland (4.4%), with Belfast, Craigavon, Dungannon, Strabane, and Limvady all between 3.76-3.88%. Merthyr Tydfil at 3.24% is highest in Wales, followed by Newport at 3.05%. North Ayrshire (2.87%) and North Lanarkshire (2.66% have the highest proportions of struggling families in Scotland.

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[164] *Market Segmentation - An overview* (MAS, May 2016), available at: www.moneyadviceservice.org.uk/en/corporate/research

[165] Individuals are grouped using CACI's existing Fresco segmentation model.

We found that children growing up in families that are less financially resilient (ie, they cannot withstand an income shock easily) demonstrate poorer financial capability on average. Results seem to suggest that falling into any segment other than 'cushioned' is sufficient to make a child vulnerable to poor financial capability.

The links found between financial capability and growing up in a **struggling** family;[166] in a **squeezed** family;[167] or in an **overburdened** family are similar, and negative. Most links are relatively weak, but the strongest links are found for:

- financial capability indicators related to Ability, including knowledge and being able to read a bank statement; and,
- whether the child has access to financial products (ie, the child has a bank account or money in financial products).

Children growing up in 'squeezed' families are also less likely to track spending, be able to manage money or an allowance, or earn regular money. In squeezed young families, there are also strong negative connections to being anxious about money, preferring not to borrow, and having experience of paying for things in shops, though there is a positive link to saving up money more frequently.

Interestingly, the links we found between growing up in an older squeezed family and financial capability are positive, and in some cases strong. Children growing up in an older squeezed family are more likely than their peers to have a bank account and appropriate financial products, be able to read a bank statement, have experience of paying for things in shops. There are also weaker positive links to financial knowledge.

As might be expected when accounting for a child's background, family income goes some way to explaining the links found above. This is unsurprising given that income is one of the factors considered in the financial resilience segmentation, with low income families more likely being considered struggling or squeezed.

However, family income alone does not fully explain the links we have observed. Even when we control for family income, there are still some small differences in the levels of financial capability between those in struggling or squeezed segments, and those not. They are still less likely to have a bank account, use their bank account or pay for things online.

SUMMARY

Our analysis has revealed strong and important links between parents' actions with money and financial capability, and the financial capability of their child, particularly in relation to the child's mindset about money.

Children with better financial capability tend to: receive regular money (regardless of the amount), have responsibility for saving and spending decisions. They have parents who discuss where household income comes from, are very confident talking to their children about money, and often show the child how to complete money-related tasks.

Children whose parents are financially capable themselves – especially those who save regularly, are able to pay an unexpected bill, are very confident about managing money, and set rules about money for their children – also tend to do better in many areas of financial capability.

The links revealed provide useful pointers for designing interventions, in identifying parental behaviours that may be most beneficial to support parents to do, to help their children, such as giving regular money and responsibilities. However, they also provide valuable considerations for targeting of 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.

[166] Relative to living in a squeezed or a cushioned family.
[167] Relative to living in a cushioned family.

3.6. Environmental factors – wider social and community context

Vulnerability is not only about the characteristics and skills of a child and their immediate family environment. The wider social and community context in which they live may also play a role in their financial capability.

Role of Peers

Our literature review found that financial socialisation has an impact on financial capability, but that research on this topic tends to be focused on the role of the family, and the role of peers and other influences needs to be considered further.

For example, research undertaken by MAS in 2014 found that the stories of 22- to 29-year-olds and the state of their finances could be a positive influence on the behaviour of young people aged 16–21.[168] This research also found however that social pressure played a role in young people choosing to make poor money decisions in their early years of financial independence, particularly in relation to saying 'yes' to opportunities to socialise that had costs involved, the normalisation of debt, and seeking immediate gratification being an accepted way of living. Yet talking about money remained a taboo for most young people, so behaviours that impacted financial wellbeing were often influenced without explicit discussion of the money-related factors involved.

Our CYP FinCap Survey also indicated an important role of peers:

- 30% of 7- to 17-year-olds say they talk to their friends about money.
- 55% of 11- to 17-year-olds sometimes or often think about whether their friend would approve of any item they want before they buy it.
- 51% of 7- 17-year-olds agree that they don't like it when their friends have things they don't have.

Gambling

There appears to be very little research on the role of financial capability in gambling by young people, but what does exist suggests that young people who gamble tend to experience poor outcomes, and that gambling tends to co-occur with multiple other vulnerabilities and social pressures.

Our literature review found that while reasons stated by young people for gambling included winning money, having fun, and socialising, young adult males who gamble tend to experience poor school performance, financial strife, disrupted family relationships and have higher rates of antisocial and offending behaviour.[169] A Canadian study found that two-thirds of gambling in young men began when they were experiencing adversity such as abuse, neglect, housing instability and poverty, with gambling providing a way of gaining acceptance and escape from emotional pain.[170]

Recent research by the Gambling Commission examines the gambling behaviour of children, finding that 12% of 11- to 16-year-olds had gambled in the past week prior to the study. Of these gamblers, boys were more likely to gamble (15% of boys, compared to 7% of girls), and also tended to gamble with greater amounts of money (£13 compared to £5 for girls).

It looked at the motivations behind gambling, with the top three being excitement, potential to make money, and that it is entertaining. The finding that 39% of 11- to 16-year-olds could recall their parents/guardians outlining the potential problems of gambling, and 18% recalled a teacher having done so, may be of relevance to future thinking about financial education on this topic.[171]

This research also found a positive link between the amount of money given as pocket money, and the amount spent on gambling.[172]

It seems that gambling at a young age may be an indicator of financial capability need, though further research to understand more about the role of financial capability in supporting young people to make measured choices round risk, including gambling, would be worthwhile.

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[168] *It's time to talk: young people and money regrets* (MAS, September 2014), available at: www.moneyadviceservice.org.uk/en/corporate/research

[169] *Prevalence and correlates of problematic gambling among Danish adolescents* (Kristiansen, SG, Jensen, SM., International Journal of Social Welfare, 23(1), 89-99, 2014)

[170] *Gambling in the Landscape of Adversity in Youth: Reflections from Men Who Live with Poverty and Homelessness* (Hamilton-Wright, S, Woodhall-Melnik, J, Guilcher, SJT, Schuler, A, Wendaferew, A, Hwang, SW & Matheson, FI., International journal of Environmental Research and Public Health, 13, 854, 2016) (Hamilton-Wright et al 2016)

[171] *Young people and gambling 2017* (Gambling Commission, 2017), available at: http://live-gamblecom.cloud.contensis.com/PDF/survey-data/Young-People-and-Gambling-2017-Report.pdf

[172] Ibid.

‘Debtogenic’ urban landscapes

In some literature, the local community and content of the physical environment children grow up in is hypothesised to have a potential impact on their financial capability.

One study suggests that the gambling industry has used loopholes in laws such as planning regulations to create ‘debtogenic’ geographical areas where gambling is socially and culturally normalised, with betting shops, pawn shops, ATMs, and sources of easy credit. They argue the gambling industry targets groups already more vulnerable, including young people, and that approaches focused purely on individuals choosing to self-exclude from gambling establishments will have limited effects.[173]

It is possible that young people growing up in landscapes with more opportunities to spend money in less financially capable ways may face particular challenges, as the opportunity and availability of gambling interacts with environments of peer-pressure, credit availability and family habits. However, this is an area that would benefit from further research.

Financial institutions

For those young people who are vulnerable, a lack of access to appropriate products and services can exacerbate challenges. Action for Children note that financial institutions could do more to help young people, such as simplifying the language they use, offering a more welcoming environment and developing products that have an educational element.[174]

The Children’s Society suggest that indebted families who seek support often receive a sub-standard service, particularly from creditors and their local council, where creditors are not considering how the presence of dependent children can impact a household’s vulnerability.[175] Others have also noted that issues of financial capability are complicated by issues within the marketplace such as the difference in knowledge held by, and information available to, lenders and borrowers.[176]

In work that interviewed both staff and service users, Action for Children found that in an area of high deprivation, doorstep lenders and weekly payment online sites were part of the intergenerational culture, and that young adults were often targeted by doorstep lenders. Over two-fifths of staff interviewed said they knew young service users aged 18–25 who were accessing high-interest credit, with **ease of access** the main reason. Almost three in 10 service users owed over £1000, with a wide acceptance of high-cost credit.[177] There have also been reports of an unquestioning acceptance of high-cost lenders among young people elsewhere.[178]

As the analysis of CYP FinCap Survey findings explored earlier in this report identified a variation in financial products held for many young people including those in low-income homes, living in social housing, and living with a parent with sole parenting responsibility, it is worth considering the availability and rates of access to appropriate financial products in local areas in targeting support.

[173] *Changing behaviours: On the rise of the psychological state* (Jones, R., Pykett, J., & Whitehead, M., Cheltenham, UK; Northampton, MA: Edward Elgar Publishing, 2013)

[174] Action for Children, 2016, op cit

[175] *The debt trap: Exposing the impact of problem debt on children* (The Children’s Society, 2014), available at: http://www.childrenssociety.org.uk/sites/default/files/debt_trap_report_may_2014.pdf

[176] Letkiewicz & Fox, 2014, op cit

[177] *Paying the Price* (Action for Children, 2014) https://www.actionforchildren.org.uk/media/3224/paying-the-price-can-we-help-the-most-vulnerable-young-people-avoid-unmanageable-debt.pdf

[178] Atkinson, 2005, op cit

Financial and economic landscape

How money is used is changing, meaning different skills are needed, at earlier ages. Children have increasing opportunities to spend, increasingly early in life – such as debit cards from age 11, pre-paid cards from age 8,[179] and increased early exposure to advertising of financial products such as loans,[180] and 'pay to win' games advertising.[181]

Concern has been expressed in some literature about the impact of 'consumer culture' on children's lives. Some publications criticise the alleged 'commercialisation' of childhood and suggest there are negative consequences on children's wellbeing;[182] children are seen as experiencing pressure from the media and peers to replace outdated consumer objects, to seek immediate gratification, and to construct their lives through shopping choices.

This way of thinking about consumer culture can be seen as challenging to long-term planning, investment and saving,[183] though these perspectives are disputed.[184]

These debates provide the backdrop to the suggestion by the Children's Society that the Government should review the case for tighter restrictions on loan advertising seen by children,[185] while another study noted how young people already facing disadvantage through being NEET spoke of how they often felt under pressure to take on debt and to spend; it is suggested that this is one potential path towards vulnerability where self-control of these young people is challenged by the way they experience consumerism.[186]

Other authors writing about financial socialisation suggest financial capability needs to be understood in a culture where younger generations **are encouraged** to spend rather than delaying gratification.[187] This links into the potential role of peers discussed above.

Money management is less visible than ever as the range of payment methods expands and traditional cash management approaches become less important – more than a third of all parents pay their children's pocket money into a digital bank account, including many who give digital currencies for games or credit for online stores,[188] and more than half of 3- to 4-year-olds and more than three-quarters of 5- to 17-year-olds now use a tablet.[189]

This is a challenge, as our research shows that parents tend to talk to their children about money when the opportunity arises, rather than in a planned way, and the opportunities to do so have decreased. The invisibility of money online also means the distinction between real and imaginary transactions may not always be obvious.

It also means that those children who do not have the opportunity to experience both digital and physical uses of money may be disadvantaged later – the impact of having digitally excluded parents does not appear to have been explored. This is especially important when we consider that it has been identified that large areas in Wales, Northern Ireland, Scotland, and the North and South-West of England are likely to be areas with high levels of digital exclusion,[190] and that those living on a low income are much more likely to lack digital skills.[191]

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179 Such as gohenry.co.uk, osper.com.

180 In one survey, more than half of 10-17 year olds said they saw advertising for loans 'all the time' or 'often'. *The Debt Trap: Exposing the impact of problem debt on children*, (Children's Society & StepChange, 2014). http://www.childrenssociety.org.uk/news-and-blogs/press-release/report-reveals-debts-true-damage-children-families

181 A quarter of 12–15 year olds who play games say they see 'pay to win' advertising in all or most games they play, and about a quarter of parents are concerned about their child being pressured to spend money online. Only 16% of 8-11s and 31% of 12–15s in 2015 were able to correctly identify advertising displayed in online search results, and less than half understood that advertising could be personalised to them. *Children and Parents: Media Use and Attitudes Report 2015* (Ofcom, 2015), http://stakeholders.ofcom.org.uk/binaries/research/media-literacy/children-parents-nov-15/childrens_parents_nov2015.pdf

182 eg The Children's Society, 2014; Born to Buy: the commercialised child and the new consumer culture (Schor, J., New York: Scribner, 2004)

183 Consuming life (Bauman, Z., Cambridge; Polity, 2007)

184 Spatial Biographies of Children's Consumption: Market places and spaces of childhood in the 1930s and beyond (Cook, D. T., Journal of Consumer Culture, 3(147), 2003); The Material Child (Buckingham, D., Cambridge and Malden, MA: Polity Press, 2011)

185 The Children's Society (2014), op cit

186 Dolphin (2012), op cit

187 Letkiewicz & Fox (2014), op cit

188 Death of Pocket Money (Payments Council, 2015, and Intelligent Environments 2015) https://www.intelligentenvironments.com/death-of-pocket-money-more-parents-than-ever-pay-children-digitally/

189 This is an increase from 39% and 64% respectively in 2014, with the biggest increase since last year in the 5-7 year old age-group (up 15 percentage points to 69%). 40% of 5-15 year olds have their own tablet, and 24% of 8-11s and 69% of 12–15s now own a smartphone. Children and Parents: Media Use and Attitudes Report 2015 (Ofcom, 2015) http://stakeholders.ofcom.org.uk/binaries/research/media-literacy/children-parents-nov-15/childrens_parents_nov2015.pdf

190 2017 map showing the overall likelihood of digital exclusion, available at: http://heatmap.thetechpartnership.com/

191 31% of people who earn less than £9,500 a year do not have all five basic digital skills, compared to 4% of those earning over £75,000 a year. Basic Digital Skills: UK Report 2015 (Go ON UK, 2015), available at: https://s3-eu-west-1.amazonaws.com/digitalbirmingham/resources/Basic-Digital-Skills_UK-Report-2015_131015_FINAL.pdf

In addition, many young people may face more complex money challenges on entering adulthood than recent previous generations. Higher education costs have increased, the benefits young people can access are changing, the costs of renting or a mortgage have risen, and some analysis suggests young people have been disproportionately affected by falling wages and diminishing job prospects over the past decade.[192] For some young people, money may be tighter than at other times in the recent past, and so there is less room for making money mistakes in the transition to adulthood.

These are considerations that may be worth considering when designing support for children and young people identified as in greater need in earlier sections of this needs analysis. Trends and changes in policy, population, society and technology relevant to children and young people's financial capability will be examined in more depth in our Landscape Analysis to be published at a later stage in the development of our commissioning approach.

Financial Education

Our CYP FinCap Survey asked children and young people whether they had received financial education in school. Analysis of the difference in financial capability between those children who reported that they had received financial education and those who had not showed that having received financial education in school has a small but **positive** link with financial capability.

There are relatively few links between financial education and financial capability, but children who say they have received financial education in school are likely to do better on some measures of financial knowledge and ability, confidence, talking about money, having a bank account, and some measures of behaviour such as saving up frequently. The strongest links between specific subjects and better financial capability were found for children who had received financial education as part of personal, social, health and economic (PSHE) education.

The majority of these links remain even when we account for a child's background (including gender, family income, parent's educational attainment, parent's occupation) and the type of school they attend.

We also considered the value of financial education for those children with at least one vulnerability identified through our survey 'deep dives' and covered earlier in this document. Financial education seems to have a small positive link to better financial capability for children with vulnerabilities – those who recall having received financial education in school display slightly better financial capability than those who do not. This relationship is strongest for children with poor behavioural or social-emotional skills.

To investigate whether financial education is **more effective** for children with or without vulnerabilities, we compared the strengths of the relationships between financial education and financial capability for the two groups. This found that the link between financial education and better financial capability is similar in strength for children with or without vulnerabilities. The implications of this are that having received financial education alone as it is currently delivered in schools is not likely to be sufficient to close the gap in financial capability between children with or without vulnerabilities.

SUMMARY

Children and young people's financial capability is likely to be influenced by factors around them beyond their own skills, characteristics, and their families. Their peers and social environments may influence their behaviour, and may be worth considering as factors potentially impacting on children who are vulnerable in other ways, and in the design of support for specific cohorts. The changing nature of the economic and consumer landscape in which children and young people are growing up is also vital to consider in developing support that remains relevant and useable.

However, there is limited robust evidence around the specific effects of social and community factors, so it is unlikely that these alone would be a sufficient basis for targeting. Further robust research to understand the effects of wider social context on children and young people's developing financial capability would be valuable.

[192] State of the Nation 2014: social mobility and child poverty in Great Britain (Child and Poverty Commission, 2014), available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/365765/State_of_Nation_2014_Main_Report.pdf

Chapter 4: Potential vulnerabilities not explored in existing research

There are many characteristics and contexts in which children and young people live that we have been unable to find existing research on, or examine in our analysis, but that are worth noting and considering in terms of potential additional financial capability needs.

Further research to understand the nature of the links between these characteristics and contexts and financial capability, and the nature of any unique financial capability needs, would be valuable to inform future targeting and tailoring of support.

Special educational needs & disabilities (SEND)

Just over 1.24m (14% of children) in English schools have SEND.[193] There are more than 105,500 children in Wales with SEND,[194] 76,300 in Northern Ireland,[195] and 170,300 in Scotland considered to have additional support needs.[196]

Our survey and analysis of BCS70 were unable to consider the links between specific types of SEND and financial capability as, while it is possible some aspects of SEND would have been picked up in the question about longstanding illness, information about SEND status was not captured.

Our literature review found no direct research on financial capability of children living with SEND. This is surprising as in the delivery space there are a range of financial education resources available targeted specifically at children with learning difficulties or disabilities, and financial education projects targeting those with sensory impairments.

It also seems likely that the needs of children with SEND may differ from other children, for example in the way they learn best, optimal methods of delivery, the nature of support required to overcome challenges to access resulting from mobility or sensory impairments, and the life context support should be tailored to, such as learning how to manage Personal Independence Payment and other financial support that may be available.

There are however reports that show that some young people with additional needs may be more vulnerable to exploitation – for example, a young man with autism spectrum disorder:

> *"I would have people phoning me constantly … It was my idiocy in the first place by lending them the money. So, it is my fault that I didn't get the money back … I actually ended up getting a lot more taken off me…"*[197]

Recent research in the US has further explored the topic of financial capability among young adults with autism spectrum disorder.[198] Interviews with 27 young adults aged 16–25 found they see financial management as key to independence, but worry about their skills, and believe a lack of skill, is a barrier to independence. It is hypothesised that a focus on improving financial capability and confidence may therefore enable more successful transitions to adulthood.[199]

It seems reasonable to consider more broadly too that those young people who require extra support to transition to adulthood may benefit from tailored help on financial capability as part of this. It is also important to note the connections between SEND and other characteristics we have explored; for example, boys are more likely than girls to be categorised as having SEND; children with SEND are more likely to be eligible for free school meals; and there are some ethnic groups who are over-represented among children with SEND, such as travellers of Irish heritage and Gypsy/Roma children.[200]

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[193] *Special educational needs in England: January* 2017 (DfE, 2017), available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/633031/SFR37_2017_Main_Text.pdf

[194] Pupils with special educational needs by local authority, region and type of provision (StatsWales, 2017), available at: https://statswales.gov.wales/Catalogue/Education-and-Skills/Schools-and-Teachers/Schools-Census/Pupil-Level-Annual-School-Census/Special-Educational-Needs/pupilssen-by-localauthorityregion-provision

[195] Special Educational Needs (Northern Ireland Audit Office, 2017), available at: https://www.niauditoffice.gov.uk/publications/special-educational-needs

[196] High Level Summary of Statistics Trend Last update: December 2016 Additional Support Needs (Scottish Government, 2016), available at: http://www.gov.scot/Topics/Statistics/Browse/School-Education/TrendSpecialEducation

[197] Kelly et al, Queen's University Belfast, 2016, quoted in http://www.coramvoice.org.uk/sites/default/files/999-CV-Care-Leaver-Rapid-Review-lo%20%28004%29.pdf

[198] Financial Capabilities Among Youth with Autism Spectrum Disorder (Cheak-Zamora, NC, Teti, M, Peters, C, Maurer-Batjer, A. Journal of Child and Family Studies, 26(5), 1310-1317, 2017); Factors associated with financial literacy among high school students in New Zealand (Cameron, MP, Calderwood, R, Cox, A, Lim, S, Yamaoka, M., International Review of Economics Education, 16, 12-21, 2014)

[199] Learning Financial Literacy Empowers Young Adults with Autism (Robots4Autism, 2017), available at: https://robots4autism.com/news/learning-financial-literacy-empowers-young-adults-with-autism/

[200] Special educational needs in England: January 2017 (DfE, 2017), available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/633031/SFR37_2017_Main_Text.pdf

Research has shown that families with children with complex conditions are more likely to experience financial difficulties, which, given the links we have shown between living in over-indebted or struggling or squeezed homes and financial capability, may have a negative effect.

There has also been some research around adult financial capability for people with disabilities, which may offer opportunities to learn from, highlighting, amongst other things, that adults with disabilities are less likely to own a computer and have access to appropriate financial products and information at home.[201]

Mental health

The Mental Health Foundation estimates one in ten children and young people aged 5–16 have a clinically diagnosable mental illness, and one in five adolescents may experience mental health difficulties in any given year.[202] Around half of all mental health problems are established by age 14, and three-quarters by age 24.[203] Some 2 million children in the UK are estimated to be living in homes where a parent has a common mental disorder.[204] There are some indications that some areas of the UK may have higher rates of mental health challenges within their populations, for example rates of mental ill health are estimated to be 25% higher in Northern Ireland than the rest of the UK.[205]

The links between money and mental health in adulthood are beginning to be widely explored. The majority of people with mental health problems, while unwell, have spent more than usual (93%), found it hard to make financial decisions (92%), put off paying bills (74%), and avoided dealing with creditors (71%). People with mental health problems are about four times more likely to be in arrears with their gas and electricity bills than those without, and are more likely to be in problem debt.[206] More than half of MAS's debt advice clients have a mental health condition,[207] and our analysis of research has shown many of those who are in debt have suffered mental health impacts, with almost two-fifths feeling anxious, for example, and three in ten depressed.[208]

While our analysis of BSC70 has explored mental health in adults and demonstrated a relationship with financial outcomes, there is no existing research on how the relationship between money and mental health develops through childhood and adolescence, and the role one plays in helping or hindering wellbeing in the other. There also appears to be no research looking at how the effects of mental health issues experienced by parents alongside more complex challenges such as over-indebtedness may impact on children, though there are associations between parental mental health issues and parenting challenges, including in some cases an increased risk of abuse or neglect, especially where other factors such as domestic abuse and/or substance misuse are also present.[209]

[201] *Disabled People and Financial Wellbeing (*Scope, 2013) https://www.scope.org.uk/Scope/media/Documents/Publication%20Directory/Disabled-people-and-financial-well-being-information-and-advice-1.pdf?ext=.pdf

[202] Children and young people (Mental Health Foundation), available at: https://www.mentalhealth.org.uk/a-to-z/c/children-and-young-people The latest data on prevalence over mental health issues among children and young people, including information on emotional and behavioural difficulties, is from 2004; more up-to-date information is anticipated to be published in 2018. http://digital.nhs.uk/catalogue/PUB06116#page=21

[203] Mental health statistics: children and young people (Mental Health Foundation), available at: https://www.mentalhealth.org.uk/statistics/mental-health-statistics-children-and-young-people

[204] Parental mental health: How to help children living with parents with mental health problems (NSPCC), available at: https://www.nspcc.org.uk/preventing-abuse/child-protection-system/parental-mental-health/

[205] Child and Adolescent Mental Health in NI (NICCY, 2017), available at: http://www.niccy.org/media/2810/niccy-scoping-paper-mental-health-review-apr-2017.pdf

[206] Money and Mental Health: The Facts (Money and Mental Health Policy Institute, June 2017), available at: http://www.moneyandmentalhealth.org/wp-content/uploads/2017/06/Money-and-mental-health-the-facts-1.pdf

[207] Media comment: Response to Mind mental health research (MAS, April 2016), available at https://www.moneyadviceservice.org.uk/en/corporate/media-comment-mind-research-on

[208] Money on the mind: a nation feeling the cost (MAS, October 2017), available at https://www.moneyadviceservice.org.uk/en/corporate/money-on-the-mind--a-nation-feeling-the-cost/preview

[209] Parental mental health: How to help children living with parents with mental health problems (NSPCC), available at: https://www.nspcc.org.uk/preventing-abuse/child-protection-system/parental-mental-health/#

LGBT

According to 2015 ONS estimates and analysis by the Children's Commissioner for England, there are more than 240,000 young people aged 16–24 who identify themselves as gay, lesbian or bisexual in the UK – around 3.3% of the population this age.[210]

Unison, a trade union, passed a motion in 2016 on the need for further research into the financial capability of the LGBT community, noting that there are factors such as homelessness, bullying in school, and poorer physical and mental health, that can impact on financial capability.[211] There is little research on this area, and there may be scope for further research to understand whether these factors do impact on financial capability.

Religion and belief

According to 2011 Census data, of the children (aged 0–17) in England and Wales, more than 6 million are Christian; more than 980,000 are Muslim; 168,000 Hindu; 98,000 Sikh; 59,000 Jewish; 34,000 Buddhist; and 24,000 of another religion. A further 3.6 million have no religion, and there is no religion stated for some 940,000.[212] The number of people, including children, listed as having no religion is rising – 40% of those with no religion are under the age of 25.

Christians tend to have the oldest age profile of any religious group with only 25% under 25, while almost half the entire Muslim population is under the age of 25. Some areas have much greater proportions of the population from one religion than average – for example, more than 30% of the population in Tower Hamlets and Newham are Muslim; more than 25% of the population in Harrow is Hindu; more than 10% of those in Slough are Sikh; more than 15% of the population in Barnet is Jewish.[213]

In Northern Ireland, also using 2011 Census data, there are 195,000 children and young people (aged 0–17) who are Catholic; 156,000 who are Protestant and other Christian; just over 3,000 of other religions; 47,000 with no religion; and 32,000 where no religion is stated.[214]

Looking at under-18s in Scotland, on 2011 Census data, there were 228,000 children listed as Church of Scotland; 160,000 Roman Catholic; just over 43,000 other Christian; nearly 25,000 Muslim; 2,800 Hindu; 2,300 Sikh; 1,300 Buddhist; 700 Jewish; and 1,300 of other religions. A further 495,000 children are listed as having no religion – the largest group – and no religion is stated for some 83,000 children.[215]

We have not found any research that looks specifically at any relationship between different financial capability needs and religion for children and young people, or even how religion may relate to considerations for design and delivery of financial education. While we are not aware of any evidence at present to suggest that children from any or no religion may have greater needs than others, there does appear to be some research looking at links between religion and economic wellbeing, and sometimes financial literacy, of adults.[216] The findings of these studies seem very uncertain and often contradictory however, sometimes finding a positive link between religious beliefs and communities and financial outcomes, and other times finding no link, a negative link, or that some religious groups may fare better than others in terms of economic outcomes in some contexts. It is therefore difficult to say whether religion could ever be a good basis for targeting support.

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210 Estimating the number of vulnerable *children (29 groups)* (Children's Commissioner, July 2017), available at: https://www.childrenscommissioner.gov.uk/wp-content/uploads/2017/07/CCO-TP3-Numbers-in-29-Groups-Alma-1.pdf

211 Motion to Unison LGBT Conference, 26 July 2016, on LGBT Financial Capability, available at https://www.unison.org.uk/motions/2016/lgbt-members/lgbt-financial-capability/

212 Full story: What does the Census tell us about religion in 2011? (ONS, May 2013), available at: https://www.ons.gov.uk/peoplepopulationandcommunity/culturalidentity/religion/articles/fullstorywhatdoesthecensustellusaboutreligionin2011/2013-05-16#religion-by-age-and-sex

213 Religion in England and Wales 2011 (ONS, December 2012), available at: https://www.ons.gov.uk/peoplepopulationandcommunity/culturalidentity/religion/articles/religioninenglandandwales2011/2012-12-11

214 Religion by Age statistics from Census 2011 (NISRA,2011) http://www.ninis2.nisra.gov.uk/public/Theme.aspx?themeNumber=136&themeName=Census+2011; detailed files available here: http://www.ninis2.nisra.gov.uk/Download/Census%202011/DC2116NI%20(a).zip

215 Table DC2107SC - Religion by sex by age (Scotland's Census 2011 - National Records of Scotland) http://www.scotlandscensus.gov.uk/ods-web/standard-outputs.html

216 For example, Luc Renneboog and Christophe Spaenjers 'Religion, Economic Attitudes, and Household Finance' Oxford Economic Papers 64/1 (2012) (available at SSRN: https://ssrn.com/abstract=1406488) found using Dutch household survey data that religious households were more likely to save, and that some religions such as Catholicism attach particular importance to thrift and risk aversion; Annamaria Lusardi and Olivia S. Mitchell Financial Literacy Around The World: An Overview (NBER, June 2011) (available at http://www.nber.org/papers/w17107.pdf) found those from minority religions in the Netherlands were more likely to have low financial literacy (though it is not clear if this controlled for other factors); Mohamad Fazli Sabri, Pathways to financial success: Determinants of financial literacy and financial well-being among young adults (January 2011) (available at: https://www.researchgate.net/publication/254611017_Pathways_to_financial_success_Determinants_of_financial_literacy_and_financial_wellbeing_among_young_adults) found that religion was associated with better financial literacy for college students in Malaysia but that parents' influence played a greater role; Michael Hanna, Robert Hill, Grady Perdue, 'Religion and financial literacy', Journal of Academy of Business and Economics 10/5 (July 2010) (available at: http://www.freepatentsonline.com/article/Journal-Academy-Business-Economics/261081018.html) found that despite a number of other studies pointing to a role of religion, a small survey of US college students did not find a link between religion and financial literacy.

Religion/belief would seem to be a factor of children's experiences and environments worth considering in the design and delivery of financial education, however, not least to ensure education is inclusive of and open to those from different or no faith backgrounds. There are some obvious areas of difference for some faiths, for example the religious prohibition Islam places on borrowing that involves payment of interest,[217] which would seem to be a clear consideration for anyone working with Muslim children and young people.

There may however be far more nuanced considerations – the values and traditions associated with different religions may link directly to the use of money. For example, some religions or belief systems may place an emphasis on individual or collective charitable giving, on frugality, on a particular vision of fairness, justice, or support for those facing poverty, or may have different attitudes to risk. In this context it is worth noting many faith organisations are very active in delivering financial education and financial capability support, often informed by their values.

It is also possible that families who are very active within a religious community may have direct access to a network of support in times of difficulty, or that those with a strong faith or belief may find this helps resilience in facing some challenges,[218] though there seems to be no evidence looking at this in a financial context, considering any different or added value of religious communities compared to other communities of interest or support, and no evidence to suggest the extent to which children from different religions may have different experiences with money. At this stage it would therefore be speculative to suggest a specific need associated with religion, but more research on this topic could be of use in understanding more about any relationships that may exist.

Offending behaviour, gangs and youth violence

In England and Wales in 2016/17, there were 16,500 first-time entrants to the youth justice system (age 10–17), 28,400 children and young people were cautioned or convicted, and 1,600 were sentenced to custody. More than 4 in 10 children and young people reoffended, higher than rates in the adult system and a figure that has been increasing in the past decade.[219] BME young people are over-represented. There were 4,000 proven offences involving a knife or other offensive weapon, a potential indicator of involvement or risk of involvement in gangs or violence. It is estimated that in 2013/14 nearly 1 in 10 children aged 10–15 and 1 in 20 young people aged 16–24 said they knew a member of a street gang, and less than 1% said they were themselves a member.[220] This could mean than more than 46,000 young people in England & Wales are involved in gangs.[221]

In Scotland as at end May 2017, there were 46 under-18s in custody. In 2015/16 there were just over 2,200 12- to 18-year-olds prosecuted in Scottish courts, of whom 20 were aged under 16. There were 92 young people aged under 18 convicted of handling an offensive weapon. These figures have all reduced significantly over the past decade.[222]

There were 139 young people in custody in Northern Ireland in 2016/17, and 1,539 referrals to Youth Justice Services (YJS) and 893 individual young people involved with YJS. Almost 9 in 10 of those in custody and 8 in 10 of those referred to YJS were male, and more than 4 in 10 of those in custody and nearly a third of those involved in referrals were aged 17.[223]

Our survey and analysis of BCS70 were unable to consider the links between offending behaviour in childhood and financial capability, as information about offending behaviour as a child was not captured. We were able to look at distance from the criminal justice system as an adult outcome (whether the individual has had no experience of police cautioning, warning or arrest, and has not received a conviction in criminal court) and find it is linked to pension saving, financial self-assessment and regular saving.

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[217] *Black, Asian and minority ethnic Financial Capability* Best Practice Guide (Citizens Advice, 2015), available at: https://www.citizensadvice.org.uk/Global/Public/Education%20resources/Financial%20capability/Trainer%20guidance/Best%20practice%20guides/Best%20Practice%20Guide%20-%20BAME.pdf

[218] The impact of spirituality on mental health: a review of the literature (Mental Health Foundation, 2006) https://www.mentalhealth.org.uk/sites/default/files/impact-spirituality.pdf

[219] Youth Justice Statistics 2016/17: England and Wales (Youth Justice Board / MoJ, January 2018), available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/676072/youth_justice_statistics_2016-–17.pdf

[220] ONS response to Freedom of Information request, available at: https://www.ons.gov.uk/aboutus/transparencyandgovernance/freedomofinformationfoi/gangsintheuk

[221] Estimating the number of vulnerable children (29 groups) (Children's Commissioner, July 2017) https://www.childrenscommissioner.gov.uk/wp-content/uploads/2017/07/CCO-TP3-Numbers-in-29-Groups-Alma-1.pdf

[222] Youth Justice Strategy 'Preventing Offending: Getting it right for children and young people' - Progress Report (Scottish Government, June 2017) http://www.gov.scot/Publications/2017/06/3198/3

[223] Youth Justice Agency Annual Workload Statistics 2016/17 (Department of Justice, September 2017), https://www.justice-ni.gov.uk/sites/default/files/publications/justice/yja-workload-stats-2016-–17-edited02102017.pdf

Our literature review did not find any research looking explicitly at the link between offending in young people, including gang involvement, and financial capability, though a systematic review found strong associations between serious and persistent crime in young people and later (young adult) debt or financial problems.[224]

However, research has been conducted that shows money playing a clear role in the complex values and contexts that contribute to offending behaviour, for example:

> *"Too many times you're seeing, see your mum come back from work crying that it's still not enough money… They say work 9 to 5, don't sell drugs, but yet other young people out there are making a hell of a lot of money more than my mum."*[225]

> *"I helped them sell drugs... I wasn't thinking about what if I get used as one of these girls and stuff like that, at the time I was thinking money, money, money..."*[226]

There is also already some very limited delivery of financial education for young offenders, though evaluation of the impact of this and how well it meets needs is ongoing. Understanding more about the link between money values and financial capability, and offending behaviour in young people, seems a significant gap in understanding of need.

Two other groups may also be worth considering here – children who are the victims of crime, and those who grow up in homes where a parent is involved in the criminal justice system.

Children and young people are disproportionately likely to be the victims of crime, especially violent and sexual offences. Crime Survey data for England & Wales suggests more than 1 in 10 young people aged 10–15 were the victims of at least one crime in the year to September 2016.[227] Where crimes involve exploitation, theft, or have an impact on a child's wider wellbeing and progress, this factor of a child's experience may well be worth taking into account when delivering financial education support.

There is no official record of children of adults involved in the criminal justice system in the UK, but it is estimated 200,000 children are affected by parental imprisonment across England and Wales; 1,500 children are affected on any given day across Northern Ireland; and 30,000 children face parental imprisonment every year in Scotland. This matters because children who have a parent in prison are more likely to have behavioural issues, to offend themselves, and to do less well in school, all factors which increase their vulnerability in a financial capability context.[228] They may live in homes facing increased financial or housing pressures, have to take on caring responsibilities, and/or have to deal with separation and potential stigma and bullying, which may affect their wellbeing or create unique financial capability needs. Support for children and families of offenders may therefore benefit from considering the role that money may play in their challenges and the value that financial capability may add to their ability to overcome these. However, further research on all aspects of children and families involved in the criminal justice system is required to be able to fully understand the financial capability needs of the different groups explored above.

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[224] *A systematic review of financial debt in adolescents and young adults: prevalence, correlates and associations with crime (*Hoeve, M, Stams, GJJM, Zouwen, M, Vergeer, M, Jurrius, K, Asscher, JJ., PLOS ONE, 9(8), 1- 16, 2014) http://dx.doi.org/10.1371/journal.pone.0104909

[225] James Densley and Alex Stevens, '"We'll show you gang": The subterranean structuration of gang life in London', Criminology and Criminal Justice 15/1 (2015) http://journals.sagepub.com/doi/full/10.1177/1748895814522079

[226] Beckett, H et al "*It's wrong … but you get used to it": A qualitative study of gang-associated sexual violence towards, and exploitation of, young people in England* (University of Bedfordshire, 2013), http://uobrep.openrepository.com/uobrep/bitstream/10547/305795/1/Gangs-Report-final.pdf

[227] *Are we getting it right for young victims of crime? A review of children's entitlements in the victims' code* (Victims' Commissioner, February 2017) http://victimscommissioner.org.uk/app/uploads/2014/10/Are-we-getting-it-right-for-young-victims-of-crime.pdf

[228] *Children affected by parental imprisonment* (Barnardo's): http://www.barnardos.org.uk/what_we_do/our_work/children_of_prisoners.htm

Housing instability and homelessness

Around 41,000 households with dependent children were recorded as statutorily homeless in 2016 in England. Since 2011 there has been an increase in the number of households with dependent children living in temporary accommodation to just over 60,000 in 2016, although this is lower than the previous peak of around 74,000 in 2005.[229] In Wales during 2016/17, around 10,900 households were assessed as homeless. At the end of March 2017, there were just over 2,000 households in temporary accommodation of which 41% were families with children.[230]

In 2016/17, there were around 18,500 households presenting as homeless in Northern Ireland, of which 32% were families including children.[231] There were 17,800 applications for homelessness assistance in Scotland during the six months April to September 2017, and as of 30 September 2017, just over 3,400 households with children or a pregnant household member in temporary accommodation (representing just under a third of all households in temporary accommodation). There were 6,581 children in temporary accommodation on 30 September 2017, an increase of 10% compared to the year previously.[232]

Experiencing homelessness is associated with a range of other issues for children, including an impact on emotional wellbeing, behaviour, and educational attainment.[233] To date we have found very little research that looks at direct links between housing instability (such as risk of eviction, living in temporary accommodation) or homelessness and children's financial capability, however. Our survey and analysis of BCS70 did not consider these characteristics. However, we could hypothesise that connected factors such as low income and/or over-indebtedness, as well as links to behavioural, emotional and mental health difficulties, or poor educational attainment, may have an impact.

In the one study our literature review found that explored homeless youth and financial capability, the authors focus on how economic activity tends to be flexible on the street, responding to being excluded from the formal economy with multiple patterns of money making. This group of young people may be particularly vulnerable to engaging with money in ways that are not legal.[234] However, there seems to be little existing research exploring the nature of vulnerability in a financial capability context.

Living in homes in receipt of benefits

While our analysis has been able to consider the effect of an unemployed parent on financial capability, the specific impact of growing up in households where parent(s) are mainly reliant on benefits as a source of income has not been explored. With the introduction of Universal Credit and ongoing work to support recipients to develop their financial capability, there may be scope to seek to understand more about how the spending patterns and financial behaviours of these parents may impact on their children, both positively and negatively.

Substance misuse and risky behaviours

The number of children and young people in the UK receiving help for substance misuse issues is in decline, currently standing at 17,000.[235] Up to 3.5 million children in the UK live in homes where there is alcohol misuse.[236] The number of children living in homes where parents use illegal drugs is harder to estimate, but some studies have suggested up to 5% of children in Scotland and 2–3% of children in England & Wales may be living in homes where parents misuse drugs.[237] Importantly, there are associations between substance misuse and other potential vulnerabilities, such as mental health issues, and it is more common in areas with higher deprivation; once again multiple potential risk factors can tend to cluster.

We have identified no existing research that considers the potential links between substance misuse and financial capability, either when a young person is misusing substances themselves, or where they are growing up in a home where addiction is a

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[229] *Improving Lives: Helping Workless Families* (DWP, April 2017) https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/621364/improving-lives-helping-workless-families-web-version.pdf

[230] *Homelessness in Wales 2016–17* (Welsh Government, 2017) http://gov.wales/docs/statistics/2017/170727-homelessness-2016-17-en.pdf

[231] *Northern Ireland Housing Statistics 2016–17* (Department for Communities, December 2017) https://www.communities-ni.gov.uk/sites/default/files/publications/communities/NI%20Housing%20Statistics%202016-17%20%28pdf%20full%20copy%29%20-%20Jan18_0.pdf

[232] *Homelessness in Scotland: Update to 30 September 2017* (Scottish Government, 2017) http://www.gov.scot/Publications/2018/01/8686/3

[233] Impacts of homelessness on children – research with teachers (Shelter, November 2017) http://england.shelter.org.uk/__data/assets/pdf_file/0011/1474652/2017_12_20_Homelessness_and_School_Children.pdf

[234] Stephen Gaetz and Bill O'Grady, 'Making money: exploring the economy of young homeless workers', Work, Employment & Society, 16/3 (2002)

[235] Rosanna O'Connor, What we know about young people in alcohol and drug treatment (Public Health England blog, January 2017) https://publichealthmatters.blog.gov.uk/2017/01/12/what-we-know-about-young-people-in-alcohol-and-drug-treatment/

[236] Peter Wanless, Putting the spotlight on families facing adversity (NSPCC, March 2018) https://www.nspcc.org.uk/what-we-do/news-opinion/putting-the-spotlight-on-families-facing-adversity/

[237] Children's Needs — Parenting Capacity 2nd edn (Department for Education, 2011) https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/182095/DFE-00108-2011-Childrens_Needs_Parenting_Capacity.pdf

problem. It seems likely that money values and skills may play a role in complex challenges interacting for children and young people who experience substance misuse issues, particularly as substance misuse in young people often co-occurs with other vulnerabilities including experience of exploitation or domestic abuse, being NEET, and/or having a mental health problem.

It also seems likely that experiencing substance misuse – either personally or being indirectly affected by others' addictions – may exacerbate or potentially cause financial challenges, and make financial capability more challenging to achieve. However, there appears to be no current research examining these links.

Experience of exploitation

Money and material possessions are recognised as being potential methods used to exploit children and young people in multiple ways, whether child sexual exploitation,[238] involvement in gangs, or the increasing use of young people as 'money mules'.[239]

The causes of vulnerability to exploitation are complex, and vary according to the nature of exploitation and the profile of the young person being targeted. Financial capability alone is not likely to enable a young person to overcome the multiple challenges likely to be involved in being at risk of exploitation; however, it seems possible that a **lack** of financial capability, particularly for example in terms of awareness of tricks and scams, and holding certain money values, may be a contributing factor. There appears to be no research examining the nature of this relationship or the role financial capability may play in enabling young people to avoid and/or move on from experience of exploitation.

Domestic abuse

It is estimated that 1.8 million children in the UK are currently living in homes where domestic abuse is present.[240] Around 1 in 5 children in the UK have been exposed to domestic abuse at some point, and 1 in 5 teenagers have experienced physical violence in their own relationships with boy/girlfriends. Children who have experienced domestic abuse are more likely to have emotional and behavioural issues, and to be the victim of direct harm themselves.[241]

We are similarly not aware of any research that considers the potential impact on a developing child's financial capability of living in a home where domestic abuse occurs. However, given the links demonstrated between parental role modelling and financial capability, it is possible that growing up in a context where one parent is coercing, controlling or being physically violent towards another, particularly if this involves money, may have a negative impact on the child's expectations and values around money.

There is also a lack of research examining the interplay of financial capability and vulnerability to domestic abuse for young people themselves, though some studies have suggested an alarming rate of young people may think that controlling money is not financial abuse – in one 2005 study of 14- to 18-year-olds in Scotland, 19% of female and 17% of male respondees said that not allowing a partner money for their own use was "just something that happens", and a further 14% and 13% respectively said they didn't know whether it was abuse or not.[242] In a recent attitudes survey in Northern Ireland, only 32% of 11- to 16-year-olds selected 'controlling a partner's money' as something they'd consider to be domestic abuse.[243] One-third of 63 young women aged 16–20 using YWCA services who took part in a survey in 2012 had experienced some form of financial abuse; two-thirds of those who had did not recognise that this was the case.[244]

It seems likely that young people with these attitudes may be vulnerable to poorer financial (and other) outcomes. Further work to understand the attitudes and behaviours that contribute to young people perpetrating or being the target of domestic abuse related to money would be valuable.

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[238] *What parents need to know about the growing trend of 'money mules'* (CIFAS blog, November 2017) https://www.cifas.org.uk/insight/fraud-risk-focus-blog/what-parents-need-to-know-about-growing-trend-money-mules

[239] *Child sexual exploitation – What is child sexual exploitation?* (NSPCC): https://www.nspcc.org.uk/preventing-abuse/child-abuse-and-neglect/child-sexual-exploitation/

[240] *Domestic violence: the most serious child safeguarding concern* (SafeLives policy blog, July 2015): http://www.safelives.org.uk/policy_blog/domestic-violence-most-serious-child-safeguarding-concern

[241] *Domestic abuse: What is domestic abuse?* (NSPCC) https://www.nspcc.org.uk/preventing-abuse/child-abuse-and-neglect/domestic-abuse/

[242] Michele Burman and Fred Cartmel, *Young Peoples* [sic] *Attitudes Towards Gendered Violence* (University of Glasgow, August 2005): http://www.equation.org.uk/wp-content/uploads/2016/02/EQ-LIB-122.pdf

[243] *Young Persons' Behaviour & Attitudes Survey* (Northern Ireland Statistics and Research Agency, June 2017) https://www.nisra.gov.uk/publications/ypbas-publications, p208.

[244] *Young women and financial abuse*, available from http://www.equation.org.uk/wp-content/uploads/2012/12/Young-Women-and-Financial-Abuse.pdf

Refugees, asylum-seekers, and migrant families

The UK gained more than 100,000 children and young people aged 0–19 in 2016 as a result of inward migration,[245] and in 2015, more than a quarter of all births in England & Wales were to mothers who had been born outside the UK.[246]

In 2017, there were more than 2,200 applications for asylum from unaccompanied children in the UK. This is lower than in 2015 and 2016, when there were over 3,200 applications a year, but still higher than numbers in the years 2010–15. In 2017, the greatest number of unaccompanied asylum-seekers under 18 came from Sudan and Eritrea, though there were also more than 200 applications from each of Vietnam, Albania, Iraq, Iran, and Afghanistan. Almost 9 in 10 of these were male, and more than 7 in 10 aged 16–17, with more than 1 in 5 aged 14–15. There are also a significant number of dependent children in asylum seeking families – more than 8,500 in 2016.[247]

Unaccompanied asylum-seeking children (UASC) are placed in the care of a local authority,[248] and most will be looked after by foster carers. Information about the number of UASC being looked after in different countries and regions of the UK seems difficult to find, but as an example, estimates suggested that there were around 4,200 UASC being looked after in England at a snapshot at March 2016.[249]

We have not been able to identify any research that considers the specific financial capability needs of children and young people who are refugees, asylum seekers, or migrants. However, the Children's Society's work on care leavers included a specific focus on UASC, noting that they are at a particularly high risk of homelessness and destitution because of confusion over their immigration status, and face additional vulnerabilities such as being in an unfamiliar country, without family support, and with limited support networks to rely on.[250] Many may have faced extremely challenging and traumatic experiences, loss, and separation during their childhoods or journeys to the UK, have interrupted education, may have additional physical or mental health needs, and/or be at risk of exploitation – though many may also bring considerable resilience, determination and positivity about the opportunities offered in the UK. This combination of factors would seem to suggest UASC are a particularly vulnerable group of young people in relation to financial capability and beyond, who may benefit from support tailored to respond to their unique circumstances.

It is also recognised that asylum-seeking families are often living on very low incomes and face other vulnerabilities such as being at risk of exploitation, which would suggest that specific support around financial capability may be of value.[251]

Migrant families are a hugely diverse group, and many will have high incomes, and adapt quickly to the UK financial system. Some may have unique financial capability needs in terms of adjusting to different economic systems, and social and cultural attitudes and uses of money, and may be at increased risk of financial exclusion,[252] which may impact on children's opportunities to gain the experiences required for financial capability. Further research on the breadth and nature of needs among different migrant children and young people would be useful.

Military families

There is no single definitive record of 'service children', but in 2014 it was identified that there are 86,320 children aged under 18 who were recorded as children of UK regular service personnel, in the UK and overseas.[253]

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245 *Unaccompanied Asylum Seeking and Refugee Children* (ADCS, November 2016) http://adcs.org.uk/assets/documentation/ADCS_UASC_Report_Final_FOR_PUBLICATION.pdf

246 *Population estimates for UK, England and Wales, Scotland and Northern Ireland: mid-2016* (ONS, June 2017) https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/bulletins/annualmidyearpopulationestimates/mid2016

247 *Children in the Asylum System* (Refugee Council, February 2018) https://www.refugeecouncil.org.uk/assets/0004/2701/Children_in_the_Asylum_System_Feb_2018.pdf

248 This may or may not be the LA that received them, as there is a scheme in place to enable transfer of UASC between areas as set out in the National Transfer Scheme Protocol for Unaccompanied Asylum Seeking Children (Department for Education / Home Office, Version 2.0 – March 2018) https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/687226/NTS_Protocol_Final_-_March_2018.pdf

249 ADCS, op cit.

250 The cost of being care free (The Children's Society, September 2016) https://www.childrenssociety.org.uk/what-we-do/resources-and-publications/the-cost-of-being-care-free

251 The truth about asylum (Refugee Council) https://www.refugeecouncil.org.uk/policy_research/the_truth_about_asylum/facts_about_asylum_-_page_1; Jennifer Allsopp, Nando Sigona and Jenny Phillimore, Poverty among refugees and asylum seekers in the UK: An evidence and policy review (University of Birmingham, Institute for Research into Superdiversity, 2014): https://www.birmingham.ac.uk/Documents/college-social-sciences/social-policy/iris/2014/working-paper-series/IRiS-WP-1-2014.pdf

252 Presentation by Dr Kavita Datta (Department of Geography, Queen Mary, University of London), 'Migrants and their money in London' http://www.scnf.org.uk/presentations/prepaid2010/Migrants%20and%20their%20money%20in%20London%20-%20Kavita%20Datta.pdf

253 Ministry of Defence response to Freedom of Information request, available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/406054/PUBLIC_1424367268.pdf

Children growing up in homes with one or more parent serving in the armed forces can experience unique challenges and opportunities. They may experience lengthy separations from a parent; increased anxiety; have caring responsibilities in the home; and encounter frequent changes of school and moving home (including living abroad), leading to disrupted education and a lack of continuity of care for those with additional needs; isolation; and challenges maintaining friendships. While many children may also develop unique skills and resilience in these contexts, research has suggested that some service children tend to underachieve; for example, around 4 in 10 children who have the ability to progress into higher education do not do so.[254]

Their parents may experience unique financial challenges, such as mobility, contributing to poor credit ratings and meaning the non-serving parent finds it difficult to work. Uncertainty in schedules and frequent changes to routines may make planning ahead more difficult. Some families where a parent has served but is no longer doing so may face increased risk of financial difficulties – research by the Armed Forces charity SSAFA with working-age veterans found that the average household income of those seeking support was £13,800pa, and that as a general population household income was likely to be below the national average.[255] Research by the Royal British Legion showed that overall the ex-Service community was **less** likely to be indebted than the population as a whole and potentially more likely to seek advice, but that those under 35, single-parent families, and larger families were at increased risk, with around one in five ex-service families with dependent children reporting experiencing financial difficulties.[256]

These factors may mean that children living in military or former service families may benefit from targeted financial capability support that takes account of their unique circumstances and experiences, though we could not locate any research that has explored the financial capability needs of service children to date.

Rural communities

There is some limited research suggesting that adults in rural communities may face unique financial challenges and be at increased risk of financial exclusion, finding it harder on average to access financial products and services, and to reach sources of help and advice when needed.[257]

It is possible, given the links between parental behaviour and role modelling demonstrated earlier, that children growing up in these communities may face knock-on impacts if parents face additional challenges. A lack of access to support, for example because of restricted transport availability, may also make it harder for those children who have financial capability difficulties to reach sources of extra help.

While there appears to be no research looking specifically at the financial capability needs of children and young people in rural areas, it seems reasonable that the geographical areas in which children and young people live, and the effects of these on appropriate locations and access routes to support, should be taken into account when designing interventions.

[254] *Further and Higher Progression for Service Children* (University of Winchester, 2016) cited by Service Children Progression (SCiP) Alliance https://www.scipalliance.org/research/scip-alliance-research-group

[255] The new frontline: voices of veterans in need (SSAFA, July 2016): https://www.ssafa.org.uk/file/84724/download

[256] The UK ex-Service community: a household survey (Royal British Legion, 2104) http://www.britishlegion.org.uk/get-involved/campaign/public-policy-and-research/the-uk-ex-service-community-a-household-survey/, quoted in Military families and transition (Centre for Social Justice, May 2016) http://www.fim-trust.org/wp-content/uploads/2016/05/MILITARY-FAMILIES.pdf

[257] *How to tackle rural financial exclusion* (Rural Services Network, May 2017) http://www.rsnonline.org.uk/analysis/money-matters-tackling-rural-financial-exclusion

Children born in a particular order among siblings

There is ongoing debate as to the potential role of birth order in influencing children's personalities, abilities, and outcomes. Some theories suggest that the position a child is born within a family – first-born, middle child, youngest, only child etc – may affect his or her character and path in life. Research on this does not appear to provide a definitive answer at present.

Some studies have shown no birth-order effects on personality, though noted that first-born children scored higher on measures of intelligence.[258] Others have found evidence for first-born children faring better in terms of educational, career and health outcomes, as well as in some cases scoring better on non-cognitive skills such as persistence,[259] and that second-born boys are more likely to offend than their first-born siblings, a difference potentially explained by parental time investment.[260]

We are not aware of any current research considering birth order in a financial capability or outcomes context. However, if there **are** differences in educational, employment and other life outcomes, it is possible that children born second or later in a family could be at greater risk of poor financial capability outcomes too.

'Children in need' and families with multiple problems

There are different definitions and legislation across different parts of the UK regarding children whom the state has a duty to support. Here we use the term 'children in need' broadly to encompass children who have additional needs or live in circumstances that warrant support from children's social services, especially those who need help to protect them from harm or to achieve expected levels of development.

In 2016, some 390,000 children received support from Children's Services in England, and 19,000 children received support from Children's Services in Wales. Over 22,000 children received help from Children's Services in Northern Ireland in 2017. In 2015/16, 15,000 children were referred to the Children's Reporter in Scotland, the vast majority on care and protection grounds.[261]

While a relatively large amount of research has focused on the financial capability needs of looked after children and care leavers, we are not aware of any that has considered children growing up on or below the edge of care, who have experienced being on child protection plans or the children in need register, and/or are living in families identified as experiencing multiple problems – such as those receiving services as part of the 'Troubled Families Programme' in England.

It is highly likely these children will experience some of the other vulnerabilities covered in this report – for example, some three-quarters of the families involved in the Troubled Families Programme have been identified as financially excluded and more than two-fifths are workless households.[262] Almost half of Troubled Families keyworkers said that they had provided money or debt support to families.[263]

This specific category is worth noting because of factors that have not been considered elsewhere, such as experience of neglect, which could affect opportunities to learn and experience money management (amongst a much wider range of negative impacts), and because of the significant opportunity offered by the fact that families known to Children's Services will already be receiving support into which financial capability could be added.

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[258] Studies using data on more than 20,000 adults from the UK, US, and Germany: Julia M. Rohrer, Boris Egloff and Stefan C. Schmukle, 'Examining the effects of birth order on personality', PNAS 112/46 (November 2015) http://www.pnas.org/content/112/46/14224; and one looking at 377,000 US high school students: Rodica Ioana Damian and Brent W.Roberts, 'The associations of birth order with personality and intelligence in a representative sample of U.S. high school students', Journal of Research in Personality, vol. 58 (October 2015): https://www.sciencedirect.com/science/article/pii/S0092656615000525

[259] These studies used large administrative datasets in Sweden and Norway: Sandra E. Black, Paul J. Devereux, Kjell G. Salvanes, 'The More the Merrier? The Effect of Family Size and Birth Order on Children's Education', The Quarterly Journal of Economics (May 2005) http://www.econ.ucla.edu/people/papers/Black/Black493.pdf; Sandra E. Black, Erik Grönqvist, Björn Öckert, 'Born to Lead? The Effect of Birth Order on Non-Cognitive Abilities' (IZA Institute of Labor Economics Discussion Paper, February 2017) http://ftp.iza.org/dp10560.pdf

[260] Sanni Breining et al 'Birth Order and Delinquency: Evidence from Denmark and Florida' (2017) http://www.mit.edu/~jjdoyle/BDFK_Delinquency.pdf

[261] These figures are taken from the relevant country statistics pages on the NSPCC website: https://www.nspcc.org.uk/preventing-abuse/child-protection-system/

[262] Supporting disadvantaged families – Troubled Families Programme 2015–2020: progress so far (MHCLG, April 2017) https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/611991/Supporting_disadvantaged_families.pdf

[263] National evaluation of the Troubled Families Programme 2015 to 2020: emerging findings (MHCLG, December 2017) https://www.gov.uk/government/publications/national-evaluation-of-the-troubled-families-programme-2015-to-2020-emerging-findings

Chapter 5: Conclusions

Our work has identified that many children have good levels of financial capability for their age, but there are some areas that all children could benefit from further focus on, including:

- developing good money habits, like regular saving and planning ahead, early;
- depth of understanding around financial concepts and mindsets;
- key knowledge for living independently, at age 16–17; and
- getting experience of using money from an early age, adapting to relevant situations throughout childhood and adolescence, including access to appropriate products.

We have also identified that there may be some needs that are of greater priority in the devolved nations:

- For Scotland, priority needs include enabling children to have greater responsibility over saving decisions, and considering further why fewer young people aim to be financially independent.
- In Wales, encouraging more conversations about finances during childhood may be beneficial (in ways that recognise the higher proportion of parents who consider their bills a burden), as well as again considering the reasons why fewer young people aim to be financially independent.
- Northern Ireland has a number of areas where additional focus may be valuable, including children saving and keeping track, being given financial responsibility, seeing a range of financial transactions taking place, and parents talking about money with their child(ren) on a regular basis.

More widely, we have shown that children who may be considered to be vulnerable in ways not directly related to money are often vulnerable to poor financial capability and poor financial outcomes later in life as well.

This is a vital message for anyone aiming to improve life chances and outcomes for those who face disadvantages. We have shown poor financial capability to co-occur frequently with other challenges from early in life, with negative links strengthening throughout childhood and adolescence. Without addressing this, poor financial capability could go on to exacerbate other challenges and increase people's vulnerability as they enter financial independence and progress through life. Support to strengthen financial capability skills could help reduce other pressures and prevent escalation of challenges, contributing to enabling better outcomes and long-term resilience. It may be particularly vital at the stage before transition to independence, though the groundwork must be laid earlier in life.

The link between financial capability and other vulnerabilities provides opportunities and challenges. It means that there are significant opportunities in working with those who already support vulnerable children and young people to embed financial capability and address another vital aspect of development to prevent poor outcomes and greater risks later in life. However, it also means that financial capability has to be addressed in ways that take into account a range of complex issues that may be occurring for recipients of support, when we do not fully understand how multiple vulnerabilities, strengths, and ever-changing life circumstances interact.

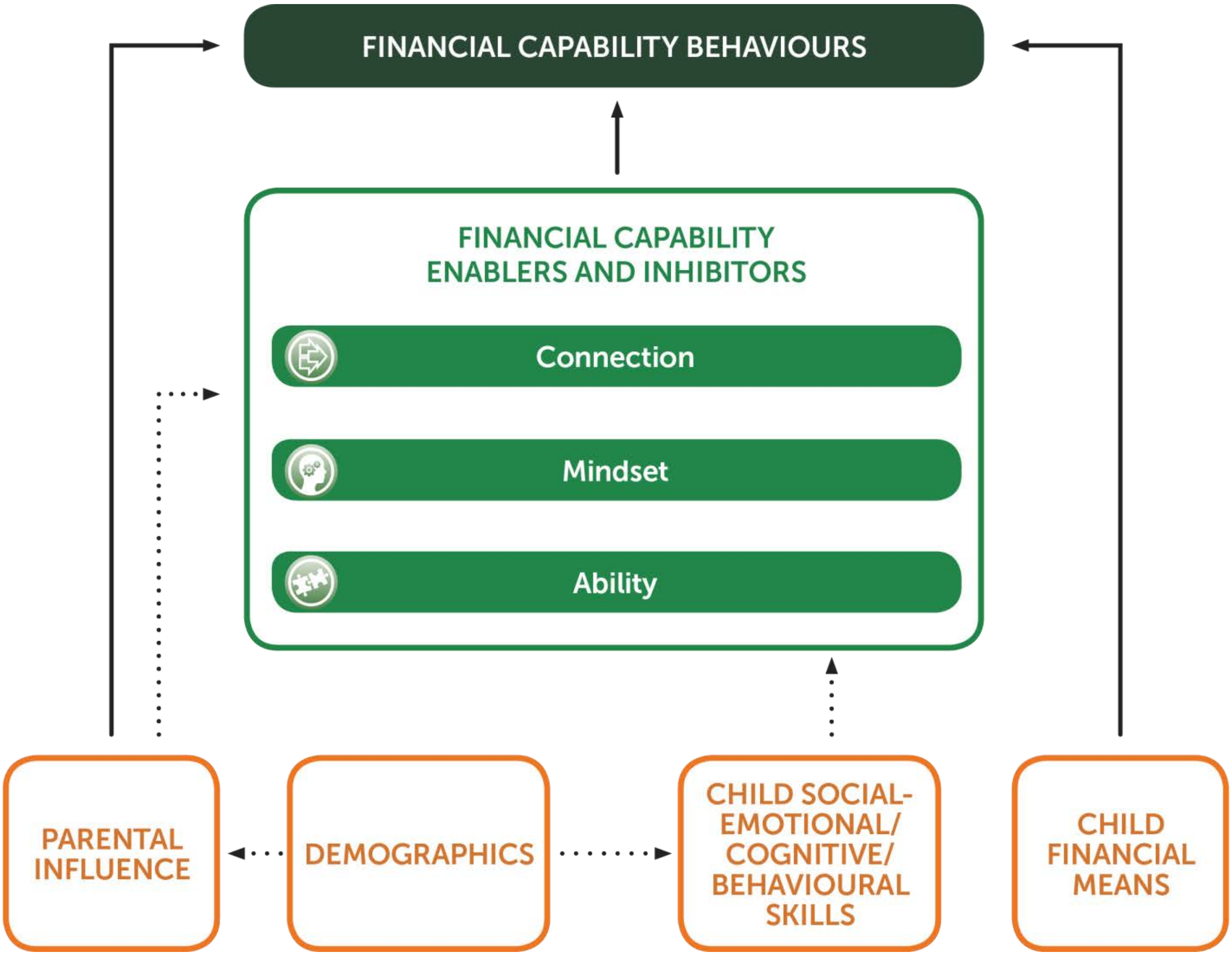
Findings from analysis of BCS70 and 'deep dives' into our CYP FinCap Survey suggest that skills, such as behaviour, literacy and numeracy, and social-emotional skills like self-control and perseverance, and locus of control, may be a better evidenced means of targeting support than necessarily characteristics (such as ethnicity) or life circumstances (such as having caring responsibilities) in many cases. This also has the benefit of focusing on things that people can change and develop over time. However, characteristics may be valuable in tailoring the content or delivery methods of interventions to ensure they best fit recipients, and in some cases such as living in low-income homes, there is a good case for additional support, particularly when these factors are combined with other vulnerabilities.

Prioritising Needs

Throughout this report we have used our analysis of the composite measures of children and young people's financial capability to understand more about the complex nature of how needs come about and the most important drivers of children and young people's financial behaviour. This analysis has shown:

- The elements of financial capability most important to children's financial behaviour are their financial **mindset and connection**. Ability matters, but to a lesser extent. For example – a child's saving behaviour is likely to be driven by their attitude to saving. This stands even when demographics and parental influence are controlled for.
- The child **having the opportunity to make financial decisions** was found to be a key element of connection. This is important as it is an element of financial capability all parents and carers have the opportunity to influence.
- Whether a child **receives money** directly influences their financial behaviour – those who receive money and receive it regularly show more financial capable behaviours, regardless of the amount.
- Whether **parents set rules about money** directly influences children's savings and day-to-day management of money. This is important for intervention design but also for targeting, as those who do not do this may benefit from additional support.
- Other **parental and child skills** influence financial behaviour through indirectly influencing their mindset and connection. The factors that show up as most important in these indirect links are:
  - parental role modelling: showing children how to check bank balance, talking about advertising;
  - parents' own financial capability: whether a parent saves;
  - parents' attitudes: whether they think children should be given experience earlier;
  - the child's cognitive skills: maths ability;
  - the child's social-emotional skills: perseverance; and
  - the child's behaviour: not being irritable.
- These are the key (indirect) drivers of children's financial behaviour that emerge across parenting and a child's social-emotional, cognitive, and behaviour skills, and may be worthwhile to consider for both the design and targeting of interventions.
- However, it is worth considering that they are also likely to be highly associated with other factors within parenting and a child's skills, so while these are useful indicators of need, other characteristics may still matter, and seeking to improve these aspects of a child's skills alone are unlikely to be **sufficient** to drive better financial capability. They do, however, give us useful clues to inform targeting.
- Some **demographic factors** also appear to be linked to parenting and the child's skills, and so indirectly influence financial capability:
  - parent's qualifications, closely linked to income; and
  - parent and/or child disability**.**

These relationships are summarised in the following diagram.



This analysis gives us clues about possible groups of children and young people for focusing on in our future commissioning priorities, as well as for influencing others' targeting and tailoring of support, across financial capability provision and wider services and projects working with children, young people, and families.

The groups identified through our wide consideration of need set out throughout this report will be considered in comparison to provision currently available, evidence of what approaches and interventions help children and young people develop good financial capability, and the changing landscape in which children are growing up, in a Gap Analysis, ultimately informing commissioning priorities and our Commissioning Plan to be published in late 2018.

We will continue to evolve this needs analysis as further research and insight into children and young people's financial capability needs becomes available, reporting updates on our knowledge about needs, provision, evidence and the changing landscape annually as part of our ongoing commissioning approach, and consulting stakeholders regularly throughout.

Money Advice Service
Holborn Centre
120 Holborn
London EC1N 2TD

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