

Financial Services Authority

# *A cycle of disadvantage?: Financial exclusion in childhood*

Implications for consumer education of research  
carried out by the Centre for Research in Social  
Policy, Loughborough University

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# Foreword

The Financial Services Authority (FSA) is being given a statutory role to promote public understanding of the financial system. The aim is to provide individuals with the knowledge, aptitude and skills base necessary to become questioning and informed consumers of financial services and manage their finances effectively. Our work with schools and young people will be central to achieving this objective in the longer term. Inclusion of personal finance in the curriculum in England, Wales and Scotland is a major step forward and we are now working towards making sure that this change in policy is reflected in practice by providing support for teachers in delivering the new curriculum.

We recognise that we need to be well informed about educational innovation, current educational practice, children's understandings and the views of teachers if we are to shape and contribute to the development of successful personal finance education in schools.

The Government wishes to see both the raising of standards in schools and greater social inclusion. The FSA has a part to play in achieving these objectives but will only do so effectively if we clearly understand the issues involved. It was for these reasons that we were pleased to commission the Centre for Research in Social Policy at Loughborough University to carry out this research project.

As part of our commitment to transparency and accountability we will publish the results of any substantive research we undertake. We are publishing this report as we believe these findings will help those involved in the development of personal finance education in schools understand key issues around the problems of social and financial exclusion. Longer term we would hope to see personal finance education help contribute to a lessening of the inter-generational impact of financial exclusion.

Deborah Arnott.

Head, Consumer Education Department

# Preface

As one of the foremost social research centres in Britain the Centre for Research in Social Policy (CRSP) conducts a blend of strategic research and evaluation funded by research foundations, and policy-related work commissioned by government departments.

CRSP's research embraces two broad areas: lifestyles and living standards and welfare institutions. The former is concerned with the financial and social resources available to families and individuals, and how they acquire and utilise them. The latter is focused on social institutions and policies that impinge directly on individuals' lifestyles and living standards, especially social security and employment.

## **Acknowledgements**

Many people assisted in the research process including Rachel Youngs, Emma Cornwell, Barbara Dobson and Karen Kellard (CRSP) who conducted qualitative interviews and Angela Waite (CRSP) prepared the manuscript. We would especially like to thank all the pupils, teachers and other educational professionals who gave freely of their time to be interviewed.

## **Authors**

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# Summary

- 1 To inform its consumer education work in schools the Financial Services Authority (FSA) commissioned the Centre for Research in Social Policy (CRSP) to investigate the experiences which children from financially excluded families bring to the class room and how these relate to the teaching of money within schools.

## About the research

- 2 Most of the findings reported are drawn from qualitative interviews with 52 primary school aged children, 7 class teachers and 3 head-teachers. In addition to these interviews, secondary analysis of the 'Small Fortunes' and 'Family Fortunes' datasets was conducted. These datasets were compiled by CRSP during previous research with children and families and are held at the University of Essex.

## About the report

- 3 The report divides into four. The first section describes children's experiences of money and financial services, the second section explores children's understanding of financial issues and beliefs about money, and the final section looks at where and how work with money is covered within primary schools and the importance teachers attach to personal finance education. Finally the implications of this research for the work of the FSA are discussed.

## Children's Experiences

- 4 Children from lower income families had learnt about inconsistent flows of money into the family, whereas children from wealthier families had experience of regular family income.
- 5 In comparison with the children from wealthier families, children from poorer families had a limited range of experiences with financial services and institutions and were unfamiliar with the services offered by banks and other financial institutions.
- 6 Children from lower income families were often involved in family budgeting and saving however; this was less common amongst children from wealthier families.
- 7 Children from poorer families had learnt to replicate their parents' sophisticated budgeting skills and in comparison with children from wealthier families their spending and saving was more carefully planned.
- 8 Unlike children from more affluent families, children from less affluent families did not receive regular pocket money, instead any money received was often dependent on factors outside their control.
- 9 Because of limited resources in the schools serving more disadvantaged areas children from lower income families had fewer opportunities to handle money in a learning context than did children from more affluent families.
- 10 Children from lower income families were more often told that their parent could not afford what they wanted, whilst wealthier children were given other reasons for not being allowed something.

- 11 Most teachers thought that many children from more affluent families only see cash being used occasionally, and this they believed was a disadvantage for them.
- 12 Many teachers believed that being involved in family budgeting had given their pupils from poorer families a sophisticated understanding of value for money and most believed this understanding was more advanced than for children from wealthier families.
- 13 Regardless of their pupils' background, teachers tended not to expect them to save any of their money. For pupils from less affluent families they said this was because they would have no choice over saving and for children from more affluent families because there was no need for them to do so.

### **Children's Understanding and Beliefs**

- 14 Children from lower income families were less knowledgeable about banking and financial services than were children from wealthier families.
- 15 Teachers' perceptions of what their pupils knew about financial institutions and services tended to match what the children actually did know.
- 16 Children from lower income families were more familiar with the range of household bills and how these can be paid than were children from wealthier families.
- 17 Children from less affluent families were also more aware of how much money their family had coming in each week than were children from more affluent families.
- 18 Unlike children from wealthier families, children from less affluent families had less knowledge of insurance or of the range of commodities that can be insured.
- 19 Many teachers were surprised to hear that their poorer pupils would give donations to charity if they won a lot of money, although those who taught children from wealthier families expected this.
- 20 Children from lower income families described poor children as unclean and dressed in rags, whereas for children in wealthier families poor children were those who did not own the latest products.
- 21 Children from poorer families thought that luck helped to make children rich whilst children from wealthier families thought that their parents having well-paid jobs made children rich.

### **Money and Personal Finance Education in Schools**

- 22 Whilst at the time of this research the National Numeracy Strategy had only been in schools for a matter of months, the teachers interviewed appeared to enjoy teaching it.
- 23 Teaching of money had not changed with the introduction of the strategy; although some teachers believed that the increased emphasis given to money work might improve children's understanding of it.
- 24 Most teachers discussed the importance of personal finance and some described it as a crucial life skill that should be clearly defined within the curriculum.
- 25 Teachers suggested that personal finance should not be a separate subject taught in isolation. Rather they implied that it would fit best within personal, social and health education but with links to mathematics in primary school, and in secondary school, within personal, social and health education and citizenship.
- 26 Teachers were not concerned about introducing the possibly sensitive topic of money with their pupils. Many believed that by focusing on a 'third party' rather than on personal experiences would bypass any potential difficulties.



## **An agenda for the work of the FSA**

- 27 The FSA has set achieving financial literacy as a key objective. For schools, this means ensuring that education for financial capability is embedded in the curriculum for all children to help them leave school prepared for the rights and responsibilities of adult life.
- 28 To achieve this objective the FSA should :
- take the lead in curriculum development ensuring that personal finance education is an entitlement for all children of statutory school age
  - support teachers by developing free or cost-effective teaching and learning resources, which reflect the different curricula needs of the countries within the UK
  - help in the development of initial teacher training and in-service training so that teachers are properly prepared to deliver personal finance education
  - encourage teachers and parents to use FSA information and advice, for example, the consumer helpline, booklets, factsheets and website
  - hold an annual education conference to provide a forum for discussion and dissemination of good practice
  - commission further research into teachers' and pupils' attitudes, knowledge and needs.
- 29 The FSA will be unable to achieve its ambitious programme acting alone - it must work in partnership.
- 30 This research shows that children growing up in lower income families have limited opportunities to learn about the mainstream financial world and so some fail to acquire basic financial knowledge and skills. Without intervention, many of these children will move into adulthood with limited knowledge and understanding of the financial world and the cycle of disadvantage will be perpetuated.

# 1 Introduction

- 1.1 This report considers the experiences which children from financially excluded<sup>1</sup> families bring to the classroom and how these might relate to the teaching of money within schools. The unifying theme is the importance for children to be able to participate fully in the adult economic world in later life through learning financial skills and having opportunities to practise these during childhood.

## **Importance of Money Management Skills**

- 1.2 Successful management of one's own finances is an important task for all adults and learning to manage money a significant challenge for children. Acquisition of money management skills during childhood helps to avoid the reproduction of economic inequalities in later life (Lunt, 1996). Ensuring that young people have opportunities to gain the financial skills needed to participate successfully in the economic world will encourage a more even distribution of financial knowledge amongst adults. Giving children the chance to learn basic financial skills will help to ensure that they are able to cope with major financial decisions in later life. Moreover, greater financial participation amongst children is said to increase the likelihood of financial maturity, financial knowledge and sophisticated spending patterns (Jahoda, 1983; Abramovitch et al., 1991).
- 1.3 Unfortunately, many young people up to now have left school without the financial knowledge and understanding necessary to plan for their financial future and so are ill-equipped to cope with the complex financial decisions and choices with which they are faced in the economic world. The changing nature of the labour market; short-term contracts and flexible working environments, as well as student loans, mean that good financial planning is becoming ever more crucial if young people are not to fall into a downward spiral of debt that is often difficult to escape. Furthermore, recent changes in the welfare state demand a greater reliance on one's own financial provision.
- 1.4 Of particular concern in Britain are those children growing up in poor<sup>2</sup> families whose economic disadvantage is compounded by exclusion from the financial markets and services that others take for granted. Children in these families are likely to have no, or at best limited, opportunities to learn about the mainstream financial world. Often their families do not have access to financial products and services, for example bank accounts, credit cards, mortgages, hire purchase or insurance schemes, that others can take advantage of. Instead they are forced to rely on the support of friends or other family members or, if this fails, on a peripheral market of catalogue shopping, Christmas Clubs, direct payment meters for major utilities, and, at worst, 'loan sharks' who charge extortionate rates of interest for borrowing small sums of money. Moreover, these families have to rely on cash-based budgeting.
- 1.5 Much of the basic information about money is learned during childhood and many adults learn their money management skills whilst young (Berti and Bombi, 1981; Kempson, Bryson and Rowlingson, 1994). It has been suggested that the process of money management should be taught as soon as children become aware of money, and that giving children money of their own to handle encourages financial capability (McKittrick, 1986; Abramovitch et al., 1991). However, recent research has suggested

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1 Financial exclusion means not having access to financial products and services.

2 It is beyond the scope of this publication to discuss the various definitions of 'poor families', however, usually these are families in receipt of Income Support benefit or where the family income is less than half of average household income.

that it is children in poorer families who are most at risk of not learning or acquiring the financial skills mastered by other children because they have fewer opportunities to manage a sum of money (Shropshire and Middleton, 1999). These children are then at risk of failing to learn how to manage money and deal with the various economic transactions that fill our daily lives (Pliner et al., 1997).

- 1.6 To summarise, research suggests that learning financial skills whilst young maximises the chance of successful money management in adulthood. However, many young people up to now enter adulthood with limited financial skills and knowledge and those from financially excluded families are most at risk.

### **What do children need to know about money?**

- 1.7 The present Government has recognised the importance of financial literacy by setting the FSA statutory objectives to raise public awareness. In addition, the inclusion of personal finance education within the framework for personal, social and health education should ensure that young people are better prepared for their financial futures. Guidance on the teaching of personal finance education to develop financial capability for all primary and secondary school pupils in England suggests three inter-related themes of financial capability.<sup>3</sup>
- 1.8 The first, 'financial knowledge and understanding', is about helping children to understand the nature of money and have insight into its functions and uses. Financial understanding is crucial if children and young people are to be able to make informed decisions and choices about their personal finances and to be able to deal with everyday financial issues. The second, 'financial skills and competence', is concerned with the ability to apply knowledge and understanding of financial matters across a range of contexts. Children need to learn how to identify and tackle financial problems or issues with confidence and be able to manage situations effectively and efficiently. The final theme, 'financial responsibility', reflects the importance of knowing about the impact of financial decisions.

### **Opportunities for learning about money and developing financial skills**

- 1.9 Access to, and learning control over, one's own budget is recognised as important for children's initial interactions with the economic world (Middleton et al., 1997). Early experiences with money allow children to test and revise their financial skills in the relative safety of their own home, and so can help them to become more financially confident adults. As well as through their own experiences of handling money, children learn about financial issues from their parents, through their peers and at school.
- 1.10 Parent-child interactions about the financial situation of the family are likely to play an important part in children's first experiences of money. Many adults learn their money management skills whilst young and parents are an important source of this learning (Kempson et al., 1994). Through accompanying parents on shopping trips children witness financial transactions and become emerging participants as they begin to indicate the products they want (Foxman et al., 1989). Children also hear family discussions and decisions around money and purchasing (Cohen and Xiao, 1992). However, Rodman (1992) argues that children need to hear parents talk positively about money and this, he suggests, is rare. Unfortunately, for children from lower income families, family discussions about money are more likely to be negative and concerned with their family not having enough money (Shropshire and Middleton, 1999).
- 1.11 As well as in personal social and health education, further opportunities for teaching about money exist within mathematics. Learning about money is thought to make children value mathematics because it connects with the real world and as they learn so their confidence in everyday mathematics develops (Saul, 1997). Evidence suggests that children learn best about money when the classroom environment allows for meaningful practical activities that are linked to the outside world (Fanelli et al., 1995). Work

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<sup>3</sup> See Annex A. This work was completed for the DfEE by a working group whose membership was drawn from the FSA, the Centre for Research in Social Policy, educationalists and the financial services industry. This work builds on the Scottish Consultative Council on the Curriculum initiative 'Education for financial capability' and the Personal Finance Education Group's Framework.

with money is a clearly defined topic within one of five teaching strands of the National Numeracy Framework.<sup>4</sup> This framework accompanied the implementation of the National Numeracy Strategy in primary schools in England in September 1999, and is expected to raise numeracy standards by the introduction of a daily mathematics lesson.<sup>5</sup> The framework advises teachers on how to plan and teach the National Curriculum for mathematics in a way that develops pupils' numeracy skills to the full. It helps and supports teachers by giving more detail on what should be taught from Reception to Year 6.

## Children's money experiences

- 1.12 There is a dearth of information about young children's experiences with money and their understanding of financial issues. Evidence suggests that, with age, children begin to recognise that saving is an effective form of money management and increasingly involve themselves in banking-related activities (Furnham, 1999; Songuna-Barke and Webley, 1993). What is known of their money experiences suggests that children from lower income families are less likely to receive regular pocket money or to have part-time jobs than are other children (Shropshire and Middleton, 1999). Further evidence points to girls and younger children receiving less pocket money or money for presents than boys and older children (Furnham, 1999).
- 1.13 A central issue in the allocation of pocket money is whether children should be paid for household work or should be given money not linked to work. It has been argued that children who have money without having to work for it make a greater effort to deal with it and might become more sophisticated and knowledgeable about money because they feel more responsibility towards it (Abramovitch et al., 1991). On the other hand, money for household chores implies that the child's responsibility is for the work. They might feel less responsible about the money they earned and may learn less about the economic system than those who received pocket money without having to do jobs. Furthermore, a close linking of jobs with money may open up the possibility that children can negotiate, bargain and argue with parents about pocket money (Feather, 1991). Research suggests that parents who give their children money for chores perceive this as pocket money earned rather than as payment for jobs (Gill, 1998). Nevertheless, the main reasons why parents say that they give their children money is to teach them to be financially responsible, to train them for independence and to meet the child's material needs (Feather, 1991; White and Brinkerhoff, 1981). When parents can not afford to give regular pocket money, as is the case in many poor families, children are denied these opportunities.
- 1.14 Part-time jobs performed outside the home are another means through which children can obtain financial independence. However, children's employment is often poorly paid, of a poor quality and frequently contravenes legal requirements.<sup>6</sup> Although poorer children are less likely to work part-time, when they do they work for lower rates of pay and for longer hours than wealthier children and so gain their first experiences of paid work at the bottom of the labour market (Shropshire and Middleton, 1999). Recent research conducted for the Economic and Social Research Council (ESRC) shows that the financial necessity of working is clearer among children from low-income families; their pay enabled them to absorb some of the financial pressures of their families (Mizen et al., 2000).
- 1.15 Children's understanding of financial issues has been given less attention by researchers. It is likely that children learn from an early age that money is an important factor to their families. For children from lower income families, knowledge that their families do not have enough money can be manifested in them learning to accept that they can not have everything that they want or hiding their disappointment (Shropshire and Middleton, 1999).

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4 The National Numeracy Strategy: Framework for teaching mathematics from Reception to Year 6.

5 The National Numeracy Strategy is one of a number of initiatives introduced by the present Government aimed at improving standards in schools.

6 Economic and Social Research Council. Children 5-16 Research Briefing: Work, labour and economic life in late childhood (January, 2000).

## About the Research

- 1.16 Most of the findings in this report are drawn from qualitative interviews with primary school aged children, their teachers and head-teachers. In addition to these interviews, secondary analysis of the 'Small Fortunes' and 'Family Fortunes' datasets was conducted and further details about these are given below.

### Qualitative research with children and teachers

- 1.17 The research focused on three primary schools in a midland city and shire county. One primary school was chosen in a location serving a disadvantaged area of local authority housing. Within this school around two-thirds of the pupils were eligible for free school meals.<sup>7</sup> An infant school was selected in a wealthy residential city suburb and a junior school in an affluent area of a small market town. Within these two schools, around five per cent of the pupils were eligible for free school meals.

### Interviews with children

- 1.18 Boys and girls aged 7, 9 and 11 (school years 2, 4 and 6 respectively) were interviewed representing Key Stages 1 and 2. Fifty-two interviews were conducted divided by gender, age and school type (see Annex B, Table 1.1).
- 1.19 Interviews were undertaken in schools on an individual face to face basis using topic guides (see Annex C) and a range of other age appropriate methods, such as pictures and comic strips. Interviews lasted no longer than 30 minutes. Class teachers were asked to assist in the selection of children for interview and, as requested, ensured a mix of academic ability. Permission was sought from both children and their parents, and teachers were asked to ensure that children understood that they did not have to take part and could terminate the interview at any point. Younger children in Year 2 were given the option of 'buddy' interviews, whereby they could be interviewed in friendship pairs.

### Interviews with teachers and other educational professionals

- 1.20 In each of the three schools, interviews were held with the class teacher of the pupils interviewed, the head-teacher and the teacher with responsibility for co-ordinating the mathematics curriculum. In total, three head-teachers and seven class teachers were interviewed (Annex B, Table 1.2). Two of the class teachers interviewed were also mathematics co-ordinators for their schools and in the third school the mathematics co-ordinator interviewed was a class teacher of a year group not chosen for this research.<sup>8</sup>
- 1.21 A face-to-face depth interview lasting between 45 to 60 minutes was held with each teacher. All interviews with teachers followed broadly the same topic guide (see Annex C). However, different components of the topic guide were followed up in varying depth according to the experience and expertise of the respondent. For example, the co-ordinator for mathematics was asked in more detail about the National Numeracy Strategy, the framework advised for teaching mathematics and the use of 'real money' within it.
- 1.22 Depth telephone interviews lasting around 30 minutes were also held with two Regional Directors of the National Numeracy Strategy. These took place following the interviews in schools to gain maximum advantage from the information gathered 'at the chalk face'.

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<sup>7</sup> Eligibility for free school meals is determined by parental receipt of Income Support. Free school meal eligibility can indicate deprivation over and above parental labour market status, and has been shown as a more useful indicator of social deprivation at the pupil level in comparison to other measures such as parental occupation (Shuttleworth, 1995).

<sup>8</sup> Year One.

## Secondary analysis

### The Family Fortunes Survey<sup>9</sup>

- 1.23 Between 1993 and 1994 the Centre for Research in Social Policy undertook a series of interviews with parents and school aged children in preparation for the first-ever nationally representative survey of the lifestyles and living standards of British children ('Small Fortunes' survey, see further below). Given the dearth of research on children's financial experiences, the Family Fortunes and the Small Fortunes surveys continue to be relevant. In addition, children's financial experiences would not be expected to differ between now and when these surveys were carried out.
- 1.24 The children in this study came from four schools; a primary and secondary school in the north of England and a primary and secondary school in the Midlands. The schools selected for the study were chosen to reflect differences that might emerge between children from different socio-economic backgrounds (Annex B, Table 1.3).

### The Small Fortunes Survey<sup>10</sup>

- 1.25 The 'Small Fortunes' survey is a nationally representative survey conducted in 1995 that has produced a wealth of new information about how children live their lives in Britain.<sup>11</sup> The survey was based on a random sample of individual children classified by children's ages, birth-order, and family type (whether from one- or two- parent families). Further details of the sample are provided (Annex B, Table 1.4).
- 1.26 For most of this survey the person in the household 'having the main day-to-day responsibility for the care of the child', almost invariably the mother, answered questions about the child. Of particular relevance to this study were the answers given to a suite of questions on their child's money and their interactions with their children on financial matters.

### About this report

- 1.27 We begin this report by describing children's experiences of money and financial services (Chapter 2) and explore their understanding of financial issues and beliefs about money (Chapter 3). Throughout these chapters, children's self-reported experiences are compared with teachers' perceptions of their experiences.
- 1.28 Chapter 4 looks at where work with money is covered within primary schools, how this work is approached and the importance teachers attach to learning about personal finance.
- 1.29 Chapter 5 draws together the findings from the children and teachers. It examines how children's experiences of money relate to what their teachers perceive and expect their understanding to be, and to the use of money work within schools.
- 1.30 Finally, Chapter 6 discusses the agenda of work which this research sets for the FSA.

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9 Middleton et al., 1994.

10 Middleton et al., 1997.

11 Further details about all these issues are available from the authors. The Small Fortunes dataset has been lodged with the ESRC Data Archive at the University of Essex. It is available for other researchers who are interested in conducting secondary analysis.



# 2 Children's experience

- 2.1 This chapter discusses children's experiences of money and financial services. The first section focuses on the range of financial experiences that children have within their own families and how these differ for children from more and less affluent households. Consideration is given to the sources from which children see money coming into their family and the extent of their involvement in family financial transactions. The children's perceptions of their families' use of financial institutions and services are described, along with their involvement in family budgeting and payment of household bills.
- 2.2 In the second section the opportunities children have to handle money are discussed. It reports on children's own money and details what they choose to do with their money. In the final section, their access to and involvement with financial services is considered. Where appropriate, teachers' perceptions of their pupils' experiences are compared with the children's reports.
- 2.3 Where quotations are used to highlight specific issues, the respondent's school whether in a less affluent (LA) or more affluent (MA) area is given, and if a child, the sex and age of the respondent.

## Children's Experiences within the Family

### Sources of family income

- 2.4 Children from lower income families tended to describe money coming into the family from a variety of sources whereas for children from wealthier families income was said to come solely from their parents' jobs. Most children from lower income families had experience of money coming from paid employment, but for many this was not seen to produce a regular flow of money. Instead, children described spells when the main source of family income was state benefits. When asked where his parents received their money from, one child replied:

*"From the Giro, because my dad don't work, he's not working, but he's getting a job soon"*  
(LA, boy, 10 years).

- 2.5 Most children whose parents were claiming state benefits were aware of how these were paid, as well as explaining why their family received them.

*"The government send money through in a cheque and they (parents) have to go to the post office to collect it"* (LA, boy, 11 years).

*"My mum she did go to work but she's on the sick now because she's a bit poorly, so she gets paid while she's on the sick ....well she's got this man that comes to talk to her about the money and he gives her something every Saturday"* (LA, girl, 9 years).

- 2.6 Many children from lower income families were aware that their parents had borrowed money from their grandparents, other relatives or friends and from moneylenders in order to get by.

*"Well every Monday me mam has to give this man some money because she borrowed some, so she has to pay the money back to him"* (LA, girl, 8 years).

- 2.7 Regardless of economic background, children under seven years old were on the whole unable to say where their family's income came from. Even when their parents were in paid employment, most did not make the connection between them going out to work and family money. One six year old child explained how his parents, who he said both went out to work everyday, received their money from the shopkeeper. This child was unknowingly confused by the 'cash-back' service offered by some shops and had associated this with where his parents obtained their money.

*"Well when we don't have that amount of money they usually go to the shopkeeper and he gives you a different amount of money and they get the shops to give money to them (parents) so they get more money" (MA, boy, six years).*

- 2.8 The children's teachers tended to echo the youngsters' descriptions of their family experiences with money. Those teaching in schools that served less affluent areas said that many of the children lived in non-working households and they felt sure that many would know that their family money came from benefits.

*"Oh I think certainly the older ones will. Because I've heard them talk about, you know, 'it's a major problem me mother's Giro hasn't arrived' if they're paid by Giro, yes" (LA, Teacher).*

- 2.9 Teachers of more affluent children painted a very different picture of their pupils' home backgrounds.

*"Middle class catchment area, very middle class, most of the families are professional families quite a lot of university and professional occupations" (MA, Teacher).*

Moreover, many of these teachers did not expect their pupils to know about benefit payments.

*"I have had one child this year who has free school meals and they are aware why they are on free school meals and on benefits, but very few children in this school would receive benefits, they probably don't even know they are around" (MA, Teacher).*

### **Family financial transactions**

- 2.10 Many of the children from lower income families lived within a restrictive cash-based economy whereas children from wealthier families had experience of the flexibility of living in a cashless society. Less affluent children rarely or never saw their parents pay for goods or services using any other form of payment besides cash. Other than supermarket 'reward' cards, few saw their parents use cards to pay for things and cheques were also rarely used.

Interviewer: *"Does she (mother) always pay with cash?"*

Child: *"Yes"*

Interviewer: *"She never uses a card?"*

Child: *"No they once had one but they (parents) don't use it anymore"*

(LA, boy, 11 years).

- 2.11 When non-cash transactions were executed, these poorer children tended to say that their father or mother's partner made these but not their mother.

- 2.12 Teachers of children from lower income families were aware that few would see their parents use any form of payment besides cash and one teacher highlighted the low use of debit or credit cards in the area.

*"If you try and shop at Kwik Save over the road as a teacher with your debit card they have to go through the old procedure of fetching the supervisor and having it hand done, because I assume it's a zero rated credit area around here" (LA, Teacher).*



- 2.13 In contrast, for children from more affluent families seeing their mother pay for her shopping using cards was normal and the use of cash was rare. Although mentioned less frequently, these children were also familiar with their parents using cheques as a means of payment. Even children as young as six years were accustomed to cards as one method of payment.

*"They have to give money to a lady...and you can do credit cards or you can do money"*  
(MA, boy, six years).

*"She goes to the till. You know at supermarkets that you don't always use money, you can use cards, that you can use cards at Asda and Sainsbury's"* (MA, boy, six years).

- 2.14 These children's teachers suggested that their pupils were accustomed to non-cash payment methods and one described the "credit card culture" that some children grow up in. Most thought that it was a disadvantage that some children only see cash being used occasionally.

### **Family use of financial institutions and services**

- 2.15 Children from lower income families had few opportunities to see their parents or other relatives make use of financial institutions and their services. Most said that they did not accompany their parents to the bank. This is either because there were no banks or building societies situated within the area where they lived or perhaps because their parents did not have bank accounts. Teachers saw the lack of opportunities these children have to experience banks and banking systems as a distinct disadvantage.

*"Well I think they're on a hiding to nothing because there are no banks in the area. I cannot think of a bank within walking distance, unless you count the Post Office, that's the only banking outlet within real walking distance"* (LA, Teacher).

- 2.16 Whilst accompanying a parent to the bank was a rare event for these children, it was a common occurrence for children from more affluent families. Children from higher income families were aware of the lay out of the bank their parents used most frequently. They were able to describe the area where the cashiers sat and the tables placed around the building where they could sit and wait. Even young children from wealthier families had some idea as to what their parent did in the bank and most could remember the name of their parents' bank.

*"She writes one of them like cheques, gives it to the bank person, then she gets that money."*  
(MA, girl, 8 years).

- 2.17 Regardless of their economic circumstances or age, children knew that money could be withdrawn from a cash point machine and this was one of the first methods for withdrawing money they mentioned when asked. However, although most children from lower income families had seen a parent or relative use this method for withdrawing money, this practice was infrequent. For children from wealthier families, in contrast, seeing their mother use a cash point machine was a regular occurrence. When interviewers showed younger, more affluent children a picture of a cash point they were able to explain the withdrawal process with some level of accuracy.

*"He's putting his card into this hole, then he'll press how much money he wants on those buttons and it'll come up on the screen and then it should come out of there, the receipt will come out and the money will come out of there."* (MA, boy, six years).

- 2.18 This accuracy increased with age for all children but at a slower rate for children from lower income families. Children's understanding of cash point machines differed in relation to the frequency with which they were exposed to them. Accordingly, children from lower income families knew less about how these machines worked than did children from wealthier families; some older more affluent children even mentioned that it was necessary to have a PIN (Personal Identification Number).

*"Where you have to dial in, say if you put your card in because like some people might find it, you have to put in your code number so you can get in through your bank account" (MA, girl, 11 years).*

## **Family budgeting and saving**

- 2.19 Budgeting within the family was more visible for children from lower income families than for children from wealthier families. Most children from lower income families were used to seeing their mother put money aside to pay for bills or to buy certain things such as Christmas presents.

*"Mum works out how much she's got to pay bills and puts it in a little side pocket of her purse" (LA, boy, 11 years).*

- 2.20 Many saw their mother allocate small amounts of money to different jars, bottles and tins around the house and mostly they knew what the money in each place was for.

*"Mum's got this jar and she saves some 50ps, 10ps, 20ps, and 5ps ... I think it's for Christmas" (LA, girl, 10 years).*

- 2.21 They were also often actively involved in the process of paying household bills. They were aware of people visiting the house on specific days either to collect rent or repayments of money borrowed, and would sometimes open the door to these people. They frequently accompanied a parent, usually the mother, to the gas or electric shop to buy gas and electric cards or to the housing association to pay the rent.

*"There's the gas card from the shop, you buy that and get a gas card and electric and put it in this little slot it's yellow and has red buttons on (if not paid)....can't watch television and can't have any food cause the cooker is off" (LA, boy, 7 years).*

- 2.22 Teachers of poorer children were aware of their pupils' experience of family budgeting and that formal saving would be unlikely in the homes of their pupils. When asked whether putting money to one side was done through a formal savings account one teacher replied in an interesting reflection of the 10 year old girl above:

*"No, no, it's done in jars in the kitchen. And Mum will rob from one knowing she has to put it back" (LA, Teacher).*

- 2.23 Most teachers of children from lower income families felt that children pick up the exceptional money management and budgeting skills of their parents. However, some teachers were uncertain whether experience of budgeting whilst young would necessarily translate into good practice in later life.

*"I don't think the ability to budget necessarily follows that someone can budget well because they've been exposed to it when they were small" (LA, Teacher).*

- 2.24 Children from lower income families were aware of the financial pressures their parents were under and understood that saving was not always possible.

*"Sometimes they (parents) try and save it, but because they've got me and my brother to look after if they get money and spend it on me and my brother for things we need for school or clothes and birthday and Christmas presents" (LA, girl, 10 years).*

- 2.25 Some children from less affluent families believed that spending only occurred once the household bills had been paid.

*"They (parents) save it so that they can use it on the bills and then if they've got any left then they use that for other things" (LA, girl, 11 years).*

- 2.26 Their teachers thought that being involved in family budgeting had given the children from lower income families a sophisticated understanding of value for money. They felt that their pupils were especially aware of matching price, quality and quantity for food goods.

*"I mean some areas they're red hot on, you know, and food prices they know, even these children know food prices really well, they'll be able to tell you what the cost of a sliced loaf is or whatever. And where you go to get good, cheap trainers....they've got a streetwise appreciation of value for money" (LA, Teacher).*

- 2.27 Awareness of family budgeting or saving was less apparent for children from wealthier families, some of these children did not believe that their parents saved, possibly because they did not see them do so. Others felt that their parents were saving for things in the future such as a holiday or for their education.

*"Nothing really, because they (parents) save for Christmas and things like that and holidays and birthdays and things like that" (MA, girl, 11 years).*

- 2.28 Likewise, teachers of children from more affluent families did not expect them to see saving or budgeting going on within their families, either because their parents did not have to budget or because it was done out of sight of the child.

*"I suppose that there seems to be less responsibility for money management within those families where it's easier because the credit card just solves every problem, and there is less likely to be a budgeting strategy involved with those children" (MA, Teacher).*

- 2.29 In contrast to poorer children, those from wealthier families had little experience of paying bills. This was often done away from them and frequently by the father.

*"But it's usually daddy goes to get the money out and dad usually pays or sorts out all the bills as well. Because if ever something like a white envelope with all this paper in it, it always goes in dad's study for him" (MA, six years).*

## Opportunities to handle money

- 2.30 This sections looks at the opportunities children have to handle money through being given pocket money or by earning it and examines what children choose to do with their own money.

## Children's own money

### Pocket money

- 2.31 Confirming previous research, children from lower income families were less likely to have the opportunities to handle a regular amount of money than were children from wealthier families (Shropshire and Middleton, 1999). Many less affluent children did not receive regular pocket money either in terms of a set amount of money or in the frequency that it was given to them.

*"Sometimes he (father) gives me 50p, sometimes £1.50, sometimes £2 or if he's being really generous he'll give me a fiver or a tenner" (LA, girl, 10 years).*

- 2.32 For most children from lower income families, pocket money was dependent on a range of factors reflecting what was going on within the family at the time. Some children received pocket money if they did jobs around the home or for good behaviour, otherwise children said that they got money after giro day, when their parents could afford it or when they saw a grandparent.

*"..if we do jobs in the house we get pocket money, but if we don't do jobs in the house we don't get it" (LA, boy, 11 years).*

*"It's when like my grandparents come round and everything, because I don't usually see them much" (LA, boy, 9 years).*

- 2.33 Some children from lower income families had had experience of having their pocket money stopped and largely these children had learnt to accept that this could happen in their family.

*"I used to, I used to get £5 a week. And then we went on holiday and we're going again and we stopped it so we could go on holiday" (LA, girl, 10 years).*

In contrast, most children from wealthier families received regular pocket money. They usually received the same amount, on the same day each week and usually from the same person.

*"I get £2 every Saturday. mum gives me £1 and dad gives me another" (MA, boy, 8 years).*

- 2.34 For these children their pocket money was unlikely to be dependent on any other factors; rather for some older children, they sometimes received a bonus if they had done well at school or if they did jobs at home.

*"If I get my spellings right I get a pound.... But that was in year 2, but now I've moved up a group it's 10p a spelling" (MA, girl, 8 years).*

- 2.35 Children from wealthier families expected their pocket money to increase with age and most said that it went up by a certain amount around the time of their birthday. Some 10 to 11 year-old children said that they received an allowance paid direct into their bank account<sup>1</sup> and that this was expected to last them for the oncoming month; this practice was very rare amongst children from lower income families. In addition to their pocket money, older children from wealthier families often received extra money for trips into town and they could spend this how they wanted.

*"Well I get it, I get £20 at the end of the month, so I get £5 a week. if it's not on the last day of the month, ....., she, my mum, puts it into my account" (MA, boy, 10 years).*

- 2.36 Regardless of their families' economic circumstances, children under seven years were unlikely to receive any pocket money. Nevertheless, some six-year-olds from wealthier families expected to get their own pocket money in the near future and some had discussed this with their parents.

*"No. When I'm seven I will though, but mummy looks after our pocket money now" (MA, boy, 6 years).*

- 2.37 Receiving money for Christmas or birthdays was common amongst children over seven. However, it was more common for children under seven years from wealthier families than for children of the same age from lower income families.

- 2.38 Teachers' perceptions of whether their pupils received pocket money matched the experiences the children described. Teachers from schools serving less affluent areas did not expect their pupils to receive regular pocket money whereas those who taught better off children did. Teachers of poorer children mentioned the same factors that affected their pupils' chances of receiving money as the children themselves.

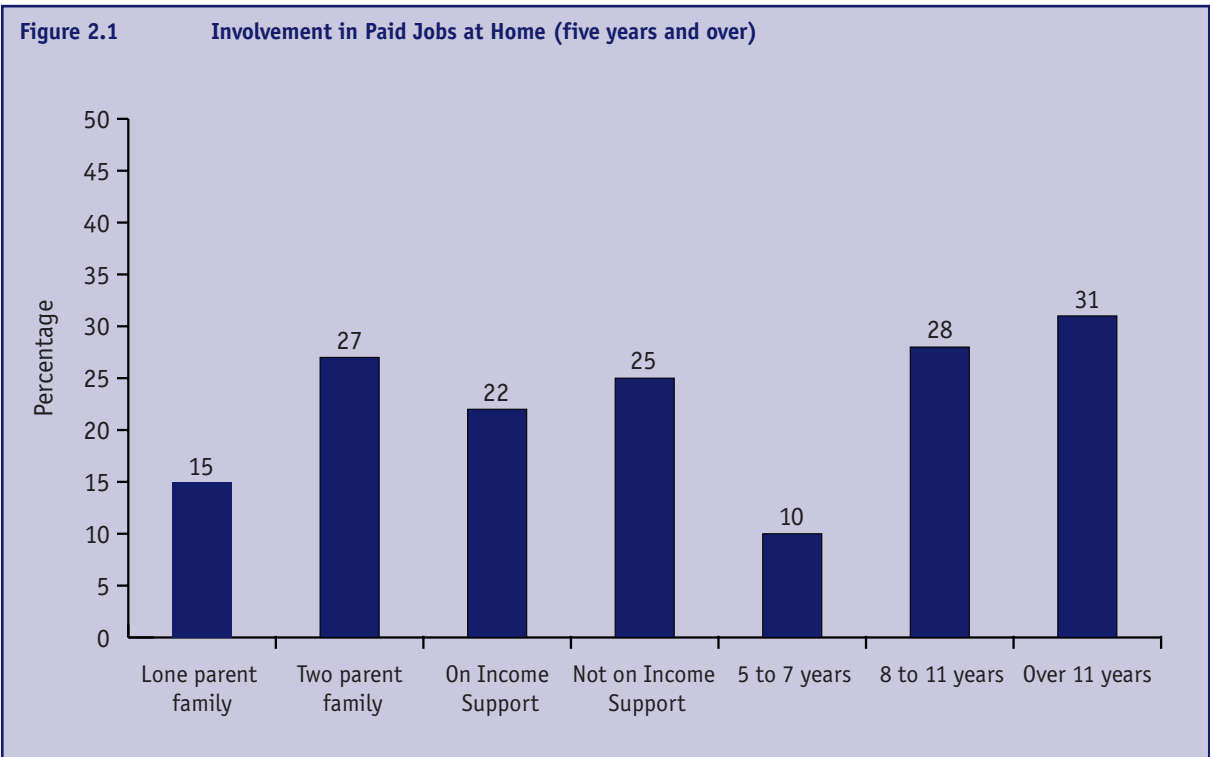
*"Some will but I think quite a lot won't. Or if they do it will be hit and miss as to when finances allow" (LA, Teacher).*

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1 Children's savings accounts are discussed later

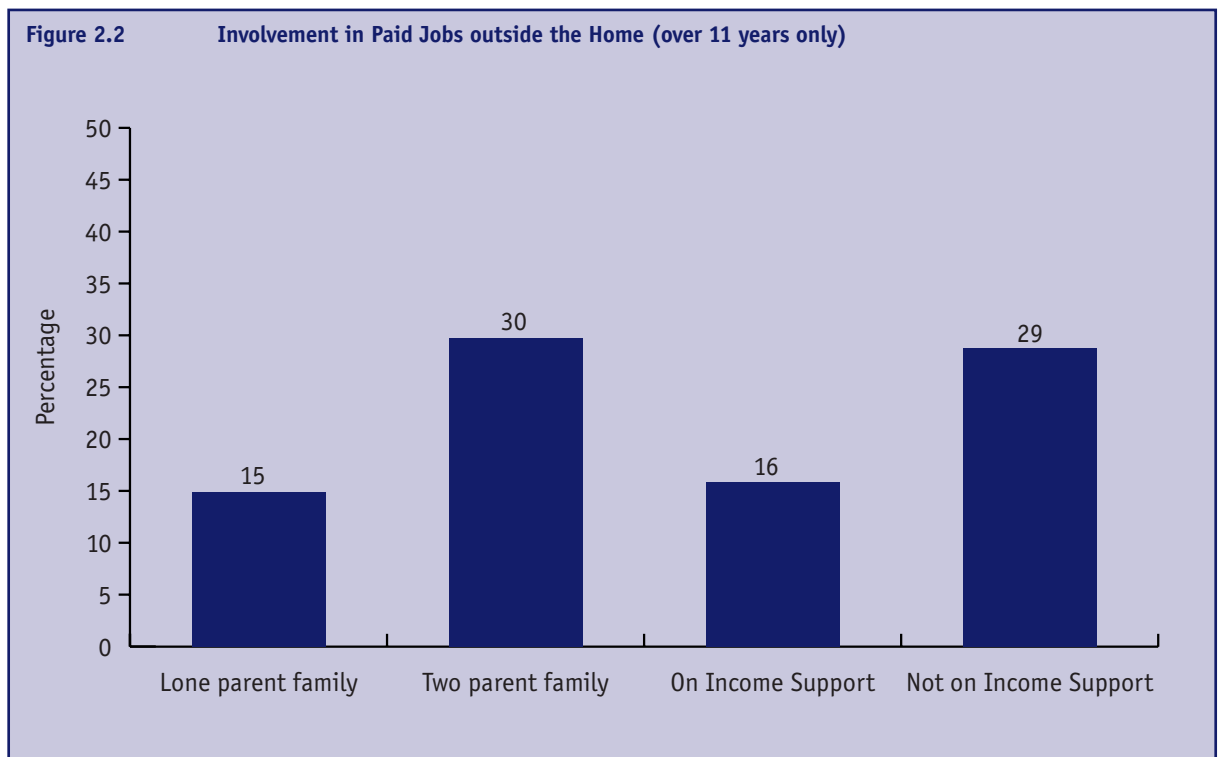
**Money from jobs done within the home**

- 2.39 Most children said they did some jobs for their parents but, as discussed previously, for some children from lower income families their pocket money could be dependent on these jobs. For children from wealthier families, jobs are a source of ‘extra’ money. However, evidence from 1239 parents involved in the ‘Small Fortunes’ survey suggests that few children do jobs at home that they are paid for and that children in lower income families are less likely to do these than are children from wealthier families. One explanation for this discrepancy might be that less affluent parents do not regard the jobs their children do as paid jobs but rather as a means by which their children earn pocket money; hence their reporting might under represent what their children do.
- 2.40 Just one in four of the parents interviewed (25 per cent) named jobs that their child did at home that s/he was paid for; the rest either did not do any jobs or were not paid for them (75 per cent). Children living in lone parent or Income Support families were less likely to receive money for jobs done at home than children from wealthier two parents or non-Income Support families (Figure 2.1). Fifteen per cent of children from lone parent families did paid jobs at home compared with 27 per cent of children from two parent families. The difference between the proportions of children from Income Support and non-Income Support families who were paid for jobs done at home is smaller (22 per cent and 25 per cent respectively).
- 2.41 The survey evidence suggests that when children in lone parent families do receive money for jobs done at home, they receive less on average per job than children from two-parent families (£2.23 and £2.84 respectively). Children living in Income Support families received about the same per job as children in non-Income Support families, on average £2.80 and £2.76 respectively.
- 2.42 Perhaps unsurprisingly, the likelihood of children doing jobs for money at home appears to increase with age. One in ten children aged between 5 and 7 years were paid for doing jobs (10 per cent) compared with over one quarter of children aged 8 to 11 years (28 per cent) and around one-third over 11 years (31 per cent). Younger primary school aged children received less money per job done at home (£1.74) than 8 to 11 year olds (£1.92) or secondary school aged children (£3.84).



## Money from jobs done outside the home

- 2.43 During the interviews with children, just one child mentioned having a paid job outside their home, and this was a paper round. This is because the children were all of primary school age and under 11 years. The 'Small Fortunes' survey includes information on older secondary school aged children and, according to their parents, around one-quarter (27 per cent) of over 11s had a paid part-time job. However, this was less common for children from lower income families (Figure 2.2). Around one in seven lone parents (15 per cent) or parents on Income Support (16 per cent) said that their child had a paid job compared with about one in three two parent families (30 per cent) or parents not on Income Support (29 per cent). We can only speculate as to why children from lower income families are less likely to work. It may be that their families are less able to help them to find suitable work especially if their own employment network is limited, or perhaps they are less able to support them in jobs, for example, in terms of transport to and from work, than are wealthier families.



- 2.44 Whilst the evidence suggests that children from lower income families are less likely to have jobs than other children, when they do it seems that they work for longer hours than children from wealthier families. According to their parents, children in lone parent families worked on average 10 hours per week whilst children in two parent families worked five hours. Children from Income Support families worked an average of 12 hours per week compared with five and half-hours for other children.
- 2.45 Children from lone parent and Income Support families were particularly disadvantaged in their rates of pay earning an average of 82p less per hour than children in two parent families (£1.38 and £2.20 respectively). Likewise, children living in Income Support families received an average of 65p less per hour than children from non-Income Support families (£1.46 and £2.11 respectively). Overall, around half earned less than £1.75 per hour and only 25 per cent earned £2.50 or more an hour, the rest earned between £1.75 and £2.50.



- 2.46 Children in lone parent and Income Support families appear to work for longer hours and for lower rates of pay than do other children, the combined effects of which are higher average weekly earnings. Children from lone parent and Income Support families earned an average of £13.86 and £16.95 (respectively) compared with £9.65 and £9.42 earned by children from two parent or non-Income Support families (respectively). Average earnings increased with age, children under 13 years earned less (£4.99) than children 13 to 14 years (£13.75) or 15 to 16 years (£15.17).

### Handling money within school

- 2.47 Financial transactions completed within school whether real transactions or in a play or learning situation using 'pretend' money, were less common for children from lower income families than those from more affluent families. The former had no need to take money into school. Most received free school meals and 'tuck shops' or similar were not available. Money might be brought to school for charity events but, whilst popular and well supported, these occurred only once or twice each term. Limited resources within these schools also restricted the children's use of play money and of experiencing 'shopping' in designated areas. Teachers expressed their frustration at not having the resources to allow children to experiment with pretend money in a safe and structured environment.

*"No, we seem to have lost the play money and we have these battles and we keep saying there is no money, there is no money, and no one seems to take this on board" (LA, Teacher).*

- 2.48 In contrast, bringing money into school was common amongst children from wealthier families. School lunches had to be paid for and a school tuck shop was a popular and well-used resource. Play money and areas appointed for 'pretend' shopping were common in these schools.

*"So in school they will have experience of recognising money, sorting money, shopping with money, we have shops in our play corners, post offices, baker's shop, and there are lots of tills out there, children are playing with money" (MA, Teacher).*

- 2.49 In addition, one wealthier school acted as host to a local bank which gave the children opportunities to learn about banking through seeing one in operation and, for some who chose to save with it, experience of depositing their own money. Even children who were not involved with the bank were aware of how it worked. As one girl explained:

*"Oh it's a bank at school where they do it every lunch time, I don't think this one's got any interest though. And the people sit in the area near the office and you've got a kind of bank book and you take your money with you and then give it to the people and they save it for you, and they write in your bank book about how much you've got in and how much you've put in and everything" (MA, girl, 11 years).*

- 2.50 Some teachers of more affluent children were accustomed to seeing children bringing large amounts of money into school and would quite often find loose change around the school. Teachers explained how this was often not claimed back because children did not realise that they had lost it. Furthermore, some teachers claimed that wealthier children sometimes took quite large sums of money on school trips and that spending this money was an important part of their trip.

*"It's partly, it's about, it's almost what you go away for is to buy the things you're going to take back. Whether it's about spending money or whether it's about choosing the gifts for your loved ones to take back I don't know, but it is always the big obsession, about spending the money" (MA, Teacher).*

- 2.51 In comparison, children from less affluent families were less likely to go on school trips and when they did were said to be unlikely to take money with them.

## Budgeting: decisions on spending and saving

### Spending decisions

- 2.52 Children from lower income families had fairly sophisticated cash-based budgeting skills and these skills appeared to replicate their parents' experiences. When they received money they knew penny for penny what they wanted to spend it on and how much they would have left over. One young girl described receiving £58 for her birthday some months previously and could recall exactly what she had spent the money on:

*"I bought some dancing stuff for my dancing at Dance School. And I bought costumes for my dancing, and I bought some new trainers and I've still got some money left from my birthday" (LA, girl, 9 years).*

This spending experience was not uncommon for children from lower income families.

- 2.53 Some children also replicated their parents' budgeting behaviour in the methods they used to save their money, allocating small amounts of money to specific jars or bottles for different things. One child explained how he kept his notes and coins separate as a strategy to help him save the larger amounts:

*"I put it (money from jobs) in a different jar because I got the jar for my notes, my money notes, I put them in one jar, and I put my coins in the other jar and if I ever want to get any chocolates or anything then I can just take those coins, it saves using the notes" (LA, boy, 11 years).*

- 2.54 In comparison, those from wealthier families appeared to spend less time thinking about and planning what they would spend their money on. Whilst they named the same sorts of things that they spent their pocket money on as children from lower income families, namely sweets and comics or magazines, they were less descriptive about their purchases.

*"If I see something I like I spend it but I haven't really seen anything. I normally forget about it" (MA, boy 11 years).*

- 2.55 Moreover, if children from more affluent families spent all of their pocket money and needed more they said that they would be able to borrow from their parents. In lower income families, this practice was less common presumably because money was not available.

### Spending requests

- 2.56 In line with earlier work, the reasons parents give for not allowing their children things differ according to their economic circumstances (Shropshire and Middleton, 1999). Children from lower income families were more often told that their parent could not afford what they wanted, whilst wealthier children were more often told that what they wanted was wasteful or bad for them. One child from a more affluent family explained why her mother occasionally said no to her having fizzy drinks:

*"Because we just drink it all the time really quickly and then we won't have any left and she'll have to go back and get some more and we'll just drink it again" (MA, girl, 11 years).*

- 2.57 In contrast, another child of a similar age but from a poorer family understood that she would be given what she wanted if her parents could afford it:

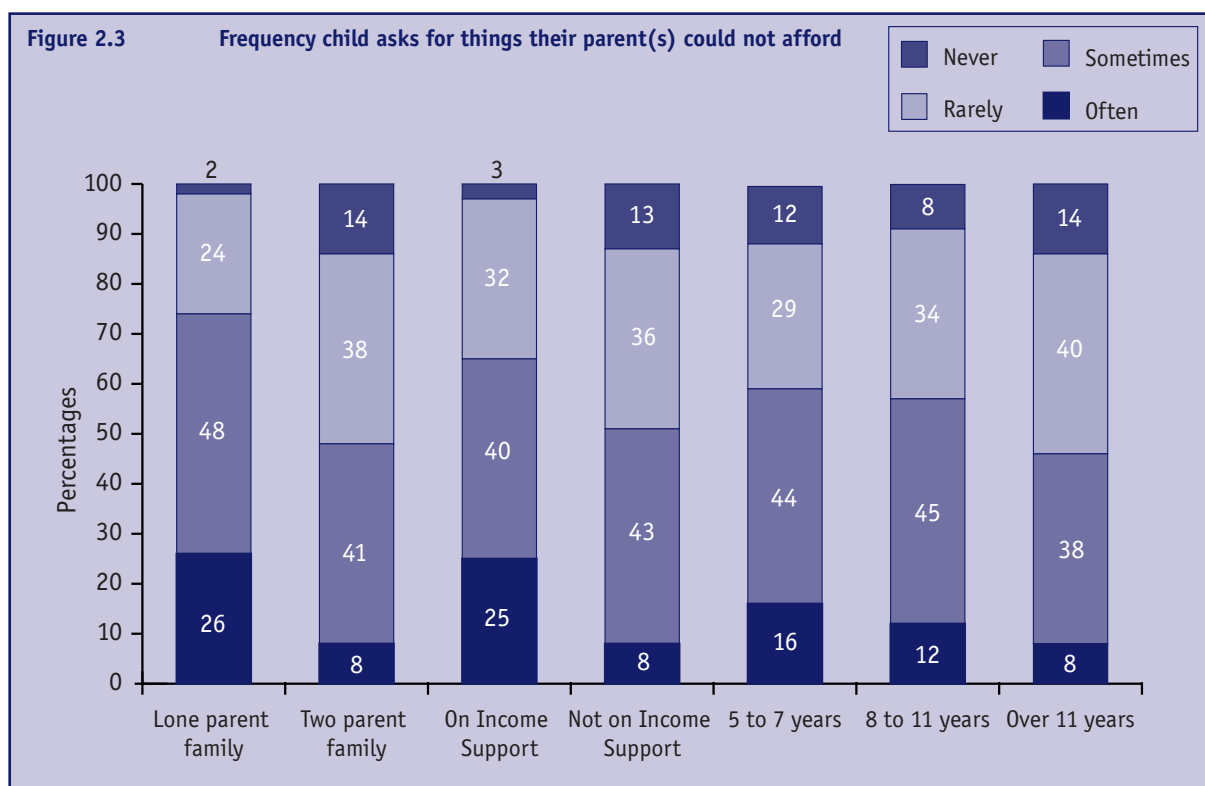
*"Sometimes I ask and I'll get about 50p to go to the shops or something, and they'd give it me, sometimes they say no, because they haven't got enough money" (LA, girl, 10 years).*

- 2.58 These findings replicate the responses of parents involved in the 'Small Fortunes' survey when asked how often, if ever, their child asked for things that they could not afford (Figure 2.3). Around one quarter of lone parents (26 per cent) and parents on Income Support (25 per cent) said that they were asked often for things that they could not afford compared with less than one in ten two parent (eight



per cent) or non-Income Support (eight per cent) families. Lone parents (two per cent) and parents on Income Support (three per cent) were unlikely never to be asked for things that they could not afford compared with two parent (14 per cent) and non-Income Support families (13 per cent).

- 2.59 Parents with younger children were around twice as likely to be asked often for things that they could not afford compared with parents of older children. Sixteen per cent of parents with children under eight years were asked often for unaffordable items compared with just eight per cent of parents with over 11s.



- 2.60 Parents who said that their child asks at least sometimes for things they could not afford were asked whether their child was likely to get the last unaffordable item that they asked for. Parents on Income Support were more likely to say that their child would not get what they wanted than parents not on Income Support. Around one-third of parents on Income Support (34 per cent) compared with one-quarter not on Income Support (26 per cent) thought that their child was unlikely to get what they wanted. The rest thought that their child would probably or definitely get what s/he wanted (66 per cent and 74 per cent respectively). No significant differences emerged between lone parent and two parents; 30 per cent of the former and 27 per cent of the latter did not think that their child would get what they wanted in the end. The rest thought that their child would get it or that s/he might get what they wanted (70 per cent and 73 per cent respectively).
- 2.61 Evidence from the interviews with teachers suggests that they frequently saw wealthier parents give in to their children's requests and some referred to this as an "ask and get culture". Most teachers perceived this as spoiling children and thought that this resulted in many having no concept of money as they had no need to learn about managing money or budgeting.

*"And there are other children who it would seem ask and get and don't worry about budgeting at all" (MA, Teacher).*

- 2.62 On the other hand, few teachers of children from lower income families thought that their pupils received whatever they asked for. Rather, they thought that the children were less likely to ask for things because they are aware of the family's financial problems.

*"I certainly think these children are more clued up on real life money issues, they know if their mum gives them a pound and sends them to the shop to get some milk, they know from a very early age exactly what money they've got to come back with, because they're under such pressure" (LA, Teacher).*

## Saving decisions

- 2.63 Children from lower income families were as likely to save some of the money they received as were those from wealthier families. Furthermore, for these children saving was planned and they were clear about the reasons why they saved.

*"I save about half of it for Christmas, so I like ask me mum to split it so I've got like, when I get £5, I get £2.50 and I spend that on whatever I want, and I'll put £2.50 into a tin so that I can save it for Christmas, then I can buy better presents" (LA, girl, 10 years).*

- 2.64 In contrast, for some children from wealthier families saving was something that might have happened due to chance rather than being a planned conscious decision.

*"Well every week until I get quite a lot I save it till I get quite a lot and then I might buy something" (MA, girl 10 years).*

- 2.65 Furthermore, children from more affluent families were often unable to say exactly why they were saving. Instead, many of these children said that they were saving for their holidays rather than for a specific item, and this was evident even amongst the youngest children.

*"Well sometimes what I do is people give me it when I'm going on holiday, like my grandparents, but sometimes I can get it before I'm going to go. So they might give me some money before and I save it for going on holidays and things" (MA, boy, six years).*

- 2.66 Children from lower income families were more likely to know the cost of the item they were saving for and how much money they would need before they were able to purchase it than were children from wealthier families. The following discussion ensued after the child said that he was saving some of the money he received:

Interviewer	<i>"What are you saving for?"</i>
Child	<i>"This teddy I saw in a shop"</i>
Interviewer	<i>"Where have you seen that?"</i>
Child	<i>"In this newspaper shop"</i>
Interviewer	<i>"Do you know how much that costs then?"</i>
Child	<i>"£5"</i>
Interviewer	<i>"How much have you got at the minute?"</i>
Child	<i>"£2.50"</i>

(LA, boy, 11 years).

- 2.67 Some young children from lower income families could remember exactly the last thing that they had saved for, and how much it had cost them.

*"This book with the lion, witch and the wardrobe, but that was only, that had a video with it and tapes and that was £12.99" (LA, girl, 9 years).*

- 2.68 In addition, some of these children saw their savings as a means of them planning for future spending. One child explained why he enjoyed saving:

*"Because when something comes out and I haven't got any money, I can't buy it, but if I do have some money I can just buy it" (LA, boy, 11 years).*

- 2.69 Interestingly neither teachers of less affluent or more affluent children thought that their pupils saved any of their money. However, the reasons given for this perception differed between the two groups. Children from lower income families were perceived by teachers to have no choice over saving because they had little money to handle.

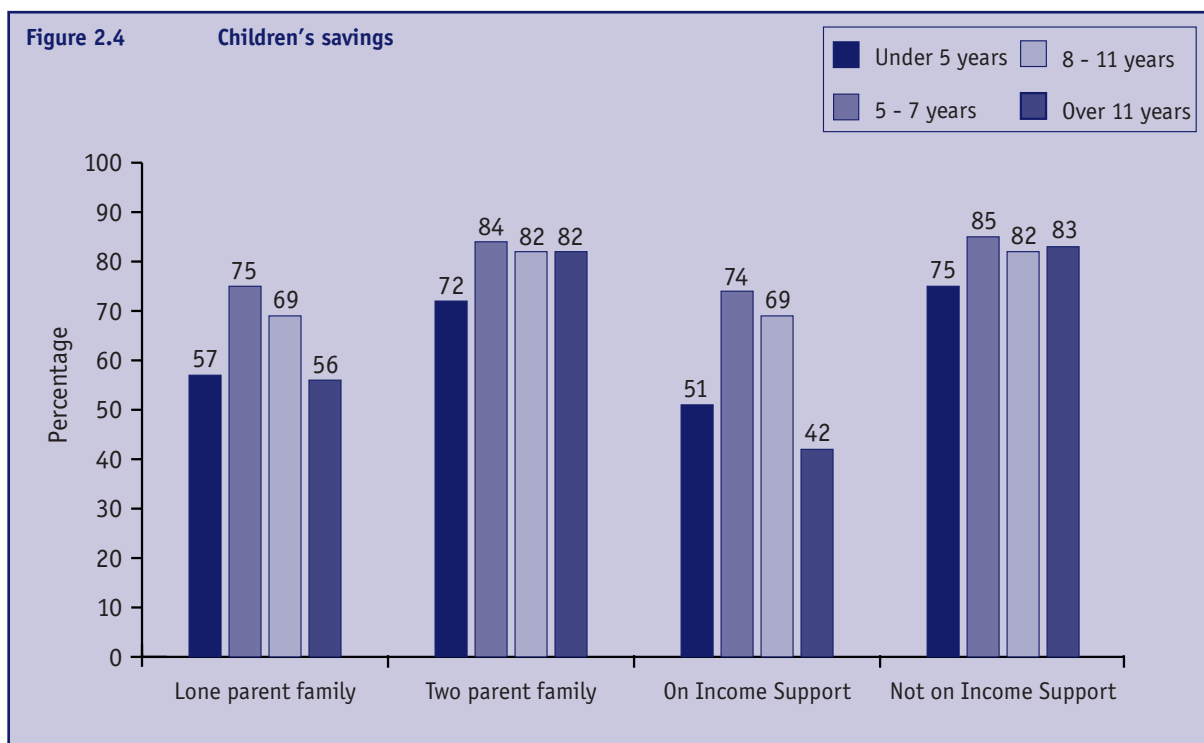
*"I would think probably they don't have sufficient to contemplate saving. They don't have always in the family a background of saving, therefore it's an alien concept. Some of them may in the short-term save up for something specific, but I would think probably a lot don't even consider that" (LA, Teacher).*

- 2.70 In contrast, teachers of children from wealthier families believed that their pupils did not save their money because there was no need for them to do so.

*"I don't think that they have to save up for things very often, they don't think that would be something they have to do" (MA, Teacher).*

- 2.71 The fact that many children from lower income families said that they saved is not borne out by findings from the parents involved in the 'Small Fortunes' survey. Perhaps parents are unlikely to describe pocket money their child saved from one week and spent within a relatively short period as 'savings'. Whereas, children might be more likely to say that they have money saved although this might only be kept for a short period and will be spent quickly. However, when asked about their child's savings parents talked about savings kept in a 'piggy bank' or similar as well as savings in a bank or building society. The survey results suggest that children from lower income families were less likely to have savings than children from wealthier families and when they did were less likely to contribute to these themselves. Around three-fifths of children from lone parents (63 per cent) or Income Support families (59 per cent) had savings compared with four-fifths of children from two parent (80 per cent) or non-Income Support families (81 per cent).

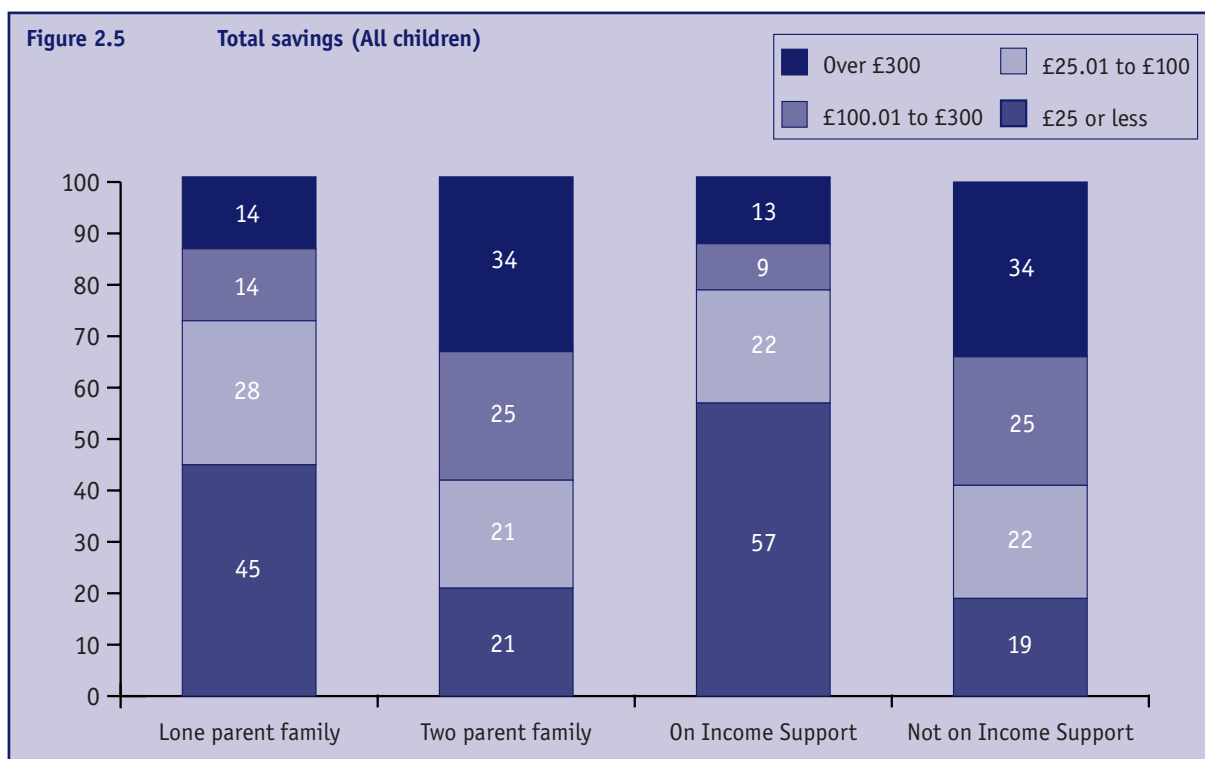
- 2.72 Older children (over 11 years) from lone parent (56 per cent) and Income Support (42 per cent) families were especially less likely to have savings than children of similar age from two parent (82 per cent) and non-Income Support (83 per cent) families (Figure 2.4). In addition, older children living in lone parent and Income Support families were less likely, or only as likely, to have savings as children under 5 living in the same family type. This suggests that in some less affluent families savings accounts are set up when children are young but no more children begin to save as they get older. For children in wealthier families, presumably more are encouraged to start saving as they get older.



- 2.73 Parents were asked who contributed to their child's savings. A much smaller proportion of children from lone parent and Income Support families had saved part of the money themselves than children from wealthier two parent or non-Income Support families. Just one-third of children in lone parent families and 27 per cent in Income Support families who had savings had contributed to these compared with 42 per cent of children in two parent families and 43 per cent in non-Income Support families.
- 2.74 Furthermore, parents, other relatives and non-relatives were less likely to have contributed to the savings of poorer children. Around two-thirds of children in lone parent (68 per cent) or Income Support (66 per cent) families had their savings contributed to by their parents compared with more than three-quarters of children in two parent (78 per cent) or non-Income Support (78 per cent) families.
- 2.75 Likewise, grandparents of children living in lone parent (67 per cent) or Income Support (64 per cent) families were less likely to have contributed to their grandchild's savings than were grandparents of children from two parent (74 per cent) or non-Income Support (75 per cent) families. Furthermore, people outside the family were less likely to contribute to the savings of children living in lone parent (11 per cent) or Income Support families (13 per cent) than to the savings of children in two parent (20 per cent) or non-Income Support (19 per cent) families.

### Amount of savings

- 2.76 Evidence from the survey suggests that primary and secondary school aged children from lower income families are less likely to contribute themselves or have people contribute to their savings than are children of the same age from wealthier families. It is hardly surprising, therefore, that children from poorer families have lower savings on average than richer children (Figure 2.5). Children in lone parent (45 per cent) or Income Support (57 per cent) families were twice as likely to have £25 or less than were children in two parent (21 per cent) or non-Income Support (19 per cent) families. In turn only half the proportion of children living in lone parent (28 per cent) and Income Support families (22 per cent) as children from two parents or non-Income Support families (59 per cent) had savings of over £100. The rest of the children had between £25 and £100 savings.



## Access to Financial Services

- 2.77 This section examines where children save their money and, if they had a savings account, the degree of their involvement with it.

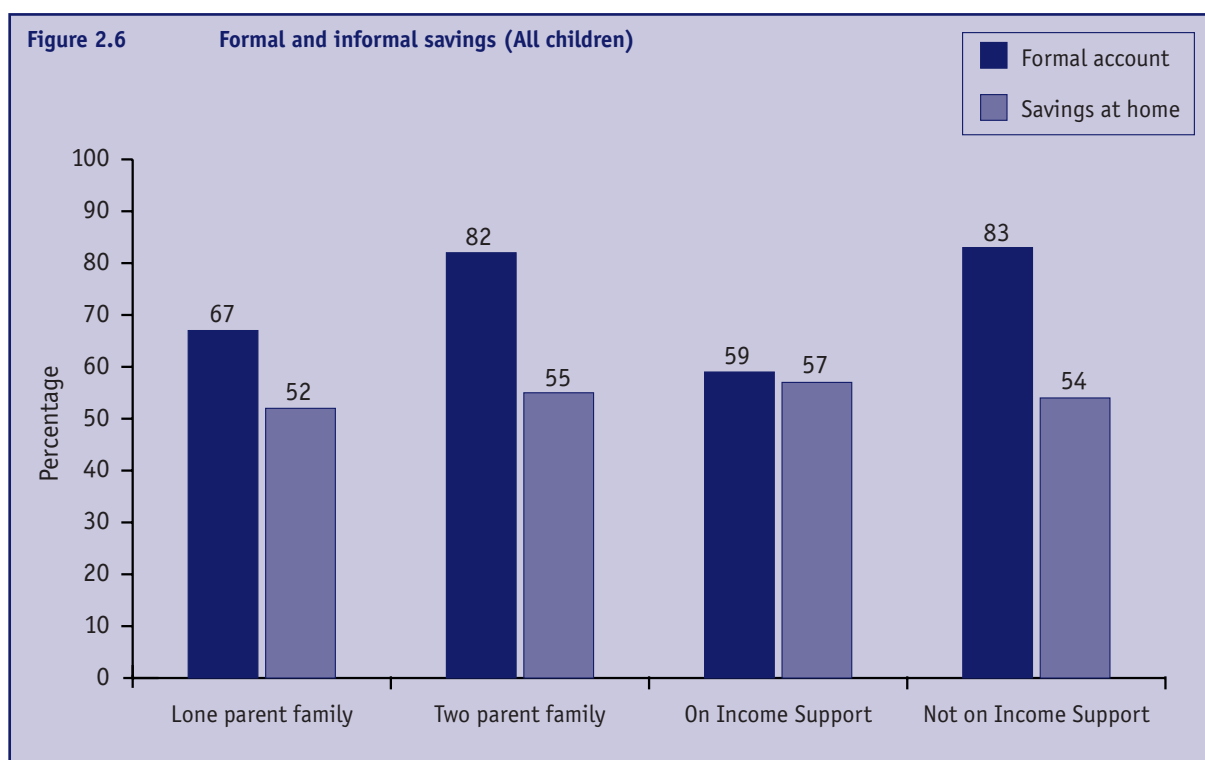
### Where children save

- 2.78 Evidence from the interviews with children suggests that those from lower income families often had just one place where their savings were kept and this tended to be at home, for example, in a piggy bank, tin or jar, or purse. However, as well as keeping money at home, children in more affluent families tended to have at least one other place where they saved their money. Mostly this place was referred to as 'a bank', although this could have meant a building society or account with the Post Office. The likelihood of having a savings account increased with age but at a faster rate for children from wealthier families. By 10 years old most children from more affluent families had an account with a bank or other financial institution. Even a minority of the youngest children from more affluent families said they had their own bank accounts.

*"I can't remember when I got my bank account, but it was quite far, a long time ago..I got a book where my mum puts the money in..well I don't write cheques, I just get the money out of the bank" (MA, six years).*

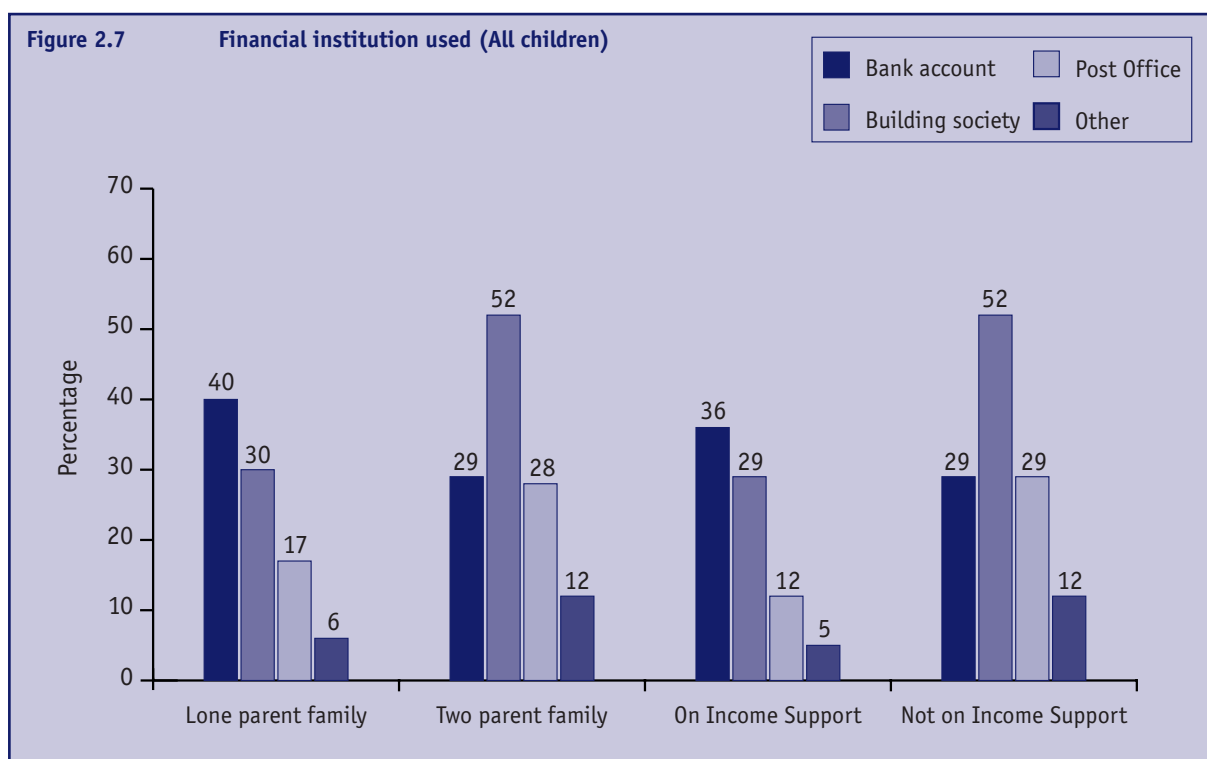
- 2.79 Results from the survey suggest a similar trend. Children from lower income families were as likely to have 'informal' savings at home in, for example, a piggy bank as were children from wealthier families. Similar numbers of children from lone parent and two parent families (52 per cent and 55 per cent respectively) and families on Income Support or not on Income support (57 per cent and 54 per cent respectively) had savings kept at home (Figure 2.6).

2.80 However, poorer children were less likely to have additional savings with a bank or building society or other financial institution. Just 67 per cent of children from lone parent families and 59 per cent from families claiming Income Support had a 'formal' savings account<sup>2</sup> with a financial institution compared with over 80 per cent of children from two parent (82 per cent) or non-Income Support families (83 per cent). The likelihood of having a 'formal' savings account increased with age as saving at home decreased. Seventy-five per cent of under 5s had savings accounts, 76 per cent of 5 to 7 year olds, 79 per cent of 8 to 11 year olds and 87 per cent of children over 11. Older children were less likely to save their money in a 'piggy bank' and more likely to have a formal savings account than younger children. Of children over 11, 45 per cent saved their money in a piggy bank, compared with 55 per cent of 8 to 11 year olds, 62 per cent of 5 to 7 year olds and 58 per cent of under fives.



2.81 The 'type' of savings account also varied between children from lower and higher income families (Figure 2.7). Children from lone parent (40 per cent) or Income Support (36 per cent) families were more likely to have their savings account with a bank, whereas children in two parent (52 per cent) or non-Income Support (52 per cent) families were more likely to have their account with a building society. Also, fewer children from lone parent (17 per cent) and Income Support (12 per cent) families than children from two parent (28 per cent) or non-Income Support (29 per cent) families had Post Office accounts. In terms of other places such as insurance policies, life assurance, shares, endowment policies and bonds, children from lone parent (six per cent) or Income Support (five per cent) families were about half as likely to have these as children from two parent or non-Income Support families (12 per cent).

2 'Formal' savings account refers to an account with a financial institution, such as, a bank, building society or Post Office



- 2.82 Children from more affluent families were more likely to keep their savings in more than one place. Around one third of children in lone parent (39 per cent) and Income Support (36 per cent) families had two or more saving places compared with around three-fifths of children from two parent or non-Income Support families (58 per cent).

### Children's involvement with their savings account

- 2.83 Among children who said that they had money saved in a bank or building society, the degree of involvement that they had with their account differed according to their family's economic circumstances and their age. Perhaps unsurprisingly, direct involvement with a formal savings account and awareness of it increased with age. However, children from lower income families had less direct involvement than did children from wealthier families.
- 2.84 Children from less affluent families had limited knowledge or understanding of their savings account. Most did not know the name of the bank or building society where they had their account and few were able to give any details of it, such as how much money they had in it or how long they had had it for. They were unlikely to have paid money into their account or taken money out of it and most were unsure as to whether or not someone else did this for them. For the majority, knowledge was limited to the fact that their account had been opened by a relative when they were younger.

Interviewer *"Have you got one (a bank account)?"*

Child *"Well my grandma's done one"*

Interviewer *"So does she put money in for you?"*

Child *"Yes"*

Interviewer *"Do you know how much she puts in?"*

Child *"No, because she lives at (name of town).... I don't know. My mum just tells me that she puts some money in the bank for me and my sister and my brother"*

Interviewer *"Do you know why she's doing that then?"*

Child *"No"*

(LA, girl, 10 years).

- 2.85 Teachers of children from lower income families were aware that, whilst some older children had savings accounts their involvement in these was limited. One teacher explained how it was customary for grandparents to open savings accounts for their grandchildren:

*"It's just one of the traditional things I think they do, that their grandparents set up bank accounts for their children and put some money into it. I don't think they have any long term plan for that money, it's just there sort of thing, it's not for using in the future for further education, it's just something that you do. I don't think there's any rationale behind it, it's just something they've heard about and something grandparents do"* (LA, Teacher).

- 2.86 In contrast, children from more affluent families who said they kept money in a bank or other financial institution were more aware of their savings account. Children aged 10 to 11 years were especially knowledgeable of their account and their involvement with it was considerable. They knew the name of the bank or building society where their account was held, they regularly paid money into it and some were able to withdraw money using their bank book. Many knew that they received statements on their account and were able to describe the purpose of these. Whilst some of the children said that the money was for when they were older, most said that they were looking forward to when they were 11 years when they would be able to have a cash card and expected to receive one.

Child *"It's a Smart Card, it's from Nationwide"*

Interviewer *"Smart Card? I've never heard of that"*

Child *"Because they have like for teenagers, and so she (his sister) puts, she takes money out when she wants, if she's going to town with her friends and things, so she takes it with her"*

Interviewer *"Right. Will you get one of these cards?"*

Child *"Yes, because my Dad said that when you're like Paula's age you could get a Smart Card and use it how Paula is."*

(MA, boy, 10 years).

- 2.87 These children from wealthier families appeared keen to deposit some of their pocket money or Christmas and birthday money into their account and were aware of how much money they had paid in.

- 2.88 Most younger children from more affluent families knew that the money in their savings account was for when they were older and, whilst they did not appear to save their pocket money in their formal account, said that their parents paid some of their birthday or Christmas money into it. Although less knowledgeable than older children, some youngsters knew a little about their account.

Interviewer *"Do you know how much you've got in the bank then?"*

Child *"I think I've got around £160"*

Interviewer *"Do you know which bank it is..what name it is?"*

Child *"Lloyds bank"*

(MA, girl, 8 years).



- 2.89 Clearly, for some children from wealthier families, their involvement with their savings account was significant. However, some of their teachers might have underestimated the level of their pupils' involvement with their savings account.

*"No, they don't associate it as their bank account, they just associate it as, you know, mum and dad's put some money in so I can have some money to take out when I need" (MA, Teacher).*

## Summary

- 2.90 Children from lower income families learn about inconsistent flows of money into the family from a young age. The poorer children involved in this research had first hand experience that income is often variable and so are likely to be aware that their family's economic circumstances are uncertain and insecure, and that their family often does not have enough money. Often as a result of this income instability, many lower income families are excluded from the financial services that other wealthier families take for granted. Consequently, children growing up in these families often do not have the range of experiences with financial services and institutions enjoyed by children from wealthier families, the findings from this study appear to reflect this. Encounters with non-cash based methods of paying for goods and services for children from poorer families were often limited to seeing people outside their family make use of them. Consequently, these children were unfamiliar with the services offered by banks and other financial institutions. Restricted exposure to financial services and institutions for some children from lower income families helps to explain why these children had less knowledge and understanding of these compared with children from wealthier families.
- 2.91 Children from lower income families learn to replicate their parents' budgeting skills. By seeing their parents budgeting for and paying bills, the children in this study had learnt how to manage with unsure amounts of money. These skills can then be tested with their own irregular sums of money. Unlike children from wealthier families, these children did not receive regular pocket money. Instead, receipt of any pocket money was often dependent on factors outside their control. Few poorer children earn money for jobs done either inside or outside the home, although when they do have part-time jobs they often work longer hours for lower rates of pay than do their wealthier peers. The less affluent children also had fewer opportunities to handle money within school in a learning context than children from more affluent families.
- 2.92 One consequence of children from lower income families having to learn to manage with unsure flows of money is that their spending and saving is carefully planned. Even so, the findings indicate that children from lower income families are less likely to have savings than are children from wealthier families. When they did have savings, they were less likely to contribute to these themselves or receive contributions from parents or other people. Furthermore, when children have savings, those from lower income families were less likely to have savings deposited in an account with a bank or other financial institution than were children from more affluent families.
- 2.93 The next chapter explores how these early experiences of financial matters are reflected in children's understanding and beliefs about money and financial services.

### Implications: the content of personal finance education

Clearly any personal financial education needs to build upon children's experiences. In some areas, such as budgeting, children from less affluent households are often extremely skilled while children from more affluent households have a greater understanding of, for example, financial services. Personal finance education should enable all children, whatever their home circumstances, to become financially included in later life and able to make informed choices about their financial futures. The recently published DfEE guidance on personal finance education<sup>4</sup> lists learning objectives across all key stages. Similarly the Scottish Consultative Council on the Curriculum (now Learning and Teaching Scotland) has defined learning objectives for financial capability<sup>5</sup> for Scottish schools. The findings from this research suggest that children from all backgrounds can become financially capable if schools ensure that pupils achieve these learning objectives.

### Key findings

- Children from lower income families had learnt about inconsistent flows of money into the family, whereas children from wealthier families had experience of regular family income.
- In comparison with the children from wealthier families, children from poorer families had a limited range of experiences with financial services and institutions and were unfamiliar with the services offered by banks and other financial institutions.
- Children from lower income families were often involved in family budgeting and saving however; this was less common amongst children from wealthier families.
- Children from poorer families had learnt to replicate their parents' sophisticated budgeting skills and in comparison with children from wealthier families their spending and saving was more carefully planned.
- Unlike children from more affluent families, children from less affluent families did not receive regular pocket money, instead any money received was often dependent on factors outside their control.
- Because of limited resources in the schools serving more disadvantaged areas children from lower income families had fewer opportunities to handle money in a learning context than did children from more affluent families.
- Children from lower income families were more often told that their parent could not afford what they wanted, whilst wealthier children were given other reasons for not being allowed something.
- Most teachers thought that many children from more affluent families only see cash being used occasionally, and this they believed was a disadvantage for them.
- Many teachers believed that being involved in family budgeting had given their pupils from poorer families a sophisticated understanding of value for money and most believed this understanding was more advanced than for children from wealthier families.
- Regardless of their pupils' background, teachers tended not to expect them to save any of their money. For pupils from less affluent families they said this was because they would have no choice over saving and for children from more affluent families because there was no need for them to do so.

### Implications: teachers' expectations

This research indicates that there is a good match between teachers' understanding of their pupils' financial experiences and what happens in real life. However, the research has highlighted one disparity - children from all backgrounds save their money. Later in this report, teachers talk about when personal finance education should be introduced and suggest with older rather than younger children. Perhaps this finding should indicate to teachers that children are capable of being more financially aware at a younger age than teachers believe.

4 see Annex A and also [www.dfee.gov.uk/circulars/index.htm](http://www.dfee.gov.uk/circulars/index.htm)

5 see [www.ltsotland.com](http://www.ltsotland.com)

# 3 Children's understanding and beliefs

- 3.1 In the first part of this chapter, we focus on what children understand about financial institutions and services. Consideration is given to children's knowledge about the services that banks offer, the range of non-cash methods of payment and of how bills are paid. Children's understanding of insurance and risk and what they learn from their parents is also examined.
- 3.2 The second part turns to children's beliefs and expectations about money. Their perceptions of what is enough money, what they would do if they had more money and their perceptions of poor children are considered in turn. Finally, what children would like to know about money and financial services is reported. Where appropriate, teachers' perceptions of what their pupils know are compared with the children's reports.

## Children's Understanding of Financial Issues

### Banks and other financial institutions

- 3.3 Children from lower income families tended to have a limited knowledge and understanding of banks and the services they can provide compared with children from wealthier families. For many their knowledge of financial institutions was limited to the fact that banks are a 'safe' place to keep money, whilst children from more affluent families were able to name other services provided by banks. Older children from wealthier families were also more likely to mention that a person can 'earn' money by keeping it in a bank and that this is dependent on how much money s/he has in their account. This suggests that some older children from more affluent families had an initial understanding of the concept of interest. As one boy explained:  
  
*"I'm not sure, I think it is how long you leave your money in or something" (MA, boy, 10 years).*
- 3.4 Regardless of their family's economic circumstances, younger children's knowledge of banks and other financial institutions was limited, and some appeared to believe that money in banks could belong to anyone.
- 3.5 There was a clear match between what teachers perceived their pupils knew about banks and other financial institutions and what children actually did know. Whereas teachers of wealthier children expected their pupils to know something about banking, those who taught children from lower income families suggested that their pupils had only a superficial knowledge of banking, and that some were unlikely to be able to make the connection with depositing and then withdrawing money.

*"Loosely, yes. That a bank is a place that you go to get money. I'm not sure that they're 100 per cent sure that you put it in first, even some of these year 6. Yes, it will be a place you go to get money" (LA, Teacher).*

- 3.6 In contrast, one teacher explained how the more affluent children she taught were keen to know about the interest rate that the bank at school offered:

*"We had quite a lot of children who came to me asking what is the interest rate because in my bank I can get this percentage, it was not one or two it was quite a number" (MA, Teacher).*

### Learning expectations

- 3.7 Most children thought that it was important for children to know about money and about banks. However, the reasons why it was important to know about financial issues differed between children from less and more affluent families. The former thought that children should know about money and banks so that they did not make mistakes in later life.

*"Yes, because when you're older if you buy something in a shop and if someone don't give me my change back and they won't know what change they'll get" (LA, girl, 9 years).*

*"So that when I'm older I can understand what it's all about and if I ever have kids then I can tell them about it, so they know what's happened when they draw out their money or take so much out" (LA, boy, 11 years).*

- 3.8 Children from wealthier families thought that knowing about money was important so that they did not waste money and so that they knew what to do with it.

*"So when you're grown up you don't give, you know what to do with your money and you just don't want to go and spend it on silly things, you want to have like cars and houses" (MA, boy, 8 years).*

- 3.9 These findings mirror previous research that has indicated that children would welcome the opportunity to learn more about financial issues. Around half the children involved in research commissioned by the Qualifications and Curriculum Authority (QCA) said that they wanted detailed information on money management.<sup>1</sup>

### Non-cash transactions

- 3.10 We have suggested earlier that children from lower income families were unfamiliar with seeing their parents pay for goods using anything other than cash. As a result their understanding of other methods of payment was limited. Although they were able to name a number of ways that items can be purchased, for example cards and cheques, their understanding of how these 'worked' was restricted. In contrast, children from wealthier families, who regularly saw their parents use cards and cheques as methods of payment, were more able to discuss how these transactions took place, in particular how cheques were used. Even a few young children had an accurate grasp of how cheques are processed:

*".. they just write the cheque and they give it to the shopkeeper, and then your bank gives the money to the shop" (MA, girl, 6 years).*

- 3.11 Another young child from a more affluent family was asked how the card he said that his mother used in the supermarket worked, and he responded:

*"Money gets taken out of her (mother's) bank account at Lloyds" (MA, boy, 8 years).*

- 3.12 When children from lower income families had had experience of cards in the past, they were as knowledgeable about this method of payment as were children from wealthier families. As one child who had said that his parents no longer used a credit card explained:

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1 Qualifications and Curriculum Authority School Omnibus Topline survey conducted by MORI in January and February 1999

*"Yes, if you aint got any money and you've got a credit card you just go to a shop and if you want something they'll run it through a line or something and it will read the label on the back and it goes through a computer and it goes to a bank and tells this person wants to buy something, and it will tell them what you've got and they'll give you the thing you want and later on in the week you'll have a letter sent to your house telling you what you've bought and how much you have to pay back" (LA, boy, 11 years).*

- 3.13 Regardless of age or economic circumstances children only talked about 'credit cards', no child used the terminology 'debit cards' and, when prompted, they were unaware of the distinction between the two.

### **Paying bills**

- 3.14 Children from lower income families were more knowledgeable of the range of bills that adults have to pay and of where and how these can be paid than were children from wealthier families. As discussed earlier, this is probably because they often have an active involvement with their parents in paying these. They were especially knowledgeable of how rent, gas and electric are paid.

Child *"She (mother) goes to the rent office to pay her rent, and she hands in her rent book and they'll stamp it and scan it through the computer and then they stamp it to say that you're up to date"*

Interviewer *"What about the electric then? Are you electric or gas?"*

Child *"Both. She gives them the electric card and they run that through like a credit card thing and she gives them the money how much she wants on electric and they give her the electric card back and how much on the card you've got, like £5 electric card. For the gas she hasn't got a card, she's got like another special register and they'll tick it by the side"*

Interviewer *"Is this all in the same shop the electric and the gas or do you have to go to different shops for that?"*

Child *"We go to the same shops".*

(LA, Boy, 11 years)

- 3.15 Children from wealthier families were less sure of what bills their parents had to pay or how they were paid, and few discussed paying these with their parents.

Interviewer *"And how do they pay for these sorts of things (bills)?"*

Child *"I don't know actually, probably by cheque for them, but I don't know. If it's a big amount they'll pay by cheque, and if it's just little they'll pay by money"*

Interviewer *"Right, do you ever see mum and dad paying the bills?"*

Child *"No".*

(MA, girl 11 years)

- 3.16 Children were asked what they thought might happen if bills were not paid. Children from lower income families were more likely to mention extreme outcomes, describing how non-payment would result in being 'cut off' or of being fined. Children from wealthier families tended to believe that if bills were left unpaid their parents would simply receive a reminder or a 'red' letter.

Interviewer *"What happens if grown-ups don't pay their bills?"*

Child *"They get a red one back."*

Interviewer *"A red one?"*

Child                               *"With red writing on it"*

Interviewer                       *"And what does that say to them?"*

Child                               *"You have to pay your bill"*

(MA, girl 8 years).

## Insurance and risk

- 3.17 In an attempt to establish children's awareness of insurance, those aged over seven years were asked how adults might protect things that they own. Children from lower income families were less likely to mention insurance unprompted than were children from wealthier families. Even after prompting, most children from less affluent families only named a limited range of types of insurance, mostly car and house insurance. In contrast, children from wealthier families were also able to talk about health and life insurance.

Child                               *"Health insurance as well"*

Interviewer                       *"What's that?"*

Child                               *"Well if you're in an aeroplane or a car and you crashed or died you would get money or something you would get something for it I can't remember is it money?"*

(MA, girl, 10 years).

- 3.18 Although knowledge of insurance was understandably limited for these young children, some from wealthier families appeared to understand that insurance meant that money was somehow paid back if something was broken or stolen.

*"Like if you've got, say you are driving a car yes, and you caused an accident, would your insurance company have to pay?" (MA, boy, 8 years).*

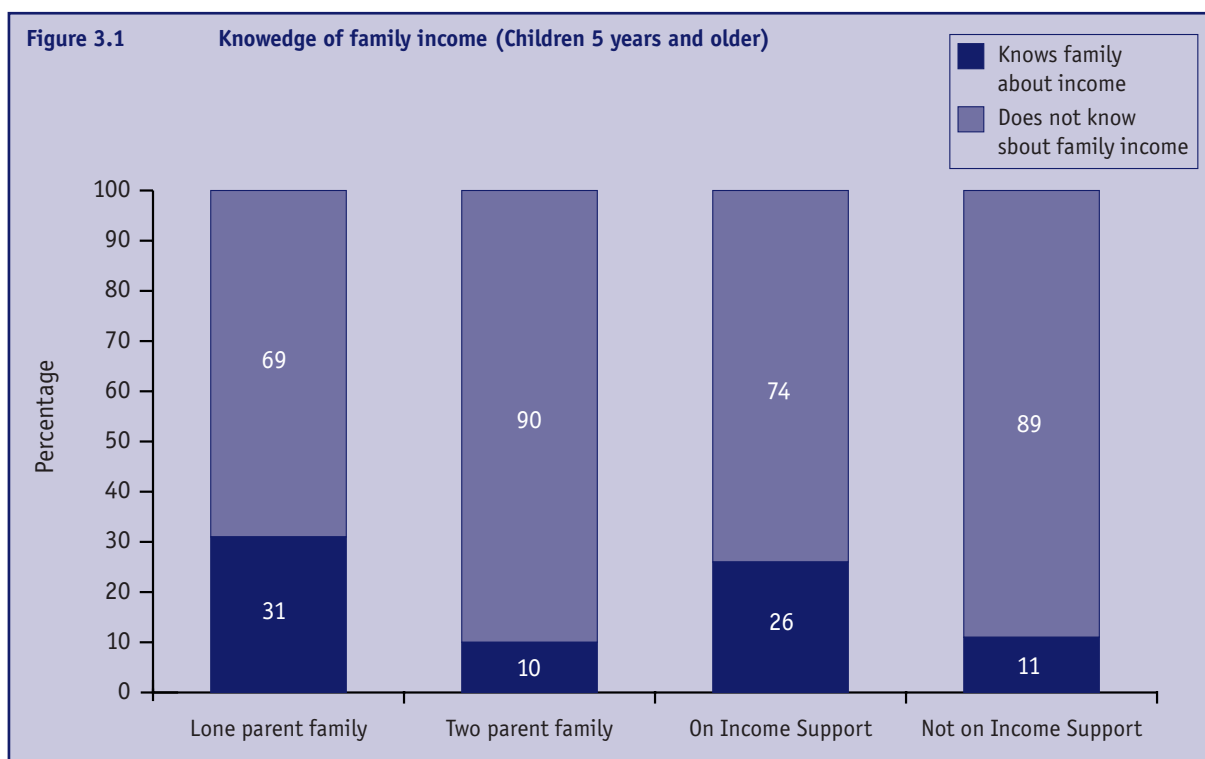
- 3.19 Teachers were asked what they thought their pupils knew about the risk of losing money in relation to lotteries and gambling. Teachers of children from both lower income and wealthier families said that whilst children are aware of the National Lottery, they did not see buying a lottery ticket as money spent nor were they aware of the risk of losing. Although not discussed with the children, teachers of children from lower income families thought that some of their pupils would have considerable experience of winning and losing money through their family.

*"And a lot of these children spend quite a lot of their time going to the betting shop, some of these would be able to explain to you accumulators and things, they'd tell you what an each way bet is, and an accumulator" (LA, Teacher).*

## Family discussions

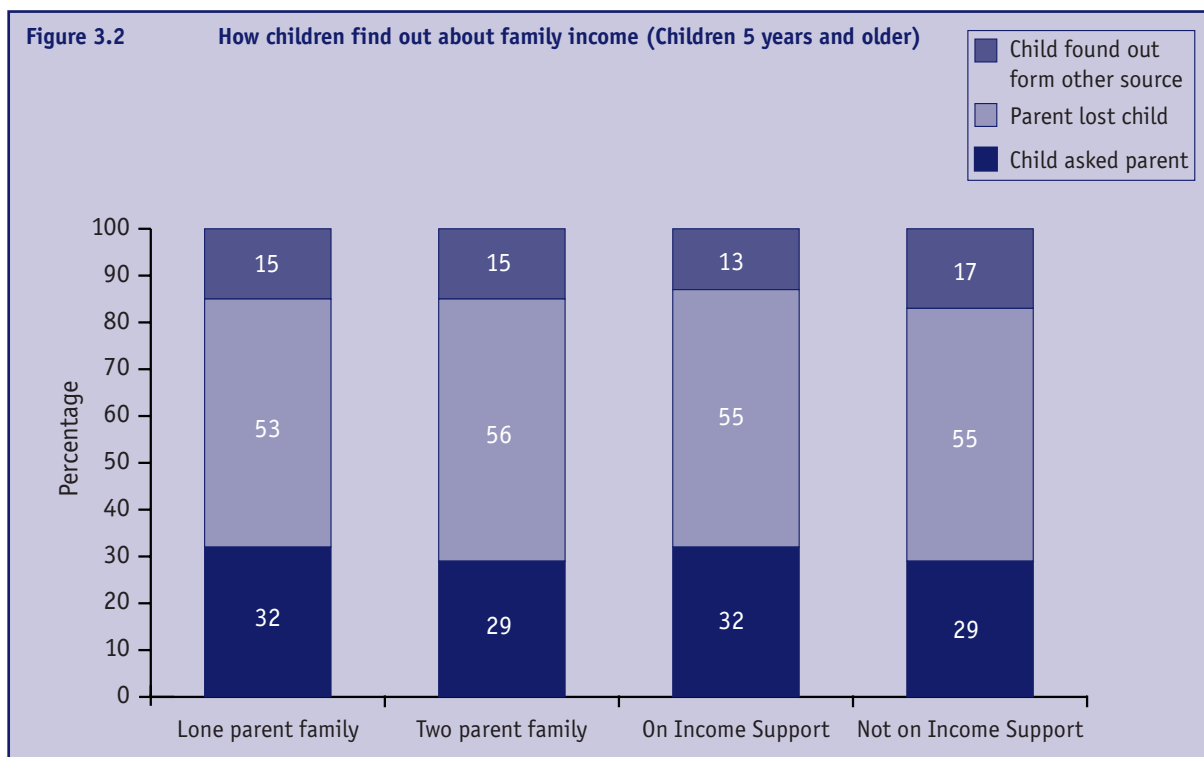
- 3.20 Regardless of their economic background, talking to parents is clearly one way that children learn about money and about their family's economic circumstances and this was further investigated through the 'Small Fortunes' survey.
- 3.21 Parents involved in the survey were asked whether their child (five years and older) knew roughly how much money they had coming in each week/month, and few said that their child did know (14 per cent). However, lone parents and those on Income Support were more likely to say that their child knew how much the family income was than two parent families or those not on Income Support (Figure 3.1). Around one third (31 per cent) of lone parents and one quarter (26 per cent) of parents on Income Support thought that their child knew about their family income compared with around one in ten two parent families (10 per cent) or parents not on Income Support (11 per cent).

- 3.22 Perhaps unsurprisingly, parents of older children were more likely to say that their child knew about the family income than did those with younger children. Around one quarter of parents with children over 12 years (26 per cent) said their child knew about family money compared with nine per cent of parents with 8 to 11 year olds and five per cent with children under eight.
- 3.23 Parents who said that their child knew about the family's income were asked how their child had found out about it. Over half (55 per cent) said they had told their child without being first asked by him/her, 30 per cent said that their child had asked them, and 15 per cent said the child had found out through other methods (over-hearing conversations, asking siblings etc.).



- 3.24 No significant differences emerged between the ways children from different economic circumstances had found out about their family income (Figure 3.2). Lone parents and those on Income Support were not significantly more likely to have told their children about their family income or to have been asked about it than two parent families or those not on Income Support.
- 3.25 Secondary school aged children were more likely to have asked their parents about family income (33 per cent) or to have been told about it (57 per cent) than were primary school aged children (25 per cent and 50 per cent respectively). The rest had found out from other means.





### Children's Beliefs and Expectations

- 3.26 This section explores children's thoughts on whether their family has enough money, what they would buy if they had more money and their perceptions of poor children.

### Perceptions of family living standards

- 3.27 Children were asked whether they thought their family had enough money and, for those who received pocket money, whether they received enough. Regardless of their family's economic circumstances most children thought that their family did have enough money and that they received enough pocket money. However, the teachers of some children from lower income families thought that the children were aware that others had a lot more than they had from what they saw of their peers and on the television. Furthermore, one teacher explained how he used this awareness to introduce the idea that a good job will ensure that they will be able to buy what they want when they are older.

*"I mean one of the things that they want when they grow up is to have money, not a specific amount, and which I frequently say ...if you want money where are you going to get it from, and if you're looking for a job, how are you going to get the job. So I think for a lot there is a realisation that there are a lot of people with a lot more than they have" (LA, Teacher).*

### Wish lists

- 3.28 Children were asked what they would do if they had a lot of money, for example if they won or were given a significant sum. Most children said that they would spend some and save some, and many said that they would give money to their family, to friends and to charity. Children from lower income families tended to mention a more extensive range of people to whom they would give money than did children from wealthier families; and some were clear about their reasons for giving money to people they saw as less fortunate than themselves.



*"I'd give most of it to charity and I'd share it out between the people on the streets..... because I feel sorry for all them people that are on the streets that have just got no money at all" (LA, girl, 10 years).*

- 3.29 When told that their pupils had suggested that they would give some money to charities teachers of children from lower income families were surprised.

*"I can't imagine that they'd say that, any of them.....I mean we have done some ethics and morality in RE but it would really surprise me that they'd actually said that" (LA, Teacher).*

- 3.30 Whereas those who taught children from wealthier families were not in the least surprised to hear that their pupils would give some money to charity.

*"Well I think they, because we do a lot of charity work, children have got a very strong moral sense and they've got a very strong sense of values about saving the world, looking after the environment, giving to people who are less well off than yourselves" (MA, Teacher).*

### Perceptions of 'poor' and 'rich' children

- 3.31 Children were asked to describe poor people in this country, they were prompted to think about the things that poor children have and the things they do. Children from lower and higher income families differed in their descriptions of poor children. Those from less affluent families described poor children as unclean, dressed in rags, or not in fashionable clothes, and living on the streets.

*"Sometimes they don't get a lot of money and don't wear the same clothes and sometimes get picked on. Sometimes they have a mucky house, but sometimes their garden could be a mess" (LA, girl, 11 years).*

- 3.32 Children from wealthier families described poor children as those who did not have certain items, for example, the latest electrical goods.

*"Probably have a small house, don't have computers or TV. Just have enough money for food. Don't have any wallpaper, just paint and aren't educated" (MA, girl, 11 years).*

- 3.33 Children were also asked for their opinions on what makes some children rich. A number of children from lower income families said that luck, for example, their parents successfully gambling made children rich.

*"If you back a horse and it wins" (LA, boy, 8 years).*

- 3.34 In contrast, children from wealthier families were more likely to say that children are rich if their parents have good jobs or earn a lot of money.

*"Father and Mother earning a lot in a good business" (MA, girl, 11 years).*

### Summary

- 3.35 Children's knowledge and understanding of financial services and institutions tends to mirror their early experiences with these. For children from lower income families their limited involvement with banks was reflected in their immature knowledge and understanding of these. In contrast, children from wealthier families were more knowledgeable of the services offered by financial institutions and of the various methods that can be used for paying for goods and services. Furthermore, and unlike children from wealthier families, those from less affluent families had less knowledge of how items can be protected using insurance or of the range of things that can be insured. However, reflecting their greater involvement with household bills, children from lower income families were more knowledgeable of the range of bills that adults have to pay and how and where these can be paid than were children from wealthier families. Their understanding of the serious consequences if bills are not paid perhaps reflects their previous experiences of unpaid bills. Children from lower income families did not appear to

question the amount of money they or their family had, they accepted what they were given or earned and believed that they had enough.

- 3.36 The subsequent chapter looks at money work in primary schools. In particular, how money is taught through mathematics lessons. Also covered is the importance that teachers attach to learning about personal finance.

#### **Implications: the content of personal finance education**

The DfEE guidance on personal finance education<sup>2</sup> defines three themes within financial capability – financial knowledge & understanding, skills & competence and financial responsibility. The findings from this research reinforce the necessity for developing each theme. Pupils need:

- financial knowledge & understanding – to be able to make informed decisions and choices about their personal finances
- financial skills & competence – to be able to manage money on a day-to-day basis and think about planning for the future
- financial responsibility – to be able to understand the wider impact of financial decisions, not only for an individual's future, but also at a greater, societal level.

#### **Key findings**

- Children from lower income families were less knowledgeable about banking and financial services than were children from wealthier families.
- Teachers' perceptions of what their pupils knew about financial institutions and services tended to match what the children actually did know.
- Children from lower income families were more familiar with the range of household bills and how these can be paid than were children from wealthier families.
- Children from less affluent families were also more aware of how much money their family had coming in each week than were children from more affluent families.
- Unlike children from wealthier families, children from less affluent families had less knowledge of insurance or of the range of commodities that can be insured.
- Many teachers were surprised to hear that their poorer pupils would give donations to charity if they won a lot of money, although those who taught children from wealthier families expected this.
- Children from lower income families described poor children as unclean and dressed in rags, whereas for children in wealthier families poor children were those who did not own the latest products.
- Children from poorer families thought that luck helped to make children rich whilst children from wealthier families thought that their parents having well-paid jobs made children rich.

#### **Implications: breaking cycles of exclusion**

There are implications for the wider curriculum in the finding that children do not necessarily equate wealth with having a good job. We need to raise the employment aspirations of children from less affluent backgrounds, this means good careers education. Personal finance education can play a part, teachers who spell out the connections between money, employment and lifelong learning are helping their pupils to prepare more effectively for adult life.

2 see Annex A and also [www.dfes.gov.uk/circulars/index.htm](http://www.dfes.gov.uk/circulars/index.htm)

# 4 Money and personal finance education in schools

- 4.1 The first half of this chapter explores where work with money is covered within schools and how it is approached by teachers through maths lessons since the introduction of the National Numeracy Strategy in England. The second half looks at teachers' perceptions of personal finance education and how this might be taught in primary schools.

## Work with Money in Schools and through the National Numeracy Strategy

### The National Numeracy Strategy

- 4.2 The National Numeracy Strategy was launched in schools in England with primary age children in September 1999. By the time interviews were conducted with teachers the National Numeracy Strategy had been taught in schools for around six months. An important feature of the strategy is the provision of a structured daily mathematics lesson of 45 minutes to one hour for all pupils. Teachers are encouraged to teach the whole class together for a significant proportion of the time, and oral and mental work feature strongly in each lesson. Most schools refer to a predetermined framework for teaching mathematics<sup>1</sup>; this illustrates the range and balance of work in primary mathematics to help ensure that pupils become properly numerate.
- 4.3 The framework has five strands. Three strands have direct links with number work: 'numbers and the number system'; 'calculations' and 'solving problems'. One strand is linked to 'measures, shape and space' and another incorporates 'handling data'. Work with money is referenced within the strand 'solving problems' in relation to using numbers in context.
- 4.4 Wherever possible, teachers said that they attempt to cross-reference their maths teaching with work done in other subjects and with what is going on in the world. One teacher explained how she planned to use the Chinese New Year in her maths lessons and how this linked with the topic of money:

*"And then on Friday I thought how do we keep our money safe, money for good luck, we'll discuss the Chinese New Year, I'll get a story and we're going to make red purses. I brought one Chinese purse in this morning and then ... I will ask the children to draw an amount, maybe up to 10p or 20p and write the values and we'll fold the paper and put it in our red purses and then they give it to their mummies and daddies" (MA, Teacher).*

- 4.5 Even though some teachers said that planning for their maths lessons was more time consuming since the introduction of the National Numeracy Strategy, most were positive about it and said that they enjoyed teaching from the framework.

### How is work with money approached?

- 4.6 Because of the progressive structure of the numeracy framework, teachers of the same year groups tended to follow a similar programme of work regardless of the school that they taught in. The teachers

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1 The National Numeracy Strategy: Framework for teaching mathematics from Reception to Year 6.

had recently re-visited the topic of money with their class for the second time since the start of the school year; and most had allocated one-week blocks to cover the topic. As well as covering new work, the second week long block also included a review of what had been taught previously.

- 4.7 Much of the money work the teachers of younger children in Key Stage One described was practical in nature and involved handling money. Money work covered with these children involved sorting coins according to value and learning about the worth of individual coins, for example, that a two pence piece is the same value as two one pennies. Lessons might involve children pricing individual objects, completing and adding up a simple bill, drawing around coins and activities that encompass buying and exchanging. Teachers felt that their pupils benefited greatly from practical activities and from being able to touch and use money.

*"Oh yes, they love handling the money" (MA, Teacher).*

- 4.8 However, for some teachers in less affluent schools practical lessons were often difficult to organise because of their limited resources.

*"Well I think it's just the physical environment, it's resources you know, we haven't got any money. I had to make my own money, I had to laminate it and cut it out, it took me hours at home" (LA, Teacher).*

- 4.9 For older children in Key Stage Two, work with money was described by their teachers as less practical and more focused around problem solving. For example, problems could be along the lines of calculating the gross income of a pop concert if a certain number of tickets were sold at a specific amount each. When practical activities were used, teachers employed activities that were appropriate to the children's older age. For example, 10 to 11 year-old pupils might be involved in estimating the price of different holidays using real holiday brochures and in working out conversion rates between different currencies.

- 4.10 There were some differences in the way that the topic of money was introduced between teachers of more and less affluent children. Most teachers in schools serving wealthier areas explained how they would introduce the topic of money by using real coins. Furthermore, some teachers said that they might encourage children to bring into school foreign currency left over from a holiday. Another teacher explained that herself and colleagues were discussing the possibility of taking the children to local shops to purchase items needed for a cookery class. Overall, these teachers valued the use of real money in their teaching.

*"One thing when we are teaching money is that children respond and understand much better when they have real money to look at, so if you actually get proper coins out" (MA, Teacher).*

However, real money was not used in less affluent schools.

- 4.11 The teachers explained that the structure of their mathematics lessons was the same regardless of the topic they were covering, and followed the recommendations laid down in the numeracy framework. The framework advises that mathematics lessons are split into three, and that each part has a specific and distinct aim. At the start of the lesson the teacher instructs and demonstrates, sets the work in context and links it to previous work, the middle section is when the main teaching and pupil activities take place and the final third known as the 'plenary' allows pupils to show what they know.
- 4.12 Teachers explained that it is within the introductory and final follow-up sessions that they might talk about broader financial issues such as banks and financial services and where they had the chance to explore what children know about these. Furthermore, this is where teachers said that they introduced or revised money vocabulary such as 'withdrawal' and 'deposit'. With younger children teachers said that they might talk about when money is used, why it is needed and how it can be kept safe.

*"Now when we were discussing money they knew a lot about why we need money, how to keep it safe, where do we keep money, they talked about their grandpa's and grandma's giving them money.... But they all knew the importance of money, why they need money and where do we need to spend it" (MA, Teacher).*

- 4.13 With older children, class discussions about tax paid on goods and services were a way into teaching about percentages.

*"..and once they are through to Year 5 and 6 we are looking at discounts and percentages and we talk to them about VAT as well. And a lot of the children knew what VAT was as well. And when I said do you know what it is they said yes it is a tax on things. I said how much is it and they said 17.5%" (MA, Teacher).*

- 4.14 Another teacher explained how talking about negative numbers had led onto a class discussion of bank statements and overdrafts with her Year 6 group.

*"Yes, when we're doing negative numbers we start off with working on negative numbers in the context of temperature. And then that was when I introduced the idea to them of what goes into a bank, because they have this idea that you just go to the bank and get money out, they haven't really grasped the concept that you have to put it in the first place. So these know about overdrafts and having to pay back if you take more out than you have.....but that came up through really dealing with negative numbers in context. So when your bank statement comes with DR on it that means you've got that much less than zero" (LA, Teacher).*

#### **Implications: personal finance is not a separate topic**

As the findings from this research show, much useful work is already being done in personal finance education. There are clearly opportunities within mathematics to use personal finance as a context for the development of key concepts. Teachers in primary schools cross-reference their work in different curriculum areas. Hence, they are able to use the introduction and plenary sections of the daily mathematics lesson to refer both to other subjects and to personal finance issues. Within the National Curriculum personal finance appears specifically in the Personal, Social and Health Education (PSHE) & Citizenship framework, but schools can deliver PSHE objectives such as personal finance within the daily mathematics lesson. The FSA has produced a free resource for primary schools 'Money Counts'<sup>2</sup> which exemplifies this possibility.

#### **Changes in money work since the introduction of the National Numeracy Strategy**

- 4.15 Overall, teachers believed that work with money had not changed since the introduction of the National Numeracy Strategy. They felt that money work was not so much about teaching financial issues but rather mathematical concepts using real life contexts.

*"Management of money I don't think really use it within the curriculum as it stands, I think it would be something you talk about if you were doing something on money in maths but I don't think it is something we are asked to do" (MA, Teacher).*

- 4.16 However, by talking to their pupils about saving money, banks, statements and overdrafts, the teachers were perhaps unknowingly introducing their children to financial issues.

- 4.17 Whilst they said that the content of their money work had not changed, some teachers believed that there was more emphasis on work with money since the introduction of the National Numeracy Strategy. These teachers expected children's concept of money to improve as a result of the increased significance attached to it.

*"Their concept of money is probably better since the numeracy strategy because you have to do a lot of these real life problems and obviously a lot of the real life problems are based on money because that is a real life problem. I think their knowledge of money will get better because you*

2 distributed free to primary schools Autumn 2000, see [www.fsa.gov.uk/consumerhelp](http://www.fsa.gov.uk/consumerhelp) for details or contact the FSA

*have to do things like changing currency, that's part of the numeracy strategy, and certainly in Year 6 they're supposed to know withdrawal, deposit, that sort of vocabulary. So there's a lot more emphasis on money works than we used to do" (LA, Teacher).*

- 4.18 Teachers welcomed the increased emphasis on money. They explained that quite complex mathematical concepts can be understood even by children whose academic ability in maths is low when put in a real life context and using money.

#### **Implications: what is personal finance education?**

Teachers are likely to require some support in order to understand what might be covered in personal finance education within the primary school. The FSA resource for schools 'Money Counts'<sup>3</sup> and the learning objectives within the DfEE guidance<sup>4</sup> should both help teachers to realise that by talking about saving, banks, statements and overdrafts they are already dealing with personal finance. The learning objectives from the DfEE guidance help to clarify the position of personal finance within the curriculum.

## **Teachers' Perceptions of Personal Finance Education**

### **Importance of personal finance education**

- 4.19 Without exception, all the teachers interviewed recognised the importance of personal finance education. Some talked about personal finance as a crucial life skill that they believed needs to be clearly defined within the curriculum.

*"I mean clearly it's an important subject and it clearly does need to be more clearly defined in the curriculum than it is at the moment" (MA, Teacher).*

#### **Implications: the work of the FSA**

A very heartening finding from this research is that teachers recognise the importance of financial education. The FSA wishes to support the work of teachers and is developing a comprehensive set of teaching and learning resources as well as working in partnership with others.

- 4.20 Others, especially those who taught less affluent children, thought that personal finance education would be one way of reducing the chance of financial trouble in later life.

*"I certainly think in an area like this no end of them get into trouble with loan sharks and get into very ropey credit arrangements, so it would be an excellent idea, as I say we have families who are evicted who have lost out on their house" (LA, Teacher).*

- 4.21 However, teachers recognised that if it was going to be introduced into the primary curriculum it needed careful preparation and planning.

*"I wouldn't necessarily say it's not important at primary level but if you're going to do it you have got to be able to do it well" (LA, Teacher).*

- 4.22 Some teachers were keen to suggest the financial issues that personal finance education might cover.

*"Oh I think you'd certainly need to learn about the systems of using bank accounts and how statements are presented, all the business about overdrafts" (LA, Teacher).*

<sup>3</sup> distributed free to primary schools Autumn 2000, see [www.fsa.gov.uk/consumerhelp](http://www.fsa.gov.uk/consumerhelp) for details or contact the FSA

<sup>4</sup> see annex A and also [www.dfee.gov.uk/circulars/index.htm](http://www.dfee.gov.uk/circulars/index.htm)



## Fitting personal finance education into schools

- 4.23 Whilst teachers were enthusiastic about the introduction of personal finance education, where it might best fit within the school curriculum was highlighted as a difficult issue. Teachers of younger children (under seven years) did not think it would benefit their pupils. They thought that at such a young age their pupils are too immature in their dealings with money and have too many other things that they need to learn. Instead, they believed that it would best fit within Key Stage 2, as one teacher explained:

*"A lot older, I think they need to be a lot older. I just think it's too much for them...there's too many other things that they need to learn I think now" (LA, Teacher).*

- 4.24 The rest of the teachers said that personal finance would be best introduced to children in their final year at primary school or even during their first year at secondary school. In particular, it was the less academically able pupils some teachers thought might have difficulties with the subject.

*"I think Year 6 probably, but I think even then it's only the more able in Year 6 I think that would cope with that if you're going to get any success out of it. I don't think there's any point asking Years 4 or 5. I think they'll, I don't think they'll carry it through" (MA, Teacher).*

- 4.25 When encouraged to think about the primary school subjects within which personal finance education might be best taught, most teachers suggested personal, social and health education but with links to mathematics and in secondary school, personal, social and health education and citizenship were favoured. Overall, teachers were keen to point out that it should not be a separate subject taught in isolation.

### Implications: where personal finance education fits in the curriculum

Teachers do not see the need for personal finance education below Key Stage 2. This may be because they are under estimating the maturity of their pupils, or because they are unaware of the possibilities within personal finance education suitable for younger children. We would suggest that setting up a class shop where everything costs £1 would give opportunities to develop financial understanding. Children will learn to recognise the coins and notes that we use, gain understanding of the exchange of coins and notes for goods, and be able to talk about things that they may want to spend their money on.<sup>5</sup>

The FSA's view is that leaving personal finance education to the last year of primary schooling is too late. There is much work which can be usefully done with younger children. As this report suggests, young children are already budgeting, saving and aware of the financial situation of their families.

We would endorse the view that personal finance should not be taught in isolation. In the primary school it fits within PSHE & Citizenship and also mathematics with possibilities for cross-referencing to other subjects. At secondary school PSHE & Citizenship are key topic areas, however, there are possibilities within mathematics, ICT, history and geography for developing financial capability.

## Issues in the delivery of personal finance education

- 4.26 In their discussions about personal finance education, some teachers raised a few issues that they thought could create difficulties if they were required to teach it. Most of these were related to their pupils' inadequate experiences with money and financial systems because of their young age. Others explained that space and time were significant factors limiting their ability to teach the subject in an already demanding curriculum that they were expected to deliver.

5 full details of this and other activities may be found in 'Money Counts' . The learning outcomes are taken from the DfEE guidance - see Annex A



- 4.27 Ensuring that personal finance is applicable to their pupils' life experiences was a common concern raised by teachers of less affluent children. Some explained that money work is often more difficult with these children because money does not feature as much in their lives as it does in the lives of wealthier children.

*"It certainly fits in the numeracy but it doesn't fit with these children's life experiences particularly well, because these are particularly aimed at your average middle-class family unit who can manage their budget and they can save. I mean I wouldn't think many of these have savings at all to manage. I think their management is on a day to day, hand to mouth basis" (LA, Teacher).*

- 4.28 However, we have suggested earlier that the poorer children did appear to budget and thought carefully about their spending and saving.

- 4.29 Some teachers thought that the mix of experiences that children bring to the classroom might make teaching personal finance more difficult. However, these teachers tended to be those who taught children from wealthier families.

*"Only to the different mixed experience of the children would make it difficult, because some children are much more aware than others. Also some children have more money than others. Either personally at pocket money level some children get 50p some get £5 a week, that becomes quite a personal issue. Families as well, some families have different financial situations" (MA, Teacher).*

- 4.30 Whereas teachers of less affluent children thought that their pupils' range of experiences would offer opportunities for children to learn through each other. Nevertheless, teachers believed that ways around any problems of varying experiences and different economic backgrounds of their pupils could be found. Most thought that focusing on a 'third party' rather than on personal experiences would by-pass around any difficulties that could arise within sensitive topics.

#### **Implications: dealing with difficult issues.**

It would be naïve to believe that children are unaware of the home circumstances of others; subtle cues are read from trainers, clothes, the contents of lunch boxes, and holidays. As this awareness is present among children it would be inappropriate to try to avoid talking about these issues. Teachers need to find ways of facilitating discussions about sensitive and often difficult issues.

One way round the problem of everyone having different home experiences is to provide a common experience in the classroom which will serve as a base of shared knowledge. Another useful tactic is to use literature as a starting point - many children's books contain descriptions of different family circumstances.<sup>6</sup>

### **Summary**

- 4.31 Overall, the teachers welcomed the National Numeracy Strategy and enjoyed teaching to the advised framework. They did not think that their teaching of money had changed since the introduction of the strategy. However, the increased emphasis given to money work they believed would improve their pupils' understanding of money. The three-way division of mathematics lessons, as advised in the framework, offers opportunities for teachers to discuss financial issues with their pupils and hence, gauge their level of understanding. Practical activities with money were favoured for younger children, although limited resources for teachers in the school situated in a less affluent area limited these. Personal finance education was acknowledged as important for children and whilst some problems with the delivery of this were noted, for example time and space in the curriculum, teachers on the whole thought that it was a valuable topic.

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6 a detailed discussion of dealing with difficult issues can be found in the DfEE guidance - see [www.dfee.gov.uk/circulars/index.htm](http://www.dfee.gov.uk/circulars/index.htm)

- 4.32 The final chapter draws together the findings from the children and teachers. It discusses children's experiences of money and examines how these relate to firstly what their teachers perceive and expect their understanding to be and secondly to the use of money work within schools.

**Implications: effect of The National Numeracy Strategy on personal finance education.**

Teachers' perception that the National Numeracy Strategy would improve pupils' understanding of money is to be welcomed. The FSA has adopted the policy of supporting the National Numeracy Strategy as a way of developing personal finance education in the primary school. 'Money Counts' shows clearly how numeracy skills can be developed within the context of personal finance from Reception to Year 6. In this way the FSA can support raising standards in schools, and work towards achieving its objective of promoting public understanding of the financial system.

**Key findings**

- Whilst at the time of this research the National Numeracy Strategy had only been in schools for a matter of months the teachers interviewed appeared to enjoy teaching it.
- Teaching of money had not changed with the introduction of the strategy; although some teachers believed that the increased emphasis given to money work might improve children's understanding of it.
- Most teachers discussed the importance of personal finance and some described it as a crucial life skill that should be clearly defined within the curriculum.
- Teachers suggested that personal finance should not be a separate subject taught in isolation. Rather they implied that it would fit best within personal, social and health education but with links to mathematics in primary school and in secondary school, within personal, social and health education and citizenship.
- Teachers were not concerned about introducing the possibly sensitive topic of money with their pupils. Many believed that by focusing on a 'third party' rather than on personal experiences would bypass any potential difficulties.

# 5 Conclusion

- 5.1 Children growing up in lower income families have limited opportunities to learn about the mainstream financial world and so some fail to acquire basic financial knowledge and skills. It is a major concern that many are unlikely to develop these skills and carry them into adult life.
- 5.2 Children from lower income families tend to grow up knowing that their family has insecure flows of money and they have direct experience of how this money is managed. However, these children do not see the role that financial institutions can play in the management of money and so are disadvantaged in terms of exposure to financial services. They do not see their parents use non-cash methods of payment and some do not even see their parents use banks. On the other hand, by watching their parents make regular use of banks and financial services children from wealthier families gain considerable first hand experience of these at a young age.
- 5.3 Limited opportunities to learn how to manage a regular amount of money are common features of the lives of children from lower income families. These children are less likely to get regular pocket money, or earn money through jobs done at home or for other people than are children from wealthier families. Involvement in paid work for children from lower income families is often experienced at the bottom of the labour market. In comparison with their more affluent peers, these children's work is often poorly paid and requires longer hours to earn an equivalent amount. Therefore, for children from poorer families their experiences with money and work replicate those of their parents.
- 5.4 Budgeting skills of children from lower income families also closely match the sophisticated skills they see being used by the adults around them. Decisions over spending and saving tend to be considered in more depth by children from poorer families than by other children. Nevertheless, children from lower income families do not have the amount of savings held by children from wealthier families. Furthermore, their savings are less likely to be kept in a formal savings account with a bank, building society or other financial institution than savings of wealthier children. Hence, children's own involvement with financial services and institutions closely matches that of their parents, leaving children from lower income families at a comparative disadvantage.
- 5.5 As a result, children from lower income families tend to have less knowledge of banks and the services that they provide than do children from wealthier families, although they are knowledgeable of how and where bills are paid. This is because of their involvement in family finances.
- 5.6 The teachers interviewed in this study were on the whole accurate in their assumptions about their pupils' family experiences. Those who taught poorer children correctly expected their pupils to have limited experiences of the financial services and products that others take for granted. For example, they believed the use of non-cash methods of payment and of banking amongst the poorer families of children they taught was often restricted and acknowledged that, as a consequence, their pupils knew less about banking than did children from wealthier families. Likewise, teachers appreciated the budgeting skills that children from lower income families pick up from their parents and acknowledged that their understanding of the value of money was higher than for children from wealthier families.

- 5.7 The teachers' perceptions of the opportunities their pupils had to deal with a regular amount of money also tended to match the children's reports. They were aware that experience of managing a regular sum of money is uncommon amongst poorer children. However, some teachers might have underestimated the extent to which children from less affluent families try to plan their spending and their saving.
- 5.8 Most of the teachers interviewed enjoyed teaching the National Numeracy Strategy. Although they said that their teaching of money had not changed significantly since the introduction of the strategy, some believed that children's understanding of money would improve as a result of the increased emphasis now given to it. However, an important concern raised by some teachers was the limited resources in schools that serve poorer areas. In these areas, teaching of money is limited by insufficient funds to provide or replace equipment such as, play money or imitation shopping tills. Hence, children with the least experience of handling their own money are further disadvantaged by having limited practical activities with money at school.
- 5.9 The numeracy framework advises introductory and plenary sessions for every mathematics lesson and these give teachers further opportunities to discuss broader financial matters such as banking, with their pupils. Overall the teachers recognised the importance of personal finance education and, whilst expressing some potential difficulties, welcomed its introduction. One teacher summed up her thoughts on personal finance by remarking:

*"So I think it will be a fascinating subject to teach" (LA, Teacher).*

- 5.10 The present Government's commitments to improve numeracy skills amongst children and to personal finance education are, and will continue to be, welcomed by education professionals. Basic numeracy skills are important for successful management of personal finances, and it is well recognised that children who are most in need of having their numeracy skills improved are often doubly disadvantaged by living in financially excluded families. This study has shown that whilst children from poorer families do pick up money management skills from their parents they have fewer opportunities to practise these skills or to use the financial services that children from wealthier families take for granted. Without intervention, many of these children will move into adulthood with limited knowledge and understanding of the financial world and the cycle of disadvantage will be perpetuated.

#### **Implications: the need for intervention.**

The FSA is grateful to CRSP and the authors of this report for conducting this research on its behalf. Many of the findings of this research will not be unexpected to primary school teachers who will have come across these issues in their everyday working practice and experience. What is important is that this report:

- brings this knowledge to a wider audience
- provides a sound theoretical underpinning for the definitions of personal finance education found within the DfEE guidance and related publications
- has informed the development of 'Money Counts' and will inform future FSA materials for teachers
- gives educationalists an insight into the personal finance educational needs of children from more affluent and less affluent backgrounds.

However, most importantly, it sets out a way of breaking the cycle of disadvantage faced by some children and should contribute to the financial inclusion of those children in later life.

# 6 Setting an agenda for the FSA

- 6.1 The FSA has been given the statutory objective of 'promoting public understanding of the financial system' in the Financial Services and Markets Act (2000). Following on from consultation<sup>1</sup>, achieving financial literacy was agreed as a key objective. We need to provide individuals with the knowledge, aptitude and skills base necessary to become questioning and informed consumers of financial services and manage their finances effectively. We need to develop, and facilitate the development of, educational programmes and materials for learners in schools, adult and community education, further and higher education and the workplace. Learners need to be given the opportunity to:
- develop numeracy, literacy and IT skills in the context of personal finance
  - develop an understanding of the nature and use of money in its various forms, including credit and debt
  - learn how to access, interpret, question and evaluate financial information and advice
  - learn about the consequences of financial decisions and about consumer rights and responsibilities
  - learn how to weigh up risks and benefits in order to choose appropriate solutions to particular financial needs.
- 6.2 FSA Consumer Education's widely supported major priority is to ensure that education for financial literacy is embedded in the education system for all children to help them leave school prepared for the rights and responsibilities of adult life. This is a necessary foundation for our work to promote public understanding to succeed. Long term this is seen as the single most effective method of achieving the statutory objective. It is clear from this research that the aim of personal finance education should be to enable all children, whatever their home circumstances, to become financially included in later life and make informed choices about their financial futures. It is also clear that teachers themselves see the necessity for personal finance education.
- 6.3 The findings from this research set an agenda for the FSA's Consumer Education work with schools. A programme of work has already been started, this research will inform the development of that programme ensuring that it meets the needs of all children and enable the FSA to prioritise its objectives. FSA Consumer Education needs to:
- ensure that personal finance education is an entitlement for all children of statutory school age
  - lead curriculum development in personal finance education so that schools meet the needs of all their pupils with relevant and up-to-date provision
  - encourage teachers to see that personal finance education is relevant to children at all Key Stages - not just with older pupils

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1 FSA 'Consumer Education: a strategy for promoting public understanding of the financial system' May 1999

- promote personal finance education to teachers in such a way that they see the curriculum links with topics that are already being taught and thus emphasise that personal finance education is not an additional topic within an already busy timetable
- provide generic, impartial teaching and learning materials which teachers feel confident to use in the classroom and which have good curriculum fit. These materials should be in various media including print, TV and web-based. They should take into account national differences in curricula
- ensure that FSA resources are provided either free or on a cost recovery basis so that schools with limited finances are able to obtain them
- ensure that teachers are properly prepared to teach personal finance by helping to develop initial teacher training and in-service training
- encourage teachers and parents to use FSA information and advice, for example, the consumer helpline, booklets, factsheets, the web-based adult learning programme and the FSA consumer website
- develop a dedicated section of the FSA consumer website to provide information for teachers
- hold an annual education conference which provides a forum for discussion and dissemination of good practice for teachers and others working within personal finance education
- plan further research into children's financial knowledge, understanding and needs
- plan further research into teachers' attitudes, understanding and needs.

6.4 The FSA cannot achieve this ambitious programme acting alone - we must work in partnership with others where appropriate. For example:

- seek to develop personal finance education through national initiatives, such as the National Numeracy Strategy
- work closely with and advise on personal finance education the DfEE; the curricula authorities in England, Wales, Scotland and N. Ireland; OFSTED; Basic Skills Agency; local education authorities and others
- ensure that educational publishers include personal finance as a context for the development of subjects such as mathematics
- encourage the examination boards to include personal finance within their syllabi
- support the Personal Finance Education Group on initiatives such as the use of their Quality Mark.
- encourage the financial services industry itself to play a key role in helping schools to develop financial capability. The FSA is uniquely placed to offer information and advice on financial education to those wishing to make a contribution to the work of schools.

6.5 Everyone working within personal finance education has a part to play in breaking the cycle of disadvantage faced by some children. The FSA hopes that its programme of work, its wish to work in partnership with others and the findings from this research will make the financial inclusion of all children in later life a reality.

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## Annex A

These grids demonstrate one way in which financial capability could be developed at all Key Stages by developing the themes of financial understanding, financial competence and financial responsibility.

### Key Stages 1 and 2 Financial Understanding

	KS1 - Novice understanding	KS2 - Developing confidence
<b>what money is and the exchange of money</b>	<ul style="list-style-type: none"> <li>recognise the coins and notes that we use <i>e.g. Describe and distinguish between various coins during carpet time</i></li> <li>understand that different countries use different coins and notes <i>e.g. Pick out foreign coins from a selection and discuss them.</i></li> <li>understand the exchange of coins and notes for goods <i>e.g. Exchange goods for coins in a role play situation, for example a class shop and be able to count out the right amount of money.</i></li> </ul>	<ul style="list-style-type: none"> <li>know about other forms of money: cheque books, credit and debit cards and how the payments are made in these cases as well as coupons and vouchers <i>e.g. Find the total cost of a shopping basket of goods and write a cheque to that value.</i></li> <li>understand that cash isn't the only way to pay for goods and services <i>e.g. Investigate and compare internet and mail order shopping</i></li> <li>begin to understand the concept of credit <i>e.g. Investigate different credit deals on the high street. Calculate and compare the repayments using simplified examples.</i></li> </ul>
<b>where money comes from</b>	<ul style="list-style-type: none"> <li>recognise that there are regular and unpredictable sources of money <i>e.g. Discuss where money might come from for example earnings, allowances, benefits, pocket money, gifts, winnings</i></li> </ul>	<ul style="list-style-type: none"> <li>understand how we get money for work - earnings <i>e.g. Research different earnings using vacancies advertisements in a local paper.</i></li> <li>understand that we may get money when there is no work or insufficient work - benefit payments - and how this is paid for <i>e.g. Discuss and compare what happens to people with no work nowadays and in Victorian times.</i></li> <li>understand that we need money in retirement - pension - and how this is paid for <i>e.g. Discuss retirement in the context of reading a class book about retirement such as 'The Granny Project' by Anne Fine.</i></li> </ul>
<b>where money goes</b>	<ul style="list-style-type: none"> <li>be able to talk about things that they may want to spend their money on <i>e.g. Discuss how the class might spend £50 on resources.</i></li> <li>recognise that adults also have to spend money on familiar things like household expenses <i>e.g. Use and investigate food bills, utility bills and cards, etc. in the role play area.</i></li> </ul>	<ul style="list-style-type: none"> <li>recognise household expenses and regular financial commitments <i>e.g. Find out about mortgage, rent, utility bill and cards, insurance, etc.</i></li> <li>begin to understand why money, such as tax or pension contributions, is deducted from earnings <i>e.g. Discuss how money deducted as tax is used to pay for things like schools</i></li> </ul>

## Financial competence

	KS1 - Novice understanding	KS2 - Developing confidence
<b>looking after money</b>	<ul style="list-style-type: none"> <li>• know how can we keep money safe - either by giving it to a responsible adult or locking it away <i>e.g. Decide where to keep class trip money</i></li> <li>• begin to understand the importance of keeping financial records <i>e.g. Organise a role play bank which keeps track of children's imaginary savings over time in the context of a class project on 'The Jolly Postman' by Janet &amp; Alan Ahlberg.</i></li> </ul>	<ul style="list-style-type: none"> <li>• understand keeping money safe by putting it into an account (giving it to a bank, building society, or Post Office to look after) <i>e.g. Decide on appropriate ways to keep £1, £100, £10000 safe</i></li> <li>• understand the importance of keeping financial records <i>e.g. Discuss how you would know if you had lost some money? Find out how the school keeps track of its money.</i></li> <li>• know about some official financial records <i>e.g. Compare bank statements, till receipts, credit card vouchers etc.</i></li> </ul>
<b>spending money and budgeting</b>	<ul style="list-style-type: none"> <li>• know that we have to pay for what we buy <i>e.g. Go on a class trip to the shops.</i></li> <li>• be able to consider possible ways of spending money <i>e.g. Brainstorm different ways in which £5 could be spent.</i></li> </ul>	<ul style="list-style-type: none"> <li>• understand that we may need to save if there isn't enough money for everything we want to or have to buy <i>e.g. Brainstorm a dream shopping list and discuss which items might be saveable up for and how they could be saved for</i></li> <li>• understand that money boxes aren't the only ways of saving money (See Looking after money) <i>e.g. Discuss whether it is safest to keep money in a pocket, purse, money box or savings account.</i></li> <li>• begin to be able to plan and think ahead <i>e.g. Involve children in planning ahead to borrow money from the school for a medium term class project</i></li> </ul>
<b>basic risk and return</b>	<ul style="list-style-type: none"> <li>• understand the consequences of losing money or having it stolen <i>e.g. Discuss if we lose something that needs replacing, what does this mean for the money we have?</i></li> </ul>	<ul style="list-style-type: none"> <li>• begin to understand the principles of probability and insurance <i>e.g. Is it worth spending money to insure your house against alien attack? What about storm damage? Or theft?</i></li> <li>• understand that we may get money from money by saving <i>e.g. Research and compare different ways of saving money, including ease of access and interest rates.</i></li> </ul>

## Financial responsibility

	KS1 - Novice understanding	KS2 - Developing confidence
<b>making personal life choices</b>	<ul style="list-style-type: none"> <li>choose how to spend money <i>e.g. What would you do if you were given £10?</i></li> <li>begin to talk about the value of money <i>e.g. Discuss whether, or in what circumstances, £5 is a lot of money?</i></li> <li>begin to be able to talk about how spending money and our satisfaction from the purchase may vary <i>e.g. Discuss children's choices in the context of 'Would you rather ...' by John Burningham.</i></li> </ul>	<ul style="list-style-type: none"> <li>deciding how to spend money <i>e.g. What would you do if you were given £10? £100? £1 000? £10 000?</i></li> <li>balancing needs and wants, and prioritising what gets first call on a limited supply of money <i>e.g. Discuss balancing needs and wants against a limited budget in the context of reading an issues book such as 'The Bed and Breakfast Star' by Jacqueline Wilson</i></li> <li>understand the difference between good debt (planned and manageable) and bad debt (unplanned or unmanageable) <i>e.g. Investigate mobile phone charges. Which deal is the best value? On which deal would you find it easiest to manage your spending?</i></li> <li>be able to assess best buys in a variety of circumstances <i>e.g. Is the biggest box always the best value? Are the most expensive trainers worth it? What would you want to spend one million pounds on and why?</i></li> <li>be able to discuss how spending money and our satisfaction from the purchase can vary, looking at how long things last, how well they perform and how long we are still interested in them <i>e.g. Discuss and compare the monetary and personal value of past and present crazes (Tamagotchis, yo-yos, Pokemon) with a pair of trousers, and a birthday party</i></li> </ul>
<b>Implications of finance</b>	<ul style="list-style-type: none"> <li>begin to understand that there are consequences to having more or less money <i>e.g. Discuss questions such as: What happens if you have no money for sweets? Or for the bus home? Or if the school has no money?</i></li> <li>begin to understand that people have different standards of living in different countries <i>e.g. Find out about different incomes and prices in different countries.</i></li> </ul>	<ul style="list-style-type: none"> <li>understand that standards of living vary across time and place <i>e.g. Compare earnings and prices nowadays with Victorian times. Discuss why XXX are appealing for international aid. What do they want? How could we help?</i></li> <li>understand that there is an ethical dimension to financial decisions <i>e.g. Discuss the environmental implications of different products. Is it worth paying more for a product that does less environmental damage?</i></li> </ul>

## Key Stages 3 and 4

### Financial understanding

	KS 3 - Extending confidence	KS4 - Preparing for adulthood
<b>what money is and the exchange of money</b>	<ul style="list-style-type: none"> <li>understand different forms of payment including cheques, cheque guarantee cards and debit cards <i>e.g. Compare different ways of spending own money.</i></li> <li>understand the implications of different forms of credit and debt including credit cards, store cards and catalogue shopping <i>e.g. Explore ways of buying clothes. Which is the best deal paying by cash or buy now pay later?</i></li> <li>understand that exchange rates fluctuate and that commission may be charged to change currency <i>e.g. Record the exchange rate of the pound over a period of time. Calculate the effect of changing £10, £100, £1000 into francs, then back again.</i></li> <li>understand why money is needed for society's needs <i>e.g. Read about a simple barter economy. Discuss whether barter could meet modern society's needs. How could we pay for a hospital? Or the weekly shopping?</i></li> </ul>	<ul style="list-style-type: none"> <li>understand and compare the advantages and disadvantages of different forms of payment including standing orders and direct debit arrangements <i>e.g. Consider what forms of payment are possible and appropriate for household utility bills, weekly shopping, mortgage, rent etc.</i></li> <li>increased understanding of implications of credit and debt including overdrafts and different loan arrangements and ways to compare interest rates <i>e.g. Research internet best deals with high street loans and overdrafts. How can annual percentage rate (APR) and annual equivalent rate (AER) be used to compare the different rates?</i></li> </ul>
<b>where money comes from</b>	<ul style="list-style-type: none"> <li>understand how earnings and salaries are calculated <i>e.g. Calculate and compare the annual salaries and monthly take-home pay of a variety of locally advertised jobs.</i></li> <li>understand there are different forms of benefit <i>e.g. Collect and compare information on a range of means-tested and non-means tested benefits.</i></li> </ul>	<ul style="list-style-type: none"> <li>understand how deductions such as tax, national insurance and pension contributions are made <i>e.g. As part of an enterprise project, examine and calculate pay and deductions for different employees.</i></li> <li>knowledge of earnings and benefits specific to school-leavers, including student finance <i>e.g. Explore different ways in which young people may finance further and higher education.</i></li> <li>understand how companies and other organisations are financed including shares <i>e.g. Research share dealing and the stock exchange.</i></li> </ul>
<b>where money goes</b>	<ul style="list-style-type: none"> <li>basic understanding of personal expenditure and ways of managing it <i>e.g. As part of an environmental project, consider ways in which heating bills may be reduced.</i></li> <li>begin to understand local and national taxation and spending <i>e.g. Discuss whether raising taxes would pay for better schools.</i></li> </ul>	<ul style="list-style-type: none"> <li>understanding of the range of personal expenditure and how it may be managed <i>e.g. Use a case study to compare the spending of a young person living at home, in a flat or in shared accommodation.</i></li> <li>basic understanding of how and why government is financed <i>e.g. Research where the government gets money from and how this money is spent.</i></li> </ul>

## Financial competence

	KS 3 - Extending confidence	KS4 - Preparing for adulthood
<b>financial records and information</b>	<ul style="list-style-type: none"> <li>• know about personal financial statements and other ways of recording income and expenditure <i>e.g. As part of planning a school trip, collect receipts and record expenditure.</i></li> </ul>	<ul style="list-style-type: none"> <li>• understanding of personal financial statements, including bank statements, credit card statements, utility and other bills <i>e.g. Collect and interpret a range of bills and statements. In what ways would you change them to make them easier to understand?</i></li> </ul>
<b>budgeting</b>	<ul style="list-style-type: none"> <li>• begin to understand how to use budgets to plan and control personal spending <i>e.g. Use a case study to make a budget of income and expenditure for a young person over a month. How could the young person save enough money to buy some clothes.</i></li> <li>• begin to understand the difference between long-term and short term financial commitments and how the planning and decision-making for these differ <i>e.g. Consider whether and how to save for different sorts of expenditure - a CD, a CD player, a swimming trip and a holiday.</i></li> </ul>	<ul style="list-style-type: none"> <li>• understand ways in which to plan, monitor and control personal income and expenditure <i>e.g. Evaluate different ways of keeping track of one's own money.</i></li> <li>• understand the difference between long-term, medium-term and short term financial commitments and how the planning and decision-making for these differ <i>e.g. Brainstorm the different financial decisions a person may make over the course of her / his life. Discuss the differences between long-term and short-term commitments.</i></li> <li>• begin to understand central and local government public statements about finance <i>e.g. Invite a local councillor to a question and answer session about the local authority's finances.</i></li> </ul>

<p><b>risk and return</b></p>	<ul style="list-style-type: none"> <li>• developing an understanding of the principles of probability and insurance <i>e.g. Identify the potential risks associated with owning and driving a car. Compare the costs and benefits of a range of insurance policies. Are all the risks insurable against? Are all risks worth the cost of insurance?</i></li> <li>• begin to understand that both savings and borrowing are offered on differing terms and interest rates <i>e.g. Calculate the interest rates of a range of high street accounts. Compare the ease of access to money. Where would you put your everyday spending? Where would you put money that you are saving up for a big purchase?</i></li> <li>• begin to understand that interest rates vary over time <i>e.g. Compare mortgage rates over a two year period.</i></li> </ul>	<ul style="list-style-type: none"> <li>• understand the principles of probability and insurance in complex situations, identifying potential risks and how to protect against them <i>e.g. Investigate personal life, health and critical illness insurance. Assess the likelihood of risk, together with the costs and potential benefits.</i></li> <li>• understand that both savings and borrowing are offered on differing terms and interest rates that vary over time <i>e.g. Compare the rate of return and access to on a range of savings accounts over 1 year, 5 years and 10 years. Where would you put £1000 if you needed it next week, next year, in 5 years time or for emergencies?</i></li> <li>• understand that some loans and purchase agreements are secured whilst others are unsecured <i>e.g. Write to a range of financial organisations asking about their policies on repayment arrears. What happens if you don't keep up the repayments on your mortgage? Or on your credit card?</i></li> <li>• understand the difference in risk and return between saving and investment products <i>e.g. Compare past performance of savings and investment products over the past 5, 10 and 20 years. Discuss the pros and cons of low risk and return savings against high risk and return investments.</i></li> </ul>
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## Financial responsibility

	KS 3 - Extending confidence	KS4 - Preparing for adulthood
<b>making personal life choices</b>	<ul style="list-style-type: none"> <li>begin to make decisions on the basis of medium-term and short-term needs e.g. <i>Compare the cost of daily bus tickets with a weekly, monthly or annual bus pass.</i></li> <li>ability to identify long-term, medium-term and short-term needs e.g. <i>Use case studies to identify the different needs people may have over the course of their lives.</i></li> <li>begin to prioritise different needs working within the constraints of limited money e.g. <i>Organise a school event on a limited budget. Decide how to spend the money by identifying, costing and prioritising options.</i></li> <li>beginning to put a personal financial value on differing needs and wants e.g. <i>Discuss the costs and other qualities of branded and non-branded clothing. Which is better value? In what ways is the answer different for different people?</i></li> <li>begin to understand how to plan and manage debt e.g. <i>Investigate the cost of buying a game console now on credit. Compare with the saving up and buying later. Is the difference in cost worth it?</i></li> </ul>	<ul style="list-style-type: none"> <li>ability to make decisions on the basis of long-term, medium-term and short-term needs e.g. <i>Use case studies to identify the different needs people may have over the course of their lives. Explore ways in which these needs may be financed.</i></li> <li>ability to put a personal financial value on differing needs and wants and to prioritise these within the constraints of limited money e.g. <i>Research the cost of food locally. Investigate how to balance eating healthily and eating food you like within a limited budget.</i></li> <li>understand how to plan and manage debt e.g. <i>Invite an advisor from a local money advice project or Citizen's Advice Bureaux to discuss the problems of debt</i></li> <li>knowledge and understanding of generic financial products applicable to young people in the short- and medium-term e.g. <i>Research the range of products on offer through the internet and the high street. Discuss what types of products the pupils may require over the next 5 years.</i></li> <li>be able to assess the financial implications of personal life choices in terms of career choices and lifelong learning opportunities e.g. <i>Assess the potential financial benefits in different career options. Discuss and compare with the potential for less tangible rewards and personal satisfaction.</i></li> </ul>
<b>consumer rights and responsibilities</b>	<ul style="list-style-type: none"> <li>understand that different people may give different advice on finances e.g. <i>Consider who (parents, friends, teachers, a local bank) you might ask for advice on spending and saving money and what different advice they might give.</i></li> </ul>	<ul style="list-style-type: none"> <li>be able to assess and compare the different sources of financial advice and information, including financial advisors, Citizens' Advice Bureaux, product advertising, and the personal finance media e.g. <i>Use role play to explore what sources of financial advice would be appropriate in different situations.</i></li> <li>understand that we have different rights and responsibilities in relation to financial products e.g. <i>Compare the terms of loans from a bank and a credit union.</i></li> </ul>

<p><b>the wider implications of finance</b></p>	<ul style="list-style-type: none"> <li>• know about the roles of financial organisations <i>e.g. Compare banking on the high street, on-line and via supermarkets.</i></li> <li>• beginning to understand the wider implications of personal financial decisions <i>e.g. Find out about different ways of giving to charity.</i></li> <li>• begin to understand how local and national decisions may affect personal finances <i>e.g. Compare the current benefits system with the post-war reforms.</i></li> <li>• beginning to understand that local, national and global finances can impact on one's own life <i>e.g. Find out about the effects of hyper-inflation in 1920s Germany.</i></li> </ul>	<ul style="list-style-type: none"> <li>• understand the role of regulation and consumer protection in financial institutions <i>e.g. Find out about the ways in which consumers are protected either from bad financial advice or from the collapse of the institutions in which they have put their money.</i></li> <li>• understanding of the wider implications of personal financial decisions <i>e.g. Discuss the pros and cons of ethical investment.</i></li> <li>• developing an understanding of how local and national decisions may affect personal finances <i>e.g. Using case studies investigate and discuss the effect of different forms of taxation on personal finances.</i></li> <li>• developing an understanding that local, national and global finances can impact on one's own life <i>e.g. Find out about how interest rates are set. Research the effects of high and low interest rates.</i></li> </ul>
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These grids are reproduced from the DfEE publications 'Financial Capability through Personal Finance Education' Guidance for school at Key Stages 1 & 2 and 3 & 4 – see [www.dfes.gov.uk/circulars/index.htm](http://www.dfes.gov.uk/circulars/index.htm)

## Annex B

**Table 1.1 Interviews with Children: sample structure**

		Less affluent area Primary school		More affluent area Primary school		More affluent area Infant school		
Age	School Year	Boys	Girls	Boys	Girls	Boys	Girls	Total
7	2	5	5			5	5	20
9	4	4	4	4	4			16
11	6	4	4	4	4			16
<b>Total interviews</b>		<b>13</b>	<b>13</b>	<b>8</b>	<b>8</b>	<b>5</b>	<b>5</b>	<b>52</b>

**Table 1.2 Interviews with teachers: sample structure**

<b>Schools location</b>	<b>School Year</b>				<b>Head-Teacher</b>	<b>Total</b>
	<b>1</b>	<b>2</b>	<b>4</b>	<b>6</b>		
Less affluent area: primary school		1	1	1*	1	4
More affluent area: primary school			1	1*	1	3
More affluent area: infant school	1*	1			1	3
<b>Total interviews</b>	<b>1</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>10</b>

\*These class teachers were also the mathematics co-ordinators for their school

**Table 1.3      Sample structure for primary school children in Family Fortunes Survey**

<b>School</b>	<b>Year 3</b>	<b>Year 6</b>	<b>Girls</b>	<b>Boys</b>	<b>Total</b>
Less affluent area: primary school	6	6	6	6	12
More affluent area: primary school	6	6	6	6	12
<b>Total interviews</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>24</b>

**Table 1.4**      **Sample structure for children in Small Fortunes Survey**

Age	Birth order	Boys		Girls		Total
		One parent interviews	Two parent interviews	One parent interviews	Two parent interviews	
Babies	1 <sup>st</sup>	31	36	25	27	119
	2 <sup>nd</sup>	38	45	27	31	141
Pre-school	1 <sup>st</sup>	24	42	29	46	141
	2 <sup>nd</sup>	44	62	41	59	206
Primary	1st	31	42	35	47	155
	2nd+	36	59	41	61	197
Secondary	1st	45	48	37	57	187
	2nd+	24	33	18	18	93
<b>Total</b>		<b>273</b>	<b>367</b>	<b>253</b>	<b>346</b>	<b>1239</b>

### FINANCIAL EXCLUSION AND THE NATIONAL NUMERACY STRATEGY

#### TOPIC GUIDE – PRIMARY SCHOOL CHILDREN

##### Background

In-depth interviews were conducted in three schools with primary aged pupils in school Years 2, 4 and 6. The purpose was to explore the experiences children have when dealing with money. The interviews explored the opportunities children have to deal with their own money, and their understanding and experience of saving money. The interviews also explored children's understanding of the adult financial world and of financial services as experienced within their families. Each interview lasted a maximum of 30 minutes and the children in Year 2 could have a friend present if they wished.

##### Research objective:

**(i) to establish what experiences children in financially excluded households have with money.**

This highlights the importance of examining children's dealings with their own money, their general level of financial awareness and how these experiences differ between children in richer and poorer families. The research needs to focus on children's likely understanding and experiences of saving, spending and earning money:

- Methods used to save money;
- Amount of savings;
- How savings are contributed to;
- Money earned from paid work;
- Spending decisions; and
- Ideally, research should also be able to describe children's understandings of the adult financial world and its services as experienced within their own families.

##### Using the Topic Guide

This topic guide was used as a tool in the interviews with children. It was not always possible or appropriate to follow in the sequence recorded below. Instead, it is important that the interview flowed like a conversation rather than following a question and answer format that might be more akin to the completion of a questionnaire. The topic guide included below is a 'cleaned' version of the one used with children; by this we mean that detailed prompts have been removed leaving the main topics covered. Where appropriate and in particular with younger children visual aids were used as a 'way into' more complex topics. These visual aids included the use of toy money, of pictures showing people shopping and paying for items using money and cards, and of people withdrawing money from banks.

The research team were sensitive to the varying ages of the children, to their distinct experiences and different economic backgrounds. It was imperative that each child felt at ease with the interview and that no parent felt that it had been intrusive.



## **1 INTRODUCTION**

- Explain purpose of interview:
- Explain that we will be talking about pocket money.
- Explain when interview will finish (in time for break/lunch).
- Explain to the child that the interview is confidential.
- Explain the use of the tape recorder.
- Establish whether the child has any questions before start.
- Gather basic information about the child:
- Name, age, school year, teacher's name, who they live with, the number and age of siblings, and parental occupation.

## **2 DEALING WITH OWN MONEY**

- Pocket money ('do you get pocket money?')  
(If no pocket money, probe for money received occasionally:
- How much, how often, when, who gives it and how long been receiving it.
- Is this enough money, if not, why not and how much would be enough.
- Is this more or less money than when younger/than younger or older sibling – probe for why.
- Money earned ('do you ever get paid for doing things/jobs at home?'):
- What jobs does child do, how often and how long for.
- How much money does child get for jobs and who gives it.
- Is this enough money, if not, why not and how much would be enough.
- Is this more money than when younger/than younger siblings – probe for why.
- Spending ('do you spend your money?'):
- What child spends their money on, probe for where they spend it.
- Does s/he decide what to spend money on – probe for how makes that decision.
- Does s/he spend it all in one go or make it last.
- Probe for child's understanding of value for money.
- Saving ('do you ever save any of your money?'):
- If child saves money, what for (current/last).
- How often does s/he save money, how much and total amount.
- Where are savings kept.
- How long has s/he been saving and will s/he get what saving for, if not ask why.
- Money for a purpose ('do you get given money for things like bus, lunch, snacks, trips'):
- Money for what, how often given it and for how long been receiving it.
- Money as a gift ('do you ever get given money for your birthday or Christmas'):
- What does child do with money given as a present (save/spend).
- Did child ask for money as a present – probe for why.
- Borrowing money ('have you ever borrowed money from someone'):
- Who from, how often, what for (last time).

- Did s/he have to pay it back – probe for how.
- How can adults borrow money if needed, and probe how s/he knows about this.

### **3 CHILDREN’S UNDERSTANDING OF THE FINANCIAL WORLD AND OF FINANCIAL SERVICES**

- Family money and budgeting (‘do you know where adults get their money from’):
- Understanding of what adults do with their money (spend/save).
- Probe, for what parents spend money on.
- Probe for understanding of adults saving money.
- If appropriate, probe for whether parents save - where and why do they save.
- Shopping with parents (‘do you ever go shopping with your Mum/Dad’):
- Who with, what for and how often.
- How involved is child in shopping experience (for example, decision making of what to buy).
- How do adults/parents pay for items (cash, debit cards, cheques, store cards, credit cards).
- Does parent use a shopping list and if so, why.
- Knowledge of family bills (‘other than paying for things in shops do adults have any other things they have to pay for’ – probe for parents if appropriate):
- What bills, how and where can they be paid.
- What would happen if bills were not paid.
- Banking with parents (‘what can you tell me about banks’):
- Establish what child knows about banking.
- Does child ever accompany parent to bank/building society/Post Office or similar.
- How often do they accompany parent and what for (i.e. probe for what parent does in bank).
- Insuring household goods (do not ask of Year 2)  
(‘some people insure things that are expensive or are important to them in case they are lost, stolen or broken, what of the things you own would you insure’):
- What sorts of things do adults insure – why, probe for family’s insurance.
- Establish whether child knows how to go about insuring items.
- Investing (do not ask of Year 2):  
(‘some people invest money into certain things in the hope that they will get more money back, what would you invest money into?’)
- Establish whether child knows about investing and where learnt.

### **4 BRING INTERVIEW TO AN END**

- ‘You know lots about money, where did you learn all of this?’
- ‘If you had lots of money what would you spend it on – why?’
- ‘Is there anything that you want to ask me?’

# FINANCIAL EXCLUSION AND THE NATIONAL NUMERACY STRATEGY

## TOPIC GUIDE – PRIMARY SCHOOL TEACHERS

### Background

In-depth interviews were conducted in three schools with class teachers of school Years 2, 4 and 6, the maths co-ordinator and head teacher in each school. The purpose was to identify teachers' assumptions of the understanding their pupils have about money and their expectations of their pupils' experiences of using money within the home. The interviews explored their understanding of what pupils know about money, what they expect are their pupils' financial experiences and what they think their pupils know about financial services. The interviews also explored teachers' experiences of the National Numeracy Strategy and in particular the inclusion of problems involving money in their teaching. Each interview lasted a maximum of 60 minutes.

### Research objectives:

#### **(ii) to identify where work with 'money' appears in the National Numeracy Strategy Framework.**

The research should establish how teachers are advised within the Framework to include work with 'real money'. Research will concentrate on:

- The published framework for teaching mathematics, Reception to Year 6;
- Whether teachers' use of 'real money' in their teaching had changed since the introduction of the National Numeracy Strategy and if so, how; and
- Teachers' requirements in order to include work with 'real money' in their teaching.

#### **(iii) to identify teachers' underlying assumptions of the understanding of children about money and teachers' expectations about children's experiences of using money within the home.**

Research will need to examine:

- Teachers' awareness of what the children they teach know about money
- What teachers know about children's understanding of money
- How teachers know what they know about the children's understanding of money
- What teachers' expectations are of the children's dealings with money
- Teachers' perceived ability to employ personal finance examples within their teaching.

### Using the Topic Guide

This topic guide was used as a tool in the interviews with teachers, maths co-ordinators and head teachers. All interviews with teachers would follow broadly the same topics included in the guide. However, different components of the topic guide were followed up in varying depth according to the experience and responsibilities of the respondent. For example, the maths co-ordinator was asked in more detail about the implementation of the National Numeracy Strategy, the framework for teaching numeracy and the use of 'real money' within it. The topic guide included below is a 'cleaned' version of the one used with teachers; by this we mean that detailed prompts have been removed leaving the main topics covered.

## **1 INTRODUCTION**

- Explain purpose of the research:
- Explore children's knowledge of money and their financial experiences.
- To investigate whether and how children might learn about money and its management within the National Numeracy Strategy.
- Interviews with Year 2, 4 and 6 pupils across three schools, class teachers, head teachers and maths co-ordinators.
- Explain to respondent that the interview is confidential.
- Explain use of the tape recorder.
  
- Roles and responsibilities within the school:
- Responsibilities within the school
- Length of time in teaching profession
- Length of time in current job

## **2 UNDERSTANDING OF PUPILS' KNOWLEDGE OF MONEY AND THEIR FINANCIAL EXPERIENCES**

- Understanding of what pupils know about concept of money:
- Coins, notes and other types of 'money' - probe for how learnt and what experiences.
- Knowledge of credit and debt - probe for how learnt and what experiences.
  
- Understanding of what pupils know about sources of money:
- Experience of pocket money, money as a gift, money for chores done at home.
- Knowledge of adults receiving money for paid work, benefit payments – probe for what experiences.
- Knowledge of investment, pensions and borrowing money - probe for how learnt.
  
- Understanding of what pupils know about money management:
- Experience of saving and spending – child and family.
- Experience of family budgeting.
- Knowledge of bank and other accounts – probe for how learnt and what experiences (child and family).
  
- Understanding of what pupils know about return for money:
- Knowledge of value for money - probe for how learnt and what experiences.
- Knowledge of interest on savings and borrowing - probe for how learnt.
  
- Understanding of what pupils know about risk:
- Experiences of basic risk (lotteries) – probe for what experiences.
- Knowledge of losing money – probe for what experiences.
  
- Understanding of what pupils know about ethical and social issues of money:
- Knowledge and experience of sharing - probe for how learnt.
- Understanding of social impact of money - probe for how learnt.
  
- Other experiences with money:
- Probe for other experiences that children bring to the classroom.

### **3 NATIONAL NUMERACY STRATEGY (NNS)**

[Explain to respondent our understanding of the NNS and of its framework].

- ‘What has the introduction of the NNS meant to the school?’:
- What has been involved in introducing the NNS – probe for personal and whole school.
- Has NNS changed current practice (maths and other lessons) – probe for how.
- Probe for practical and implementation issues.
- Initial opinions of NNS:
  - does it/will it achieve aims (probe for why)
  - how is it working
  - enjoyment of teaching it
  - experiences amongst other teachers with different pupils – probe for whether different.
- ‘What opportunity does NNS allow for teaching about money and money management?’:
- How teacher uses/will use ‘money’ and ‘real life’ in teaching.
- Where is most appropriate for teaching about money (probe for strand in framework).
- To what extent is it teaching about money management.
- Changes in teaching about money since introduction of NNS – probe for what.
- Interaction between pupils’ financial experiences and teaching about money within NNS
- Support and help received and required to include work with money in teaching:
- Establish support and help teacher has received and needed – probe for who from, when, how often and how appropriate.
- Personal finance education:

[Explain that the Government is keen to promote personal finance education, not as a separate subject but within other mainstream curriculum subjects. Promoting financial understanding, competence and responsibility].

  - Establish teacher’s understanding of personal finance education.
  - Establish whether personal finance is covered elsewhere and links with numeracy/maths – probe for how long within curriculum and content.
  - Perceptions of where personal finance would best fit in curriculum – probe for why.
  - Perception of whether it is possible to teach through numeracy/maths and if so, how.
  - Type of support and help required in order to teach personal finance, establish main barriers and difficulties.
  - Teacher’s impression of the importance of teaching personal finance and if so, why.

### **4 BRING INTERVIEW TO AN END**

- ‘Is there anything that you want to ask me?’