



Financial Capability

Strategy for the UK

Acknowledgements

The Money Advice Service would like to acknowledge and thank all the many organisations and individuals that have been involved in the development of this Strategy and have given generously both in terms of their time and expertise. This includes all those who responded to the initial call for evidence and formal consultation; members of the working groups; attendees at the various consultation and workshop events; and, those who have worked with Money Advice Service on the various evidence and evaluation tools that have been developed.

The Money Advice Service looks forward to continuing to work with these organisations in the delivery of the Strategy.

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Foreword

This Strategy puts in place a framework for improving the financial capability of people in the UK.

A wide range of organisations are already involved in helping people to manage their money better – government bodies, commercial organisations, charitable foundations and the voluntary sector. All of whom do excellent work and can deliver real benefits for people.

Yet levels of financial capability across the UK remain frustratingly low – as the findings of a new Money Advice Service survey make clear. While many people are taking control of their finances and putting something aside for a rainy day when they can, there are still far too many at risk of falling into serious financial difficulties and failing to get the help they need if they do.

The result is that, for a great many people across the country, money is a constant source of worry and stress. This is a problem, first and foremost, for the individuals concerned and for their families – but it also has wider implications for society and the economy. Nobody should be prepared to stand by and allow this situation to continue.

Technology has already changed the way many people manage their money and this trend is likely to continue. The world is likely to be a very different place in 10 years' time and this Strategy will ensure that where advances in technology can be used to assist people to improve their financial capability, they are.

The Strategy recognises that people have different needs at different stages in their lives – whether its helping children from an early age to develop the skills and attitudes they will need to manage their finances in adult life; encouraging working-age people to build their financial resilience and plan for the future; or making sure older people make the best use of their money in retirement.

The Strategy presented here is the result of active engagement from many individuals and organisations – and thanks are due to all of them. But the work is only just beginning.

Successful delivery of the Strategy will depend on effective co-ordination to ensure that we avoid duplication and fill gaps. Most importantly it will require a rigorous approach to evidence and evaluation, so that actions are informed by what we know works. It will depend on all those who have been involved this far, and a good many more, committing wholeheartedly to the aims and approach set out in the Strategy, and collaborating to deliver it. I anticipate active support from across Government, the financial services industry, the third sector, local government and others.

I know that if we work together across all sectors of society we will all be able to look back with pride at what we have achieved – a generation of people in our country whose lives have been transformed through managing their money better.



**Andy Briscoe – Chair,
Financial Capability Board**

Part 1

The Strategy



Introduction

Working age people in the UK don't plan ahead:

- 12 million aren't saving enough for their retirement
- 27 million don't have a sufficient savings buffer to allow them to cope with a significant income shock
- Only half of people with families have any life cover

Many UK adults don't have the resilience to deal with day to day events:

- 21 million don't have a modest £500 savings buffer to replace a fridge or mend the car
- 19 million don't have an approach to budgeting that they feel works

And too many are in financial difficulties:

- Around 8 million have problems with debt
- Of those, just one in six is seeking help

This Strategy aims to improve financial capability, giving people the ability and motivation to address the situation described above.

That means **improving people's ability to manage money well, both day to day and through significant life events, and their ability to handle periods of financial difficulty**. It will focus on developing people's financial skills and knowledge, and their attitudes and motivation. This, combined with an inclusive financial system, can help people achieve the best possible financial wellbeing.

This document consists of:

- a clear description of the problem the Strategy is looking to solve, and why it matters, including a comprehensive analysis of the 2015 Financial Capability Survey,
- an articulation of what success looks like over the 10-year life span of the Strategy, and
- a plan for how to get from today, to achieving the ambitions of the Strategy.

Central to the success of the Strategy will be ensuring that resources are deployed as effectively as possible, on interventions that are proven to work. The Strategy will also need to ensure that, where appropriate, interventions are sufficiently targeted to meet the needs of people in vulnerable circumstances. To facilitate this, the Money Advice Service will continue to contribute strategic and thought leadership and will focus on improving and disseminating the evidence about what works, increasing the amount and visibility of robust evaluation, and working with others to design, fund and evaluate interventions with the potential to improve financial capability. This is a similar role to that carried out by a 'What Works Centre',¹ and it will support the development of evidence needed for all key groups and needs covered by the Financial Capability Strategy over its 10-year period.

¹ The What Works Network aims to improve the way government and other organisations create, share and use high-quality evidence for decision-making. There are currently seven What Works Centres.

The Money Advice Service will also look to fill gaps in guidance, based on its observation of people's behaviours, the likely detriment to particular consumer groups, and the extent and effectiveness of existing provision. The Money Advice Service corporate strategy and business plan will set out these roles for the Money Advice Service in more detail. There will be a focus on working-age people (in particular their capabilities in budgeting and saving); children and young people; supporting everyone who needs it with high-quality debt advice; and encouraging everyone that has to make an important financial decision to access the information, advice and guidance they need to support them.

This Strategy is UK-wide but, where appropriate, has developed nationally-specific actions for England, Scotland and Wales that recognise and address the policy contexts of each nation. Northern Ireland has developed a Financial Capability Strategy and Action Plans for Northern Ireland consumers, which have been submitted to the Northern Ireland Executive for approval.

More detailed analysis focusing on the evidence, needs and priorities for each life-stage and theme is [available online here](#), which will be regularly updated with progress on Strategy delivery. This will be of particular interest to the many organisations, such as funders and delivery partners, who focus on particular sections of the population.

With the publication of the 2015 Financial Capability Strategy for the UK, the hard work begins. The challenge for everybody with an interest in raising financial capability is to work collaboratively to deliver the improvements that people need.

Context

The Money Advice Service has led the development of this Strategy, on behalf of all organisations with an interest in improving financial capability. This work has been overseen by the Financial Capability Board,² and has had the benefit of wide consultation on what is currently happening, what works, where the gaps are in current provision and what priorities stakeholders want the Strategy to take forward.

The first ever financial capability strategy for the UK was developed and published by the Financial Services Authority (FSA) in 2006. In September last year, following an initial call for evidence, the Money Advice Service published the *Draft Strategy* which built on the work done by the FSA and focused on defining the problem and the approach to developing the Strategy. It proposed a framework for understanding the concept of financial capability and priority areas for action.

The *Draft Strategy* was positively and constructively received. In March 2015 the Money Advice Service published the *Consultation Response and Next Steps*. This report described progress in developing the Strategy in response to the consultation feedback and an update on the key initiatives under way. It promised the final Strategy with detailed delivery plans later in the year.



² Full membership of the Financial Capability Board can be found in Appendix 1.

Why this Strategy is needed

Improving financial capability is a huge challenge but one that collectively it is possible to rise to. There is a need to counter deeply embedded social norms which mean that many people are spending today, rather than saving for tomorrow. And to prove which initiatives can make a difference in improving financial capability.

There will always be external factors that impact on how people manage their money or indeed how much money they have, such as wider economic circumstances or changes to Government policy, over which the Strategy has no direct control. What the Strategy can and will do is build levels of financial capability to enable more people to navigate changes in their financial circumstances when they occur and help them to manage the money they do have.

The belief, and the consistent message from stakeholders, is that levels of financial capability must be improved from their current low levels, and that if everybody works together it is possible to rise to the challenge. Life is getting more complex. The *Draft Strategy* described a compelling case for raising financial capability and helping people to improve their lives. The changing financial environment will make financial capability ever more important.

The new Strategy builds on recent work by, and insights from, the likes of the Financial Inclusion Commission, the Archbishop of Canterbury's Task Group, and the Tax Incentivised Savings Association (TISA)'s Savings & Investments Policy Project (TSIP). The Chair of the Financial Inclusion Commission, Sir Sherard Cowper-Coles, and the Chair of the Archbishop's Task Group, Sir Hector Sants, sit on the Financial Capability Board along with Jasper Berens of J.P. Morgan who serves on the Executive Committee of TSIP.

Financial capability matters

Money Advice Service research confirms that work to build financial capability needs to start at a very young age. By the age of seven many money attitudes are already set,³ but currently some 'teachable' moments are being missed. Parents are the key influencers on their children, but few are given the support they need to fulfil this role. Financial education is now on the curriculum across the UK, but only on the secondary curriculum in England. The education sector needs support to deliver high-quality financial education.

Talk, Learn, Do: Parents, Kids and Money

The Money Advice Service and Big Lottery Wales have launched a new pilot project which aims to motivate parents and carers and equip them with the confidence and ability to develop children's positive money habits that will stay with them for the rest of their lives. Parents and carers will be encouraged to help their children develop skills such as self-control, perseverance, sensible attitudes to money and setting financial goals. The pilot will be implemented via nearly half of all local authorities in Wales and will reach as many as 1,000 parents and 1,600 children aged 3 to 11.

For many young adults, navigating the transition from education to the jobs market and independent living can be challenging. Poor financial decisions made at this time of life can have severe consequences, so there is a need for financial capability interventions to support young people at key points of transition.

³ Habit formation and learning in young children, Money Advice Service 2013

As people move through their working lives they need to be able to build resilience to cope with financial shocks, such as redundancy, divorce, serious ill health or bereavement, and to plan ahead for life events such as buying a home, starting a family and retirement. People need to be able to budget, create a savings buffer and understand how to avoid financial difficulties.

For those approaching retirement the landscape has changed significantly in recent times and now raises a very particular set of financial capability issues. It does not end there – deteriorating physical health and cognitive decline in later life can present new challenges. At the same time there is the need to make complex financial decisions around planning and paying for care.

Low financial capability leaves a huge part of the population with limited financial resilience to deal with unexpected life events. Societal influences encourage spending now rather than saving for the future. Every day people are bombarded with marketing messages to spend and borrow. People may spend more than they can afford because they feel under pressure to match spending behaviours of friends and family.⁴ Social norms tend to prompt poor financial choices as people are primarily concerned with hiding financial problems by continuing to spend.⁵ Low income can exacerbate all these issues, but we also know that people on low incomes can budget extremely effectively and many can and do save.

The impact of financial difficulties on health can be significant – more than half those accessing debt advice funded by the Money Advice Service have mental health issues.⁶

The Draft Strategy published by the Money Advice Service in 2014 recognised the importance of shifting social norms to improving financial capability, but equally recognised this would be a complex and long-term endeavour. The consultation responses strongly supported this view. The Strategy proposes some first steps in taking this forward, building on the growing body of evidence on the application of behavioural economics and psychology to shifting norms, attitudes and motivations.

The changing financial environment

Recent and impending changes in the financial environment are increasing the importance of individuals being able to manage their money well. For example, the introduction of pension freedoms and Universal Credit demand greater engagement with, and understanding of, money management. Overall more responsibility for financial decisions is shifting to the individual. How successfully people adapt to this change will be affected not only by their skills and knowledge, and their attitudes and motivations, but also by their access to appropriate financial products, services and information. People need help to make the choices that are right for them, and to understand the consequences of the choices they are making.



Inevitably over the next 10 years there will be further political and economic changes that affect the way people manage money day to day, and how they make critical financial decisions about their future. Since the Money Advice Service published the *Consultation Response and Next Steps*, the Government has announced a decision to defer the planned 'cap' on care costs and is consulting on further changes to the pension regime.

⁴ Financial Capability and Wellbeing, Money Advice Service, 2015

⁵ Financial Capability and Wellbeing, Money Advice Service, 2015

⁶ Debt Advice Review, Money Advice Service, 2014

In light of the importance of the changing regulatory and policy landscape, key insights from the Strategy will be shared with regulators and Government to help inform policy. Both HM Treasury and the Financial Conduct Authority are represented on the Financial Capability Board.

As well as Government and regulators playing their part, the Financial Capability Board will also be looking for support from financial services firms who can do much to assist people manage their money and plan ahead, and have much to gain from improved levels of financial capability.

The pace of technological advance in financial services is quickening and having a significant impact on the way we manage our money, delivering, for example, simpler and quicker methods of digital payment and further growth of low-cost platforms for transacting and managing investments. Technology presents new opportunities for those engaged in delivering advice and financial planning services, and in helping people keep on top of their finances with new tools. But it also presents new risks, enabling money transactions to be made ever more quickly without prior consideration of the consequences. And there are many who cannot, or choose not to, use new technology.

There are other changes, predominantly to the labour market, that are beyond the scope of this Strategy but will affect people's financial situation. For example, there has been a shift from employment to self-employment, to zero-hours contracts and a continued wealth gap between those at the top and bottom end of the income distribution.⁷

Financial capability is a global issue

As *The Draft Strategy* indicated, financial capability is a global issue and more countries are recognising the importance of developing strategies to co-ordinate and drive forward collective action to improve financial capability. As of June 2015, the OECD network estimated 62 countries were designing, implementing or revising national strategies on financial capability and financial education.⁸ Under the auspices of the OECD and outside it, the Money Advice Service has been working closely with countries across the world, particularly English-speaking countries. It is clear many countries share similar concerns although it is hard to make direct comparisons because of the different size, culture and infrastructures across the world. Nevertheless we can and do learn from each other.

For example, a comprehensive evaluation of a flagship financial education programme in Brazil showed evidence of an increasing number of students and parents saving, and an increased amount saved. The programme has since been rolled out to over 3,000 new schools.⁹

On the other hand, a meta-analysis of just over 200 studies carried out in the United States¹⁰ found that whilst financial education programmes did improve longer-term financial behaviour, the impact was "minuscule" and the effect of interventions decreased over time. The study, which was based on young people aged 12 and over, did however recommend a place for 'just in time' financial education.

The OECD will be publishing an international comparison of levels of financial literacy and financial inclusion globally in the Spring of 2016, which will include a contribution from the UK.

⁷ Wealth in the Downturn: Winners and losers; Social Market Foundation, March 2015

⁸ OECD / INFE, *Policy Handbook on the Implementation of National Strategies for Financial Education* (Draft, due for publication in 2015)

⁹ World Bank. 2014. *Enhancing financial capability and behavior in low- and middle-income countries*. Financial Literacy and Education Russia Trust Fund. Washington, DC : World Bank Group. <http://documents.worldbank.org/curated/en/2014/01/19770351/enhancing-financial-capability-behavior-low--middle-income-countries>

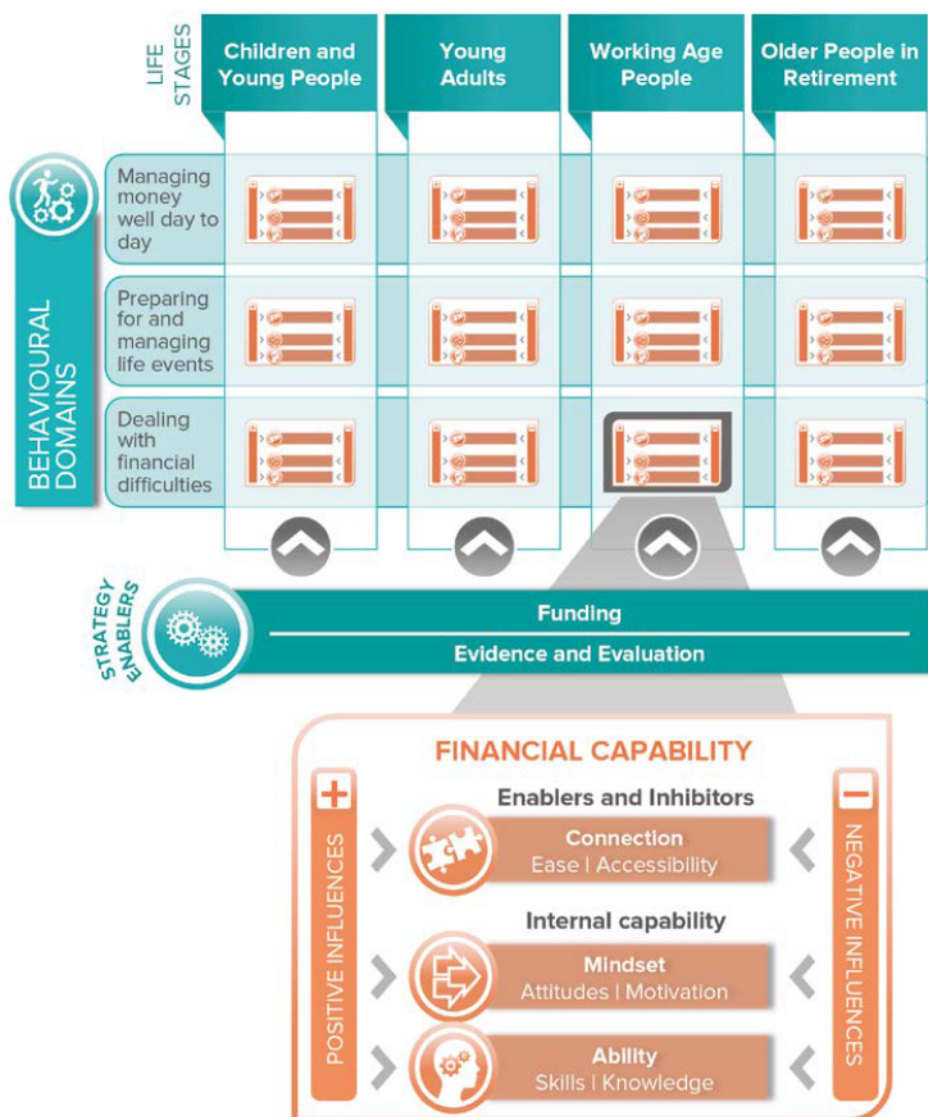
¹⁰ Fernandes, D., Lynch, J.G. and Netemeyer, R.G. (2014). 'Financial literacy, financial education and downstream financial behaviours', published in *Management Science*, 60(8), 1861-1883).

Levels of financial capability are too low

Based on extensive evidence and analysis, the Money Advice Service developed the ‘financial capability framework’, which captures the main elements of financial capability – the behaviours underpinning financial capability and the factors impacting it – in a single model, shown in Figure 1.¹¹ The Financial Capability Survey looks at current levels of financial capability based on this framework.¹²

The findings from this survey have in turn been used to identify where the Strategy needs to focus its efforts in improving financial capability.

Figure 1: The Financial Capability Strategy Framework



¹¹ The framework has been further amended to include Young Adults

¹² See Appendix 2 for more information.

The Financial Capability Survey is a nationally representative survey of adults aged 18 and over and living in the UK. Presented here are some of the main findings from the survey. More information about the survey can be found in Appendix 2 and more detailed findings are [available online here](#).

Managing money well day to day

Most people are generally managing their money well day to day, though a sizeable minority are not.

- Around four out of ten adults are not in control of their finances, i.e. they do not know their current account balance to within £50, do not feel their approach to budgeting works well or cannot keep up with their bills and commitments without difficulty.
- Four in ten adults have less than £500 savings to cover an unexpected bill.
- Around a quarter normally revolve a credit card or used high-cost short-term credit in the last year.
- There is a gap between what people say and what they do. Many more say it is important to save for a rainy day than are currently doing it.



Without the basics in place, it is much harder to prepare for life events, such as having a baby, retirement or bereavement. People who do not keep track of money or have an effective budgeting system are less likely to be able to save and cope with income shocks.

The biggest differences in day to day money management are related to household income. People on middle and higher incomes are generally managing better than those on lower incomes. There are particular issues among people in receipt of welfare benefits, living in social housing, and in lower income bands. But problems are by no means confined to these groups.

Preparing for and managing life events

The UK scores less well at planning ahead than at managing day to day.

- Just over half of the population save every month or most months. But far fewer have a significant emergency fund: two-thirds don't have a savings buffer equal to or exceeding three months' income. Amongst working-age people this rises to almost three-quarters.
- Almost half of working-age couples or families do not have life cover.
- Only one in two working-age people are currently paying into a pension or are a member of a previous pension scheme
- Only a third of over-50s have even the roughest plan for how they will pay for long-term care.

Again, things improve with income and there are specific groups of particular concern. But the lack of planning and preparation is widespread and not confined to a small number of groups in the population.

Dealing with financial difficulties

- Around a third of adults have unsecured debts equivalent to more than one month's income.
- One in ten find their debts to be a heavy burden.
- Similarly, one in ten have missed bill payments in three months out of the last six.

Skills/Knowledge

Relatively simple concepts and calculations are challenging for a sizeable minority. This may affect people's ability to manage their money effectively and choose financial products and services that meet their needs.

- One in five could not read a bank statement (and this does not appear to be linked to increased use of mobile banking).
- People aged 75 and over tended to perform noticeably worse on these questions.

One-third cannot perform a relatively simple calculation to add interest earned to a savings balance.

If anything the picture is worse than it was in 2005 when the FSA conducted its Baseline Survey.

Attitudes/Motivations

- Around half of all adults have a mindset that focuses more on current needs and wants at the expense of providing for the future.
- Three in ten people do not openly discuss their household finances regularly with anyone.
- People are more likely to save regularly if they have future-focused attitudes or specific goals, plans or reasons to save. By contrast, building up a significant savings buffer – i.e. having a higher ratio of savings to income – appears more driven by a belief in saving for the unexpected and a rainy day.

Ease and accessibility

To be financially capable, people need to be able to select products or services that meet their needs and access them via appropriate channels (digitally or offline).

Confidence and internet access often pull in different directions:

- Confidence in making choices about financial products and services generally increases with age – less than a third of young adults feel very confident, but this rises to two-thirds among older people in retirement.
- Internet access, usage and willingness to use the internet for financial tasks such as banking are all high within the working-age population. But they drop off among older adults, especially those in their 70s.

This creates very different challenges for different groups: young adults lack confidence in making financial decisions but have fewer access issues, whereas people aged 70 and over mostly feel very confident but may be on the digital margins. In addition, some low-income groups lack both confidence and access.

Using the findings


These findings, together with other data analysis and extensive consultation, have driven the priorities for action and action plans set out later in this document. The full detail which describes the interpretation of the evidence and how this leads to the identified priorities is contained within the relevant chapters in the more detailed Strategy document which can be found [online here](#).


For example, the recurring evidence about the importance of having a savings buffer, set against existing low levels of saving, have led to a real focus on improving our understanding of how to best encourage people to save. Likewise, the evidence about how and when to improve the financial capability of children and young people, combined with the evidence about low levels of financial capability amongst young adults, has led to the focus on those groups and the specific priorities and actions highlighted.

As the evidence builds and our understanding deepens the relevant steering groups (see page 16) will further evolve the action plans, over the lifetime of the Strategy.

Managing money well day to day

SIX out of TEN  people have a savings buffer of £500


 **23%** of people either revolve a credit card or use high cost short term credit

 **41%** of adults do not know their current account balance **within £50**


Preparing for life events

Less than **3 in 10**  of the working age population have **savings of 3 months income or more**

1 in 3  people have financial goals and a plan in place to achieve these

Only **28%**  of people at retirement age have any form of **plan for funding long term care**

Only about **HALF**  of people with families have life cover

12 million  people are not saving enough for their retirement (DWP, 2014)

Dealing with financial difficulties

1 in 6  people are over indebted (Money Advice Service/ CACI, 2015)

 Just under **1 in 6** over indebted people are currently seeking help (Money Advice Service, 2013)

Financial capability



22% of people could not read the balance on a bank statement (an increase from 9% in 2005)



4 in 10 people in retirement had **not been online in the past week**

FIVE in TEN  have a mindset that focuses on their current needs and wants, at the expense of providing for the future



40% of people do not understand the **impact of inflation on the real value of money** (up from 21% in 2005)

What the Strategy needs to achieve

As a result of the Strategy, there needs to be significant improvements in financial capability over the course of the next 10 years.

The Financial Capability Board considered, at length, whether to set specific targets for the Strategy around improved financial capability (behaviours, skills, knowledge, attitudes, motivation and accessibility). They decided against doing so at this stage. The limited evidence about the impact of interventions on financial capability makes it difficult to assess what would be a challenging yet realistic outcome. Specific indicators of financial capability based on particular questions in the financial capability survey are likely to be subject to too much volatility to make meaningful assessment of progress possible.

Over the next six months, the Money Advice Service will focus on developing a small set of composite measures that combine the key indicators of financial capability. These will be monitored over the life of the Strategy, together with the impact of specific financial capability interventions.

This approach is consistent with that taken by the vast majority of other countries around the world who have developed financial capability strategies.

In the meantime, although we will not be assessing progress against targets as such, the focus will still be on measuring the impact of the Strategy against its aim of improving people's ability to:

- manage money well day to day,
- prepare for and manage life events, and
- deal with financial difficulties.

We will focus on developing people's financial skills and knowledge (for example improving their ability to use basic numeracy in complex situations); and their attitudes and motivation (for example, saving for tomorrow rather than spending today). This, combined with an inclusive financial system can improve financial capability.

The two main vehicles for measuring the success of the Strategy will be:

- the Financial Capability Survey, which will measure the extent to which the behaviours, skills, knowledge, attitudes, motivation and accessibility described above change over time; and
- robust evaluation of specific interventions, targeted at specific groups of people, including the exploration of longitudinal studies.

Other research sources, such as the Office for National Statistics (ONS) *Wealth and Assets Survey*;¹³ *Understanding Society*;¹⁴ and other qualitative research will also be useful to measure progress.

¹³ <http://www.ons.gov.uk/ons/rel/was/wealth-and-assets--experimental-/index.html>

¹⁴ <https://www.understandingsociety.ac.uk/>

Delivering the strategy

The Strategy is built around the concept of ‘collective impact’, a strong emphasis on evidence and evaluation, and a clear plan of what will happen.

Collective impact

As a minimum, collective impact involves a co-ordinated approach to ensure that the resources devoted to building financial capability are focused on interventions that are proven to work and will achieve a significant impact in improving financial capability. The Strategy has already put in place a suite of products and services to promote and support this.

In the long term this approach should deliver the transformational change that is needed and that the Strategy is designed to achieve.

Since the Strategy is based on collective impact, with a wide range of organisations involved in its delivery, there needs to be an effective delivery framework that is capable of co-ordinating these combined efforts, and will monitor and evolve the action plans outlined in this Strategy. This delivery framework is shown in Appendix 3, and more detail can be found [online here](#).

A number of Steering Groups are being established to guide the delivery of the different aspects of the Strategy that apply to England and the rest of the UK. Groups have been established for:

- Children and Young People;
- Young Adults;
- Working-age People;
- Savings;
- Retirement Planning; and
- Older People in Retirement.

There will be separate groups set up in Scotland, Wales and Northern Ireland.

The Debt Advice Steering Group (DASG) – already established by the Money Advice Service Board – will be the main mechanism for delivering the priorities of the Strategy relating to people with financial difficulties. The Money Advice Service’s Research and Evaluation Group (REG) will provide expert advice and guidance in relation to the evidence and evaluation strand of the Strategy. The Money Advice Service is considering the creation of an expert group to advise on financial technology (“fintech”) and how this can be harnessed to help achieve the aims of the Strategy.

The role of the Steering Groups

The Steering Groups will provide guidance and recommendations to the entire sector on their specific theme. This will include analysis and insight of: evidence around what works; progress and evolution of the action plan; and prioritisation of activities and resources needed to maximise collective impact. The Steering Groups will be made up of organisations, from across all sectors, such as Government departments, regulators, research bodies, voluntary sector organisations, trade associations, consumer groups and financial services firms.

Many respondents to the consultation on the *Draft Strategy* raised questions about what should be done to help people in vulnerable circumstances. Responsibility for taking account of vulnerability will be formally incorporated into the Terms of Reference for each of the Steering Groups.

‘Collective impact’ is where large-scale social change comes from cross-sector co-ordination, not isolated interventions of individual organisations.

As the evidence of what works builds, the Steering Groups will need to evolve the action plans. The initial action plans included in Part 2 of this document are just the start of the journey. The Steering Groups will provide updates to the Financial Capability Board on a regular basis and the Strategy as a whole will be formally reviewed in 2020 and 2025.

The Financial Capability Board will oversee the continuing development and implementation of the Strategy, seeking to influence others to support it. The Board is made up of senior and influential figures from a range of sectors, and will be supported by the Money Advice Service who have led the development of the Strategy and will continue to provide the secretariat to the Financial Capability Board and the Steering Groups.

Evidence, evaluation and the Money Advice Service

This Strategy needs to make a real difference. So it places a strong emphasis on developing the evidence base, including through piloting interventions and evaluating their success to identify where and how resources across the financial capability sector should be targeted to maximise impact.

Although more is known than when the original Strategy was launched in 2006, there are still significant evidence gaps about what really works, both at a national and individual intervention level.

The Money Advice Service will take on a role akin to a 'What Works Centre', seeking to improve and build understanding of the effectiveness of interventions designed to improve financial capability. It will do this by focusing on increasing the use of evidence about what works, helping build the capability and capacity of organisations to evaluate their interventions against common outcome measures. It will prove what works (and what doesn't) by partnering with others to design, fund and robustly evaluate initiatives which show the potential to improve financial capability.

Specific activities, tools and interventions developed by the Money Advice Service to support that 'What Works' role will include:

- **IMPACT principles.** These set out the high-level approach to evidence and evaluation that the Strategy needs organisations to embed at all levels, particularly within organisations funding, commissioning and delivering interventions. They have been developed to encourage organisations across the sector to commit publicly to ensuring that robust evaluation and evidence is at the heart of everything they do. The Money Advice Service will encourage organisations to adopt the principles, and help them understand how to embed them within their work.
- **Common Evaluation Toolkit.** This will increase the consistency and quality of impact evaluation and support proportionate and tailored evaluation. It will help organisations move from measuring reach and outputs to measuring impacts and outcomes. The intention is that, through use of the common evaluation toolkit, more providers will produce evaluation reports of sufficient quality to contribute to the shared evidence base, and that providers will choose to disseminate this evidence more widely via the Evidence Hub [online here](#). Piloting of the Common Evaluation Toolkit is underway and will continue through to Spring 2016.
- **Outcome Frameworks.** As part of the Evaluation Toolkit the Money Advice Service has developed four Outcomes Frameworks for interventions focused on different types of people. These frameworks help to ensure that interventions are focused on achieving outcomes consistent with the overall ambitions of the Strategy. They were developed on the basis of expert evidence, particularly on childhood development, and with input from key stakeholders. The Money Advice Service has already developed a 15-point evaluation framework for debt advice.



- **Insight and Evidence Hub.** The Money Advice Service launched the Evidence Hub in March 2015 to make it easier for providers, funders, researchers and other interested parties to access evidence of what works in improving financial capability. The Hub has recently been revised, based on the initial feedback from users. The Hub will include higher-level summaries of key learnings which further interpret the evidence and, where possible, delivery materials to help providers replicate effective models. It will also include an Insights Library where other types of evidence can be stored.
- **A children and young people ‘incubator’ fund.** The Money Advice Service and the Education Endowment Foundation (EEF) are delivering a joint initiative to fund and evaluate interventions that seek to improve financial capability in schools. The interventions must be informed and supported by some evidence of an impact on educational or financial capability outcomes; be practical, appropriate, cost-effective and scalable; be willing and able to be independently evaluated; and be led by a not-for-profit organisation such as a school, charity, local authority or university.

The development of the action plans

The *Draft Strategy* proposed priorities for each of the different life stages contained within the financial capability strategy framework. *The Consultation Response* set out next steps in each area – children and young people; young adults; working-age people; older people in retirement; and people in financial difficulties.

A range of organisations and individuals have worked with the Money Advice Service to develop these priorities into specific action plans for each life stage and for each devolved nation – setting out the interventions that it is believed will have an impact on knowledge and skills, attitudes and motivations or ease and access of financial products and services.

This is a UK-wide Strategy which reflects the devolved nature of certain aspects of policy relating to financial capability. The Strategy action plan includes a mix of initiatives, some of which will apply across the UK, with others focussed on England, Scotland and Wales. Northern Ireland has developed a Financial Capability Strategy and Action Plans for Northern Ireland consumers. There is a good opportunity for each of the nations to work closely together, to learn from each other, and to spread best practice. The Money Advice Service has established Financial Capability Forums in Scotland, Northern Ireland and Wales to facilitate this learning. In addition, the devolved nations are represented on the Financial Capability Board.

The initial action plans should not be viewed as a full set of interventions that will ‘solve’ the issue of low financial capability. There is still far more work to be done to understand what works in improving financial capability. The action plans presented in this document are based on the priorities for action that have been identified from the current evidence base. This will inevitably change and evolve over the lifetime of the Strategy, as will the action plans.

A high-level summary of the key issues for each age group and each devolved nation, and overall objectives of the action plans is presented below, with the full action plans contained in Part 2 of this document. The following paragraphs summarise the key financial capability issues for the different life stages identified in the financial capability framework. For more detailed analysis please [click here](#).



Children and Young People

Adult financial capability is a direct consequence of what is seen, learned and experienced in childhood and adolescence. There is a vital 15-year window of opportunity, from the ages of 3 to 18, to transform the UK's future financial health. The Money Advice Service has assumed responsibility for co-ordinating financial education within schools and will play a leading role in the delivery of this element of the Strategy. Financial education is on the secondary curriculum right across the UK, although currently it is not on the primary curriculum in England.

Evidence of whether financial education is working is mixed and we will continue to scrutinise and build the evidence in this area. That is why the Strategy is prioritising understanding what works before scaling up interventions more widely.

Key elements of the Strategy will include the following actions in England, Scotland and Wales:

- conducting a parenting pilot project to test the effectiveness of integrating financial capability into existing parenting programmes;
- launching a joint initiative between the Education Endowment Foundation (EEF) and the Money Advice Service to help fund and evaluate interventions that seek to improve financial capability in schools; and
- publicising to schools and Further Education colleges why they should, and how they can, deliver financial education that works.



Young Adults

This period of life may be one of significant change and transition, moving from education into work and from home to independent living. Young adults tend to have lower levels of financial capability, with particular issues around taking control and using credit sensibly. Only 44% believe they have a budget approach that works. Whilst there is existing support available, getting engagement from young adults can be difficult. The key challenge for this group is to manage the immediate financial implications of these transitions and to ensure that any decisions taken do not have adverse longer-term consequences, such as the risk of tipping into problem debt or of opting out of a workplace pension.

Proposed changes in welfare and student finance provide opportunities to test different financial capability interventions for young adults.

Key elements of the Strategy will include:

- working with the banking sector to explore how to target financial capability support at students showing signs of financial difficulty during their studies and post-graduation;
- trialling financial capability interventions with leading employers of young adults, including employers of apprentices and recent graduates; and
- identifying opportunities to develop peer-to-peer interventions, using learnings from existing pilots that have been proven to work.



Working-Age People

Many working-age people are competent at budgeting and managing their money, but unpredictability of income can make it harder for some to manage their money well day to day and create barriers to planning ahead. For too many working-age people the immediate priority is either to avoid or pay down problem debt. Changes to welfare will also affect large numbers of working-age people. One pilot to estimate the support needs found that up to 77% of Universal Credit claimants will need help budgeting.¹⁵

The key challenge for this group is to improve their financial resilience by focusing on the capability to save

for the future, plan ahead and manage life events. There is a considerable savings gap – only 28% of working-age people have savings equal to three months' income.

Key elements of the Strategy will include:

- building a stronger savings culture in the UK, including conducting a feasibility study into which savings schemes work best for low income households;
- motivating and helping more working-age people to plan ahead and manage life events, by working with employer groups and those claiming Universal Credit, and encouraging people to make active decisions about whether, and what type of, protection insurance is right for them; and
- improving the accessibility of financial products, services and advice, including affordable credit.



Retirement Planning

Retirement planning raises a very particular set of financial capability issues that affect both working-age people and older people in retirement. This is an area that has undergone significant transformation in recent years, with the introduction of automatic enrolment into workplace pensions and new freedoms over how people can use their pension savings. This trend looks set to continue with Government consultations underway on guidance and financial advice, pensions tax relief, and pension transfers. Most of these developments call for greater financial capability.

Given the evolving environment of pensions and retirement planning, developing an evidence base to understand people's financial capability for this area is a real priority.

Key elements of the Strategy will include:

- creating a retirement planning financial capability survey that will provide a composite measure of capability when saving and planning for later life;
- improving access to, and consumer understanding of, guidance and regulated financial advice; and
- piloting interventions with selected employers to help their employees see the need to plan and increase their retirement savings.

¹⁵ Citizens Advice, Universal Credit Managing Migration Pilot. Final Results. (2013) www.citizensadvice.org.uk/global/migrated_documents/corporate/citizens-advice-universal-credit-mmp-final-results---full-report.pdf



Older People in Retirement

Older people are generally pretty good at managing money day to day, but can be hampered by the ease and accessibility of products and services. Functional numeracy and awareness of key financial terms and concepts declines steeply after age 75 and approximately 1.3 million older people in Great Britain eligible for Pension Credit are not taking up their entitlement.¹⁶

A key challenge for this group is the need to manage financial resources over their entire retirement, balancing the need to make ends meet day to day while preparing for and managing expenditure related to life

events, especially declining health and potential care costs. Only 28% of older people have a plan for how they might fund long-term care.

There is no shortage of advice available to this group, but not all of this reflects the realities of life in retirement and more can be done to reach the people who really need it.

Key elements of the Strategy will include:

- developing the evidence base by co-ordinating research to fill gaps in our understanding;
- using trusted messengers to reach older people with consistent messages that improve their financial capability;
- improving access to money management tools and guidance that reflect the reality of life in retirement; and
- improving the accessibility of products and services for older people in retirement.



People in Financial Difficulties

Financial difficulties can be experienced at all life stages and may be an ongoing feature of a person's life or a passing phase. Financial difficulties have direct and indirect effects, with evidence suggesting that adults that have experienced financial difficulties are more likely to become financially excluded.

8.2 m people in the UK are over-indebted. In 2013, the Money Advice Service estimated that around 83% of over-indebted people were not seeking advice, and of those that do seek advice 50% wait over a year to do so. The DASG aims to double the proportion of over-indebted people seeking advice by 2020 and double it again by 2025.

The Money Advice Service has a central role to play in the delivery of this aspect of the Strategy as it has statutory responsibility to co-ordinate the debt advice sector. In June 2015 the Money Advice Service established the DASG, made up of the major advice providers, creditors and other statutory bodies, who will work strategically with the Money Advice Service to improve the efficiency, effectiveness and reach of free debt advice in the UK. The DASG will also act as the Steering Group for the 'people in financial difficulties' elements of the Financial Capability Strategy.

¹⁶ Income-Related Benefits: Estimates of Take-up – Financial Year 2013/14 (experimental), DWP, 2015

The work of the DASG considers financial difficulties from three perspectives: early intervention; crisis support; and long-term resilience. In order to double the proportion of people actively seeking debt advice, the initial priorities will be:

- raising consumer and creditor awareness of the symptoms of problem debt;
- ensuring that people know free debt advice exists and understand the benefits;
- identifying people with financial difficulties early and improving the referral process - this will include carrying out pilot projects with multiple creditor bodies to provide the evidence for what works; and
- ensuring that debt advice is easy to access no matter what people's personal circumstances.

The DASG will also look at:

- ensuring supply meets need and providing the evidence for building capacity within the sector; and
- integrating financial capability advice into the debt advice process to build financial resilience and prevent repeat of debt problems, for example by integrating the savings element of the Standard Financial Statement¹⁷ into debt advice practice across the sector.

Scotland

Context

In 2010 the Scottish Government commissioned an in-depth analysis of the future delivery of public services, "The Christie Commission",¹⁸ which reported back in 2011. The Scottish Government's response¹⁹ and subsequent approach to public service reform, closely reflects the key themes and aims of the Christie Commission and is built on four pillars:

1. a decisive shift towards prevention;
2. greater integration of public services at a local level driven by better partnership, collaboration and effective local delivery;
3. greater investment in the people who deliver services through enhanced workforce development and effective leadership; and
4. a sharp focus on improving performance, through greater transparency, innovation and use of digital technology.

These are key priorities for the Scottish Government over this current Parliament and will intensify the focus on improving service outcomes for the people of Scotland.

The current Programme for Government 2015/16²⁰ aims to create a fairer and more prosperous nation, in which opportunities are open to everyone and where, because of that, everyone is able to contribute their talent, skill and commitment.

The Scottish Government has also opened up a national dialogue about how the country can be a fairer and more equal place to live. "Creating a fairer Scotland"²¹ will invite people to set out their vision of a fairer Scotland and suggest practical solutions, based on local and personal experience. Capturing the voices of those with direct experience of poverty and exclusion will be vital.

¹⁷ The Money Advice Service - in collaboration with stakeholders - developed the Standard Financial Statement (SFS), which will enable an adviser to identify the options and debt solutions available to a client and provides the foundation for effective repayment negotiations with creditors. The SFS incorporates a savings category to help clients become more financially resilient in the future. The SFS will start to be implemented across the debt advice sector and with other partners later this year.

¹⁸ <http://www.gov.scot/Publications/2011/06/27154527/0>

¹⁹ <http://www.gov.scot/Resource/Doc/358359/0121131.pdf>

²⁰ <http://fairer.scot/about/>

²¹ <http://fairer.scot/about/>

Strategy

The Strategy and its action plans are being developed in consultation with a wide number of stakeholders across Scotland including the Scottish Government, local government, public bodies, the advice sector, housing associations, third sector organisations and financial services providers. The Strategy will be owned and managed by the Scotland Steering Group chaired by Money Advice Scotland and includes representation from a wide range of organisations. For the Strategy to succeed in Scotland, it is essential that these key stakeholders work to a common set of goals.

The Steering Group has agreed the following priorities for Scotland over the next ten years:

Need

- Money advice is part of managing day-to-day and not for financial difficulties only.
- Needs of vulnerable groups are met and are not further marginalised.
- More of those who need them are taking up basic products and services to manage their money.

Knowledge

- A step change in the number of people regularly using a planned approach to managing income and expenditure.
- Preparing young people to meet financial challenges in their adult life.
- Supporting people to develop their knowledge (including digital) enabling them to access the best financial products and services and detect scams and fraud.

Accessibility of advice

- All people who receive debt advice to be provided with financial capability training/support.
- Existing touchpoints with employers, local authorities and NHS are maximised and leveraged.
- A significant increase in the proportion of people with problem debt seeking help.
- Young people, parents and families have better support around accessing affordable credit.

Planning for future events

- Better understanding of income needs in retirement.
- More people have a savings buffer for unplanned expenditure, reducing reliance on short term credit and access to affordable credit.

More detailed analysis focusing on the evidence, needs and priorities for each life-stage and feedback from stakeholders can be found in the forthcoming Scotland Financial Capability Strategy, which will be published [online here](#).



Wales

Context

The Welsh Government has long recognised that financial exclusion and over-indebtedness are issues that need serious consideration and concerted action.

In 2005 the Welsh Government published the *Review of Over-indebtedness*,²² and in August 2007 the Financial Inclusion Unit was established and began to develop Wales's first Financial Inclusion Strategy, *Taking Everyone into Account*.²³ There has been an excellent historical working relationship between the Money Advice Service and the Welsh Government who have worked together to promote financial inclusion and financial capability in Wales since the original Financial Inclusion Strategy for Wales was published in 2009.

The revised 2016 **Financial Inclusion Strategy** will build on the key themes from the 2009 strategy. The Strategy will set out how Welsh Government aspires to work with partner organisations, both within Wales and at the UK level, to focus on three core themes:

1. access to credit and financial services;
2. access to financial information, including debt advice; and
3. building financial understanding and capability.

Following consultation with the Money Advice Service Wales Forum and with the Welsh Government's Financial Inclusion Development Group, there is general agreement that there should be one Strategy for Wales, and that the Wales Financial Capability Strategy should be included as part of the Welsh Government's Financial Inclusion Strategy, currently being developed. As such the ambitions for both will be aligned.

Strategy

The Wales Strategy and its action plans have been developed in consultation with a wide number of stakeholders across Wales including the Welsh Government, local government, the advice sector, housing associations and the third sector. It sets out how we can work together to deliver collective impact to improve financial capability across Wales.

The Strategy is aimed at all key stakeholders including the Welsh and UK Governments, local authorities, housing associations, advice providers, banks, utility companies, community organisations, and programmes aimed at tackling poverty – including Communities First Clusters, Families First teams, Flying Start teams, the Supporting People programme and credit unions.

The Strategy will be owned and managed by the Wales Forum, with representation from a wide range of organisations. This group will feed into the governance of the revised Financial Inclusion Strategy and delivery plan for that strategy.

²² <http://webarchive.nationalarchives.gov.uk/20080910110835/http://new.wales.gov.uk/dsjlg/publications/communityregendevol/overindebtedness/report?lang=en>

²³ <http://gov.wales/docs/dsjlg/publications/comm/090924fininclstraten.pdf>

Following feedback from consultations which have included the three financial capability forums in Wales, the independent advice providers' forum, the Welsh Government's Financial Inclusion Development Group and the Money Advice Service's Wales Forum, recommendations for action have been identified and agreed by the Wales Forum as follows:

- **Children and young people:** Work towards more effective evaluation and consistency of existing provision in schools; increasing the capacity for more financial capability interventions; support for informal and peer-to-peer interventions and more interventions targeted at families and parents.
- **Young adults:** Targeting support for those most in need, looking to provide financial education in all learning environments (formal or informal, FE and HE) and equipping young people to be financially independent when they leave home.
- **Working-age people:** Improve basic money management skills; reduce the impact of welfare reform; influence the attitudes to affordable credit; implement interventions to help people build financial resilience; and provide support for vulnerable groups.
- **Older people:** Support older people to access financial education and raise awareness of preventative money advice; tackle scams, fraud and financial abuse; and enable older people to make more informed choices about using their pension assets plan ahead for future life events.

Through consultation, actions linked to these priorities have been identified for consideration and prioritisation by the Wales Forum.

More detailed analysis focusing on the evidence, needs and priorities for each life-stage and feedback from stakeholders will be found in the forthcoming Wales Financial Capability Strategy, due to be published [online here](#) shortly.



Northern Ireland

Context

The Northern Ireland Executive's Programme for Government 2011-2015 included a commitment to develop and implement a Financial Capability Strategy for Northern Ireland consumers.

The Executive's inclusion of a commitment to develop a Financial Capability Strategy had an immediate and significant impact. Many organisations across all sectors in Northern Ireland had already made substantial progress in the area of financial capability and improving individuals' money management skills but the Programme for Government gave the issue the political and public profile that it critically needed. The development of the Strategy and Action Plans brought the various sectors, public, private, and voluntary, together to focus collectively on this issue for the first time.

It quickly became apparent that many of the programmes and strategies being taken forward by Executive departments either already had valuable financial capability components to them, or had the potential to support or signpost individuals to the advice or assistance that they needed to manage their personal or household finances better.

The Strategy has also demonstrated the potential for effective and productive joined up working across all sectors in Northern Ireland, to deliver a Strategy and Action Plans, focused on delivery and outcomes, and delivered on target.

Strategy

A draft Financial Capability Strategy, covering the 5-year period 2013-18, and supported by a series of Action Plans, has been developed using a cross-sectoral partnership approach. The work on the development of the Strategy was led by the Executive's Department for Enterprise, Trade and Investment, who worked closely with the Money Advice Service to ensure that the key themes and priorities for action in the Northern Ireland Strategy were consistent with the generic issues emerging in the development of the UK Strategy, while ensuring that they were tailored to the specific needs and priorities of Northern Ireland's consumers.

The Strategy was subject to public consultation in summer 2013, and is currently with the Executive for final approval.

The essential message and theme of the Northern Ireland Strategy and its Action Plans is one of empowerment – equipping and enabling consumers to take control of their financial affairs, and to manage their money effectively. The Strategy espouses a vision of better-informed, more skilled and more confident consumers, better able to manage, plan and take responsibility for their financial affairs.

The Action Plans are dynamic documents, which will continue to develop and grow across the life of the Northern Ireland Strategy. The emphasis and focus of the Strategy has been on delivery, and the relatively short five-year lifespan recognises the changing economic, financial services, and technological context that financial capability measures must address and respond to.

A broad evidence base for the Executive's Financial Capability Strategy was created in 2012. This included:

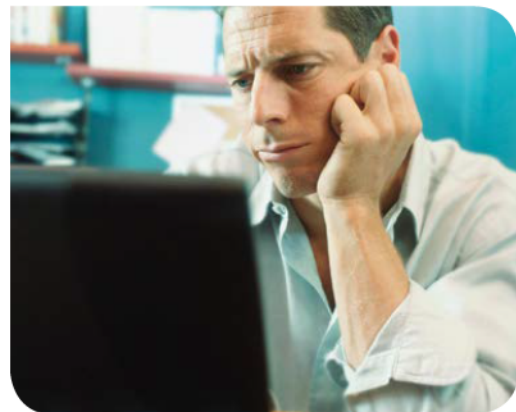
- a brief social and economic contextual overview;
- secondary analysis of existing household survey sources reflecting thematic perspectives underpinning Financial Capability; and
- the analysis and reporting of bespoke qualitative focus group and quantitative household survey research based on results from the Northern Ireland Statistics and Research Agency's (NISRA) Omnibus Survey²⁴.

The evidence generated assisted the development of a monitoring and evaluation reporting framework in support of the Northern Ireland Strategy, with four distinct 'layers'.

- Departmental Action Plans and associated outputs or impacts;
- Key Actions associated with the Strategy and their associated outputs or impacts;
- Financial Capability Omnibus Survey results reflecting the thematic areas of making ends meet, keeping track, planning ahead, choosing products, and staying informed; and
- High level composite measures of Financial Capability and Financial Inclusion.

All sectors in Northern Ireland, public, private and voluntary, have made and continue to make a significant contribution to developing the Financial Capability of Northern Ireland's consumers. The continuation of the partnership approach that has characterised work in this field to date, and the development of the Northern Ireland Strategy and Action Plans, will continue. Work in this area is organic, and will grow and develop over time and in response to changing needs and demands.

A further evaluation of the impact of the Strategy will be undertaken in 2018.



²⁴ See: <http://www.detini.gov.uk/index/what-we-do/deti-stats-index/economic-research/financial-capability.htm>

Next Steps

Part 2 of this document sets out the full action plans that will be delivered to support the successful implementation of this Strategy. Then the hard work of delivering the actions really begins.

The Money Advice Service, Financial Capability Board and Steering Groups will work together to inform, guide and coordinate efforts aimed at driving up financial capability. They will champion the Strategy, and build and share evidence on what works in driving up financial capability.

But this will not be enough on its own to achieve the aims of the Strategy. Success will require the combined, concerted and coordinated efforts of a wide range of organisations and individuals. This Strategy is a call to action to all those with an interest or ability to contribute to improving financial capability.

All organisations are asked to consider how they can contribute to the collective action needed to achieve the aims of the Financial Capability Strategy, and to contribute to building the evidence base on what works by:

- committing to applying the IMPACT principles set out in this document;
- conducting robust and comparable evaluation of the impact of actions;
- sharing the results of evaluation via the Money Advice Service Evidence Hub; and
- using that evidence base as it evolves to drive resources towards what the evidence shows works.

To support the Strategy the Money Advice Service will commission an economic analysis to understand the impact of improved financial capability on the economy. This will contribute to the evidence base and help to inform future financial capability interventions.



The challenge for everybody with an interest in raising financial capability is to work collaboratively to deliver the improvements that people need.

Part 2

The Action Plan



Evidence and Evaluation priorities

1 Grow the evidence base

- a. Support funders and providers to conduct more consistent and better-quality outcome evaluation by:
 - ▶ developing and piloting, then launching the Common Evaluation Toolkit;
 - ▶ continuing to develop the Evidence Hub and Insights Library;
 - ▶ delivering support to providers seeking to integrate the Outcomes Frameworks into their evaluation activity; and,
 - ▶ continuously reviewing and updating the Outcomes Frameworks and Common Evaluation Toolkit in line with user feedback and learnings about key indicators of financial capability.
- b. Co-ordinate research and evaluation across the sector, including conducting new research, to fill key evidence gaps and reduce duplication. This will include:
 - ▶ running the Financial Capability Survey;
 - ▶ commissioning research to fill key gaps in our understanding of what drives or impedes Financial Capability;
 - ▶ delivering research events and co-ordinating research programmes across the sector with support from the Money Advice Service Research and Evaluation Group;
 - ▶ publishing research programmes for the Money Advice Service, and other key commissioners of Financial Capability research, on the Financial Capability website;
 - ▶ conducting research to demonstrate the social and economic benefit of financial capability; and
 - ▶ commissioning research to develop an understanding of how nudge theory can be applied to change people's financial behaviour.
- c. Engage with funders to enable them to build robust evaluation into their requirements for funding. This will include:
 - ▶ launching the IMPACT principles and working with early signatories to embed these; and,
 - ▶ continuing to increase the number of funders signing up.

2 Promote greater use of the Evidence Base

- a. Continue to develop and expand the Evidence Hub as a comprehensive resource for the sector to inform funding decisions, design of interventions, and research activity; and incorporate an accompanying Insight Library.
- b. Support funders and providers to use and apply evidence to ensure that resources are used to deliver interventions that are proven to work, or show promise, and meet a known need:
 - ▶ promote use of evidence by funders through appropriate forums and channels; and,
 - ▶ support signatories of the IMPACT Principles in applying evidence to the work they do, and producing funding applications that are underpinned by robust evidence.

Children and Young People priorities

1 Understanding what works

- a. Enable existing interventions to robustly evaluate and publicise their effectiveness:
 - ▶ finalise free-to-use outcomes frameworks and measurement tools for 3-18 year-olds, parents and teachers, working with *NatCen* and *Young Enterprise/pfeg*;
 - ▶ launch an evaluation toolkit pilot with a range of not-for-profit delivery organisations.
- b. Identify what works for current priority gaps: 3-11 year-olds, 17-18 year-olds, vulnerable young people. Seek to involve parents and carers where appropriate and possible, peers for older ages and incorporate experiential learning:
 - ▶ The *Money Advice Service* conduct a parenting pilot project aimed at parents of children aged 3-11 to test the effectiveness of integrating financial capability content in existing parenting programmes. This will be achieved in partnership with *Welsh Government*, *11 local authorities*, and the *Family Links Nurturing Programme*.
- c. Cultivate a funding landscape that fully resources and incentivises innovation, evidence based design, outcomes led delivery and robust evaluation (for detail see Evidence and Evaluation action plan).

2 Targeting effective provision to those who need it most

- a. Provide UK analysis to enable the sector to identify priority gaps:
 - ▶ conduct quantitative survey into the financial capability of children and young people and their parents;
 - ▶ collate and aggregate provision, reach and evaluation data from funders and providers;
 - ▶ enhance the *Money Advice Service*'s role in providing the sector with more detailed analysis of provision and evaluation data.
- b. Scale up effective non-statutory provision to meet priority gaps by brokering funding relationships for effective interventions.
- c. Support local authorities to integrate and co-ordinate financial education opportunities, particularly for vulnerable young people:
 - ▶ integrate financial capability into existing programmes that already reach children and young people either directly or indirectly;
 - ▶ conduct a review of resources for vulnerable young people then identify and fill gaps in resource provision and publicise;
 - ▶ conduct a landscape review of non-financial capability programmes by target age groups and broker partnership agreements to integrate financial capability content; and
 - ▶ investigate how to support local authorities to integrate and co-ordinate financial education and learning opportunities, particularly for vulnerable young people.

Supporting schools to deliver their statutory responsibilities effectively

- a. Develop and publicise a clear evidence base on how financial capability supports the delivery of wider school outcomes:
 - ▶ deliver a Children and Young People evaluation fund (jointly funded by the *Money Advice Service* and the *Education Endowment Fund*) to provide rigorous evidence of impact on financial capability and attainment;
 - ▶ run a publicity campaign targeted at the education and learning sector on the business case for financial education.

- b. Help schools make informed decisions on how financial education is implemented:
 - ▶ develop schools and learning portals to include information on all types of financial capability interventions including curriculum requirements, cost per pupil and impact;
 - ▶ support Schools appointing a financial education lead to:
 - ensure that financial education is integrated across the curriculum and other relevant programmes where possible, e.g. enterprise and employability;
 - identify and signpost vulnerable young people to services that can help them;
 - equip teachers and learning professionals to deliver effective financial education and learning through training and professional development, including initial teacher training; and
 - consider how teachers and those in the learning community and external delivery partners can work more effectively together.

- c. Enable each national curriculum to be informed by the evidence on what will most likely deliver financially capable adults by:
 - ▶ supporting monitoring bodies to assess how schools deliver financial education with effective practice defined as what will have the most impact on financial capability;
 - ▶ conducting analysis so that future revisions of the national curriculums are informed by the evidence of what will most likely improve financial capability;
 - ▶ supporting financial education becoming part of the primary school curriculum in England; and,
 - ▶ assisting publishers in developing resources that support effective financial capability learning.

Young Adults priorities

1 Improve our understanding of the differing capabilities or barriers faced by post-school young adults in managing money and making key financial decisions

- a. Lead coordinated work with experts and stakeholders (youth-workers, housing and student professionals, online support services, national and international research bodies, media and financial services, as well as young adults) to gain a more thorough understanding of the capabilities and barriers faced by 16-24 year-olds in managing their money and making key financial decisions.
- b. Identify effective, sustainable and engaging financial capability interventions targeted at this group through pilots and evaluation to establish what works.
- c. Identify opportunities to develop peer-to-peer or near-to-peer interventions, using learnings from existing pilots that have been proven to work.

2 Identify effective approaches to support young adults impacted by welfare reform

- a. Lead coordinated work with experts and stakeholders on welfare reform (government, work-based learning providers, not-for-profit sector and financial services, as well as young adults) to explore how best to target financial capability support at young adults impacted by welfare reform, in particular at those from more marginalised backgrounds.
- b. Lead coordinated work with the financial services industry to examine how to target effective financial capability support at young adults impacted by welfare reform, in particular through new basic bank accounts, or where they face financial difficulty.

3 Identify effective approaches to support young adults impacted by changes to student finance both during their studies and after they graduate

- a. Lead coordinated work with experts and stakeholders on student-finance, (government, student bodies, further and higher education institutions and not-for-profit sector, as well as young adults) to examine how best to target effective financial capability support to further and higher education students and graduates impacted by changes to student finance.
- b. Lead coordinated work with the financial services industry to explore how to target effective financial capability support at students showing signs of financial difficulty during their studies and after graduation.

4 Trial financial capability interventions with leading employers of young adults

- a. Lead coordinated work – involving further and higher education institutions, work-based learning providers, and employers – to examine how best to target effective financial capability support to young adults in the workplace, including piloting of interventions aimed at young adults by:
 - ▶ apprenticeship providers;
 - ▶ graduate employers;
 - ▶ employers with large numbers of young adult employees.

Working-Age People priorities

1 Building a stronger savings culture in the UK

- a. Develop a cross sector plan to encourage people to build a savings buffer and develop a stronger savings culture by:
 - ▶ more effectively targeting relevant messages and guidance to encourage a regular savings habit, developing and piloting clear and simple guidance messages;
 - ▶ securing agreement from trade bodies and industry groups to adopt and communicate common rules of thumb for lower income savers;
 - ▶ analysing and monitoring policy and impacts of market changes on savings and financial capability.
- b. Co-ordinate across the financial services industry to build a shared agenda on products and mechanisms that will enable consumers to more easily develop a savings habit.
- c. Understand and share learning from innovations in fintech that could make saving more accessible and compelling for consumers.
- d. Build on work with the *Financial Inclusion Commission* to conduct a feasibility study into which savings schemes and mechanisms work best for households on low incomes.
- e. The *Standard Financial Statement governance groups* will monitor the use and impact of the savings element in the Standard Financial Statement for debt advice clients and share this learning across the sector.
- f. Conduct analysis to improve understanding of the impacts and trade-offs for consumers between short-term and long-term saving.
- g. The *Money Advice Service* is developing a programme aimed at supporting key consumer groups who do not currently save, helping them to better manage their money, as a route into developing a savings habit in the longer term.

2 Planning ahead and managing life events

- a. Improve the capability of people claiming Universal Credit (UC) to budget and plan ahead. This will include:
 - ▶ co-ordination with the *Department for Work and Pensions (DWP)* to embed financial capability into the claimant journey;
 - ▶ sharing learning and insights about the need for budgeting support, and working with relevant partners to design services and evaluate their effectiveness; and
 - ▶ co-ordination with the financial services industry to understand and monitor take up of transactional accounts by UC claimants.
- b. Support working age people to make active decisions about whether, and what type of, protection insurance is right for them. This will include exploring:
 - ▶ the potential for common benchmarks for protection insurance products to enable easier comparison; and
 - ▶ whether additional guidance on protection insurance product features could help people choose protection insurance that meets their needs and expectations.
- c. Work with the sector and employer groups to identify the most effective role for money management in the workplace. This will include:
 - ▶ developing the business case for workplace money management;
 - ▶ sharing insights and learning on different and distinct needs for support with money guidance and planning ahead across the workforce;
 - ▶ drawing on evidence and experience of the sector;
 - ▶ building on the roll-out of auto-enrolment, exploring the potential for workplace payroll savings schemes.
- d. *National Numeracy* are collaborating with the *Money Advice Service* to make it easier for people to assess their numeracy and find tools to improve it.

3 Improving the accessibility of financial products, services and advice

- a. Support existing cross-industry initiatives on access to mainstream banking including:
 - ▶ work on identity requirements for opening current and savings accounts;
 - ▶ monitoring the take-up of basic bank accounts and 'jam-jar' facilities and the introduction of 'simple products'; and
 - ▶ understanding the impact of industry approaches to improve access to banking services.
- b. Embed financial capability in the development and delivery of the *Digital Passport* project to help consumers open and switch providers of savings accounts more easily and flexibly, in collaboration with *TSIP*.
- c. Work with organisations, in particular credit unions, to co-ordinate existing projects monitoring access to affordable credit and to investigate and pilot different approaches to meeting identified gaps in demand.
- d. As innovative products and payment systems are rolled out, partners involved in the Strategy will monitor their take-up and, where possible, develop shared understanding of their impacts on consumer behaviour.
- e. Building on the *Financial Conduct Authority (FCA) Smarter Communications* paper, work with partners to co-ordinate industry initiatives to test and learn from different approaches to product communications that help consumers engage with the features, costs and risks of different financial products.

Retirement Planning priorities

1 Developing the evidence base to understand people's financial capability for retirement planning

- a. Create a retirement planning financial capability survey to provide a better understanding of key barriers and enablers to retirement planning.

2 Priority 2: Improving access to pension information

- a. Co-ordinate digital initiatives focused on improving the ease and accessibility of pension information for consumers. This activity will provide a platform to create synergies across digital projects and use resources most effectively across the sector. At the time of publishing, projects that could be included are the *Pensions Dashboard*, *Open Identity Exchange (OIX) Pension Finder Tool* and the *Digital Passport*.
- b. Build an enhanced retirement income planning tool that allows people to develop different retirement income scenarios.

3 Leading the co-ordination of collaborative efforts to improve the consumer retirement journey

- a. Removing barriers such as unaligned hand-offs between organisations. Agree common tools and protocols to help to improve the consistency of the customer experience as individuals move between different organisations on their customer journey.
- b. Champion the use of consistent consumer language and messaging for people's pension savings and retirement income choices:
 - ▶ the *Association of British Insurers* is leading a cross-sector group to create a common protocol for pensions language.
 - ▶ Incorporate the recommendations of the remedies from the *FCA Retirement Market income study* to improve the way information is framed to consumers in making their decisions about retirement income.

4 Improving access to, and consumer understanding of, guidance and regulated financial advice

- a. Help consumers to understand the value of both guidance and regulated financial advice, and the appropriate times to access each service.
- b. Take forward the recommendations from the *FCA/HMT Financial Advice Market Review*, *HMT's guidance review* and the *Work and Pensions Committee* to translate these for consumers.

5 Testing and piloting programmes aiming to nudge people to increase their pension contributions during their working lives

- a. Create interventions to pilot with some employers and their employees to help people see the need to and increase their retirement savings.
- b. Develop easily understood 'rules of thumb' on retirement saving that are capable of being taken up population-wide.
- c. Develop tools to enable people to co-ordinate their retirement saving with other aspects of financial management such as budgeting, debt management and debt repayment.²⁵

Older People in Retirement priorities

1 Develop the evidence base by co-ordinating research to fill gaps in our understanding

- a. Develop an older people specific outcomes framework, and pilot it to evaluate a financial capability project aimed at older people.
- b. Explore how the Strategy can work with the Centre for Ageing Better (a Cabinet Office 'What Works Centre' focused on older people) as the newly formed Centre's priorities emerge, and with universities and other organisations.

2 Use trusted messengers to reach older people with consistent messages that improve their financial capability

- a. Test what approaches are effective at encouraging financially capable behaviour amongst older people and share learning with the sector. The Older People Steering Group will prioritise areas of focus. They may include messages that encourage older people to:
 - ▶ think about the future and impacts of possible life events on their finances e.g. increasing care needs;
 - ▶ seek advice if they are in financial difficulties;
 - ▶ shop around;
 - ▶ engage with lenders if they are struggling to repay maturing interest-only mortgages; and
 - ▶ engage with support available when they have been identified as possible victims of scams.
- b. *The Age Action Alliance* will co-ordinate activity that uses trusted messengers to encourage older people in retirement to access the benefits they are entitled to.
- c. Co-ordinate activity to raise awareness of the need to plan ahead for care costs.
- d. Co-ordinate activity to raise awareness amongst older people about scams.
- e. Raise awareness of the risks in managing pension savings and other investments throughout retirement e.g. how to avoid excessive charges and fees and the risk of drawdown in a declining market.
- f. Use evidence to build relationships with relevant trusted messengers, including household brands, charities and consumer groups, local authority staff and health services. Trusted messengers will be encouraged to disseminate key messages and signpost to further information and relevant advice services.

²⁵ See Age UK's Dashboards and Jam Jars report (2014)

3 Improve access to money management tools and guidance that reflect the reality of life in retirement

- a. Monitor the availability of money management tools and guidance for older people:
 - ▶ use developing insights to encourage the development of tools and guidance that reflect the reality of life in retirement;
 - ▶ highlight gaps in provision and consult with the sector on how to fill them; and
 - ▶ identify what is required to scale up from successful pilots to population-wide interventions.
- b. Pilot and evaluate the impact of approaches to empowering older people to use the internet safely for financial activities:
 - ▶ prioritise reaching older people who are already online but lack the confidence to use the internet for financial activities;
 - ▶ provide internet security training, including scams awareness, as part of the digital inclusion activity;
 - ▶ scale up approaches that are proven to be effective.
- c. Once the evidence base is developed, create a toolkit for use by organisations interested in offering money guidance to older people. The toolkit could:
 - ▶ encourage activities to cover key risks to older people's financial capability, e.g. focusing on mindset not just skills and knowledge; and
 - ▶ signpost people to the evidence base being developed through the Strategy and highlight key messages / approaches that have been proven to work.
- d. Develop tools and guidance that assist people both to plan ahead for life events that affect people in retirement, and to deal with them at point of need, for example onset of ill health or needing to pay for care.

4 Improve the accessibility of products and services for older people in retirement

- a. Engage with existing initiatives looking at access to financial products and services and encourage the implementation of evidence-based recommendations. Existing initiatives to be considered include:
 - ▶ *The British Bankers Association (BBA) Vulnerability Taskforce*;
 - ▶ *Council of Mortgage Lenders (CML) and Building Societies Association (BSA) projects looking at Lending in Retirement*;
 - ▶ *FCA market study on big data and accessibility in the insurance market*;
 - ▶ *FCA study on access to financial services*;
 - ▶ *BBA, Department for Business Innovation & Skills (BIS) and HM Treasury (HMT) planned independent review of the Access to Banking Protocol*.
- b. Work with the sector to develop innovative solutions to encourage older people to seek out better deals.

People in Financial Difficulties priorities

1 Early intervention

- a. The *Debt Advice Steering Group (DASG)* will set up an Early Intervention action group to co-ordinate best practice.
- b. The *Money Advice Service* will facilitate 'pre-arrears' pilots with several creditor bodies including *Fife Council and Community Housing Cymru*. These pilots will test and evaluate various methods of proactive and reactive communication with people showing signs of being in financial difficulty. The pilots will be followed by replicability testing and wide dissemination of the findings through the action group.
- c. Work collaboratively with creditor organisations to standardise the process and protocols for 'warm transfers' so that they are used more consistently by creditors.
- d. The *Money Advice Service* and *OFGEM* will run an engagement pilot to test effectiveness of gender specific messages.
- e. The *Money Advice Service* will test insight-based engagement strategies using social media.
- f. The *Steering Group* will co-ordinate action across the sector to develop an over-indebtedness taxonomy to help people and organisations spot the early signs of financial difficulties.

2 Crisis support – Debt Advice

- a. *Citizens Advice, StepChange Debt Charity* and the *Money Advice Trust* are working together to improve the initial point of entry into debt advice and to have more effective referrals between them.
- b. Expand the scope of projects funded by the *Scottish Government* and the *Money Advice Service* that reach people who are particularly marginalised from debt advice. The learning from this work will be shared across the UK by the *DASG*.
- c. The *DASG* will engage with the financial abuse work led by the *Addressing Financial Difficulties Group*.
- d. The Strategy will continue to build the capacity of the sector to deliver high-quality advice across all channels to meet client demands.
- e. The Strategy will co-ordinate longitudinal research to understand the effectiveness of debt advice across all channels over the medium to long term.
- f. The *Money Advice Service* will commission research into the effectiveness of the existing debt solutions. This will help identify if there are any types of over-indebted people for whom the current suite of debt solutions does not work. Findings will be shared and if necessary, recommendations made for any new solutions if required.
- g. Work with *StepChange Debt Charity* to learn from their research into the social return from investment in debt advice to develop an enhanced evidence base – including a full economic appraisal – to support building capacity in the sector through contributions from a more diverse group of funders.

3 Building Long-Term Resilience

- a. Undertake deeper analysis of the data supplied by *Money Advice Service*-funded organisations on their repeat client rate.
- b. Maximise the use of learnings from behavioural science within the debt advice process and tools, including integration of the savings element of the Standard Financial Statement into debt advice practice across the sector.
- c. Work with debt management plan providers, including *PayPlan* and *StepChange*, to maximise the value of the customer annual review process and ad hoc customer contact in strengthening financial capability.
- d. Work with *Grant Thornton* to integrate financial capability support into the Individual Voluntary Arrangement (IVA) journey.
- e. Consider the role the County Court system might play in embedding financial education into the process that a debtor is expected to follow post hearing/court action.
- f. Measure the benefits and effectiveness of statutory financial capability support as part of the insolvency process in Scotland, and use the insights gained from this to work with other organisation on its wider implementation across the UK.
- g. Collaborate with financial services organisations on an approach to rehabilitating those coming out of debt with regard to repairing credit history, opening bank accounts etc.

Appendix 1 – The Financial Capability Board

Andy Briscoe, Chair, the Money Advice Service (Chair of the Board)

Jasper Berens, Head of UK Funds, J.P. Morgan

Sir Sherard Cowper-Coles, Senior Advisor, HSBC and Chair of the Financial Inclusion Commission

Benny Higgins, Chief Executive Officer, Tesco Bank

Professor Elaine Kempson CBE, Emeritus Professor, University of Bristol

Lily Lapenna, Founder and Co-Chief Executive Officer, MyBnk

Phil Loney, Group Chief Executive Officer, Royal London

Eleanor Marks, Deputy Director Communities Division, Welsh Government

Louise Macdonald OBE, Chief Executive Officer, Young Scot

Gwyneth Nurse, Director of Financial Services, HM Treasury

Steve Pateman, Executive Director, Head of UK Banking, Santander

Caroline Rookes CBE, Chief Executive Officer, the Money Advice Service

Roger Sanders OBE, Managing Director, Lighthouse Group

Sir Hector Sants, Chair, Archbishop of Canterbury's Taskgroup and StepChange Debt Charity

Otto Thoresen, Chair, National Employment Savings Trust

Sian Williams, Head of National Services, Toynbee Hall

Christopher Woolard, Director of Strategy and Competition, Financial Conduct Authority

Tom Wright CBE, Group Chief Executive Officer, Age UK

Appendix 2 – The Financial Capability Survey

The Financial Capability survey is a nationally representative survey of adults aged 18+ living in the UK. It is central to the evidence base that informs the development and delivery of the Strategy. Emerging findings will be published on the Financial Capability website, and the full survey data deposited in the UK Data Service Data Archive.

The survey is funded and managed by the Money Advice Service.

Over the ten year course of the Strategy the survey will provide topline measures of the extent to which financial capability and / or behaviour are improving. It is proposed to run the Financial Capability Survey periodically, recognising that year to year changes at national level may be limited.

The 2015 survey

The 2015 survey was conducted mainly (74%) online with some face-to-face interviews (26%) to represent lighter users and non-users of the internet.

Interviews were conducted with a sample of 3,461 adults. Additional interviews were conducted in each of the Devolved Nations (Scotland, Wales and Northern Ireland) in order to ensure a robust base for analysis. In total, 5,603 respondents took part in this research between April and July 2015.

The 2015 survey updates the evidence base provided by the Money Advice Service's 2013 and 2014 Financial Capability Trackers and the baseline survey conducted for the Financial Services Authority (now the Financial Conduct Authority) in 2005-6²⁶.

It was necessary to update the questionnaire to meet the evolving insight needs of the Financial Capability Strategy. This included redesigning the sampling structure of the survey to enable comparisons between subgroups within life stages, and adding additional booster interviews in Wales, Scotland, and Northern Ireland and with young adults aged 18-24.

The questionnaire for the survey was developed from previous waves of Financial Capability research, sector expert review by the Research and Evaluation Group, comparison with international surveys such as that run by OECD²⁷ and ASIC²⁸, specific qualitative research conducted for this survey²⁹, cognitive testing of the questions and quantitative piloting of some questions.

²⁶ Report at <http://www.fsa.gov.uk/pubs/consumer-research/cpr47.pdf> and full dataset at <http://discover.ukdataservice.ac.uk/catalogue/?sn=5697>

²⁷ The Organisation for Economic Co-operation and Development - survey details at <http://www.oecd.org/daf/fin/financial-education/measuringfinancialliteracy.htm>

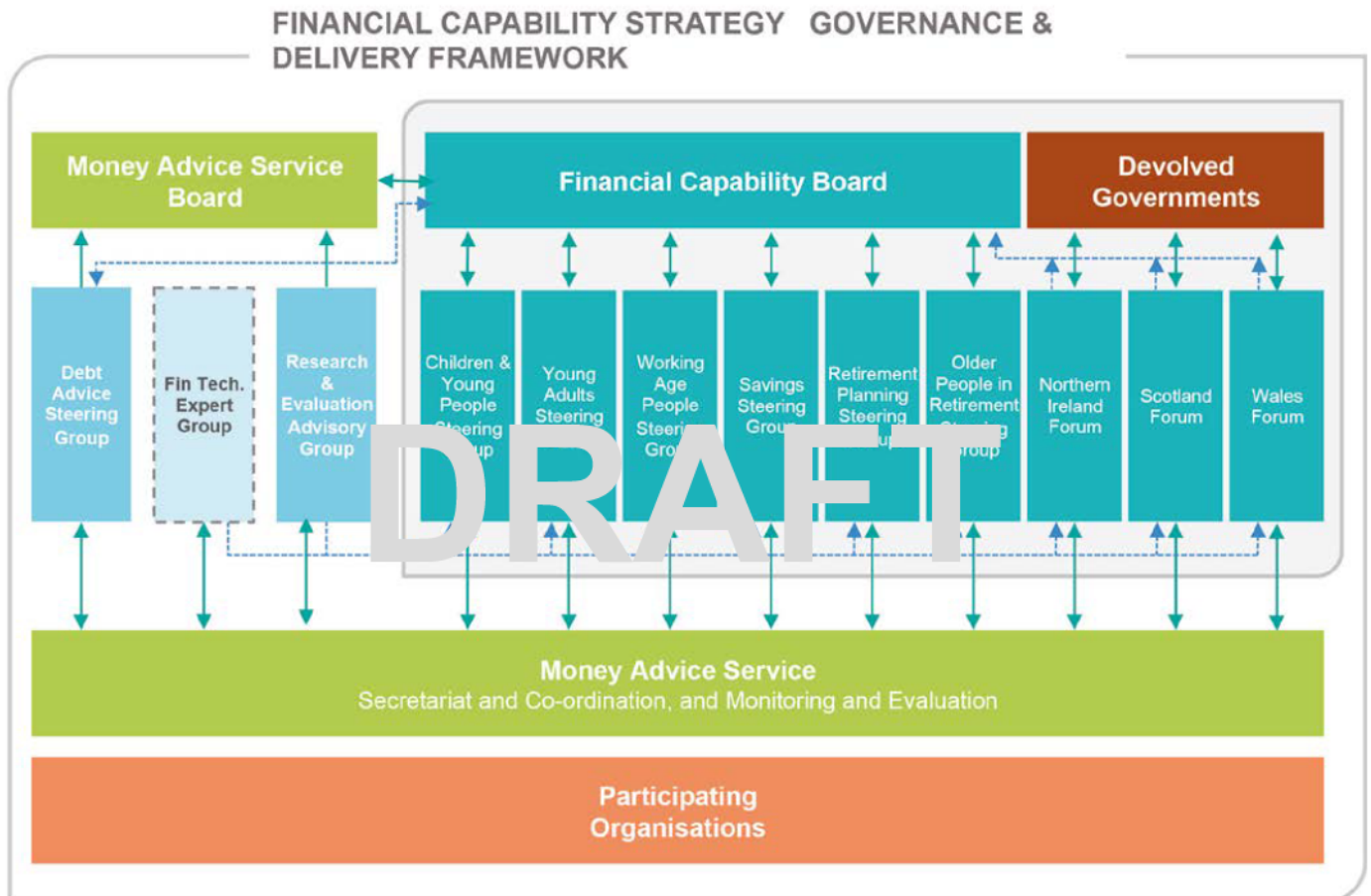
²⁸ Australian Securities & Investments Commission- Financial Attitudes and Behaviour Tracker survey detail at <http://asic.gov.au/regulatory-resources/find-a-document/reports/rep-419-australian-financial-attitudes-and-behaviour-tracker/catalogue/?sn=5697>

²⁹ Financial Capability and Well being Qualitative Research conducted by TNS BMRB for Money Advice Service, 2015 <http://comfy.moneyadviceservice.org.uk/system/comfy/cms/files/files/000/000/213/original/financial-capability-and-wellbeing.pdf>

Appendix 3 – The Delivery Framework

This diagram shows the different elements of the Strategy Governance and Delivery Framework and their relationship to each other.

For more details on this framework, and the groups within, [click here](#).



* The establishment of a fin tech expert group is still under consideration.

