Financial Capability of Children, Young People and their Parents in Wales 2016

Initial results from the 2016 UK Children and Young People's Financial Capability Survey

moneyadviceservice.org.uk

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Contents

Acknowledgements

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Finally, we would like to thank the 4,958 children and their parents, and in particular the 593 children and their parents in Wales, that took the time to take part in this research.

Foreword

There is increasing recognition that what children see and experience at home, and in a wider social context, is crucial to their future financial capability. In particular, children are likely to be influenced from an early age by how their parents or carers manage their own finances, and also by how they are introduced to the concept of money.

The research presented here is truly groundbreaking; it is the first nationally representative survey to focus not just on children or their parents, but on both together. This will enable us to explore in much greater depth their complex interplay, and how different factors influence this. This evidence is essential, to help build up a clear picture of needs – not only for children and young people themselves, but also for parents, teachers and others – and in identifying the most effective ways of meeting those needs. We are confident that the seven 'What Works Fund' projects we set up in Wales last year and the other projects from across the UK, will make an important contribution to this and we are looking forward to seeing results from the first wave of projects later this year.

In Wales this report is directly relevant to the work for the Future Generations and Wellbeing (Wales) Act 2015 and the research into Adverse Childhood Experiences (ACEs). We will use the findings to support our existing work to improve the wellbeing of children, and their older selves, with the Welsh Government, Public Health Wales and the Welsh Local Government Association.

Children who gain experience of budgeting, spending and saving from an early age – in a safe environment – are more likely to be able to manage their money effectively as they begin to take on more responsibility for their own finances. This 'learning by doing' supports and reinforces the financial education that is now available for all school children in Wales from the Foundation Phase framework and as part of the Literacy and Numeracy Framework for 5 to 14 year olds in Wales, and the Maths-Numeracy GCSE. The Welsh Government's Financial Inclusion Strategy and the Financial Capability Strategy for Wales will also be able to use this research to inform their role in developing young people's skills and knowledge of money matters.

By no means all of the findings here are intuitive, which makes the report all the more interesting reading. It also points the way to a number of areas for further investigation. For example, we will examine what the data can tell us about the impact of growing up in a low-income household, and which groups may be particularly vulnerable to low levels of financial capability.

The research also suggests there is a need to support parents, many of whom are unsure of how, when, or why they should involve their children in money management. But what form should support to parents take, and how can it be effectively targeted? In partnership with the Big Lottery Fund in Wales, we have recently extensively piloted a family financial education intervention - 'Talk, Learn, Do' – to explore these issues with parents in Wales. This intervention is now included in the *Flying Start – Annex Parenting Support Guidance May 2017*. We will look closely at the results of that project and share the findings widely when the evaluation is completed in 2018.

The UK government is currently preparing to establish a new public financial guidance body by Autumn 2018. The new organisation's remit will include an objective to maximise the impact of financial education for children and young people. Our aim is to build on the recommendations of the recent Estyn thematic report, *Managing money: Financial education in primary and secondary schools in Wales* and continue to work with Welsh Government and other members of the Financial Capability for Wales Steering Group as well as Wales organisations in the children's, youth, parenting and education sectors so that we can hand over to the new organisation a substantial body of evidence to guide its future efforts in this vital area.

D. Haigh

David Haigh
Financial Capability Director,
Money Advice Service

Lee Phillips
Wales Manager,
Money Advice Service

Executive summary

Background and context

The Money Advice Service leads the co-ordination of delivery of the Financial Capability Strategy for Wales linked to the UK Strategy and embedded into the Welsh Government's Financial Inclusion Strategy. The Financial Capability Strategy for Wales aims to improve 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. To support this, we want to ensure all children and young people in Wales get the financial education they need to help them become financially capable adults.

As part of our work to achieve this, we have commissioned a new research study: the 2016 UK Children and Young People's Financial Capability Survey. This survey is the first of its kind: a nationally representative survey of the financial knowledge, attitudes and behaviours of 4- to 17-year-olds and their parents, living in the UK. The survey incorporates representative samples of children, young people and parents across each of the four constituent nations of the UK in addition to the UK sample as a whole. This report covers key findings from Wales, highlighting areas of similarity and difference in the attitudes of children and parents in Wales against wider UK counterparts. Within Wales, a total of 593 children and young people aged 4–17, and their parents were interviewed as part of this research, out of a total sample of 4,958 for the UK as a whole.

This report presents an initial analysis of the findings of this new survey and covers:

- how children get money
- how children spend and save money
- children's attitudes to spending, saving and debt
- children's confidence about managing their money
- children's understanding of the value of money and the need to make trade-offs
- children's knowledge and education about financial products, concepts, and terminology
- parents' beliefs and attitudes towards their own financial capability and the skills, abilities and attitudes of their children.

Survey Findings

Our research has found that, overall, children in Wales have a reasonable grounding in knowledge and understanding about money. They recognise some financial products and concepts and know money has a value. They are cautious about debt, and have a theoretical understanding of the importance of savings and the concept of value for money.

However, there are some aspects of financial capability that are less well understood, and some children who are doing less well than others. There is a clear need to ensure the education and support provided to children, and to those who help them learn about money at home and in school, build on strengths and tackle areas for development.

In addition, from both the UK and Wales specific findings, a number of clear themes have emerged, about factors that seem to make an important difference to children and young people's financial capability. These are set out in the pages that follow.

Financial education in the home

Children's financial capability is impacted by the choices parents make about how they teach them about money, and the freedoms and responsibilities they allow them to have. Compared to other devolved areas, the overall picture in Wales most closely reflects the UK-wide situation, with a similar range of results across multiple topics.

Empowering children

Parents allowing their children to make decisions and to learn from mistakes, in age- appropriate ways, is linked to their financial capability development. In the UK it was found that children deciding together with a parent was linked to positive financial capability. The strongest message that emerges is that children did worse on a large number of financial measures where parents decide for them how to spend their money.

In addition, children are spending money online and need to be aware and prepared for the risks that accompany this, particularly considering the prevalence of online advertising. More than four in ten (42%) of 7- to 17-year-olds in Wales have paid for things online, whether with their own or their parents' money and this increases with age.

Regular money and regular saving

We have also seen from our results that children who get money regularly have better financial engagement. They are more likely to have a bank account, to decide for themselves how they spend their money and whether they save any of it, and to shop around for better value. This provides a case for encouraging parents to provide their children regular pocket money, regardless of the amount given. Allowing children and young people to experience receiving regular money seems to have positive impacts on their ability to manage it.

Across the UK, children who save money 'every time' have more positive attitudes such as feeling confident and in control of their finances. Some negative behaviours are also linked: there is a relationship between not keeping track of money, and not saving.

More broadly, too few children are saving regularly; more can be done to develop savings habits early on in life. The vast majority of children in Wales (93%) have had some experience of saving, but the importance of regularity needs to stressed. Children seem to understand conceptually that saving money is good, but the translation of this into behaviour remains an important area to address.

Similarly, education that encourages children to make plans and stick to them, and to keep track of their money, seem to remain areas for development for many children.

Starting early

Children in Wales begin to demonstrate understanding of concepts such as money having a value very early on, and financial knowledge, skills and abilities typically grow with age, with a significant step-up in understanding at age 6, and ages 16–17. This is potentially connected to both cognitive developments and the impact of children's changing environments.

Many parents in Wales, however, are cautious about talking to their children about money and giving them responsibility for money at an early age. They believe that teaching children about money should start somewhat later in childhood than this report suggests; parents who believe in giving children under 8 a range of financial experiences are in the minority.

There are therefore opportunities to reiterate that children can begin to learn about money from before age 7, and that parents can play a key role in influencing children's developing skills, knowledge and understanding. Our work across Wales with the organisation 'Children in Wales' and Flying Start and Families First delivering the pilot, Talk, Learn, Do aims to help parents build confidence in helping their children as young as three. In addition in schools in Wales, there is a recognition that this is the case with the Literacy and Numeracy Foundation Phase Framework[1] (2015) including 'managing money' starting with nursery age children with the outcome for children to demonstrate an awareness of the purpose of money through role play.

1. *Curriculum for Wales: Foundation Phase Framework* (Welsh Government, 2015)

There are therefore, opportunities to build on: for example, most children have seen their parents using money and have had experience of paying for things in shops. These situations could be used to help design practical and easy-to-implement exercises for interventions with parents – which will be familiar and comfortable to those who have already tried, and may help demonstrate a social norm to those parents who are less engaged in teaching younger children about money.

Parents as role models

Our survey suggests that the vast majority of parents in Wales believe it is important to teach their children about money, and that their behaviour will affect their children when they grow up. They recognise they have an important role to play, and our survey reiterates findings from other research that children see their parents as the main, and most useful, source of advice about money.

Many see themselves as good role models. However, far fewer are confident talking to their children about money. Many parents score highly on indicators of poor financial capability, or have challenges with their own financial circumstances.

This suggests there may be opportunities to look at specific interventions that provide support to parents to build both their own financial capability and seek to help them teach their children about money. Role-modelling behaviours, and learning together, could be a part of these interventions.

The 2017 Estyn[2] report tells us that some schools in Wales are already working in useful partnerships to develop the financial understanding and skills of parents as well as pupils. There are also opportunities to link more to existing parenting support resources such as 'Education Begins at Home'[3] and the 'Parenting – Give it time'[4] website.

Financial education in schools

Starting early in schools too

Our findings have reiterated the importance of education at an early age. The vast majority of children have money from at least age 4, with many having some saved up. Many children of primary-school age have also begun to experience more complex ways of using money, such as buying online. This suggests that primary-school children would be receptive to a wide range of lessons about money. In Wales 'Managing Money' is a part of the Literacy and Numeracy Foundation Phase Framework which starts for children of nursey age and covers up to year 2.

While financial education (not just as part of the Numeracy and Literacy Framework) is on both the primary and secondary school curriculum in Wales, only 35% of children aged 7–17 say they have learned about managing money at school or college, which is below the UK average. It may be that children do not recall having had the lessons, or that they do not associate them with money management specifically.

It is worth noting that this analysis is based on what children recall and there may be those who did receive financial education at school but didn't remember it, or recognise it as such. In addition the new Maths – Numeracy GCSE that includes financial education outcomes was only introduced in Wales for the 2015/16 academic year and may not therefore be reflected in these results.

2. *Managing money: Financial education in primary and secondary schools in Wales* (Estyn, 2017)
3. http://gov.wales/topics/educationandskills/schoolshome/parents/education-begins-at-home/
4. http://giveittime.gov.wales/

Real-life education

The same percentage of 16- to 17-year-olds as 7- to 11-year-olds report having received financial education. This is important because while our survey results have showed an increase in financial independence and knowledge at age 16–17, they also demonstrate some worrying findings about preparedness for adulthood.

For example, by age 16, three in ten young people are getting money from work outside the home. Yet nearly three in ten 16- to 17-year-olds (28%) don't have a current account, and one in eight (12%) have no bank account at all (neither savings nor current account). Of those that do have an account, 28% have never deposited money, and 43% don't look after their own banking details.

Similarly, only 42% of 16- to 17-year-olds are able to correctly read a payslip and 11% are unable to correctly identify how much was in a bank account when looking at a bank statement.

There is an opportunity for financial education in schools to do more to prepare children for the practical challenges they will face in managing their money. The new Wales Math-Numeracy GCSE may support young people towards that outcome.

Vulnerability

Our survey findings have highlighted some initial indicators of particular groups who may have unique financial capability needs or may be vulnerable to poorer financial capability overall. While there is further work to be done to identify other groups who may also be vulnerable, it is clear from the initial analysis that children in low-income households, children with low financial confidence, and children with little experience of managing money, may be particularly vulnerable.

Low-income households

Income is a factor in adult financial capability, and throughout this research, living in low-income households has also been associated with poorer financial capability outcomes for children. For example, children in low-income households are more likely to feel they are unable to make a difference to their money situation (25%) than those in high-income households (15%).

Children in higher-income households are likely to be given more money and they are also more likely to have jobs outside the home, as they get older. Children in low-income households may therefore be in greater need of support to ensure that they develop financial capability to the same level as children from homes with higher incomes.

However, it is vital to note that many families and children from low-income households in Wales will have many financial strengths to build on. In particular, confidence in managing money is not affected by income.

Interventions should be designed to work with, and leverage where possible, the individual situations that families living with low incomes may face. Support should be provided in ways that recognise the reality of how parents in low-income homes interact with money around their children.

Low financial confidence

A relationship between children's confidence in managing money and positive financial knowledge, attitudes and behaviours, is another theme to emerge from the UK research. While the sample size in Wales is not large enough to look at this in detail, these learnings can likely be applied across nations.

UK-wide, children's confidence managing money is associated with other positive outcomes including: frequency and amount of savings; keeping track of finances; involvement in choices about money; caution about borrowing; feeling in control of finances; having more life goals; shopping around; and getting questions about financial products and concepts right. Further research is needed to understand the detail of this relationship as we cannot at this stage be sure of the direction of these relationships.

Remaining questions and further research

There are a number of questions the analysis of this survey has yet to address, and findings that warrant further investigation. Some of this can be addressed through further analysis and 'deep dives' into our survey data. Some will need to be investigated through new research and analysis.

Areas for further research UK-wide include:

- **The relationship between parent behaviour and attitudes and child financial capability.** Does it make a difference if parents talk about money with their children? Do parents who demonstrate indicators of good financial capability tend to have children who do too? What demographic factors make a difference?
- **The impact of family finances and composition.** Do children living in homes experiencing financial difficulties tend to have poorer financial capability? How does financial capability differ among children from homes with different family structures?
- **Key vulnerable groups.** What sorts of characteristics do children with lower levels of financial capability demonstrate – for example, do children with lower levels of social and emotional skills have poorer financial capability? Do children with particular characteristics, such as having a disability, or being a young carer, have different levels of financial capability from children overall?
- **The direction of the relationship between financial capability and confidence.** Does financial capability lead to financial confidence or does it work the other way around? It may also be interesting to explore further the lack of relationship we have shown between low income and confidence.

Introduction

Background

The Money Advice Service leads the co-ordination of delivery of the Financial Capability Strategy for Wales which is linked to the UK Strategy and embedded into the Welsh Government's Financial Inclusion Strategy. The Financial Capability Strategy for Wales aims to improve 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. To support this, we want to ensure all children and young people in Wales get the financial education they need to help them become financially capable adults.

Improved financial capability could build protective factors and resilience for children in Wales, which will help to address low levels of financial capability and wellbeing amongst adults.[5] But it will do more than that. Adult financial capability is in large part a consequence of what is seen, learned and experienced in childhood and adolescence. The strategy will support the current generation of children and young people, to help them become the financially-capable adults of tomorrow.

This is supported by research funded by the Joseph Rowntree Foundation[6] which found that children growing up in lower-income households do less well on a range of wider outcomes, including cognitive development, physical health, and social and behavioural development. This suggests the potential of financial capability to support and identify outcomes for two key drivers of Wales policy, namely Adverse Childhood Experiences (ACEs) and Well-being of Future Generations (Wales) Act 2015.

As part of our work, we commissioned the 2016 UK Children and Young People's Financial Capability Survey, which includes a separate representative sample for Wales. Interviewing children has many challenges. It is necessary to obtain and record parental consent; ensure that the children will understand and be able to answer your questions; and adapt your questions so they are appropriate for the level of development of the various age groups you wish to target. For topics such as financial capability and money management, there are additional challenges. Not only are children unlikely to know relevant information such as household income, but also it is likely that children's behaviours and attitudes towards money are influenced by those of their parents. To get a full picture, you therefore need to survey parents and children together.

The 2016 UK Children and Young People's Financial Capability Survey meets these challenges head on and, as such, is the first of its kind: a nationally representative survey of the financial knowledge, attitudes and behaviours of children and young people aged 4–17, and their parents, living in the UK. We published a report on the full UK-wide findings in March 2017.[7] This report focuses specifically on the findings from interviews conducted with children and parents in Wales.

The aims of the survey were to:

- provide a baseline measure of financial capability amongst children and young people and their parents and carers
- provide a national picture of financial capability amongst children and young people
- understand what drives good and poor financial capability among children, including the role of financial education within families.

The aim of this report is to give an overview of the initial findings of the survey, and some of the main themes that have emerged within Wales, and more generally across the UK. We anticipate that there will be further reports which will explore aspects of the data in greater detail.

5. *The Financial Capability Strategy for the UK* (Money Advice Service, 2015) – see fincap.org.uk for details.
6. *Does Money Affect Children's Outcomes: An Update* (CASE, LSE, JRF, 2017)
7. *The Financial Capability of Children, Young People and their Parents* (Money Advice Service, 2017)

The report covers:

Chapter 1 – How children access and use money

- Where children get their money from and how they save and manage it
- What financial products children use, and who chooses them
- Who decides what children do with their money, whether they spend or save, and what experiences they have in paying for things

Chapter 2 – What children think about money

- What they think about spending, saving and borrowing
- How they think about making choices and trade-offs
- Whether children feel confident and in control of their money
- Children's financial and life goals and aspirations

Chapter 3 – What children know about money

- How well children understand financial products, concepts and terminology, and how well they can apply numeracy skills to financial situations
- How well children understand that money has a value and that you have to make choices
- To what extent children can plan and budget with their money and get good value for money
- How well children understand the role that money plays in society, and what adults have to pay for

Chapter 4 – How children learn about money

- Where children get advice and guidance about money, and the role their parents play[8]
- How parents' attitudes and behaviours affect their children
- The role of schools and colleges

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

8. The term 'advice' here is used to denote advice in the general sense, not regulated financial advice.

Methodology

The 2016 Children and Young People's Financial Capability Survey is a nationally representative survey of a total of 4,958 children and young people aged 4–17, and their parents, living in the UK.

The study was conducted for the Money Advice Service by BMG research, and used both online (69%) and CAPI (computer aided personal interviewing) (31%) to survey 4,141 children aged 7–17, (each interviewed with one of their parents). We also conducted 817 online-only interviews with children aged 4–6, (again interviewed with one of their parents). These figures include boost interviewing which was conducted in each of the devolved nations (1,124 boost interviews in total) in order to ensure a robust base for analysis. The same is true of 15- to 17-year-olds, where again boost interviewing was undertaken (1,026 boost interviews in total). For Wales in particular, 117 interviews were conducted with 4-6 year olds, and 476 with 7-17 year olds.

Two questionnaires were developed, one for 7- to 17-year-olds and their parents, and one for 4- to 6-year-olds and their parents. Both surveys used a common core set of questions amongst parents to give an indication of overall parental and household financial capability, as well as parental attitudes towards financial management. However, questions asked of children and young people diverged significantly across age-groups. Some questions were asked of both children and their parents, in both surveys. Not all questions were asked of all children surveyed due to varying levels of cognitive development and expectations of what they are likely to have experienced. Throughout the report, notes at the bottom of charts show a question number with the notation 'CYP' if children answered or 'P' if parents answered.

In order to ensure that the findings accurately reflect the population of children and young people, the data were weighted to represent the population breakdown of children aged 4, 5–6, 7–11, 12–15 and 16–17 within each nation (England, Scotland, Wales, and Northern Ireland). The variables used for weighting were age, gender, region, ethnicity, income deprivation of the household's local area, and whether the household was in an urban or rural setting.

Analysis variables

Throughout the report, the findings have been analysed by a number of variables of interest, such as age or household income. Where a statistic is analysed by one of these variables and the figure given is said to be the most or least, this refers to a significant difference. In statistical terms, a significant difference between two research results is a difference that is large enough that it is highly likely it didn't arise by chance. This report focuses on findings specifically related to Wales, though where relevant comparisons are made with the all-UK findings.

The Wales sample falls within the sample for the larger UK-wide study. A sample boost took place in Wales to allow us to be able to look at Wales as a whole and to help us understand how the overall context between nations differs. However, this doesn't allow us to look at smaller analysis breaks within Wales and the survey was not designed to do so.

In instances in the report where sample sizes are too small in Wales to analyse separately (base size less than 60), where a finding has been reported it is done so at UK level and this is referred to in the text. Groups with a base size of less than 60 within Wales have not been referenced, and between 60 and 100, the base size has been referred to in the text, or below any corresponding graph where appropriate.

All figures in this report are Wales specific unless explicitly referencing the UK as a whole[9].

9. Throughout the analysis, 'don't know' and 'refused' answers have been excluded. A minority of questions elicit an unusually high proportion of 'don't know' answers, for example, where children are given a numeracy problem as part of the questionnaire. In these cases, the 'don't knows' are included in the analysis as it indicates how hard it was for the respondents to answer that question. Where this is the case, the inclusion of 'don't know' is clearly indicated on the table or chart.

The main analysis variables are:

Age

Looking at the results by age gives us a proxy for seeing how a child changes over time. Where possible questions have been reported for all age-groups. In some cases, while the question is broadly similar, the text and format has been adapted for the 4- to 6-year-olds. The age-group answering the question is noted in the base of the charts.

Household income

Parents were asked a number of demographic questions, including household income. Household income is strongly linked to adult financial capability measures so it was likely to be an important factor in children's financial attitudes, beliefs and behaviour.

Households were split into income groups as follows:

- Low-income: £17,500 or less
- Medium-income: £17,500 to £49,999
- High-income: £50,000 or more

Regular or irregular money

This comes from the question 'In which of the following ways does child get money of his/her own?' for 4- to 6-year-olds and from the question 'Where do you get your money from?' for 7- to 17-year-olds.

Regular money includes pocket money or money from a job. Everything else is classified as irregular money. Children who are classified as getting regular money may get money from irregular sources as well but children who do not get either pocket money or money from a job, but do get other types of money, such as money on days out or special occasions, are classified as having irregular money.

A small percentage of children got no money of their own and were not classified into either group.

Responsibility for deciding how own money is spent

Across the UK, we expected that the degree of responsibility that children were given to make decisions about their own money, would have an impact on their financial attitudes beliefs and behaviour. This is split into:

- Parents or carers decide
- Child decides
- Child and parent/carer decide together

The 7- to 17-year-olds answer these questions themselves and the parents of the 4- to 6-year-olds answer on their behalf. While responsibility is inherently linked with age we do still observe differences within age groups. Due to small sample bases, these groups are not reported within Wales.

Saving

Across the UK, we know that active saving is an important factor in adult financial capability.[10]

In the 7–17 age-group survey, we asked about the frequency of saving and this was asked only of those aged 8–17, as there is evidence that it is harder for 7-year-olds to understand the concept of frequency.[11]

The 8- to 17-year-olds were split into the following groups:

- Saves every time
- Saves most times
- Saves sometimes
- Never saves

Generally in this report, only the extremes of 'every time' and 'never' are quoted. This is not to suggest that there isn't value in saving 'most times'; it is just the most effective way to illustrate the impact of saving behaviour.

For the 4- to 6-year-olds, this was also reported by the child and was split into:

- I like to save my money
- I like to spend my money

Due to small sample bases, these groups are not reported within Wales.

Confidence managing money

This comes from the question: 'How confident do you feel managing your money? Please answer on a scale of 0–10, where 0 is 'not at all confident' and 10 is 'very confident'. This is asked of 12-year-olds and above as it would be hard for younger children to understand or judge their level of confidence. The answers are split into:

- Confident: 8–10
- Neither: 4–7
- Not confident: 0–3

Throughout the report only the extremes are quoted and are referred to as 'confident' (8–10) and 'not confident' (0–3). The question is also asked of the parents but, to keep the analysis simple and easy to understand, that is not used as a variable for analysis in this report. It may be used for further analysis at a later date.

Due to small sample bases, these groups are not reported within Wales, so any reference to results by financial confidence refer to UK-wide results only.

10. *Measuring financial capability – identifying the building blocks* (Money Advice Service, 2016). Active saving consists of: frequency of saving; number of types of expected expense saved for; number of types of unexpected expense saved for.

11. *Habit Formation and Learning in Young Children* (Money Advice Service, 2013).

Chapter 1: How children access and use money

Strengths to build on:

- Nearly all children in Wales (99% of 7- to 17-year-olds and 91% of 4- to 6-year-olds) report having at least some money of their own.
- The vast majority of children in Wales aged 8–17 have experience of saving their money (93% of those that have money).
- Most children above the age of 7 are involved in how their money is saved (88%) or spent (96%), either by deciding themselves or with their parents. This increases with age.
- Over two-thirds (69%) of 7- to 17-year-olds receive pocket money.
- Three in ten (30%) of 16- to 17-year-olds get money from work outside the home.
- Many children experience paying for things from an early age, with 76% of 4–6-year-olds having paid for things in shops.

Work is needed:

- There is no clear pattern with frequency of saving against age.
- Nearly three in ten 16- to 17-year-olds (28%) don't have a current account (significantly lower than the UK), two-thirds (64%) don't have a savings account, and nearly one in eight (12%, lower than the UK as a whole) have no bank account at all (neither savings nor current account). Of those that do have an account, 28% have never deposited money, 37% have never been into a bank, and 43% don't look after their own banking details.
- Children aged 7-17 in low-income households in Wales are the least likely to get money given to them through almost any route, including pocket money and working outside the home.
- Approximately one in seven (14%) of children aged 8–17 from low-income families (who receive money) have never saved their money.
- Overall, 19% of 14- to 17-year-olds said they don't keep track of their money, an important part of budgeting and saving. A further 30% only keep track in their head.
- Children who do not receive regular money are less likely to have bank accounts, be involved in the choice of their banking products and mobile phone package, keep track of their money, or make their own spending decisions.

Managing money day to day

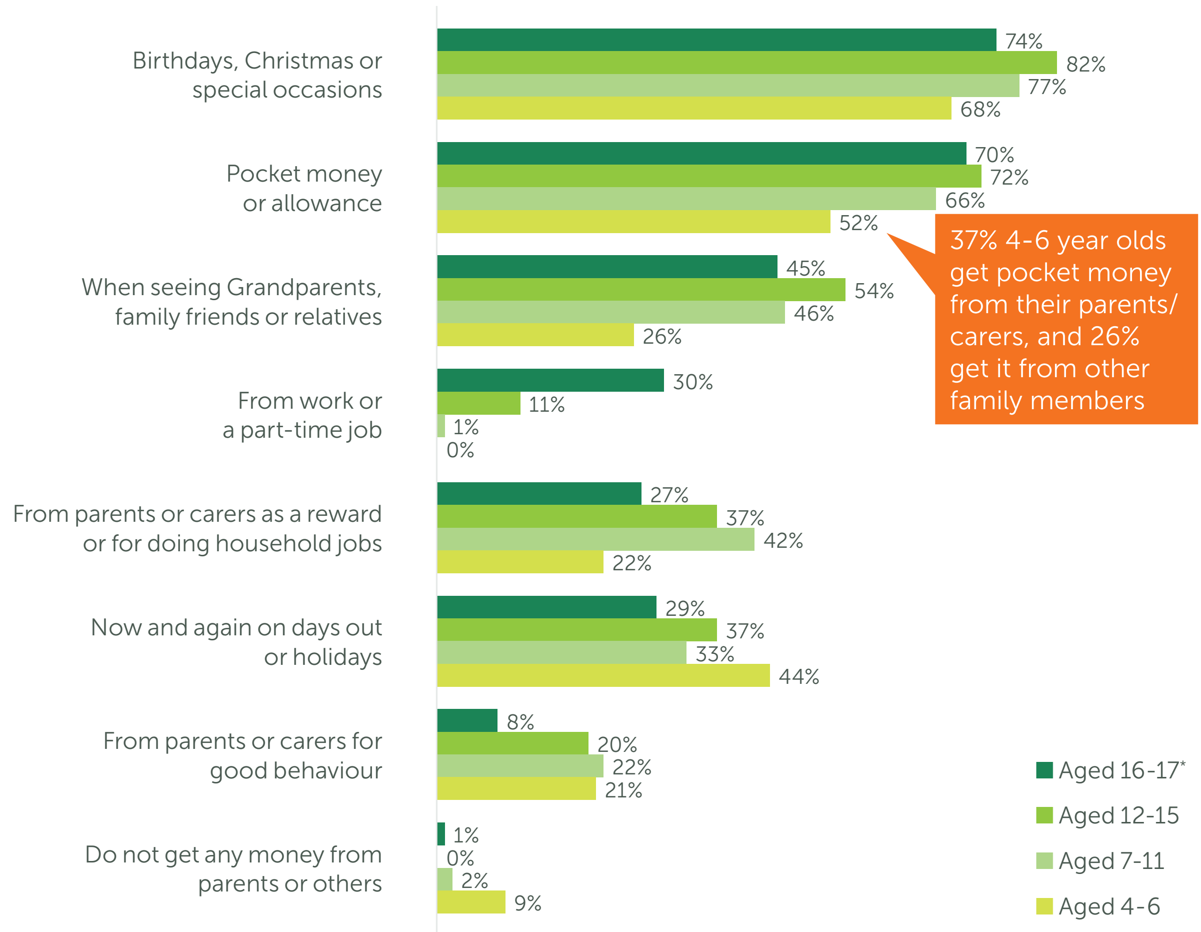
Where does children's money come from?

Children get their money from a variety of sources. The majority of children across all of the age- ranges receive at least some money of their own. They get given the money primarily at birthdays, Christmas and special occasions, or as pocket money (Chart 1)[12]. Only 1% of 7- to 17-year-olds and 9% of 4- to 6-year-olds in Wales get no money of their own. Overall, 76% of the 7- to 17-year-olds and 44% of the 4- to 6-year-olds get regular money.

The peak ages for receiving pocket money are 12–15. Above this, children are more likely to be working outside the home, and perhaps expected to provide their income themselves. Below this, children may be deemed to have fewer needs or to have more bought for them by parents.

Older children are less likely to be given money as a reward for good behaviour, possibly because instilling good behaviour is more of a focus for parents and carers of younger age-groups. Additionally, 4- to 6-year-olds in Wales are most likely to be given money 'now and again' on special days out. This may be because more opportunities to spend money arise on days out, or it may be simply that, as this age-group is receiving less money in general than others, parents make up for it on these occasions.

Chart 1: Where children get their money from



Source: MAS 2016 Financial Capability Survey for Children and Young People. PP5 In which of the following ways does child get money of his/her own? Parents of 4-6 year olds. CYP2 Where do you get your money from? 7-17. Base: All 4-6 n=117, All 7-17 n=476

*Low base size: 84 (aged 16-17).

12. The data for this chart comes from parents of children aged 4–6, but directly from children aged 7–17

Where children's money comes from varies with income as well as with age. In general, children in high-income households in Wales are the most likely to get money through any route, including working outside the home: 21%[13] in high-income households have a job outside the home vs. 10% for those in medium- and 12% in low-income households.

Children aged 7-17 in low-income households are also slightly less likely to receive pocket money: 65% vs. 71% in medium and 73%[14] in high income, or money for birthdays, Christmas or special occasions: 67% vs. 84% in both medium and high income.

The exception to this was among 4- to 6-year-olds, where children in low-income families are the most likely to get pocket money from either parents or other carers. It seems that while high- income households are most likely to give pocket money overall, low-income households are more likely to give pocket money earlier. It is not clear why this is; this may be an area to investigate in further research.

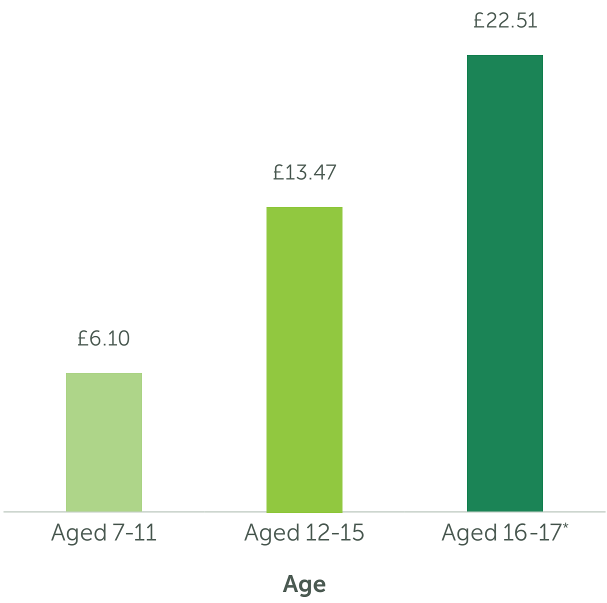
How much money do children get?

We asked 7- to 17-year-olds to recall how much money they got last week, in order to get the most accurate data. The amount children said they received varied from around £6 for 7- to 11-year-olds, to around £20 for 16- to 17-year-olds. On average children received £11.87[15] in the previous week, and only 7% got nothing. The average amount increases with age, but unlike in the UK as a whole, the amount received has no seeming relationship with increasing household income.

Most 7- to 17-year-olds in Wales do get given money regularly (76%). The amounts given, however, are not always the same. Overall, 57% of those who receive pocket money get a varying amount of pocket money or allowance, and 40% get the same each week or month. Getting the same amount increases with age, but is lower in medium income households (Chart 2).

UK-wide, children who received their money regularly also on average received more; it may be, however, that they found it easier to recall the total amount than those who did not get given money regularly[16].

Chart 2: How much money children received last week



Source: MAS 2016 Financial Capability Survey for Children and Young People. YP1 How much money were you given in total last week? 7-17 Base: All those who get money: n=424

13. Low base size: 89
14. Ibid.
15. Outliers of £200 or more were removed from the calculation of means
16. It is not possible to tell how much of this money is from paid jobs and how much is from other sources.

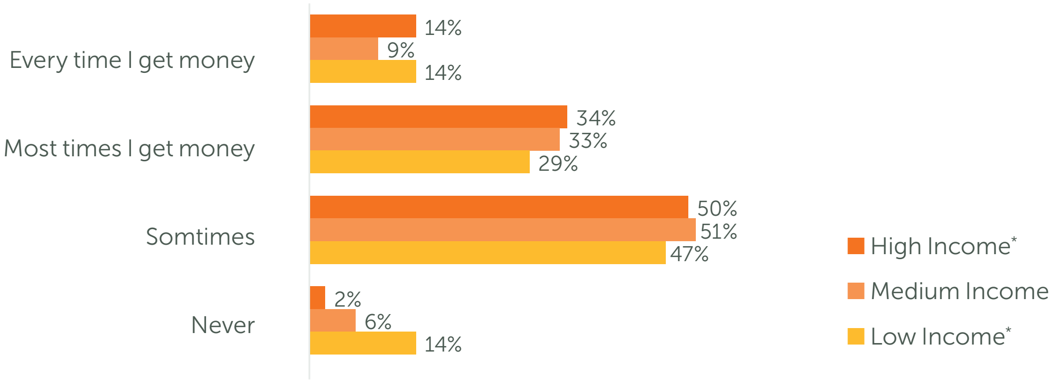
How often do children save?

Overall, 12% of children aged 8–17 in Wales save money every time they get some and 31% save most times.[17] Those in higher-income households have a greater propensity to save every/most times, but there is no clear age pattern. UK-wide, confidence in managing money is also a key determiner.

Only 7% say they never save, but children in low-income households are most likely to report never saving (14%).

Amongst 4- to 6-year-olds, 83% report having some money saved up. UK-wide data indicates that this is lowest amongst 4-year- olds and in low-income households.

Chart 3: How often children save



Source: MAS 2016 Financial Capability Survey for Children and Young People. YP3. When you get money, how often do you save at least some of it, [say by putting it in a piggy bank or cash box or into your bank account]? Base: 8-17 with money n=413

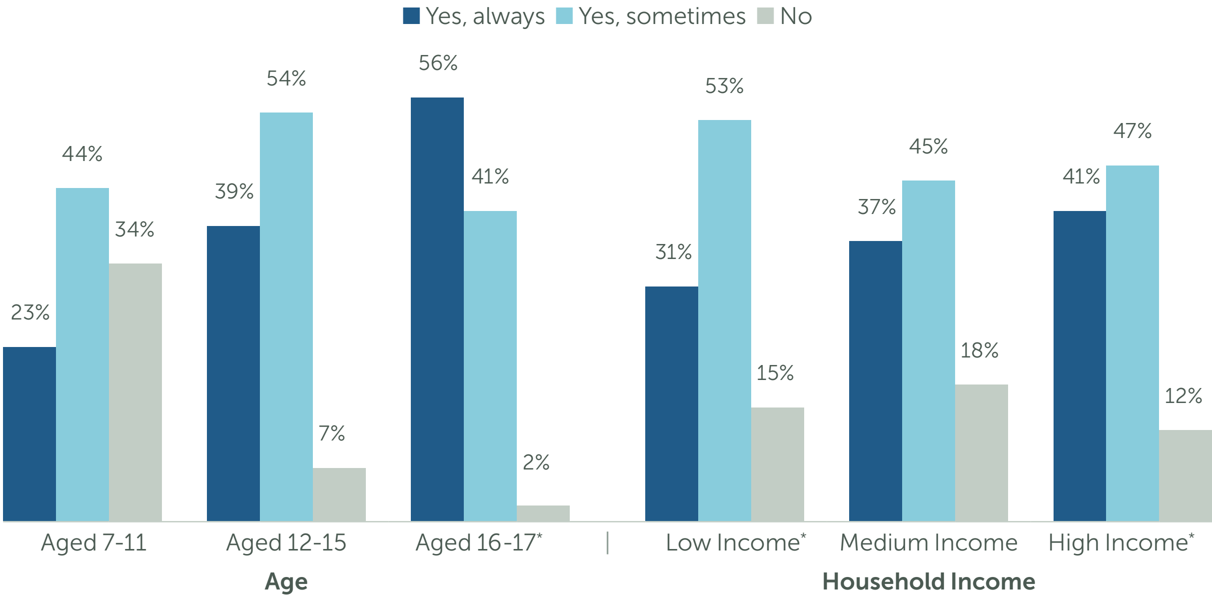
* Low base sizes: 85 (low income); 79 (high income)

Can children manage their money?

Overall, 84% of parents of 7- to 17-year-olds in Wales said their child could always (37%) or sometimes (47%) manage their money, compared to only 23% of parents of 4- to 6-year-olds. Children, who in their parents' opinion could always manage their money, are most likely to be in the older age groups, from high-income families, save their money every time they receive it and be financially confident (Chart 4).

17. This question was not asked of 7-year-olds.

Chart 4: Whether children can manage their own money – Parent's view



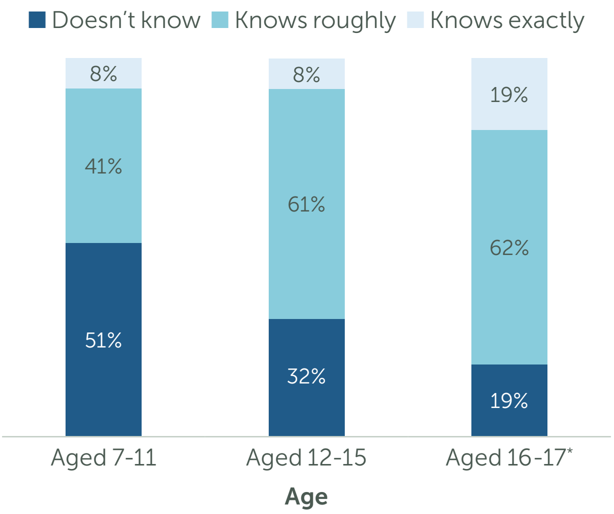
Source: MAS 2016 Financial Capability Survey for Children and Young People. Is [Child name] able to do any of the following...?: Manage [his/her]own day-to-day money or allowance? Base: All parents of 7-17 where child gets money of its own n=455

* Low base sizes: 94 (low income); 86 (high income).

Despite this, in the 7–17 age group, only 64% of children in Wales knew exactly or roughly how much money they had. Whether someone knows (at least approximately) how much money they have, is an indicator of good financial management, so there appears to be a gap: are parents over-confident about their children's capacity to manage their money?

Older children are most likely to know how much money they have (Chart 5). UK-wide children who save every time, are most likely to know how much money they have, whereas children in low-income households are least likely to know. This differs from the findings of the 2015 Adult Financial Capability Survey: adults on low incomes were most likely to know how much they had in their bank accounts.[18]

Chart 5: Whether children know how much money they have



Source: MAS 2016 Financial Capability Survey for Children and Young People. CYP5. Do you know how much money you have in total in all of those places? Including in your bank? Base: 7-17 who get money n=455

18. *Financial Capability in the UK 2015* (Money Advice Service, 2015).

When asked how they keep track of their money, 19% of 14- to 17-year-olds said they don't keep track at all, and this varies by age from 26% aged 14-15 to 13% aged 16-17. A further 30% of 14- to 17-year-olds only keep track in their head.

The top five methods of keeping track for 14- to 17-year-olds are:

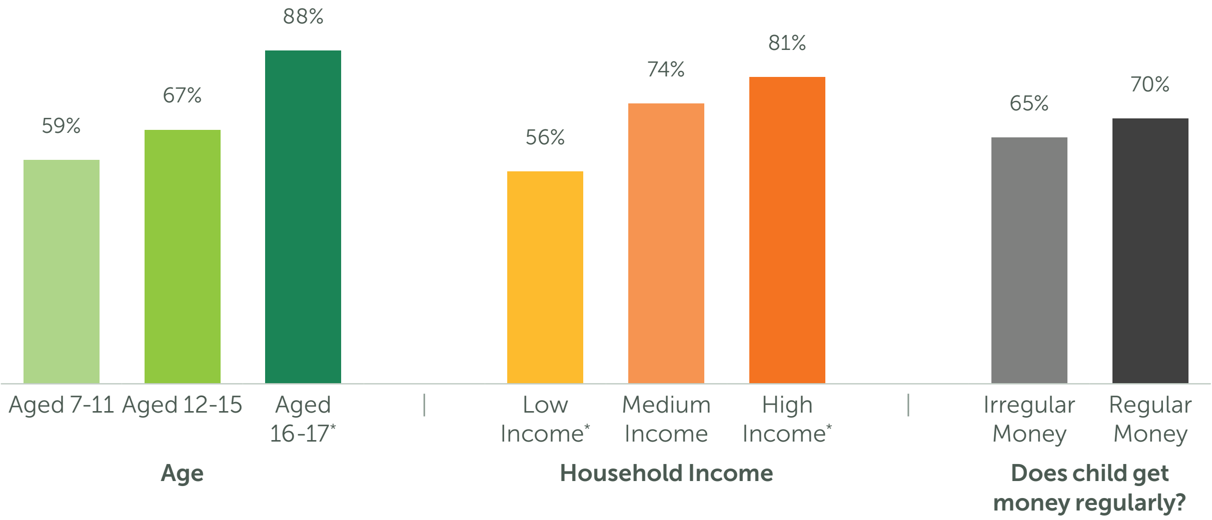
- 36% use an online bank account (significantly higher than the UK, 27%)
- 30% keep track in their head (most likely to be used UK-wide)
- 23% check their balance at a cash machine
- 18% review their statements
- 12% use a mobile app.

Access to and use of financial products

Do children have bank accounts?

Overall, 69% of children aged 7–17 in Wales have a bank account of any type, either current account or savings account.[19] This increases with age and income and is slightly more common amongst those receiving regular money. Although we didn't specifically ask about credit union accounts, we are aware that some primary schools in Wales have savers clubs with their local credit unions and they may possibly be represented here.

Chart 6: Percentage of children who have a bank account (of any type)



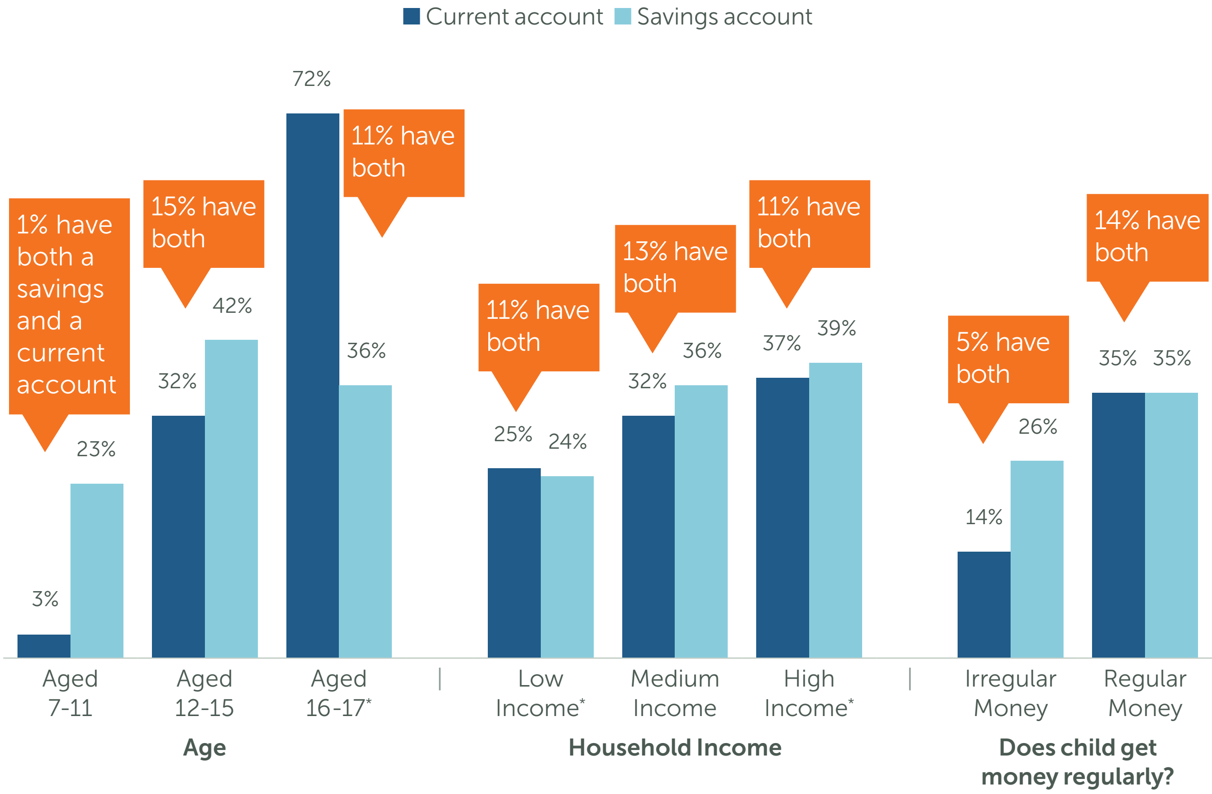
Source: MAS 2016 Financial Capability Survey for Children and Young People. NQ4 (C). Do you have a bank account of your own?
Base: All 7-17 n=476

* Low base sizes: high income (89)

19. The term 'bank account' is taken here to include building society or credit union accounts.

The type of account held also varies with age, income and whether the child gets regular or irregular money. Younger children are more likely to have a savings account and older children to have a current account. While the proportion of children holding a current account more than doubles from age 12–15 to age 16–17 (32% to 72%), the proportion with a savings account is more uniform– providing further evidence that savings habits are not changing by age. **There are also still three in ten 16- to 17-year-olds in Wales (28%) who don't have a current account, although this is substantially lower than the 39% reported across the UK.** Approximately one in eight (12%) who have no bank account at all, which is lower than the 18% reported UK-wide.[20] These children may be missing out on opportunities to learn about managing their money, gain confidence, and build financial knowledge and skills.

Chart 7: Type of bank account held



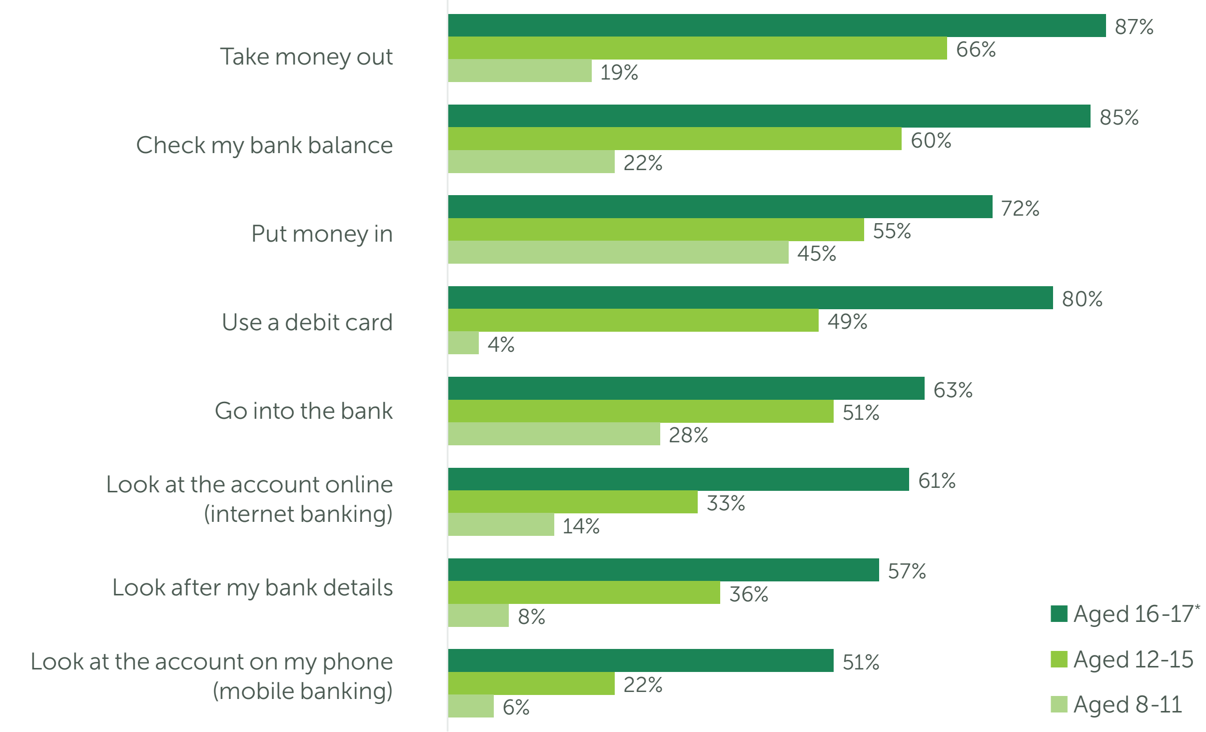
Source: MAS 2016 Financial Capability Survey for Children and Young People. YP2. Do you know what type of bank account you have? Is it a…. (8+) Base: rebased to all children not just those with a bank account n=476

* Low base sizes: 89 (high income).

Those who do have bank accounts perform a variety of tasks, primarily depositing and withdrawing money and checking their balances. All activities increase with age, in particular using a debit card, as well as making withdrawals. Children who get regular money are more likely to undertake all of the activities. What is striking is the absence of many of these behaviours amongst older children – for example, 28% of 16- to 17-year-olds with a bank account do not report depositing money, 37% do not go into the bank, and 43% do not look after their own bank details (Chart 8).

20. Including 2% who don't know.

Chart 8: Activities done by children with bank accounts

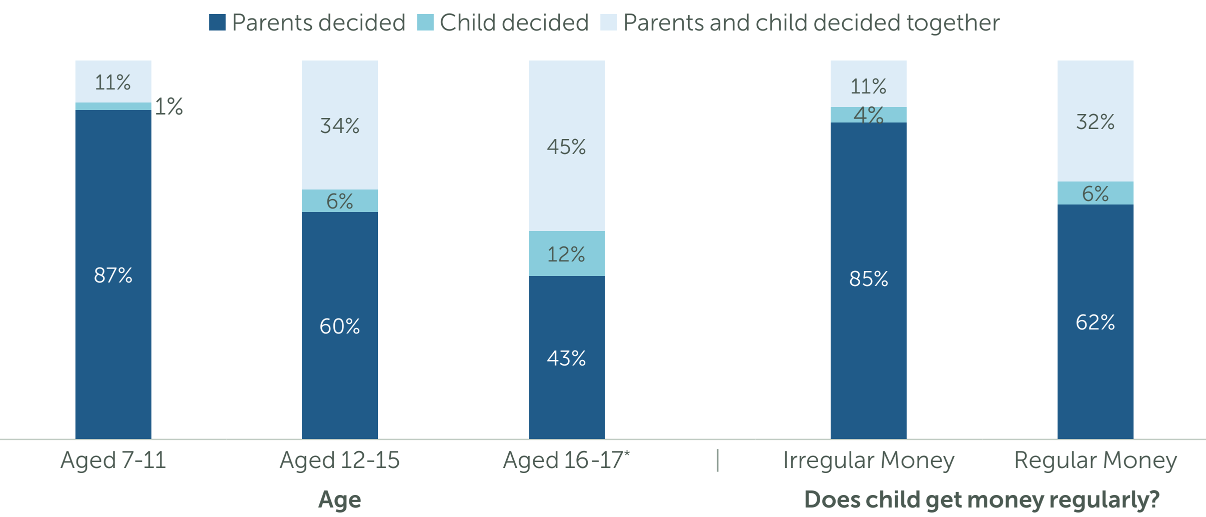


Source: MAS 2016 Financial Capability Survey for Children and Young People. PP19. Which of the following do you do with your bank account(s)...? (8+) Bases vary

Who chooses children's financial products?

Overall, parents alone are most likely to choose their child's banking products, doing so 67% of the time, as compared to 27% who chose jointly and only 5% of children who made the decision alone. Children are more likely to be involved in the decision when they are older, and when they get regular money. UK-wide, we also see that involvement increases when they are more confident with money.

Chart 9: Who chooses children's banking products?

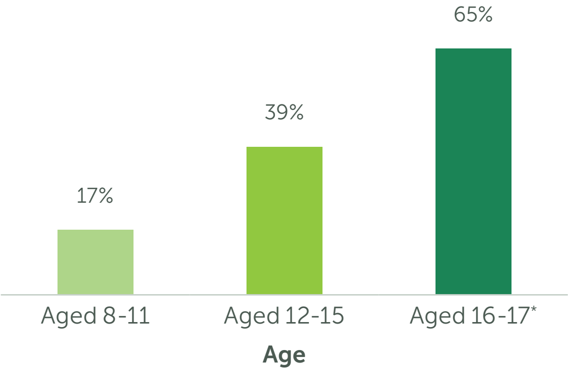


Source: MAS 2016 Financial Capability Survey for Children and Young People. PP9 To what extent was [Child name] involved in the choice of banking products in [his/her] name? 7-17 parents: Base: parents of child with banking product n=400

* Low base sizes: 88 (aged 16-17); 89 (irregular money)

Children, primarily those aged 12–15, seem to be more involved in decisions about mobile-phone plans than banking products, and there is a similar pattern of increased involvement by age. Overall, 80% of children aged 8 and above in Wales have a mobile phone and 44% of these children are involved in their choice of package.

Chart 10: Percentage of children involved in decision about their mobile phone package



Source: MAS 2016 Financial Capability Survey for Children and Young People. CYP1. Do you get to have a choice in the cost of your mobile phone call and data package? 8+. Base: All 8-17 with a mobile phone n=338

* Low base sizes: 69 (aged 8-11)

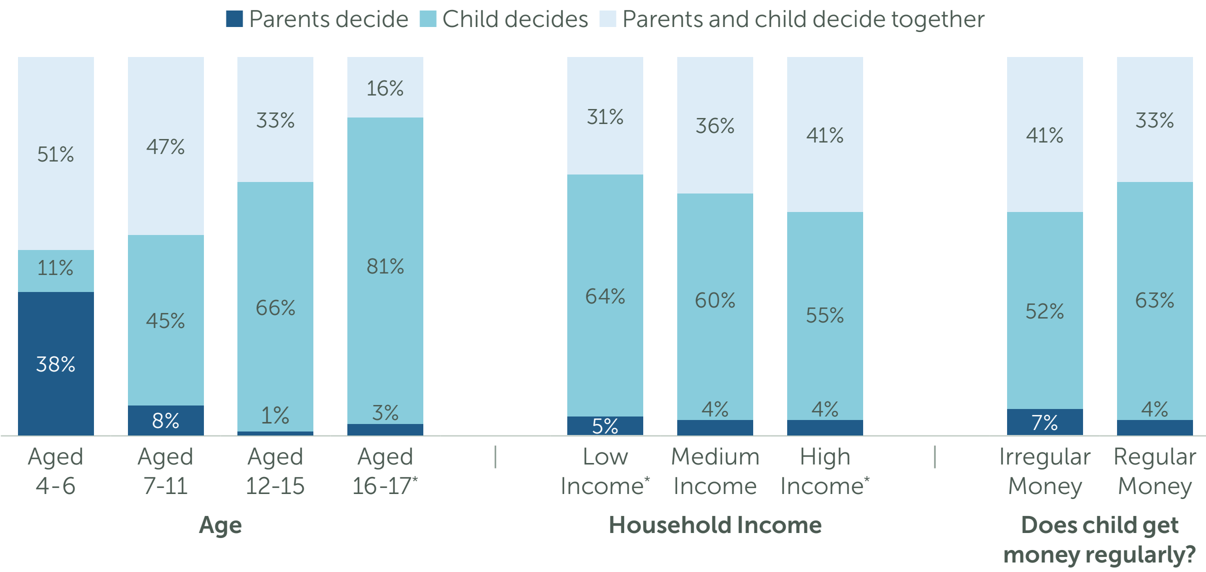
Experiences of managing money and associated risks

Who decides about spending and saving?

When it comes to spending and saving, parents are less likely to make decisions for their child and more likely to give them freedom to decide for themselves, either with or without parental support. More than three-fifths (61%) of 7- to 17-year-olds in Wales who receive money are responsible for deciding how they spend their own money; 35% decide with their parents; and only 4% have their parents decide. As shown in Chart 11, this varies significantly by age.

Only the parents of 4- to 6-year-olds decide in any great numbers how those children's money is spent, and even amongst this group, one in nine children get to make their own decision.

Chart 11: Who decides how child's money is spent?



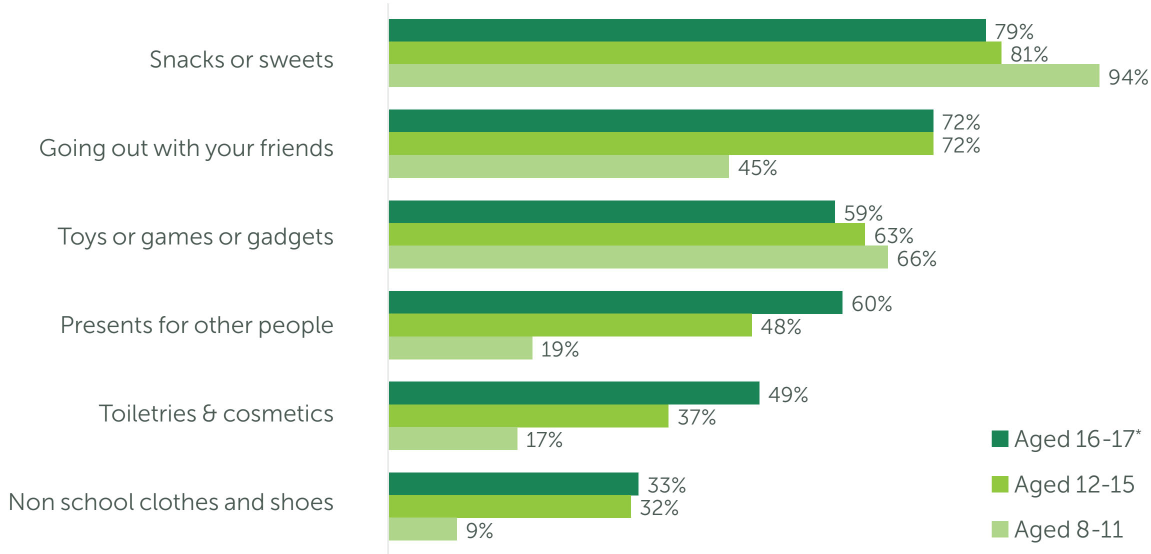
Source: MAS 2016 Financial Capability Survey for Children and Young People. CYP8B (C). When you have money, who usually decides what you spend it on? CYP 7-17 Base: All who get money n=443

* Low base sizes: 91 (low income); 85 (high income); 87 (irregular money)

The proportion of children paying out of their own money increases with age for all goods, apart from for snacks and toys (Chart 12). In general, children in Wales who are older, or have regular money are more likely to pay for each of these items. The UK-wide patterns of increasing likelihood to pay amongst higher-income households, is not observed here.

According to parents; children who have mobile phones typically have their phone costs paid for them. Overall only 19% of children with phones pay all or some of their bill. This is higher amongst older children: 17% of 16-to 17-year-olds pay all of their bill and 12% pay some of it.

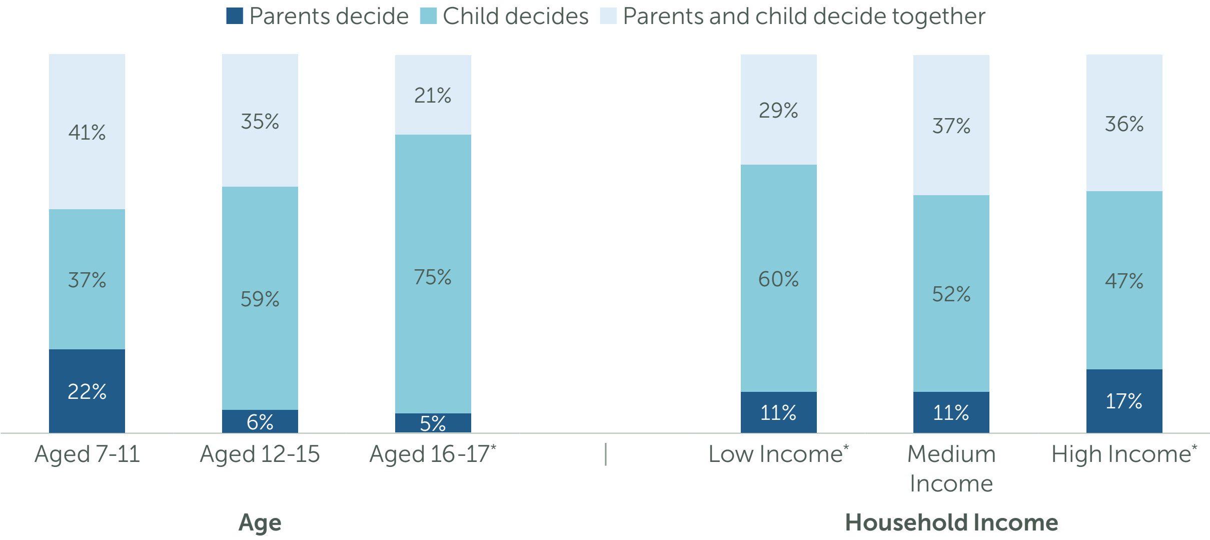
Chart 12: What children pay for out of their own money



Source: MAS 2016 Financial Capability Survey for Children and Young People. YP7 (C). Do you have to pay for any of the following things out of your own money...? (11+) Base: All 11+ with money – bases vary.

Over half (54%) of children aged 7-17 in Wales say they decide whether or not to save their money. A further third (34%) say it is a joint decision and only 12% report that their parents decide. While this varies significantly by age, it is clear that a reasonable proportion of parents are giving children the responsibility of whether to save or not from an early age: 37% of 7- to 11-year-olds already have sole responsibility for deciding whether they should save their money. Earlier evidence demonstrates that likelihood to save does not significantly vary after the age of 7.

Chart 13: Who decides whether children save?



Source: MAS 2016 Financial Capability Survey for Children and Young People. CYP8a When you have money, who usually decides whether you save any of it? 7-17. Base: All who get money n=438

* Low base sizes: 89 (low income); 84 (high income).

Do children have experience of paying for things?

Most parents give their children experience of paying for things in shops from an early age. According to parents in Wales 76% of 4-6 year-olds have personally paid for goods using either their own or their parents' money. This rises to 85% of 7- to 11-year-olds, 90% of 12- to 15-year-olds and 98% of 16- to 17-year-olds. In the UK this is higher amongst children who are confident in managing money and children who save.

It is also important to look at buying online, as research shows the amount of time spent online by those aged 8–11 and 12–15 has more than doubled since 2005.[21]

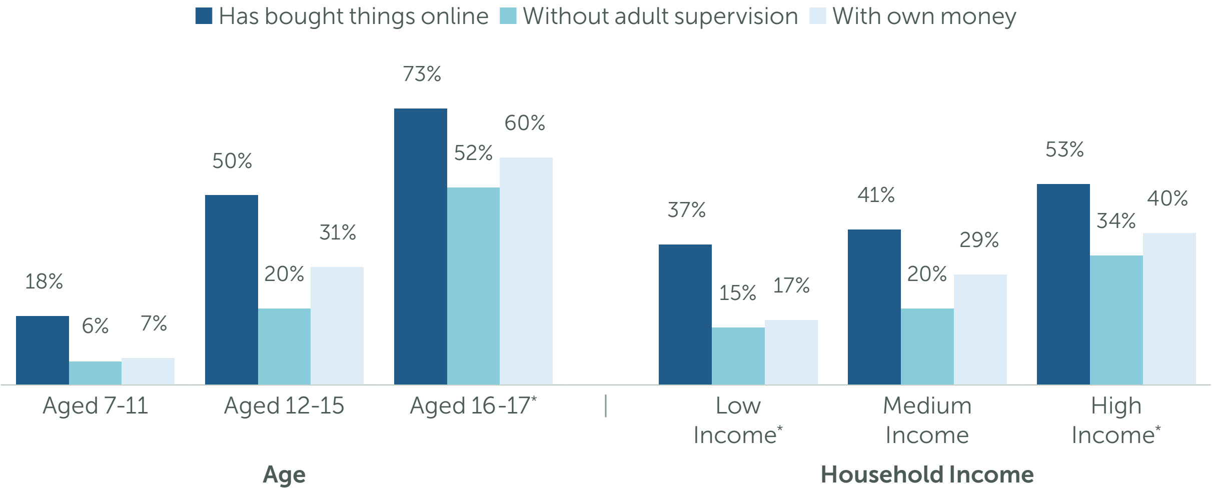
Overall, 42% of 7- to 17-year-olds in Wales have paid for things online, whether with their own or their parents' money. This increases with age and household income (and confidence with money in a UK context). Of children who have bought online, on average 52% have done so without adult supervision and 68% have used their own money. This rises to 75% and 86% respectively amongst 16- to 17-year-olds.

These statistics are likely to change over time as online shopping becomes even more commonplace. That one in three children aged 7–11 has bought online (Chart 14) highlights how important it is that children understand how to be 'savvy' online, and are clear about the risks that exist. It is encouraging that research by Ofcom shows that nearly all parents (99% of children aged 3-4 and 96% of children aged 5-15) use at least one method of mediating their child's internet use, such as using technical tools, talking to their child about the risks, supervising their child whilst online or having defined rules about online access and behaviour. The study also shows that levels of mediation have increased from 2015 to 2016.[22]

21. From 4.4 hours a week in 2005 to 11.1 hours in 2015 for 8–11-year-olds, and from 8 hours to 18.9 for 12–15-year-olds. *Children and parents: media use and attitudes report* (Ofcom, 2016)

22. *Children and parents: media use and attitudes report* (Ofcom, 2016)

Chart 14: Buying online



Source: MAS 2016 Financial Capability Survey for Children and Young People. PP20b (PP). Does [Child name] ever...? : Pay for things online [him/herself], such as apps, games or music (with either their money or your money)/PP22b (PP). When [Child name] pays for things online such as apps, games or music, does [he/she]...? : Pay online without adult supervision/PP22c (PP). When [Child name] pays for things online such as apps, games or music, does [he/she]...? : Use [his/her] own money or online account. Bases vary but all based on all 7-17 year olds.

* Low base sizes: 88 (high income)

Implications

In general, most children in Wales have some degree of experience in using and managing money, starting from a very young age. However, there are some groups who have less experience and may need support to gain the level of knowledge and skills they will need to become financially capable adults.

For most children, experience of money increases with age. Of particular concern in this chapter are the subset of 16- to 17-year-olds who don't have bank accounts, or who do have accounts but don't look after their own details or pay in money. These children are on the cusp of adulthood and may need extra support to look after their financial affairs independently. It is important that young people at age 16–17 get this opportunity.

The other group that stands out as potentially benefiting from more support is children from low-income families. These children are most likely 'never' to save; their parents identify them as least likely to be able to manage their money; and they are least likely to know how much money they have in their account.

There are also some behaviours, such as active saving, and keeping track of your money, that are associated with higher levels of financial capability in adults, and that some children are not getting the opportunity to learn. It is important that education – both through schools and at home – supports this. There is evidence that habits that children start young are more likely to be maintained into adulthood.[23]

There is a lot that parents can do to help their children to become financially knowledgeable and engaged. Firstly, they could involve children in decisions at a younger age. While we are not suggesting that parents of younger children should leave them to make choices about bank accounts or phone packages on their own, there is evidence throughout this report that empowering children to make their own decisions – with sufficient, age-appropriate support – leads to better outcomes.

As discussed in the introduction, it is not clear whether confident children are more likely to become involved in decisions about their money, or whether the fact that they are involved makes them confident. There is scope, however, for parents to use talking about the choice of bank account or other financial products as a way of building confidence in managing money.

Many children are now also spending money online and a considerable proportion are doing so unsupervised. There are potentially a number of risks associated with this and it is important that parents prepare their children for these.

We also saw in this chapter that there is a proportion of parents who make their children's spending and saving decisions for them. In subsequent chapters, we will see that doing so is frequently associated with poorer outcomes than when children are involved in decision making. While these parents are no doubt driven by the desire to protect their children, the evidence presented here suggests that their children may instead benefit from support to empower them. Parents themselves may also need support in some instances, to help them engage with their children and feel more comfortable giving them responsibility at a younger age.

23. *Habit Formation and Learning in Young Children* (Money Advice Service, 2013)

Chapter 2: What children think about money

Strengths to build on:

- Most children in Wales aged 11–17 (87%) agree that it is important to learn about managing their money.
- The vast majority of children (97%) say they would save at least something when given a windfall of £100.
- Children have a cautious attitude towards borrowing: over half (55%) would prefer not to borrow, and 96% of children say they would not borrow if they could not afford to pay it.
- Only 21% of children aged 11–17 feel that they are unable to make a difference to their money situation.
- Most children aged 11–17 are aspirational and have life goals such as getting into university and getting a secure job. Only 8% overall had none of the goals we asked them about.
- Almost all children aged 7–17 (94%) have some experience of saving up for a certain amount of time to buy specific things that they want.

Work is needed:

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

UK-wide, we see certain patterns evolve where parents are responsible for deciding on the child's spending:

- Children whose parents decide on their spending are most likely to say they aren't worried about borrowing even if they can't afford to pay it back.
- Children aged 4–6 whose parents decide on their spending are much more likely to make a poor wants vs. needs trade-off than those who decide for themselves.
- Additionally, UK-wide children who never save are least likely to be confident in managing their money.

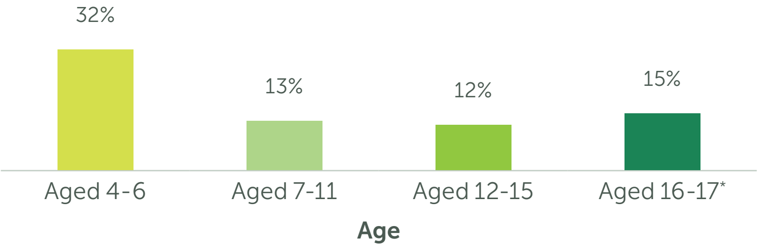
Attitudes to money management

What do children think about spending and saving?

Most children in Wales had a relatively positive attitude towards saving some money versus spending it all at once. We asked children to imagine they have been given a relatively small amount: £5 for the 4- to 6-year-olds and £10 for the 7-17s. Overall, 68% of 4- to 6-year-olds said they would wait and think what to do with it, rather than spending it all at once, and only 13% of 7- to 17-year-olds said they would not save any of the money.

Children develop considerably between the ages of 4 and 6, and this is reflected in the data. At age 4, children find it harder to control their impulses so it is not surprising that they are less likely to save but it is interesting that receiving money regularly is linked to savings in this age group.

Chart 15: Percentage of children who would spend it all at once when given £5 (4–6) or £10 (7–17)



Source: MAS 2016 Financial Capability Survey for Children and Young People. 12. (C) Imagine it was your birthday yesterday and you got GBP5, what would you do with it? 4-6/CYP11 (C). Imagine someone gives you GBP10. How much would you spend and how much would you save for later? (7-17). Base: 4-6 All children 117. 7-17 All children n=476

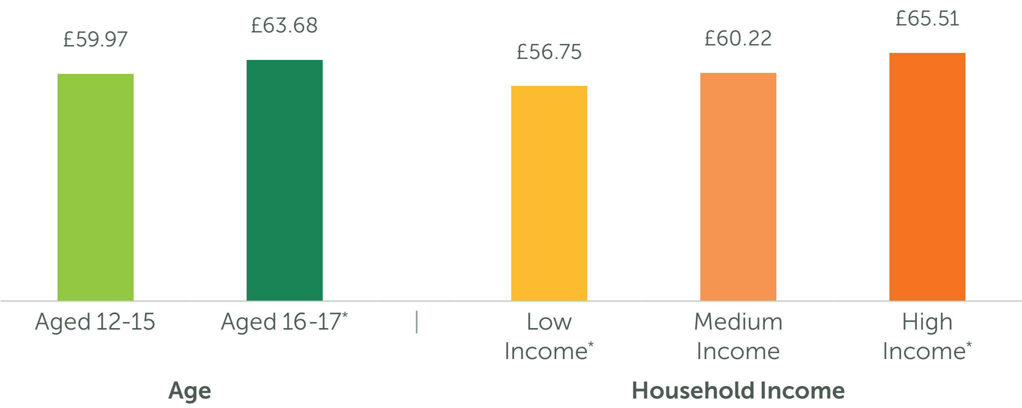
Children's understanding that it is good to save, and therefore their perception of themselves as a responsible saver also grows between the ages of 4 and 6, as evidenced by the UK-wide data. This may also be related to their growing experience of using money. These findings are supported by research that demonstrates 4- to 5-year-olds do not fully understand the concept of time, meaning the concept of saving for the future may also be difficult to understand.[24]

When children are asked to think about a larger sum, the picture changes. We asked 12- to 17-year-olds to imagine they have been given £100. With such a sum, there is scope to enjoy spending and still put something by. In fact, the amount may not only have encouraged the spenders to save, but also freed up the savers to spend. The average amount saved is just over £60. Only 3% would save nothing at all, and only 8% would save the whole £100.[25] We see in Wales that the amount children say they would save increases with household income: those in high-income households say they would save more.

Across the UK we see:

- One of the biggest gaps in the amount saved is between those who are confident in managing their money and those that are not confident. We can't know whether the tendency to save drives confidence, or whether confident children save more, but this difference certainly provides evidence of a relationship between the two.
- These findings also demonstrate the importance of children being involved in decisions to manage their money: children in the UK choose to save the least (£53.65) when their parents decide how the spend their money and save the most (£62.15) when they decide together with their parents.

Chart 16: Average amount children say they would save if given £100



Source: MAS 2016 Financial Capability Survey for Children and Young People. CYP12. Imagine someone gives you £100. How much would you spend and how much would you save for later? (12+) yr olds. Average saved. Base: All 12-17 n=289

* Low base sizes: 61 (low income); 66 (high income).

24. Ibid.

25. Respondents are very unlikely to choose the extreme ends of a numeric question such as this, so the percentages saying 'nothing at all' and £100 may be artificially low.

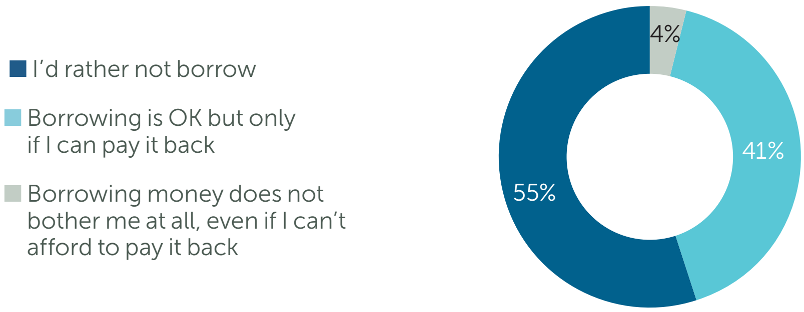
What do children think about borrowing and debt?

Children are cautious about borrowing and debt. We asked 12- to 17-year-olds how they felt about borrowing money and the majority said they would prefer not to; this did not vary with age. Just over two in five in Wales (41%) said that they would be happy to borrow if they could pay it back; whether this reflects a less cautious attitude or a more sophisticated understanding that some sorts of borrowing are beneficial is unclear (Chart 17). It is notable that across the UK children in low-income families are most likely to reject borrowing at all.

Very few children (4%) were happy to borrow even if they couldn't pay it back. Across the UK this figure was significantly higher amongst children whose parents decide how their money is spent, those who never save and those whose confidence in managing money was low.

We also asked 15- to 17-year-olds how they would manage if they needed extra money – to pay an unexpected phone bill, for example. Very few (10%) said that they would borrow the money. Most said their parents would pay (42%) or they would use their savings (31%). However, only 29% currently pay towards their phone bill so it may be that they would not be expected to pay this within their family.

Chart 17: How children feel about borrowing



Source: MAS 2016 Financial Capability Survey for Children and Young People. YP11 (C). Below are some things people your age have said about borrowing money. Which one best describes how you feel about borrowing money? (12+) Base: All 12-17 n=288

Do children understand they cannot have everything?

Many children do understand that they cannot have everything that they want, or that their friends have; that there are trade-offs to be made; and that they should stick to agreements they have made with their parents. They understand it – but that does not mean they always like it, or that they stick to the agreements.

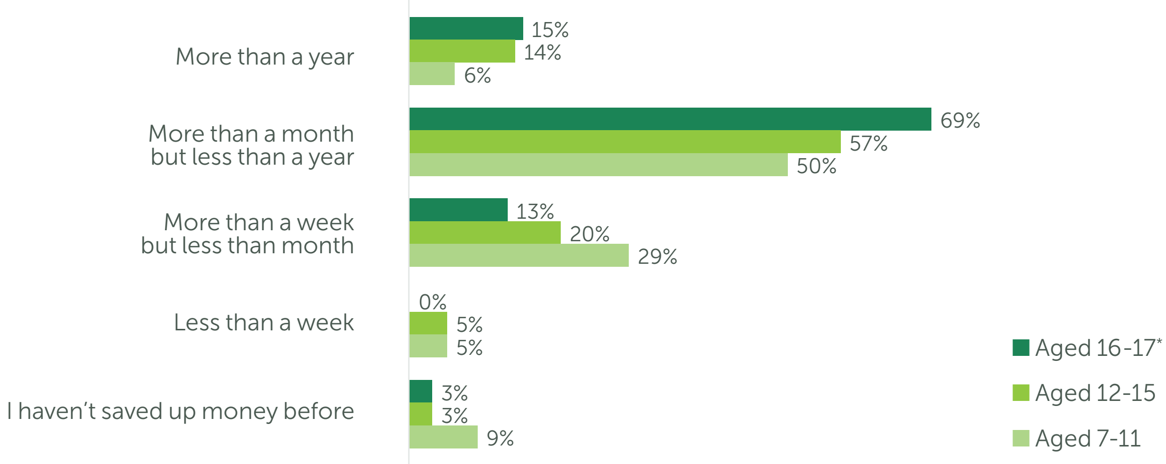
Overall, 58% of children aged 7-17 don't like it when their parents say they won't buy them things they see in shops. Older children in Wales (aged 16–17) are less likely to say that they do not like it (45% compared to 57% of 12-15-year-olds and 68% of 7-11-year-olds). This may be because they are more mature and realistic, or it may be because they have more money of their own and are more able to buy things for themselves.

We also asked 7- to 17-year-olds whether they agreed with the statement: "I don't like it when friends have things I don't have". Overall, 54% agreed. This decreases by age (61% 7-11 vs. 44% 16-17), but unlike the UK, does not vary by income. UK-wide results also point to children who never save being most likely to agree.

Children are also fairly good at recognising that they cannot have everything they want when buying online. Overall, 93% of parents say their children will stick to the agreements they have for online spending.

Saving up for a particular item is a good way for children to understand choices and trade-offs. Most children aged 7–17 have some experience of saving up for the things they want. Overall, only 6% say they have never saved up for anything and 11% have saved up for more than a year. Younger children are the least likely to have saved, and the most likely to have saved for shorter periods of up to one month.

Chart 18: Longest time children have saved up for

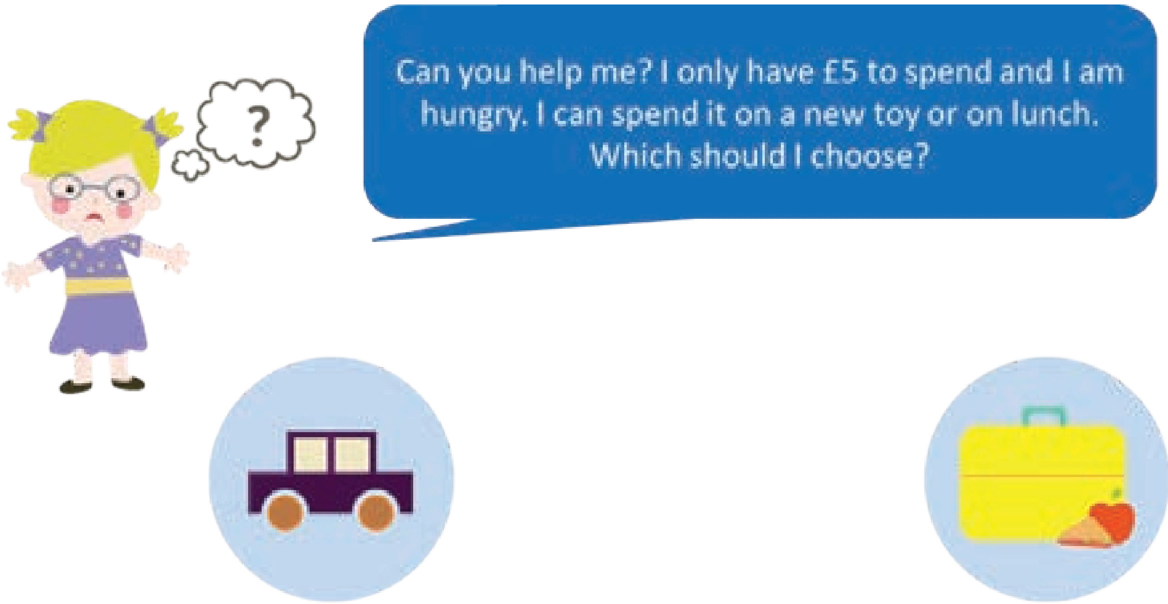


Source: MAS 2016 Financial Capability Survey for Children and Young People. CYP6 (C). What is the longest time you have saved up for? (for example to buy something you wanted) (7-17). Base: All children n=410

* Low base sizes: 96 (aged 16-17)

We gave 4- to 6-year-olds a simple scenario to see how well they understand making trade-offs (Figure 1). The scenario asked them to make a choice between something they want (a toy) and something they need (lunch); 71% overall would buy lunch. UK-wide results suggest that children aged 4 are most likely to choose the toy. This is not a surprising finding as it relates as much to their stage of development as it does to other factors such as attitude to money and understanding of trade-offs. Factors such as who decides about spending, describing oneself as a saver or a spender, and parents talking to the child about money, are also linked to this.

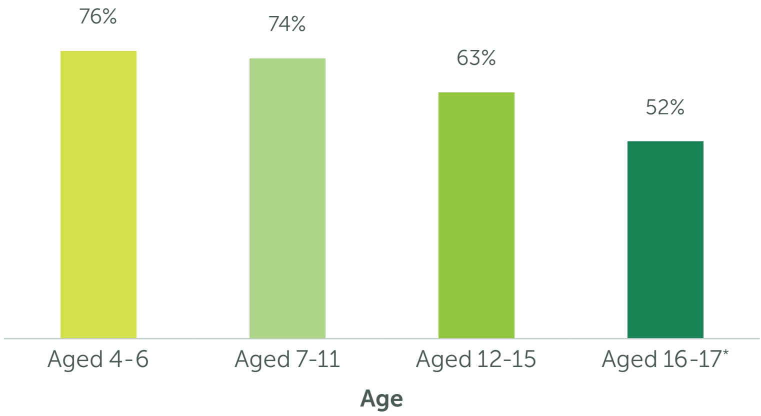
Figure 1: Trade-off scenario for 4- to 6-year-olds



Despite children knowing they cannot have everything, many of them still 'try their luck' and ask for things after they have been refused. Overall, over three-quarters of 4- to 6-year-olds in Wales and nearly two-thirds of 7- to 17-year-olds do this, demonstrating a key challenge parents face and may need support on. Chart 19 shows how this by age.

It is also interesting to note that children UK-wide are most likely to continue to ask when children and parents decide about spending together. It may be that, rather than children failing to understand that money is limited, we are seeing children who are used to negotiating with their parents on money matters.

Chart 19: Percentage of children who ask for things after being told they cannot have them



Source: MAS 2016 Financial Capability Survey for Children and Young People. PP20c. (PP) Does child ever? Ask for things after he/she's been told he/she can't have them. Parent answered 4-6 Parent answered 7-17. Those answering 'Yes'.
Base: All 4-6 117, All 7-17 n=469

Do children feel confident and in control of their finances?

Overall, only 21% of 11- to 17- year- olds agreed with the statement "Nothing I do will make much difference to my money situation". This is encouraging, as this question is a good indicator of financial engagement in adults.[26] UK-wide, we do see that agreement is significantly higher amongst children from low- income homes. Again, we see evidence of the relationship of positive attitudes to involving children in decisions, and to financial confidence.

We asked 12- 17-year-olds how confident they feel in managing their money. Overall 40% in Wales felt confident.[27] UK-wide results showed a slight increase in confidence with age, but household income did not appear to play a significant part in confidence. Furthermore, UK-wide by far the biggest difference was between children who save every time they receive money and those who never save. Again, it is not clear whether saving instils financial confidence, or financially confident children save, but there is a clearly a link.

26. *Measuring financial capability – identifying the building blocks* (Money Advice Service, 2016).

27. Those who scored 8–10 out of 10 for the question 'How confident do you feel managing your money?' were classified as 'Confident'.

Goals and aspirations

Do children want to learn about managing money?

The vast majority of 11- to 17-year-olds agree that it is important to learn to manage their money. Overall 87% agree. Younger children (81%) and those from lower-income households (82%) are slightly less likely to agree, but UK-wide there is wider divergence when considering who make spending decisions, or the child's confidence in managing money.

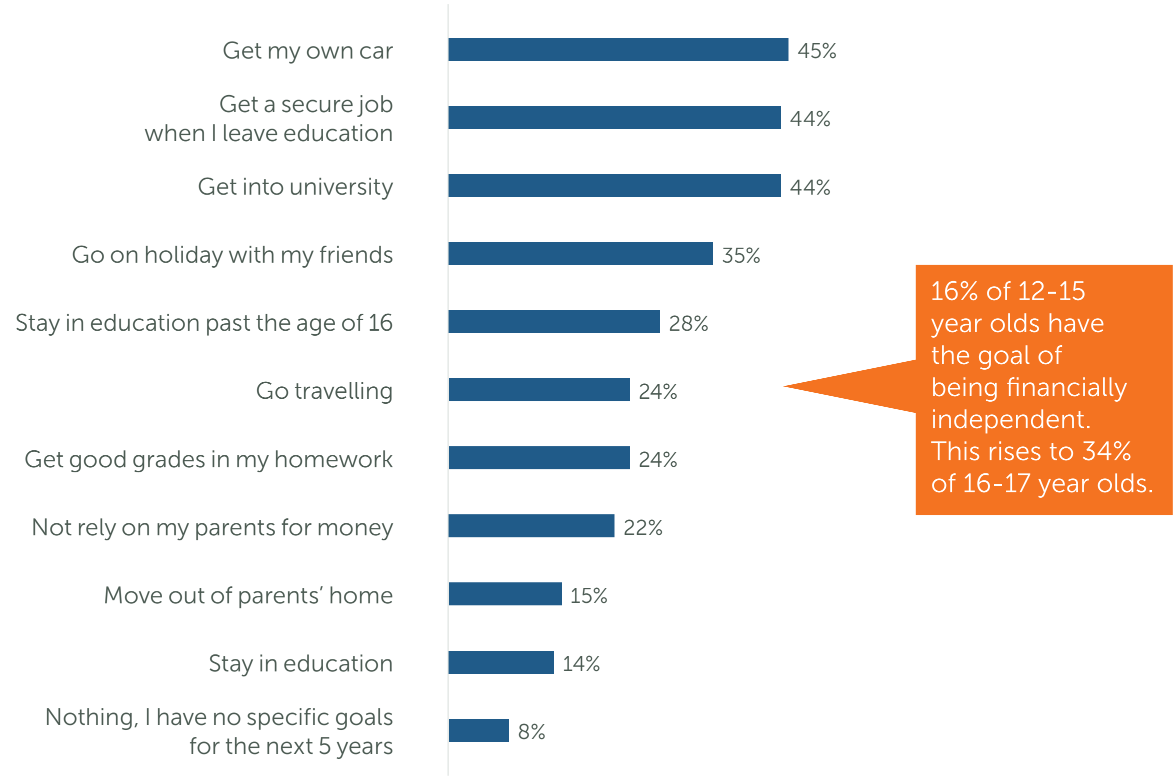
We see also that UK-wide, agreement is lowest where parents decide how children's money is spent, but even here nearly four out of five children aspire to learn, which suggests that **children will be receptive to the right type of interventions and education.**

What are children's life goals?

As well as aspiring to learn about their finances, children aged 11–17 have a broad range of life goals. Overall, only 8% had none of the suggested goals. The most popular include getting a secure job, or getting into university. Across the UK, there was considerable variation in goals by confidence in managing money, which raises some more questions for us to explore regarding the role financial confidence plays and its relationship with other outcomes.

It is interesting to note only 22% in Wales have a goal to be financially independent from their parents within the next five years, which is significantly lower than the 31% reported UK-wide. This supports previous research that found the concept of independence was the key driver for this age group, but that the financial responsibilities that come with it was not seen as part of this broader independence.[28]

Chart 20: Children's five year goals



Source: MAS 2016 Financial Capability Survey for Children and Young People. YP13. Which, if any, of the following goals would you like to achieve in the next 5 years? (11+) Base: All 11-17 n=321

28. *It's time to talk: young people and money regrets* (Money Advice Service, 2014)

Implications

Overall, this chapter has painted a positive picture of the majority of children in Wales: they have aspirational life goals, they know that money is limited, and they feel in charge of their financial situation. However, this is not the case for all children. The potential role of confidence in managing money was highlighted in this chapter as children with low confidence had fewer goals and felt less in charge. Further research may be valuable to understand more about the relationship between financial capability and confidence, to inform interventions to boost children's financial confidence.

The links between confidence, frequent saving and making one's own financial decisions also came to the fore. As discussed in Chapter One, it is important to support parents to empower their children and to support children to save regularly, no matter how much they are able to set aside.

Whilst saving frequency is not as high as it could be, nearly all children have saved up for something at one time or another. It is also positive that even those who do not normally save expect to do so when given a windfall.

The majority of children, and particularly those in low-income families, are cautious about debt and over-indebtedness. This is particularly interesting in the context of the adult Financial Capability Survey which found that young adults aged 18–24 are the most likely to be over-indebted.[29] This is also of interest as the 2017 over-indebtedness data shows Wales is at 17.7 % the highest of the nations compared to the UK average of 15.9%.[30] This suggests that there may be value in further research to unpick understanding of and attitudes to 'good' vs. 'bad' borrowing – i.e., borrowing for consumption vs. borrowing for investment or long- term benefit – and understanding what changes during the transition to adulthood. There may also be room to explore the nuances of the issue of debt in more detail with all children through education at school. The adult Financial Capability survey also highlights that there is a clear relationship for adults between saving, spending and borrowing. This supports the idea that children should not be taught about these concepts in isolation and instead any teaching about the three should be interlinked.

Financial independence was an issue that reappeared in this chapter. Some of the children who are closest to adulthood are not showing signs of financial independence, such as paying their own unexpected bills, or wanting to be free of relying financially on their parents in the next five years. This emphasises again the importance of 'just in time' financial education, equipping young people with the knowledge and skills they need to tackle the real-life challenges they will face as they assume the full financial responsibilities of adulthood.

29. *Young Adults' Financial Capability* (Money Advice Service, 2016)
30. http://overindebtednessmap.org/

Chapter 3: What children know about money

Strengths to build on:

- Most children know about the most familiar financial products, such as bank accounts and credit and debit cards.
- Most children in Wales understand that money has a value (60% of parents of 4- to 6-year-olds and 88% of parents of 7- to 17-year-olds thought their children understood this). Most also understood what needs to be paid for in our society, such as utilities, rent and mortgages.

Across the UK, certain points stand out:

- There is a leap in knowledge and engagement with money at the age of 6.
- Children who make their own money decisions have better financial knowledge and understanding in many areas.
- Financially confident children have better financial knowledge across the range of measures.

Work is needed:

- While most children know about familiar financial products, there is a knowledge gap around more complex products. For example, 22% of 14- to 17-year-olds could not identify whether an 'investment' made your money grow or was something that needed paying back. It will be interesting to track whether this changes in light of the new GCSE Maths - Numeracy qualification introduced in Wales from 2015.
- There was a knowledge gap around relatively simple concepts such as interest and inflation, with only 69% of 12- to 17-year-olds in Wales knowing that 'inflation' was the term for prices going up in the shops.
- Only 46% of 12- to 17-year-olds correctly answered a numerical question concerning interest and inflation.
- One in nine (11%) 12- to 17-year-olds were unable to correctly identify from looking at a bank statement how much was in the account, although this is far better than across the UK as a whole (21%).
- Reading a payslip presented difficulties for 14- to 17-year-olds: 50% could not identify pension contributions and 58% could not identify how much had been paid.
- Only 71% of parents of 4- to 6-year-olds show their children how they pay for things, as compared to 83% of parents of 7- to 17-year-olds.

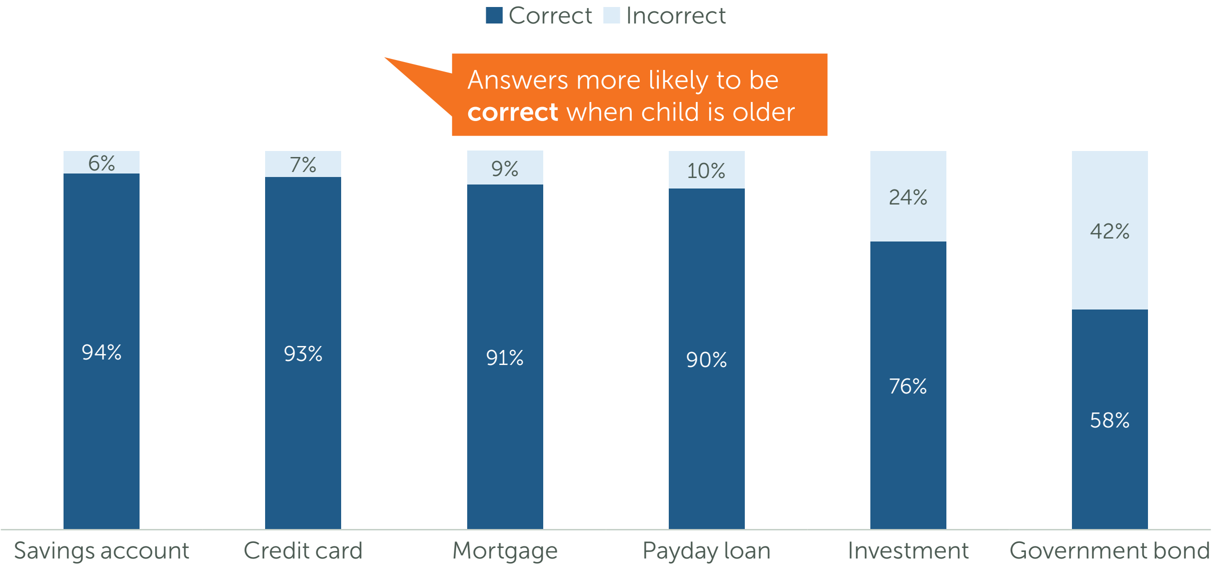
Understanding financial products and concepts

Do children understand how the main financial products work?

Children understand the most familiar financial products, but there is a gap in education about less well-known products and concepts. Overall, 84% of 7- to 11-year-olds in Wales know what a bank account is. From UK-wide results, we see that children who save or are involved in decisions about their money are also more likely to know.

We asked 14- to 17-year-olds to tell us whether particular financial products either helped your money grow, or needed to be paid back later. Most children could answer correctly about the familiar products such as savings accounts and mortgages, but fewer knew about more complex products such as investments and government bonds (Chart 21). Again, UK-wide. children who are confident managing money were more likely than those with low confidence to answer the questions correctly (Chart 22).

Chart 21: Do these financial products make your money grow or need to be paid back later



Source: MAS 2016 Financial Capability Survey for Children and Young People. YP19 (C). Look at this list, and choose which ones make your money grow, and which ones give you money now that has to be paid back later...? Incorrect includes DK. CYP 14+ year olds . Base: All 14-17 year olds n=211

Children also understand the difference between direct debits, and debit and credit cards. Overall, 94% of 14- to 17-year-olds knew that direct debits take money from your bank account each month and 95% got a question about the difference between credit and debit cards right.

However, whilst children are aware of the basic products, there are still one in nine (11%) 12- to 17-year-olds in Wales who are unable to correctly identify how much was in a bank account when looking at a bank statement, although this is significantly lower than the 21% reported UK-wide. As one might expect, older children are less likely to get this wrong, but nevertheless, 8% of those aged 16-17 were also incorrect. This is comparable with the 10% of 18- to 24-year-olds in Wales who incorrectly answered this question in the adult Financial Capability Survey 2015 across the UK[31]. We also see from UK-wide results that children in low-income households and those that never save are more likely to get this wrong, while those who are more confident are more likely to get it right.

31. It is important to note that the 18- to 24-year-olds who got this wrong did not do so because they were only using mobile banking. *Financial Capability in the UK 2015* (Money Advice Service, 2015)

We did not expect younger children to know about financial products, but we did ask their parents how often they showed their child the different ways there are to pay for things. 71% of parents of 4- to 6-year-olds said they did this sometimes or often. This is compared with 83% of parents of 7- to 17-year-olds; this suggests that there is an opportunity for parents to start showing children at a younger age.

Do children understand financial concepts and terminology?

Children understand some financial concepts and terms – but by no means all those they are likely to need in adulthood. We asked children aged 12–17 a question designed to see if they understood financial concepts and terms (Figure 2).

Figure 2: Financial concepts and terms question

Can you pick the word that best fits this description?

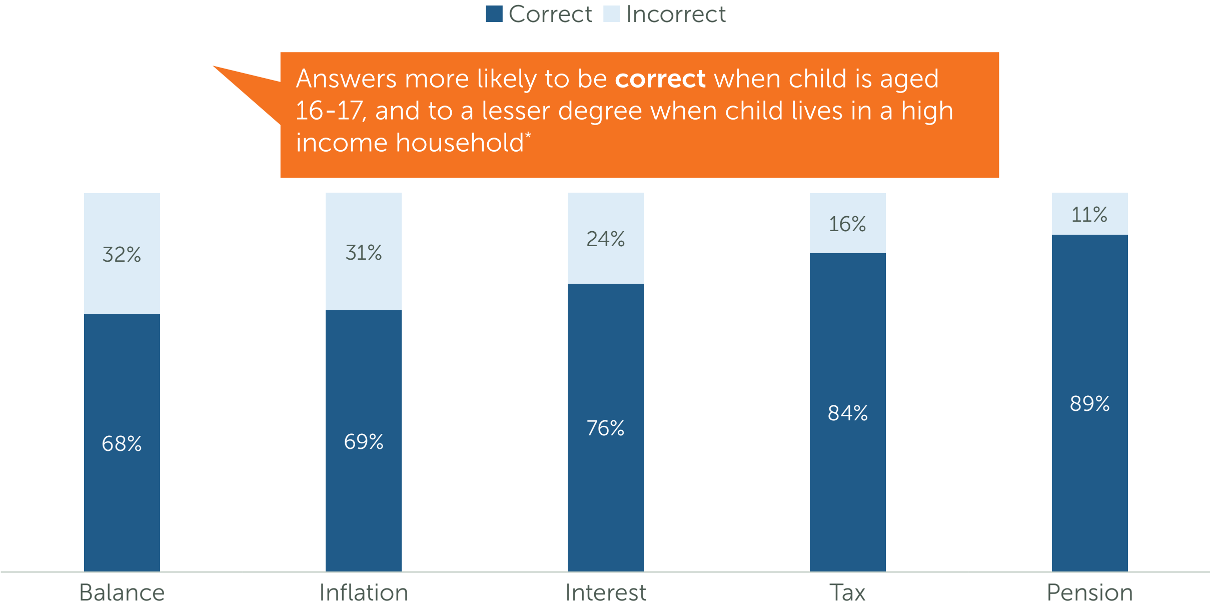
- The amount the price of things in shops goes up by
- The money that is added to savings by banks or building societies
- The money people pay to government
- The money you get when you retire from working
- The amount of money you have in your bank account

1. Interest	2. Pension	3. Inflation	4. Balance
5. Tax	6. Benefit	7. Credit	8. Debit

Overall, at least four out of five children understood what 'tax' and 'pension' meant, but fewer than seven in ten got 'inflation' and 'balance' right (Chart 22). Typically, children said that they didn't know, rather than picking the wrong answer although 6% thought that the price going up in shops was 'interest' and 6% thought the amount you have in your bank account was 'credit' (perhaps knowing that the account was in credit, or associating the term with having credit on their mobile phone). Children aged 16–17 and those in high- income households are more likely to be correct.

There is some work to do here to improve knowledge of these basics, although it may be interesting to see if this changes in light of the new GCSE Maths - Numeracy qualification introduced in Wales from 2015. This qualification provides the opportunity to assess learners' skills and knowledge, including aspects such as basic principles of personal and household finance, simple interest and profit and loss, amongst others.

Chart 22: Can you pick the word that best fits this description?



Source: MAS 2016 Financial Capability Survey for Children and Young People. YP18 (C). Can you pick the word that best fits this description...? Incorrect includes DK. CYP 12+ year olds . Base: All 12-17 year olds n=289

*Low base size: 66

The final test to see if the children interviewed understood financial concepts was to show a payslip to the 14- to 17-year-olds and ask them to identify how much had been paid towards the worker's pension, and how much they had earned that month. Both of these proved difficult, with only 50% in Wales getting the first question and 42% the second question right. UK-wide, correct answers had tended to be lowest amongst 14- and 15-year-olds, those in low-income households and those with low confidence. While 16- to 17-year-olds in Wales did a little better, there are still only 57% who got the pension question right and 46% who got the pay question right. This is concerning given that these children are likely to be working soon, if they are not already.

Can children work out the effects of interest and inflation?

We gave children problems to solve, relating to interest and inflation; a high proportion struggled with the questions (Figure 3).

Figure 3: Interest and inflation questions

Interest: Suppose you put £100 into a savings account with a guaranteed interest rate of 2% per year. You don't make any further payments into this account and you don't withdraw any money. How much would be in the account at the end of the first year, once the interest payment is made? (11–17)

Combined interest and inflation: If the inflation rate is 5% and the interest rate you get on your savings is 3%, will your savings have more, less or the same amount of buying power in a year's time? (12–17)

Only 57% of children aged 11–17 in Wales got the 'interest' question right (although this is a significant improvement on the UK figure of 50%) and 46% of the 12- to 17-year-olds got the 'combined interest and inflation' question right. In both cases, income is a factor, with children in lower income households more likely to answer incorrectly. A number of the children correctly identified the terms in Figure 2 but were nonetheless unable to get these answers right. It is possible some may have made 'lucky guesses' on the terminology but this is more likely to suggest they lacked the numeracy skills to answer these questions correctly, or that they were unable to apply them in a practical financial situation.

Comparing these results with those of adults aged 18–24 from the Adult Financial Capability Survey in 2015, shows that this is an area that young adults struggle with too. Overall 58% correctly answered the interest question and only 43% got the combined interest and inflation question right.[32] This, and the finding above that similar proportions of young adults struggle with reading a bank statement, casts the children's results in a new light: as young adults struggle with these questions, perhaps the case for earlier financial education is strengthened as they do not appear to be 'learning on the job' when they enter adulthood.

We gave the 4- to 6-year-olds the question shown in Figure 4, which was designed to see if they could both recognise the value of the coins shown and perform the sum to decide which coins were needed. Overall, 71% in Wales got the correct answer. UK-wide findings showed that as you would expect 6-year-olds were more likely to answer correctly than 4-year-olds.

This seems to suggest a considerable leap in financial skills and knowledge at the age of 6. This may well be linked to developmental stages, or the increased intensity of the education they are receiving at this age. Also, we note that in Wales the Literacy and Numeracy Framework Foundation Phase: Framework for Children's Learning for 3 to 7-year-olds has tasks such as using coins to pay for items which may contribute to the increase in financial skills.

Figure 4: Coins and adding question – 4- to 6-year-olds

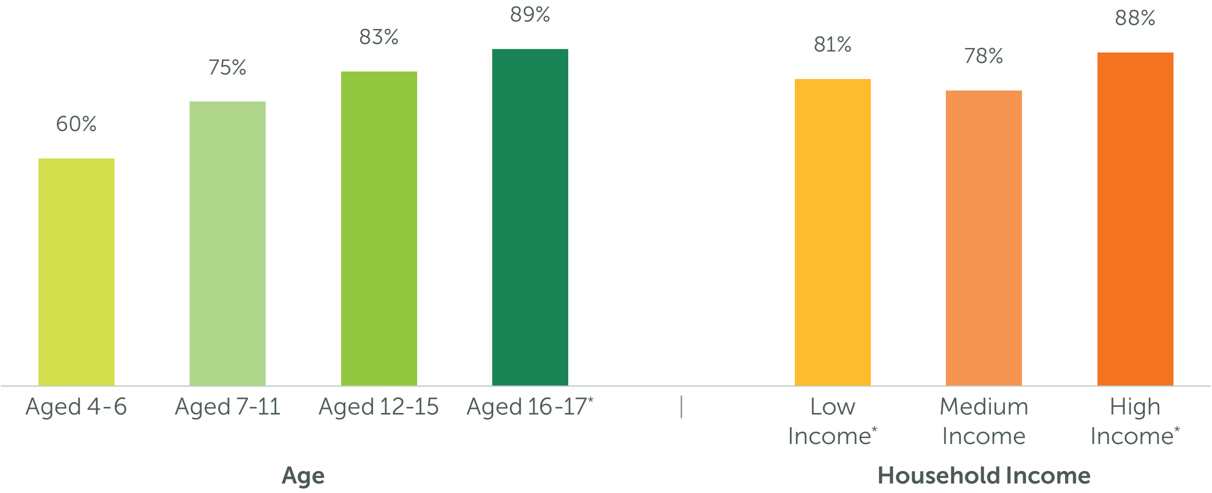
32. *Financial Capability in the UK 2015* (Money Advice Service, 2015)

Understanding the value of money

Do children know that money has a value?

Overall 60% of parents of 4- to 6-year-olds, and 81% of parents of 7- to 17-year-olds, thought their children understood 'very well' or 'quite well' that money has a value. As we can see in Chart 23 this varies by age and income. Across the UK as a whole this also varied by the child saving behaviour, decision making responsibility and their confidence managing money.

Chart 23: Percentage of parents who say their children understand that money has a value



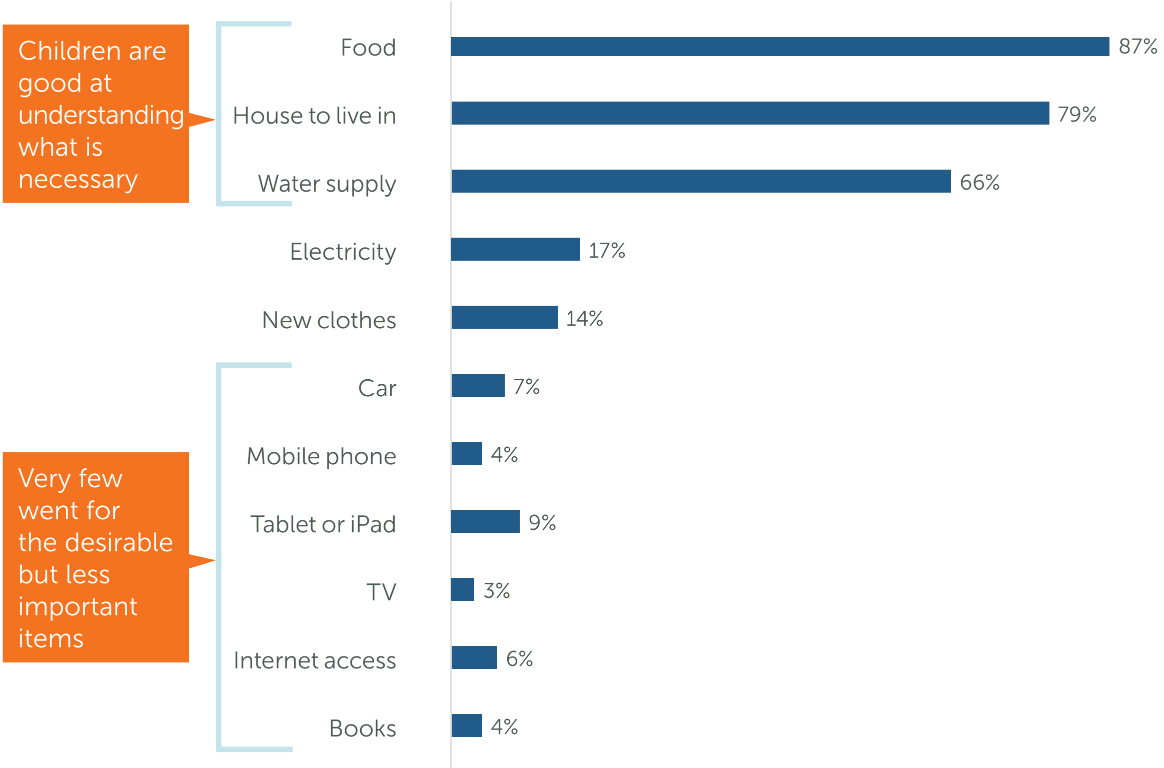
Source: MAS 2016 Financial Capability Survey for Children and Young People. PP24a. (PP) How well do you think child understands that money has a value? Parent answered 4-6 Parent answered 7-17. Those answering 'Very well' or 'Quite well'. Base: All 4-6 n=116, All 7-17 n=472

* Low base sizes: 89 (high income).

Do children understand the difference between 'want' and 'need'?

We wanted to understand how well children understood the difference between items that are necessary, and those that are 'nice to have'. To do so, we set a scenario for 7- to 11-year-olds of a 16-year-old alien called Zig coming to Earth and having to make a variety of financial decisions (see Chart 24). Most children had little difficulty in working out what Zig would need to live on Earth, and only a few thought he would need less important items such as a mobile phone or internet access. We cannot be sure about the degree to which this ability to work out what the alien would need translates to an understanding of the difference between want and need in the children's own lives, but it does give an indication that children understand certain things are necessities.

Chart 24: Zig is 16, and he is an alien who has come from another planet to live on Earth. He can choose up to three of the items you see below. Can you pick the three most important things you think he needs to live here?



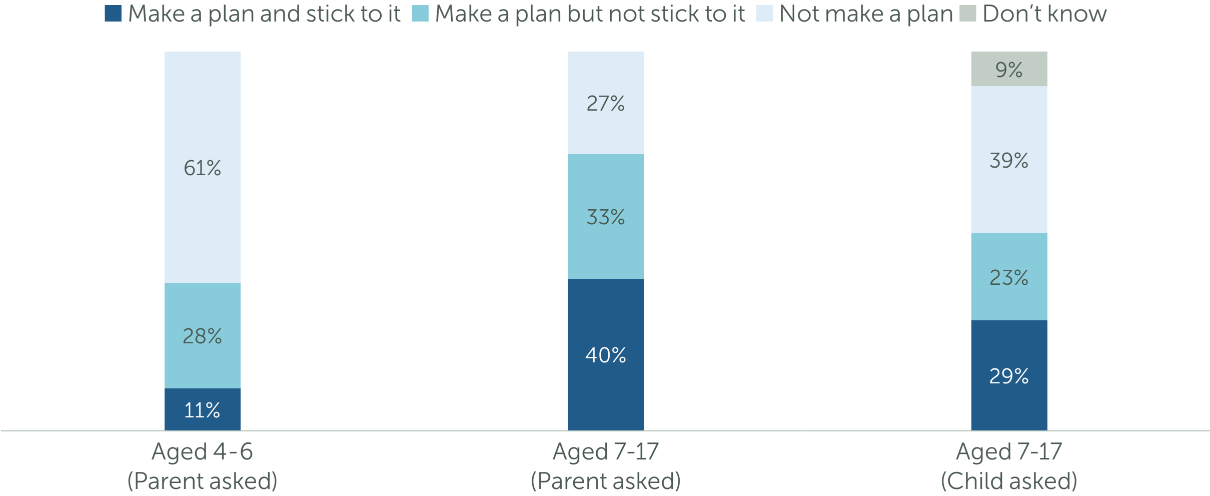
Source: MAS 2016 Financial Capability Survey for Children and Young People. C2 (C). Zig is 16, and he is an alien who has come from another planet to live on Earth. He can choose up to 3 of the items you see below. Can you pick the 3 most important things you think he needs to live here? CYP 7-11 . Base: All 7-11 year olds n=187

Knowing how to budget

Can children make – and stick to – a spending plan?

We asked all parents if they thought their child would be able to make a plan for how to spend £5 on a day out, and then if they would be able to stick to the plan. We asked the 7- to 17-year-olds the same question. Amongst the parents, the proportion that thought their child would stick to a plan increased with the age of the child, although when asking the children themselves, no clear age pattern is evident. This may suggest that parents and their children have differing perceptions of how well the children are able to budget.

Chart 25: Whether children can make a plan to spend £5



Source: MAS 2016 Financial Capability Survey for Children and Young PeopleNQ98. (PP) Imagine you gave child 5 to spend on a school trip or day out, would he/she make a plan in advance of how much to spend on different things like sweets or presents? 4-6, 7-17. NCYP10 (C). Imagine you were given GBP5 to spend on a school trip. Would you plan how to spend the money and then stick to that plan? For example, would you work out how much you want to spend on different things like sweets or presents. All CYP 7-17. Base: All parents of 4-6 year olds n=110, all parents of 7-17 year olds n=438, all 7-17 year olds n=476

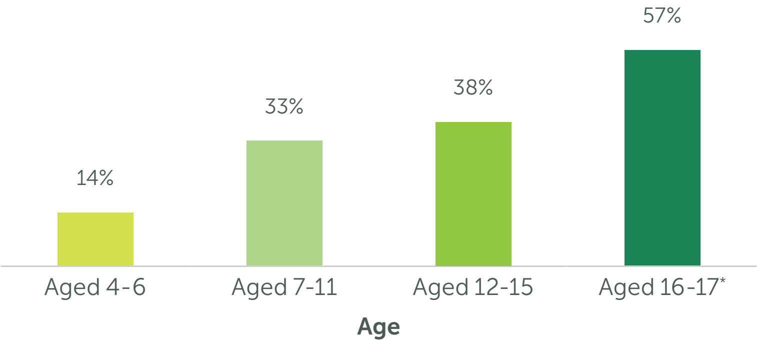
We also asked 14- to 17-year-olds how often they plan how they are going to pay for the things they need. Overall, 37% in Wales said 'always' or 'often', 53% said 'sometimes' and 9% said 'never' or 'rarely'. Planning 'always' or 'often' is higher amongst older children aged 16-17.

Can children explain the choices they make?

Again, children's ability to explain their choices increases with age. Overall, 14% of parents of 4- to 6-year-olds and 41% of parents of 7- to 17-year-olds say their children are always able to explain the choices they make when they spend their money (Chart 26).

We also wondered to what extent children's choices were influenced by their peers, so we asked 11- to 17- year-olds if they thought about whether their friends would approve of an item they wanted before they bought it, and 54% said they did so sometimes or often. This rose to 62% of children in high-income households.

Chart 26: Percentage of parents whose children can always explain their spending choices



Source: MAS 2016 Financial Capability Survey for Children and Young People. PP25c. (PP) Is child able to explain the choices he/she makes when he/she spends his/her money. Where child has or receives money of their own. Those answering 'Always' Base: All 4-6 n=105, All 7-17 n=431

* Low base sizes: 98 (aged 16-17)

Do children evaluate 'value for money'?

Overall most 11- to 17-year-olds think about whether something they want to buy is value for money: 77% said that they did so sometimes (44%) or often (33%). They are more likely to think about value for money if they saved regularly or if they are given regular money.

We also asked if they shopped around to compare prices and overall 79% in Wales said they did sometimes or often. This proportion is higher amongst 16-17 year-olds (85%), than amongst those aged 12-15 (77%), as well as amongst those from high income households (85%[33]).

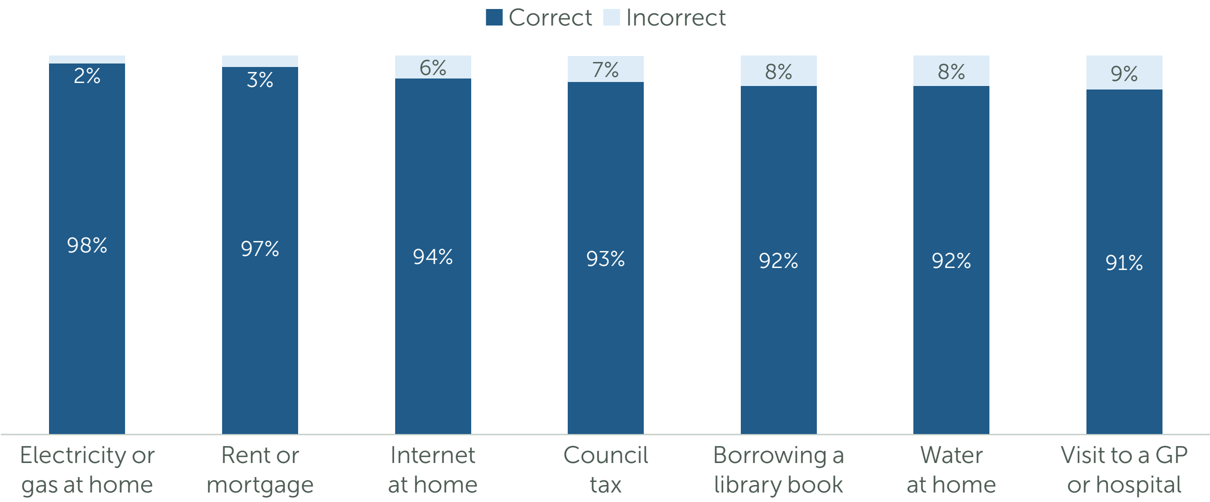
Understanding the role of money in society

Do children understand what is free and what we pay for?

Chart 27 shows that children have a good understanding of what needs to be paid for in our society.

For each of the items, over nine in ten children in Wales give the correct answer, with results in Wales being slightly more positive than those reported generally across the UK.

Chart 27: Whether children know which of these adults normally get free and which they normally pay for?



Source: MAS 2016 Financial Capability Survey for Children and Young People. YP28b (C). Which of the following things do most adults pay for, and which do most adults get for free...? Incorrect includes DK. CYP 14+ year olds . Base: All 14-17 year olds n=211

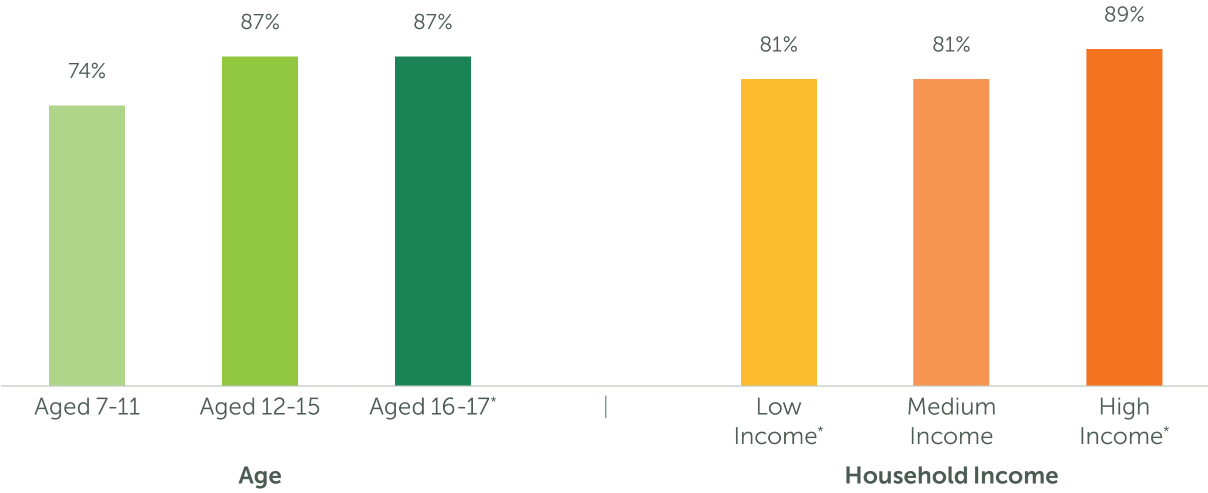
We also asked 14- to 17-year-olds if they knew the consequences of not paying Council Tax. Overall, three-quarters (73%) were correct. This rose to 83% amongst 16- to 17-year-olds (against 62% for 14-15 year-olds).

33. Low base size: 66

Are children savvy about advertising?

Parents are fairly sure that their 7- to 17-year-old children understand advertising: 84% in Wales believe their children understand it 'quite well' or 'very well'. Age and household income have some link to understanding, with older children and those from higher-income households showing greater propensity to understand (Chart 28). Additionally, across the UK, we have seen that financial responsibility and confidence are also key factors.

Chart 28: Percentage of parents who say their children understand very or quite well that adverts are trying to sell them things



Source: MAS 2016 Financial Capability Survey for Children and Young People. PP24d (PP). How well do you think [Child name] understands that adverts and some TV programmes are trying to sell them things? CYP 7-17 Those answering 'Very or quite well'
Base: All parents of 7-17 n=469

Low base sizes: 99 (low income); 88 (high income)

As might be expected, parents of 4- to 6-year-olds are least likely to think their children understand advertising, with only 44% saying their children understand it very or quite well.

We also asked 4- to 6-year-olds directly for their thoughts on advertising: 51% thought that adverts were to show you things that you could buy, whereas only 21% thought they were to make you buy things. Another 28% thought they were just for fun or for a break.

These results should be seen in the context of an Ofcom report in 2015 which revealed that a quarter of 12- to 15-year-olds who play games say they see 'pay to win' advertising in all or most games they play, and about a quarter of parents are concerned about their child being pressured to spend money online. Only 16% of 8- to 11-year-olds and 31% of 12- to 15-year-olds are able to correctly identify advertising displayed in online search results, and less than half understood that advertising could be personalised to them.[34]

Parents of 7- to 17-year-olds were also asked whether they talked to their children about the fact that advertising happens online and 77% said they did so sometimes or often. This contrasts however with only 46% of parents of 4-6 year-olds who similarly discuss the role of advertising with their child and is possibly because younger children are considered by most parents too young to be online without supervision and the 16- to 17-year-olds are thought already to be aware.

Unlike the UK as a whole, it is those parents from low-income families who are most likely to discuss the role of advertising (no difference by income UK-wide) – this replicates the UK-wide finding amongst 4-6 year-olds.

34. *Children and Parents: Media Use and Attitudes Report* (Ofcom, 2015)

Implications

Many children need more education about financial products, concepts and terminology. There is an argument for teaching that focuses on practical life skills such as reading a bank balance, particularly through schools.

In Wales the introduction of the revised Welsh Baccalaureate coupled with the first teaching of the new mathematics – numeracy GCSEs from September 2015 may influence these levels of knowledge within Wales over the next few years. These qualifications provide the opportunity to assess learners' skills and knowledge, including aspects such as:

- the basic principles of personal and household finance, including fuel and other bills, hire purchase, discount, VAT, taxation, best buys, wages and salaries, loan repayments, mortgages, budgeting, exchange rates and commissions;
- simple interest;
- profit and loss;
- foreign currencies and exchange rates; and
- carrying out calculations relating to enterprise, saving and borrowing, investing, appreciation and depreciation.

There is a particular concern that a proportion of children who are old enough to be working outside of the home struggled to read a payslip. There is evidence from the Adult Financial Capability Survey of 2015 that young adults also struggle in some of these areas, so it does highlight how important it is to learn about these products and concepts so as not to reach adulthood without a good level of financial knowledge and perhaps strengthens the case for earlier financial education as young adults do not appear to be 'learning on the job' when they enter adulthood.

Children are relatively savvy shoppers who know the value of money and tend to shop around, but parents may also be over-estimating their abilities to understand and resist advertising – there is room for parents to talk about these issues more frequently and at an earlier age. After all, even adults think that they are not influenced by advertising – but study after study shows that they are, especially online.

Chapter 4: How children learn about money

Strengths to build on:

- Almost all (97%) of parents believe money habits are established by the age of 18 and 94% believe it is important they help their child learn how to manage their money.
- Seven in ten (72%) parents feel they are able to be good financial role models for their children.
- Most children aged 7–17 (87%) feel comfortable talking about money with the significant people in their lives, primarily their parents, and it is their parents they would go to for advice about money.
- Almost all children see their parents paying for things (99% of 7- to 11-year-olds) and many see other aspects of household finances such as setting a budget and shopping around.
- UK-wide, children who recall having had money management lessons at school show higher scores for a number of indicators of positive financial behaviour or knowledge (although the full relationship between these needs to be explored further).
- Estyn completed a thematic review of financial education in schools in Wales in 2017 and that will help develop the work in schools.

Work is needed:

- Parents believe they can influence their children's behaviour around money but only half (49%) in Wales think that their children will grow up to be like they are with money.
- One in three parents are not confident talking to their children about money yet 92% of children would go to their parents for money advice thereby demonstrating the need to support parents with these conversations.
- Fewer than half of parents are able to model 'good' saving behaviour, with 46% saying they saved every or most months; 24% of parents are over-indebted.
- One in five parents of 12- to 17-year-olds have never or rarely talked to them about the risks of borrowing and the impacts of debt.
- Despite the evidence for the value of starting early when talking to children about money, only a minority of parents believe that children aged under 8 should be given a range of financial education experiences. For example, only 14% think 5- to 7-year-olds should be taught about bills, and this is just 3% for the under 5s.
- One in five parents do not think children should be allowed to make mistakes until they are aged 16 and above. There may be some parents who are not comfortable with the idea that making mistakes is part of the process by which habits and attitudes are formed.
- Talking to children does increase with age of the child, yet still only 48% of parents of 16- to 17-year-olds say they discuss their household finances openly with their children. This suggests that opportunities for the child to learn about adult financial responsibility are being missed.
- Only 35% of 7- to 17-year-olds say they remember learning about managing money at school or college and this does not vary by age.

Advice and guidance

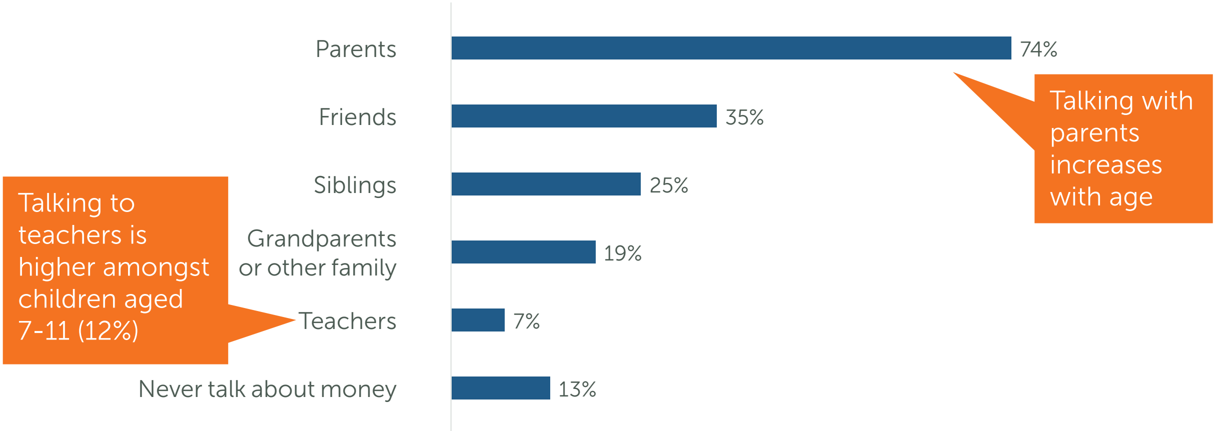
Who do children talk to about financial matters?

Most children aged 7–17 in Wales feel comfortable talking about money with the significant people in their lives. When children were asked who they talk to about their money, 87% said they talk to at least one other person about their money, and mostly they talk to their parents (Chart 29).

Children were then asked who they would turn to if they needed advice about money, with 92% saying they would go to their parents. Children also see parents the most useful source of guidance. A few would use other sources such as friends (9%) or other family members (14%) and around 5% would ask teachers, go online or ask a bank or financial institution. Even among 16- to 17-year-olds, only 6% would go to a bank for advice.[35]

Only 4% said they would not ask for advice, which is encouraging. Overall, these findings back up previous MAS research that shows that young people find their parents' advice helpful.[36]

Chart 29: Who children talk to about money



Source: MAS 2016 Financial Capability Survey for Children and Young People CYP17 (C). Do you talk about your money with any of the following people? 7-17 CYP Base: All 7-17 year olds n=424.

*Low base sizes: 97 (low income households); 86 (high income households)

Amongst 4- to 6-year-olds, 78% in Wales say their parents talk to them about what they spend their money on. UK-wide, this increases with age, and children who like to save are more likely to talk to their parents than children who like to spend. We asked the same question to their parents and got similar results: only 21% said they never talk to their children; UK-wide, this was most likely amongst 4-year-olds compared with 6-year-olds, high-income households, and parents of children who say they like to spend. It is interesting that across the UK, high-income households had been more likely to talk to 7- to 17-year-olds but less likely to talk to 4- to 6-year-olds.

Parents also talk to their children about what careers they could do in the future. Overall, only 3% of parents aged 12–17 said they never or rarely talked about careers, with 66% saying 'often'; this figure being significantly higher than the 59% reported UK-wide. Frequent discussions of careers increase with both child age and household income.

35. The term 'advice' is used here in the general sense, not regulated financial advice.
36. *The Financial Capability of 15- 17-year-olds* (Money Advice Service, 2013)

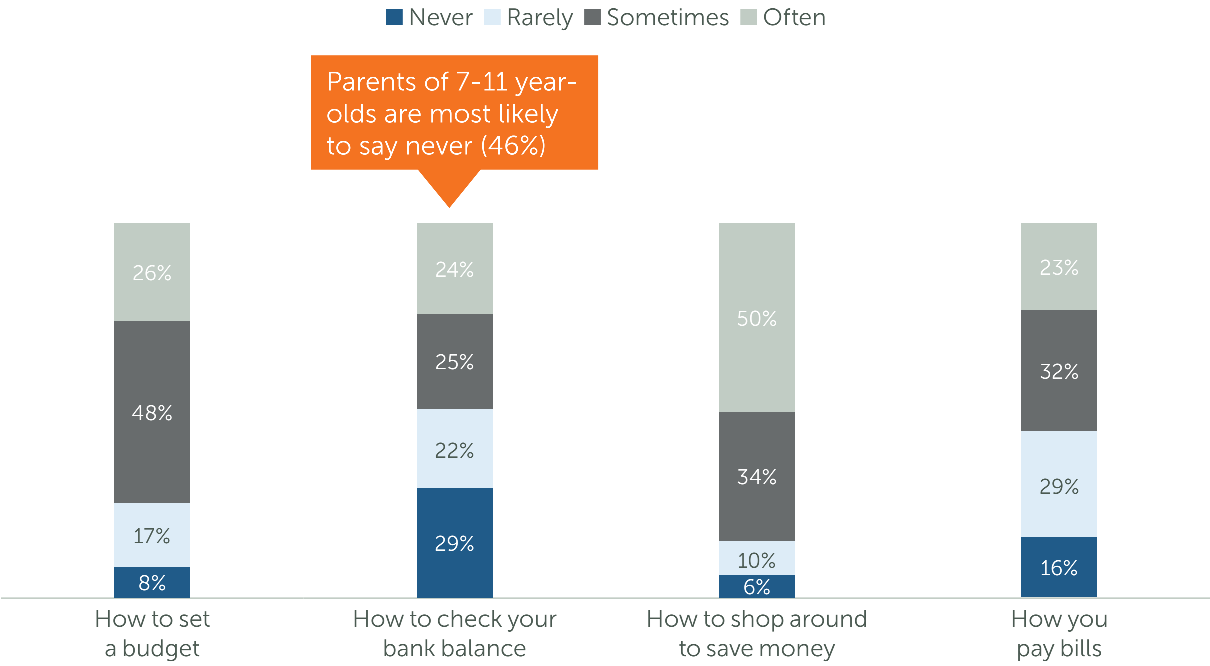
Exposure to family finances

How often are children shown elements of family finances?

Out of all the financial tasks that take place in the household, children aged 11–17 are most frequently shown how to shop around to save money (Chart 30). This is likely to be because children accompany parents on shopping trips or see them shopping online and the subject comes up naturally. Parents are more likely to have to make an explicit decision to show a child one of the other tasks, such as paying bills or setting a budget, so it is encouraging that many parents do so at least sometimes.

Parents may be more reluctant to show children how to check a balance as they may not wish to reveal how much money the family has in the bank. However, as we have seen in Chapter 1, there are 19% of children who do not keep track of their finances and a further 30% who only keep track in their head and who may therefore benefit from repeated lessons on how to check a balance. Additionally, we saw in Chapter 3 that 11% of 12- to 17-year-olds are unable correctly to determine the balance from a bank statement. The frequency with which parents show the tasks in Chart 30 tend to increase with age and, in certain instances, household income.

Chart 30: How often parents show their child various financial tasks



Source: MAS 2016 Financial Capability Survey for Children and Young People. PP27 (PP). How often do you show [Child name]...? Budget: Aged 11-17, Balance 7-17, Shop: 11-17, Bills: 14-17. Base: All – bases vary

We asked the 7- to 11-year-old children if they had seen their parents pay for things in a variety of ways. Overall:

- 95% had seen their parents use cash (84% UK)
- 81% debit card (74% UK)
- 49% an online account (43% UK)
- 34% credit card (40% UK)
- 12% mobile phone
- Only 1% had seen none of these

UK-wide, children in high-income households are most likely to have seen their parents pay in most of these ways. Those whose parents decide how they spend their money are the least likely to have seen any of these methods.

Are children involved in household choices?

Most children are involved in some of the choices that are made in their households. This is encouraging as it is likely that some of the understanding that children get about the value of money, and the choices that are to be made, comes from having a degree of involvement in decisions about money. This applies not just to decisions about the children's own money, but also the money that is spent in the family.

More than three-quarters (77%) of 8- to 17-year-olds in Wales indicated they were given a choice in what to buy in the family food shop. This was lowest amongst 8- to 11-year-olds. Unlike many other questions, however, the proportion of children getting a choice was highest amongst low-income households – 83% vs. 76% for medium- and 72% for high-income households. Similarly, the proportion who get a choice in days out is lower amongst those high-income households (74%, compared to 80% overall).

How often do parents talk to children about the family finances?

We asked parents of 4- to 17-year-olds who they discuss their household finances openly with:

- 86% (of those who are married or living with a partner) discuss finances with their spouse or partner
- 37% with their parents or other family
- 33% with their children
- 23% friends
- 7% colleagues

Only 11% in Wales said they prefer not to talk about their finances with any of these people. Low-income households are where parents are least likely to talk to their children, and most likely to talk to no-one.

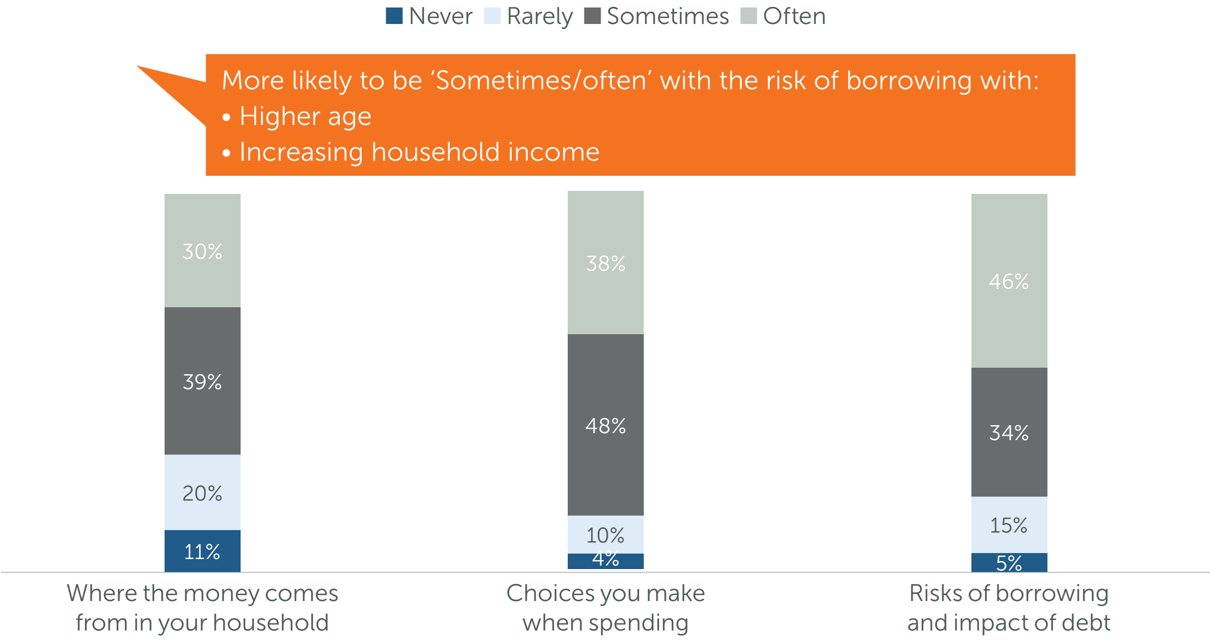
Talking to children does also increase with age of the child, yet still only 48% of parents of 16- to 17-year-olds say they discuss their household finances openly with their children. This suggests that opportunities for the child to learn about adult financial responsibility are being missed.

Parents were also asked how often they talked to their child about specific aspects of their household finances (Chart 31). Three in ten (30%) parents of children aged 4–10 in Wales often discuss where the money in their household comes from with their child. Over three in ten (31%) said they never or rarely discussed this, which is significantly higher than the 23% reported UK-wide.

Parents of 4- to 17-year-olds were asked how often they talk to their child about the choices they make when spending their money. Only 38% in Wales said they do so often and 14% said they never or rarely talk about it. This changes less than might be expected by age of the child, with only 43% of parents of 16- to 17-year-olds doing so often and still 3% saying they never or rarely talk to their child about the choices they make; the latter figure is significantly lower than the 12% reported across the UK.

Parents of 12- to 17-year-olds were additionally asked how often they talk to their child about the risks associated with borrowing money, and the impact of getting into debt. Overall, 46% of parents in Wales said they did so often, however one in five (20%) said they never or rarely talked about it. This was lower for parents of 16- to 17-year-olds, with 12% saying they rarely or never discussed the risks of borrowing and debt with their child.

Chart 31: How often parents talk to their child about the following financial issues



Source: MAS 2016 Financial Capability Survey for Children and Young People. PP26 (PP). How often do you talk to [Child name] about...?: Money: Aged 4-10, Choices 4-17, Borrowing: 12-17. Base: All – bases vary

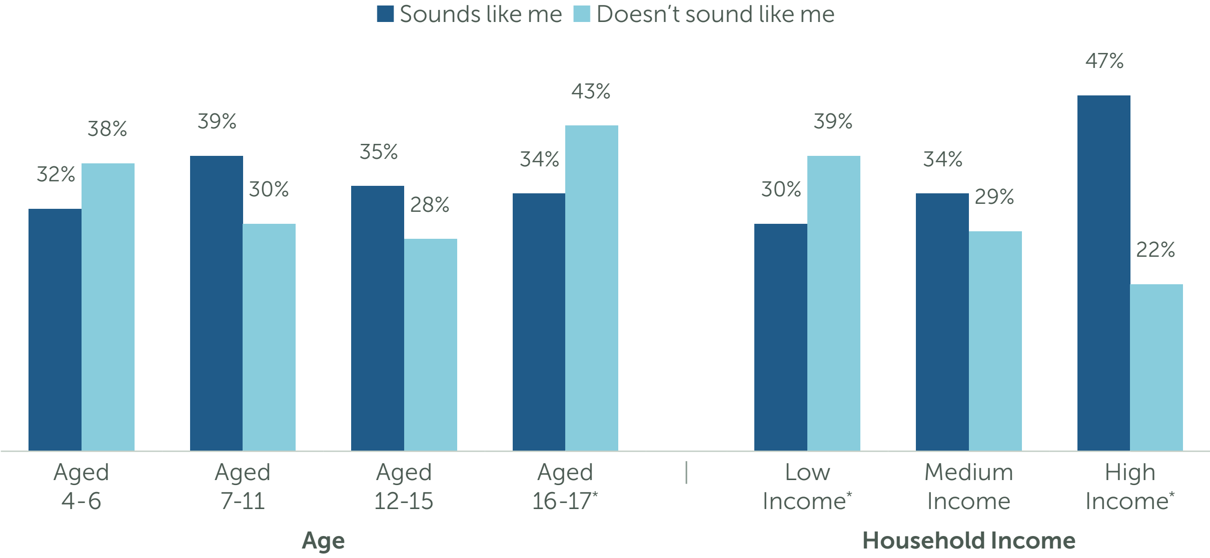
Similarly, children aged 11–17 were asked whether their parents discuss with them what the family can and cannot afford to buy. Seven in ten (71%) said they do, although agreement was slightly lower among 12-15 year-olds (66%).

Are there clear rules about money?

Parents are divided about whether there are clear rules in their households about money. We asked parents how much the statement "I set clear rules and agreements for my child about money, that I stick to" sounds like them. A third (32%) of parents of 7- to 17-year-olds say that this does not sound like them. Chart 32 shows how this differs within Wales by age and household income. UK-wide, saving behaviour and confidence are also important differentiators. The percentage saying 'that sounds like me'[37] decreases with child age, possibly because they feel that rules are not needed as much as children get older.

37. 'Sounds like me' = those scoring 8–10. 'Doesn't sound like me' = those scoring 1–5.

Chart 32: Whether parents think they set clear rules and agreements for my child about money, that they stick to



Source: MAS 2016 Financial Capability Survey for Children and Young People P12c (P). On a scale of 0 to 10, where 0 means 'it doesn't sound like me at all', and 10 means 'it sounds a lot like me', to what extent would you say...? : I set clear rules or agreements for [Child name] about money that I stick to : Sounds like me = 8-10 Doesn't sound like me = 0-5
Base: All parents of 7-17 n=476

* Low base sizes: 89 (high income).

Parents' attitudes and behaviours

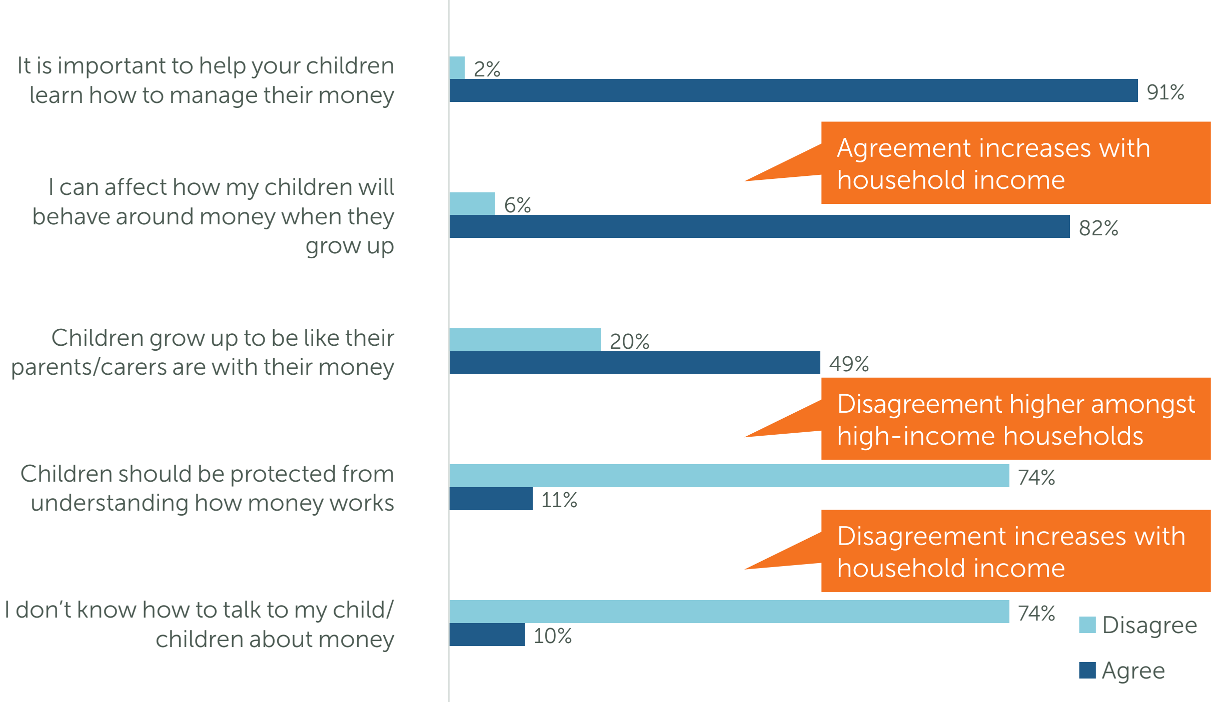
What do parents think about teaching children about money?

Parents understand that what they do has an impact on their child's financial future. Chart 33 shows that most parents in Wales (91%) think it is important to help their children learn about money, and that around four in five agree that parents have an impact on how children behave around money when they grow up. Our previous research also suggests that children are likely to imitate their parents when it comes to money.[38] Despite this, fewer than one-half think that children grow up to be like their parents when it comes to money. Parents in low-income families are least likely to agree with that view.

Household income is a factor in most of these statements, with an increasing level of positivity amongst those high-income households. We also see UK-wide, that parents who decide how children spend their money are the least likely to agree that they can affect their child's behaviour. They are also the most likely to agree that children should be protected from understanding how money works, and say that they do not know how to talk to their children about money. **Perhaps this combination – of feeling unable to talk to children and influence their behaviour, while feeling concerned about protecting them – leads to the need to control rather than empower** which, as we have seen throughout this report, may have a detrimental effect on children's financial capabilities. This suggests that providing support to parents – so that they can engage more effectively with their children – is a crucial factor in educating children about finances.

38. *Habit Formation and Learning in Young Children* (Money Advice Service 2013)

Chart 33: Parents agreement with statements about teaching children about money



Source: MAS 2016 Financial Capability Survey for Children and Young People. P11 (P). Here are some things parents and carers have said about teaching children about money. To what extent do you agree or disagree with...? Excludes those saying neither or DK. Base: All parents of 4-17 year olds – bases vary

At what age do parents think they should be educating their child about money?

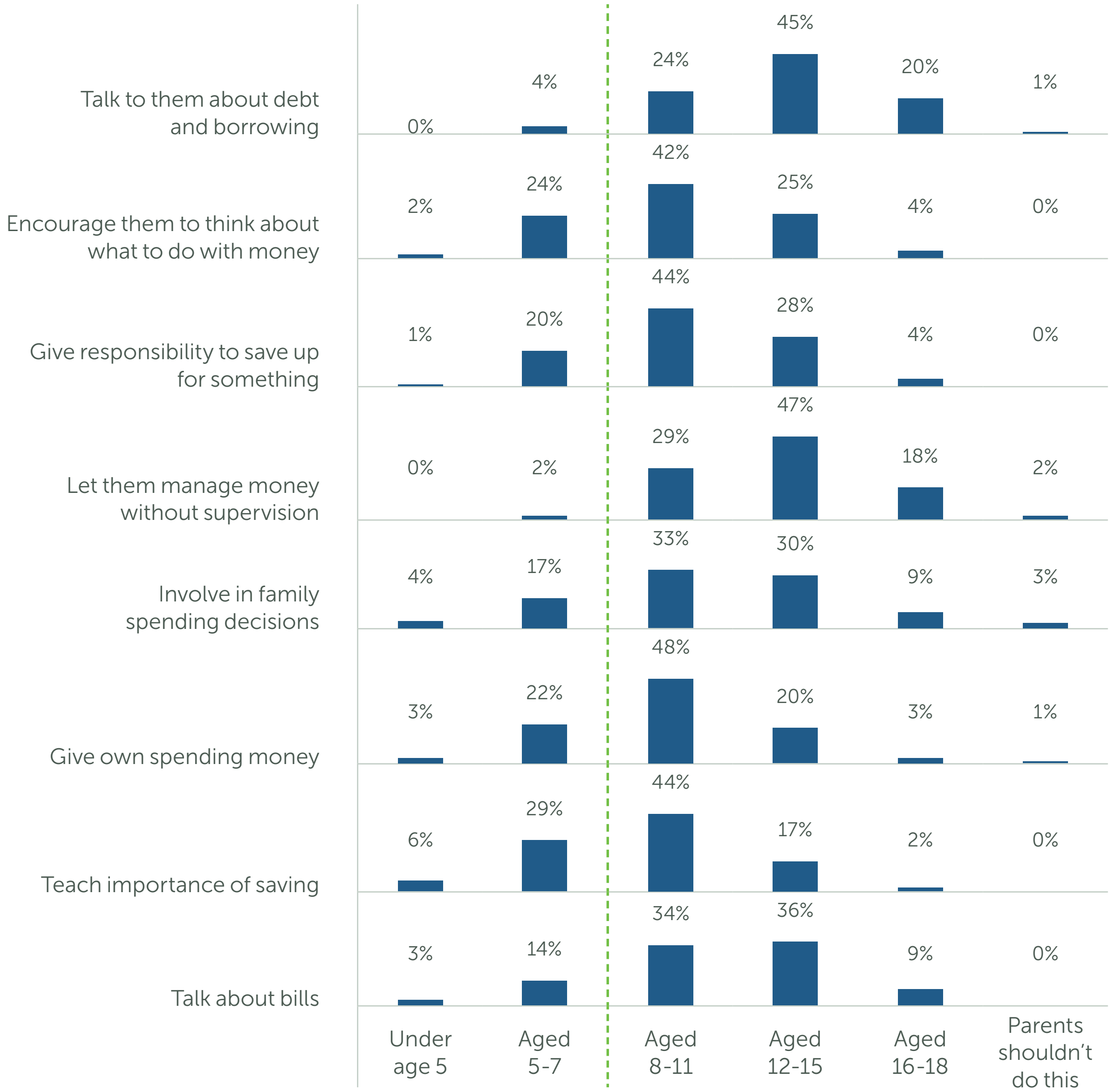
Almost all parents believe they should educate their children about different aspects of money management by the age of 18, as shown in Chart 34.

Generally, the most common period that parents think they should begin addressing these money matters is between the ages of 8 and 11, and in certain cases, 12-15.

A quarter (26%) of parents think they should encourage their children to think about what to do with their money under the age of 8, with only 25% thinking they should be giving children their own spending money under the age of 8. Only 6% of parents think the importance of savings should be taught to under-5s, and only a further 29% think this should be discussed between the ages of 5 and 7. Previous research has indicated, however, that many adult habits are in place by the age of 7.[39] Throughout this report we have seen that children who have experience of using money and are involved in making financial choices show more positive behaviours and attitudes. However, Chart 34 indicates that some parents are not aware of these benefits.

39. Ibid.

Chart 34: Age that parents and carers think they should start doing the following with their children[40]



Source: MAS 2016 Financial Capability Survey for Children and Young People. PP16 (P). At what age group do you think parents and carers should start doing the following with their children to help them become good with their money when they grow up...? Base: All parents of 4-17 year olds – bases vary

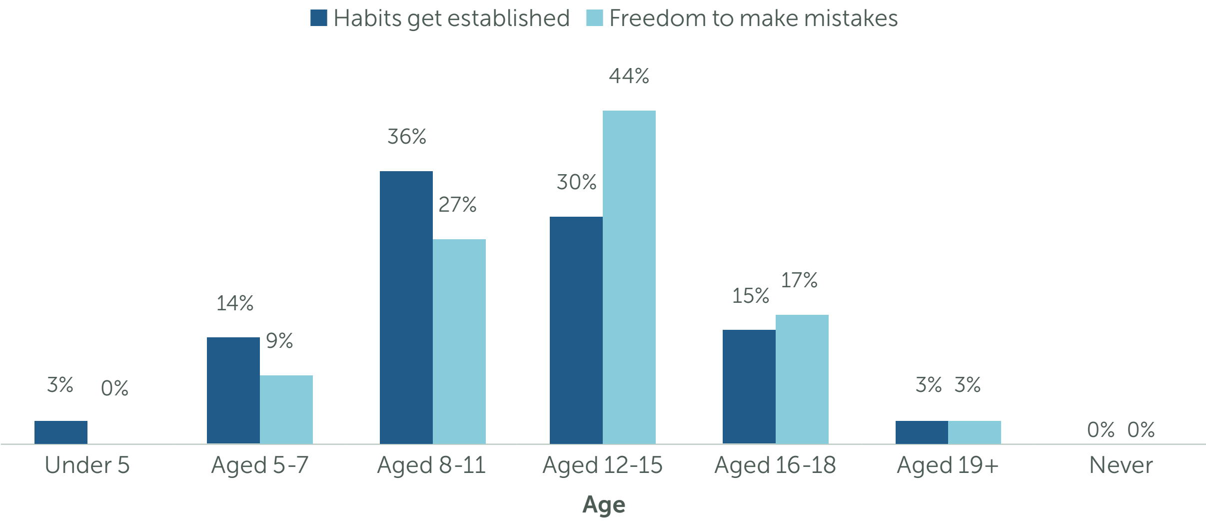
The ages that parents think they should educate their child may be related to their beliefs about the age their money habits and attitudes get established. Chart 35 shows that whilst 97% of parents in Wales believe that money habits and attitudes are established by the age of 18, only just over half think habits are established before the age of 12. Fewer parents (36%) believe children should be given the freedom to make mistakes before the age of 12. **This suggests that there may be some parents who are not comfortable with the idea that making mistakes is part of the process by which habits and attitudes are formed.**

One in five do not think children should be allowed to make mistakes until they are aged 16 and above. We do not know what type of mistakes the parents are thinking of, and no doubt their intention is to protect their children. Making mistakes is an important part of learning, however. Moreover, the consequences of making them become much greater the older the child is.

40. 'Don't know' answers included in calculation but not shown, as 5% or below in all cases.

It is also worth noting that approaching a half of parents in Wales think that habits become established at age 12 or later. This is in contrast to our previous research which show that by age 7, children are able to self- regulate their behaviour and by the time they are 8, they have a good enough concept of the future to begin to build a savings habit.[41]

Chart 35: The age that parents think that habits get established, and children should be free to make mistakes



Source: MAS 2016 Financial Capability Survey for Children and Young People. NQ2a (P). At what age do you think...? : A person's money habits and attitudes, for example being a spender or a saver, get established / That children should have the freedom to start making mistakes with their money and learn from them Base: All parents of 4-17 year olds. Bases vary

What sort of role models do parents make?

Most parents in Wales (72%) feel they are able to be good role models for their children although many have their own issues with financial capability and wellbeing. Overall, only 57% of parents of 4- to 17-year-olds say they are confident in managing their money, 65% say they are confident in talking to their children about money and only 23% are satisfied[42] with their own financial circumstances. That a third are not confident talking to their children about money demonstrates the need to support parents in these conversations as 92% of children would go to their parents for money advice (page 44).

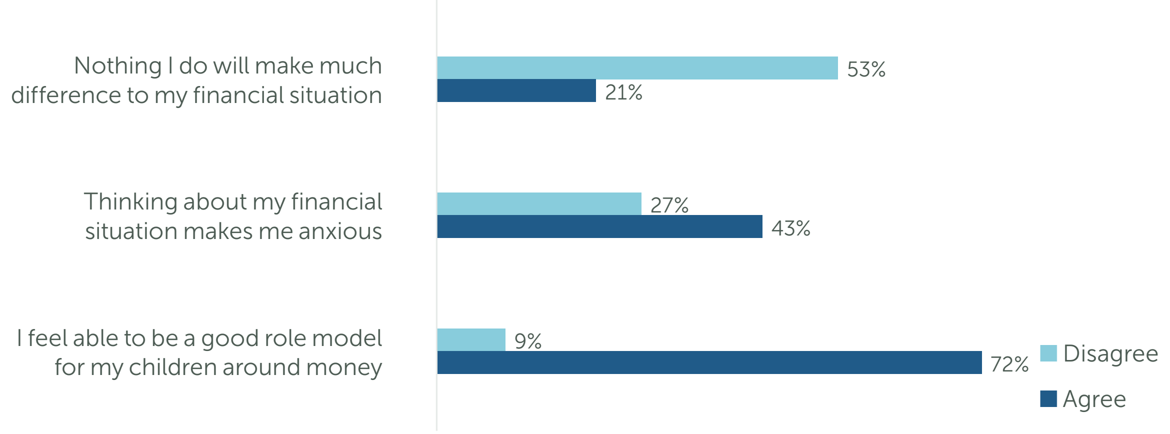
Chart 36 shows that over four in ten say their financial situation makes them anxious and a fifth feel there is nothing they can do to make any difference to their financial situation (in line with 21% of children, as we saw on page 29). Low-income households are most likely to report this.

Despite these difficulties with their own finances, most are able to restrain spending on their children: only 19% in Wales said that the statement "I feel under pressure to spend money on my children even when I can't afford it" sounded like them. Low-income households were more likely to agree with this statement than medium- and high-income ones (25% agree within low-income household compared to 14% in high-income).

Less than half of parents are able to model 'good' saving behaviour, with 29% saying they save every month and 17% saving most months. Over half could not, however, with 26% saying they rarely or never save – rising to 38% in low-income households.

41. *Habit Formation and Learning in Young Children* (Money Advice Service, 2013).
42. Satisfied = scoring 8-10 out of 10.

Chart 36: Parents agreement with statements about their attitudes to money



Source: MAS 2016 Financial Capability Survey for Children and Young People. P10: To what extent do you agree or disagree with the following statements about money? Excludes those saying neither or DK. Base: All parents of 4-17 year olds - bases vary

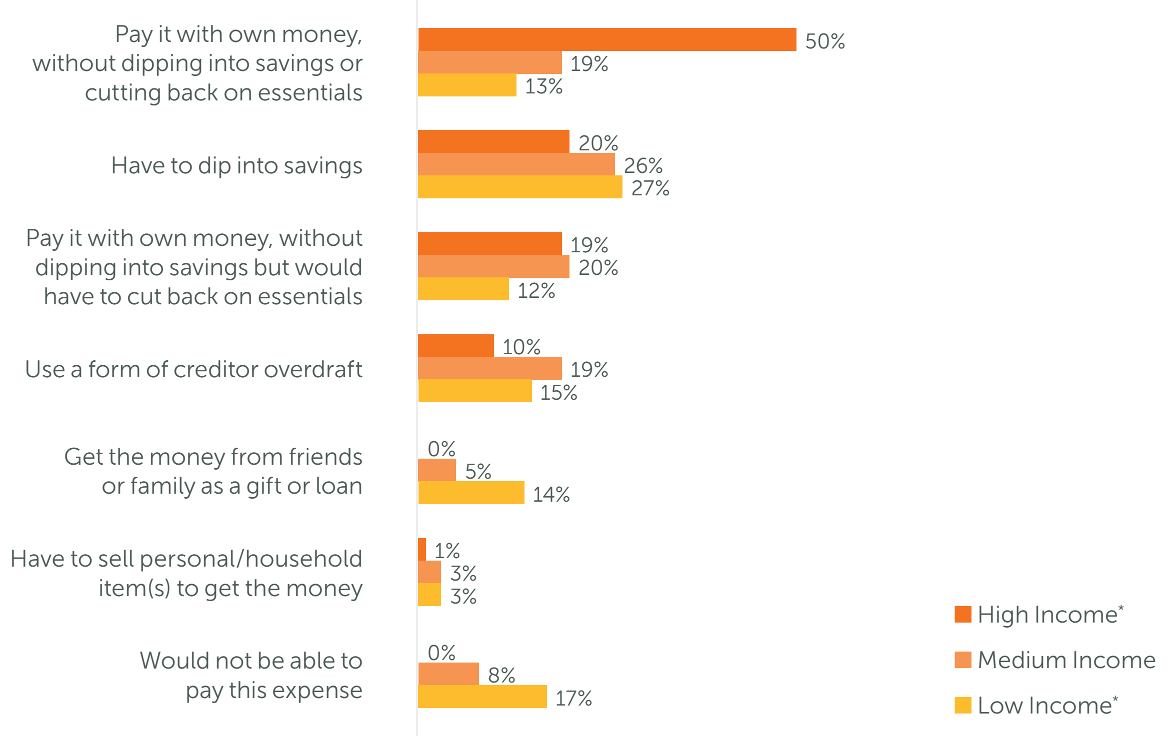
Many parents of 4- to 17-year-olds in Wales also feel burdened by their bills and credit commitments, and some have fallen behind. Overall, 75% (68% UK) say bills are a burden (15% heavy burden, 60% somewhat of a burden); this is highest in low-income families. A total of 15% of parents of 4- to 17-year-olds have fallen behind or missed payments for three months out of the last six; this rises to 35% of parents in low income families. Overall, 24% of parents are over-indebted[43] (which is interesting to note against the 2017 over-indebtedness data showing that the overall figure for adults in Wales is 17.7% over-indebted).[44] It is interesting to note that significantly fewer over-indebted parents (42%, compared to 60% UK) feel that they are a good role model for their children, than those who are not over-indebted (82%).

Chart 37 shows that there are also stark differences by income in how parents would cope with an unexpected bill. Most commonly, parents in high-income families in Wales would just pay it using money in the bank; parents in middle-income families would manage but need to use savings, take out credit or cut back; while parents in low-income families would ask friends and family to help, or would fail to pay.

43. Definition of over-indebted: i. I find meeting my monthly bills/commitments a heavy burden; and/or ii. I have missed bill payments in three or more months out of the last six months (not necessarily three consecutive months).

44. Throughout the UK and in Wales parents are more likely to be over-indebted than the overall adult population. The most recent 2017 figures show that 22% of parents in Wales are over-indebted, which is significantly higher than amongst the overall adult population.

Chart 37: How parents would pay an unexpected bill for £300, due in seven days.



Source: MAS 2016 Financial Capability Survey for Children and Young People. NQ96: Thinking about an unexpected bill which you have to pay within seven days from today. Which, if any of the following would you do to pay a bill of £300? .
Base: All parents of 4-17 year olds n= 511.

* Low base sizes: 84 (high income).

Learning at school

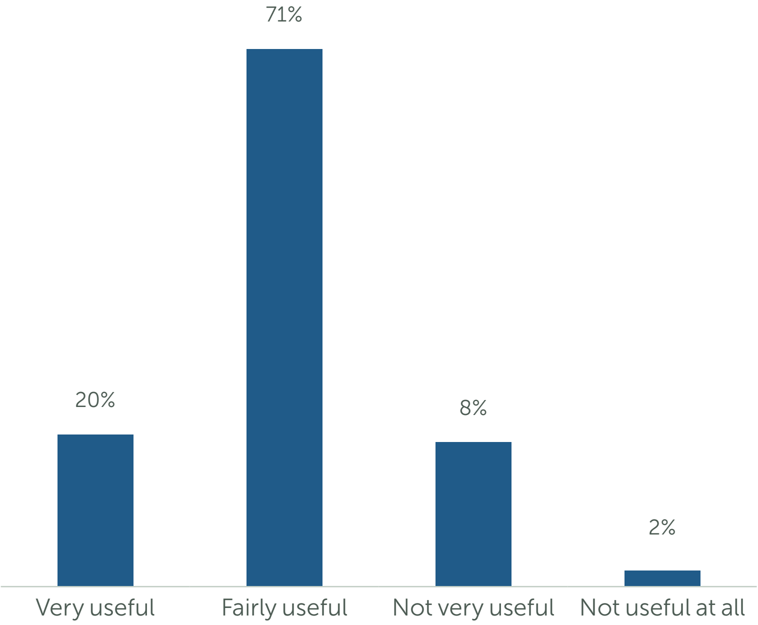
What have children learnt about money at school or college?

Overall, 35% of 7- to 17-year-olds say they have learnt about managing money at school or college, 50% say they have not and 15% say they aren't sure. It is important to note that this is reported by the children themselves; teachers may have a different perspective and, as financial education is often integrated within other subjects, the children may not always have been aware that they were learning about managing money specifically.

This figure in Wales does not vary by age, and unlike the UK as a whole, does not vary by household income.

Overall, 91% of children aged 7–17 in Wales who recalled learning about money management said they found it useful (20% very useful, 71% fairly useful). We have seen UK-wide that children from low-income households are more likely than those in medium-income households to say it was very useful, as are children who save 'every time'.

Chart 38: Do children find learning to manage their money in school or college useful?



Source: MAS 2016 Financial Capability Survey for Children and Young PeopleCYP18b (C). How useful was learning to manage your money at school or college?: Aged 7-17 who learnt to manage their money at school or college: n=162

Aside from the reported value of the lessons, we have conducted additional analysis of the UK-wide data to understand more about the relationship between these lessons and children's knowledge, behaviour and attitudes. Due to small sample sizes, equivalent comparisons are not available at a Wales-only level.

After controlling for household income, the child's age and their type of school, children who recall having money management at school are more likely than those that do not to:

- ask their parents for advice about money
- ask their teachers for advice about money
- be confident managing money
- know what a bank account is
- know how a savings account works
- know how a payday loan works
- know how a government bond works
- give a correct response to interest and inflation question. (Figure 3, page 35)

This suggests that there is a positive relationship between money management lessons and beneficial outcomes, but further research is needed to understand this relationship better and where any potential gaps may be.

Implications

One of the key findings of this chapter is the key role that parents play in their children's developing financial skills, knowledge, habits behaviours and attitudes. The chapter also explores the confidence that children place in their parents, and the lack of confidence that some parents have in themselves. This lack of confidence is widespread but is particularly an issue in low-income families.

Positively, many children are involved in household spending decisions and, in particular, children in low-income families are often involved in decisions about the weekly shop. This has implications for education or intervention programmes targeted at this group, as food shopping scenarios can easily be used to create relevant, practical examples.

The findings in this section also suggest that many parents could benefit from support to be the best role models possible for their children, and that other sources of role models and education beyond the home may be of value, particularly to those living in contexts that increase their chances of being vulnerable to poor financial capability. This suggests potential links to parenting support resources such as 'Education Begins at Home' and also 'Parenting – Give it time' website. It would be useful to understand in more detail how children are affected if their parents are poor financial role models; this area would benefit from further research.

There is a strong case for designing, testing and delivering more interventions that work with the whole family rather than just with children. This section also explored the seeming reluctance of parents to talk to their children about money and give them responsibility at an early age. The evidence shows that children start at a very young age to form habits and attitudes and would benefit from more experience, the opportunity to have some control over their finances and even the opportunity to make mistakes, albeit on a small scale. There is a case for helping parents to be more confident and comfortable talking to their children. For example, they can talk about what the household can afford, without having to discuss what they earn or how much they have saved.

Our findings in this section also indicate that children should learn about finances not just in the home. Across the UK, children who report learning about money at school do better on a number of capability indicators, which makes a case for broadening the reach of financial education in schools and colleges, for all children and young people. As the Estyn thematic review tells us, in Wales, the introduction of the 'manage money' strand in the Literacy and Numeracy Framework and revised programmes of study for mathematics has helped most teachers to identify opportunities for pupils to develop and apply their financial skills in mathematics lessons and other subjects. However, in a minority of primary schools and the majority of secondary schools, planning does not usually enable pupils to develop their financial understanding and skills as they move through the school.

This research tells us that in Wales a continued focus on primary schools, reflecting our other findings on the importance of starting young; and just-in-time support at 16–17 in schools and colleges will be beneficial.

Again, it is worth noting that this analysis is based on what children recall and there may be those who did receive financial education at school but didn't remember it, or recognise it as such. In addition, the revised programme of mathematics and the new Maths – Numeracy GCSE that includes financial education outcomes was only introduced in Wales for the 2015/16 academic year and may not therefore be reflected in these results.

Positively, some schools in Wales seem to already be understanding the importance of financial education both at home and in school. The 2017 Estyn[45] report tells us that some schools develop useful partnerships to develop the financial understanding and skills of parents so that they in turn they can better support the development of their children's financial capabilities.

45. *Managing money: Financial education in primary and secondary schools in Wales* (Estyn, 2017)

Next Steps

Our research has found that, overall, children have a reasonable grounding of knowledge and understanding about money. They recognise some financial products and concepts, and know that money has a value. They are cautious about debt, and have a theoretical understanding of the importance of savings and the concept of value for money.

However, there are some aspects of financial capability that are less well understood, and some who are doing less well than others. There are clear themes emerging from our findings about factors that seem to make an important difference to children and young people's financial capability. These include: the importance of starting early; the need to empower children; developing saving behaviours; and vulnerabilities such as growing up in a low-income household and lack of confidence managing money.

At the beginning of each chapter, we have identified strengths as well as areas for development in knowledge, understanding and attitudes. There remain opportunities to ensure that the education and support provided to children – and, importantly, to those who help them learn about money at home and in school – builds on these strengths and tackles these areas for development.

The Money Advice Service will seek to use the report and its findings, in collaboration with other interested organisations, to influence funders, decision makers and delivery bodies. Our aim is to help them understand where the key issues are, what that means for them, and how we can work together to focus efforts on addressing them.

In addition, we intend to build further on this evidence base and take these findings forward. In particular, we will:

1. **commission a series of 'deep dives' of this survey** to explore the further research questions set out in the Executive Summary.

2. **use these findings to inform a wider project on vulnerability.** We need to gain a better understanding of the specific needs of groups at risk of poorer financial capability, or for whom the negative impact of poor financial decisions is disproportionately negative, and, building on that, to develop plans to address these. This will include further exploring the relationship between skills and demographics in childhood and adolescence, and long-term financial outcomes, through extensive analysis of the British Cohort Survey 1970.

3. **complete our parenting pilot in Wales, "Talk, Learn, Do"** which aims to eqip parents with the skills needed to develop financially-capable children. We will explore how the methods and resources developed through the project can be further developed and evaluated to support parents and be used more widely across the UK.

4. **work through the Financial Capability Strategy for Wales and the Strategy for the UK as well as the Welsh Government's Financial Inclusion Strategy for Wales** so that providers, funders, and policy makers use our and other's research to ensure financial education is directed to where it is most needed and is most likely to be effective. This includes more high-quality evaluation to demonstrate 'what works' and to build the business case for financial education.

The findings from this survey will be brought together with the other research we are conducting to understand the financial capability needs of children; with our analysis of existing provision and resources; and with the extensive range of projects we are running to generate evidence about 'what works'. This will result in a comprehensive plan for delivering effective financial education at scale.

The implications discussed in this report are a step in the direction needed to achieve this and make progress towards the Financial Capability Strategy goal of ensuring that by 2025 all children and young people are getting the high-quality financial education they need.

the Money Advice Service

All our research can be found on our website:
moneyadviceservice.org.uk/en/corporate/research

For more information about this research please contact:

Helen Pitman
Senior Insights Manager
Helen.Pitman@moneyadviceservice.org.uk

Shadi Ghezelayagh
Insights Manager
Shadi.Ghezelayagh@moneyadviceservice.org.uk

Lee Phillips
Wales Manager
Lee.Phillips@moneyadviceservice.org.uk

Money Advice Service
Holborn Centre
120 Holborn
London EC1N 2TD

moneyadviceservice.org.uk