



HM TREASURY

Developing Financial Capability in the UK

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OECD-Bank Indonesia

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Drivers for change

- Low levels of capability across UK
- Lack of access to advice
- Product choice and complexity
- Young people – growing up in a complex world
- Planning for retirement
- Turbulence in financial markets

What is Financial Capability?

Financial Capability means:

- being able to manage money
- keeping track of finances
- planning ahead
- making informed decisions about financial products
- staying up to date about financial matters.

FSA baseline survey

In 2005 the FSA commissioned Elaine Kempson to undertake a Financial Capability survey of 5,300 people in the UK to establish a baseline. The **main themes** (& effects) emerging were:

Many people fail to plan ahead adequately for retirement or an unexpected drop in income.



Unless action is taken, the UK population will store up problems for the future.

A small proportion of people have debt problems, but they are often very severely affected.



Many people could be tipped into financial difficulties by a small change in their circumstances.

People do not take adequate steps to choose products that meet their needs.



Many people are taking on inappropriate risks and not shopping around for good deals.

The under-40s are less capable, on average, than their elders.



The greatest demands are made on those least equipped to deal with them (e.g. the under 40s).

Improving financial capability – who does what

Financial Services Authority

- Regulates industry
- Statutory objective to “raise levels of consumer awareness in the financial system”
- Leads national strategy

Government

- ‘Mainstreams’ financial capability into existing programmes, including education, financial inclusion
- Encouraging saving

Office of Fair Trading

- Regulates consumer credit
- Consumer helpline
- Campaigns - scams, etc

The UK Government's long-term approach to financial capability

In the long term, aim to ensure that:

- All adults in the UK have access to high quality 'generic' financial advice to help them engage with their financial affairs and make effective decisions about their money
- All children and young people have access to a planned and coherent programme of personal finance education, so that they leave school with the skills and confidence to manage their money well
- A range of Government programmes is focussed on improving financial capability, particularly to help those most vulnerable to the consequences of poor financial decisions.

Reaching children: financial education

Aim: All young people will leave school with the financial knowledge, skills and confidence they need to live full adult lives.

- Personal finance in the curriculum
- Tailored support programmes delivered by Personal Finance Education Group (pfeg): Learning Money Matters and My Money
- Directgov kids



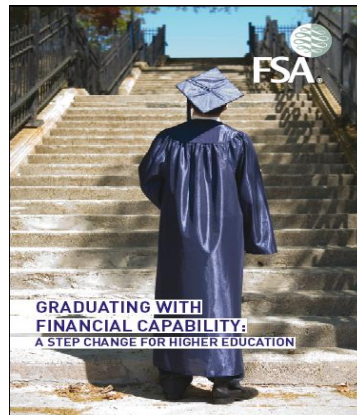
'Support was comprehensive and was what we needed as I was new to providing this and so were many of the staff. I relied on the consultants expertise and knowledge of the resources available to get this up and running and I am now in a position to reproduce this programme again.'

Teacher

Reaching young people

'Money Doctors gave me one-to-one surgery, helping me to list my debts and creditors and prioritise them.' Student

MONEY FOR LIFE



Young Adults in Further Education

- colleges to take planned and coherent approaches financial capability

Students in Higher Education

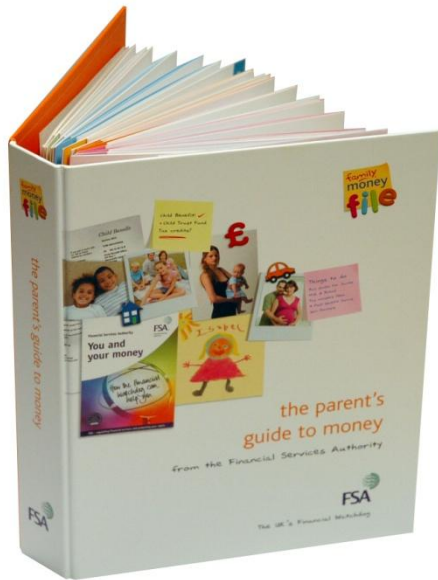
- Training and supporting student money advisors to engage with students and their money



Young Adults Not in Education, Employment or Training

- Training and supporting youth workers

Reaching adults: key life stages & places



Parent's Guide to Money to expectant parents via their midwives

- Resources, leaflets and calculators to help planning, budgeting, saving, borrowing and claiming.
- Phased rollout throughout the UK
- Engaging Children's Centres



Making the Most of your Money

- Financial education and information direct to employees at work
- Trained volunteer presenters
- Rolled out across public sector
- Pensions seminars

Impartial online information

MONEY made clear™
from the UK's financial watchdog (FSA)



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Money guidance

- New service to provide impartial advice online, by telephone and face-to-face
- Covers everything from budgeting to 'jargon-busting'
- Supportive and sales-free
- Signposts to specialist help
- Trials in North of England early 2009

Challenges

Money!

- Agreement on benefits but who pays?
- Current spending £40-50million a year, but when programmes come to an end?

Evaluation

- Baseline survey 2010
- Schools benchmark 2010
- Wealth and Assets survey 2011

Raising awareness

Some recommendations

- Make financial education someone's job
- Define and measure *your* problem
- Set goals
- Start early – education is key
- Information is not enough
- Understand what triggers interest
- Be patient!

Bibliography

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Further information

www.directgov.uk

www.fsa.gov.uk

www.hm-treasury.gov.uk

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