Financial education: Are parents equipped to fill the gap?

An analysis of who's really teaching kids about money in the UK, featuring expert views and new research among parents.

Introduction

The UK is short-changing millions of kids. Financial education has been part of the National Curriculum since 2014, but children are still struggling to get meaningful lessons. In fact, less than half of children aged 7-17 say they've received a meaningful financial education - and only 1 in 3 of those recall learning about money in school, according to the government-backed Money and Pensions Service.

Schools are stretched, playing catch-up from the pandemic and adapting to the most recent curriculum overhaul. With no cohesive approach, financial education is, unfortunately, getting lost among all the other academic responsibilities.

It's clear that parents are having to step in to fill the gap, whether they feel equipped to do so or not. In fact, 2 in 3 young people said they got most of their financial understanding from their parents or family, in recent research from a professional body, the London Institute of Banking & Finance.

However, less than half of parents are confident in their ability to teach their children about key money topics, a new Finder survey of 1,007 parents shows. For example, the topic they're least confident in tackling is the base rate, with 4 in 10 saying they are "unconfident" in explaining this subject. Meanwhile, 1 in 3 feel unsure about explaining what APR is, and a similar number are "unconfident" talking about mortgage LTV.

Experts believe financial education is key to levelling up. Poor financial literacy can impact a young adult's life through debt, wasteful spending and short-sighted financial planning. So are there ways to tackle the gap, and is it improving, or getting worse?

To get further insight about the impact of these challenges, and possible solutions, we asked 6 experts, including teachers and an academic, for their views. We've published their opinions and predictions alongside our exclusive research, and the experiences of parents and young people, in this report.

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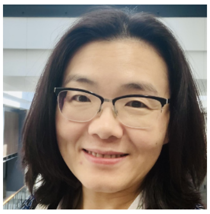


Dr Lei Chen, senior lecturer in accounting and finance, **Loughborough University**

Lei Chen is a senior lecturer in accounting and finance at Loughborough Business School. Dr Chen's research focuses on financial literacy, corporate and social responsibility, information disclosure and banking and financial institutions.

Louise Hill, co-founder and CEO, **GoHenry**

Launched in 2012, GoHenry helps young people learn about money by empowering them with essential money management skills tailored to their age that they can put into practice in a safe environment - all with parental oversight.

Mat Megens, founder and chief consumer architect, **HyperJar**

HyperJar is a money management app that was launched to the public in October 2020. It enables adults and children to manage and save money in different digital jars for specific purposes.

Ola Majekodunmi, founder, **All Things Money**

Ola Majekodunmi is the founder of All Things Money, an online platform designed to provide young adults with some of the financial tools needed to help navigate the adult world. All Things Money offers tips and information on topics such as budgeting, saving, investing and mortgages, online and in the All Things Money podcast.

Katie Strain, deputy headteacher, **Amersham School**

Katie Strain's responsibilities as a deputy head include behaviour, attendance, SEN, student wellbeing, PSCHE curriculum, careers and sixth form.

Siobhan Sweeney, secondary school teacher

Siobhan Sweeney has been a secondary school English teacher for over 7 years after qualifying through the Teach First social enterprise programme. This charity allows motivated trainee teachers to move to schools in low-income areas across England and make a difference with the children and schools needing the most support.

What challenges are schools facing?

Louise Hill, GoHenry

Education has borne the brunt of the government's budget for consecutive years. This has put pressure on parents and businesses to play a greater role in teaching younger generations about the skills needed to effectively manage their money. Financial education needs to be made a standalone subject from primary school level and made compulsory in all schools (not just the curriculum). It's a fantastic tool for levelling up and driving equality.

Dr Lei Chen, Loughborough University

The key challenges are identifying the needs of different groups of young people, designing relevant education programmes and having the resources to provide high-quality financial education.

Katie Strain, Amersham School

Schools' time has been squeezed since the most recent curriculum overhaul. Post-pandemic, schools have also become increasingly responsible for accelerating the progress for a higher number of students, most of whom were negatively impacted by online learning, as well as compensating for a tangible lack of social skills and resilience in a very high number of students. These factors combined mean that schools are under significantly more pressure, with fewer resources, to deal with increasingly complex cohorts of young people.

Mat Megens, HyperJar

To incorporate financial education into a school curriculum is a gargantuan task. Unlike most subjects today, you would have to first train thousands of teachers across the country.

Siobhan Sweeney, secondary teacher

The socio-economic profiles of the students must be taken into account when delivering content such as this. High economic aspirations for students and a level of sensitivity surrounding their own domestic experience must be carefully balanced and considered when delivering a financial education.

Case study: I don't have sufficient resources to teach my children about money

Hansa Morar, from Hampshire, has 2 children, aged 7 and 9.

"I see teaching my children about money as an important life skill that can help them develop healthy financial habits. However, apart from teaching about different coins and what their values are, I don't have any other sufficient resources to help them.

"My children don't have access to resources within their school to help them navigate and learn about money. So I would like to see more information on how, as a parent, I can teach my children about finance."

Are major trends like the cost of living crisis driving change?

Siobhan Sweeney, secondary teacher

The major difference is the way that the cost of living crisis is so largely talked about…finances are a hot topic of conversation. This is even permeating into areas that students know and understand - more than just hearing their family discuss the electricity bill - but to their own purchases in the local grocery store. Young people are having more concrete experiences with the nation's economic changes.

Louise Hill, GoHenry

The cost of living crisis has exacerbated the need for financial education. GoHenry recently conducted research into how the cost of living is affecting kids and teens, showing that 71% of kids are worried about the cost of living crisis having heard it talked about at home and a quarter of 9-year-olds would offer pocket money to pay for the family food shop.

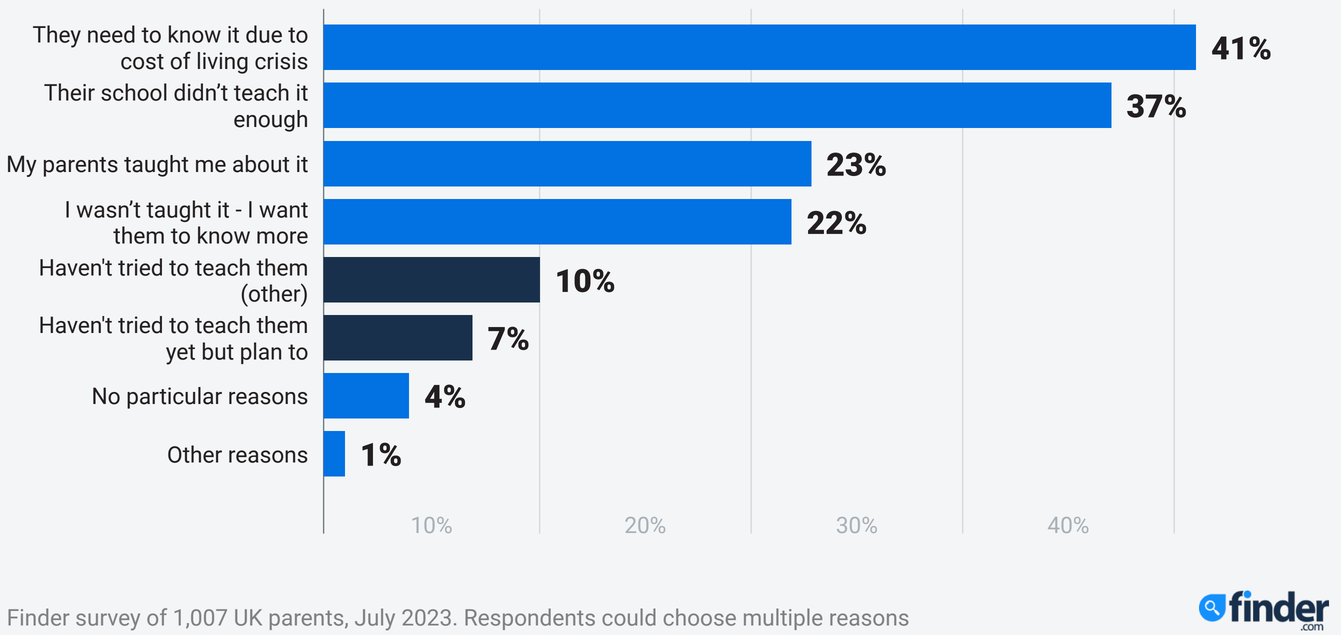
Mat Megens, HyperJar

One of the main challenges with this crisis is that it involves a change in the interest rate environment which will have impacts unknown to the best experts. It's difficult to try and educate around this topic when the experts themselves are desperately trying to figure out how to navigate it.

Dr Lei Chen, Loughborough University

The cost of a living crisis will affect people's financial awareness, their needs for financial products and services and their financial capability. In such a situation, it's important to improve an individual's financial capacity, to empower them with healthier financial behaviour. It's even more critical for schools and the wider society to support vulnerable children during the cost of living crisis, ensuring financial inclusiveness and well-being.

What were your reasons for teaching your child/children about managing money?



Finder survey of 1,007 UK parents, July 2023. Respondents could choose multiple reasons

What is the main impact of poor financial literacy?

Louise Hill, GoHenry

Poor financial literacy has a very real impact not only on individuals, but also on businesses and the wider economy. Recent economic modelling carried out by GoHenry revealed that the UK economy would be £200 billion richer by 2050 if children received financial education from an early age. It also showed those who didn't receive financial education as a child are more likely to be unemployed, or earning less today, than those who did.

Dr Lei Chen, Loughborough University

The impact of financial literacy can be seen in an individual's financial decision-making. According to OECD's report on Financial Education in Schools (2012), more than 50% of teenagers they investigated in the UK had owed money by the time they were 17, and this to some extent was related to a low level of financial literacy.

Olamide Majekodunmi, All Things Money

The biggest impact…is the potential for poor financial decisions. Whether that's using credit incorrectly, making poor investment decisions, or not understanding how to manage their own finances effectively. The result [is]... consequences such as poor credit scores, high levels of debt, low savings, and even house repossessions.

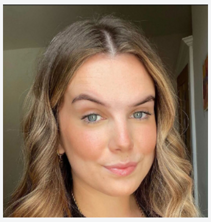
Mat Megens, HyperJar

The main impact of poor financial literacy on young adults is getting into a pattern of debt and wasteful spending. The younger these patterns begin, the more likely they will be to continue into adulthood. Young adults are the most likely to use payday and high-interest loans to make ends meet.

Siobhan Sweeney, secondary teacher

Largely, a lack of financial literacy leads to issues with personal finance. The financial world contains so much intimidating jargon, with words that are crucial to understanding key elements of daily life. If young people are not provided with this helpful glossary before entering adult life, they can feel overwhelmed when faced with these important decisions.

Case study: I didn't learn enough about money before I went to university



Charlotte Berry, 20, is in her third year studying history at the University of Sussex.

"I've had to teach myself about finance. Neither my schools nor my parents ever discussed money with me. Since starting uni, I've taught myself how to set up a direct debit, how to set up utility bills, and how to budget.

"I regret not knowing sooner about all the student bank accounts and switching incentives that are out there. Having the safety net of an arranged overdraft would have definitely made budgeting a little less stressful in my first year!"

Katie Strain, Amersham School

My school is endlessly creative and is responding to this challenge in a multitude of ways. Schools are placing a higher tariff on careers education and prioritising access to real-life employers; most specifically for our students who experience an element of "Disadvantage". Through frequent student voice questionnaires, we can tailor the provision to meet the needs of the different year groups. The Post-16 reforms, which are in the early stages of implementation, will also have an impact on curriculum design over the next decade. An increased emphasis on STEM subjects will inevitably affect how schools organise themselves lower down the school.

Louise Hill, GoHenry

Our business was founded by parents with [educational innovation] in mind and our app includes Money Missions, a series of games and activities designed to help children develop their financial skills and knowledge. The missions cover a full curriculum in line with national education guidelines and have been developed with teachers and financial experts. A wide range of topics is covered such as money basics, earning, saving, responsible spending, borrowing and credit, investing, money safety, and more.

Dr Lei Chen, Loughborough University

Organisations in some countries have been actively involved in promoting financial education for children and youth, with the incorporation of digital literacy into financial education. Indeed, improving financial capacity is related not only to financial education but also to individuals' access to financial services and institutions. Digital literacy is important today to help people get access to the relevant financial services, and become financially literate. Their ethos is to provide training that is exciting and memorable to instil a desire to learn more about money beyond the classroom.

Mat Megens, HyperJar

There are pushes by charities in the financial education space to increase their reach. HyperJar is working with a charity called MyBnk that delivers financial education training to young people primarily through schools and youth groups.

Case study: Finance for our family is mostly digital

Steve Cawley, from Hampshire, has 2 children, aged 6 and 9.

"With my partner's support, I can confidently manage my family's finances, but I need to be more confident in teaching my daughters. Finance for our family is mostly digital, occurring online or with a 'tap'. Talking about how we spend our money is much harder on an app.

"Discussing mortgages, base rates, and inflation was easier when times were 'good'. Now it's hard to avoid overly worrying our children especially when prices are rising quickly. Teachers could do more to explain the basics of digital finance and have age-appropriate discussions about what earnings pay for."

How can we best engage kids and young people?

Dr Lei Chen, Loughborough University

Saving can be a good starting point for children and young people to manage their discretionary funds...whether from allowances or part-time jobs. Also, helping them to understand the cost of living and to engage with the family financial plan could be an effective way of developing good financial behaviour.

Katie Strain, Amersham School

Students need to see why what they're being taught is relevant - and if you can link it to their ability to afford the lifestyle they want (often wildly unrealistic) then they will soon start paying more attention.

Olamide Majekodunmi, All Things Money

The topic of money can be extremely dull, so it's important that the content being shared is taught in the most engaging way possible either through...quizzes, videos, podcasts, or even gamification.

Mat Megens, HyperJar

The best way to engage children and young people around the topic of money is to let them have responsibility for money, force them to make decisions, and have small consequences to deal with. This isn't possible for everyone, but if a parent or adult mentor can speak openly to a child about money and let them observe the decisions they make, a child can slowly be exposed to financial topics and gain confidence over time.

Louise Hill, GoHenry

For me, when it comes to financial inclusion, it's all about enhancing financial education for kids, ensuring they have access to this from a young age and a way to interact with the digital economy - in a way that's relevant and accessible to them.

Siobhan Sweeney, secondary teacher

One way in which we can engage young people is by linking finances to specific career awareness. This is more likely to be present in schools, but there is room for growth in this level of education.

Case study: I rely on financial advice from my parents

Ben Sharpe, 21, is in his fourth year studying German and economics at the University of Warwick.

"I learnt most of what I know about finances from my parents rather than through school. I had a good financial knowledge foundation before going to uni because I had gone through it in detail with them; from choosing a student bank account to getting a student loan.

"However, I found managing my house's gas and electricity bill challenging as I had never done it before and the payment process appeared complicated. It was only through advice from my parents, and talking to the gas company on the phone, that I managed to figure out how to go about paying the bill."

How can parents get more confident?

Mat Megens, HyperJar

Children absorb so much from their parents. Besides feeling confident teaching children about money, I think it's equally important for a parent to be confident with their own relationship with money. If a parent isn't confident, a child will sense that and will be less likely to follow that parent's advice. Get your own financial house in order before giving advice to other people.

Louise Hill, GoHenry

The piece of advice for parents which I always come back to is that giving your child a small amount of pocket money, no matter if it's 50p or £5, encourages them to start thinking about what they would do with it. This helps a child develop essential money management habits such as earning, saving, giving and spending responsibly.

Dr Lei Chen, Loughborough University

Schools need to communicate clearly with parents in terms of financial education goals, programme design and the monitoring and evaluation process. [Learning] needs to involve them in the process of creating opportunities for children to engage in financial decision-making in the family. Moreover, parents need to have the adequate financial knowledge and the capacity to teach their children about money.

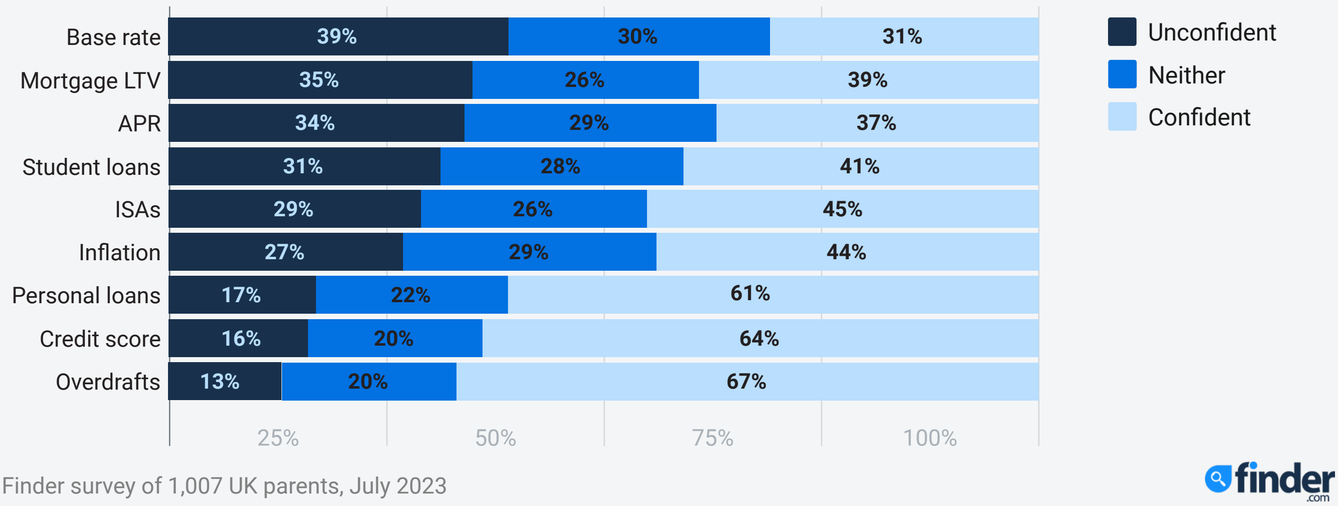
Katie Strain, Amersham School

How parents speak to their children about money and finances will often come down to their personal experiences, parenting beliefs and levels of confidence. However, financial literacy plays an important part in how young people develop their understanding of the world around them and can be easy to weave into conversation.

Olamide Majekodunmi, All Things Money

I think it's important for parents to educate themselves on the world of personal finance in order to feel confident teaching their own children about money. There are so many great books and podcasts that break down different personal finance topics into easily digestible content.

How confident do you feel teaching your children about financial topics?



Finder survey of 1,007 UK parents, July 2023

What do you predict for the future of financial education?

Louise Hill, GoHenry

A collaborative strategy is essential to improve the nation's financial literacy. Prevention is better than a cure and this rings true for financial education too. Financial education is not only the responsibility of the government but also requires collaboration between schools, teachers, parents/carers, families, businesses, universities and the third sector.

Katie Strain, Amersham School

It would be great to see financial education for parents being more widely available, schools being given more flexibility to organise themselves in the most appropriate way and private businesses investing time and resources in ensuring that the next generation of young people enters the workforce in a positive and productive way.

Olamide Majekodunmi, All Things Money

I would love to see the government make financial literacy more of a priority subject that has to be taught within all schools across the UK. However, what I believe we will see is the growth of financial education charities such as MyBnk delivering personal finance lessons on a much larger scale…due to increasing demand.

Mat Megens, HyperJar

Because money is now affecting more people negatively than before, there will be more pressure on the government to help people. It might not be something as structured as a course in school…it might be increased funding for nonprofits to deliver programmes or requiring financial institutions to better educate their customers regarding the risks of financial products in a human way that is easy to understand.

Conclusion

The need for meaningful, practical financial education for children in the UK is clear. Without it, young people can end up with poor financial resilience, making poor financial choices. But while children are largely relying on their parents to teach them about money, Finder's new research shows most parents have low confidence about key financial topics. And so we risk continuing a cycle of poor financial literacy.

Collaboration is key - the onus can't be solely on schools. Collectively, we need to develop programmes that have practical applications. Approaching financial education from a purely academic perspective and attaching it to existing subjects only goes so far. A programme delivered effectively in schools but also supported by parents, businesses and the third sector could help break the cycle. And parents will need reliable resources to enable them to teach money confidently at home, too.

About Finder

Finder is a personal finance website which helps consumers compare products online so they can make better-informed decisions. Consumers can visit the website to compare utilities, mortgages, credit cards, insurance products, shopping voucher codes, and so much more before choosing the option that best suits their needs.

finder.com/uk launched in the UK in February 2017 and is privately owned and self-funded by two Australian entrepreneurs – Fred Schebesta and Frank Restuccia – who successfully grew finder.com.au to be Australia's most visited personal finance website (source: Experian Hitwise).

In July 2023, Censuswide surveyed 1,007 UK adults with children at either primary or secondary school, on behalf of Finder, to explore their attitudes to financial education.

For all media enquiries, or for additional comment, contact matt.mckenna@finder.com.

About the author

Kate Steere (formerly Kate Anderson) is a deputy editor at Finder, specialising in banking and fintech. She has previously written for The Motley Fool UK and Fitch Solutions and is regularly quoted in the national media about banking, fintech and mortgages.