



THE
ALDRIDGE
FOUNDATION

Educational Deficit: the financial education needs of young people in Brighton and Hove

Using entrepreneurship and education to open minds,
challenge barriers and change life chances.

December 2009

In May and June 2009 MyBnk conducted qualitative research with young people in Brighton and Hove on behalf of The Aldridge Foundation. The objective was to find out more about financial education needs in the area and initiate discussion on how to tackle these needs for the benefit of young people.

Why Financial Education is so important in today's world

Evidence shows that 90% of adults in the UK have never received basic financial education¹ and that consequently the current generation of parents and teachers struggle to equip young people with the financial skills they need. The development of financial capability is lifelong, involving not only an awareness and understanding of money matters, but also the skills, critical judgement and resolve to manage them.

The benefits of financial education are being increasingly recognised at international level.

In 2006, the G8 Finance Ministers' meeting in St. Petersburg proclaimed the importance of financial

¹ RBS, *MoneySense Report Year 2, 2008*

education. More recently, the European Commission recognised financial education as a pillar of financial stability.

Why is it necessary to bring financial education to young people? The Financial Capability Baseline Survey conducted by the Financial Services Authority established that, even when allowing for lower incomes and relative inexperience of financial institutions, young people are less financially capable than other age groups. Moreover, young people want access to financial education: 94% of 16 year olds believe it is important to learn how to manage their money.²

² FSA, *National Strategy for Financial Capability*

Why focus on Brighton and Hove?

Domain	Brighton and Hove	National Average
Deprivation	21.1%	19.9%
Children in poverty	25.2%	22.4%
5A*-C GCSE inc. Eng & Maths	44%	47%
Statutory homelessness	3.6%	2.8%

Brighton and Hove has 27 SOAs³ with extreme financial exclusion.⁴

Despite its successful economy, Brighton and Hove is characterised by pockets of extreme financial exclusion.

Young people in Brighton and Hove are more likely to have misconceptions and a low understanding of money management than young people in other areas of the South East.

³ A SOA or Lower Level Super Output Area is a geographical area that has a population of between 1000 and 3000 people.

⁴ Financial Exclusion in the South East of England: Summary, conclusions and recommendations, SEEDA, 2008

The 2007 briefing paper for Local Authorities from the Social Inclusion Partnership for the South East underlined the affects of financial exclusion on child poverty and expressed the importance of teaching financial capability in Brighton and Hove.

A large part of the population of young people is affected by economic deprivation and educational under achievement.

25% of young people live in SOAs that rank in the most deprived quintile in England for income deprivation affecting children. Four wards in the area are amongst the most deprived 25% in England. Schools with catchment areas located in the most deprived areas obtain worse results than others.

A high proportion of young people are not in education, employment or training [NEET].

In October 2009 7% of young people were NEET. The proportion of NEET young people is highest in East Brighton, which also ranks as one of the highest rates in the South East.

Various groups of young people have been identified as vulnerable and are more likely to face financial issues.

There are 3,646 children with disabilities or special needs in Brighton and Hove. A large part of this population experiences multiple deprivations.⁵

Levels of youth homelessness in Brighton and Hove are higher than the national average.

Teenage pregnancy rates for Brighton and Hove currently run above the national average. Young single parents, especially teen mothers, are more exposed to financial exclusion.

⁵ Brighton and Hove Children and Young People's Plan 2006-09

Voices of the young people regarding financial behaviour and education

Two focus groups were conducted with young people resident in Brighton and Hove. The first was at StopOver One, a 24 hour supported housing centre for young women aged 16-21. The second took place at the 67 Centre, a Connexions Youth Centre, with young people aged 12-20. Interviews were also conducted with local service providers.

IN FOCUS: Parents who have children with special needs talk about their child's needs for financial education

"I am very worried about my son's ability to look after himself as an adult, and believe he will probably need to have money managed in a trust for him as we have no close and local relatives, especially those who will be around after we are gone. This is a real worry, and I think my son will have to be managed by a charity or a solicitor. He will really need training in how to calculate small amounts, such as bus fares, shopping, etc." A mother speaking about her 12 year old boy.

"To my knowledge the school provides no financial education programme. I do feel there is a need to establish where parents of children with special needs can obtain information needed...I feel the access to information is very limited. Being a single parent and having to work, it has not always been convenient for me to attend meetings held by Amaze [a Brighton charity who support parents of children with special needs] and therefore, I feel secluded to having access to know what is going on regarding advice and help that is out there." A single mother expressing her struggle to access financial advice.

Finding 1: Many young people do not have access to personal finance education, but ask for it.

What's missed is personal money management
A boy at the 67 centre

None of the participants received any specific teaching on personal financial management.

It was interesting to note that one participant directly associated financial education with mathematics. 'I was bad at maths so I am bad with money.' Lacking confidence in maths at school made participants underestimate their capacity to deal with money.

Youth led initiatives outside school were described as being highly valuable. Five participants at the Connexions Centre took part in a Youth Bank project. They placed great emphasis on the benefits of being involved in this project. Whilst it was more about business money management, they stressed how the experience enhanced their confidence in managing their own finances.

All participants felt it was necessary to learn about personal money management in a more comprehensive and exclusive way.

There was some misunderstanding of the issue of money management. They expressed the need for personal money management education, especially with regards to budgeting and saving.

Young people should be more aware of the realities: it is about messages and expectations

A young man from the Connexions centre

Finding 2: Young people lack the necessary knowledge and support to manage their money effectively at the transitional periods of their lives

A number of young people expressed their concerns about financial issues associated with their future lives. They felt they needed to save for future financial commitments such as college which they associated with spending increases for things like socialising and long distance travel.

Some were curious about a range of financial issues relevant to economic and social independence. They wanted to learn about rent and taxes. They pointed to the 'real costs of life' that they would encounter when they moved into independent living. They want to equip themselves with the necessary knowledge and skills to deal with the next phases of their lives.

At StopOver, a young woman reported struggling with regular payments and many of the participants related their money issues to their employment situations. They found it difficult to manage their money when they were employed as it entailed new payments such as taxes. One participant explained that it was sometimes easier to live on Job Seekers Allowance because 'when you go to employment, spending rises'.

IN FOCUS: Young people's surprise and disillusionment when discovering the real cost of being a further education student

Participants reported that spending increased when they started Further Education. This was mostly due to the increased cost of socialising, transport and purchasing books. They expressed their dissatisfaction at not having been taught about the cost of living at college earlier. 'I didn't know when I was in school, what the cost of life would be after school.' On many occasions during the session young people at the Connexions Centre complained that Educational Maintenance Allowance (EMA) was not enough to help them pay for their needs at college, explaining that £30 per week did not cover travel costs or permit them to have a social life. Some felt that EMA was a benefit that was to be used exclusively for purchasing books and learning materials for college, whilst the majority of the younger participants were under the impression that EMA was going to cover the cost of socialising, travel and books. This often led to a sense of disillusionment. Finally, the participants noted that they had received no education about how to understand or benefit from the financial assistance available to them.

Finding 3: Lack of education causes ignorance which can breed low confidence and fear regarding money and financial services

My money falls through a black dark hole
and I never see it.
It is like a vicious circle.
A resident from StopOver

There was an overall lack of knowledge and confidence that participants felt prevented them from dealing with financial services and institutions effectively.

They spoke negatively about their relationships with money, highlighting their ambivalent, stressful and disorientating nature. 'It is like walking on the highway; there is a lot of distraction.' There was a clear need for a change in the participant's attitudes and approaches to money, in order to develop their confidence in dealing with financial issues.

Banks provide too much information.
It's hard to find the necessary information.
A young man from the Connexions centre

The participants felt regularly exposed to messages about money in their everyday lives. They would often feel sceptical when seeing advertisements from high street banks.

Some did not see banks as a 'trustworthy' provider of information. 'I don't take them seriously, I just ignore them.' When asked if there were other providers of trustworthy information most participants could not think of any.

A number of participants perceived messages displayed by bank adverts as 'misleading', with some, especially the girls from StopOver, describing them

as confusing. For them, banks provide too much information and they find it hard to extract the information they are looking for.

Finding 4: Lack of knowledge can lead to bad experiences of financial services, which leads to distrust

When I was 16, I didn't have proper knowledge
about how banks work. I was overcharged!
A resident from StopOver

Few participants had the necessary knowledge to make informed and aware consumer choices. They struggled to understand banking terms and jargon and have in the past made ill-informed decisions which have resulted in financial difficulties. One 21 year old participant reported that, when she was 16, NatWest offered her an Advantage Gold bank account without clear explanation of the fees involved. In the few years that followed she accrued debt in excess of £6,000. She no longer has a bank account.

At the Connexions Centre levels of understanding were higher, but there was still a lack of awareness of the different banking options, and nobody had heard of the Credit Union.

There were differences in terms of knowledge between those who had already moved into independent living and younger participants still living at home. One younger participant's approach to saving was, "if you want to store money, why don't you store it at home!"

At StopOver, the participants did not trust banks, and consequently used few banking services.

Finding 5: “The sooner, the better” - how financial education would have raised young people’s aspirations

Such an opportunity is a great thing...earliest is the best
Young woman of StopOver

In both groups, all those participants who had moved into independent living agreed, they would have benefited from learning about personal money management earlier.

In the focus groups, the older participants gave advice to the younger ones to raise their awareness of the importance of personal money management to their futures. They believed they would have been in better

situations had they learnt how to effectively manage their finances, and regretted not having understood the benefits of effective money management earlier. ‘Save as much as you can while you are young and before moving into independent living, otherwise you will get nothing’.

Some claimed that had they begun saving earlier they would have aspired to greater educational goals. Among the four young people over 18 at the Connexions Centre, only one went to university. His peer expressed his regret of not having enough money to continue his studies. Another participant wished MyBnk had come to their school when they were younger to help them start managing their money at a young age.

‘If I had known earlier, I would have started saving from year 9’.

What next?

£ **Much greater focus on personal finance should be developed at all levels**

The participants of this study called for an increase in personal finance education. They felt it necessary to learn about personal money management in a more comprehensive and exclusive way. Currently, most activities focus on business money management and most of the learning resources are directed at teachers. Few programmes are delivered directly to young people.

£ **More support should be provided to young people at transitional periods of their lives**

The participants felt that more support should be provided to young people at transitional periods of their lives, such as preparing for Further Education, employment, entry into supported housing and university. An analysis of resources and initiatives has clearly shown a need for financial education to be taught during Further Education.

£ **More opportunities should be provided at youth centres and housing associations**

Housing associations, Foyers and youth groups have been extremely responsive to this study and have expressed interest in providing their young participants with access to financial education, identifying it as one of the areas of greatest educational need. A striking finding is that there is a huge gap between available provisions and demand when looking at vulnerable groups. The participants clearly stated that confidence and self esteem should be rebuilt, and knowledge should be developed amongst the most vulnerable young people in Brighton and Hove.

£ **Communication between providers should be increased**

The interviews conducted shed light on the disjointed landscape of service providers, characterised by a lack of communication between providers and reinforced by a lack of awareness about different services and initiatives. What repeatedly came out of interviews with providers was a strong desire on all parts to work in greater synergy, to have more opportunities to communicate with each other, and to have the role of each provider of financial education clearly mapped out.

CONCLUSION

We propose this report be used as a starting point for increased dialogue between service providers and young people, with the aim of developing a more holistic approach to financial education for young people in Brighton and Hove. In the eyes of the young people who took part in this report, this approach would be a system of continuing support from primary school through to adulthood that would see them develop the knowledge, skills and confidence to manage their money effectively.

For further information, or to see a full copy of the research report, please contact Ms Lily Lapenna by email at lily@mybnk.org or by telephone on 020 7739 1828



The Aldridge Foundation is a charity that seeks to open minds, challenge barriers and change life chances through entrepreneurship and education. Set up in 2006 by Rod Aldridge, the Foundation has a specific commitment to tackling educational under-achievement and social immobility among disadvantaged and excluded young people. At its heart is a belief that by instilling an entrepreneurial attitude you can empower young people to improve their lives, inspire them to create innovative social and business enterprises, which in turn can stimulate community regeneration. The Foundation sponsors two Academy schools – the first in the country to specialise in entrepreneurship and sport. Darwen Aldridge Community Academy (DACA) opened in September 2008 and the new Academy in Falmer, Brighton, will open in September 2010.

www.aldridgefoundation.com



MyBnk is an educational charity founded in April 2007. Its mission is to develop innovative youth led educational tools for young people to build the knowledge, skills and confidence to manage their money effectively and to make enterprising choices throughout their lives.

MyBnk creates unique opportunities for young people to make informed decisions about financial services and to engage with the banking system so it works for rather than against them. In consultation with young people, MyBnk has developed a set of unique programmes which put young people at their heart.

www.mybnk.org