Pensions expert

No gain without pain: Children and financial education – 17/11/2016

Any Other Business: Learning to manage money from an early age could help children get used to deferring gratification, potentially proving invaluable in saving for later life.

Research carried out by the Money Advice Service has revealed that 12m people in the UK are not saving enough for retirement, and one in five are not able to read a bank statement.

At the same time, about 8m people are struggling with debt, and 19m adults do not have an approach to budgeting that they feel works.

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Robert Gardner, Redington

November 14 marked the beginning of Financial Capability Week, organised by MAS. With many people focusing on current needs at the expense of providing for the future, raising awareness of the importance of financial education could not only help prevent bad money habits from forming at an early age, but also break existing habits for adults.

Start early

Russell Winnard, head of educator facing programme and services at charity Young Enterprise, said he believes habits can be formed early on. He said: "Financial education within schools needs to happen at as early an age as possible."

Attitudes towards money can develop by around the age of seven, he noted, making those early years "a really influential period in establishing things like deferred gratification, which leads to long-term savings and investments and pension products".

Winnard said schools can help young people learn about money and savings in a relevant and interactive way – by forming savings clubs that link with local credit unions, for example.

Functionally numerate and financially capable

A limited ability to keep track of personal finances is strongly linked with low numeracy scores, according to research carried out by the Money Advice Service and Paris-based group of developed nations the OECD.

Mike Ellicock, chief executive at National Numeracy, a charity that helps to raise low levels of numeracy, emphasised the value of being able to understand numbers and data and use them to make good financial decisions in everyday life.

When addressing financial capability, it is important to identify first whether an individual has issues with numeracy, he said.

Preparing people to be numerate in daily life and confident when it comes to relatively simple calculations and estimations is crucial, he added.

Focusing on the long-term gain

However, Robert Gardner, co-founder of consultancy Redington, disagreed. "It is vital to understand this issue is about behaviour, not about maths," he said.

"We need to make sure people understand that saving involves taking a bit of short-term pain for some long-term gain, but we need to focus on the gain not the pain, which can provide a counterbalance to the culture of spending which is holding us back," he explained.

Gardner said financial education needs to be extended from secondary schools to primary schools, where behaviour can be more easily influenced.

"If we can instil the basic building blocks of saving in our young people at an early age and create strong behavioural disciplines around spending, we can look forward to a nation of engaged savers and investors who are confident and in control of their financial future," he maintained.

Making it relevant

Guy Rigden, chief executive at **MyBnk**, a financial education charity, said that education with regard to money management should be relevant and engaging.

“A savings habit can be formed for life,” he said. However, this does not mean that it is too late for people who have not previously benefited from financial education.

He said that later on it may be a question of breaking some bad habits or looking for specific financial education with regard to managing finances at university, paying off debt or shopping around for a mortgage.

“When people are more confident about money… their behaviour in terms of saving or comparing prices is much better.”

By Sophia Imeson | November 17, 2016