

# FINANCIAL LITERACY & EDUCATION REPORT 2023



# INTRODUCTION

**The world we live in is governed by finance. An understanding of how money works is vital to being a functioning member of today's society yet we do not give our young people the education they need to go out into the world as financially literate individuals.**

Financial Education in the UK is failing our young people as a large proportion of secondary students have little awareness of the financial system they are forced into with the 2018 Financial Capability Survey finding that only 52% of 7-17 year olds receive a meaningful financial education.

In the economic climate we live in, a high level of awareness of the financial products and consumer services that we use on a day-to-day basis is necessary for people to thrive and maximise their potential.

The higher education system and other fundamental parts of our consumer economy practically necessitates a form of borrowing yet swathes of young people in society are inadequately prepared and will be beset by financial issues later in life.

A lack of proper financial education is already having an adverse impact on our society with 47% of adults in the UK admitting they do not feel confident with money – something teaching in schools would improve.

The wide-reaching problem of insufficient financial literacy affects all aspects of life with people making ill-advised decisions with their money with impacts ranging from getting a bad deal to debt crisis due to mismanagement.

People realise that understanding money is important to their life in this world often leading to better wellbeing yet seem to do little about it often 'burying their head in the sand' and pushing money worries to one side.

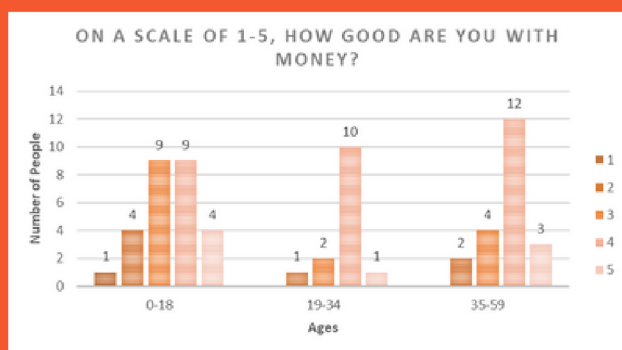
Equipping our young people with adequate financial knowledge before they leave compulsory education would go a long way to solving these problems.

Debt and financial issues are heavily linked to mental health and worsening people's wellbeing. 17% of adults say they are overly indebted – imagine the impact on the wellbeing of these individuals due to their fiscal plight and how this situation could have been averted if these people were fully aware of how money works before entering the unforgiving world of adulthood.

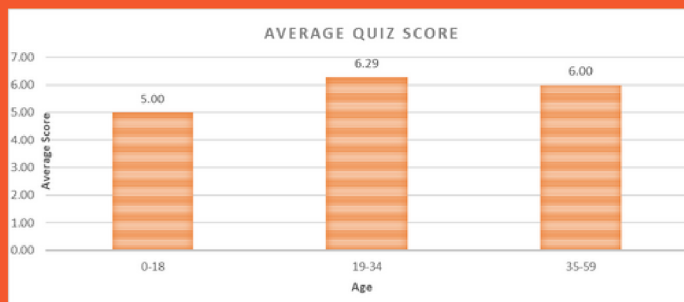
A lack of basic financial literacy is endemic in UK society (as evidenced by my findings) and needs to be addressed with our young people to avoid another generation who are clueless over how to deal with the financial services which are so crucial to their day-to day life.

# FINANCIAL LITERACY SURVEY

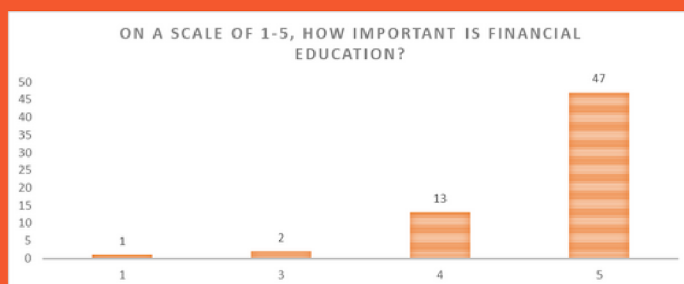
For this report, I surveyed a small group of people (63) of various demographics to get a general idea of the financial literacy of the UK. The survey was partially questions regarding attitudes to money with the other section a test of basic personal finance concepts such as compound interest, consumer rights and credit scoring.



One of the opening questions asked how good with money people thought they were. The most commonly chosen option was '4' indicating that those who answered believed they were good with money. However, a significant portion of the younger respondents (aged under 18) had less confidence in their fiscal abilities with more than half giving themselves a score less than 3 suggesting a lack of money skills in the younger population (supporting the need for more financial education). Additionally, asking people to rate their own financial abilities does lend itself to inaccurate responses as it is often hard to judge your own aptitude hence the quiz to truly test people's money skills.



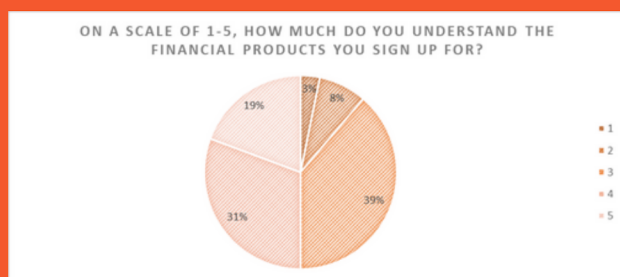
The overall average score for the quiz (not shown on the above graph) was 5.6 which considering the wide spread of people asked is reasonable however also does not indicate that the UK has a massively financially literate society. As one of the main focuses of the report is the link between financial literacy and financial education, I have broken down the results (see graph) to show the different age groups - broadly those still in education and those who are not. The average for those under 18 is considerably lower than for the other age groups with many scoring less than 4/10 showing that basic financial understanding is really lacking in young people emphasising the importance of proper financial education.



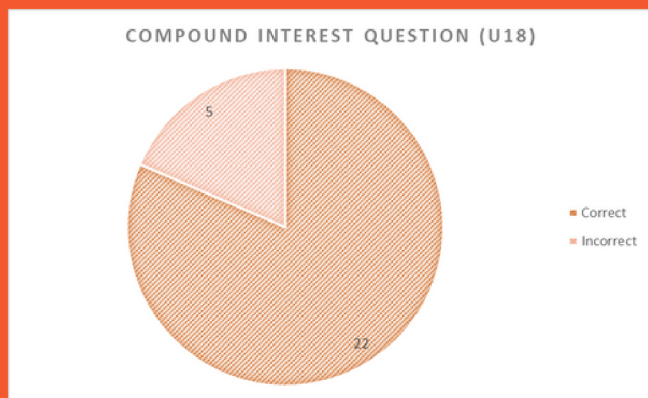
Although despite the lack of current teaching, the support for financial education is resounding with 74% rating the importance of financial education as 5/5.

# FINANCIAL LITERACY SURVEY

As well as the deficiencies in financial understanding among our young people (who mostly have not yet experienced the financial world) there are also stark problems with financial literacy across the board.

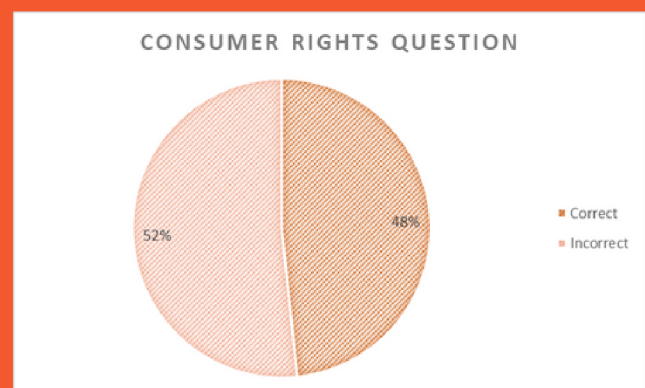


This question asks whether people understand the financial products they sign up to which is by nature aimed at those slightly older than school-age. 50% of those asked rated their understanding of their financial products as less than 3/5 which is a massive concern especially when it comes to complicated debt products which can cause a myriad of problems if used in a bad way (such as credit cards). Anecdotally, many young people also do not understand any financial products with some Y11 students not knowing they are charged interest on any borrowings.



Compound interest is a very powerful financial tool, one said to have been called the eighth wonder of the world by Albert Einstein.

However, it is an often misunderstood phenomenon with many unsuspecting customers stuck in debt for eternity due to the toxic mix of compound interest and minimum repayments. Reassuringly, 81% of those under 18 correctly answered the compound interest question most likely due to the concept featuring in GCSE Maths although in my experience it is often taught like all other mathematical concepts with no real consideration of its real world implications - something that could easily change to the benefit of many.



Most days, we make a purchase of some kind and inevitably some of these go wrong. This means that an understanding of basic rights is absolutely crucial to being a savvy, smart consumer. Unfortunately, the question on consumer rights was not answered particularly well on my quiz with slightly more than half getting it wrong. Consumer rights is arguably one of the more oft used aspects of financial literacy yet it is probably the most misunderstood. Perpetual urban myths and varied policies mean people do not understand their legal rights making it hard for them to fight their corner when the time comes.



46

Incorrectly answered about  
their FSCS protection

40%

of under 18s got less than  
half correct

52%

Do not know their basic  
consumer rights

63

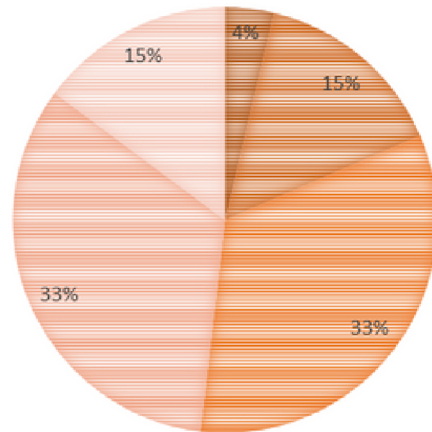
Responded to the survey

27

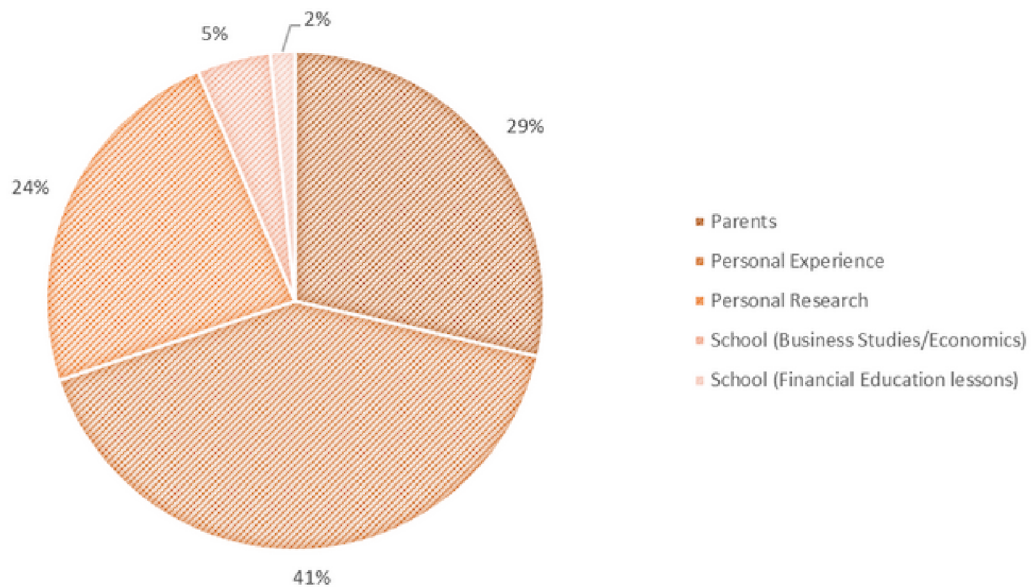
Secondary school students  
surveyed

# FINANCIAL LITERACY DATA

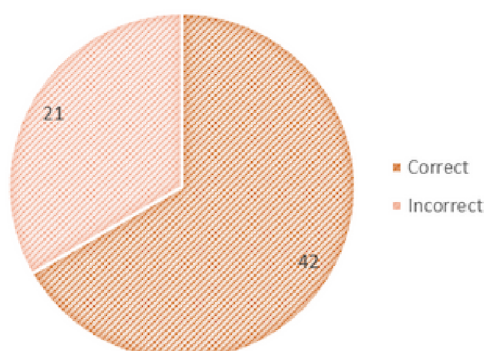
ON A SCALE OF 1-5, HOW GOOD ARE YOU WITH MONEY?  
(U18)



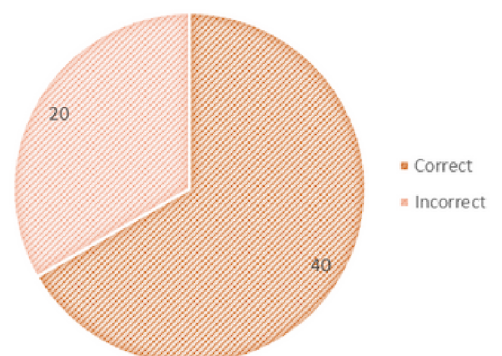
FROM WHERE DO YOU FEEL YOU HAVE LEARNT THE MOST ABOUT  
PERSONAL FINANCE?



CREDIT REPORT QUESTION



BEST VALUE QUESTION



# CONCLUSION & FINDINGS

The current financial climate necessitates a certain degree of financial understanding and it is pretty clear that the current education in schools is not equipping people with that. 64% of secondary school students said that the financial education they have received so far will not set them up for life and if that continues we will have another generation of financially illiterate people for businesses to profiteer from.

1

## **Financial Education is important (and clearly needed)**

47 out of the 63 people surveyed rated the importance of financial education as 5/5 showing that people young and old see learning about money as of paramount importance. Money has come under the spotlight recently due to the cost of living crisis putting millions of people under severe financial strain and showing that good money management is such a crucial skill. If people do not learn to understand their money they will be in for a life of misery.

2

## **We cannot just rely on parents to teach money lessons**

Many people argue that financial education should be the responsibility of parents rather than schools but although 29% of those surveyed said they had learnt from parents many do not have the financial aptitude themselves to properly educate their children. Additionally, money is sadly still seen as a taboo subject with parents trying to hide the finances from their children yet in reality letting them help with finding deals is some of the best financial education they can receive.

3

## **What is being taught now is not good enough**

Financial Education has been on the National Curriculum since 2014 but in many schools you would not know this. 38% of students said that they have never received a financial education lesson of any kind and that is simply not good enough. It is on the curriculum (admittedly academies do not have to follow this) so a reasonable expectation would be that it is taught especially as it is so crucial to adulthood.

4

## **There is some good work going on - it just needs to be better utilised**

However, in some schools, financial education is taught superbly. The 'Your Money Matters' textbook from Young Money and Martin Lewis is a great resource in all UK secondary schools and organisations such as Young Money and MyBnk are creating resources, guides and initiatives for the betterment of financial education. In addition, the Level 3 Certificate of Financial Capability and personal finance content in BTEC Business provides 6th formers with great financial education - if only this could be more widespread (to all secondary school students in some way).

# THANK YOU

## FOR YOUR CONTINUED SUPPORT

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## APPENDIX

### Sources

Financial Capability Survey 2018

### Quiz Questions

- 1, If you left £100 in a savings account for 6 years at 3% interest, how much would you have at the end of the 6 years? (to the nearest pound)
- 2, Which of these isn't a legal consumer protection?
- 3, Should you give out banking passcodes over the phone?
- 4, Which of these is the better deal (to buy 16 cans of beans in total)?
- 5, Which of these statements about ISAs are false?
- 6, How much of their earnings above the student loans repayment threshold do UK graduates pay?
- 7, Should your bank fail, how much does the Financial Services Compensation Scheme (FSCS) cover you for?
- 8, Is home insurance compulsory in the UK?
- 9, Which of these statements about credit cards and debit cards are true?
- 10, What is on your credit report?

### Quiz Answers

- 1, £100, £103, £115, **£119**
- 2, You are entitled to a refund if goods are faulty within 30 days, The credit card company is jointly liable with the retailer for purchases between £100 and £30,000, **Electrical goods must last 2 years**, You can return goods ordered online within 14 days if they are unopened and receive a refund
- 3, Yes, **No**
- 4, Pack of 8 cans of beans for £2, **Buy one get one free on £1.50 packs of 4 cans of beans**, Single tins of beans 30p each
- 5, ISAs are tax-free, **You can put an unlimited amount in an ISA**, You can invest money through an ISA, Some ISAs are linked to government incentives
- 6, **9%**, 12%, 20%, 45%
- 7, £50,000, **£85,000**, £100,000, Unlimited
- 8, Yes, **No**
- 9, **Credit cards can impact your credit rating**, You can never be in debt with a debit card, **Debit cards are linked to your bank account**, **Credit cards have greater legal protection than debit cards**, You have to be 18 to have a debit card
- 10, Every transaction you have made, **A list of all your borrowing products and how you have managed them**, How much money you have, A list of credit products available to you