Summary
- Financial education has been added to the National Curriculum for children aged 11 to 16.
- There are organisations dedicated to helping young people understand pensions and finance, through techniques such as games, role play and drama.
- Financial education should not get too technical, but deliver a broad understanding of the need to budget and save.

The next generation

As financial responsibility increasingly shifts from the state and employer onto the individual, the importance for young people to be prepared has finally been realised. David Adams finds out more about the financial education available

Getting the average teenager to think about retirement and pensions must be about as difficult as persuading them to spend the evening listening to Radio 3. But it is now generally acknowledged that young people are in urgent need of much better financial education. There is surely some connection between the fact that most leave secondary education with hardly any financial knowledge on the one hand and both record levels of personal debt and people generally making inadequate retirement provision on the other. It would be overly optimistic to suppose that better financial education for schoolchildren could solve these problems entirely, but it surely can't do any harm.

National Curriculum

After years of campaigning, financial education has finally been included in the new National Curriculum, which was introduced in September. Pupils in Key Stage 3 (aged 11 to 14) will now learn about "functions and uses of money, the importance and practice of budgeting, and managing risk" in citizenship lessons. Those in Key Stage 4 (14 to 16) will cover "income and expenditure, credit and debt, insurance, savings and pensions, financial products and services, and how public money is raised and spent" in citizenship; and will also "interpret and solve problems, including in financial contexts" in maths.

"It's entirely right that financial education should begin at school," says Barnett Waddingham consultant Malcolm McLean."Too many young people come out of school and enter adult life with no knowledge whatsoever of money. It is a major problem."

However, while glad that pensions will be covered within these lessons, McLean hopes the teaching will not go into too much detail. "It should be looking at why pensions are important and why you should start saving young," he says. "If those messages are going to be in the National Curriculum then I would be happy. I hope they're not going to get too technical. There's always a danger people will shy away from things they don't understand."

Financial education organisations

Of course, many schools have tried to educate children about personal finance in the past. Some have worked with the various organisations that are already dedicated to financial education for young people. The charity MyBnk has delivered financial education sessions to over 100,000 children through 450 schools and youth organisations since its launch in 2007, while also running sessions for those about to leave school for college or university and for young people about to start living independently.

When teaching children aged between 11 and 14, the primary aim is simply to introduce the concept of saving for retirement, says MyBnk education director Sharan Jaswal.

"When you get to 14 and beyond we delve into it a little more deeply, looking at how pensions work alongside income tax," she says. "We get [pupils] to act as the government, looking at National Insurance and pensions." Pupils learn about the differences between the state pension and private pensions and about occupational pensions and auto-enrolment.

The sessions use interactive techniques including games, role play and drama. One exercise asks pupils to imagine being in their 20s and trying to decide how much to save in a pension while also trying to pay the rent and save for a deposit for a house – then asking how these goals might be impacted by external events, such as the effects of a recession, or of a flood in the local area.

"In an era of complex financial products, difficult economic conditions and record levels of personal debt, it has never been more important for young people to be financially capable"

"It's about making it relevant and bringing it to life," says Jaswal. "We try to make it as attractive and fun as possible. If you can make it fun to learn about money and spark an interest, then hopefully they will be more open to talking to their parents about this and learning more." Feedback from some of the children who have taken part in MyBnk courses is certainly positive *[see box-out]*.

Another organisation working to improve financial education is RedSTART, an initiative created by Robert Gardner, Freddie Ewer and Jonathan Letham at investment consultancy Redington. Ewer set up and managed a chapter of a US financial literacy project, Moneythink, while at university in Durham, working alongside fellow students in local schools. He then discussed these experiences with colleagues after joining Redington as a graduate in 2012 and his enthusiasm for helping to improve financial knowledge among children was matched by Lethem and by Redington co-founder Gardner.

They launched RedSTART at the end of 2012 and have since persuaded five other financial services companies, including BlackRock, AXA Investment Managers and Henderson Global Investors, to start offering RedSTART courses too. RedSTART aims to work with these and other partners to deliver courses to children across the UK. Gardner has set the organisation the ambitious goal of being able to offer a day of financial education to every child in the UK by 2020.

"I would like all pupils, when they leave school... [to be] able to understand the student loan they may be about to take out, or the credit card they are given with their student bank account," says Ewer. "Collectively, we need to make sure that pupils leave school empowered to make informed financial decisions." Again, feedback has been positive *[see box-out]*.

Individual responsibility

Most courses so far have been delivered to schoolchildren from London, including some very deprived parts of the capital. Ewer says some of these children have very little financial understanding at the outset: they may be unfamiliar with the concept of saving money, for example. But he believes financial education is vital not just for these children but for everyone in an age when financial responsibility is being shifted from the state or corporates to individuals in so many different ways: where DB pension schemes are replaced by DC schemes, or following the changes to the pensions system announced in this year's Budget.

That view is echoed by staff at another education provider. "From greater levels of personal and household debt to the explosion of pay-day lending, the effects of poor financial education are all around us," says a spokesperson for ifs University College, which has been providing financial education in various forms since it was founded by the Institute of Bankers over 130 years ago. "In an era of complex financial products, difficult economic conditions and record levels of personal debt, it has never been more important for young people to be financially capable."

In 2006 ifs University College launched GCSE and A-level equivalent qualifications in personal finance. During the past eight years more than 150,000 teenagers have

taken one of these qualifications. The organisation is currently working with over 400 schools to support students aged 14 to 19 who are studying the subject.

Specialised teaching

But its staff do not believe that adding financial education to citizenship classes is the best way to impart knowledge of the subject, pointing to research conducted by the University of Manchester and ICM that suggests it is most effective when taught as a standalone subject.

Other financial education providers and industry observers express similar views. "It's incredibly good news that it's in the curriculum," says MyBnk's Sharan Jaswal, before pointing to the fact that so far this change only affects schools in England (the way the subject is covered is under review in Scotland, Wales and Northern Ireland) and will not be compulsory in academies and free schools, which are not obliged to follow the National Curriculum.

Her biggest concern is that many teachers will have little experience of teaching – and in many cases only limited personal knowledge of – the subject. ifs University College and the Association for Citizenship Teaching (ACT) have collaborated to devise guidelines and resources to help teachers plan lessons; as have another charity, pfeg (Personal Finance Education Group) and the Chartered Institute for Securities and Investment (CISI), to try to help address this issue.

On the other hand, perhaps it's a mistake to worry too much about trying to communicate many of the complexities of a subject such as pensions. Pinsent Masons head of strategic development for pensions, Robin Ellison, believes the fundamental aim of any attempt to teach schoolchildren about pensions should be simply to embed the idea that they will need some kind of financial support later in life. The aim should be to offer practical assistance, rather than more detailed information about a system that may have changed significantly by the time school children have reached the workplace.

But MyBnk's Sharan Jaswal says the underlying message of her organisation's work is a simple one: that children need to try to take control of their financial lives. "If you can get your relationship with money sorted out from an early age it's going to make life a lot easier," she says. And the older you get, the more you realise how true that is.

Written David Adams, a freelance journalist

Feedback from financial education sessions run by MyBnk and by RedSTART

MyBnk

"The most interesting part of the workshop for me was learning about my state pension," Damaine Robinson, a 14 year old student at St Matthew Academy in Lewisham, south London, told MyBnk. "As a young person I don't normally think about being old. I was sitting there and was keen. I was listening and I honestly found it interesting. Pensions, who had thought it!"

RedSTART

"The children were absolutely buzzing when they came back from the trip and have been sharing all their knowledge... with parents, teachers and other pupils," Glennis Johnstone, curriculum leader at Sarah Bonnell School in Stratford, East London, wrote to RedSTART. "They have been talking about budgeting and loans and credit cards and have been advising me about the best way to manage my money!"

Another teacher, Chris Connor, at Helenswood School in Sussex said he wished he had been able to attend a similar session when he was at school, "as I clearly remember thinking that the world of money and finance was a daunting prospect that no-one took the time to teach".