Summary
- Just under half of children and young adults can recall receiving meaningful financial education at school, leaving leavers with a lack of understanding of things like pensions.
- Failing to properly teach finance at school can hold back young adults and limit their opportunities, experts fear.
- Financial literacy has been on the national curriculum since 2014, but not at primary schools, and is taught ‘inconsistently’ at secondary schools.
- Experts have called for it to be extended to primary schools and are gathering evidence to support their case.

Financial education: Lessons for a lifetime

Sam Meadows explores the importance of financial education at schools to improve peoples’ long-term savings prospects

September saw the social media profiles of parents across the country flooded with pictures of their cherubic offspring, clad in shiny new uniforms, about to embark on their first day at school.

Their children would have set off down the garden path, a mix of nerves and excitement jangling inside their brains alongside a range of questions and worries. Will I make friends? Will I find the homework difficult? Will I have fun?

One question that is unlikely to have featured heavily: Should I be saving for retirement?

Research suggests that levels of financial literacy among school leavers are worryingly low.

Just under half – 47 per cent – of children and young adults recall receiving meaningful financial education at school, according to the latest financial wellbeing survey conducted by the Money and Pensions Advice Service (Maps).

A seven-year study by Redstart, an organisation that runs financial education in schools in deprived areas, found that nearly one in five children did not know that it was important to know how much money they had.

When it comes to pensions, levels of understanding are also lacking. Recent research by Cushon found that around a third of young people did not have a good understanding of whether they would be enrolled into a pension by their employer. This research also suggested things have got worse. Around 28 per cent of those under the age of 35 said they were not taught about pensions or retirement savings at school or university, compared to just 15 per cent of those over the age of 65. Scottish Widows head of policy, Pete Glancy, says British school leavers are not well-informed enough about retirement savings.

“You only have to look at the fact that one-in-three Brits are on track for a retirement income that won’t be enough to cover the basics. Even if people know they should be saving, they don’t necessarily know how best to go about it,” he says.

“It’s no good just teaching school children maths. For the numeracy curriculum to be truly valuable to people after they leave school and throughout their lives, it must take numbers out of the classroom and place them into real-world applications such as budgeting, investing, or retirement saving.”

Aegon pensions director, Steven Cameron, adds: “School leavers will likely see retirement as a dim and distant concept of little relevance to them.

“If they think at all about saving, it is more likely to be around affording shorter term objectives such as a car, a holiday or getting on the housing ladder. However, learning about the basics of saving and finances, including the benefits of saving for retirement, could be beneficial.”

Consequences

The consequences of leaving school without a good understanding of money can be severe. It could mean that people fail to save for retirement, leaving them to rely on the state. Or they run themselves into problem debt paying high rates of interest. Royal London pensions expert, Clare Moffat, says having a good level of financial knowledge can help people feel more confident.

“Talking about money matters openly when growing up can help children prepare themselves for dealing with finances once they leave home or start work,” she explains. “A general reticence to talk about financial matters fuels low confidence levels leading to a financial literacy gap and as a nation we have historically seen money as an uncomfortable conversation.”

The problem can be even more

pronounced among people from more deprived communities.

Redstart chief executive, Sarah Marks, says: "We end up with very vulnerable young adults. Getting into unmanageable debt when you are 17 reduces your options immediately, especially if you are in a family that can't afford to bail you out.

"You might not be able to continue in education or end up taking a lower paid job, not be able to travel to work on the bus or train, or get a car, or move to another city. It can even affect your relationships and your mental health."

She states that failing to properly equip children with good financial knowledge meant "squandering the potential" of millions, perpetuating a "pernicious cycle of disadvantage".

On the other hand, having a good financial education in school has the potential to transform lives. Maps says that this makes children more likely to save money, open a bank account and be confident in managing their finances.

Maps senior policy manager, Lisa Davis, states: "Doing this early can be an absolute game-changer for *[children]*."

What is being done?

Financial literacy education was added to the statutory national curriculum in 2014 as part of citizenship lessons.

Between the ages of 11 and 14, pupils should be taught about the functions and uses of money, the importance and practice of budgeting, and managing risk.

By the time they are 16, they should have been taught about income and expenditure, credit and debt, insurance, savings and pensions, financial products and services, and how public money is raised and spent.

This has widely been seen as a positive step, but there have been calls in the past for the subject to be taught in primary schools too. Research from Cambridge University has suggested that children form attitudes and beliefs around money from the age of seven, suggesting earlier intervention could be crucial. Maps has developed detailed guidance to help schools deliver a good level of financial education.

Its senior policy manager, Lisa Davis, explains: "Teaching children about money from a young age helps them develop the skills they'll need as adults.

"This doesn't need to be complicated and they can learn through conversations, activities or getting involved in decisions about spending and saving."

The organisation is working closely with the industry, including pension companies, to ensure two million additional children receive a meaningful financial education by the end of the decade. It has also just launched an online resource, called Talk Learn Do, to encourage, and make it easier for, parents to speak to their children about money.

"By embedding financial education in primary schools, it is possible to improve the financial knowledge, and therefore prospects, of all children"

There are also a range of positive initiatives happening within schools. Redstart, for example, works in primary schools and provides a hands-on experience for children with a virtual banking app.

Children earn a virtual pound for every day they attend school and can also earn more by completing quizzes, aimed at improving basic maths or money skills.

They can keep their earnings in a current account and move them to a savings account, before redeeming them every few weeks to buy small items like fidget spinners, but also occasionally more premium items like Lego sets or cinema tickets.

This is intended to give children a better understanding of key concepts – the difference between needs and wants, the importance of saving – from a young age. Some pension companies have also taken steps to improve financial education. For instance, Scottish Widows says it is closely supporting Maps in its financial wellbeing goals, preferring that centralised approach to working with schools directly.

Room for improvement?

Despite these hugely positive steps, there is still a long way to go. A study by the London Institute of Business and Finance found that just 62 per cent of children reported having access to financial education in 2022/23 – a drop from 73 per cent in the year before.

Marks says: "It's not about *[what is being done]* well and badly. It's about consistency. Financial education is not even on the curriculum in primary schools in England at the moment and it is not being consistently delivered in secondary school."

She says busy schools were all too often 'shoehorning' it into the back of other lessons when time allowed, rather than giving it its own space.

Redstart has partnered with the King's College Policy Institute to build an evidence base that it hopes will show the potential benefits of extending this type of education to primary schools.

"We hope it will show that by embedding financial education in primary schools it is possible to improve the financial knowledge, and therefore prospects, of all children – but especially those currently dragged down by socio-economic disadvantage," Marks adds.

"There needs to be clear priority being given to this subject and leadership from the government. *[Currently]* it's compulsory to teach Roman numerals, but not financial education."

Written by Sam Meadows, a freelance journalist