The Money Charity Response – Inquiry on Primary School-Aged Financial Education by the APPG on Financial Education for Young People (June 2021)

The Money Charity is a Financial Capability charity whose vision is to empower people across the UK to build the skills, knowledge, attitudes and behaviours to make the most of their money throughout their lives, helping them achieve their goals and live a happier, more positive life as a result.[1]

We welcome the opportunity to respond to the Inquiry on Primary-School aged Financial Education by the All-Party Parliamentary Group on Financial Education for Young People.

In this response, we set out our Key Points and elaborate on three things:

- The Money Charity's engagement with financial education in schools.
- The growing evidence base for financial education, including at primary age, using active learning methods.

[1] See box on back page.

- The opportunities for primary age financial education arising from the recovery from the Covid-19 pandemic.

Key Points

1. The evidence base for financial education, including at primary age, has been growing rapidly in recent years.

2. The evidence supports the use of active learning methods (ALMs).

3. Evidence of the impact of Covid-19 on education shows that financial education has been largely overlooked, while primary age children have experienced damage to their foundational education skills.

4. Nevertheless, recovery from the pandemic offers opportunities for the expansion of financial education, including at primary age, providing it can be linked to wider aspects of the recovery such as digitalisation, strengthening the practical foundations of the school curriculum and linking the skills involved in financial education with the skills taught in other parts of the curriculum (maths, English, history, design and technology, art and design, computing, PSHE, citizenship, etc.)

The Money Charity's engagement with financial education in schools

The Money Charity has a programme of financial education in UK schools, with educators based in several regional centres. Since the onset of the pandemic, we have been delivering virtually as well in the classroom. We reach approximately 20,000 secondary school students per year. The methods we use are active learning methods (ALMs) making use of visual presentations, in-class discussion, games, quizzes and small group work.

Our main delivery is to the secondary age-group, but we occasionally deliver to older primary years. We have also written E-learning content for early years practitioners. We fully support financial education at primary age and early years. The evidence shows that the foundations for good money management are laid early in life and that children from a very young age begin to learn basic money concepts such as "what is money?", "where does money come from?", adding and subtracting, and saving money into a savings account to be able to buy something later.[2] These concepts have moved from analogue to digital. For example, a young child can swipe images of coins on their parent's phone into their own savings account, which can be given physical form, for example as a yellow plastic elephant with a screen on its chest, which trumpets happily when money is added.[3]

[2] See for example, MaPS Dec 2019, *Children and Young People's Financial Capability – four to six year-olds*. Available at: https://maps.org.uk/research/

[3] https://www.youtube.com/watch?v=1g5GYYgdSWc

This type of embodiment makes money fun for the children using it, as well as teaching the basic concepts.

The Growing Evidence Base for Financial Education using Active Learning Methods, including at primary age

The evidence base for effective financial education has been growing rapidly in recent years. For example, Kaiser *et al* 2020[4] published a meta-study of financial education evaluations using randomised controlled trials (RCTs) and found significant positive effects in the order of 0.1 to 0.2 standard deviations on average, comparable to educational interventions in other subject areas. These are better results from a much larger pool of high-quality evaluations than some studies earlier in the decade, suggesting that as the evidence accumulates, financial educators using active learning methods can be more confident in the effectiveness of what we are doing.

In late 2020 we contacted Tim Kaiser, the lead author of the paper cited above, and asked if he could point us to some of the more successful interventions that he and his team reviewed. He sent us six examples (all being RCT evaluations) and we summarised these in our March 2021 paper, *Personal Financial Education – Evidence of Success from Recent Published Studies*, which we are pleased to make available to the Committee.[5] The lead finding from these studies is that active learning methods (ALMs) are key to the positive effect. Lecture-style methods do not work very well, but ALMs have lasting measurable effects. This is because they engage the emotions, intelligence and memory.

Of particular interest to the Committee will be one of the studies with a high evaluation rating involving primary age financial education in Turkey.[6] This intervention focused on savings and developing self-control and featured an entertaining game called "Zeynep's Time Machine":

> "One example is a case study titled "Zeynep's Time Machine". This tells the story of Zeynep, a girl who wants a bike for which she needs to save but who is also faced with alluring short-term consumption possibilities. The time machine allows Zeynep to travel to two alternative future states (having saved for the bike or not) and observe the consequences of her decisions. Students discussed how Zeynep would feel in each scenario and were asked to imagine themselves in similar situations. One class activity complementing Zeynep's story involved children building a time machine and pretending to travel to future dates of their choice that were important

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[4] Kaiser, T., Lusardi, A., Menkhoff, L., and Urban, C.J. (2020). Financial education affects financial knowledge and downstream behaviours. *NBER Working Paper 27057*.

[5] https://themoneycharity.org.uk/media/Successful-Financial-Education-The-Money-Charity-March-2021.pdf

[6] Alan, S. and Ertac, S. (2018). Fostering patience in the classroom: Results from randomized educational intervention. *Journal of Political Economy*, 126(5), 18651911.

in terms of target setting (e.g., end of the semester, when they get their report cards), as well as drawing related pictures."[7]

This study illustrates how financial education can be linked to the development of other key skills such as storytelling, art and design, writing and maths. Financial education should not be seen as an add-on, but as symbiotic with other curriculum subjects.

One advantage at primary age, compared with secondary, is that learners have a single teacher for all classes. The teacher has more time with the children and is well placed to integrate financial education with other subject areas in a lively manner.

Evidence of the impact of Covid-19 on financial education in schools

We recently delivered for the Money and Pensions Service (MaPS) a literature review into the impact of the Covid-19 pandemic on financial education in UK schools,[8] which we are pleased to make available to the Committee. As the Committee is aware, the pandemic has had a massive effect on UK education, particularly because of the necessity for school closures and the difficulties of delivering education virtually in an equitable way, due to unequal access of UK households to digital devices, internet connections and quiet places to work. One of our key findings is that financial education has been almost totally overlooked in assessments of the impact of the pandemic. In fact, in all the studies we reviewed, we found only one reference to financial education.

At secondary level, the impact on pupils preparing for exams has been particularly noted, but at primary level and early years the effects have been in some ways more severe because children's basic educational engagement has been affected. For example, one report noted that during lockdown some children had forgotten how to hold a pencil.[9] It is in early years and the first years of primary school that children develop their basic connection with education, including the skills of learning, concentration, writing, school routine and socialisation.

Notwithstanding the challenges, we see three opportunities for financial education coming out of the pandemic. In our view, these apply at primary as well as older ages, though the form of each must be adapted to the age group in question. We published these opportunities in a blog on 27 May 2021[10] and reproduce the key points here:

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[7] The Money Charity 2021, *Personal Financial Education – Evidence of Success from Recent Published Studies*, p 3.

[8] MaPS and The Money Charity May 2021, *Financial Foundations and Covid-19: a rapid evidence review.* Available at: https://moneyandpensionsservice.org.uk/wp-content/uploads/2021/05/financial-foundations-and-covid19.pdf

[9] MaPS and The Money Charity May 2021, page 8.

[10] Available at: https://themoneycharity.org.uk/money-charity-maps-financial-foundations-covid-impact-rapid-literature-review/

First, digitalisation. Covid restrictions stimulated the beginning of a digital revolution in schools with teachers using new platforms and resources to reach their learners. Financial education can extend its reach using online and mobile delivery (including recorded virtual delivery), games and financial simulation packages integrated into broader learning, and that learners can use independently.[11] MaPS and other funders may wish to consider supporting and funding the accelerated digitalisation of financial education in schools and other Young People settings.

Second, promote financial education within the school programme. The experience of home schooling and distance learning during the pandemic gave many parents a taste of their children's study and is reported to have produced a desire for a "much broader and more rounded education… grounded in real world examples and practical opportunities".[12] Learners have expressed similar sentiments to us.[13] Financial education has the advantage that, as well as linking to many parts of the school curriculum (maths, English, history, design and technology, art and design, computing, etc), it is one of the foundations for everyday life, whether in the workplace, further education, business or civic participation and can meet parents' and learners' desire for real-world, practical applications.

Third, link financial education to recovery from the health and educational impacts of the pandemic. Financial education develops skills in reading and maths, and in broader subjects such as art, design, computing and technology, PSHE and citizenship. Money is one of our key social institutions, with a rich and interesting history.[14] Using money involves key mathematical skills, such as powers of ten, operations[15] and compound interest. Learning how to manage money well develops key life skills such as planning for the future and making choices between present and deferred value. These are key mental building blocks, the acquisition of which can help students recover from the educational deficits caused by the pandemic.

The pandemic has also demonstrated the link between financial stress and damage to **mental health**. The development of good financial skills can address this and contribute to improved mental health for young people, an outcome we all wish to see.

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[11] See for example the Australasian financial education platform: www.banqer.co This begins at primary age and proceeds in a graduated way through to the end of secondary school, introducing more sophisticated topics at each level.
[12] The Edge Foundation 2020.
[13] Interview with The Money Charity Young People team.
[14] Consider, for example, how study of historical episodes of speculation such as the South Sea Bubble, Tulip Mania and the Great Crash of 1929 might have helped young people avoid the worst excesses of recent speculation in Bitcoin, Tesla and stocks such as GameStop.
[15] Adding and subtracting, multiplying and dividing, etc

In conclusion, we strongly support moves to include financial education in the primary curriculum in England, as it has been in Northern Ireland, Wales and Scotland. However, policy makers should bear in mind the lessons from adding financial education to the secondary curriculum. This turned out to be something of a pyrrhic victory because: (a) non-local authority-maintained schools are not required to follow the national curriculum, but make their own choices as to priorities, and (b) without the necessary level of resourcing, teacher training and prioritisation, financial education cannot take place with the intensity and frequency intended by those who campaigned for financial education to be placed on the curriculum.

For these reasons, it is vital that the decision to add financial education to the primary curriculum in England is accompanied by a proper delivery plan, including prioritisation and the appropriate level of resources and training.

The Money Charity is the UK's Financial Capability charity providing education, information, advice and guidance to all.

We believe that everyone achieves Financial Wellbeing by managing money well. We empower people across the UK to build the skills, knowledge, attitudes and behaviours to make the most of their money throughout their lives, helping them achieve their goals and live a happier, more positive life as a result.

We do this by developing and delivering products and services which provide education, information and advice on money matters for those in the workplace, in our communities, and in education, as well as through influencing and supporting others to promote financial capability and financial wellbeing through consultancy, policy, research and media work.

We have a 'can-do' attitude, finding solutions to meet the needs of our clients, partners, funders and stakeholders.

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