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Financial Literacy in Adult Life

How well do adults manage their money? The number of people with serious debt problems has increased dramatically over the past ten years. Financial literacy skills may help some to avoid such difficulties, and yet they are not a recognised part of the school curriculum in England and Wales.

Research, sponsored by the NatWest Group Charitable Trust and undertaken by NFER, posed two key questions:

- What 'financial literacy' skills do adults need to acquire?

  and

- What opportunities might be provided for them to learn these skills?

To answer the first question, a survey of adult learning needs was carried out for the project by MORI. It focused on four groups identified as being 'at risk' of financial difficulty. A fifth group was chosen to represent the general population. In all, 772 people were interviewed, and the needs of each group were analysed and compared.

A survey of possible sources of help included Citizens Advice Bureaux, libraries with Open Learning Centres, colleges of further education and adult education centres. The aim was to discover what these agencies were already doing, and what they might be able to do in the future, to help people acquire the skills they need.

The findings from both surveys provide interesting reading for all those concerned with personal money management.

ISBN 0 7005 1424 4

£5.00

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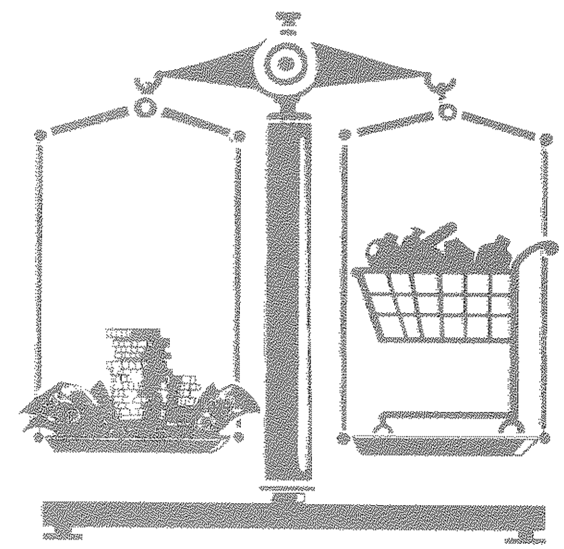

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FINANCIAL LITERACY IN ADULT LIFE

A Report to the NatWest Group Charitable Trust

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Published in May 1996
by the National Foundation for Educational Research,
The Mere, Upton Park, Slough, Berkshire SL1 2DQ

ISBN 0 7005 1424 4

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ACKNOWLEDGEMENTS

The authors would like to express their thanks to the many people who, in various ways, have made this report possible. We are grateful to those who generously gave their time to answer our questions in writing, by telephone or face to face, not only those whose views are represented in this report, but also those who patiently went through pilot versions of the questionnaires with us. We would also like to thank Mark Wardman and Steve Lomax of MORI for their help and cooperation before, during and after the survey of learning needs.

In addition, we acknowledge with thanks the help of colleagues at NFER who contributed in various ways to the research. Pat Ashby and Mike Marfleet carried out most of the telephone interviews for the survey of providers. Sheila Stoney, our Project Director, and Bob Stradling, who was involved in the research design, read drafts of the report and made valuable suggestions. In particular, we wish to thank David Hewitt, our Project Statistician, for providing the analysis which is central to the research, and Janine Stevens, our Project Secretary, for producing this report with her usual efficiency.

FOREWORD

The NatWest Group Charitable Trust was established in 1994 with a remit to fund a portfolio of projects which can make a lasting contribution to social policy issues that affect the NatWest Group and the communities in which it operates. The Trust also seeks to lever the resources and knowledge from within the NatWest Group to help inform public policy debate in the Trust's chosen issue areas.

There can be few issues more relevant to a financial services company than levels of financial literacy, or personal money management. This is particularly true for NatWest UK, as the provider of a full range of financial services to its personal and corporate customers. NatWest UK is the biggest business within the NatWest Group, and, through its 2,000 branches, it offers current accounts, savings and lending products to over 6.5 million personal customers.

This is why NatWest UK first commissioned the National Foundation for Educational Research (NFER) to investigate the components of financial literacy and where these might fit within the curriculum for secondary schools. The definition of financial literacy developed by NFER was '*the ability of individuals to make informed judgements and to take effective decisions regarding the use and management of money*'. The response from NatWest UK, in partnership with others, was to develop *NatWest Face 2 Face With Finance* as a programme of practical, active learning experiences to help schools teach personal money management and enterprise skills within the curriculum.

As *Face 2 Face* developed, it became clear from feedback we received from specialists in the worlds of education and money management that there was interest in improving understanding of the learning needs of adults relating to personal money management and the capacity of various agencies to meet identified need. The NatWest Group Charitable Trust was delighted to be able to commission NFER to undertake research in this important area.

The NatWest Group cannot be separated from its customers and the communities it serves. This is why we hope that the research and conclusions identified by NFER will be of value to policy-makers and practitioners alike when developing strategies to meet the learning needs of adults.

Amanda Jordan
Trustee – NatWest Group Charitable Trust
Head of Community Relations, NatWest Group

FINANCIAL LITERACY IN ADULT LIFE

1. INTRODUCTION

This report describes a research project carried out by the National Foundation for Educational Research (NFER) on behalf of the NatWest Group Charitable Trust. The research aimed to discover the learning needs of adults relating to personal money management, and the scope for providing resources to meet those needs. This chapter outlines the background to the research, the methods used and the structure of the report.

1.1 Background to the Research

Over the past ten years, there has been a dramatic increase in the number of individuals and households in debt (Mannion, 1992). A variety of factors have contributed to this development, such as the economic recession and the rapid increase in consumer credit. However, it is possible that some people might be better able to avoid debt problems if they were equipped with the knowledge and skills required for effective money management.

Alongside the increase in debt problems has been the growth of debt counselling or money advice, outlined by Kempson (1995, pp. 2-14). The first specialist money advice centre in Britain was opened as recently as 1971; by 1995 there were at least 500 organisations offering this service, although, as Kempson notes, most are situated in urban areas, particularly inner cities, and are therefore out of reach of many potential clients.

While telephone helplines and self-help packs are now available, the dominant form of help is one-to-one counselling, which is offered by Citizens' Advice Bureaux, other independent advice agencies, local authorities and national charities. All of these concentrate on giving advice and assistance to those who are already facing serious debt problems. It is less clear what opportunities there are for adults to acquire the skills which might help them to avoid problems of this kind.

In September 1994, NFER was commissioned by the NatWest Group Charitable Trust to undertake a short study on the feasibility of systematically researching the current provision of structured learning opportunities for adults related to personal money management. The study looked at examples of different types of provision, including courses, seminars for employees, information packs, interactive learning systems, and counselling. Interviews were conducted with different types of provider, including course tutors and coordinators from FE colleges, and managers of Citizens' Advice Bureaux and other voluntary agencies. Broadly, the findings indicated that most college provision dealt with business rather than personal finance, while counselling (as explained above) was largely reactive, dealing with crises rather than training adults to avoid future problems.

It was clear, therefore, that a research project focusing on existing money management courses would not yield helpful results. The report of the feasibility study (Stradling *et al*, 1994) recommended that further research should rather explore the learning needs of adults relating to personal money management, and the scope for integrating a financial literacy dimension into existing provision. The results of such research could inform the development of financial literacy learning resources for adults, which was envisaged as the next phase of the project. The NatWest Group Charitable Trust commissioned NFER to conduct research along the lines proposed.

1.2 Methodology

Two separate surveys were conducted in parallel during the autumn of 1995, following an extensive period of discussion, preparation and piloting of research instruments. One was a survey of adult learning needs related to financial literacy; the other was a survey of providers.

1.2.1 The survey of learning needs

In-depth face-to-face interviews were carried out with 772 adults (aged 16 or over) by Market Research & Opinion International (MORI). The interview schedule used had been designed and piloted by NFER, and the aim was to ascertain the extent of respondents' financial literacy skills and their learning needs in that area.

The sample

It was recognised that certain groups of people are particularly susceptible to debt problems, and it was desired to target members of these groups for interview. In September 1995, two multi-part questions relating to experience of finance in general and debt in particular, were included on the regular 'Omnibus' survey carried out by MORI. A total of 2,013 adults and young people (aged 15 plus) were interviewed; the responses were analysed by demographic factors (education, income, social class, etc.) and in addition, the performance of five specific groups was examined.

FINANCIAL LITERACY IN ADULT LIFE

In the light of this preliminary survey, it was decided to exclude one of the proposed target groups (families with mortgages) since their responses differed little from those of the general public. It was also decided to further refine the other four target groups. So for the main survey, these were defined as follows:

1. Young people aged 16-21 in work or training
2. Students in higher education, not living in the parental home
3. Single parents on benefits
4. Families living in local authority/housing association accommodation.

MORI were asked to interview 125 people in each category, and a further 250 people who would be representative of the general population. The number of achieved interviews was as follows:

Young people in work/training	119
HE students	131
Single parents on benefits	133
Families in rented accommodation	127
General public	262
Total	772

It must be stressed that the interviewees were not, as a whole, representative of the general population. The four 'special categories' were deliberately over-sampled in order to have sufficiently high numbers for meaningful analysis. It is possible to apply statistical weighting to correct the imbalance. However, the approach adopted in this report is to take the 'general (public) group' as roughly representative of the population, and compare the four special categories with it.

The questions

The interview schedule designed by NFER and used by MORI fell into three parts. The first part was intended to obtain basic information about interviewees' experience of money management and their confidence in dealing with financial affairs. In the second part, a number of scenarios were outlined, and interviewees were asked to say what they might do in certain situations. This part of the questionnaire was designed to test, in an informal and non-threatening way, the interviewees' financial literacy skills, and to assess their further learning needs.

The final set of questions asked interviewees explicitly what they felt they would like to know more about, and what their preferred learning mode would be.

1.2.2 The survey of providers

As explained in Section 1.1, the feasibility study had indicated a lack of structured learning opportunities for adults to acquire skills in personal money management. The survey of providers was intended to confirm (or challenge) this picture and, more importantly, to ascertain what scope there might be for introducing such learning opportunities if suitable resources were available. Do providers recognise the importance of financial literacy? And would it be possible in practice for them to incorporate learning opportunities into their existing work? These were the kind of questions which the survey sought to address.

A number of different provider groups were surveyed:

- FE colleges
- Adult education centres
- Libraries with open learning centres
- Citizens' Advice Bureaux
- Other agencies offering money advice (including local authorities, and agencies catering for specific client groups, such as the homeless, single parents, etc.)
- Money Advice Support Units (offering back-up advice to CABs and other agencies)
- Workers' Educational Association (WEA) regional secretaries.

A questionnaire was sent to 307 FE colleges and 143 adult education centres. Responses were received from 136 colleges and 57 centres, a response rate of 44 per cent and 40 per cent respectively.

Surveys of other providers were carried out by telephone. The total number of interviews was as follows:

Libraries	50
Citizens' Advice Bureaux	48
Other money advice agencies	2
LEA provision	13
General advice agencies	17
Specialist advice agencies	21
Money advice support units	9
WEAs	14
Total	174

1.4 Structure of the Report

The next part of the report describes the findings from the survey of adult learning needs. As explained above, the questionnaire was in three parts, and these form the subject of the following three chapters. Findings from the survey of providers are discussed in Chapters 5, 6 and 7; Chapter 8 brings together the results of the two surveys, and offers conclusions and recommendations for the future.

Throughout the report, the 'special categories' are those defined in Section 1.2.1 above. In referring to individual categories, abbreviated titles are used, but the full definition should be understood: 'single parents' are always 'single parents on benefits', 'students' are 'HE students not living in the parental home', and so on.

PART I
THE SURVEY OF LEARNING NEEDS

2. ATTITUDES TO FINANCE

Adults interviewed as part of the MORI survey were asked a number of questions relating to their experience of, and attitudes to, personal money management. Their answers were intended to provide a context for later questions designed to test financial literacy skills. However, the responses are also of interest in their own right, and they reveal some interesting differences between the five subgroups included in the survey.

2.1 Attitudes to Saving

Respondents were asked which of three statements best summed up their own view of saving:

It is important to save on a regular basis, if you possibly can.

It is worth saving for major purchases/special items.

There is no point in saving.

It is important to note that the question related to the respondents' **view** of saving, not their practice. It is clearly possible to believe that saving is 'a good thing', and yet never manage to save any money. A large majority of respondents chose the first statement, but this does not necessarily mean that they were successful in living out the ideal (see further Section 2.6).

There were significant differences between the subgroups in the survey (see Table 2.1). More than three-quarters (77 per cent) of the group representing the general population believed that it was important to save regularly, but in all four special categories the proportion was lower. The group least committed to saving were the single parents on benefits, of whom nearly one-fifth (18 per

cent) felt that saving was pointless. This may be in part at least a reflection of their own circumstances, which could make saving impossible in practice and therefore apparently not worthwhile.

Table 2.1 View of saving by category of respondents

	Young Workers %	Single Parents %	Families %	Students %	General %
Important to save regularly	63	51	60	57	77
Worth saving for major items	35	31	27	36	19
No point in saving	3	18	13	7	5
N =	119	131	121	130	261

Due to rounding, percentages may not sum to 100.

Perhaps surprisingly, the group most committed to saving were the young people in work or training. Nearly two-thirds (63 per cent) believed in the importance of regular saving, a figure lower than the general group but considerably higher than the other special categories. And a further third (35 per cent) believed that it was worth saving for major purchases; hardly any (three per cent) claimed that it was not worth saving at all. Young people in this category are likely to have a low or very low income; it is true that (if still living in the parental home) their financial responsibilities are also likely to be low, but even so, it is encouraging that they subscribe so readily to the principle of saving.

Responses to this question were also analysed using the demographic information provided by MORI. Attitudes to saving were found to be significantly correlated with education, class and income (but not with sex or age). In general, commitment to regular saving increased in step with income, social class and educational qualifications. This might be expected, and it is must be noted that the three factors mentioned are strongly interlinked; they are also related to membership of the four special categories discussed above.

A more detailed analysis was therefore carried out, in order to explore the impact of demographic factors **within** the five subgroups. For families in rented accommodation, education and social class helped to determine attitudes to savings; within the general group, education was the only significant variable. Education therefore seemed to be the single most important factor; nevertheless, members of all four special categories were found to be less committed to regular saving than others from a similar educational background.

2.2 Attitudes to Borrowing

Respondents were also asked to choose between three possible views of borrowing money. These were:

Something to be avoided at all costs.

Acceptable if you can afford the repayments.

Impossible to live without it.

The results are shown in Table 2.2. We felt that '*acceptable if you can afford the repayments*' was the most reasonable response, and this was chosen by almost two-thirds (65 per cent) of the general group. Given the widespread use of credit cards, HP and mortgages, it may seem surprising that 31 per cent defined borrowing as '*something to be avoided at all costs*'. Demographic information collected by MORI indicates that the majority of those who gave that response were in fact borrowing money from a bank or building society in order to buy a house. (In the general group, more than half of those who wished to avoid borrowing money had mortgages; a quarter owned their houses outright, implying that they might have had mortgages in the past.) This may indicate an inconsistency between practice and principle, but it seems more likely that their notion of '*borrowing money*' did not include mortgages. It is clear from other studies that people use the word 'debt' to mean problem debt, as opposed to what might be termed planned debt; for example, mortgage arrears would be seen as debt, but not mortgages themselves. In this particular question, the word 'debt' was not used, but it seems likely that 'borrowing money' has a similarly restricted connotation for some people.

Nearly half of the single parents (47 per cent) thought that borrowing should be avoided, which may reflect anticipated difficulty in making repayments, despite the fact that the second option said that borrowing was acceptable **if** you could afford the repayments. Fourteen per cent of the single parents said that it was impossible to live without borrowing, a much higher proportion than average (in the general group it was only four per cent). However, in the student group it was even higher; more than one in five (21 per cent) said they could not live without borrowing. This no doubt reflects the current expectation that HE students will obtain loans to supplement their steadily reducing maintenance grants; in the light of this, it is perhaps surprising that the number choosing the third definition was not even higher.

Women were rather more likely than men to say that borrowing should be avoided at all costs, but this difference was not significant. There was, however, a strong link with age: those over 55 were much more likely to want to avoid borrowing than people in the younger age bands. This may be because they were brought up during a period when credit was less common and less socially acceptable; it may also reflect concern about living long enough to make repayments. View of borrowing was also correlated with education, income and social class. In general, those with higher incomes, educational qualifications or social class background were more likely to say that borrowing was acceptable providing repayments could be made.

Table 2.2 View of borrowing by category of respondent

	Young Workers %	Single Parents %	Families %	Students %	General %
To be avoided at all costs	34	47	43	25	31
Acceptable if can afford repayments	62	39	49	54	65
Impossible to live without	4	14	8	21	4
N =	119	132	126	129	261

Due to rounding, percentages may not sum to 100.

No social factor had a significant impact within any of the four special categories, but within the general group age, education and income (but not social class) were all linked with view of borrowing. Young workers, single parents and families without educational qualifications were all more likely than members of the general group with a similar background to say that it was impossible to live without borrowing. Students from all social classes were much more likely to say this than other members of the same class.

2.3 Use of Banks and Building Societies

Respondents were asked to say whether they had an account at a bank, a building society or a post office; those who answered positively were asked to say whether each account was a deposit account or a current account.

Responses showed considerable variation between subgroups (see Table 2.3). Of the general population group, 88 per cent had bank accounts and 62 per cent building society accounts; clearly a large number of respondents had both, and only three per cent said they had no account anywhere. Compared with this, nearly half of the single parents on benefits, and a third of the families in rented accommodation, had no account. Single parents had the smallest number of bank accounts (31 per cent) and building society accounts (23 per cent). With the young people, both the HE students and those in work/training, it was a very different story. The proportion of young workers/trainees having bank accounts was very close to the proportion in the general population group (83 per cent) and in the student group it was even higher (95 per cent).

Table 2.3 Accounts held by category of respondent

	Young Workers %	Single Parents %	Families %	Students %	General %
Bank	83	31	48	95	88
Building society	45	23	31	34	62
Post office	3	6	6	14	9
No account	7	47	32	2	3
N =	119	133	127	131	262

Banks tend to be associated with current accounts, and building societies with savings. Table 2.4 shows the proportion of respondents in each category with different **types** of account (regardless of where they were held).

Table 2.4 Type of account by category of respondent

	Young Workers %	Single Parents %	Families %	Students %	General %
Deposit account only	20	24	17	4	5
Current account only	43	23	34	59	36
Deposit and current account	29	5	17	36	56
Neither	8	48	32	2	3
N =	119	133	127	131	262

Due to rounding, percentages may not sum to 100.

This confirms that almost all of the students had current accounts, which is not surprising as they would need this facility to pay in grant cheques, and write cheques for university accommodation etc. However, the number of students with deposit accounts was relatively low (40 per cent), indicating that many at this stage of their life were not in a position to save. Half of the young people in work or training had a deposit account, and almost three-quarters (72 per cent) a current account; these are not too far below the corresponding figures for the general group, and given that some young people would have only

recently left school, the figures would doubtless increase over time. However, the families in rented accommodation, a more mature group, had fewer deposit or current accounts, and the single parents had fewest of all.

A demographic analysis was undertaken to see what factors were likely to influence the pattern of accounts within the subgroups:

- For single parents, education was a significant variable. Sixty-three per cent of those with GCSE or equivalents had at least one account, compared with 43 per cent of those with no qualifications.
- Among the families in rented accommodation, women were much more likely to have a deposit account (43 per cent) than men (24 per cent). Conversely, 42 per cent of men had no account, but only 24 per cent of women.
- In the general group, the proportion of interviewees holding either type of account increased with income and class. Seventy per cent of those in the top income band held a deposit and a current account, compared with only 27 per cent of those in the lowest band.

2.4 Managing a Current Account

Those with current accounts (anywhere) were asked how they would know if there was an error on their statement. They were asked to choose between three possible responses:

I keep an exact record of cheques and deposits.

I know roughly how much I should have in my account.

Unless it was a large amount, I would not know.

In the general population group, nearly two-thirds (62 per cent) claimed to keep detailed records, and a further 31 per cent said they knew roughly how much they should have in their account. The responses from families in rented accommodation were similar, although here the figures were 52 per cent and 41 per cent respectively. In the other special categories, responses yielded a very different picture. Only one-third of young people (36 per cent of those in work or training, 34 per cent of HE students) kept detailed records; in the student category, almost one in five (19 per cent) said that they would not recognise an error unless it concerned a large amount of money. Given the financial circumstances of most HE students, it would seem important for them to keep a careful check on their finances, and be able to inform the bank or building society if a mistake has been made. And given that they are also, by definition, a highly able group, it seems surprising that they do not keep accurate records which would enable them to detect errors. Perhaps there is a specific need for guidance or training in doing so.

Single parents were the least likely of all groups to keep exact records — only 22 per cent did so. However, 69 per cent knew roughly how much was in their account, and relatively few thought that they would be unable to spot an error.

Age was a particularly striking factor in managing an account. The proportion of respondents stating that they kept detailed records rose from 34 per cent of under-25s to 90 per cent of over-65s. Regression analysis confirmed that age and income were the two determining factors, and when allowance was made for both of these, membership of the special categories did not significantly influence responses.

2.5 Responsibility for Money Management

In some relationships, it is the man who usually deals with money matters; in some it is the woman, and in some partners share this task equally. Respondents were asked who was responsible for money management in their household — was it the interviewee, his/her partner, or both of them jointly? The question was relevant only to interviewees who were married or living together; there were few students or young workers in this category, and of course no single parents. Responses from the families and the general group are shown in Table 2.5.

Table 2.5 Responsibility for money management

	Families %	General %
Self	51	38
Partner	22	34
Joint	27	28
N =	127	198

Just over a quarter of the interviewees said that they shared responsibility for household finance. Shared financial responsibility seemed to be most popular with the young and middle-aged, the graduates and members of social class AB, though the differences were not statistically significant. Where financial

management was not shared, it was likely to be the responsibility of the woman rather than the man. Thirty-five per cent of men said they were responsible for finance, and 39 per cent said their partners were; among female respondents the figures were 50 per cent and 23 per cent respectively.

In the general group, respondents were split fairly evenly, as would be expected, between those saying that they managed the finance (38 per cent) and those saying that their partner did so (34 per cent). However, of the families living in rented accommodation, the figures were 51 per cent and 22 per cent respectively. More than half of the interviewees in that group were female (55 per cent) but this would not be enough to explain the discrepancy. Perhaps respondents tended to claim responsibility which they did not have in practice, though there is no obvious reason why they should have done so. The pattern of responses from men and women in the families category is interesting in this respect (see Table 2.6). It suggests that women were reluctant to deny themselves a role in money management, perhaps claiming joint responsibility in cases where men felt they took the major role.

Table 2.6 Responsibility for money management within the 'Families' group

	Male %	Female %
Self	46	56
Partner	38	10
Joint	16	35
N =	55	72

Due to rounding, percentages may not sum to 100.

2.6 Confidence in Money Management

Interviewees were asked to rate their performance on a range of finance-related tasks. Responses other than '*not applicable*' were given a score ranging from one (very poor) to five (very good). The mean scores obtained by the five subgroups are illustrated in Table 2.7.

A '*not applicable*' response was allowed because some of the tasks listed would be irrelevant to some interviewees. For example, only those who had taken out loans could assess their performance at '*keeping up with loan payments*', and so a quarter (26 per cent) of the general population group answered '*not applicable*' to that question. As expected, there was a higher proportion of '*not* *applicable*' responses in the four special categories; for example, the majority of young people in work or training would be living in the parental home, and therefore not responsible for the household budget. In order for valid comparisons to be made, the percentages quoted below are percentages of those who gave an answer (other than '*not applicable*') to the relevant question.

Table 2.7 Confidence in performing finance-related tasks

	Young Workers %	Single Parents %	Families %	Students %	General %
Keeping control of personal spending	3.61	3.89	3.91	3.33	4.08
Controlling the household budget	4.00	4.04	4.04	3.54	4.20
Keeping up with loan payments	4.39	4.08	4.18	3.84	4.53
Avoid getting into debt	4.14	4.10	4.02	3.27	4.37
Saving for the future	3.36	2.50	2.98	2.54	3.60
Knowing best deal for loan/mortgage	3.39	3.15	3.32	3.42	3.83
Dealing with officials in banks/loan companies	3.67	3.35	3.58	3.88	3.93
Claiming money/benefits	3.53	3.80	3.85	3.57	3.50
Mean score (over all items)	3.72	3.65	3.74	3.39	4.01

'***Keeping control of personal spending***' is a fundamental skill required of all, but respondents in all four special categories were significantly less confident about their ability to do so than the general population group. About a quarter of single parents and families in rented accommodation (25 and 24 per cent respectively) rated their performance as '*very good*', compared to 41 per cent of the general population group; however, in both cases more than half (54 and 57 per cent) answered '*fairly good*'. If we add the two figures, we see that about 80 per cent of single parents and families in rented accommodation were reasonably confident about their ability to control personal spending — exactly the same proportion as in the general population group.

Young people however were much less confident. Of those in work or training, less than one in five (19 per cent) said '*very good*', and less than half (46 per cent) '*fairly good*'. Students rated themselves even more critically (12 per cent and 44 per cent respectively). Almost three students in ten (29 per cent) rated their performance '*fairly poor*' or '*very poor*'.

On '***controlling the household budget***', responses reflected similar variation: none of the special categories was as confident as the general population group, but more than eight in ten of the single parents and the families in rented accommodation said that they performed at least '*fairly well*'. This item was irrelevant to the majority of young workers and trainees, but students were again much less confident — only nine per cent answered '*very well*'.

As mentioned above, '***keeping up with loan payments***' was not relevant for a large number of people in all subgroups. Those who did answer were particularly confident, with 70 per cent of the general group answering '*very well*', and a further 21 per cent '*fairly well*'. These figures were not matched in the other subgroups, but confidence was still high; the students gave themselves the lowest rating, but even so 71 per cent thought they performed at least '*fairly well*'.

'***Avoiding debt***' has universal relevance, and so very few people here answered '*not applicable*'. Most interviewees were confident about their ability to avoid debt; 88 per cent of the general population group reported that they managed '*very well*' or '*fairly well*' in doing so. In three of the special categories, the figures were lower, but not markedly so (young workers/trainees 80 per cent; single parents 79 per cent; families in rented accommodation 76 per cent). The HE students were much less confident, with less than half (48 per cent) giving a positive rating. This is not surprising, however, given that students are expected to incur debt (see comment in Section 2.2).

People in all subgroups were much less confident about their ability to **save for the future**. Just over half of the general population group (63 per cent) said that they performed '*very well*' or '*fairly well*'; in all special categories, the proportion was lower (young workers 53 per cent, families in rented accommodation 45 per cent, single parents 29 per cent and students 30 per cent). When these responses are compared with views about saving (see Section 2.1), it becomes evident that many interviewees recognise the importance of regular saving but find themselves unable to put the principle into practice. In the general group, 15 per cent of those advocating regular saving said that they were '*fairly poor*' or '*very poor*' at saving for the future. In the special categories, these figures were higher: a third (33 per cent) of students and families, almost half (49 per cent) of single parents.

'***Knowing which is the best deal when taking out a loan or mortgage***' was considered irrelevant to a varying minority of each subgroup (15 per cent of students, but almost a third (32 per cent) of single parents). Once again, respondents in all four special categories were less confident than those in the general population group. The single parents were least confident, with only half (51 per cent) responding '*very well*' or '*fairly well*' compared with two-thirds (68 per cent) of the general group.

Asked about ***'dealing with officials in banks or loan companies'***, a considerable number again responded *'not applicable'*, although the proportion in each subgroup was smaller. These figures reflect, to a certain extent, the proportion of respondents having bank accounts (see Section 2.3). Thus 95 per cent of students had bank accounts, and only two per cent answered *'not applicable'* to the question about dealing with bank officials. Of the young workers/ trainees, 83 per cent had bank accounts, and 14 per cent said they did not need to deal with bank officials.

As seen in Section 2.3, a high proportion of single parents and families (48 per cent and 32 per cent respectively) said that they had no account (at a bank, building society or post office), but the proportion saying they did not have to deal with officials was lower (29 per cent and 19 per cent). This probably reflects the fact that the question referred to loan companies as well as banks, and people in those categories who needed to borrow money and had no bank account would have needed to obtain loans from other sources.

Not surprisingly, responses to the question about **claiming money or benefits** formed a very different pattern. This item was considered irrelevant to nearly a quarter of the general population group (21 per cent) and the young workers (24 per cent). None of the single parents (who were by definition on benefits) and few of the families (six per cent) or students (five per cent) answered *'not applicable'*. Families and single parents were most confident on this issue (73 per cent of each group answered *'very well'* or *'fairly well'*). However, given that the single parents were all (by definition) entitled to benefits, it is perhaps a matter of concern that one in six (17 per cent) rated their ability to claim as *'fairly poor'* or *'very poor'*.

An average score rather than a total score was calculated for each interviewee (see Table 2.7), to take account of the fact that they did not all answer all questions. The highest mean score was obtained by the general group (4.01) and the lowest by the students (3.39). The other three groups had very similar scores.

It is a plausible hypothesis that people with bank or building society accounts are more confident about financial affairs in general. This hypothesis was tested for each of the five subgroups, and was confirmed for the families and the general groups, whose average scores are shown in Table 2.8. In each subgroup, those with both types of account scored significantly high, and those with no account significantly low.

A regression analysis of the mean confidence scores indicated that different variables were significant for different subgroups. For the young workers, class was the most important factor, while for the students it was income. For single parents, confidence was determined by education and age, with older people gaining higher scores.

Table 2.8 Confidence scores by accounts held

	Families %	General %
Deposit account only	3.82	3.49
Current account only	3.71	3.89
Deposit and current account	4.15	4.19
No account	3.50	3.25
Mean for group	3.74	4.01

For families, the pattern of bank (or building society) accounts held was significant (as shown in Table 2.8), but those with joint responsibility for money management were less confident than others. In the general group, accounts held, age and income were all significant.

Overall analysis showed that confidence increased with age, income, education and accounts held. Joint accounts were a negative influence, and so was being a student. When all these factors were held constant, membership of the other three special categories was not significant.

2.7 Overview

In the group which represented the general population, respondents were committed to saving and keen to avoid borrowing more than they could afford to repay. Nearly all had bank accounts and the majority had a building society account as well. The majority of those with current accounts claimed to keep detailed records of cheques and deposits, and most others said they knew roughly how much they had in their accounts. Respondents were reasonably confident about dealing with financial affairs (the average score was *'fairly well'*) although they did not always put their principles (about saving, for example) into practice.

Very different responses were obtained from interviewees in the four special categories, reflecting their varying financial circumstances. Single parents were the least committed to saving and the least likely to have a bank or building society account; however, they were as keen to avoid debt as any of the other groups. Almost all students had current accounts, but only a third kept detailed records of their cheques and deposits; they were also the least confident group in dealing with financial affairs.

3. FINANCIAL LITERACY SKILLS

Interviewees were asked a number of questions designed to test their knowledge of financial matters and their ability to solve problems, make decisions and plan for the future. Each interviewee was presented with four scenarios which were used as a basis for the questions. Two scenarios were the same for all interviewees; in the other cases the MORI interviewer selected the most appropriate version, using criteria which will be explained below.

3.1 Methods of Saving

3.1.1 Types of savings

The first scenario, presented to all interviewees, described a man who had won £10,000 on the National Lottery and wanted to save the money, get married and buy a house. Respondents were asked first what method of saving would be best in this situation — building society, premium bonds, or stocks and shares. The responses are shown in Table 3.1. '*Building society*' was selected by a large majority in each subgroup, though the proportion varied from 65 per cent (single parents) to 80 per cent (young workers). Interestingly, '*stocks and shares*' was selected by 18 per cent of the single parents, a higher proportion than in any other subgroup; similarly, students were more inclined to opt for premium bonds (15 per cent) than any other group.

Table 3.1 Best way to save £10,000 by category of respondent

	Young Workers %	Single Parents %	Families %	Students %	General %
Building society	80	65	71	73	78
Premium bonds	4	4	10	15	4
Stocks and shares	8	18	11	8	12
Don't know	8	14	8	5	6
N =	119	133	127	131	262

Due to rounding, percentages may not sum to 100.

3.1.2 Interest rates

Respondents were next shown a card giving details of three types of savings account (see Fig. 3.2). They were asked to say which account paid the highest interest. The question was designed to test understanding of net and gross interest, and the correct answer, in the view of the NFER research team, was '*special bond*', since 4.5 per cent net is (at current basic rate of tax) higher than 5.5 per cent gross. Responses are shown in Table 3.3.

Figure 3.2 Three ways of saving

A. Savings Account

Interest on £10,000 is 5% gross

Money can be withdrawn at anytime

B. Investment Account

Interest on £10,000 is 5.5% gross

Six withdrawals allowed every year

C. Special Bond

Interest on £10,000 is 4.5% net

Money cannot be touched for two years

The correct answer was given by just over a third (36 per cent) of the general population group, a quarter of the young workers and families (25 and 24 per cent respectively), and only one in six (16 per cent) of the single parents. It is possible that some interpreted the question in the light of their own personal situation, and chose the Investment Account because they did not pay tax. However, even in the highest income band, less than half (45 per cent) gave the right answer. Moreover, the students performed better than any of the other subgroups, showing that they understood the effect of taxation, even though they would not themselves have been paying tax.

What is surprising is that a small but non-trivial number in each subgroup opted for the savings account, paying 5 per cent gross, rather than the investment account paying 5.5 per cent. It is possible only to speculate about the reason for this. Perhaps some people were confused by the decimal point, and failed to understand the figure as five **and a half** per cent; this would be a matter for concern, since interest rates for borrowing as well as saving are almost invariably expressed as decimals.

Table 3.3 Account paying highest interest by category of respondent

	Young Workers %	Single Parents %	Families %	Students %	General %
Savings account	13	17	18	8	8
Investment account	56	53	51	44	51
Special bond	25	16	24	43	36
Don't know	6	15	7	6	6
N =	119	133	127	131	262

Due to rounding, percentages may not sum to 100.

3.1.3 Choosing an account

Interviewees were next asked which savings account would be best for the man *given that he wanted to buy a house the following year.* The point of this question was to test respondents' awareness of the need to consider a variety of factors when choosing the type of savings account most suited to their needs. Interest rate is obviously an important factor, but there are other considerations, such as access to savings. In this simple example, the special bond pays the highest interest, but it would be no good for a man wanting to buy a house the following year, since no withdrawals are permitted for two years.

Table 3.4 Best account if buying home next year by category of respondent

	Young Workers %	Single Parents %	Families %	Students %	General %
Savings account	24	28	42	16	29
Investment account	61	44	44	79	61
Special bond	8	12	5	1	3
Don't know	8	16	9	5	7
N =	119	133	127	131	262

Due to rounding, percentages may not sum to 100.

The majority of respondents realised this (see Table 3.4), and few opted for the special bond (although 12 per cent of single parents and eight per cent of young workers did so). The correct answer in this case was '*investment account*', and this was chosen by about six in ten (61 per cent) of the general population group and the young workers. Once again, the single parents and the families did less well (44 per cent in each case) and the HE students did considerably better (79 per cent). A substantial minority in each subgroup opted for the savings account, though the investment account paid higher interest and allowed six withdrawals a year, which should be adequate for the purpose stated.

3.2 Benefits

The second scenario, also presented to all interviewees, was intended to test understanding of benefits. The situation described was that of a widower with two small children, living in privately rented accommodation and working part-time (maximum earnings £90 per week). He has no savings and cannot afford to live on his income. Respondents were shown a list of benefits and asked which the man would be likely to receive. Table 3.5 shows the proportion of respondents mentioning each type of benefit.

Table 3.5 Benefits due by category of respondent

	Young Workers %	Single Parents %	Families %	Students %	General %
Child benefit	82	87	90	91	88
Council tax benefit	31	56	69	41	59
Family credit	62	77	75	58	61
Housing benefit	55	69	79	52	56
One parent benefit	77	76	67	85	74
Unemployment benefit	8	1	6	2	7
Don't know	5	1	2	5	5
N =	119	133	127	131	262

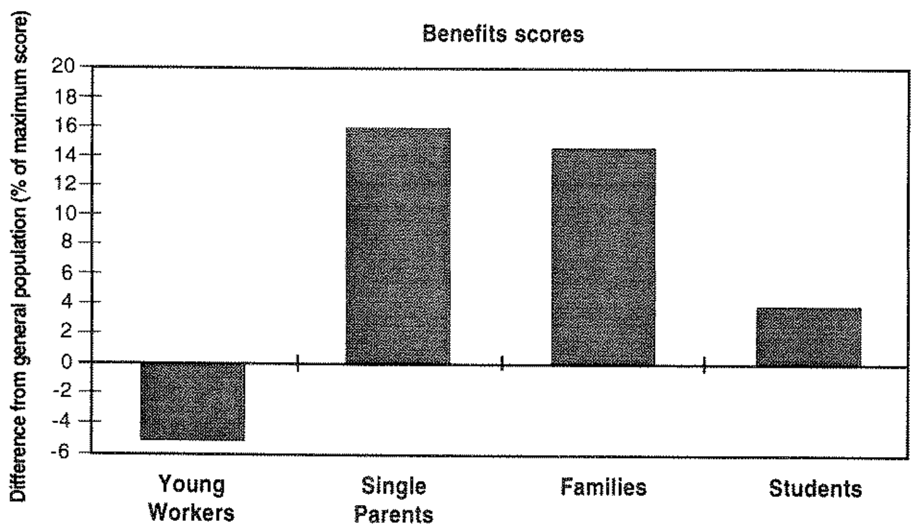
More than one response could be given.

The majority of respondents recognised that a man in this situation would be entitled to child benefit, one parent benefit, family credit and housing benefit. They were less sure about council tax benefit; this was named by 69 per cent of the families but only 31 per cent of young workers. Five per cent of interviewees believed incorrectly that he would get unemployment benefit.

Respondents were next asked to name the maximum amount that anyone could claim in housing benefit and council tax benefit. The correct answer in both cases was 100 per cent. In each case more than a third of interviewees answered '*don't know*'. Only a minority gave the correct response; families and single parents achieved the highest scores, but even within those groups, fewer than half gave the correct response to either question. It would seem that those most likely to qualify for benefits need more information and guidance in claiming entitlements.

The maximum 'benefits' score was seven, and the mean score for the general group was 3.03. Figure 3.6 shows how the performance of the special categories compared with that of the general group.

Figure 3.6



The students performed better then the general group, and the young workers not quite so well. The single parents and families had significantly higher scores, probably due to their experience of benefits.

A regression analysis indicated that, for single parents, higher income was correlated with high scores, while for families education was the most important factor. Indeed, for families there was a negative correlation between income and scores, indicating that those with lower incomes had a greater knowledge of benefits.

Class was the most significant factor overall, with those in the lower classes gaining higher scores. Education was also significant, and when both these factors were controlled, single parents and families obtained significantly high scores.

3.3 Financial Decision Making

Respondents were presented with one of two alternative scenarios, and asked a series of questions designed to test their ability to assess information, weigh risks and benefits and make decisions relating to finance. One scenario involved buying a new or second-hand car. It was felt that people whose circumstances made the idea of owning a brand new car totally unrealistic would have difficulty explaining the comparative advantages of buying new or second-hand. People in this category were therefore asked an alternative question about buying or renting a television.

In order to decide which scenario to present, interviewers first asked whether respondents had ever bought a new car, i.e. one that was not second-hand. Forty per cent of the general population group answered yes, but in all four special categories the proportion was much lower (11 per cent of families, six per cent of students, hardly any single parents or young workers). Those who answered no were asked whether they had ever *considered* buying a new car. Nine per cent of all interviewees said yes. Those who answered no to both questions (76 per cent of all interviewees) were given the TV scenario (Section 3.3.2).

3.3.1 Buying a car

This scenario was presented to 181 interviewees, 24 per cent of those participating in the survey. They were asked to imagine that a friend was thinking of buying a car, and had asked them for advice. Would they recommend a new or a second-hand car?

In the general population group, one third (33 per cent) chose new and one half (51 per cent) second-hand. The remaining 16 per cent said that they would '*need more information before deciding*', a perfectly valid response. (In the other subgroups responses showed considerable variation, but the numbers involved were too small to be significant.) No answer was deemed right or wrong in itself; the main purpose of the sequence of questions was to determine the extent to which interviewees considered all the factors involved in making such a decision.

Interviewees were therefore asked next: '*What do you think might be the advantages of buying a new car?*' Any number of reasons could be given, but most interviewees cited only one or two. Not surprisingly, those who advocated buying a new car thought of more reasons for doing so than those who had opted for buying second-hand. The most popular reasons are listed in Table 3.7.

Table 3.7 Advantages of buying a new car by category of respondent

	Young Workers %	Single Parents %	Families %	Students %	General %
Manfacturer's warranty	57	22	46	63	62
Lower maintenance costs	33	56	42	31	32
No MOTs for three years	-	-	17	13	8
Better trade-in price	-	44	8	-	8
Better discount	5	-	8	6	7
More reliable	19	-	4	6	5
Don't know	10	-	17	6	6
N =	21	9	24	16	111

In the general population group, only two factors were mentioned by more than ten per cent of respondents. The most important by far was the manufacturer's warranty (cited by 62 per cent of respondents in this group); next was the lower maintenance costs (cited by 32 per cent). Responses from young workers and students were remarkably similar, although no interviewees in these groups mentioned the better trade-in price (this is perhaps less likely to occur to people without the experience of buying and selling cars). Relatively fewer families mentioned the warranty, and more the low maintenance costs; this was also true of the single parents, but with only nine interviewees in this group the results are unreliable.

Respondents were also asked to name the possible advantages of buying second-hand. The three most popular reasons were: it will be cheaper (65 per cent of general population group), depreciation costs are less (33 per cent) and it gives better value for money (18 per cent). In this case, the pattern of responses from the families and the students was very similar. The young workers and the single parents put more stress on the obvious cost implications; depreciation costs were not mentioned in either group, but almost all interviewees said '*it will be cheaper*' and at least one in ten said that repayments would be lower or more manageable.

The next stage tested respondents' awareness of methods of raising finance for the purchase of a major item (in this case, a car). The four most popular methods in the general population subgroup were as follows:

- Get a personal loan from bank or building society (63 per cent)
- Buy on HP (42 per cent)

- Save enough cash before buying (35 per cent)
- Take advantage of special deals offered by garage or manufacturer (29 per cent).

Responses from interviewees in the four special categories followed a broadly similar pattern; single parents only favoured HP rather than bank loans, probably reflecting the fact that a large number in this group did not have bank accounts (see Section 2.3).

It is important to note that respondents were not asked to **choose** a method of payment, but to name as many options as they could; the purpose of this question, like the two previous ones, was to test awareness of the information on which a decision could be based. By contrast, the final two questions linked to this scenario provided interviewees with some information and tested their ability to make the correct choice. They were told that a woman wished to buy a car costing £12,000, and shown a card with details of deals available from two local garages (see Fig. 3.8).

Figure 3.8 Buying a car

Garage A

Interest-free credit over three years

Trade-in value of old car is £1,250

Garage B

Credit at 10% per annum over three years

Trade-in value of old car is £2,000

The first question was '*If she sells her old car privately, should she buy her new one from Garage A or Garage B?*' In this case the trade-in value is irrelevant, so there is a clear choice between Garage A offering interest-free credit, and Garage B charging ten per cent. Even for a buyer with enough cash to pay outright, it would make sense to take advantage of the interest-free credit deal, and thus earn interest on the balance of her own money while payments were being made. So she should buy from Garage A, and this was recognised by a large majority of respondents (see Table 3.9). Given that the question appears to be straightforward, it may seem surprising that almost a third of interviewees failed to give the right answer. Some (nine per cent of the general population group) said '*it depends*'; it may be that these respondents understood that Garage A offered the best deal on the basis of the information provided, but thought there were other, unknown factors which ought to be taken into account. However, a similar number (eight per cent of the general group) said '*don't know*' and a greater number (13 per cent) said that the woman should buy her car from Garage B. Responses from the special categories followed a broadly similar pattern. It seems that a considerable minority of people in all categories have difficulty in understanding and interpreting financial information even when it is presented in what appears to be a very straightforward manner (see also Section 3.1).

The second question asked where the woman should buy her car if she wanted to trade in her old one. The correct answer again is Garage A, since the interest charged by Garage B would far exceed the additional £750 trade-in. It is not, perhaps, surprising that a smaller number of people answered correctly (see Table 3.9). The students scored highest (69 per cent got it right) and the young workers lowest (38 per cent).

Overall scores were calculated for the car scenarios, with 13 the maximum obtainable. The mean scores obtained by the general population group was 6.76; differences in scores obtained by the special categories were not significant, as the numbers involved were low.

Table 3.9 Buying a car without (with) trade in by category of respondent

	Young Workers %	Single Parents %	Families %	Students %	General %
Garage A	67 (38)	67 (56)	71 (63)	75 (69)	70 (55)
Garage B	19 (48)	22 (33)	13 (21)	19 (25)	13 (29)
It depends	10 (10)	- (0)	- (4)	- (0)	9 (9)
Don't know	5 (5)	11 (11)	17 (13)	6 (6)	8 (7)
N =	21	9	24	16	11

Due to rounding, percentages may not sum to 100.

3.3.2 Buying (or renting) a TV

Those who had never considered buying a new car were asked an alternative series of questions relating to the acquisition of a television. The questions were designed to test the same range of skills as those described in the previous section. More than three-quarters of all respondents answered them.

Respondents were first asked whether they would choose to buy or rent a TV. A large majority preferred to buy (85 per cent of the general group, but relatively fewer in the special categories; one-third of single parents said that

they would choose to rent). The single overwhelming advantage of buying was that '*it's cheaper in the long run*' because payments cease after a while (64 per cent of the general group, more than half in all the special categories). The second most popular reason was non-financial: the feeling of ownership (mentioned by 20 per cent of the general group, and over 20 per cent in all the special categories). The only other reason cited by at least five per cent was '*you can get some good discount deals if you buy*'. This was mentioned by seven per cent of the general group and eight per cent of students, but less than five per cent in the other categories and only two per cent of single parents. This may be because discount deals are often restricted to cash purchasers, and single parents on benefits are less likely to be able to pay cash.

A question about the advantages of renting elicited a greater variety of response. The factors cited most often in the general group were:

- No maintenance costs/depreciation (64 per cent)
- Being able to change sets easily and get the latest model (27 per cent)
- Relatively cheap weekly/monthly payments (13 per cent).

The pattern of responses in the special categories was broadly similar, although students were the least concerned about low maintenance costs and the most concerned about the other two factors listed. This perhaps reflects the transient nature of student life; students sharing a flat and wanting a TV for the length of their course might be less likely to think about how long the set would last.

Respondents were asked to list possible ways of financing the purchase of a television; the most common responses are shown in Table 3.10.

Table 3.10 Ways of buying a TV

	Young Workers %	Single Parents %	Families %	Students %	General %
Cash (save if necessary)	76	70	80	84	80
Hire purchase	71	61	79	78	80
Credit cards	24	14	17	29	33
Personal loan	16	7	8	17	19
Take advantage of special deals	12	11	13	7	19
N =	98	124	103	115	151

More than one response could be given.

Given the prominent place of consumer credit in contemporary society, it is perhaps surprising that the option most frequently cited in all subgroups was saving for a cash purchase, though it was followed closely (very closely in most cases) by HP or interest-free credit. Paying by credit card was mentioned by a third of the general group, and relatively fewer in the special categories, probably reflecting the fact that fewer in these groups are likely to own credit cards. Getting a loan from a bank was cited by less than 20 per cent in any group. These responses contrast sharply with those relating to the purchase of a car (see previous section); the difference is no doubt due, in part at least, to the difference in value between a car and a TV. It is considered realistic to save enough for a TV, but not enough for a car; conversely, many people would consider it worth obtaining a bank loan for a car, but not for a TV.

Finally, interviewees presented with the TV scenario were asked two questions designed to test their ability to make effective choices on the basis of information provided. In this case, they were told about a man who had decided to buy a TV priced at £300 in two different shops. Shop A offered a £25 allowance for old TVs; Shop B offered ten per cent discount for cash. The first question asked where the man should buy his new TV if he could sell his old one privately. In this case the allowance is irrelevant, and he should buy from Shop B in order to obtain the discount. A very large majority gave the correct answer (see Table 3.11).

Table 3.11 Buying a TV without (with) trade in by category of respondent

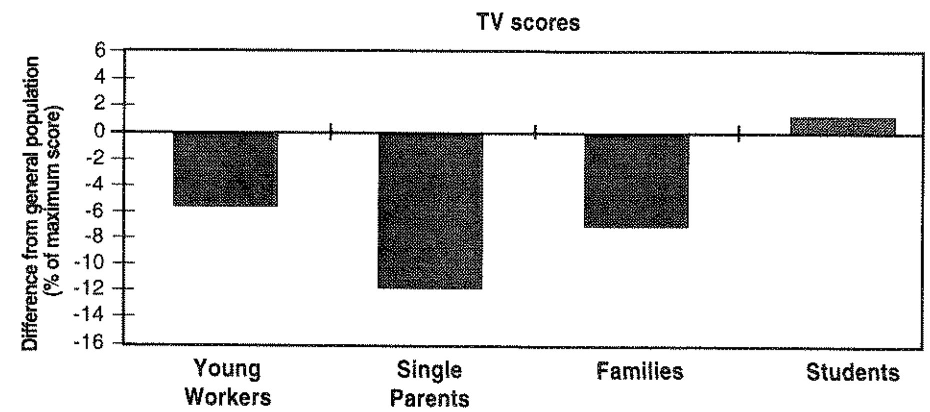
	Young Workers %	Single Parents %	Families %	Students %	General %
Shop A	11 (36)	14 (39)	14 (42)	5 (16)	5 (25)
Shop B	86 (60)	78 (52)	82 (54)	89 (81)	92 (72)
It depends	- (1)	2 (1)	2 (2)	4 (2)	1 (1)
Don't know	3 (3)	7 (8)	3 (2)	3 (2)	1 (2)
N =	98	124	103	115	151

Due to rounding, percentages may not sum to 100.

The second question asked where the man should buy his new TV if he could not sell the old one privately. The answer again is Shop B, since the discount would be worth more than the allowance. However, this question required interviewees to perform a calculation, albeit a simple one, and so it might be expected that there would be fewer correct responses. This happened in all subgroups (see Table 3.11), although the difference was more marked in some cases. On the second question, the students fared best, with 81 per cent getting the right answer, compared with 89 per cent on the first question. In the general group, the proportion of right answers fell from 92 per cent to 72 per cent, and in other groups the difference was even greater: 52 per cent of the single parents answered the second question correctly, compared with 78 per cent on the first question. The inference is that a large number of people have difficulty in calculating percentages, even simple ones as in this example.

Total scores were calculated for the TV scenario, again out of a maximum 13. The mean score for the general group was 7.54; the comparative scores for the special categories are illustrated in Figure 3.12.

Figure 3.12



The students scored slightly higher than the general group, but the other special categories were significantly lower. Regression analysis indicated that education was the most significant variable, but class and income also had a significant impact on scores. Ethnicity was an important factor, particularly in the student group; whites obtained higher scores than non-whites, although the number in the latter group was small. Among the general group, age was also significant, with the over-65s having particularly low scores.

3.4 Financial Problem Solving

Each interviewee was presented with one final scenario, and asked a series of questions relating to it. It was felt impossible to design a single scenario for all respondents, so three were provided, and interviewers selected the most appropriate one in each case. All three followed an identical structure, and were designed to test respondents' ability to deal with financial problems, and to distinguish between short-term and long-term solutions.

Interviewees who owned their house outright, or were buying it on a mortgage, were asked the questions outlined in Section 3.4.2, single parents those in

Section 3.4.3. Other interviewees were given the scenario described below, except for some 60 per cent of young workers, who were given the mortgage scenario (see Section 3.4.2).

3.4.1 Paying the rent

This scenario was presented to nearly half (45 per cent) of the interviewees: all the families, almost all the students, 40 per cent of the young workers and 17 per cent of the general group. Interviewers pictured a man who was finding it difficult to pay his rent:

> *His rent has gone up and he is earning less overtime than before. He is buying a video recorder on hire purchase, and is struggling to make ends meet.*

Respondents were asked to suggest possible ways to solve the man's problem; at this stage they were not asked to choose one, but simply to list all the options. Table 3.13 shows the most common responses in all subgroups.

'*Sell the video recorder*' was by far the most popular option; in the general group it was mentioned by 41 per cent, and a further five per cent suggested returning the video recorder to the shop where it had been purchased. Sixteen per cent advocated contacting the shop or HP company and trying to renegotiate payments. No other option was suggested by more than 11 per cent of this group. In the three special categories (single parents had a different scenario) a similar number mentioned selling the VCR, but otherwise the pattern of response varied, apparently reflecting the circumstances of each group. For example, one in five young workers (19 per cent, compared with only seven per cent of the general group) suggested '*asking the landlord to accept a smaller rent payment until the work picks up*'; members of this group were perhaps most likely to have been in a similar situation. Among students, the second most popular option was borrowing money from a loan company or bank (23 per cent, but no more than seven per cent of any other group); this option would perhaps suggest itself more readily to students who are of necessity accustomed to borrowing money from loan companies or banks. The idea of moving to a cheaper flat was mentioned by both young workers (17 per cent) and students (16 per cent) much more often than the general group (nine per cent) or families (three per cent), reflecting the fact that it is easier for unattached young people to move than older people with families.

It should be noted that a number of respondents in each subgroup were unable to suggest **any** solutions to the problem. The students fared best, with 91 per cent contributing an average of 1.75 ideas. In the other three groups, the

proportions answering '*don't know*' were similar, but the young workers and the general group provided more ideas per person than the families in rented accommodation.

Table 3.13 Possible solutions to 'rent' problem

	Young Workers %	Families %	Students %	General %
Sell the VCR	34	32	43	41
Renegotiate VCR payments	6	9	9	16
Find out whether he is entitled to benefits	15	12	16	11
Borrow money from loan company/bank	4	5	23	7
Borrow money from friends/family	9	2	15	9
Ask landlord to accept smaller payments	19	11	5	7
Move to a cheaper flat	17	3	16	9
Find someone to share with him	4	3	5	9
Don't know	15	16	9	18
N =	47	127	129	44

More than one response could be given.

The second question was designed to test interviewees' awareness of sources of help for those in financial difficulty. Where could the hypothetical man go for information or advice to help him deal with the problem? The most popular responses are illustrated in Table 3.14.

By far the most popular source of information and advice was the Citizens' Advice Bureau, mentioned by three-quarters of the families and the general group. Young people were less likely to think of it, but a substantial majority did so (66 per cent of young workers, 59 per cent of students). More than a third of students (37 per cent) said he should consult a bank — a far higher proportion than any other group.

This probably reflects the fact that almost all the students had bank accounts (see Section 2.3) and many were probably accustomed to asking for overdrafts or other help when in financial difficulty. Families were less likely to have bank accounts, and it should be remembered that the general population interviewees answering this question were those who did not own their own home, and therefore had lower incomes than the group as a whole, and were less likely to have bank accounts.

Table 3.14 Sources of help

	Young Workers %	Families %	Students %	General %
CAB	66	75	59	75
Bank/building society	13	3	37	7
Benefits Office	15	12	14	11
Independent financial adviser	2	4	4	9
Parents/friends	11	2	5	7
Don't know	6	11	10	16
N =	47	127	129	44

More than one response could be given.

Young workers were more likely than students to suggest asking parents or friends for help. Independent financial advisers were not popular — mentioned by nine per cent of the general group, and smaller numbers from the special categories. This may reflect a perception that financial advisers do not deal with problems of the kind described. Eleven per cent of the general group, and slightly more of the special categories, suggesting visiting a Benefits Office. Surprisingly, perhaps, one in six members of the general group were unable to suggest any source of help or advice.

In the final stage of this sequence, interviewees were shown a list of possible solutions to the man's problem (regardless of which ones they themselves had suggested earlier). They were asked to choose from this list the most appropriate course of action (a) if the man's overtime work was likely to pick up again soon, and (b) if the overtime ban was likely to stay. While no solution could be classed as definitely 'right' or 'wrong', the aim was to see if interviewees could distinguish between long-term and short-term solutions, by choosing a course of action which was appropriate in each case. The six options, and the responses to both questions, are shown in Table 3.15.

The NFER research team felt that options 2, 3 and 4 could be classed as short-term solutions (and 1, 5 and 6 as long-term). The majority of respondents agreed, although a substantial number proposed as a short-term solution selling the VCR (all subgroups), or finding a flatmate (particularly young workers and students). These were considered by the researchers to be inappropriate as short-term solutions, since (a) selling the VCR could involve a substantial loss of money, and when overtime picked up, he might wish to buy another one; (b) finding a flatmate is a major long-term commitment, with implications such as loss of privacy which he might regret if he no longer needed the extra income.

Table 3.15 Short-term (and long-term) solutions to rent problem

	Young Workers %	Families %	Students %	General %
Sell VCR	9 (23)	15 (27)	12 (28)	11 (27)
Borrow from loan company/bank	11 (6)	3 (4)	8 (2)	5 (0)
Borrow from friends/family	23 (4)	19 (2)	20 (2)	23 (7)
Ask landlord to accept smaller rent payments	30 (9)	34 (8)	30 (0)	43 (2)
Move to cheaper flat	11 (38)	9 (30)	8 (42)	7 (32)
Find someone to share flat	15 (17)	13 (22)	19 (23)	5 (23)
Don't know	2 (2)	8 (8)	2 (3)	7 (9)
N =	47	127	129	44

Due to rounding, percentages may not sum to 100.

On the long-term problem, the great majority of interviewees agreed with the researchers' judgement, with only nine per cent of the general group choosing an inappropriate solution, although a further nine per cent answered '*don't know*'. The students did even better, with 93 per cent choosing an appropriate solution, young workers and families not quite so well (78 and 79 per cent respectively). The three options were ranked the same in each category: moving to a cheaper flat was most popular, selling the VCR second, and finding a flatmate third.

Further analysis of the responses revealed that one in six interviewees (16 per cent) gave the same response for both questions, indicating that they were unable to distinguish between short-term and long-term strategies. Interestingly, for both questions three-quarters of the interviewees chose a solution they had not themselves proposed (when asked to give all possible solutions). In other words, the course of action which they decided was best (when provided with a list) did not occur to them unprompted.

3.4.2 Paying the mortgage

This scenario was designed specifically for those who had a mortgage, or owned their house outright — 59 per cent of the general population groups. Because of the way market research operates, it was presented also to young people whose **parents** were in that situation (60 per cent of the group). Not surprisingly, a large majority of these young people (around 80 per cent) answered '*don't know*' to every question. Only the views of the general group are therefore reported.

Interviewers pictured a couple finding it very difficult to pay their mortgage:

> *They moved recently, buying a car at the same time. Interest rates have gone up, and the woman has lost her part-time job. They are struggling to make ends meet.*

Respondents were asked to suggest possible ways to solve the problem. Eight per cent were unable to do so. Solutions mentioned most often by other interviewees were:

- Sell the car (63 per cent)
- Negotiate with the bank/building society to make lower payments for the time being (49 per cent)
- Move to smaller or rented property (16 per cent)
- Cut down on spending (15 per cent).

Unprompted, 12 per cent of respondents commented that *'it depends how easily or quickly the woman is likely to find another job'*. They had anticipated the distinction later introduced, when interviewees were asked to decide which of five options would be the most appropriate solution (a) if the woman was almost certain to get a new job within three months, and (b) if she was unlikely ever to find another job. The five options, and the responses to both questions, are shown in Table 3.16.

Table 3.16 Short-term (and long-term) solutions to mortgage problem

	General Group %	
Talk to bank/building society	62	(30)
Sell the car	10	(18)
Cut down on spending	12	(4)
Borrow money	6	(1)
Move to smaller property	3	(38)
Don't know	7	(8)
N =	218	

Due to rounding, percentages may not sum to 100.

In this situation, the NFER team felt that selling the car or moving house were definitely long-term solutions, while negotiating lower payments and borrowing money were short-term. Although it would be reasonable to cut down on spending in either case, it was felt that a long-term problem would require more

drastic action. In the short-term scenario, 62 per cent advocated talking to the bank or building society, and a surprisingly low six per cent suggested borrowing money (compared with the much higher proportion who mentioned this as a preferred solution to the problem described in the previous section). However, one in ten advocated selling the car, and three per cent favoured moving — a particularly inappropriate solution given the length of time required to sell a house. A further seven per cent said they did not know.

Asked to choose a long-term solution, a majority (56 per cent) sensibly suggested moving or selling the car. Three in ten said that they would talk to the bank/building society about a temporary reduction in payments, although this would not help in the long term.

Respondents answering this series of questions were asked about possible sources of help for those in financial difficulty. Where could the couple concerned go for information or advice? As in the previous section, the most popular answer was the Citizens' Advice Bureau, mentioned by 63 per cent in this case. The bank or building society was a close second (59 per cent), which is not surprising as the problem was directly concerned with payments to a bank or building society; in fact, it could be considered surprising that the proportion of respondents suggesting this was not higher. Eight per cent said that they would go to an independent financial adviser, and the same number to a Benefits Office.

In this scenario, nearly a quarter of interviewees (23 per cent) chose the same solution for the short-term and long-term problems. The proportion of interviewees choosing a solution they had not previously mentioned was lower but still substantial (41 per cent for the short-term question, 52 per cent for the long-term one).

3.4.3 Looking after baby

This series of questions was designed specifically for single parents on benefits. Interviewers painted a picture of:

> *... a woman who is a single parent with an 18-month-old son. She has a very small income, and her rent is paid by housing benefit. She has paid a hire purchase deposit on a new washing machine, and now she is finding it very difficult to make ends meet.*

Asked to suggest possible solutions to this problem, nearly a quarter (22 per cent) said *'don't know'*. The most popular solutions were:

- Reschedule the HP payments over a longer period of time (28 per cent)
- Sell the washing machine (nine per cent) or return it to the shop (eight per cent)

- Find out if she is entitled to top-up benefits (13 per cent)
- Get a social fund loan (eight per cent) or borrow from family/friends (eight per cent).

As with the other two scenarios, respondents were asked to select the best short-term and long-term solutions. The results are shown in Table 3.17.

Borrowing money would seem the obvious short-term solution, given that the woman was expecting some income in a short time. This was suggested by just over half of the respondents, but a substantial minority preferred alternative solutions, such as finding childcare and a job (17 per cent) or finding a lodger (seven per cent). Since it could take some time to find a suitable job or a suitable lodger, these options might not solve the immediate short-term problem.

Table 3.17 Short-term (and long-term) solutions to benefits problem

	Single Parents %	
Sell the washing machine	7	(20)
Borrow money from a loan company	2	(5)
Borrow money from friends/family	54	(9)
Find a lodger	7	(18)
Try to find childcare/job	17	(35)
Other	5	(5)
Don't know	8	(9)
N =	133	

Due to rounding, percentages may not sum to 100.

Finding a job was the most popular long-term strategy (mentioned by 35 per cent), followed by selling the washing machine (20 per cent) and finding a lodger (18 per cent).

Although there were a few '*don't know*' responses, the great majority of single parents were able to decide between the options listed, and in most cases gave an answer which was appropriate for the given context. Yet comparatively few mentioned **any** of these solutions unprompted (see above) and only one in ten had already mentioned the solution they eventually chose. Some, of course, had suggested other, perhaps equally valid, solutions to the problem. However, the average number of suggestions per person was low, similar to that provided by the families (see Section 3.4.1) and the proportion of single parents unable to

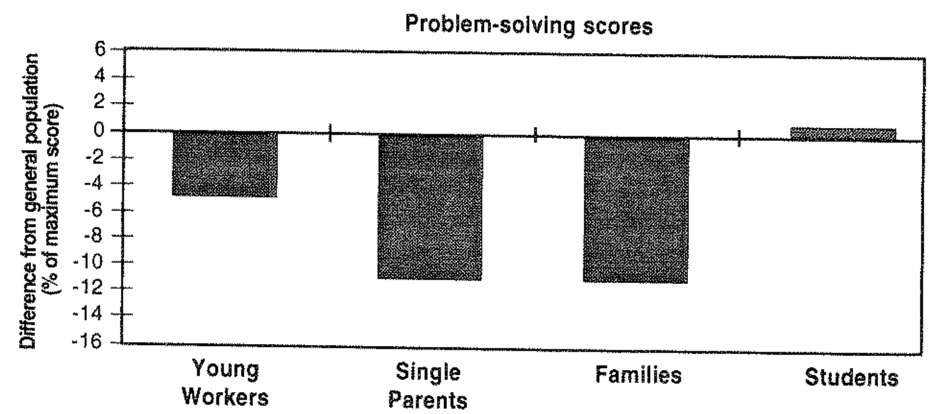
offer **any** solutions was even higher. It appears therefore that the single parents as a group had particular difficulty in considering a problem and thinking of solutions, though they were able to decide between possible solutions when these were outlined.

Like the other respondents, single parents were asked where the person with the problem could go for information or advice. Once again, the Citizens' Advice Bureau was the most popular choice (mentioned by three-quarters of the interviewees), followed in this case by the Benefits Office (28 per cent). No other source of help was mentioned by more than six per cent. Five per cent said that they would speak to parents or friends, but only two per cent (in each case) mentioned banks or independent financial advisers. Approaching a bank in these circumstances is perhaps a less obvious course of action than in the previous scenario, which dealt with mortgage problems; however, even in the first problem-solving scenario the number saying they would apply to a bank (or an independent financial adviser) for help was much higher than here. The low numbers in this case would seem to reflect the fact that many single parents do not have bank accounts (see Section 2.3) and lack confidence in dealing with bank officials (see Section 2.6).

3.4.4 *Problem solving*

For each interviewee, a score was calculated for financial problem solving, regardless of which scenario they had worked through (the maximum score obtainable was 10 in each case). The mean score for the general group was 5.60; Figure 3.18 illustrates the difference in the performance of the special categories.

Figure 3.18



The students' average score was marginally higher than that of the general group; the young workers' score was lower, but not significantly so. Single parents and families had significantly lower scores.

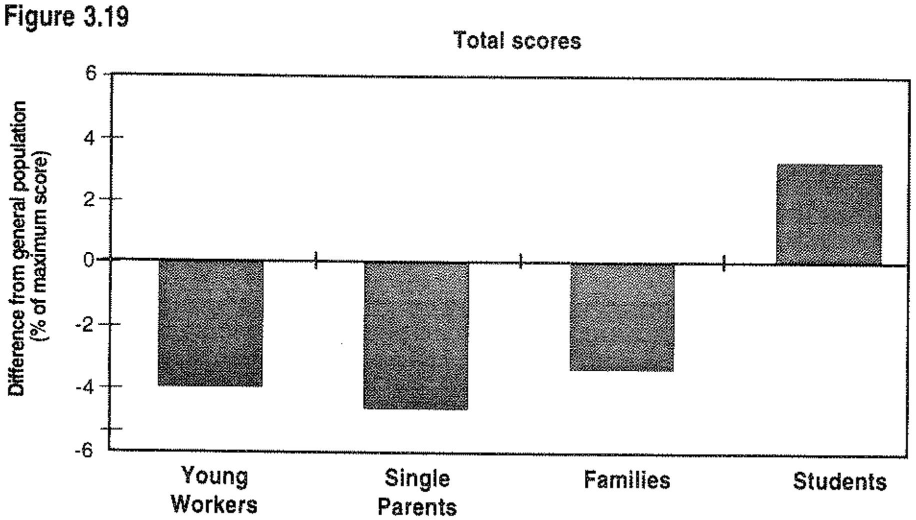
Regression analysis indicated that education and class were the most significant factors. Joint responsibility for money management had a positive effect on scores, and non-white ethnic origin a negative effect. When allowance was made for all these factors, families performed significantly below the expected level.

3.5 Financial literacy

For each interviewee, a total score was calculated, reflecting their responses to all but the first two of the questions described in this chapter. The maximum score was 32, and the results were designed to measure interviewees' knowledge and skills over a wide range of finance-related tasks.

The mean total score was 17.05 for the general group; the students scored significantly higher (see Figure 3.19). The other three categories scored lower; the difference was significant for the families and single parents, but there were too few in the young workers group for the difference to be significant at the five per cent level. Scores for the young workers covered a particularly wide range; that group had the highest proportion of low scorers, but also a comparatively high number of high scores, with relatively few in the middle range.

Figure 3.19



Regression analysis indicated that within the single parent group, education and income significantly affected scores. Education was also significant for families, but among the student group, who were all educated to the same level, ethnicity emerged as a significant factor. In the general sample, education and age were the most important variables, with the young performing better than the old, even when education was taken into account. Overall, education was

the most important factor, but class and ethnicity also had a significant impact on scores.

The responses reported in this chapter reveal a lack of skills (and consequently a need for help) in several important areas related to money management.

A. Financial calculations

Financial literacy is not the same as mathematics, and an able mathematician might be very poor at personal money management. Nevertheless, the ability to perform arithmetical calculations is a necessary prerequisite for financial literacy, and a considerable proportion of interviewees seemed to lack this skill. A particularly clear example of this occurred in the questions about buying a TV (Section 3.3.2). On the first question, a large majority rightly chose the shop which offered the discount. For the second question, however, it was necessary to decide whether ten per cent of £300 was worth more than £25 — a very simple calculation, but a significant number made the wrong choice. Only 52 per cent of single parents chose the right answer. An inability to understand and calculate percentages could be a severe handicap in financial decision making, and those most at risk of making a mistake are those who can least afford to do so.

B. Interpreting financial information

In order to make the right decision, it is necessary to understand the options on offer. This can mean making calculations, as described above, but words too are involved, and the ability to interpret them is important. It is needed in all kinds of decision making, whether it is choosing a mortgage or a method of saving. Only a minority in each subgroup appeared to understand the meaning of 'gross' and 'net' interest, and a small number apparently failed to recognise that 5.5 per cent was more than 5 per cent. On the next question, where information about permitted withdrawals had to be taken into account, a majority of single parents and families, and a large minority of other groups, made the wrong choice.

It needs to be remembered that the examples given in the savings questions, and also the questions relating to the purchase of a car or a TV, were extremely straightforward. In real life, there would be many more options available, and more complex factors to take into account when making a decision. The evidence therefore suggests that many people might choose a savings account which was not the most appropriate for their circumstances, and did not earn them as much interest as possible.

C. Understanding entitlements

The question about benefits indicated that comparatively few people knew the maximum amount which could be claimed in housing and council tax benefit.

It is true that those most likely to need benefits (the single parents, the families, those in class DE and the lowest income band) scored better than others, but even within these groups, only a minority gave the correct responses. This implies that people in need could be missing out on benefits to which they are entitled, because they do not know enough about what they can claim.

D. Considering alternatives

It seems that there are two stages involved in financial problem solving: deciding what solutions are possible, and then choosing which to adopt. A similar process is required for financial decision making; if you are choosing a mortgage (for example) you would first collect the information, and then decide between the options available. But in that case, you would know exactly what you needed (information about mortgage deals) and would probably have a good idea about where to get it (banks, building societies, etc.).

With financial problem solving, it may be necessary to collect information, but the first step is simply to **think** about what courses of action might be possible. The evidence of our survey (see previous section) is that people are not very good at this; when a problem was outlined, and they were asked to name possible solutions, most could only think or one or two, and some failed to suggest any (the single parents seemed to have particular difficulty here).

It could be argued that this 'thinking of options' stage is unnecessary, since people may see immediately what the right answer is and therefore do not need to consider alternatives. This may sometimes be the case, but our evidence suggests it does not happen often. In each question, a significant number of interviewees were unable to decide on a solution, or chose one which was inappropriate. Further, the majority of those who chose an **appropriate** solution had apparently not considered this option until it was suggested by the interviewer.

It appears, therefore, that the survey respondents lacked the ability to consider a problem and think of possible solutions. They were more successful at choosing an appropriate answer, from the lists provided. However, it should be noted that they were given the fairly limited task of deciding between short-term and long-term solutions. Piloting had shown that it was not feasible to ask interviewees to name the 'best' solution, without providing so much detail about circumstances that the question became quite unmanageable. They were therefore given credit for choosing any appropriate solution, but even so, a minority were unable to distinguish between short-term and long-term solutions. And there is no evidence that the majority who were successful in this respect would be able to make the right decision when other factors had to be taken into account.

4. PERCEIVED LEARNING NEEDS, AND HOW TO MEET THEM

The previous chapter has shown what can be deduced about learning needs from the interviewees' responses to the questions designed to test financial literacy skills. The final questions asked by MORI were intended to discover adults' own perception of their learning needs related to finance, and what they would be prepared to do in order to meet those needs.

4.1 Information Requested

Respondents were asked which finance-related topics they would like to know more about. The results are shown in Table 4.1.

Table 4.1 Topics where further knowledge is required

	Young Workers %	Single Parents %	Families %	Students %	General %
Better/effective budgeting	19	16	26	30	19
Keeping out of debt	18	28	28	27	11
Income tax/national insurance	40	7	15	40	27
Housing and related benefits	19	23	20	28	9
Maintenance payments and their link with benefits	2	14	8	7	4
Mortgages	30	2	8	25	15
Insurance/pensions	42	12	18	33	31
Different kinds of borrowing	12	8	8	20	5
Different kinds of savings	32	8	19	28	25
Student loans and grants	10	5	3	34	8
Benefits for low-paid workers, e.g. Family Credit	19	29	35	10	7
Link between earnings and benefits	17	14	21	26	9
None of these	9	15	13	4	26
N =	119	133	127	131	262

More than one response could be given.

Young people, particularly students, stated more items than others, indicating either a greater need to learn, or a greater willingness to admit that need. In the general group, the subjects most frequently mentioned were those of most direct concern to a working adult: insurance/pensions (mentioned by 31 per cent) and income tax/national insurance (27 per cent), though a substantial number were also interested in saving (25 per cent) and budgeting (19 per cent).

The responses from the young people in work were very similar, except that twice as many expressed a desire to know more about mortgages. This is understandable, given that many of the young people were likely to need a mortgage in the future, while many of the general group already had mortgages and may have felt they knew enough about the subject. Insurance/pensions was again the topic most frequently mentioned, by an even higher proportion of young people (42 per cent), indicating an encouraging willingness to consider these matters at a very early age.

Students' responses also followed a similar pattern, though more wanted to know about income tax/national insurance than insurance and pensions. This probably reflects the fact that most students had not started paying tax, and so it would be a completely new area for them, whereas most young workers would already have some experience of it. A third of the students said they would like to know more about students loans and grants; it is perhaps surprising that they felt they had not succeeded in finding out all there was to know about such a vital topic. Budgeting was also mentioned by three in ten students.

The responses from the single parents and the families followed a different pattern, reflecting their (on average) less favourable financial circumstances and prospects. The topics mentioned most often were benefits for low-paid workers (29 per cent of single parents, 35 per cent of families) and keeping out of debt (28 per cent of each group). Benefits were clearly important; 20 per cent of families and 23 per cent of single parents wanted to know more about housing benefits, and the link between earnings and benefits was mentioned by 21 per cent of families (14 per cent of single parents). Only eight per cent of the single parents mentioned savings, compared with 19 per cent of the families and more of the other groups; this suggests that many felt it was impossible for them to save, and therefore pointless to find out more about alternative methods (see Section 2.1). There was a general tendency, however, for single parents to mention fewer subjects than the other groups; this may explain why budgeting was mentioned by 26 per cent of families and only 16 per cent of single parents, although the subject was important to both (ranked third and fourth respectively).

It is worth noting that more than a quarter of the general group felt that they did not need further information on any of the topics listed. Respondents in the special categories were less confident, and students least of all (only four per cent said they did not wish to know more). This is consistent with the earlier findings about confidence in dealing with financial affairs (see Section 2.6).

4.2 Learning about Money Matters

Respondents were asked how they would find it most convenient to learn about money matters. The responses are shown in Table 4.2.

Table 4.2 Preferred learning methods

	Young Workers %	Single Parents %	Families %	Students %	General %
Talk to someone	67	60	57	67	61
Read booklet	35	27	32	44	34
Go to evening class	7	20	13	5	15
Watch a video	9	8	9	8	11
Take a correspondence course	3	11	12	4	8
Don't know	3	4	2	2	3
N =	119	133	127	131	262

More than one response could be given.

Responses reflected a considerable degree of similarity between the subgroups. Overwhelmingly, the most popular option was talking to someone; in the general group this was mentioned nearly twice as often as any other option, and in all four special categories it was mentioned at least one and a half times as often. The second most popular option was reading a booklet, mentioned by 27-35 per cent of all groups except the students, where the higher figure (44 per cent) no doubt reflects the students more than any other group are accustomed to using print-based materials.

Given the current popularity of video recorders, it is perhaps surprising that only 11 per cent of the general group, and fewer of the special categories, mentioned this option. Among the single parents and the families (who may not perhaps possess a VCR) this option was less popular than going to evening classes or taking a correspondence course. Young people, both students and those in work, were less keen on the latter two options; it might have been expected that young people (those who had only recently left school, as well as those still studying) would be more comfortable with the idea of semi-formal learning.

Respondents were asked if they would be interested in taking a short course on personal money management if one were on offer at the local college or adult education centre. About a third said that they would — 31 per cent of the general group, and slightly higher numbers in each of the special categories. This is surprisingly almost double the number of those who had mentioned evening classes in response to the previous question.

Nearly a quarter of the general group (24 per cent) said that the course would have to be within walking distance, but more than half (59 per cent) were prepared to travel up to five miles, and one in six (18 per cent) a greater distance. Responses from the young workers and the families were similar, but students were less willing (or able) to travel, and more than half of the single parents said that the course would have to be within walking distance.

Respondents were also asked how much they would be willing to pay for such a course. Eight per cent of the general group and the young workers said '*nothing*'; in the other special categories this figure was much higher, and included nearly half (45 per cent) of the single parents. Conversely, more than half of the general group (54 per cent) but less than a quarter of the single parents (23 per cent) said they would be willing to pay more than £2 per session. More than a third (37 per cent) of the young workers were unsure.

4.3 Contacting Learners

The previous two sections have demonstrated that many people would like to know more about money matters, and some would be willing to take a short course on the subject if one were available. This raises the question of provision, which was the subject of a separate survey; the findings will be discussed in Part 2 of this report. Whatever provision is made available, it could only be effective if the relevant people were aware of what was on offer. The question of marketing is therefore important, and this was the reason for a final set of questions. It was thought that advertising for courses in money management (or even the courses themselves) could take place in public libraries, community centres, banks and building societies. Interviewees were therefore asked how often they visited such places.

Nearly half of the general group visited their local library frequently (25 per cent) or sometimes (22 per cent). The proportion of students was higher (59 per cent and 21 per cent respectively) but for other special categories it was about the same or lower. Community centres were visited (at least sometimes) by only a very small number in each subgroup (ranging from four per cent of students to 14 per cent of families). Visits to banks or building societies were the most popular; two thirds of the general group (68 per cent) said they went into one or other frequently, and a further one in five (20 per cent) sometimes. The pattern was about the same for students and young workers; it was lowest for single parents, but even in that group 41 per cent said that they went into a bank or building society frequently or sometimes. It would seem that these would be the most promising places to publicise available help.

Interviewees were also asked how often they read a local newspaper, or listened to local radio. In both cases, students were less likely than other subgroups to give a positive response, probably because they tend to be somewhat detached from the local community outside the college or university. Nevertheless, almost three-quarters (73 per cent) of students said they read a local paper at least sometimes; in other subgroups, 58 per cent or more were regular readers, and only about one in ten responded '*rarely*' or '*never*'. Local radio was less popular with the general group: two-thirds (69 per cent) were regular or occasional listeners, compared with the 90 per cent who read the local paper. This was also true of families, single parents and young workers, although the difference in each case was less marked. Students were the exception, with more regular listeners (47 per cent) than readers (37 per cent). It appears therefore that local radio and local newspapers could both be useful in advertising finance-related course, or other help; the best medium would depend on exactly which group(s) were being targeted.

This concludes our summary of the findings of the MORI survey. In this and the previous chapters, we have demonstrated the needs of different groups for further development of knowledge and skills relating to personal money management. Responses reported in this chapter also provide some indication of how those needs might be met. These issues will be taken forward in Chapter 8, in the light of findings from the survey of providers.

PART II
THE SURVEY OF PROVIDERS

5. AGENCIES OFFERING MONEY MANAGEMENT ADVICE

The survey described in the previous chapters has indicated that there is a need, in some sectors of the community at least, for the provision of personal money management training, information or advice. While the market research interviews were taking place, further data were collected from a range of organisations to find out what opportunities they could offer for improving personal money management skills.

Telephone interviews were carried out with representatives of organisations which advise clients on personal money management, both those concerned with debt counselling and those providing help and advice for clients with more specific needs (e.g. homelessness, disability) which might have a financial dimension. Personnel from libraries with open learning centres were also interviewed to find out what kind of information they had available on personal money management.

A further strand of the research was a postal survey of a sample of further education colleges and adult education centres, to ask them about their current provision of personal money management-related courses and of any future plans to offer courses.

5.1 Citizens' Advice Bureaux and Other Agencies

Citizens' Advice Bureaux operate through a network of local agencies and offer an impartial advisory service covering a very wide range of subjects. The National Association of Citizens Advice Bureaux (NACAB) links and supports the work of the local agencies.

5.1.1 Clients and the advice they sought

Contact was made with agencies who were dealing daily with a broad range of clients in need of financial advice and debt counselling. Interviewers carried out

101 telephone interviews with representatives from money advice agencies or from general advice agencies that might be expected to advise on personal money management as part of their provision. Table 5.1 shows the type of agencies contacted.

Table 5.1 Agencies contacted

Type of Agency	Number Contacted
Citizens' Advice Bureaux	48
Other money advice agencies	2
Local education authority provision	13
General advice agency	17
Specialist advice agency	21
Total	101

Nearly half the respondents were from Citizens' Advice Bureaux (CABs), two were from other money advice agencies, and the remainder were from agencies which included money advice in their provision. Those labelled 'specialist advice agencies' were charitable organisations which tended to concentrate resources on particular groups in need of specific forms of assistance, such as the homeless, prisoners' families and those suffering from mental or physical handicaps. Ninety-four of the respondents, including all of the CABs, said that their organisation provided money advice or debt counselling as one of their functions.

NFER interviewers perceived a difference of emphasis in the approach between, on the one hand, specialist money advice agencies, and on the other hand, the agencies including money advice in their provision. While we could only speculate why this might be, it was felt worthwhile to examine some of the data with this in mind. Where separate figures are shown, and for ease of reference, the CABs and other money advice units are all referred to as 'CABs', and the other advice agencies are referred to as 'others'.

Given the different types of organisations surveyed, it was of interest to know approximately how many clients each week were receiving money advice; surprisingly, 18 interviewees were unable to provide an estimate. The numbers quoted varied widely but over half of the organisations that reported giving money advice were advising fewer than 50 clients a week, 12 advised between 50 and 99 clients a week and only 16 claimed to be advising 100 or more clients. The number of clients receiving money advice or debt counselling in individual agencies would be governed by such factors as the size and funding of the agency and the number of suitably trained staff.

Since there were many differences in both the focus (i.e. type of organisation) and size of the agencies contacted, respondents were asked about the age range of their clients; none of the advice services thought that there was a preponderance of young people or of those nearing retirement. The picture emerging was of a broad spread of ages with a large proportion clustering around the 22-49 age range, which perhaps covers the years when people marry, buy a house and bring up a family. 'Other' providers had more clients than CABs in the 22-49 age group, suggesting perhaps that this group tends to be vulnerable to a range of specific problems which allows access to agencies more particularly geared to their needs.

Kempson (1995) indicates that those most likely to seek money advice are adults in the 25-34 age range with dependent children. She notes (pp. 33-36) that younger families in changed circumstances (e.g. where the main wage-earner has recently been made redundant) can find themselves in particular difficulties since they may have a mortgage and other outstanding debts which were incurred when they had a greater income. Such families may have few savings because these only tend to accrue when a large proportion of the mortgage has been paid off (and perhaps when wages have increased while payments have remained fairly stable) and the children are grown.

Table 5.2 Groups seeking money advice

	CABs N	Other N	All Agencies N
Unemployed/redundant	16	6	22
Low-waged	7	3	10
Single parents	6	3	9
Family breakdown/change of circumstances	4	4	8
Students	-	7	7
Sick and disabled	3	3	6
People on benefits	2	4	6
Small business/self employed	1	1	2
Single homeless	-	1	1
Retired	1	-	1
Self-employed	-	2	2
N =	20	21	41

More than one response could be given.

Surprisingly, perhaps, only 41 interviewees said that there were specific categories of people who tended to need money advice. They were asked to identify the groups, and as can be seen from Table 5.2, 22 agencies reported that their advice was sought by those who were unemployed or redundant, while ten were helping those on low wages. Single parents and those with changed circumstances (family breakdown was often mentioned) were helped by nine and eight agencies respectively. Comparing types of advisory centre, there were some differences in clientele: students and the single homeless, for example, were more likely to contact specialist agencies than CABs.

The 'CABs' all claimed to help with longer-term planning and budgeting as well as helping to resolve short-term problems. The 'other' agencies appeared slightly less likely to offer help with longer-term planning, with only 35 mentioning this. Over half the respondents (more 'others' than 'CABs') suggested they were helping with longer-term personal money management skills development, which indicates, perhaps, a training role for the adviser in helping the client to learn how to handle his/her own affairs. The 'other' group were much more likely to refer people to other agencies for more focused support. Table 5.3 below shows some of the other kinds of advice mentioned by agencies; this indicates that both 'CABs' and 'others' were involved in advocacy in the courts and other types of advice essentially concerned with actively involving the individual in the process of resolving their own problems (rather than just doing it for them), e.g. support groups, debt rescheduling schemes, etc.

Table 5.3 Other types of money advice offered

	CABs N	Other N	All Agencies N
Advocacy in court	27	13	40
Financial problems support groups	8	10	18
Negotiating with creditors	3	1	4
Referral to insolvency practitioners	9	-	9
Money payments/handling service	2	1	3
Benefits appeals/welfare rights	2	-	2
Debt rescheduling scheme	1	1	2
N =	50	44	94

More than one response could be given.

5.1.2 Information and learning support

A main focus of the survey was to identify available opportunities for developing money management skills; accordingly, advice centres were asked if they provided resources that members of the public could use. Overall, 66 respondents (40 'CABs' and 26 'others') answered affirmatively. Table 5.4 lists some of the resources mentioned.

Table 5.4 Resources made available for clients' use

	CABs N	Other N	All Agencies N
NACAB self-help packs	31	12	43
Locally-produced booklets/leaflets	15	14	29
Materials dealing with debt	2	6	8
Office of Fair Trading debt leaflets	2	1	3
National Debtline self-help materials	2	-	2
Moneyfacts magazine	1	1	2
Courses on personal money management	1	1	2
N =	40	26	66

More than one response could be given.

As can be seen, 43 respondents (31 'CABs' and 12 'others') said that they made NACAB self-help packs available for enquirers, indicating the significant use made of these packs. Other self-help publications were mentioned, including locally produced leaflets or booklets available from nearly half of the providers, OFT and National Debtline materials and *Moneyfacts,* a monthly magazine (aimed at financial advisers, accountants and banks, rather than those in financial difficulties). Only two respondents (one 'CAB' and one 'other') mentioned providing courses on personal money management. While we asked for comments on resources offered, some wanted us to register their worries about self-help: that clients found self-help difficult (both understanding written materials and acting on their advice) and that some creditors preferred to deal with CABs, rather than directly with their client.

Clearly, much of the advisers' work was with clients needing one-to-one counselling; however, CABs and other agencies also deal with more general enquiries, so they were asked to identify any finance-related topics of concern. Table 5.5 gives details of their responses. It shows that, while these organisations were offering 'general' information, three-quarters reported enquiries on 'keeping out of debt/coping with debt', which may have come from people already on the verge of financial difficulties. More than half received enquiries about housing and related benefits (rather more of the 'others' than 'CABs',

perhaps reflecting the type of agency surveyed). Forty-five reported enquiries about benefits for low-paid workers, and a similar number were asked about mortgages, although in the latter case there was again a marked difference between 'CABs' (29) and 'others' (12). Further differences between client groups contacting the 'CABs' and 'other' agencies were in 'disabled living allowance', mentioned by 20 'others' but only six 'CABs', and enquiries about debt and its consequences, where 'bailiffs and repossessions', 'personal insolvency' and 'council tax arrears' were more likely to be mentioned by 'CABs'.

Table 5.5 Finance-related topics on which enquiries were made

	CABs N	Other N	All Agencies N
Keeping out of debt/coping with debt	37	38	75
Housing and related benefits	21	36	57
Disabled living allowance	6	20	26
Benefits for low-paid workers (e.g. family credit)	22	23	45
Mortgages	29	12	41
Better/effective budgeting	15	7	22
Bailiffs, repossessions, evictions	6	3	9
Different kinds of borrowing	13	2	15
Personal insolvency	4	3	7
Income tax/National Insurance	10	2	12
The link between earning and benefits	3	9	12
Student loans and grants	-	11	11
Council tax arrears	5	1	6
Insurance/pensions	5	3	8
Maintenance payments and their link with benefits	2	4	6
Different kinds of saving	2	-	2
N =	50	51	101

More than one response could be given.

Interviewees were asked if they thought additional resources could help make their work more effective and it was hardly surprising to find that 82 (45 'CABs' and 37 'others') said that they could. A range of resources was suggested (Table 5.6). The most commonly mentioned items were computer hardware, additional money advisers, information materials, and additional administrative and support staff.

Advisers thought these resources would help to make their work more effective by:

- standardising or speeding up administration procedures (presumably through the use of the computer and additional administrative staff);
- having more time for seeing clients (through additional money advisers, support staff and computers to handle routines);
- having more time for prevention of further debt-related problems;
- having more time for outreach work;
- having more time to spend on publicity, to publicise their services and to inform people about debt and ways of avoiding it.

Table 5.6 Resources considered helpful

	CABs N	Other N	All Agencies N
Computer hardware	18	8	26
Money advisers	21	4	25
Materials giving information	-	23	23
More admin/support staff	19	3	22
Computer software	8	9	17
Training for staff/volunteers	14	3	17
Bigger premises	12	2	14
Resources for proactive work in schools	5	6	11
Advisers at County/Magistrates court	4	-	4
N =	45	37	82

More than one response could be given.

While these agencies aimed to help people with debt problems, would they be able to make available opportunities for them to learn the skills of money management? Sixty-four said they could, 13 said they could not, and 23 said '*possibly*'. It was interesting to note that three-quarters of the 'CABs' but only half of the 'other' providers thought they could help with this.

Those who said '*no*' or '*possibly*' were asked to explain why they might not be able to offer these facilities. Thirteen respondents said it was '*not appropriate for our institution*', while ten said it '*depended on the quality, or suitability or cost of learning materials*'. Six said that '*clients need personal help*' and five that '*materials need to relate to local issues*'. Only four said that '*existing resources are adequate*' and only two thought there was '*little or no potential demand*'.

Those who said they could offer opportunities for clients to use learning materials, a total of 37 'CABs' and 27 'others', were asked which groups of clients they expected would use them (Table 5.7).

The responses to this question indicate the differences between the advice agencies: the 'CABs' expected that clients using learning materials would come from specific groups (those who had been through debt counselling and those with specific enquiries relating to finance), while the 'other' agencies saw provision as being applicable to all of their clients. Because they were often focused on a particular target group, the 'other' agencies might have been more concerned with encouraging self-help and helping the target group become more independent. The CABs on the other hand, were more concerned with dealing with a specific problem when someone brought it to them. This may lead to the agencies having a different emphasis with the 'others' looking at the longer term.

Table 5.7 Clients who might use learning materials

	CABs N	Other N	All Agencies N
Clients making enquiries relating to finance	20	6	26
Clients for debt counselling (after crisis)	24	1	25
All clients	3	18	21
Other	8	2	10
N =	37	27	64

More than one response could be given.

The respondents were asked what aspects of personal money management the learning materials should cover (Table 5.8). Topics most often mentioned were '*managing a personal or family budget*', '*financial planning*', '*coping with debt*', '*financial problem-solving*', and '*calculating personal finances*'. Learning materials covering problem-solving, coping with debt, calculating personal finance and understanding entitlements were requested by about three-quarters of the CABs and nearly all of the 'other' agencies. This difference may indicate that a slightly more proactive stance to helping clients is taken by the 'other' agencies.

With the impact of modern technology, learning materials need no longer be confined to written texts and leaflets, so interviewees were asked what format they would find most helpful. Only 14 responses were received (from 11 institutions); half of these specified '*take-away leaflets*' and a quarter mentioned video. Interviewees were also asked if materials should be made available in languages other than English. Of those who said they would make learning materials available, 27 thought that this was unnecessary, 20 said it was desirable, and 17 said it was essential. Several languages were mentioned. Thirty-four respondents indicated that materials should be provided in languages from the Indian subcontinent; other languages were mentioned by very small numbers.

Table 5.8 Aspects of money management learning materials should cover

	CABs N	Other N	All Agencies N
Managing a personal/family budget	35	27	62
Financial planning	34	24	58
Coping with debt	28	27	55
Financial problem-solving	30	25	55
Calculating personal finance	28	27	55
Understanding financial entitlements	28	24	52
Financial decision-making	28	20	48
Interpreting and using information from financial institutions	26	16	42
Investing wisely	4	3	7
Other	4	5	9
N =	37	27	64

More than one response could be given.

When interviewees were asked for further comments about personal money management, the most frequent suggestion was that, because the subject is so important, teaching about it should start in schools. Other interviewees were concerned about relating information or advice to local needs. The attitude of banks and other suppliers of credit was questioned by several respondents and this was often accompanied by a comment to the effect that, in their view, lenders should take more responsibility for clients getting into debt.

Some respondents thought there was little demand for personal money management learning materials, since (they believed) people were unlikely to admit having difficulties until there was a crisis. Others thought there was scope for the publication of '*general financial information*', although one made the point that, for CABs, all materials would have to be approved by NACAB. Some felt that advertising or promotion of counselling services was required.

5.2 Money Advice Support Units

Of the 500 money advice providers mentioned in Kempson (1995), only 31 were specialised money advice support units. The role of these units is to provide support to the staff of Citizens' Advice Bureaux in handling some of the problems raised by clients. Some of them also take referrals from CABs, of individuals who are experiencing severe or complex financial difficulties. In addition to the CABs discussed in Section 5.1, we sampled nine of the Money Advice Support Units (MASUs) to establish their role in debt counselling and in advising local bureaux, their views about the materials provided to support their work and their intentions and policy towards providing other forms of help to those in need of support in personal money management matters. It should be noted that, while MASUs may be able to give authoritative information on the needs of their client group, they deal specifically with those with the most serious or complex problems.

The MASUs had between two and 15 people per week referred to them for money advice. One unit did not take referrals but was exclusively concerned with supporting other CAB advisers in their advice work. While the numbers of referrals appear low, Kempson (1995) indicates that the average time for counselling clients with debt problems is 18 hours and, since those referred to MASUs may have particularly complex problems, the time taken to deal with each one may be quite extensive. While clients were said to come from across the age range, seven of the nine respondents indicated that there were specific categories that tended to seek money advice, with five of them mentioning those who were unemployed or redundant. Losing one's job (and income) can be especially difficult (as discussed in Kempson, 1995) since there is a tendency to base financial planning on the expectancy of continuing with an existing (or even increasing) income. Interviewees also voiced concern about the number of clients who found themselves in difficulties through sudden and unexpected changes in circumstances.

All but two of the respondents said that their clients came from specific categories, which might indicate issues that are particularly relevant to certain groups, so respondents were asked what kind of money advice was offered. All of the respondents said they offered help with longer-term planning or budgeting and in developing personal money management skills which seems to indicate an attempt to pre-empt clients' further financial problems. Perhaps in pursuance of this aim, all of the MASUs offered resources that members of the public could use to help them develop money management skills. Indeed, one interviewee was very positive about the capacity clients had to help themselves.

All but one of the respondents provided help in resolving clients' specific short-term problems and seven (of the nine) said they would also make referrals to other agencies; insolvency practitioners were mentioned by four of the respondents and solicitors and accountants were each mentioned by two respondents. They also said that they offered resources which could be used by members of the public to develop their money management skills. Most often mentioned were the NACAB self-help packs (mentioned by five respondents) and 'local' booklets, with localised information and references (four respondents).

MASUs were asked if additional resources (apart from funding) would help make their work more effective. All of the respondents said that further resources would be helpful and Table 5.9 shows their responses. Additional money advisers were mentioned by all but one respondent and nearly half mentioned additional training for advisers.

Asked how these resources would benefit MASUs and their clients, eight felt that they would have **more** time to see clients, while four mentioned more time for education, prevention and outreach work. Four mentioned being concerned about educating young people and improving their financial awareness and three of these had been approached by schools or colleges to provide talks to students.

Table 5.9 Additional resources suggested by MASUs

	N
Money advisers/caseworkers	8
Training for staff/volunteers	4
Computer hardware	2
Computer software	2
Advisers located at County/Magistrates court	2
Bigger premises	1
N =	9

More than one response could be given.

Interviewees were asked about the opportunities that might be provided for money advisers and the broader range of clients to learn money management skills, or to access comprehensive information on matters related to personal finance. For instance, would they be willing to provide opportunities for clients to use suitable learning materials if they were readily available? Would they encourage local CABs to do so? In each case seven of the respondents said '*yes*' and of these, six thought that such materials could be helpful to those referred to them for money advice; two said, further, that materials could be made

available to help **any** clients with finance-related enquiries. One respondent said that although they could '*possibly*' provide these facilities they did not consider this an appropriate function of MASUs; nor would it be an appropriate time to offer such help to clients because they '*want face-to-face advice and action in solving their problems*'. The one person who responded with a '*no*' felt, also, that clients would not require this kind of facility as '*education is not the issue*'.

The seven respondents who thought that learning materials on personal money management **should** be made available to clients were asked what topics should be covered. As can be seen in Table 5.10, all seven named financial planning and managing a personal or family budget; most mentioned interpreting and using information from financial institutions, coping with debt, understanding financial entitlements and financial decision-making. This indicates a need for both an understanding of finances and planning and managing skills.

Table 5.10 Aspects of money management to be covered by learning materials

	N
Financial planning	7
Managing a personal or family budget	7
Interpreting and using information from financial institutions	6
Coping with debt	5
Understanding financial entitlements	5
Financial decision-making	5
Financial problem-solving	4
Calculating personal finances	4
N =	7

More than one response could be given.

These resources would be intended for clients to use for self-help and one concern was that written materials might not necessarily be the most appropriate medium. MASUs were asked what format they would consider most appropriate. Videos, leaflets and computer-assisted learning packages were all mentioned by more than half the respondents and two also mentioned 'self-help' workbooks that clients could work through for themselves. Two respondents thought that the videos could best be used by their own staff as teaching/learning aids. Asked whether written materials should be made available in languages other than English, five of the respondents felt that other languages would be essential, while the other two said this was unnecessary. All five suggested languages from the Indian subcontinent (including Urdu, Gujerati, Hindi, Bengali, Punjabi, Tamil); other languages were mentioned by single respondents.

Finally, respondents were asked for their comments on personal money management. Over half wanted more awareness-raising about debt and debt-related problems, and the same number felt that advice and learning about this subject should begin in schools (indeed a number of MASU staff were involved in giving talks or lessons in schools about money management). Some respondents felt that there should be controls or legislation on credit to make lenders take more responsibility for ensuring that clients could afford their financial commitments and for supporting them if they got into debt.

5.3 Summary

The image presented by the respondents was of very committed advisers, often under-resourced, specialising in giving one-to-one counselling. On the whole the MASUs appeared slightly more positive about their clients' ability to deal with and solve their own financial problems if they were given sufficient help and advice.

While many CABs and other agencies acknowledged the need for people to learn about money management, much of their emphasis was on short-term problem-solving, rather than helping clients to gain more skills to help themselves in the future. The agencies generally had neither time nor resources to help with longer-term learning support, nor did they see this as an important, or even necessary part of their provision. This is hardly surprising, given their role in a culture based on counselling for individuals. Their suggested solutions included legislation to place more responsibility on the lenders to make clear the full extent of debts that borrowers are incurring, more publicity to raise awareness of debt and its consequences, and more emphasis on personal money management at school or college level.

Respondents were very sceptical of any value that would ensue from attempting to offer training/learning support for those with poor money management skills. They pointed out that their clients usually approached them at a very late stage when their money problems were reaching crisis point. Often, prior to this stage, the clients were in a state of 'denial' when they would have refused to admit that they could not manage their personal finances. Their response to these issues was to advocate teaching about money management in schools, publicity/promotion about the problems of debt, and information about where debtors could get advice.

6. LIBRARIES WITH OPEN LEARNING CENTRES

A further strand of the research involved contacting a sample of libraries that had open learning centres to find out what opportunities they had provided, or possibly could provide, for finding out about personal money management.

'Open for Learning' is an initiative set up by the then Employment Department in 1992, and managed by the British Association for Open Learning, to offer an open learning loan service in public libraries. It was intended that, by mid-1995, over 90 per cent of public library services in England would be offering an open learning loan service (often through one main library) and similar developments were to take place in Wales, Scotland and Northern Ireland. These loan services provide opportunities for clients to access learning packs, ranging from text-based study materials to multi-media packages which make use of audio, video and computer-based training materials. As part of the initiative, these libraries are required to have on site suitable equipment to ensure access to the materials available. Some libraries have interactive video and CD-ROM, along with Training Access Points (TAPs) which allow users to find out about training opportunities both locally and nationally. We sampled 50 libraries with open learning centres.

It is interesting to note that all of the respondents said that they made available materials aimed at helping clients to learn about personal money management. Librarians were asked where the personal money management materials were located. Responses indicated that materials were distributed throughout the libraries, rather than being located in one section. All but one placed materials on open shelves, nearly all (44) placed materials in the reference section, three-quarters (38) placed materials on the desk or a leaflet stand, and just over half (28) placed some in the open learning centre.

The latter group only was asked if the open learning materials related to personal money management specifically and just under half (12) said that some of them did. When asked to give details of the learning materials held, half of the respondents mentioned *Personal Money Matters*; other publications were mentioned by only one or two respondents.

Rather more of the open learning centre librarians (23) said they kept learning materials that included personal money management within a wider topic (Table 6.1).

Table 6.1 Learning materials relating to money management

	N
Setting up in business	9
Personal development	8
Basic skills/numeracy	7
Financial business skills	6
General business skills	5
Caring skills	1
N =	23

More than one response could be given.

It is interesting to note that much of the material held in the open learning centres tends to relate to the financial aspects of business, rather than the areas of concern mentioned by those engaged in money advice.

Table 6.2 Demand for finance-related topics

	N
Income tax and National Insurance	19
Insurance and pensions	12
Stocks and shares	12
Small business	11
Investment and savings	11
Different kinds of savings	9
Housing-related benefits	9
Benefits for low-paid workers	9
Wills	7
N =	50

More than one response could be given.

Library staff were asked if they could identify any finance-related topics for which there was a clear demand (Table 6.2). The results indicate that perhaps library open learning centres were dealing with a different type of client from those who found their way to Citizens' Advice Bureaux and other money advice centres. In libraries the clientele appears to be drawn from a better-off group concerned with investment, taxation and setting up their own business.

Less well-off clients might be deterred from seeking to learn personal money management skills through open learning centres if clients were charged for

their use. Over half (31) of the libraries surveyed did not charge for the use of open learning centres, although 39 **did** charge for borrowing non-fiction videos. Many of the libraries gave concessions to some groups of users, while others would allow materials to be viewed in the library free of charge and only charged if they were taken home. Most libraries allowed the '*usual concessions*' or made specific sections of the community (e.g. the disabled, council card holders, the unemployed) exempt from charges.

Respondents were asked how many people used the open learning centre in a typical week; at a third of the libraries (17) fewer than 20 did so. Most of the librarians were able to identify particular groups of people who tended to use the open learning centre. More than half (27) said that most users were in the 22-49 age range. Nearly half (24) mentioned the unemployed, a third (17) said '*women returners*', 11 mentioned '*people wishing to use the computers*' and six said '*students*'. When asked how the users of the open learning centre compared with other library users, 11 librarians reported that some open learning centre users did not use the library, while 31 said the open learning centre users were a sub-set of the library users.

Interviewees were asked if their libraries would stock new materials on personal money management, should suitable materials become available. Two-thirds said that they would, most others said '*possibly*' and only one said definitely not. Those who said '*no*' or '*possibly*' were asked to explain why they might not. Of the 16 respondents, 14 mentioned worries about costs, while six said there was little demand for these materials. Five said that such a use would not be in accordance with their library guidelines, and five said it would depend on the quality or suitability of the materials.

All of the respondents were then asked what aspects of personal money management learning materials should cover. Those that were mentioned most were personal or family budgeting, financial problem-solving, financial planning, understanding financial entitlements, calculating personal finance and coping with debt. Since open learning centres could accommodate materials in a range of media, they were asked what format would be most helpful. Only 17 responded, and surprisingly (given their provision of IT and other facilities), they suggested take-away leaflets, books or booklets in easy-to-read style.

Interviewees were asked if learning materials should be available in minority languages. Seventeen respondents were unable to say. A further 17 thought that other languages would be desirable, and 13 thought this was unnecessary. Only three of those responding said that publications in other languages would be essential.

Librarians indicated some concern over where personal money management materials should be sited within the library, generally allied to a desire **not** to get involved in giving advice, which they felt they were ill-equipped to do. They were asked where personal money management materials should be located but only two-thirds responded. Only 14 thought that the open learning centre was a possible right place for personal money management materials; 23 suggested a desk or leaflet stand or the open shelves, and 20 thought that such materials belonged in the reference section.

Librarians were generally happy to keep publications on money matters and, indeed, some said that general financial information was in demand. A number of respondents mentioned how important it was that such information was up-to-date and accurate since they were not '*experts*' on financial matters, and would find it difficult to judge for themselves. Any materials would have to be attractive or '*eye-catching*' and preferably geared to local needs and conditions. The provision of promotional materials or display facilities would be welcomed.

Summary

When compared with the money advice agencies described in the previous chapter, it was clear that libraries were dealing with a different type of client, making different kinds of demands. A great deal of their provision was aimed at enquirers who might be thinking about setting up in business, including those who had recently become unemployed. Information on income tax and national insurance, and on setting up and managing a business was requested. However, as some also catered for a large proportion of women returners and the unemployed, they often had enquiries about housing and related benefits and benefits for low-paid workers. Most librarians did not view open learning centres as the only, or even the best site for personal money management materials, but the majority would be willing to place materials in the library provided they were good quality, well-priced and did not quickly become outdated.

7. FURTHER EDUCATION AND ADULT EDUCATION

Colleges of further education and adult education centres are the main providers of education and training for adults and, therefore, a postal survey of a sample of these institutions was a major part of the research. Responses were received from 136 colleges of further education and 57 adult education centres.

The same questions were asked of both types of institutions, but the student population, the proportion of accredited courses and, to some extent, the methods of course delivery differed between them. Where these differences led, or appeared to lead, to different kinds of responses, figures for each type of institution are given separately. It should be noted, however, that the small number of questionnaires returned from adult education centres sometimes led to 'filtered' questions (in which only respondents who had experienced something were required to answer) being answered by very few respondents. In such cases the use of percentages to illustrate results is not appropriate.

7.1 Current Courses

Just over half (53 per cent) of the respondents said that they were running courses which included aspects of personal money management. When percentages were calculated separately, 80 further education colleges (60 per cent) and 21 adult education centres (37 per cent) were running such courses. The majority (49 FE colleges and 14 AE centres) ran only one or two courses containing elements of personal money management, although a quarter listed three courses and approximately ten per cent listed four.

Courses which were said to contain elements of personal money management ranged from basic skills, such as numeracy, through to professional qualifications (including accountancy and business studies); some were examined, many were not. Sixty-three colleges and centres gave details of 187 courses. Respondents were asked to state whether money management was a '*major part of this course*', '*a discrete topic within the course*', or '*only touched on in the course*' (Table 7.1).

Table 7.1 Courses containing elements of money management

	Maths		Basic Skills		Business/ Accountancy		Return-to-work		Other	
	N	E	N	E	N	E	N	E	N	E
Major part of course	1	3	10	-	4	1	1	-	4	1
Discrete topic within course	5	9	32	-	3	14	10	-	11	6
Only touched on in the course	2	3	14	1	4	14	9	-	6	5

N = non-examined E = examined courses

Personal money management was a major part of only 25 courses. Of these, 20 courses were non-examined, including ten which were basic-level numeracy courses.

Money management featured as a discrete topic within about half of the courses mentioned, two-thirds (66 per cent) of which were unexamined and more than one-third basic-level numeracy. Fourteen of the courses were in mathematics and 17 were in business or accountancy; a further ten were 'return to work' courses.

In the courses where personal money management was '*only touched on*', nearly half (44 per cent) were examined courses; 18 courses were in business and accounting and 15 were basic-level numeracy.

Some clear patterns may be observed. Courses focusing specifically on money management occur most frequently within the basic skills area; FEFC regulations allow for such courses to be non-accredited, although accreditation is becoming increasingly common. As a discrete topic, personal money management occurs, again, within basic skills, and also in 'return-to-work' courses, which tend to be non-examined. By contrast, courses in mathematics, business and accountancy are likely to be higher-level examined courses, but here money management tends to play a less significant role. There appears to be little provision for people who wish to study money management specifically, but for whom a 'basic skills' approach would be inappropriate.

Of the courses detailed, over 80 per cent lasted for one year or longer, and only 20 per cent had fewer than ten students. More than half (56 per cent) of the courses were attended by students who were 21 and over.

Colleges and centres were asked which personal money management topics were covered in these courses and Table 7.2 shows the proportion of courses including each topic.

Table 7.2 Money management topics included in courses

	%
Calculating personal finance	78
Managing a personal or family budget	62
Financial planning	54
Financial problem-solving	50
Financial decision-making	46
Interpreting and using information from financial institutions	44
Understanding financial entitlements and benefits	29
Coping with debt	16
Investing wisely	15
Other	6
N =	179

More than one response could be given.
No details were given for eight courses.

More than half (58) of those running personal money management courses said that there were suitable learning materials available. Seventy-one said they had developed some of their own resource materials (60 from further education colleges but only 11 from adult education). Most lecturers in adult education are employed on a part-time basis and have few resources available at their centre, so they are less likely to have opportunities to develop their own materials and thus are potential users of 'bought-in' materials.

Table 7.3 Teaching and learning materials found helpful

	%
Textbooks for mathematics, business studies	28
Basic-level materials (e.g. numeracy)	17
Materials produced in-house	14
Self-study materials	7
Visiting speakers	5
CAB/DSS leaflets/booklets	2
Other	5
No response	33
N =	58

More than one response could be given.

The 58 respondents who said that suitable learning materials were available were asked which they had found particularly helpful (Table 7.3). Textbooks produced for GCSE, GNVQ and other courses in mathematics, accounting and business studies were mentioned most often (28 per cent); also mentioned were basic-level materials aimed at improving numeracy (17 per cent) and materials produced in-house (14 per cent).

Two-thirds of those running courses which included aspects of money management said they made use of information packs produced by banks and building societies but only half were able to say which materials they found '*very helpful*'. Of a range of materials each named by a few respondents, NatWest materials and the Barclays Bank Student Pack were most frequently mentioned.

Although most of the respondents were able to name a few helpful materials, nearly all of them (94 per cent of those running courses including money management) felt that additional resources would be useful. Table 7.4 shows the range of areas they would like to see covered. As can be seen from the table, information on budgeting, financial planning, and coping with debt were those most frequently requested.

There were some differences between responses from colleges of further education and adult education centres. Colleges appeared to be covering a more diverse population of students, since resource requirements ranged from help with basics such as learning how to use a bank, to developing skills in the handling of taxation and investment.

Table 7.4 Topics which need to be covered by additional resources

	FE %	AE %	All %
Budgeting	24	16	22
Financial planning	21	11	19
General/All	26	16	19
Coping with debt	15	5	13
Taxation and investment	15	-	12
Materials aimed at a specific client group	11	16	12
How to use a bank	11	-	8
Entitlement/benefits	8	5	7
Personal finances	8	-	6
Hire purchase/credit	8	-	6
Mortgages and interest rates	3	11	5
N =	67	19	86

More than one response could be given.

Whilst much of the material referred to so far has been in the form of textbooks and printed booklets or leaflets, we were interested to know about the range of presentation methods which was thought suitable for the client group. Interviewees were asked what kind of resources might prove helpful (Table 7.5).

Most requested were worksheets for independent study (86 per cent), although printed materials were also in demand (75 per cent), along with videos (68 per cent), suggestions for class activities (65 per cent) and case studies (50 per cent). These responses indicate the scope available to providers of materials for personal money management teaching and learning.

Table 7.5 Resources helpful for teaching money management

	%
Worksheets for independent study	86
Printed material	75
Videos	68
Suggestions for class activities	65
Case studies	50
Visiting speakers	37
N =	101

More than one response could be given.

7.2 Developing Courses and Resource Material

Asked if they planned to introduce new courses on or including personal money management, five per cent of the sample said '*yes*', 28 per cent said '*no*' and 67 per cent said '*possibly*'. Only one adult education centre was planning to introduce a new course, although 78 per cent responded '*possibly*'.

As noted in Section 7.1, over half of the colleges and centres were already running courses in personal money management and further analysis was carried out on this group only, to find out their intentions. Of the FE colleges which were already providing courses involving elements of personal money management, only ten per cent were considering introducing further courses. More than a quarter (28 per cent) were definitely not intending to do so. Twenty-one adult education centres were currently running personal money management courses but only 18 responded to this question and, of these, one was going to introduce a further course and one was not; the remainder said they might '*possibly*'.

Respondents were asked what might prevent them from running such courses, and Table 7.6 gives their responses.

Table 7.6 Factors inhibiting the development of money management courses

	FE %	AE %	All %
Insufficient demand for courses on PMM	36	53	41
Lack of suitable resource material for PMM	28	21	26
We only run accredited courses	35	2	25
No one available to teach PMM	10	33	17
Not responsibility of FE colleges/AE centres	2	4	2
Personal money management is not important	1	-	1
N =	136	57	193

More than one response could be given.

As can be seen, 41 per cent of the respondents referred to insufficient demand for such courses, a quarter (26 per cent) to a lack of suitable resource material and 25 per cent to the fact that they only ran accredited courses. It is clear that adult education is mainly constrained by insufficient demand for courses on money management, non-availability of teaching staff, and a lack of suitable resource material. Although these constraints also apply to some extent in FE, the issue of accreditation is a key factor inhibiting the development of money management courses in colleges.

Over half of the colleges already running courses in money management had said that they were fairly satisfied with existing resource materials, yet 16 per cent of these colleges gave '*lack of suitable resource material*' as a possible reason for not introducing further courses. This confirms that more materials would be welcome (see Section 7.1).

Resource materials are clearly an important consideration when reviewing existing courses or introducing new ones. Respondents were asked if they would be more likely to offer courses on personal money management if resources were readily available. Nearly 40 per cent indicated that resource materials would be a consideration and half said '*possibly*'. They were then asked what resources might be useful for teaching personal money management. This question had already been asked, but only of those who were running personal money management courses. The results were very similar, with printed materials (77 per cent), worksheets for independent study (76 per cent) and videos (74 per cent) most often mentioned.

Asked what skills and knowledge these resources could helpfully address (Table 7.7), most mentioned '*managing a personal or family budget*' (79 per cent), '*calculating personal finances*' (78 per cent), '*understanding financial entitlements and benefits*' (75 per cent) and '*coping with debt*' (74 per cent). These are all very basic personal money management skills; the (perhaps) '*higher level*' skills of financial planning, problem-solving and decision-making were mentioned by fewer respondents.

Table 7.7 Topics that resources should cover

	%
Managing a personal or family budget	79
Calculating personal finances	78
Understanding financial entitlements and benefits	75
Coping with debt	74
Financial planning	66
Financial decision-making	58
Financial problem-solving	57
Interpreting and using information from financial institutions	57
Investing wisely	41
N =	193

More than one response could be made.

Just over half of the respondents gave their views on the most appropriate context for learning about personal money management. The most frequent responses were '*basic education*', '*personal and social development or tutorial programme*', and '*adult education*'. Personal money management is often taught in a basic skills context (see Table 7.1), so it is perhaps not surprising that it was mentioned here. However, if basic skills is considered to be the only appropriate context for learning money management, the implication seems to be that only those with low level literacy and numeracy are in need of this kind of help. Respondents who mentioned PSE or tutorials were presumably thinking of full-time college students, unlike those who mentioned adult education. There is perhaps a need for help in both contexts: many of the money advisers thought that it should begin in schools and colleges (see Section 5.1.2), but alternative provision should perhaps be made for those who did not have such opportunities while in full-time education.

7.3 Student Services

Eighty per cent of colleges and centres had a student support or counselling service. Of these, 89 per cent said that the student counselling/support services were for all students, while 11 per cent said they catered mainly for full-time students but with limited help for part-time students.

Separate figures for colleges and centres told rather different stories. Almost all of the colleges said they had a student support or counselling service, but only a third (37 per cent) of the centres. Whilst 95 per cent of the colleges' student services dealt with students' financial problems, only 58 per cent of the centres' services did so.

Respondents were asked about opportunities for learning personal money management informally through student/counselling services (Table 7.8). The colleges were more likely to be able to run advice-giving sessions one-to-one or in small groups. This kind of arrangement was less likely to be found in adult education (and note that only 20 responses were received from this sector). Adult education providers were more likely to consider offering informal personal money management learning opportunities through a short course.

Respondents were also asked what kinds of resources would be helpful in this context. The most common answer was printed materials (37 per cent), followed by videos (29 per cent) and computer software (27 per cent).

Table 7.8 Informal learning about money management

Opportunities could be offered for learning:	FE %	AE %	All %
On a one-to-one basis	71	30	65
In small groups	60	35	57
By running a short course	42	60	45
N =	132	20	152

The colleges and centres were asked for their own views on any aspects of personal money management and how it might fit into their delivery of courses. The responses were interesting and wide-ranging. Several respondents acknowledged a need for teaching and learning about personal money management, and this was reinforced by those who mentioned their institution's desire to support the teaching of personal money management. However, a number qualified their enthusiasm for running courses with a comment about needing validation or accreditation to attract funding. Indeed, throughout the questionnaire responses there were continual references to the difficulties of

putting on any courses that did not attract external funding. As with the CABs, concern was expressed about '*getting the message across*' to those most in need of help. Good promotional materials would be needed.

7.4 The Workers' Educational Association

Another provider of adult education is the Workers' Educational Association (WEA). The WEA was founded in a partnership formed between universities, the trade unions and the cooperative movement. It operates through 14 district offices (13 in England, one in Scotland) and has approximately 700 branches run by voluntary members. Branches have a fair degree of autonomy and thus their courses are those for which there is local demand. The WEA is recognised as an educational charity and modest charges are made for courses if participants can afford to pay. Funding is now provided partly through the Further Education Funding Council (FEFC), although other organisations, including the Training and Enterprise Councils (TECs) may make contributions in some circumstances.

The WEA aims to target specific groups through the provision of courses both at traditional centres and through outreach work in the community. Work with the unemployed, ethnic minorities and special needs clients is an important part of their provision, including 'second chance' and 'returning to learning' courses aimed at promoting progression to further education and qualifications. There is much flexibility and, for some courses such as basic education and English as a Second Language, one-to-one teaching can be arranged. Some of this work is funded through the European Social Fund.

The WEA provides courses at community level, many of which are aimed at recreational pursuits and interests and, in the past, courses were usually non-assessed. However, recent changes in both the funding and the opportunities available for accrediting courses have led to an increased interest in following this route. Branches have begun to make applications for accreditation, often through the Open College Network (OCN), but also through the Royal Society of Arts (RSA) and City and Guilds (CGLI).

Fourteen WEA area officers were interviewed to find out about the provision of personal money management courses in their area. (Since the number was so small, numbers are quoted rather than percentages.) The number of WEA branches in each area varied from four to 180.

Since WEAs do not have to produce accredited courses, they may have rather wider choice in what they offer. We asked, therefore, what factors branches considered in deciding what courses to run, and how important these factors were in influencing their decisions (Table 7.9).

Table 7.9 Factors influencing decision-making

	Crucial N	Important N	Taken into Consideration N
Decided by local demand	8	4	2
By teacher availability	5	7	2
Importance of subject	1	10	3
Advice from regional office	1	9	4
Availability of resources	1	7	6
Possibility of accreditation	1	6	7
Other	3	1	10
N = 14			

Other reasons regarded as important or crucial were '*local interest*' and '*current interest*'.

It was clear that local demand and teacher availability were the most crucial factors in deciding to put on a course, while the importance or relevance of the subject and advice or encouragement from a regional office were both seen as important. Another important consideration was having the resources to put the subject into the programme; surprisingly, the possibility of accreditation was also considered important by just under half of the respondents.

Since there was clearly a possibility that money management courses could be provided by WEAs, respondents were asked to say approximately how many branches in their area offered courses about personal money management. All of the responses were in single figures, with four saying that none of their branches offered such courses and the remainder citing ones and twos. A similar response was recorded when we asked how many offered courses that include *elements* of money management. Three said that none did, and the remainder mentioned one, two or three branches at most.

The 12 respondents who mentioned a branch or branches offering personal money management in some form were asked for information about the courses (Table 7.10).

As can be seen from the table, pre-retirement and retirement courses were most likely to touch upon money management, although courses for those involved in 'helping others', 'benefit rights', 'caring' and 'community work' also covered this important topic. The credit union and money management courses, and one of these dealing with benefit rights, led to a National Vocational Qualification (NVQ). The other courses had no accreditation.

Table 7.10 Courses currently being offered in money management

Subject	Number of WEA areas
Credit union training	2
Money management	1
Benefit rights	4
Pre-retirement/retirement	9
Caring/community work	3
Investment/stock exchange	2
Maths/accounting	2
Financial management for charities	1
Financial planning	1
Personal development	1
Debt counselling	1
Cooking on a budget	1
N = 12	

When respondents were asked about useful teaching and learning materials, few were suggested; three mentioned '*unbiased guest speakers*' and two said that '*finance was handled by a specialist institution*', but other resources were mentioned by only one respondent.

Interviewees were asked if they considered personal money management an appropriate topic for WEA courses; ten respondents thought is was, four did not. Three thought that money management was not compatible with the WEA's ethos/remit; the others commented on the breadth of the subject and the difficulty of tailoring a course to suit all needs.

Table 7.11 Resources helpful for teaching money management

	N
Videos	10
Printed materials	10
Worksheet for independent study	10
Case studies	6
Suggestions for class activities	1
Visiting speakers	10
Role plays/assertiveness training	1
N = 10	

More than one response could be given.

Respondents who thought personal money management was an appropriate topic for WEAs were asked what resources might be useful for teaching or learning about money management (Table 7.11). Respondents indicated that they would welcome a range of resources; all mentioned videos, printed materials, visiting speakers and worksheets for independent study.

Consistent with the other questionnaires in the survey, the WEA representatives were asked what aspects of money management they thought resources should cover (Table 7.12).

Table 7.12 Money management topics that resources should cover

	N
Financial planning	10
Financial problem-solving	10
Financial decision-making	10
Calculating personal finance	10
Managing a personal or family budget	10
Interpreting and using information from financial institutions	10
Understanding financial entitlements and benefits	9
Investing wisely	9
Coping with debt	7
N = 10	

More than one response could be given.

7.5 Summary

A range of education providers in further education, adult education and Workers' Educational Associations claimed to be providing courses aimed at covering personal money management. However few, if any, of the courses addressed the topic directly and the institutions themselves recognised the need for more substantial opportunities for people to learn about money management. There was rather less consensus about how this might be achieved. On the whole, the institutions were doubtful about the appeal of such courses and reluctant to offer them if, as they anticipated, they were likely to fail to achieve adequate student numbers. Funding was also seen as a problem, as it is usually available only for accredited courses.

Adult education and WEAs were, perhaps, more likely to be able to offer courses, although adult education is tending to follow further education down the 'accreditation' path (seeking to run accredited courses) now they are accountable to the Further Education Funding Council. WEAs may now be the most suitable type of institution to make an immediate response to need, if it can be shown to exist in the local area.

Promotion is important if potential students are to be attracted in sufficient numbers. Respondents were aware of the need to advertise and promote but unsure of how they might reach their target audience and persuade them of the desirability of attending courses.

Non-accredited courses can be costly, which could deter those on low budgets. On the other hand, some potential participants might not wish to be involved in assessment procedures. Another issue is the literacy level at which courses should be aimed. Many respondents suggested that they should be pitched at a fairly basic level but this might deter some of the better educated individuals who are in need of help.

The elements of personal money management included in existing courses, while welcomed, often do not coincide with those seen as most needed or desirable in the responses to the survey. Thus 'managing a personal or family budget', 'calculating personal finances', 'understanding financial entitlements and benefits' and 'coping with debt' are all seen as necessary topics in a course but all but the first two are given fairly low priority in current provision.

This concludes our summary of the findings of the survey of providers. In this and the previous two chapters, we have outlined the kind of help now available, and that which (according to respondents) might be given in the future. In the final chapter of this report, we bring together the findings from the two surveys and consider the extent to which actual and potential provision is likely to meet the needs revealed by the MORI survey.

8. MEETING THE NEEDS

Having examined in detail the results of each survey, we now consider them together. The aim is:

- to recap the adult learning needs revealed by the MORI survey
- to discover to what extent the types of provision outlined in Part 2 meet those needs
- to consider what further steps (if any) could help adults in Great Britain, particularly those in our four special categories, learn the skills involved in effective money management.

We end with some suggestions for possible future research.

8.1 Adult Learning Needs

The MORI survey explored the learning needs of people in four special categories, as well as a sample of the general population. Findings which apply to only one or two specific categories are summarised below, followed by findings which relate to the general group, and thus by implication to the population as a whole.

8.1.1 Single parents on benefits

This group were the most disadvantaged of those surveyed, since (unlike the students) they all had dependants, and (unlike the other groups) none of them had full-time jobs. Their less favourable financial circumstances were reflected in their responses to questions about attitudes and practices. Only half thought it was important to save regularly, and for nearly a fifth there was '*no point in saving*'. Even those who believed in the importance of regular saving found it hard to put their principles into practice; almost half rated themselves '*fairly poor*' or '*very poor*' at saving for the future.

Nearly half thought that debt should be '*avoided at all costs*', although 14 per cent found it '*impossible to live without borrowing*'. Less than a third had a bank account, and nearly half had no (bank, building society or post office) account at all. Only one in 20 had both a deposit and a current account. Of those with a current account, less than a quarter kept detailed records of transactions, although most said they knew roughly how much was in their account.

The single parent group tended to score badly on questions designed to test financial literacy skills. On each of the questions related to savings, a considerable number answered '*don't know*' (14-16 per cent; a higher figure than for any of the other groups). Less than half chose the right savings account for a particular set of circumstances. Similarly, in the TV buying questions, only just over half recognised that 10 per cent of £300 was worth more than £25. This points to **a need for help in making finance-related calculations and comparisons, and also in interpreting financial information.**

In the questions relating to benefits, single parents performed better than the general group, but less than half knew the maximum amount of housing and council tax benefit which could be claimed. This points to **a need for more information and guidance about entitlements**, which was confirmed by the single parents themselves in two ways. One in six rated their ability to claim as '*fairly poor*' or '*very poor*', and when asked which finance-related topics they would like to know more about, they gave priority to benefits (see Table 4.1).

More than a third of the single parents expressed interest in a short course on personal money management; however, more than half said it would have to be within walking distance, and nearly half said it would have to be free. Making contact with single parents would not be easy, since less than half said they visited a library, bank or building society at least '*sometimes*'. However, 58 per cent read local newspapers regularly, and a further 26 per cent occasionally.

8.1.2 Families in rented accommodation

Interviewees representing families in publicly owned rented accommodation tended to be in the lower social classes and income bands; relatively few were in full-time employment, and a considerable number would have been on benefits. The profile of this group was therefore closest to that of the single parents, and in many cases their responses were similar. Two-thirds had at least one account at a bank, building society or post office; this compares with just over half of the single parents, but more than 90 per cent of the other groups. A third had a current account (half of these had a deposit account as well). A quarter said they shared responsibility for money management (as in the general group) but a half said they played the major role, and only 22 per cent attributed this to their partners.

On the questions designed to test financial literacy, the performance of the families was consistently below average, except for the questions dealing with benefits. When asked to choose between building society accounts, the number choosing a 5.0 per cent rate of interest was almost as high as the number choosing 5.5 per cent. This implies either that they failed to understand percentages, or that they were confused by the simple statement about permitted withdrawals. Whichever was the case, they would be in need of the kind of help suggested above for single parents. Similarly, their responses to questions about benefits reveal a need for further information on the subject.

When asked about possible ways of paying for a TV, the proportion mentioning cash or HP was the same as in the general group, but credit cards and personal loans were mentioned by a much smaller number, presumably reflecting lack of access to these options. Five in six chose the right 'shop' in response to the first question (where trade-in was irrelevant), but as with the single parents, there was a dramatic decline in success rate on the second question, which involved making a simple percentage calculation.

Like the single parents, families wanted to know more about benefits, but more than a quarter mentioned budgeting and keeping out of debt. Nearly four in ten were interested in evening classes, and the majority of these were willing to travel and pay in order to attend. Community centres were more popular with families than with any other group, although the number visiting them was still low. Libraries were not popular with this group, and one-third visited banks or building societies rarely, or not at all. However, 82 per cent listened to local radio at least sometimes, and an even higher proportion (89 per cent) read the local papers.

8.1.3 Young people in work or training

These young people came from a range of backgrounds and were thus a more balanced group than the single parents or the families. Since they were all in work or training, and most were living in the parental home, they would not necessarily have the financial problems associated with the other groups. It is not surprising, therefore, that on some measures the responses of the young workers approximated quite closely to those of the general population group, although their average scores were lower.

Nearly all of the young workers believed in saving, at least for major items, yet only half had a deposit account. Nearly three-quarters had a current account, but of these only one-third kept detailed records of their transactions.

Young workers had a low awareness of council tax benefit, which was reflected in their scores for that section; but this is hardly surprising, given that they would have no personal knowledge of such a benefit, even if they might have to claim later in life. It is perhaps more surprising that their awareness of other benefits equalled that of the general group.

On the financial problem-solving and decision-making questions, young workers tended to score below the general group, but this is perhaps not difficult to

understand. In the open-ended questions, where interviewees were asked to suggest (for example) methods of financing a purchase, or possible solutions to a problem, experience of life would have been helpful, and therefore this group, being young, would have been at a disadvantage. On the questions with a single right answer, which involved a calculation, this would not have applied; however, since the young worker group by definition excluded those in full-time education, it would have been biased towards those of lower social class and educational attainment, which could explain why their performance was slightly below that of the general (more fully representative) group on these questions.

It may be questioned whether the young workers as a group are in need of particular kinds of help, distinct from those which apply to the population as a whole (see below). However, they indicated a strong desire for further information about a range of finance-related topics, particularly income tax and national insurance, mortgages, savings and (perhaps surprisingly) pensions. These topics will naturally interest a young person embarking on working life; they could (and perhaps should) be covered at school, but the young workers interviewed, who had already left school, did not feel that they knew enough about them. They wanted to know more, and like members of other groups, would prefer to learn by talking face-to-face or reading a booklet. Some expressed interest in a short course, but they were unsure about paying for it. Eighty-six per cent visited banks or building societies at least sometimes, and 92 per cent read the local newspapers.

8.1.4 Students in higher education

The HE student group is in some respects unusual among the four special categories. The average level of educational attainment is clearly much higher than in any of the other groups. Further, the link which often exists between education, social class and income is broken. The students are, by definition, a low-income group, although for the majority of students, unlike the single parents and families in rented accommodation, this status is only temporary.

Some of the students' responses reflect the exigencies of student life; more than a fifth said it was impossible to live without borrowing. Nearly all had current accounts, but only a third kept detailed records of their transactions, and 19 per cent said they would not recognise an error on their bank statements unless it concerned a large amount of money. Students and young people in general **appear to have a need for guidance in keeping their own accounts, and reconciling these with their bank statements**.

Compared with the other subgroups, students performed well on the questions designed to test financial literacy. They gained the highest scores for choosing a savings account, for buying a TV (very few students did the car-buying scenario) and for problem-solving. They scored less well on benefits, but gained the highest scores for overall financial literacy. By contrast, they scored lowest for confidence in dealing with financial affairs. Examination of their scores for the individual items (Table 2.7) shows that they were reasonably confident about dealing with bank officials and identifying the best deals (their performance in the financial literacy test justifies this); the areas where they particularly lacked confidence were controlling personal and household spending, and avoiding debt. This suggests that they were not lacking in financial literacy **skills**, but found it difficult to **practise** sound financial management, either because they lacked the will power to keep their spending under control, or because their income was so low that they simply could not live without incurring debt.

Clearly, people with very low incomes will find it difficult to balance their budgets, however good their money management skills. Nevertheless, three students in ten said that they would like to learn more about effective budgeting (Table 4.1). Almost as many expressed a wish to know more about keeping out of debt. Indeed, students seemed keen to learn about money management in general; with the exception of just two items which would not be relevant to students, one-fifth or more said yes to every item listed. A third felt they needed to know more about student loans and grants, implying that the information they had already received was insufficient.

Two-thirds of the students said they would like to talk to someone about money matters, and nearly half wanted booklets to read. Going to evening class was not a popular option; a third expressed interest in a short course on personal money management, but nearly half of these said that it would have to be within walking distance. Eight in ten visited their local library at least sometimes, although it is not clear whether they meant by this the nearest public library, or the university library. Similarly, nearly all students visited banks or building societies; this could mean the local high street branch or (if available) the university branch. Students, particularly those at campus universities, tend to be somewhat detached from their local community, so (given that their needs are somewhat distinct from those of the general public) it would seem best to arrange for guidance in money management to be delivered on site.

8.1.5 The general population

The results of the MORI survey indicated that most interviewees were keen to save (Section 2.1) and to avoid debt (Section 2.2). They were however not always successful in putting their principles into practice (Section 2.6). More than nine in ten had current accounts; of these the majority kept detailed records, and most others claimed to know roughly how much they had in their

accounts. Of those married or living together, 28 per cent shared responsibility for money management.

Asked to rate their ability in '*knowing the best deal for a loan or a mortgage*', almost a third of the general group said '*very poor*', '*fairly poor*' or '*neither* [good nor poor]'. This lack of skill was revealed also in the responses to questions designed to assess financial literacy (reported in Chapter 3). There were no questions specifically about obtaining a loan or a mortgage, but there was a series of questions about saving (see Section 3.1) and one about a major purchase (see Section 3.3); both of these required interviewees to choose the best or most appropriate 'deal' from a financial viewpoint. Responses to the savings questions indicated:

- that the majority were unable to compare interest rates when both 'gross' and 'net' figures were used;
- that a small but non-trivial minority could not tell which of two interest rates was better, even when both were quoted gross;
- that when other simple factors were taken into consideration, only six in ten of the general group chose the most appropriate account.

An inability to compare percentages, and to decide the most appropriate account in given circumstances, will be an obvious handicap when choosing mortgages. Moreover, both figures and factors to take into consideration will be far more complex in real life than they were in the simple examples given. It seems therefore that **there is a clear need for help in interpreting financial information**. This need was evident in all groups, but particularly among the single parents, the families in rented accommodation, and the low-income interviewees generally. Those who can least afford to lose money are thus at greater risk of spending more than they need on a loan, and gaining less than they could from their savings.

The test questions about making a major purchase (a car for some respondents, a television for the rest) confirmed that a substantial number of people have problems with handling percentages (see Section 3.3). There was an evident link with income and education in the responses; again, those who can least afford it are in danger of choosing a deal other than the cheapest. There is therefore **a need for learning about making calculations related to finance**.

Responses to the questions about problem-solving (see Section 3.4) indicated that interviewees in general lacked the ability to consider a problem and think of possible solutions. When provided with a range of options, the majority made a reasonable choice, but in every case there were a number who chose an inappropriate course of action, or were unable to make any choice at all. Some gave the same answer for both questions, indicating that they could not distinguish clearly between short-term and long-term solutions. There is therefore **a general need for learning about problem-solving, which is particularly acute for single parents and families in rented accommodation.**

When interviewees were asked which topics they would like to know more about (Table 4.1), the emphasis was on knowledge rather than skills; nevertheless, the results confirm in some respects the need for learning in the areas identified above. The need to know more about savings was expressed by a quarter of the general group, and an even higher proportion of students and young workers. A smaller number wanted to know more about borrowing, and a large number of interviewees, especially the younger ones, wanted to know more about mortgages, insurance and pensions. To make effective decisions about any of these requires an ability to interpret financial information, which we have identified as an important learning need.

The findings of the MORI survey as a whole indicate that, within the general population, there is considerable scope for improvement in financial literacy skills. Three in ten of the general group expressed interest in a short course on personal money management; of these, three-quarters were prepared to travel and to pay in order to take part. Nine in ten read the local paper regularly or sometimes, and almost as many visited a bank or building society.

To sum up, it appears that some needs for developing financial literacy skills are specific to one or more of the special categories identified in this report, while others apply more generally to the adult population. Students need help to enable them to cope with the financial difficulties of student life, although (given that confidence tends to increase with age, and financial literacy with income) their future prospects are good. The young workers' overall scores were lower than those of the general group, but as suggested above, this may reflect to some extent at least their general inexperience of adult life; their income is likely to increase as they grow older, so potentially their needs are likely to be little different from those of the general group, to whom they related closely on a number of measures. By contrast, there is little reason to anticipate an improvement in the financial circumstances of families and single parents, or a development in their financial literacy. It would seem therefore that these two groups have the greatest need for help of this kind.

In the remaining sections of this chapter, we consider possible sources of help.

8.2 Citizens' Advice Bureaux

Citizens' Advice Bureaux are widely recognised as an important source of help in dealing with matters related to finance. In the MORI survey, interviewees were asked where they might obtain help in a hypothetical situation, and '*the Citizens' Advice Bureau*' was by far the most common response in all the groups surveyed (see Section 3.4). Debt counselling has become a major function of CABs, but are they also able to provide structured learning opportunities for adults to develop the money management skills which may help them to avoid financial problems? The survey of CABs and other money advice agencies sought to answer this question.

The CABs, in particular, have traditionally advised on a wide range of issues and, in consultation with the MASUs, have greatly extended their money advice. Respondents from both CABs and MASUs made reference to the great need for people to learn and practise the skills of money management but they were far less certain about how this need could be met. They did not feel able to play what amounted to an educative role in helping people to learn money management skills since their expertise lies in advising and they are already inundated with requests for help. They could offer clients opportunities to access some of their resource materials, or give NACAB leaflets or booklets to existing clients to help with specific problems. Extending their service further would be outside of the CABs' perceived role as advisers, and would mean entering another specialist area.

The local authority, general and specialist advice agencies appeared to be able to respond to requests from any enquirers for access to their resources. Some also showed an interest in offering help through outreach services, although they were still limited in the kind of help they could offer. Like the CABs these agencies have developed their expertise in advising rather than teaching.

These agencies all appear willing to inform clients about opportunities to learn personal money management skills and thus the role envisaged for them would be in advertising and helping to promote any courses or materials offered. This would probably involve seeking endorsement of materials from NACAB and keeping the agencies informed about courses, as well as providing them with promotional materials (posters and leaflets) to advertise courses.

8.3 Libraries with Open Learning Centres

Libraries are much more accessible to the general public than are advice agencies, if only because there is usually a local authority library in each town or village. Our survey was of libraries with open learning centres, which are far fewer in number, but it was apparent from the librarians' responses that one could expect to find some publications (both textbooks and booklets or leaflets) on money management in most libraries since the open learning centre was not the only, or most likely, place for such materials.

Course materials that related to personal money management were only available in a few of the open learning centres; other money management materials tended to be aimed at business finance or setting up a business. Librarians were willing to consider stocking materials on personal money management but questioned whether there would be much demand for them.

Libraries are visited by the general population, unlike the CABs and other advice centres, which tend to deal with those already in financial difficulties. The MORI survey indicates that libraries were used by substantial numbers in each of the groups examined (see Section 4.3). However, while the respondents said they had money management materials available on the shelves, they also reported little demand for their use. This indicates some issues which need attention:

- Are people unaware of the availability of the materials?
- Is it that they lack interest in money management until it becomes a pressing problem?
- Do they want different kinds of help?

Like the CABs, libraries would welcome promotional materials and leaflets advertising and giving details of courses. They would be likely to make use of display materials which included free take-away leaflets, perhaps covering some basics in money management. Expensive materials such as courses and textbooks would, perhaps, be more problematic since libraries have to keep within restricted budgets and are only likely to purchase materials that they can be sure will receive substantial use.

Thus libraries are a possible location for self-help learning materials but would only be able to make a valuable contribution to financial literacy if the resources they had were widely promoted.

8.4 College and Centres

Further education colleges, adult education centres and WEAs are well-placed to offer learning opportunities and the colleges, at least, will tend to have available staff with the requisite expertise. However, putting on courses is costly and colleges and centres were unwilling to do so unless they could cover the cost. FEFC funding is available only for accredited courses, and some colleges will therefore not consider courses for which there is no recognised accreditation. This can prevent colleges running basic money management courses; the feasibility study (Stradling *et al*, 1994) described how a London college had dropped a course which had proved very popular, because of a policy change to running only accredited and certificated courses.

If FEFC funding is not available, costs would have to be covered by student contributions, and this is a problem since the groups which this report has shown to be in need of money management skills are unlikely to be able to afford high fees. Of the single parents in our sample who expressed interest in the idea of a short course, nearly half said it would have to be free (see Section 4.2).

Even if colleges or centres were able to offer money management courses free to participants, would there be sufficient demand to justify doing so? The colleges and centres themselves were doubtful about this, reporting that demand was very low (see Section 7.2). Findings from the MORI Survey provided some corroboration. When interviewees were asked how they would prefer to learn about money management, only a small proportion (ranging from five to 20 per cent of the subgroups) mentioned going to an evening class. However, a rather higher proportion said they would be interested in a short course on personal money management if one were available at a local college or centre (see Section 4.2). So perhaps there would be demand for such courses, if they were appropriately targeted and advertised so that potential participants would be aware of what was on offer.

The findings reported in Section 4.3 provide some indication of how courses might be effectively advertised. Local newspapers would seem to be the most promising option for reaching members of all four special categories as well as the general population. Banks and building societies would also be a useful way of contacting all groups except single parents.

It would seem that there are a number of ways in which an interested body could encourage the development of courses in personal money management. They could:

- sponsor the development of appropriate courses and course materials

- seek accreditation from an appropriate body
- subsidise non-accredited courses
- provide funding and/or facilities for promotion.

8.5 Other Approaches

We are sure that support of the kind outlined above would help a significant number of people to develop financial literacy skills. However, we do not feel that this approach alone would be sufficient to meet all the needs identified in this report. First, there is the question of access: more than half of the single parents, and a substantial proportion of the other subgroups, stated that a course would need to be within walking distance of their homes. Even if personal money management courses were widely run in colleges and centres, that condition would not be fulfilled for all. Second, while a basic course in money management would undoubtedly help many people, we have identified specific needs for different categories, and it seems unlikely that colleges and centres would be able to offer such tailor-made provision. It would seem advisable therefore to consider alternative approaches which might be adopted in addition to those already described.

Face 2 Face With Finance, a financial literacy programme provided by NatWest, is already running successfully in many secondary schools, and resources are also available from other financial institutions. Some of the agencies surveyed mentioned the need for personal money management to start in schools, and there are clear advantages in this. The younger people learn financial literacy skills, the better; moreover, it is easier to reach people when they are together at school, rather than when they have grown up and gone their different ways. However, financial literacy work in schools depends on the time teachers are prepared to make available. In some schools money management is not covered at all, while in others it is taught within an optional business course and is therefore not available to all students. It may well be necessary to make a case for including personal money management in the National Curriculum to ensure that it is delivered to all pupils.

For those who have already left full-time education, the opportunities to learn about money management are even more limited. Further and adult education can offer courses, but they are subject to the constraints already described. WEAs can be more flexible and may even be able to arrange tuition on a one-to-one basis, if necessary; but doubts were expressed about whether money management was an appropriate topic for WEAs to cover.

An alternative approach might be to consider the groups who have particular needs in relation to personal money management, and ask where they might be found. From this perspective, students would be the easiest group to contact and support, since they are together in colleges and universities. Short courses in money management, focusing on issues particularly relevant to students, could be offered on campus, perhaps under the auspices of the student union.

Single parents could perhaps be addressed via 'Gingerbread', and other local groups catering specifically for them. Speakers and/or resources could be offered for a session on money management as part of a programme of events (with the possibility of individual or group follow-up if needed). Young trainees are likely to spend part of their time at college, or with a training provider; some young workers may also be on day-release schemes, and it might be possible to offer appropriately designed money management guidance in that context.

Families in rented accommodation would be the most difficult category to reach, since they are not a homogeneous group. Some might be on benefits, and centres providing advice on benefits and related issues would be appropriate places to advertise money management courses, or even to run them if space were available. (This would also be a way of reaching single parents on benefits.) Other families, like young workers and of course the general population, could not be targeted as a group but would need to be approached in different ways.

There are a number of possibilities. Libraries have been discussed at some length in this report (see Section 4.3 and Chapter 6). They are used by a substantial proportion of the population and although some libraries were reluctant to become involved in giving advice, we did hear of libraries where finance-related 'surgeries' were occasionally held.

A large majority of all categories except single parents claimed to visit banks or building societies frequently or sometimes (see Section 4.3) and these would seem obvious places to promote or even run courses on personal money management. The disadvantage is that potential participants might assume that the bank or building society concerned was running the course as a way of selling its products.

Many people do paid work, and large employers might be persuaded to organise money management courses for their staff. For the unemployed, courses might be offered through Jobcentres or Jobclubs. Any special interest groups or clubs (such as those for the elderly, or 'mums and toddlers') could be approached as suggested above with reference to single parent groups.

We could continue — the possibilities are infinite. We are not suggesting that they should all be implemented; we aim simply to indicate the range of opportunities. Appropriate strategies would need to be devised, depending on which group(s) were to be targeted. As we have attempted to show, some groups would be easier to reach than others. However, we feel that in order to raise the level of adult financial literacy generally, it would be necessary to adopt a multi-track approach, since no single method would be sufficient for the task.

8.6 Possible Future Research

The current study has shown that there is a great deal of scope for further research in the field of adult financial literacy; below we suggest some ways in which the work detailed in this report could be extended and developed.

1. A large amount of data was collected during the MORI survey, and there is scope for further detailed analysis. This might include, for example:

   - Constructing profiles of interviewees with very high financial literacy scores, to see what characteristics they have in common
   - Comparing performances on different questions, which required different kinds of skill or knowledge
   - Investigating more closely the relationship between attitude, ability and knowledge.

2. On the basis of the present study, there is potential for a more detailed survey of one or more of the special categories. Questions could relate to the circumstances of that particular group, and a larger number of interviewees would make it easier to define the impact of demographic factors affecting financial literacy within the group.

3. Groups not included in the present study, but likely to have specific finance-related learning needs, could be identified and surveyed. Retired people, and those approaching retirement, would be one example; however, the provider survey indicates that younger people are more likely to experience financial difficulties, and the unemployed/redundant would seem to be the category most in need of help.

4. Completed questionnaires would make it feasible to identify colleges or centres where courses on personal money management were being successfully run. Case studies would provide examples of good practice and innovative ideas which could be taken up more widely. Course tutors and students could be interviewed in order to ascertain what the courses covered, how they were promoted, what students felt they had learned, and the extent to which they were able to put it into practice.

5. A more searching survey of money advice providers would yield information about the most common causes of financial difficulties. It could help to identify particular issues not being adequately addressed by existing provision.

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APPENDIX A

FINANCIAL LITERACY

In a report for NatWest (Noctor *et al*, 1992) financial literacy was defined as '*the ability to make informed judgements and to take effective decisions regarding the use and management of money*'. It was suggested that there were three core competences: financial planning, problem-solving and decision-making. These are underpinned by a range of abilities and attributes; a financially literate person would have:

- an understanding of the key concepts central to money management
- a working knowledge of financial institutions, systems and services
- a range of skills, both general and specific
- attitudes which would allow effective and responsible management of financial affairs.

Below we explain how financial literacy, as defined, was tested in the MORI survey.

The three core competences

There is overlap between the three main areas of financial literacy — for example, both planning and problem-solving are likely to involve decision-making — but the main focus of each can be distinguished and illustrated from the questions used in the MORI survey.

Financial problem-solving is required when people find themselves in difficulties, unable to balance their budget or meet their commitments. It could arise through a change in circumstances — perhaps a reduction in income, or an increase in rent/mortgage payments which could be catastrophic for someone who previously had just managed to cope.

In the MORI survey, problem-solving skills were tested by means of 'scenario' questions (Section 3.4). A situation was outlined, and the interviewees were asked to think of any possible solutions, and then choose the most appropriate for a short-term and long-term context. Their knowledge of possible sources of help was also tested.

Financial planning occurs when people are looking to the future and deciding how best to arrange their finances to achieve a desired goal, such as a new home or a comfortable retirement. In the MORI survey, interviewees were told of a young man planning to marry and buy a house; they were asked to choose the most appropriate form of savings for him (Section 3.1).

Financial decision-making is part of planning and problem-solving, but it is needed also in other situations, for example, when people wish to buy a major item. They have to decide exactly what to buy (brand, model, etc.), where to buy and how to finance their purchase. This process was simulated in the MORI survey by asking interviewees a series of questions relating to the purchase of a car (Section 3.3.1) or a television (Section 3.3.2).

Aspects of financial literacy

In order to function effectively in any of the areas outlined above, people need a wide range of knowledge and skills. For example, there is much more to financial literacy than arithmetic, but the ability to understand percentages is often required in financial decision-making. Attitude is also important, since people with an irresponsible approach to money management could find themselves in serious debt problems, however great their understanding of financial affairs.

These aspects of financial literacy were tested in the questions mentioned above, and also in the questions discussed in Chapter 2. Responses to the questions about saving and borrowing indicate attitudes to financial management (Sections 2.1-2). People were asked about their own bank/building society accounts as a way of assessing their knowledge about financial institutions and their understanding of (for example) the difference between a current and a deposit account (Section 2.3). The questions about keeping records to check against bank statements is a measure of attitude and skill (Section 2.4). Of course, these questions rely on the interviewees' self-evaluation, as it was not possible to check the accuracy of the information provided.

Table A1 lists some of the elements of financial literacy, in addition to the three core competences, and shows for each one the section(s) of the report where relevant questions from the MORI survey are discussed.

Table A1

Core Competences of financial literacy	2.1	2.2	2.3	2.4	2.6	3.1	3.2	3.3.1	3.3.2	3.4.1	3.4.2	3.4.3
Financial planning	X	X			X	X		X	X			
Financial problem-solving										X	X	X
Financial decision-making					X	X		X	X			
Elements of financial literacy												
Knowledge of financial systems			X		X	X	X	X	X	X	X	X
Knowledge of own financial arrangements and entitlements/ability to compute			X	X	X		X					
Understanding and intrepreting/knowing how to use financial information					X	X		X	X			
Ability to weigh up risks and benefits					X	X		X	X	X	X	X
Willingness to take a long-term view					X							
Sense of responsibility for the consequences of financial action	X	X			X							
Willingness to meet financial commitments		X			X							

APPENDIX B

B1 METHOD OF CALCULATING SCORES

Chapter 3 reports the findings from questions asked by MORI to assess interviewees' level of financial literacy. Scores for individual sections, and overall scores, are reported. This appendix explains how the scores were calculated.

The questions asked were of two distinct types, and were scored accordingly.

1. Questions inviting a single response

In these questions, the interviewee was presented with a range of possible answers and asked to select the one that they believed was best. In most cases, only one response was considered 'right'; for example, in the questions about maximum benefits, the answer had to be '100 per cent'. People who gave **the right answer** to such questions were awarded two points, and others did not score.

In the three problem-solving scenarios, people were asked to choose both a long- and a short-term solution to a given problem, from a range of five or six possibilities. For each question, the research team classified the options provided as short- or long-term solutions (their decisions are indicated in the relevant parts of Section 3.4). Interviewees who chose **any appropriate solution** were awarded two points, and the others did not score.

2. Questions inviting multiple responses

Interviewees were asked a number of 'open-ended' questions, where multiple responses were encouraged. The purpose was to test their awareness of, for example, ways of funding a purchase or sources of help. In the problem-solving scenarios, the aim was to test people's ability to think of solutions, rather than their ability to judge between them, which was tested in a different way.

In these questions, therefore, people were given credit for **any relevant response** which they offered. In general, one point was awarded for each answer which was considered acceptable by the research team. However, since most people offered only one or two responses, the points awarded were in each case subject to a maximum of three.

In some cases, this general pattern was subject to minor modification, due to the procedures adopted in the survey. The MORI interviewers were given a pre-coded list of possible responses to each question; the research team had decided (on the basis of extensive piloting) that these were the most likely and most important responses. Other responses were noted by the interviewers and (if mentioned by enough people) analysed separately by MORI. Credit was given for such answers if relevant; nevertheless, it was felt inappropriate to award a maximum score to someone who had given three responses but failed to mention any of the more important pre-coded items. In some questions, therefore, the credit awarded on the basis of post-coded suggestions was restricted to one point. It should also be noted that credit could not be given for responses which were not analysed separately by MORI, but reported as 'other'.

B2 USE OF REGRESSION ANALYSIS

The analysis of the data from the survey of learning needs made use of demographic information collected by MORI — age, sex, ethnicity, class, income and education. There is a high degree of correlation between the last three factors; further, there is a link between these factors and membership of the special categories surveyed, particularly families and single parents. It is therefore difficult to distinguish the impact of any single variable.

Regression analysis is one method of doing this. This technique models the relationship between an outcome variable and a number of background variables, selecting those which best explain the variance in the outcome. A regression analysis was carried out for all the scores calculated for the financial literacy 'test' questions (Chapter 3), the mean confidence scores (Section 2.6) and the responses to the question about managing a current account (Section 2.4). The results are given in the relevant sections of the report.

It will be observed that in some cases class emerges as the most significant factor, while in other cases it is income, education or a combination of these. Membership of one or more of the special categories is sometimes but not always significant. It should be noted that, when factors are highly correlated, the one(s) selected for the model may explain only slightly more of the variation than the others, and minor changes in the data could result in different choices being made.