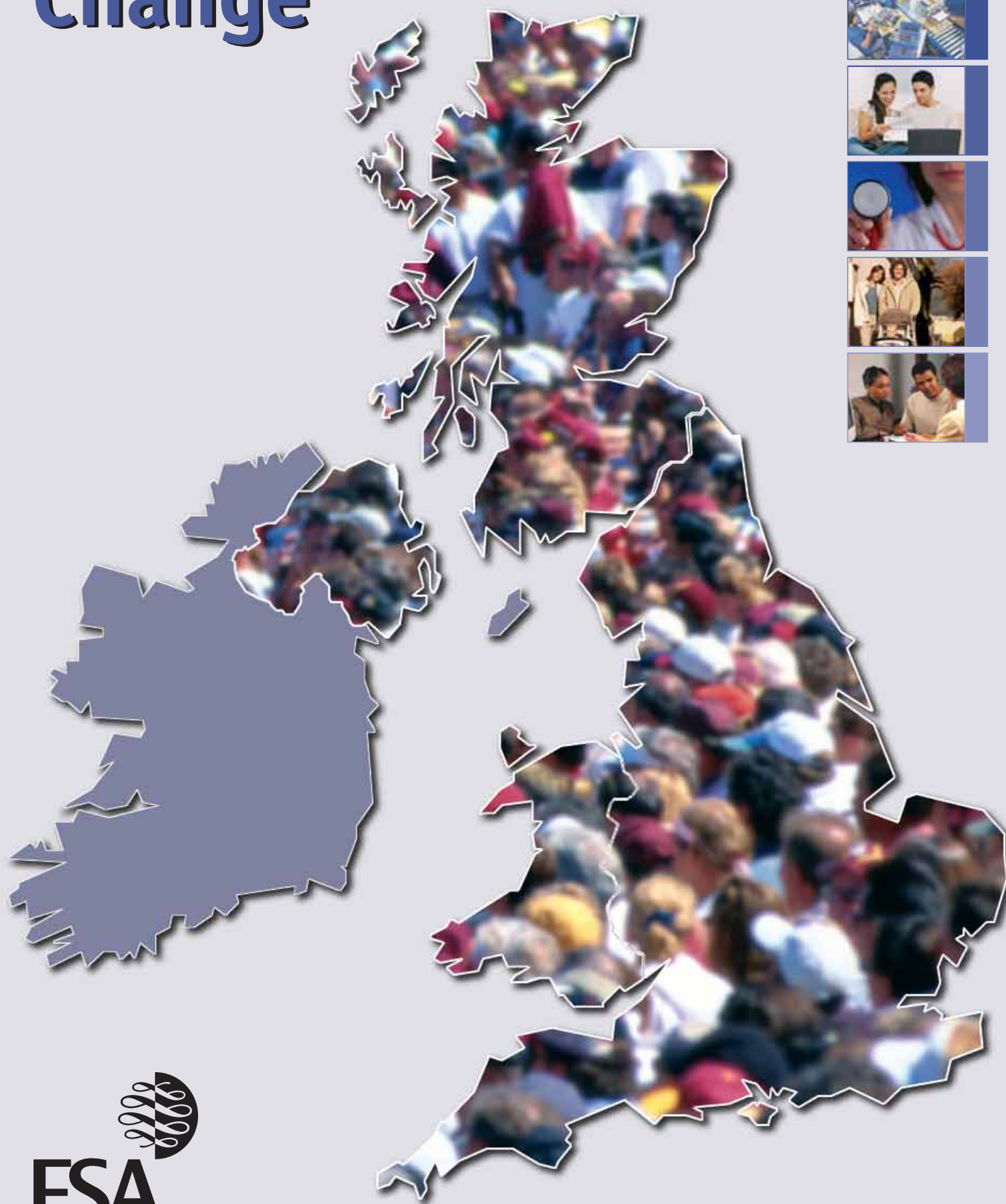


Financial Capability in the UK:

Delivering Change



Introduction



John Tiner
Chief Executive
Financial Services Authority

Making sound financial decisions is an essential life skill. Without it, we are unlikely to be prepared for life's ups and downs, or we may suffer the consequences of poor financial choices. Yet for most of us, managing money is something we just have to pick up as we go along, usually by trial and error. This is going to change.

One of the four objectives that Parliament has set the FSA is to promote public understanding of the financial system, and one of our strategic aims is to ensure that customers achieve a fair deal. As part of our work to deliver against these, in Autumn 2003 I brought together a partnership of key people and organisations in government, the financial services industry, employers, trades unions, and the educational and voluntary sectors. Together we have established a road map for delivering a step change in the financial capability of the UK population.

Over the last two years, we have reviewed in depth what works in improving financial capability. We have looked at initiatives already happening, we have developed and tested new ideas, and from all of these we have selected the ones that we believe will, over time, make a significant and sustained impact.

We have also conducted an extensive survey of financial capability, the results of which are published alongside this document¹. This confirmed that many people, particularly the young, are poorly equipped to plan ahead, and need to be significantly better at understanding the choices available to them.

As this document explains, we and our partners are now implementing a programme that combines laying firm foundations for sustainable improvement with other initiatives designed to have more immediate impact. The FSA alone will spend up to £10 million this year in supporting the programme. Taken together, these initiatives will reach many millions of people over the next five years.

The programme takes specific account of the needs of people who may be excluded from the financial system. For example, we are working with organisations that provide outreach services to young adults not in education, employment or training, and we are giving seed funding to organisations to improve the financial capability of families on low incomes.

Building financial capability is about long-term change. There are no silver bullets, and the programme described here cannot deliver everything. So we won't be stopping. We will be relentless in implementing the programme and, in the coming years, we will strengthen it further, while ensuring that we do not duplicate initiatives already being taken forward by others.

The groundwork has already paid dividends and I am enormously grateful for the commitment of everyone who has been involved in this partnership. I look forward to that continuing as we move to the really exciting part: implementing the programme so that millions benefit from increased financial capability.

A handwritten signature in blue ink that reads "John Tiner". The signature is written in a cursive style and is placed on a light-colored, slightly textured background.

John Tiner
Chief Executive, Financial Services Authority
March 2006

¹ For details, see *Financial Capability in the UK: Establishing a Baseline*, 2006 (available at http://www.fsa.gov.uk/pubs/other/fincap_baseline.pdf).



The need for action

There is a clear need to act to improve the UK's financial capability. Individuals are being required to take on more responsibility for their financial decisions. Yet many lack the skills or knowledge to do so, and some groups appear particularly vulnerable. The FSA is leading a National Strategy to help improve this situation, with a seven point programme combining long-term measures to lay the foundations for sustained improvement over time, and shorter-term measures to deliver a more immediate impact.

Personal responsibility: substantial and growing

More than ever before, people are being asked to make decisions and take responsibility for managing their finances. This is an area that many people can find daunting and confusing. For some, thinking about their long-term financial security is dispiriting or even distressing, particularly if they are struggling to manage debt or other commitments.

The number and complexity of choices to be made have increased dramatically over the last 25 years, so that many find it hard to understand financial products and the risks associated with them. At the same time, many consumers do not have access to face-to-face financial advice – even elementary advice on the basics of money management.

Meanwhile, the comforting arms of the state, and of employers, are steadily being withdrawn. This makes it more important than ever that people manage their money effectively and save for the long-term. At the same time, attitudes towards saving and debt have also changed dramatically, particularly among the young who are growing up in a more “live for today, pay for it later” world.

Financial capability: generally weak

Although the responsibilities that individuals face are significant and growing, many people's ability to meet them is weak. This is not surprising: financial education and information has simply failed to keep pace with social and economic developments. But it is a problem: the results of our comprehensive Survey² show that, unless action is taken, we may be storing up considerable problems for the future.

The Financial Capability Survey results present four main challenges.

- **Unless action is taken, the UK population will store up problems for the future.** People need to save, both for a rainy day and for the longer-term. Our Survey found that, while most people do not make provision for an unexpected drop in income or major expense, such events are fairly common even in a favourable economic environment, and often push people into difficulties. In addition, adequate pension provision is becoming ever more important: for example, defined benefit (“final salary”) schemes are in steep decline³.

2 *Financial Capability in the UK: Establishing a Baseline*, 2006 (available at http://www.fsa.gov.uk/pubs/other/fincap_baseline.pdf).

3 According to the Pensions Commission, active membership of defined benefit schemes has fallen by over 60% since 1995 (p.52, *A New Pension Settlement for the 21st Century*, 2005). The Employer Task Force on Pensions estimates that employers contribute at least twice as much to defined benefit as to defined contribution schemes (p.15, *Report of the Employer Task Force on Pensions*, 2004).



- **Many people could be tipped into financial difficulties by a small change in their circumstances.** Two million households are only just managing as it is. Given the general tendency not to plan ahead adequately, many could be pushed into financial difficulties if interest rates or unemployment rise, or simply if their personal circumstances change.
- **Many people are taking on inappropriate risks and not shopping around to get a good deal.** Many could face problems in the future as a result of risks which they are not protected against, either through poor choices or simply lack of awareness that they face the risk. In addition, most households spend significant amounts on financial services: by shopping around for a good deal, they stand to save themselves substantial sums of money.
- **The greatest demands are placed on those least equipped to deal with them.** The under-40s face a considerably more demanding environment than their parents did, and consequently can ill afford to make mistakes or ignore the need to take action. There is therefore a particularly pressing need to equip them with greater financial capability.

Overall, our Survey reveals a picture in which many people from all backgrounds and all levels of income lack the ability to manage their finances effectively. This underlines the fact that there is no single ‘silver bullet’ solution and that a sustained, broadly-based programme is necessary if we are to make progress. It is especially concerning that financial capability is weakest among younger age groups, even allowing for their relative inexperience in dealing with financial institutions. Demographic and other factors place greater demands on them, but they are less able to meet them. In particular, the lack of financial capability in planning ahead is storing up potential trouble. In many cases, this is not because people are unaware that they need to do something – rather, they need to know where and how to start addressing the challenges that they see.

Some findings of the Survey

Data snapshot

Though individual statistics rarely tell the whole story, there were many telling pieces of data in the results.

- 81% of the pre-retired think that a state pension will not provide them with the standard of living they hope for in retirement. Nevertheless, 37% of these people have not made any additional pension provision.
- 70% of people have made no personal provision to cover an unexpected drop in income.
- Of the 1.5 million who say they are falling behind with bills or credit commitments, one third say they have real financial problems. Almost three million more people (or two million households) say it is a constant struggle to keep up with commitments.
- 33% of people, who hold no more complex products than general insurance, bought their policy without comparing it to even one other product.
- 40% of people who own an equity ISA are not aware that its value fluctuates with stock market performance, and 15% of people who own a cash ISA think its value does.

The benefits of taking action

The combination of increasing personal responsibility and generally weak financial capability means that action must be taken.

If people become more financially capable, they can make their incomes go further: for example, shopping around helps them spend less in interest when they borrow and earn more when they save. They can assess how to balance current spending with saving for the future. They can protect themselves against the unexpected through savings and insurance. They are better placed to reach retirement with the resources they need for the standard of living to which they aspire.



Financially capable consumers know when and how financial institutions can help them. They are less prone to buying products that don't suit their needs, and more inclined to engage proactively with the financial services sector.

And, because a capable customer is a less vulnerable customer, the FSA will, over time, have less need to intervene with detailed rules in the retail markets.

The benefits flow not only to individuals but to society more widely. Government and a whole range of advice and support services must deal with the consequences of poor financial decision-making: increasing financial capability will reduce resources spent on this and enable greater expenditure on, for example, preventing crises arising in the first place.

The action plan: results-oriented

We and our partners are implementing a seven point programme which will, over time, lift financial capability across the UK population. We will see financial education, information and advice reaching further into UK schools, Higher Education institutions, organisations that help young and often excluded adults, and the workplace. We are particularly keen to reach those who have limited or no access to mainstream financial services, as they are often particularly vulnerable: see p18. Our initiatives targeted at specific groups will be complemented by a range of resources designed to help all consumers become more confident and capable.

The National Strategy and the seven point programme are about delivering results. Our Financial Capability Survey creates a baseline against which we can measure progress. We intend to repeat it every four to five years. It has been specifically designed to show us where initiatives are having most effect and where we will need to try harder: we will see which demographic groups we are reaching, what messages are getting through, and how rapidly we are making progress.

We will also measure the impact of individual projects. Wherever possible, we will monitor both inputs and outcomes: we outline how we will do this in the descriptions of the seven initiatives in the pages that follow.



Delivering change



Schools: Learning Money Matters

Translating the Government's intention, that the National Curriculum should contain high quality and comprehensive personal financial education, into real change in the classroom.



Young Adults: Helping Young Adults Make Sense of Money

Ensuring that students in Higher Education institutions, and young adults who are not in education, employment or training, have access to guidance on managing their money.



Workplace: Make the Most of Your Money

Providing general financial education to employees in their place of work through accessible resources, and seminars delivered by trained professionals from the financial services industry and elsewhere.



Consumer communications

Fundamentally revamping the FSA's consumer communications and information to make them more targeted, engaging and accessible. Includes a revised distribution strategy for the FSA's tools and resources, to increase significantly their reach and impact.



Online tools

Developing, and making more widely available, online tools to help people to assess their financial situation and, if necessary, to take action and get further help.



New parents: Money Box

Developing and distributing a *Money Box* containing information for new parents, better equipping them to take on the additional financial responsibilities of parenthood.



Money advice

Working to ensure that consumers have access to money advice that is relevant, engaging and good quality.

Learning Money Matters

Financial education in schools

What's happening?

Learning Money Matters will ensure that millions of children receive high quality financial education in the classroom.

An excellent start has already been made. The Government has made very significant commitments that personal financial education will be given a more prominent place in the revised National Curriculum once planned changes are implemented in 2008. (See opposite for details of the Government's commitments.)

Until this change comes fully into effect, we need to bridge the gap. We must deliver high quality personal financial education to young people who leave school before the planned changes take place. We must also make certain that schools are well-prepared to implement the change when it happens. The FSA and pfe⁴, an independent charity, will deliver on these objectives by working with curriculum policymakers, and supporting teachers by offering a range of first-class materials, tools and training. Over £15 million will be spent on this over the next five years.

Why do it?

Young people want and need financial education. The Financial Capability Survey shows that the youngest adults are the least financially capable. Nevertheless, they face greater financial responsibilities than the generations who have gone before them. For example, they can access credit more easily, they bear more of the costs of higher education, and in due course they will have to bear more of the costs of their retirement. Young people want help in taking on these responsibilities: 94% of 16 year olds believe it is important to know how to manage money⁵.

By providing education in schools, we can help prevent mistakes being made in the first place and thus reduce the need for problems to be resolved afterwards. We can also reach people from every section of society, including many individuals who subsequently become far harder to reach.

How will it help?

As a result of *Learning Money Matters*, over the next five years, 1.8 million children in 4,000 schools will improve their financial knowledge, understanding and confidence. They will have a better insight into their likely financial needs as they move into adult life, and be better equipped to meet them. They will be taught by teachers who have the right skills, support and classroom material. They will be taught in schools which have tied together all the subjects which can provide a context for financial education – Mathematics, Citizenship, Enterprise, PSHE⁶ and Business Studies. In the longer-term, *Learning Money Matters* will help ensure that high quality financial education is incorporated into the functional maths curriculum. In doing so, it will ensure that children receive the financial education they need in the classroom.

How will we measure success?

Working with independent evaluators, pfe will monitor and report on the impact of its work. It will report progress against the target of reaching 1.8 million children in 4,000 schools by 2010/11, and will also measure how effective this work is in improving the financial capability of children.

The FSA has also commissioned the National Centre for Social Research to survey how much personal financial education is delivered in schools across the UK today. Results will be published in May 2006, and the survey will be re-run every four to five years to assess progress.

4 Personal Finance Education Group, see opposite for details.

5 *Live to Spend it or Spend to Live* (Barclays), 2005.

6 Personal, Social and Health Education.



What is happening in England?

There are two major strands of action.

Delivering change through the National Curriculum

We must ensure that the revised National Curriculum includes material for good personal financial education (PFE). To do this, the FSA and its partners such as pfeg will work with stakeholders including DfES⁷ and the QCA⁸.

Supporting teachers and schools

Highly skilled consultants will ensure that teachers and schools are equipped to deliver high quality PFE to children. pfeg will work with schools to deliver support ranging from a phone call all the way through to a multi-day session at the school. The support includes providing teaching materials, planning lessons, training teachers or team-teaching a lesson. Schools and teachers will receive this free of charge.

The FSA is also working with partners to produce additional supporting material for teachers. For example, we have commissioned Teachers TV to make four programmes on PFE which teachers can access and download.

What does pfeg do?

pfeg is an educational charity which provides support and guidance to schools to help them deliver effective PFE. It currently reaches over 2,250 schools, 3,500 teachers and 200,000 pupils. Its Excellence and Access initiative, on which this project is based, was the subject of independent evaluation by Brunel University, which concluded “the project is the pupils’ best chance of improving their financial awareness”.

How is the Government supporting personal financial education in England?

The November 2005 Pre-Budget Report stated that: “The Government will now address financial capability more explicitly in the curriculum by including it in the new functional mathematics component of GCSE mathematics”⁹. This is a huge step forward because maths is a core subject taught to all young people.

This change to the National Curriculum is due to reach the classroom in 2008 and will build upon the existing financial education provision within Citizenship, Enterprise, PSHE and Business Studies.

7 Department for Education and Skills.

8 Qualifications and Curriculum Authority.

9 Functional maths will not just be restricted to children studying for GCSEs: it will be included in functional maths taught to all children.

10 Qualifications, Curriculum and Assessment Authority for Wales.

What is happening elsewhere?

We are working with devolved administrations to help create the conditions for success throughout the UK, raising the profile of PFE in the curriculum, and ensuring that there is an organisation in place to provide practical support to teachers and schools.

Northern Ireland

In Northern Ireland, a curriculum review has been completed. PFE has now been written into the maths curriculum, and the Council for the Curriculum Examinations and Assessment is piloting ways of teaching it. In addition, the Northern Ireland Financial Education Forum is meeting for the first time in March 2006.

Scotland

A curriculum review currently being undertaken by the Scottish Executive will provide the opportunity to raise the profile of financial education, while the Scottish Centre for Financial Education, which has already worked with over 1,000 schools, is in place to provide support.

Wales

ACCAC¹⁰ is reviewing the position of PFE as part of a curriculum review. The Welsh Assembly government is also considering establishing an equivalent body to the Scottish Centre for Financial Education.



Helping Young Adults Make Sense of Money

Financial education for young adults

What's happening?

Helping Young Adults Make Sense of Money enables organisations that work with young people to help them manage their money.

We have successfully piloted initiatives to provide these organisations – universities, the public sector and voluntary organisations – with the tools and training they need to help young people take control of their money. We have captured the results in a suite of published toolkits and short training programmes for others to use. We want all the major organisations providing services to young people to take up these tools and embed basic financial messages and pointers into the services they provide. Many have already expressed specific interest in doing so, including more than a fifth of all Higher Education institutions in the UK.

To achieve this, we will raise awareness of the tools and training and refine how they work across a range of settings in the UK. We will also work with partners to develop supporting infrastructure such as training capacity, local networks involving the financial sector, and, if a case can be made, a national telephone and web service to help young people manage their money.

The programme was launched in March 2006¹¹, and full details are available on the FSA's website.

Why do it?

Young people face more responsibilities and challenges than ever. They now bear more of the costs of their education, they are able to borrow large sums of money, and they must do more to plan for the future. But the Financial Capability Survey shows they have lower financial capability than others, even allowing for their lower incomes and relative inexperience of financial institutions. Young people do, however, want financial education: 94% of 16 year olds believe it is important to learn how to manage their money.

Reaching young people is essential, but it is also notoriously challenging. Our solution is to work through the organisations they know and trust. These organisations generally recognise the need to help young clients make sense of money, but their front-line workers often lack the tools, training and confidence needed to do this. So, we have worked with leading organisations in the field to find ways to meet these challenges.

How will it help?

Widespread communication of basic messages about money will enable young people to navigate the demanding environment they face. They will be better able to plan ahead and to avoid the pitfalls of over-indebtedness, and those in difficulty will know where to turn for help. Higher Education institutions should see better course completion rates, as financial difficulty is a major reason for students dropping out, and may be able to attract students from a wider range of backgrounds, as fear of debt particularly deters students from disadvantaged backgrounds.

The programme will also increase financial inclusion. Helping young people in the NEET¹² group cover basic money issues will improve the life prospects of these vulnerable individuals who are otherwise hard to reach.

How will we measure success?

Our goal is that, by 2008, most of the Higher Education sector, with 2.3 million young students, and also a majority of organisations working with 1.1 million NEET young people, will have taken up our tools and training. We have already evaluated the effectiveness of the tools and training during pilots, and will continue to assess how they work in different settings.

11 *Helping Young Adults Make Sense of Money*, 2006 (available at http://www.fsa.gov.uk/financial_capability/pdf/strategy.pdf). Includes references to all statistics and evidence supporting the Young Adults programme.

12 Not in Education, Employment or Training.



Organisations working with NEET young people

What tools are available?

Citizens Advice Frontline Training is a suite of four two-hour training sessions which can be flexibly delivered to public sector and charitable/voluntary practitioners, including Social Services staff working with care leavers, Youth Offending Teams, Sure Start practitioners, Connexions Personal Advisers, and youth workers.

On Your Own 2 Feet is a toolkit developed by Fairbridge, a leading charity working with the most vulnerable and hard to reach young people. It includes activities to engage young people through group work, demonstrating how to embed money management and financial skills into existing practical courses, such as bicycle maintenance.

How successful were the pilots?

91% of the workers who took the *Citizens Advice Frontline Training* said they would use what they had learnt “very much” or “quite a lot” in their daily work with young adults.

The Fairbridge pilot evaluation found that by engaging young adults in relevant and creative ways it is possible to improve their financial capability. An independent evaluation, conducted by Bristol University, concluded that even in a short time the project had already made some positive difference.

What supporting infrastructure will we put in place?

- We will coordinate events and meetings to share good practice amongst organisations using our tools and training, and help build new local partnerships and networks with the financial sector and advice providers.
- If a business case can be made, we will develop coordinated telephone and web-based information services about money for young people, modelled on the Young Scot *Infoline* pilot, and its extensive research about media and communication approaches which engage young people.

Higher Education institutions

What tools are available?

The Roehampton University *Money Doctors* toolkit provides creative options and “how to do it” templates for a full programme of proactive outreach and reactive help for students.

It includes education seminars and themed social events, one-to-one surgeries, extensive publicity through student unions and student newspapers, and students acting as ‘peer educators’.

The toolkit also includes sample business cases for universities to use in securing funds for the work.

How successful was the pilot?

Response to the service by students has been very good. From a student population of 12,000, over 1,000 attended talks or training sessions on topics such as moving into private accommodation, tax, travel and ‘best deals’. 300 also attended sessions using a board game to develop financial capability. Also, student appreciation of the help received was such that many volunteered to become ambassadors for the project as ‘peer educators’ to bring the benefits to fellow students.

Roehampton University will formally integrate the *Money Doctors* toolkit into its student services provision in October 2006.



Make the Most of Your Money

Financial education in the workplace

What's happening?

Make the Most of Your Money is an initiative to provide employees with financial education in their place of work.

Make the Most of Your Money involves a trained presenter visiting a worksite, free of charge, to deliver seminars to employees. There is no limit to the number of seminars that are delivered: provided there is demand from employees, we will arrange the seminars.

All employees at the worksite are invited to attend, and all receive a financial information pack covering the same ground as the seminars: budgeting, managing debt, and long-term planning for the future (including pensions). The material also signposts other sources of information and organisations that can help with particular issues. After delivering the seminar, the presenter stays behind to give employees the chance to ask any follow-up questions. For questions that cannot be answered quickly, the presenter will offer the employee a free regulated consultation with a financial adviser.

The FSA is leading the initiative, and oversaw a successful pilot conducted in 2005. The programme will build over 2006/07 and will subsequently be scaled up significantly. We have refined the seminar content, and have secured, or are in discussions with, additional employers to participate in the next phase. A central team, made up of FSA staff and secondees from the financial services industry, will help manage the overall programme. In the next five years, over £10 million will be spent including around £1.5 million in 2006/07.

Why do it?

The pilot project which we ran in 2005 showed that this is an effective channel for improving financial capability. Employers also benefit, because it gives them an opportunity to provide something valuable to their employees, while educating them about their total benefits package.

There is a clear benefit in having the FSA take a leading role in this initiative. Several financial services companies are already delivering seminars in certain workplaces, but sometimes employees and employers can be sceptical: they fear that presenters will concentrate on selling products rather than providing financial education. The FSA's involvement provides reassurance that presenters are trained, that a carefully prescribed format is followed, and that quality controls are in place: it makes it more credible that the offer is genuinely educational.

Financial education in the workplace allows us to reach a very large and diverse range of people, including those on low incomes who may not have access to any other forms of money advice.

How will it help?

Over the next five years, *Make the Most of Your Money* will reach four million employees, all of whom will receive financial information and an invitation to attend a seminar. Around 500,000 will attend a seminar. Participants will improve their ability to understand, manage and plan their financial affairs, and many will seize the opportunity to take immediate action to review their financial situation.

How will we measure success?

As we did for our pilot project, we are investing in independent evaluation. We will monitor progress towards our target of four million people receiving information and 500,000 attending seminars by 2010/11, and whether our work prompts them to take appropriate action.



What happened in the pilot?

Make the Most of Your Money was successfully piloted in 2005 with eight organisations to test the willingness of employers to host seminars on work premises, the appetite of employees to attend and the effectiveness of workplace seminars for improving financial capability.

During the 6-month pilot, 20,000 employees received a pack containing financial information and approximately 1,000 employees attended over 100 educational seminars.

The pilot was evaluated independently by ECOTEC Research and Consulting, to measure the effectiveness of the way that the initiative was delivered and the impact on the attitudes of seminar attendees.

Over 90% of seminar attendees found the seminars useful. 85% saw it as a valuable part of the employee benefits package.

The participating employers were selected to ensure a range of business types, locations and company sizes:

- Centrica
- Heart of England NHS Foundation Trust
- LloydsTSB¹³
- Quartet Packaging
- Rainey Kelly Campbell Roalfe/Y&R
- Scottish Power
- Stagecoach
- Stantonbury Campus

We are also grateful to the financial services firms who provided their staff to act as presenters:

- Abbey
- Clarke Gillone
- Close Wealth Management
- HBOS
- Liverpool Victoria
- LloydsTSB
- MBNA
- Origen
- Millfield Partnership
- Prudential

What will employees actually receive?

Supporting material

All employees receive a copy of a booklet which gives an overview of financial capability. They will also be signposted to the FSA website where they can access the material and find out where to go for answers to further questions.

Seminars

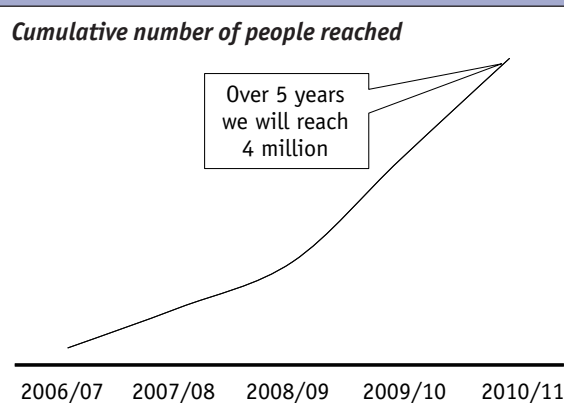
Trained professionals, from the financial services industry and elsewhere, will deliver one-hour educational sessions. The content of the seminar is designed by a central team, which will ensure consistently high quality, and includes:

- Budgeting
- Borrowing
- Protection (ie how to use insurance)
- Saving and investment (including pensions)
- The employee benefits package (if the employer wishes to include this)

Personal follow-up meetings

Employees will have an opportunity to meet with an adviser for personal advice after the seminars. This increases the chances that employees will take any appropriate actions by making it easy for them to review their financial circumstances.

How many people will benefit?



13 Operations staff, not customer-facing staff.



Consumer communications

What's happening?

We are currently developing an ambitious new consumer communications strategy. Our overall aim is to position the FSA, the UK's financial watchdog, as *the* place to turn for impartial, general¹⁴ information on financial products and services.

A radical overhaul of the content we provide is already underway. We will launch a new consumer website in the fourth quarter of 2006, and a revised suite of publications by the second quarter of 2007. The look and feel of our new material will be different, and the content substantially refined.

But we know that however good our materials are, what really matters is getting them into the right hands at the right time. And this costs money. That is why we have spent £2 million promoting our materials in 2005/06, with a similar amount set aside for the next financial year. We are being innovative in our approach and increasingly we are using non-financial channels to promote our materials, including well-known ISPs¹⁵, parenting and dating websites, and women's magazines.

Why do it?

Many consumers need help getting to grips with the basics of financial products and services, and clear, jargon-free information can help them do this. Our research shows that the FSA is seen as an important and trusted source of information, because we are impartial and not trying to sell consumers anything. We are also the place for consumers to turn to when they need information on how to deal with certain specific issues, such as shortfalls on their endowment mortgages.

In fact, we are already a major destination for consumers and those who advise them. In the last year, nearly two million people visited our consumer website and there have been orders for over 11 million of our consumer publications.

However, we are aiming to become an even more appealing destination by making our materials much more accessible and engaging, particularly to those who find financial issues daunting. We will be using the results of the Financial Capability Survey to help us better understand the groups we need to reach and target our resources more effectively. And we are taking steps to distribute our materials more effectively to improve reach and impact.

How will it help?

Getting clear, impartial information on financial products and services into the right hands at the right time will help people make better informed financial decisions and become more confident and capable in dealing with their financial affairs, from opening a bank account and choosing a mortgage, to shopping around for a good deal and getting advice. Our information will continue to help consumers know the right questions to ask and how to get help if they need it.

How will we measure success?

Our aim is to double the traffic to the FSA's own website over the next three years, taking annual visits from two million to four million.

As part of our new approach, we will also be working with a wide range of partners to help us distribute our materials, and we will work with them to evaluate the impact that this is having.

We will continue to evaluate individual promotional campaigns such as the 'laid bare' series and we will track over time how actual consumer behaviour is influenced by them. We have, for instance, measured the effectiveness of a recent campaign designed to help consumers make choices about their retirement planning. Of respondents to the opt-in survey that we did after the campaign, our findings are that 73% felt more capable to handle these issues having accessed our resources.

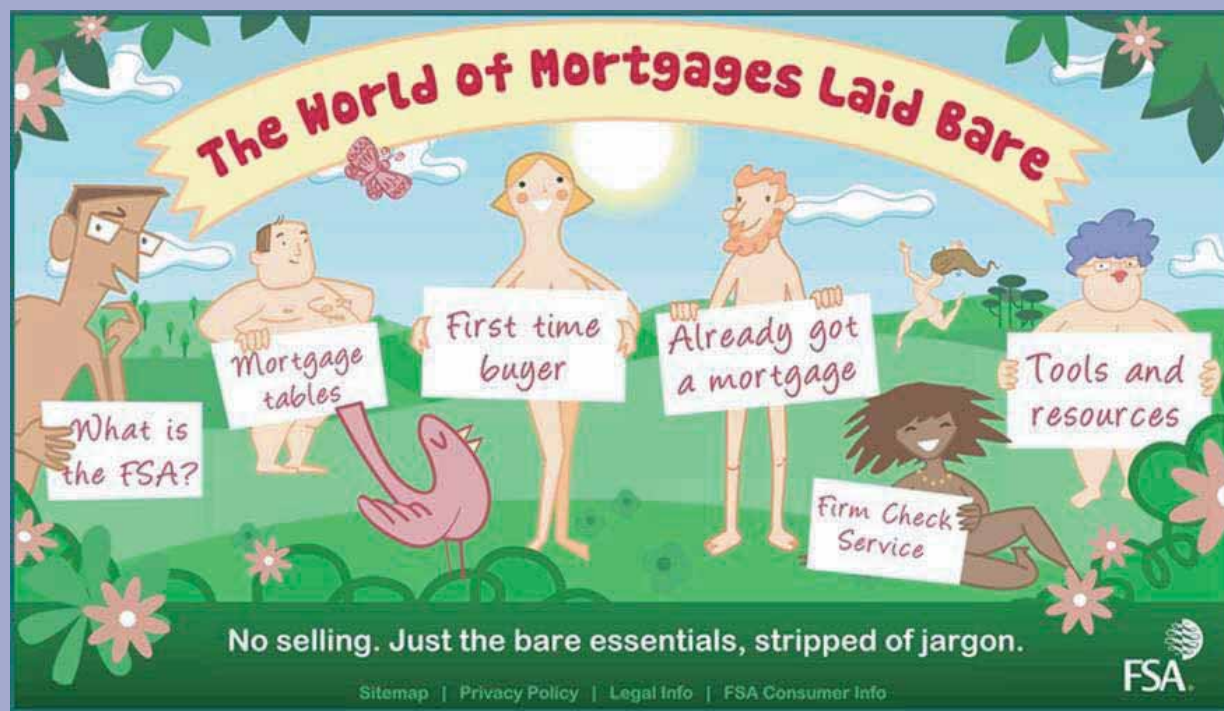
14 In providing general information we aim to help people understand their financial priorities and the general types of products and services that are available to meet their financial needs. This information does not constitute financial or other professional advice.

15 Internet Service Providers.



Mortgageslaidbare

Our new approach is already bearing fruit. More than 300,000 visitors have been to the campaign websites that we developed to support our 'laid bare' advertising campaigns. See them for yourself at www.mortgageslaidbare.info and www.moneylaidbare.info.



Working with partners – effective distribution

As part of our new approach, we are working much more proactively with partners. These include financial services firms, government departments and agencies, web portals, the voluntary sector, employers and others. For instance, the Financial Healthcheck and the Debt Test (see p14) were launched on the BBC website, and around 175 external sites have linked to our current *moneylaidbare* campaign micro-site. This allows us to get these materials to a much wider audience than we could if we relied on the FSA's website alone.



Online tools

What's happening?

To help consumers manage their finances, we have delivered two important online tools. In a simple, fast and entirely confidential way, they help build consumers' confidence and motivate them into taking action.

- The Financial Healthcheck¹⁶, launched in June 2005, helps consumers to understand their financial needs and take control of their finances. It helps people to sort out their financial priorities and provides tips for a healthier financial lifestyle. Users don't need to dig out bank statements or old insurance policies – they just need to answer a few simple questions.
- The Debt Test¹⁷, launched in January 2006, helps consumers to assess how likely they are to become over-indebted within the next year or so. By asking simple questions, it helps people with credit agreements (loans, credit cards, mortgages, and other debts) to consider whether they have, or are likely to have, problems with their borrowings. It provides tips on how to avoid debt problems, and helps people tackle problems if they have already arisen.

The tools are already available on the FSA website and the BBC website, and as part of our revised approach to consumer communications (see p12) we are working with partners to make them even more widely available.

Why do it?

There is a clear need for simple, accessible online tools to help consumers and those who advise them. Many would like to take greater control of their finances, and find the internet a natural place to turn. It is well-established that consumers use the internet to research product purchases and to gather information. It is also increasingly accessed by all sections of society.

There is a lot of personal finance information online, but it is not always easy to navigate. Much of it is aimed at experienced users or relates to specific financial products or issues.

The Financial Capability Survey showed that many people are not planning ahead adequately. We want to help people, and those who advise them, prevent and cure these problems.

How will it help?

The Financial Healthcheck and the Debt Test are already helping consumers and those who advise them. The Financial Healthcheck has been used by over 470,000 consumers since its launch in June 2005, and the Debt Test has been used by over 250,000 consumers since its launch in January 2006¹⁸.

The Financial Healthcheck allows people to plan and prioritise. It addresses questions like whether they should be saving more for a rainy day, whether they are saving appropriately for retirement, and whether they are insuring themselves against the risks they face.

The Debt Test helps both prevent and cure the problem of over-indebtedness. For those already experiencing problems, it proposes steps they can take, signposts resources that can help them and encourages them to take action. It helps others who are at high risk of over-indebtedness identify that they may face problems, and provides practical steps they can take now.

The tools provide a sense of urgency, but also reassurance that help is at hand and that, by taking straightforward steps, people can improve their situation.

How will we measure success?

The web-based nature of these tools allows us to collect information on the number of unique individuals making use of them. We will also track and report on the number of websites and other channels to which these tools are being syndicated.

16 <http://www.fsa.gov.uk/consumer/healthcheck>.

17 http://www.fsa.gov.uk/consumer/debt_test.

18 Figures as at March 2006.



Top tips from the Financial Healthcheck

- If you're struggling to make ends meet, get on top of your borrowing first before you do anything else.
- Plan ahead to prevent financial problems – for example, try to put some money away for a rainy day and think about how you would cope if your income dropped unexpectedly.
- You're never too young to start thinking about your retirement – the earlier you start putting something away, the more time it has to grow and the more money you're likely to have to live on when you retire.
- Make an action plan – work out what you want to do in each area of your finances and set yourself a realistic target for when you want to do it.
- Remember to review your finances from time to time, especially if your circumstances change.

The Financial Healthcheck was developed by the FSA and the BBC.

Top tips from the Debt Test

- How much is too much? Just because someone will lend you money, that doesn't necessarily mean you can afford to borrow it! Before taking on any new borrowing, think carefully about whether you will be able to afford the new repayments on top of the existing ones.
- It can be hard to sort out debt problems on your own, even with plenty of guidance on where to start and what to do. But there are lots of organisations willing to help you and you will find more details about them in the Debt Test. There are steps you can take to improve the situation and the most important thing is to tackle your debts straight away, before they get any worse.
- Even if you are managing your borrowing at the moment, bear in mind that this can change if your circumstances alter.
- Whatever your situation, it makes sense to do what you can to make the most of your money and to improve your position. For example: always shop around for financial products and services, utilities (gas, electricity water and telephones) and other purchases.
- Credit cards can be an expensive way to borrow, especially if you use them to take out cash or leave a balance outstanding month after month. If you need to borrow, you might be able to find a better alternative.

The Debt Test was developed by the FSA, the BBC and Experian, with additional input from Barclaycard, the Council of Mortgage Lenders, the Department of Trade and Industry, and Money Advice.



Money Box

Financial education for new parents

What's happening?

We are developing and trialling a *Money Box* which will be provided to new and prospective parents. It will serve as a single, comprehensive and accessible source telling them what they need to know on subjects including: employees' maternity and paternity rights; Government communications on saving initiatives (such as Child Trust Funds, tax credit entitlements and other forms of assistance, eg subsidised nursery places); and materials for the child to reinforce the financial capability message at a young age (such as a chart to record pocket money or a simple storybook about money).

It will be complemented by web-based calculators to help budget for a baby and calculate the cost of returning to work, and will signpost to other useful sources of information.

The *Money Box* will initially be distributed through the HR departments of employers involved in the *Make the Most of Your Money* initiative¹⁹. We intend to seek other distribution channels, so that we can reach as many new parents as possible: family-oriented retail outlets, relevant government departments, and family-based services, such as children's centres and health professionals.

Provided testing in 2006/07 is successful, we will build up distribution so that we can reach as many new and prospective parents as possible.

Why do it?

We want to help new and prospective parents take on the additional financial responsibilities and challenges of parenthood.

Having a child has a considerable impact on a household's finances. The cost of bringing up a child to the age of 18 is over £100,000²⁰. Not surprisingly, becoming a parent is a time when many people are prompted to think about their finances and take action if needed: we want to reach them when they are most receptive.

Our work with new parents will also help us reach large numbers of people. Over 700,000 children are born in the UK each year and our materials will reach parents from all sections of society.

How will it help?

Parents have many rights, responsibilities and benefits, but we do not want to leave it to chance as to whether they find out about them. We want to provide them with a comprehensive source of information that tells them what they need to know.

By working with employers and other distribution channels that focus on new and prospective parents, we are able to ensure that the *Money Box* is widely received at an early stage, to allow prospective parents to start planning ahead early. Parents will better understand the short- and long-term financial implications they are likely to face, and receive relevant information without having to search for it themselves.

By 2010/11, when the programme will be fully operational, we intend to have reached over 1.5 million new parents.

How will we measure our success?

We will evaluate the success by assessing whether we are on track towards our target of reaching over 1.5 million parents by 2010/11, and we will also measure the effectiveness of the *Money Box* in influencing behaviours and decision-making.

19 Participating employers can add details about their own maternity/paternity benefits to the *Money Box*.

20 *Value of a Mum 25th Anniversary Edition* (Legal and General), 2006.



Money advice

What's happening?

By money advice, we mean helping people understand, in general terms, what financial issues they need to tackle and what sort of financial products or services might help them do this. It differs from regulated advice, which has to be provided by authorised advisers and includes recommendations on specific products from specific providers.

Currently, the Resolution Foundation, an independent charitable foundation, is considering how best to provide this type of advice to lower earners. We will take careful stock of the findings.

We think that existing organisations may well be able to provide such advice to the people they deal with. This includes governmental organisations and organisations in the voluntary sector. We will be considering with them how this can be done. It may also be in the interest of commercial organisations to offer non-regulated money advice and we are conducting a separate piece of work to assess this.

Why do it?

Providing people with money advice can help to improve their financial capability, particularly at planning ahead and choosing products which the Financial Capability Survey showed are areas where help is most needed. There are many organisations which currently do provide money advice, such as specialist debt advisory agencies and agencies that provide more broadly-based advice to particular groups in society. But knowing where to start can be difficult. Even when people do receive advice, it can be fairly limited in its scope, or it may come from an organisation which is not widely known, so people do not know whether the advice they receive is relevant to them.

Many people like to be able to ask questions of people they trust, whether face-to-face or over the phone. So it makes sense to explore how organisations that already have suitable infrastructure and relationships with people can use these to provide general money advice.

If our work suggests that it is in the commercial interests of private companies to provide this sort of advice to certain sections of the population, it will enable us to place some reliance on the market to serve the needs of those people.

How will it help?

The more consumers of financial products are able to make better and informed decisions, the more the market will respond with increasingly appropriate and better value products and services.

Making accessible and engaging money advice available through trusted sources will help people to understand and take stock of their financial situation, and to plan ahead and choose products. It will also improve confidence in seeking guidance, and thereafter widen access to those who are currently financially excluded.

The initiatives described earlier in respect of schools, young adults and the workplace all include elements of face-to-face general money advice.

How will we measure our success?

We have not yet developed measures of success, but will do so as soon as this initiative is sufficiently developed.



Financial Inclusion

The National Strategy for Financial Capability specifically takes account of the needs of those who have limited involvement with the financial system. We also hope to ensure that fewer people become excluded in the future.

In Schools the *Learning Money Matters* programme reflects the importance of personal finance education in enabling young people from all backgrounds to develop the financial capability to make informed judgements in adult and working life.

The Young Adults initiative has produced specialist toolkits and training that will build confidence in those working with NEET young people, enabling them to improve the financial capability of the young adults they work with.

The FSA is undertaking a fundamental review of its consumer communications strategy to make its materials and campaigns more engaging and accessible. As part of this, it is taking into account the needs of vulnerable consumers and those organisations and advisors who work with them.

At the Financial Inclusion Forum in June 2005, we launched our Financial Capability Innovation Fund. A number of the organisations we are funding provide support to people who have difficulty accessing mainstream financial channels.

The Financial Capability Innovation Fund

In addition to our seven point programme the FSA launched, in June 2005, a £200,000 fund to support new and innovative ideas for improving financial capability. This fills the gap, as voluntary organisations aiming to do financial capability work previously needed to tie it into other agendas in order to secure funding. We will learn from the pilots more about what works in delivering financial capability and how to create replicable and sustainable programmes.

We have awarded grants to 12 organisations, all of which have grass roots experience of helping people who have difficulty in understanding financial issues. The organisations target a diverse range of people, many of whom are financially excluded. They range from prisoners and ex-offenders to families on low incomes, those with autism and victims of domestic violence.

The projects will be completed by March 2007.



In partnership

The seven point programme has been developed by, and is being implemented in close collaboration with, a wide range of partners.

Beyond the programme, there are many initiatives and organisations already working to help consumers manage their money better. Within the FSA, a lot of our work focuses on ensuring firms provide clear, useful and understandable information for consumers, and ensuring that firms treat customers fairly. Outside the FSA there are very substantial sums of money being spent by a wide variety of organisations. These range from the National Debtline to the Balance Foundation. We try to ensure that our work draws on existing good ideas, and where we have new approaches that they complement rather than duplicate what is already out there.

Developing the programme

The seven point programme has come out of the work led by the Financial Capability Steering Group. This body, and the Working Groups which support it, include representatives from a wide range of stakeholders: government, the financial services industry, the not-for-profit sector, employers, trades unions, and consumer and educational bodies. So, we have been able to draw on diverse interests and experience to create a robust programme of action that takes account of the views of the many stakeholders who have an interest in financial capability.

Delivering the programme

In delivering the National Strategy, we are reaching out to people rather than expecting them to come to us: a young person not in education, employment or training may turn to their outreach worker but they will not come to us: new parents are likely to have higher priorities than visiting the FSA website.

To enable us to reach people where they live their lives, we are working with an even broader alliance of partners.

Funding the programme

In 2006/07, the FSA will spend up to £10 million on financial capability, funded, like all FSA spending, by a general levy on the regulated financial services industry.

In addition, we recognise the support and efforts of many of our partners who are taking action funded from their own budgets. This includes the Government, which, for example, pays for teachers to deliver personal financial education in schools. It includes many others too: universities providing financial education to students, financial institutions working in their communities, voluntary organisations providing advice and support to those in need, employers who are making the time for their employees to attend educational seminars during the working day, and many others.

The Financial Capability Steering Group

John Tiner: Chief Executive,
Financial Services Authority (Chairman)

Luqman Arnold: Senior Adviser to Chairman,
Grupo Santander

Clive Briault: Managing Director, Retail Markets,
Financial Services Authority

Sir David Clementi: Chairman, Prudential

John Cridland: Deputy Director General,
Confederation of British Industry

John Gummer MP: Chairman,
Association of Independent Financial Advisers

David Harker: Chief Executive, Citizens Advice

Dame Deirdre Hutton: Deputy Chairman,
Financial Services Authority

Ivan Lewis MP: Economic Secretary, HM Treasury

Ron Sandler: Chairman,
Personal Finance Education Group

Stephen Timms MP:
Minister of State for Pensions Reform

In addition, we anticipate that some new members will be joining shortly.



Building for the future

Raising the financial capability of the UK population is a long-term endeavour and requires the relentless energy and commitment of many partners. So although the programme described here will deliver benefits to millions of people in both the short- and long-term, it is clearly far from the end of the story. In particular, we will:

- Continue to involve a wide range of stakeholders in implementing the programme.
- Continue to analyse emerging social and economic trends to test whether adjustments to the programme are needed.
- Evaluate regularly whether the anticipated benefits of each element of the programme are being delivered in practice.
- Evaluate the impact of the programme as a whole by repeating the Financial Capability Survey in the next four to five years.
- Publish regular progress reports so that all stakeholders can see the difference that the programme is making on the ground.

With the continued help of many, this will make an important and significant difference to the lives of people right across the UK.

Our long-term goals

The long-term goals that we set out in Building Financial Capability in the UK²¹ remain unchanged.

We share a vision of better informed, educated and more confident citizens, able to take greater responsibility for their financial affairs and play a more active role in the market for financial services.

Our aim is to give people the skills and knowledge they need to make sensible decisions about their money, so they can take control of their finances and demand better services from the industry.

We will do it in a way that people will understand, at a time and place when it's most useful to them.

And we will do it in a way that recognises people's differing financial circumstances.

Keep in touch

We will be reporting on progress on the FSA's website at:

www.fsa.gov.uk/financial_capability

Comments or questions on the strategy can be sent via the website or by email to:

financial.capability@fsa.gov.uk

or by mail to:

**Financial Capability Team
The Financial Services Authority
25 The North Colonnade
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21 *Building Financial Capability in the UK*, 2004 (available at http://www.fsa.gov.uk/pubs/other/financial_capability_uk.pdf).



We will continue to assess progress against the objectives we laid out in 2004.

Working together	Support for the strategy is established among key partners (consumer groups, voluntary groups, Government and the financial services industry)
	Funding and other resources are put in place
	Resources spent on financial capability projects are better coordinated and spent more efficiently
	Financial capability projects are given significantly greater priority

Reaching people	There is a step change in the number of people who are reached by financial capability initiatives
	People are reached in ways which are more suited to their needs
	People actively looking for help are offered simpler access to it, appropriate to their needs

Influencing people	Skills: People have more of the skills needed to address personal finance issues
	Knowledge and understanding: People have greater knowledge and understanding of financial issues, can better identify their needs and the products that might help meet those needs, and know when and where to seek further advice
	Awareness: People are more aware of the need to take control of their personal finances
	Confidence: People have greater confidence in their ability to take an active role in managing their financial needs
	Engagement: People are engaged and motivated to take action

Making a difference	More people review their financial situation regularly
	People are more discriminating when shopping for financial services
	Fewer people buy unsuitable financial services and products
	The financial services industry designs products that more closely meet people's needs
	Products are promoted and sold in a fashion that is more suited to people's needs
	The FSA is able to take a less interventionist approach to the regulation of the retail financial services industry

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