



HM TREASURY



Helping you make the most of your money:

a joint action plan for
financial capability

July 2008

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FOREWORD

Everyone needs to be able to manage their money well: so they make the most of what they have today and safeguard their futures. It is even more important that people can access practical support to make the most of their money during times of turbulence in the global economy, when rising food and fuel bills and increasing mortgage payments mean that households are feeling the pinch.

Better budgeting and keeping track of spending could help people to avoid problem debt and make a household's money go further. Shopping around for suitable and competitively priced financial products could help people make the most of their income. Saving and taking out appropriate insurance cover can protect a family's livelihood, should the worst happen.

The Government and the FSA are committed to improving financial capability. We set out in this action plan measures which recognise that people need hands-on support to tackle money questions and concerns – before they turn into problems – as well as contributing to our long-term vision of better-informed, better-educated and more confident citizens, able to take greater responsibility for their financial affairs and to play a more active role in the financial services market. These measures range from easy to access, tailored information and support aimed at helping people handle their finances day to day to education and other long-term preventative initiatives.

The Thoresen Review identified a huge unmet need for accessible, helpful and impartial information and guidance on money. As people face higher bills and other financial pressures, this need has become

even greater. We are working to respond quickly. We are developing, expanding and promoting the FSA's MoneyMadedeclear website and consumer helpline, so that, by the end of the summer, people across the UK will be able to access, on-line and on the phone, impartial, jargon-free information and support on money, and be signposted to debt or other specialist advice.

The Government and the FSA are also launching the Money Guidance pathfinder, in response to the Thoresen Review, from early 2009. This will be rolled out in the North of England. People there will benefit from a Money Guidance service, which can give in-depth support, tailored to individuals' circumstances and needs, on a whole range of money matters as well as make referrals to specialist advice, where needed. Examples of where it can help include:

- budgeting to make the most of your money;
- managing borrowing;
- shopping around for a good deal on the right products;
- building a financial 'safety net' in case of unexpected events; and
- jargon busting and explanations of financial terms like "APR".

Once we are clear on the right model to support people with their day to day money questions and worries and to equip them with the ability to manage their finances better in future, we will roll Money Guidance out across the whole of the UK.

Our joint action plan sets out a range of measures which offer targeted support on managing finances, reflecting that people most need support at key points in their lives: for example, when entering higher or further education, having a baby or thinking about retiring. And many people find assistance most helpful if it can be accessed in the course of their daily lives – so we are delivering education, information and support on money in the workplace, in Sure Start Children’s Centres and other important points of contact.

We want to ensure that future generations enter their adult lives feeling knowledgeable, confident and motivated to engage with their finances and manage their money well. Children will now have access to a planned and coherent programme of finance education in schools, as an integral part of the curriculum and supported by £21.5 million of funding over the next three years from the Government and the FSA.

We are taking action to make a real difference to people’s lives and their financial wellbeing in today’s circumstances, and whatever the future brings.



Yvette Cooper
Chief Secretary to the Treasury



Hector Sants
Chief Executive, FSA



Kitty Usher
Economic Secretary to the Treasury

SETTING THE CONTEXT

Everyone needs to be able to manage their money well. The Government and the FSA are committed to ensuring support on money-related questions and concerns is available to help people in the short-term and that everyone benefits from information, education and guidance to help with longer term planning. This preventative action can also help people avoid serious financial problems. We are taking wide-ranging action to support people at different times in their lives, and to meet different needs, to help to equip individuals and families with the skills, knowledge and motivation to manage money well, both for the present and the future.

Tackling and preventing serious financial difficulty

Improved financial capability aims to help people avoid serious financial difficulty and prevent the stress, ill-health and other problems associated with over-indebtedness. But those facing problem debt often need specialised debt advice to regain control of their finances. The Government currently funds over £200 million of debt advice to help people in serious financial difficulty. It is committed to channelling over £120 million for face-to-face debt advice, which is provided by third sector partners. The Government also announced in May this year a further £9 million boost for face-to-face debt advice services as part of a £10 million package of support for those with debt problems.

Making the most of money now and for the future

Supporting people to deal with immediate problems also has a long-term benefit – their

confidence builds, their understanding grows and they are more engaged and motivated to manage their money. It is a vital part of the Government and the FSA's agenda to educate and empower people to be proactive in engaging with and managing their financial affairs and to make sound financial decisions throughout their lives.

Increasing levels of financial capability is key to improving economic wellbeing: for example, financial capability contributes to tackling poverty and reduces financial and social exclusion. And financial capability can improve life chances and promote opportunity. Raising financial capability will pay long-term dividends not only to consumers, but also to the financial services industry and to society as a whole.

Protecting consumers

As well as giving people practical help and advice, so they can manage their money better, we also need to protect people from bad advice or financial exploitation. The Government has put £6.4 million into programmes to tackle illegal lending and provide support for the victims of loan sharks. It has committed £80 million to boost the supply of affordable credit through credit unions and other not-for-profit lenders. Over 80,000 financially excluded customers have received affordable loans since July 2006. The Consumer Credit Act 2006 has strengthened consumer protection and enhanced consumer information, creating a fairer and more competitive credit market, and requiring lenders to provide borrowers with more information about their accounts, such as an annual statement and regular notices when consumers fall into arrears or incur a default sum.

The Government also reviews practice across the financial services industry – for example, current work looking at consumer protection in the second charge mortgage market, and the OFT’s study of the sale and rent back market, which includes consideration of consumers’ understanding of sale and rent back products.

As well as its remit to promote efficient, orderly and fair markets, the FSA has a statutory responsibility to protect consumers. Its Treating Customers Fairly (TCF) programme puts the consumer at the heart of industry practices and culture - firms will have to show they are complying with TCF principles by December 2008. The FSA is also currently assessing how firms are meeting their existing obligations to consumers in arrears, and will publish its findings later this month. Separately, through its Retail Distribution Review, the FSA is looking into ways to make the advice and sales landscape more transparent for those buying savings and investment products.

Improved financial capability supports our work to protect consumers: capable, confident consumers are more likely to know what questions to ask of financial services firms, to make informed choices, to buy suitable products and to avoid getting ripped off.

Our action plan for financial capability

This action plan brings together for the first time our joint plans for the future alongside a picture of the progress which has already been made across the UK, through the FSA-led National Strategy for Financial Capability and the programmes described last year in the Government’s long-term approach.¹

The FSA set out in 2006 a £100 million five-year programme to improve financial capability in the UK, called Delivering Change, which aims to

reach 10 million people by 2011.² Working with a broad range of partners and advised by a cross-sector Steering Group, the FSA is on track to meet or exceed almost all of the targets it set in 2006. The Government set out its long-term aims in 2007: that, in the long run, all adults will have access to impartial guidance about money and every child will receive a planned programme of personal finance education in schools. A cross-departmental ministerial group has identified opportunities to use policy-making and public services to make a real difference to people’s ability to manage their finances, now and in the future.

Highlights of the action plan include:

- A one-stop-shop for impartial information and support on money matters, based on the FSA’s MoneyMadedclear website and consumer helpline, will be developed, expanded and extensively promoted from late summer;
- The £12 million Money Guidance Pathfinder beginning early in 2009, in response to the Thoresen Review:³ this will take place in two English regions: the North West and North East;
- The Government’s £11.5 million three-year programme of personal finance education in primary and secondary schools, called My Money, in addition to the FSA’s £16 million Learning Money Matters programme; and
- A range of measures that offer education and support, targeted to reach people at key points in their lives, like the birth of a child and thinking about retirement, and through channels they know, trust and frequently use.

² Financial Capability in the UK: Delivering Change, FSA, 2006, available at www.fsa.gov.uk

³ Thoresen Review of generic financial advice: final report, March 2008, available at www.hm-treasury.gov.uk

¹ Financial Capability: the Government’s long-term approach, HM Treasury, January 2007, available at www.hm-treasury.gov.uk

1. INFORMATION AND GUIDANCE ON MONEY

People face many different financial situations and choices. Those facing serious financial difficulty can be best supported through specialist debt advice. But everyone can benefit from impartial information and guidance on money to boost their skills and confidence to make the most of their money.

1.1 Debt advice

Specialised debt advice will help those facing problem debt regain control of their finances and get back on track. The Government currently funds over £200 million of debt advice to help people in serious financial difficulty. It has committed more than £120 million over five years through the Financial Inclusion Fund to support the recruitment and training of nearly 500 debt advisers in local communities – over 119,000 clients have received advice since April 2006. The Government also gives significant support to debt advice phone services, such as the National Debtline. In May 2008, the Government announced a new £10 million package to support those facing financial difficulties which included an additional £9 million funding for face-to-face debt advice provided by third sector partners, such as Citizens Advice.

1.2 Impartial consumer information

For those who are not facing problem debt but are seeking a impartial, helpful and interactive source of information on money today, whether they need to help making their money to go further and avoid debt problems in the future, or whether they are thinking about how to make their money work harder in the longer-term, the FSA has developed the Moneymadeclear website.

The Government and the FSA will develop, expand and promote the Moneymadeclear website and consumer helpline to ensure that people can access information and support on money, which is sales-free, jargon-free and impartial. The website and helpline will also refer people to specialist advice, including debt advice.

Moneymadeclear provides impartial information and interactive tools to help people make informed financial decisions and shop around. The tools include a Financial Healthcheck, a Debt Test, product comparison tables and calculators covering budgeting, mortgages, loans and pensions. A new product comparison table for Payment Protection Insurance was launched in June 2008.

Moneymadeclear has already received 4.1 million visits, exceeding the target to double visits from two million to four million between 2006 and 2009. By March 2008, there had been around 1.5 million visits to the Financial Healthcheck and one million visits to the Debt Test. Nearly half of users surveyed said that they felt more confident about managing their finances as a result of using the Financial Healthcheck or Debt Test.



Box 1: Money Guidance supports action-taking

The Thoresen Review conducted prototype services to test its recommendations. The response was positive: eight out of ten users of the prototypes took at least one action to tackle their finances within a few weeks of contacting the service.¹

“She’s made me more aware of money management ... I’ve kept all my receipts since I last spoke to her ... to actually see how much I’m really spending on silliness ... I’ve done a little statement where I write all my outgoings, all the incomings, then weigh it up from there ... so yeah, there’s quite a few things that she’s told me that I’ve actually put in process.”

A Thoresen prototype user

Three to six months later, 75 per cent of a sample of original users of the service felt they followed the guidance fully and 80 per cent had taken a specific action such as opening a new account or taking out a new policy.² Moreover, one in five respondents had taken additional action on their finances for an issue unrelated to their original reason for contacting the service.

“I can handle my finances better: I took them for granted before. When I received my wages, I used to spend it on something new but now I pay off my debts first.”

A Thoresen prototype user, surveyed several months after using the service

¹ See Thoresen Review of generic financial advice: final report, Annex A on monitoring and evaluation of the prototype services at www.hm-treasury.gov.uk.

² See GFA prototype users-follow up survey at www.hm-treasury.gov.uk. The findings of this evaluation should be regarded as indicative, given the small sample size. Evaluation of the Money Guidance Pathfinder will help to validate these findings.

61 partners, including Directgov, the Pension Service and Citizens Advice, have included links to FSA tools on their websites. Versions of the Financial Healthcheck and Debt Test are on the BBC website.

In 2007, the FSA successfully trialled the distribution of its consumer guides through branches of banks, building societies and credit unions. The guides are also used by a range of intermediaries, including advice agencies, housing associations and local authorities.

The FSA is also continuing its programme of advertising campaigns to promote MoneyMadedclear and drive traffic to the website and interactive tools. The FSA will also ensure that it keeps pace with web developments and delivers relevant, accessible information that engages consumers.

1.3 Money Guidance

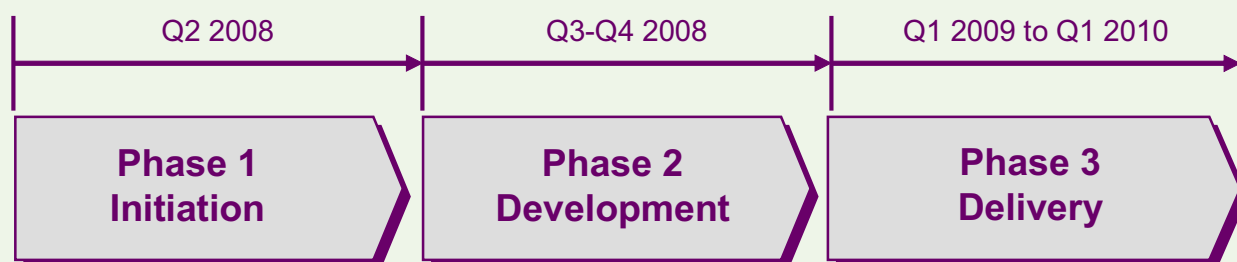
There is a gap in the provision of easy to access guidance to help people manage their finances, which is impartial, not geared to sell products and tailored to their personal circumstances.

To examine the ‘advice gap’, the Government commissioned Otto Thoresen, Chief Executive of AEGON UK, to investigate the feasibility of a national approach to delivering ‘generic’ financial advice. The Thoresen Review final report set out a high-level blueprint for a new generic financial advice, or “Money Guidance” service. The Review recommended a multi-channel approach, with the following features:

- Governed by the principles of impartiality, supportiveness, crisis prevention, universality, as well as being sales-free;
- Providing information and guidance on budgeting, saving and borrowing, protection,

Box 2: The Pathfinder programme: an overview

- The Pathfinder will cost up to **£12 million**. The Government and the FSA are each contributing up to £6 million in funding over the two years of the programme.
- It will aim to **reach between 500,000 and 750,000 people**, delivering information and guidance on a range of money matters available through the **web, telephone and face-to-face**.
- The service will be based in two regions of the UK, **the North West and North East of England**, and will **begin to operate from early 2009**.

The Pathfinder timeline

- **Initiation phase**: setting the programme up for success by defining the Pathfinder’s objectives, design and approach.
- **Development phase**: building key components needed to implement and evaluate the operational phase. These include:
 - a strategy and implementation plan for telephone, face-to-face and web-based channels;
 - setting principles and mechanisms to manage referrals between channels and into and out of the service;
 - protocols for defining the “boundary” of Money Guidance and the detailed content of the service;
 - a training and support plan for those giving Money Guidance; and
 - designing a strategy to engage users with the service through branding, marketing, PR, advertising and sign-posting through trusted intermediaries, building on the work of the FSA-led National Strategy for Financial Capability.
- **Delivery phase** – delivering a multi-channel Money Guidance service to up to 750,000 people in the North East and North West of England.
- **Evaluation** of the pathfinder will take place during and after the delivery phase.

retirement planning, tax and welfare benefits, and jargon busting. It should stop short of recommending specific products;

- A partnership model, including a central body to direct the strategy and set standards, working with other organisations to deliver the service; and
- A new brand which encapsulates the principles of the service.

The Government has accepted the Review’s central recommendation for a period of comprehensive testing and further development of the service through a Pathfinder. This is being designed and developed by the FSA, in partnership with the Government.

In parallel with the Pathfinder, the Government will consider options for long-term funding for a national service, working with the FSA, the Office of Fair Trading (OFT), National Savings and Investments and other stakeholders.

2. CHILDREN – BUILDING FINANCIAL CAPABILITY FOR THE FUTURE

Personal finance teaching in schools has been shown to be infrequent and inconsistent.⁴ To meet the long-term aspiration for a planned and coherent programme of personal finance education for every child, it is important that personal finance has a secure place in the curriculum, and that schools and teachers are supported to deliver it.

2.1 Personal finance education in the curriculum

In England, the Government is integrating personal finance into the curriculum:

- Economic wellbeing and financial capability will be a new strand within Personal, Social, Health and Economic (PSHE) education for secondary school children from autumn 2008; and
- Skills related to financial capability will be embedded into the functional maths component of the GCSE mathematics curriculum. From September 2010, to achieve grade C or above in the new mathematics GCSE, children will first have to pass Level 2 functional skills.⁵

Financial capability also underpins employment and enterprise skills. The Department for Children, Schools and Families will encourage schools to make the links between personal finance education and enterprise education when planning their curriculum. £55 million funding a year is being made available to secondary schools from 2010-2011 to provide a new focus on enterprise activity for pupils at key stage 4 (aged 14-16).

⁴ Personal Finance Education in Schools: A UK Benchmark Study 2005, FSA, June 2006

⁵ Level 2 equates to GCSE A-C

2.2 Supporting schools

The FSA's £16 million Learning Money Matters programme supports delivery of personal finance education to secondary schoolchildren. This is delivered by educational charity pfeg in England, with a similar programme being established by partner organisations in Scotland, Wales and Northern Ireland.⁶ The programme includes materials, help with planning personal finance education lessons and training, supported by a one-stop-shop website. By May 2008, support had been made available across the UK to 2,400 schools. The programme aims to reach 1.8 million children in 4,000 schools by 2011.

To support curriculum reforms, the Government is providing an extra £11.5 million for a three-year personal finance education programme in schools, with a particular emphasis placed on primary schools. The programme, called My Money, will be delivered by pfeg and is aimed at all children and young people aged four to 19. It will focus on financial decisions children meet, from when they first encounter money until when they leave school, including their Child Trust Fund. It will include:



⁶ See section 2.3 on personal finance education in the devolved administrations

- a range of materials, both print and multi-media, for use in schools;
- a parents' guide to help children understand money and a "virtual life" game where young people can practice true-to-life decision-making;
- links to mathematics at key stages 3 and 4, with contexts related to personal money e.g. the cost of a holiday;
- a communications strategy: raising the profile of financial capability using contexts that young people can relate to; and
- a themed "Money Week" which will take place in 2009.

It will also build capability and capacity through:

- supporting teachers, with training events to raise awareness of financial capability and how it fits into the curriculum; and
- establishing relationships with local authorities and wider stakeholders.

Children will play a central role in the design and delivery of the programme, through a Young Advisers Board.

The Government will also extend the successful National PSHE Continuous Professional Development accredited programme to include a module on economic wellbeing and financial capability. This will be available to at least 500 teachers each year from September 2008.

Box 3: Child Trust Fund

The Government gives every child born in the UK since 2002 £250 to invest in a Child Trust Fund (CTF). Children from low-income families receive £500. The CTF provides an ideal context for personal finance lessons in school. Children aged seven will receive additional payments from September 2009. Pfcg will develop materials for teachers in England for use at Key Stage 2 to explain the CTF to young children and how it relates to personal finance. There will also be material to support teaching of young people aged 14-16, and a range of CTF classroom resources which can be adapted to different subjects or topics. The CTF will also be used as a way of teaching money matters in Scotland and Wales.

2.3 Personal finance education in the devolved administrations

In Scotland, children at all age groups will be taught about personal finance, for example, how to manage budgets and that they may not always be able to afford things they want, in line with the new draft outcomes and experiences specified for Social Studies. Numeracy will be promoted across the curriculum, which among other things will help pupils manage money and plan their finances. The FSA, in partnership with the Scottish Government, is funding development officers at the Scottish Centre for Financial Education to help prepare teachers and schools for the expected curriculum changes. By 2011 all 32 local authorities will be supported in delivering personal finance education.

In Wales, financial literacy will be embedded in mathematics for children aged 7 to 16 and in Personal and Social Education for ages 7 to 19, from September 2008. The Welsh Assembly Government has also developed a Managing Money pilot, designed to reach 14 and 15 year olds through creative teaching methods. The FSA will also be funding two Financial Education Development Officer posts at the Welsh Unit for Financial Education.

In Northern Ireland, financial capability is a compulsory part of mathematics and will introduce pupils to financial planning and decision-making through relevant topics such as credit and debit cards, student loans and mobile phone tariffs. The FSA funds two Financial Education Development Officer posts at the Northern Ireland Council for the Curriculum, Examinations and Assessment to develop financial education in schools.

Box 4: Directgov kids

Directgov kids is a dedicated area within the Directgov website,¹ aimed at children and young people. HM Revenue and Customs (HMRC) has set up a comic strip, animation and game on the website, showing how taxes are used to pay for different public services. In the game children can put themselves in charge of raising taxes and spending money on services for the Directgov town.



¹ The official Government website for citizens, www.direct.gov.uk

3. YOUNG ADULTS – IMPROVING PROSPECTS

Young adults are most likely to have low levels of financial capability.⁷ Raising young people's awareness and understanding of money issues will enable them to tackle the financial challenges of early adulthood and will build their capability in managing their own finances now and for the future.

Financial capability can improve their prospects. It is important that accessible, useful information and guidance is available to young people to support them in making key financial decisions.

Young adults can be difficult to engage, so it is most effective to work through the organisations and channels that they already know and trust.

3.1 Further and Higher Education

The FSA is working in partnership with the Government to encourage Further Education (FE) colleges to take a planned and coherent approach to financial capability. The FSA is also promoting the use of personal finance education in the curriculum in FE colleges, using resources like Money for LiFE, which helps colleges to plan money activities for their students.

To support choices about entering higher education, young people, along with their parents and advisers, currently receive student finance information from the Government via Aimhigher student finance. Through its new service, Students Finance England, the Student Loans Company will also offer students financial information, as part of their integrated information, application

and repayment student finance service from September 2008.

The FSA's Money Doctors toolkit, training and other support provides student money advisers with a range of practical ideas to help them engage students and support them in dealing with financial issues. The project, developed in conjunction with Roehampton University, was piloted in 19 universities in 2006-07, is now in 50 universities and aims to reach all universities in the UK by July 2011.



3.2 Reaching young people outside of formal education

Young adults not in education, employment or training (NEET) can often be the hardest to reach, and the most in need of support. The FSA's Young People and Money programme helps intermediaries to support this group of young people to manage their money more effectively. Citizens Advice and Fairbridge (an inner city youth organisation) have developed this free programme, which will train up to 20,000 youth work professionals working with NEET young adults by the end of 2010. It will ensure that staff have the skills and confidence to answer basic financial questions and will know where to signpost young people for further help.

⁷ See Financial Capability in the UK: Establishing a Baseline, FSA, 2006

The FSA will work with DCSF to explore ways to promote financial capability in non-formal settings with young people, for example as part of the youth work curriculum, and to support and encourage them to take up training. It will also embed financial capability in the wider framework of advice for young people. Connexions services, managed by local authorities, are expected to ensure that “young people will receive the information, advice and guidance on personal well-being and financial capability issues that they need”.⁸ DCSF is working with local authorities and their partners to support the implementation of these standards.

Box 5: Young adults website: What about money?

The FSA’s What about money? website was launched in June 2008. It aims to support 16-24 year olds to make informed decisions about their finances, both for the present and in planning for the future. The website aims to engage young people through its accessible style and language and uses innovative web technologies to encourage active participation on the site.



4. ADULTS – TARGETED EDUCATION AND SUPPORT

We want to ensure people have the support and skills to deal effectively with the myriad of financial choices and challenges they encounter throughout their lives. This means making the most of natural opportunities for engaging people, whether this is in a convenient and well-known environment, such as the workplace, or at a life-event with significant financial consequences, like the birth of a child.

4.1 Financial education in the workplace

The FSA's Making the Most of Your Money programme provides employees with financial information and education in their place of work. Trained volunteer presenters, many of whom are employees from financial services firms, deliver seminars in the workplace. A CD-ROM is used to reach employees in small or dispersed workforces. By June 2008, the FSA reached two million consumers through the programme; 1.3 million guides had been delivered and 170,500 employees had attended a seminar or viewed a CD-ROM, both well ahead of target. The aim is that, by 2011, four million employees will have received a financial information guide and that 500,000 will have attended a seminar or viewed the CD-ROM.

The Government, working with the FSA, will promote the Making the Most of Your Money programme across the public sector to ensure that every public sector worker has the opportunity to participate between now and 2011.

In addition, the Department for Work and Pensions (DWP) supports a number of workplace financial education projects for employees and the self-employed, focusing on pensions and making plans for retirement. The Pensions Education Fund grants money to third sector organisations to develop and deliver innovative approaches to raising financial and pensions awareness in the workplace. The Government announced in May 2008 that funding has been extended until March 2009.

4.2 Adult skills

Financial capability is a key life skill and also a way of developing literacy and numeracy skills. The Government aims that 95 per cent of the working-age population in England are at or above the minimum level of entry 3 numeracy (the level expected of an 11 year old) and level 1 (GCSE D-G or Level 1 NVQ) literacy by 2020.⁹

The Government's Skills for Life Strategy has provided over £3 million to fund financial literacy and capability since 2001, delivered through the National Institute of Adult Continuing Education (NIACE).¹⁰ This includes:

- accredited qualifications for Skills for Life practitioners;
- development of a new qualification which can be used as part of the 30 hours' continuous professional development required for all teachers;

⁹ See 'World Class Skills: implementing the Leitch review of skills in England', DIUS

¹⁰ Skills for Life is the national strategy for improving adult literacy and numeracy in England.

- support for work with offenders; and
- workplace programmes.



4.3 The Parent’s Guide to Money

The FSA’s Parent’s Guide to Money,¹¹ distributed to expectant mothers by midwives, helps parents at a time when they are facing important new financial responsibilities and challenges. It covers all financial aspects of having a baby, including budgeting, benefits and tax credits, the cost of raising children and childcare, maternity and paternity rights, borrowing and savings, options for childcare and returning to work. The FSA aims to reach over 1.5 million parents by 2011.

“More than anything, it gives you confidence. It empowers you...”

A mother who received the Parent’s Guide to Money

The Guide has been well received and is currently being rolled out across England with the devolved administrations to follow towards the end of 2008.

It is also being used by other professionals who support new parents, for example family support workers in Sure Start Children’s Centres, Family Information Services and teenage pregnancy coordinators.

Box 6: Sure Start Children’s Centres

There will be a Sure Start Children’s Centre for every community by 2010, where parents and young children can access a range of advice, information and services including parenting support services with practical support on financial issues through, for example:

- running family learning courses, such as six pilots in Newcastle which have been funded to look at ways of improving financial literacy among hard to reach groups through a series of introductory family finance courses; and
- making available resources, including copies of the Parent’s Guide to Money, and referring parents to specialist help when they need it.

4.4 Family learning

The Government’s Family Literacy, Language and Numeracy (FLLN) initiative aims to raise the literacy and numeracy skills of parents and their children. Family Finance was introduced into FLLN courses in 2006 and will be further developed by 2011. Parents who have successfully completed family finance courses report a greater understanding and confidence in their ability to manage their money and help their children learn about money. It has also demonstrated effectiveness as a route to employment.

4.5 Saving for the future

Most people in the UK do not plan ahead sufficiently.¹² The Government recognises the

¹¹ Previously known as the Family Money File or the Money Box

¹² Financial Capability in the UK: Establishing a baseline, FSA, 2006

importance of saving and assets in providing people with independence throughout their lives, security if things go wrong and comfort in retirement. And it seeks to support saving and asset ownership for all – from childhood, through working life and into retirement.

The **Child Trust Fund** (CTF) is a long-term saving and investment account, designed to strengthen the saving habit of future generations and ensure that, at age 18, every young person will have access to a financial asset.¹³ The **Saving Gateway** offers a financial incentive to save for those on lower incomes. In Budget 2008, the Government announced that the Saving Gateway would be introduced nationally, with accounts available to savers from 2010. Together, the CTF and Saving Gateway offer new opportunities to develop financial capability, with the CTF in particular offering a focus for financial education in schools.

4.6 Pensions

The Government's pension reforms will make it easier for individuals to save in a pension, reducing the risk of many individuals not saving enough for an adequate income in retirement. This includes auto-enrolment into a workplace pension from 2012, supported by a mandatory employer contribution. Those without access to an alternative workplace pension will be enrolled into the new low cost scheme of personal accounts. The reforms will affect individuals of all ages, many of whom may be considering saving in a pension for the first time.

The reforms mean that, more than ever before, people will need good clear information to help them take personal responsibility for their retirement and make good choices – for example, whether to opt out of personal account or workplace pensions,

which fund to choose, how much to save, when to retire, and what sort of annuity to buy.

The Department of Work and Pensions (DWP) already provides a range of information services, including leaflets and pensions forecasts. The FSA's Moneymadeclar website also has a range of resources about pensions and retirement options, including a pensions calculator and guides on the second state pension and equity release schemes.

From early 2009, DWP will develop plans for roll out of communications to support pensions reform. DWP will communicate state pension changes and ensure individuals are aware of their rights on automatic enrolment and employer contributions. The Personal Accounts Delivery Authority (PADA) will be responsible for communication on the new personal accounts scheme.

Web-based pension forecasts will be available to everyone from the end of June 2008. All customers, regardless of when they reach State Pension age, will be able to use the other pension forecasting services in autumn 2008, once they have been updated to reflect the revised entitlement conditions of the pensions reforms.

4.7 Approaching and in retirement

People approaching and in retirement face a range of financial challenges, which can include managing assets built up over many years, finding ways to maximise their income, accessing new benefits, managing the costs of care and coping with the financial consequences of the loss of a partner.

The Government and the FSA are delivering a range of products to help people with the choices and decisions they have to make when they retire. These include:

¹³ See also Box 3 above

- A retirement planner will be available on Directgov later this summer. This will help people approaching retirement without adequate pension provision to find ways of maximising their retirement income by signposting them to information about tax, benefits, and working in retirement.
- DWP's Pension Tracing Service can help people find personal or workplace pensions they have lost touch with. The Pensions Advisory Service (TPAS) provides information and guidance to members of the public, covering state, company, personal and stakeholder pension schemes. DWP produces general information on the services available after retirement. It also alerts people to changes that will affect their pension entitlement. For example, it is sending a direct mailshot to the 1.7 million women likely to be affected by State Pension Age equalisation.
- People who have saved in a defined contribution pension will need to turn this into an annuity before they reach the age of 75. They do not have to buy the annuity from the firm they saved with – but can shop around for the best deal. Following a Government-led review of the extent to which people shop around, TPAS has launched an online annuity planner, linked to the FSA's annuity comparison tables. This provides guidance on choosing an annuity and helps people understand which type of annuity might be best for them.
- The FSA's Money made clear website contains online and printed guides on retiring soon and managing in retirement.

5. BUILDING CAPACITY – SUPPORTING WORK IN COMMUNITIES

Many excellent financial capability projects are run by the third sector in local communities. The FSA and Government support new ideas and approaches to delivering these projects to specific, often vulnerable, groups. The FSA has supported and funded a range of organisations and is developing links with national bodies to take new projects into communities across the country. Examples include:

- funding to Macmillan Cancer Support to take forward a tailored website and booklet, updating the support materials it provides to its 4,000 health professionals to help improve the financial capability of cancer sufferers and their families;
- funding a post at the Chartered Institute of Housing to integrate money management skills into the work of housing organisations across the UK to support social housing residents; and
- work with the National Federation of Women's Institutes. They recently held a personal finance conference covering a number of complex products and decisions that older women need to consider. The women who attended are now cascading the information they gained to their local Women's Institute members, and will be reunited in March 2009 to share how this worked;

The Government is also supporting the third sector to help vulnerable groups through financial capability, for example:

- DWP's European Social Fund Programme, funds projects which support and improve financial capability as a means of helping people get and keep a job; and
- HMRC grants to Citizens Advice to widen the remit of its current training package to encompass financial capability.

5.1 Supporting vulnerable groups through Government programmes and services

For hard-to-reach, often vulnerable, people, support to improve their knowledge and skills around finance can be a key tool to tackle financial and social exclusion.

The Cabinet Office Social Exclusion Taskforce has published a cross-government plan to improve the life chances of families with complex and interrelated problems.¹⁴ As part of this, DCSF and the Department for Innovation, Universities and Skills (DIUS) will integrate financial capability material into a wide range of learning programmes for families at risk. The Cabinet Office is also considering how financial capability can support socially excluded adults to maintain a job and home as part of its delivery plan for the PSA on socially excluded adults.¹⁵

The FSA has sponsored the National Offender Management Service (NOMS) to produce guidance on finance, benefit and debt issues facing offenders. This has been issued to all

¹⁴ Think Family: Improving the life chances of Families at Risk, Cabinet Office, January 2008

¹⁵ The Socially Excluded Adults PSA (PSA 16) aims to increase the proportion of socially excluded adults in settled accommodation and in employment, education or training.

Box 7: Financial inclusion and capability

The Government recognises that too many of the most vulnerable people in society find it difficult to access mainstream financial services, leading to higher costs and even reliance on illegal sources of credit. The Government is committed to continue widening access to banking services, free face-to-face debt advice, affordable credit, saving and insurance.¹ It has committed £250 million to support financial inclusion since 2005, including an extra £9 million pledged for debt advice in May 2008.

Financial capability supports financial inclusion by helping people to feel confident dealing with their finances and make well informed choices. In turn, financial inclusion projects support financial capability through work with the most vulnerable groups. In Financial Inclusion: an action plan for 2008-2011, the Government announced two initiatives which support financial capability:

- From October 2008, the Department for Business, Enterprise and Regulatory Reform will run a six month pilot to deliver financial capability advice as part of its face-to-face debt advice project. This aims to reduce clients' potential need for crisis debt advice in the future by helping them to better manage their money.
- DWP will deliver the Financial Inclusion Champions initiative, with £12 million funding from the Financial Inclusion Fund. Champions will act as a focal point at a regional level, coordinating local partners to achieve progress against locally agreed financial inclusion priorities, including how partners will aim to increase financial capability amongst the most vulnerable groups.

The devolved administrations approach capability and inclusion as a single priority. They will set out their strategies and plans for further action later in 2008.

¹ HM Treasury, Financial inclusion: an action plan for 2008-11, December 2007

prisons and probation services in England and Wales. The FSA and NOMS are jointly funding and developing expertise for English and Welsh regions to design and promote financial capability services for offenders and ex-offenders. This work has helped to embed financial capability into NOMS.

5.2 Building capacity in Government advice services

The Government wants to strengthen existing links in public sector advice services to financial issues and will take steps to ensure that these resources are ready to support financial capability programmes, including a future Money Guidance service.

Jobcentre Plus signposts customers to local services and providers in their area that can help them overcome barriers to work. These include debt, housing and legal advice services. Since

2006, Social Fund Budgeting Loan applicants have also been routinely signposted to sources of debt advice. Jobcentre Plus, as part of an integrated Employment and Skills Service, will identify and refer on customer with skills needs, including those who would also benefit from support with managing money.

The Ministry of Justice and the Legal Services Commission are developing partnerships with local authorities and bodies interested in advice provision to jointly commission Community Legal Advice centres and networks, offering integrated specialist and general advice services throughout England and Wales. The first centre opened in Gateshead in April 2007, to be followed by centres in Leicester, Hull, Derby and Portsmouth by summer 2008. Centres and networks will provide advice tailored to the needs of the community. For example, in Hull, a focus on tackling social exclusion has secured resources in

the centre for financial capability work. As these legal advice centres and networks develop, there will be scope to ensure that they link up with wider financial capability provision – this should include signposting to and from resources, in particular Money Guidance.

6. International approaches to financial capability

The UK is not alone in its drive to improve financial capability. Financial education is seen as increasingly important by many Governments and international institutions, including the European Union and the Organisation for Economic Cooperation and Development. There is also evidence that there are significant pay-offs to improving the financial literacy of consumers in developing countries, where an estimated two billion people are financially excluded. The UK is leading efforts to learn more about how we build financial capability in the developing world through the Department for International Development's new £4 million Financial Education Fund, due to be launched later this year.

ANNEX: MEASURING SUCCESS – TACKLING THE CHALLENGE OF EVALUATION

We are committed to making progress towards the vision of financially capable citizens and delivering a step-change in people's knowledge, skills and motivation to manage their money well. Here, we set out what we have achieved in terms of evaluation, our building blocks for future evaluation of our joint action plan and how we will monitor levels of financial capability in the UK. This is a priority for the FSA and Government.

Improvements in the level of financial capability require a long-term change in attitudes, habits and behaviour towards money. The National Audit Office has recognised that measuring those changes is inherently difficult.¹⁶ With these challenges in mind, the FSA recently commissioned a review of evaluation of financial capability strategies, both in the UK and internationally which confirmed the importance and challenges of robust evaluation.

The FSA's 2005-2006 financial capability survey measured different types of financial behaviour and attitudes in five key areas: making ends meet, keeping track of money, planning ahead, choosing products, and staying informed.¹⁷ The findings demonstrated how the practical consequences of financially capable behaviour can vary. For some, bills may be paid on time, while others may save for an event such as Christmas.

Evaluating progress

Setting targets shows the scale of our ambition and helps demonstrate progress towards delivering our programme of work. For example:

- by April 2009, the FSA aims to have reached six million people through the National Strategy for Financial Capability, against the overall target of reaching ten million by 2011;¹⁸ and
- by March 2011, 100 per cent of maintained schools (17,500 primary and 3,000 secondary) will have access to My Money materials, training and support and take up by schools is 50 per cent (8,750 primary) and 60 per cent (1,800 secondary).

In October 2007 the Government set out its priorities for 2008-2009 to 2010-2011 in the Comprehensive Spending Review, including Public Service Agreements. The Government has embedded financial capability into its delivery priorities for the next three years. Departments are responsible for delivering against these following financial capability objectives, which underpin five Public Service Agreements:

- Skills: improving the skills of the population by 2011, consistent with the aim of having a workforce that has a world-class skills base capable of sustaining economic competitiveness by 2020;

¹⁶ Review of the Financial Services Authority, National Audit Office, April 2007.

¹⁷ Financial Capability in the UK Establishing a Baseline, FSA, 2006

¹⁸ A full list of the FSA's 2008/09 and longer term financial capability targets can be found at www.fsa.gov.uk

- Children and Young People: increasing the number of children and young people on the Path to Success;
- Social Exclusion: increasing the proportion of socially excluded adults in settled accommodation and employment, education and training;
- Employment: employment opportunity for all; and
- Older people and retirement: promoting greater independence and well-being in later life.

Evaluating effectiveness

Measuring changes in behaviour and attributing them to a particular intervention is even more challenging, but we have a foundation to build on. The FSA evaluates the impact of its financial capability initiatives and the effect they have on people's actions; for example, the Parent's Guide to Money alerted 50 per cent of respondents to entitlements they did not know they could claim.

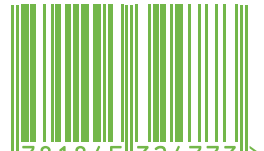
Evaluating the quality of measures to build financial capability is also important. For example, the FSA's second schools benchmark survey will show whether there has been a step-change in the extent and quality of personal finance education in schools. The results of this survey will be published in 2010. Additionally, there will be an independent evaluation of My Money which will report in December 2011. This coupled with the FSA survey will give a comprehensive picture within schools.

Evaluating impact on overall levels of financial capability

In 2005-2006, the FSA's Financial Capability Survey established a baseline profile of the overall levels of financial capability in the UK. Due to be repeated in 2010 and every four to five years after that, the survey will help measure overall levels of financial capability.

To complement this survey, other research will monitor overall levels of financial capability. From this month, the Government's well-established Wealth and Assets Survey will for the first time include a subset of questions taken from the Financial Capability Survey. This survey of 32,000 households will allow, for example, comparison of people's attitudes towards their money against their actual behaviour, such as the amount held in savings. Results from the financial capability element of the survey are likely to be released in 2011 and the survey is repeated every two years. As a longitudinal survey, which tracks people's behaviour over time, it offers a particularly valuable insight into levels of financial capability over time and how this interacts with actual behaviour.

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