

Thoresen Review of Generic Financial Advice

Evidence from Life Academy

Life Academy welcomes the opportunity to submit evidence to the Review. We will focus our evidence on those areas on which we have competence and experience.

Life Academy is an educational charity created 40 years ago as the Pre-Retirement Association to deliver retirement planning and pre-retirement education. They are still core activities but the activities of the charity have developed. We are now an Associated Institute of the University of Surrey and deliver the only MSc programme in the UK on Mid Life, Pre-Retirement and Life Planning and provide financial education through our Learn About Money programme. We have a good understanding of adult learning, the life course, and financial education.

A. What is happening today, how and to whom?

Strategic

We are aware of a good number of voluntary bodies providing generic financial advice. The voluntary bodies may be supporting a wide range of individuals in their catchment area or may be supporting specific customer groups such as BME communities. Frequently they are responsive ie responding and helping individuals with problems or issues that have arisen.

We regard generic financial advice as education, advice or support that falls short of recommending or endorsing particular financial products. The recommendation to buy in our view clearly falls into the regulated advice category. We welcome generic advice as having as broad a definition as possible but not involving recommendations to purchase particular products, services or categories of products. We are also mindful of the risk and our protection through insurance cover and we would not wish to see the voluntary sector to face increased PII costs.

Life Academy has engaged in research that underpinned the development of our Learn About Money financial education programme and this year we have evaluated some of our workshops to learn of the impact that a one day workshop designed to improve financial awareness in the context of retirement planning would have on the actions of the participants and we also evaluated the understanding of tax issues by those in the voluntary sector advising individuals. A copy of our members newsletter reporting the outcome of the retirement planning evaluation is attached.

In our view any generic advice provision should build on what is already there. The current infrastructure struggles with financial resource and additional resources would be essential. There is a lack of trust of both government and the financial services industry. Any delivery body must have the trust of those it is serving and because of this we believe the voluntary sector must have a large role to play. The voluntary sector comes in all different types, sizes and shapes with strengths and weaknesses about its technical understanding and access to target audiences. For example some parts of the voluntary sector might have excellent access and trust in its chosen audience but might not be so strong in its understanding of financial issues. Utilising the voluntary sector will mean that there is no neat, 'corporate executive', one size fits all delivery mechanism; to maximise the full potential of the voluntary sector will involve some element of a piecemeal approach. We do not believe a new structure is required. What is required is better co-ordination of available resources and perhaps some new elements in the infrastructure to add to or supplement activities that do not have the capacity to cope or expand.

Operational

As part of our charitable activities Life Academy delivers a financial education programme 'Learn About Money'. This is available via a workbook for self learning or tutor led learning; via a CD Rom, via a website www.learnaboutmoney.org, or via tutor led groups either to deliver to the end user or to 'train the trainer'. We also licence employers and pension providers to use the product either on their website/intranet site or by using the workbooks or CD Rom.

We have developed/are developing, from Learn About Money, bespoke programmes targeted at particular disadvantaged groups: prison inmates, lone parents and those with learning difficulties.

We would like to stress the Learn About Money programme is an educational programme that is used in a proactive way. We are not providing a reactive service to overcome problems that have already arisen. We are extremely concerned that the focus of the review appears to be on providing answers to specific problems faced by individuals. Of course people will have particular problems from time to time and they will need advice. However if generic financial advice simply becomes an answering service or a means of 'getting people out of a mess' with no learning or increased understanding the individual will not be empowered and next month, next quarter or next year the individual will return with the same or a similar problem. We should have higher ideals. We should aim to empower and engage individuals so that their understanding is increased, their interest is awakened, they continue their learning for example through the personal finance articles in journals or the media, and they are empowered to feel confident about taking financial decisions and understand the issues about saving, investment, borrowing, and using money.

Our service is funded by those who purchase our products or services. We service some audiences who are not able to purchase the product and have no access to an

employer/pension provider who would purchase it for them and for this audience the service is funded from successful bids to government for challenge funding.

We identified our customer needs initially from the research at the workplace in major companies. Subsequently the needs arose from those using the material. For our programmes aimed at the prison resident we conducted a training needs analysis of the inmates; for lone parents we worked closely with the lead charity, One Parent Families, who had previously commissioned a needs analysis and used that to develop some materials; and for those with learning difficulties we worked closely with Mencap to understand the need of the target group and commissioned as author an individual who understood the target audience and worked as an adult educator.

B. What should the scope of a national approach to generic financial education be?

Keith Toynes developed a Health Action Model to explain the way individuals approach and take decisions about health. In his MSc dissertation one of our students developed this model into decision taking about financial issues. He developed a Wealth Action Model that sits with our experience. The key point about these theoretical models and our experience is that there are two barriers to be overcome. The first barrier is associated with attitudes, emotions and beliefs. Only when this barrier is passed will individuals use information to take decisions about finance. This leads us to suggest the content of generic financial advice should include attitudes to money and risk as well as the hard topics of managing money and budgeting, saving and borrowing, debt and debt management, investment, pensions and saving for retirement, taxation.

It is logical to segment the target market but reaching and engaging the target audience is fraught with difficulty. Some target markets, for example those working for SMEs, are difficult to reach. Even if a segment is easy to reach there is no guarantee individuals in that target audience will wish to engage at that time. Equally waiting until they have a problem is usually too late. We believe that there are trigger points in the life course that will make individuals more susceptible to engagement and those triggers have to be utilised.

We currently signpost individuals to financial advisers. We do not however recommend particular firms; rather we advise individuals how to access those available and how to select and engage with them.

D. How can potential users be engaged?

We have indicated above that encouraging individuals to improve their financial capability is best achieved by linking the need to relevant events in the life course. Individuals do not wake up one morning with an urge to improve their financial capability. It is also true for example that they do not wake up with an urge to increase their understanding of tax. They only want to learn about tax when for example they have a capital gain, an inheritance, or a tax bill or form. Similarly there will be events which trigger a willingness to engage with financial capability.

We believe there is too little research on the impact increased financial understanding has on consumer behaviour. We do not pretend that the small project reported in the attached Life Academy members journal is a scientific research project but it does illustrate that a tailored educational programme delivered through a one day workshop has motivated individuals to action. We are also aware through the evaluation of another project that in a one day workshop knowledge and intention to act can both be significantly increased. We firmly believe that in planning for retirement increased financial awareness and understanding will lead to changes in consumer attitudes and behaviour. We also believe that maximum effect is gained in an environment such as a workshop that offers good two way communication.

We can not say whether this experience extends into other areas of consumer behaviour.

E. What should the governance arrangements look like?

Any new delivery body should build on existing effective services. We think national rather than regional should be the approach. One model would be a new body as a commissioning and funding body able to encourage new delivery where it saw a vacuum or a need and with those delivering responsible to the body for the delivery of agreed outcomes.

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