FINANCIAL LITERACY ON THE RISE AMONG TEENS

Young people open bank accounts based on interest rates

Interest rates are more important than freebies to young people when choosing a bank account, according to new research from the Learning and Skills Council (LSC). It seems that no matter what incentives the banks offer, more young people are swayed by the extra cash.

While young people are, on average, opening an account at 10 years of age, five per cent opened one specifically to receive Education Maintenance Allowance (EMA) and 39 per cent use their account for savings, with eight per cent saving long-term.

But the research also reveals that 27 per cent of 16 year olds do not realise they need a bank account in order to receive EMA and three per cent of all 16 year olds don’t have an account. However, this compares favourably to previous LSC data from 2003 when 39 per cent of 16 year olds did not have a current account – indicating the introduction of EMA in 2004 may have helped increase financial literacy among young people.

Today the LSC is reminding young people to open a bank account before applying for EMA to make sure they don’t miss out on any payments. Yet, many of these young people could be missing out because they struggle to open bank accounts.

But advice from the LSC is urging young people eligible for EMA to take in a letter from a school or college as identification so that they can open an account. Additionally, the EMA application form also offers advice to young people on how to choose and open a bank account.
Having a bank account has made 33 per cent of young people feel more financially independent and 16 per cent has said it made them feel ready for working life. Previous research from the LSC has shown that receiving EMA has a similar effect on young people – 61 per cent of teachers agree that EMA treats teenagers like adults which in turn (for 84 per cent of these teachers) has helped to prepare young people for the world of work.

Trevor Fellowes, Director of Learner Support at the LSC, said:

“Today we’re encouraging the 44 per cent of 15 year olds who are unaware they need a bank account to receive EMA payments to open an account today so that they are ready to receive EMA when they turn 16. And we are also urging those young people without a bank or building society account to apply for one today.

“If young people are struggling to open a bank account, they can ask a member of the bank staff for help or their local learning provider or Connexions centre who will be able to give them advice. EMA can provide vital funds to those who need it the most and we want to encourage all eligible young people to apply for EMA as soon as possible so that they can carry on in learning.”

Skills Minister Phil Hope said:

“Since EMA was introduced in 2004, the rise in participation and increase in the number of young people attaining Level 2 qualifications – five GCSEs or the vocational equivalent – has been dramatic.

“EMA is available on a huge range of vocational and academic learning courses and I urge all young people who may feel tempted to drop out into low-paid work to get in touch with their local college or Connexions Adviser and enquire about the huge range of opportunities open to them. If young people attend and make progress they may not only receive EMA but gain valuable qualifications to boost their career prospects and earnings.
Thanks to EMA many more young people are benefiting from staying on in learning and finding ways into good careers."

“EMA has been fantastic in driving up participation, but to take the success of EMA one step further we have set out proposals so that from 2015 all young people will remain in some form of education or training until their 18th birthday. This Government will make sure that young people do not face financial or other barriers to learning. I urge all young people to find out if they are eligible for EMA to make sure they fulfil their learning potential.”

ENDS

Notes for editors – EMA Applications for 2007/8 Year

This press release applies to England only. Separate schemes are operated by the administrations for Scotland, Wales and Northern Ireland.

Research was conducted online between 23rd February and 4th March 2007 by YouGov. A sample of 643 16-18 year olds, were interviewed online.

Further research was conducted by PCP Research on behalf of the Learning and Skills Council in January 2007. PCP interviewed 323 teachers from state funded schools or sixth forms, further education colleges, city academies or e2e training providers

Previous LSC bank account research was conducted by MORI in December 2003.

What are the key features of EMA?

- Weekly payment bands of £30, £20 and £10 per week, depending on household income.
- Intermittent Bonus payments depending on the programme of learning.
- Available for both academic and vocational study, up to level 3, which can include courses such as basic skills GCSE retakes, GNVQs, NVQs, as well as AS and A2s.
- No other household benefits are affected.
- Young people can still have a part-time job.

Who is eligible?

- Young people are eligible to receive or to continue receiving EMA in the EMA year 2007/08 providing:
  - They will already be 16, 17, 18 or 19 on the 1st September 2007;
  - Are from a household with a combined income of up to £30,810;
They are participating in full-time further education (as defined in EMA guidance) up to and including Level 3, or LSC funded e2e or a Programme led Apprenticeship.

- They must be:
- a person who is 'settled' in the UK, and been ordinarily resident in the UK for at least the three years prior to the start of his learning programme; or
- a national of any European Union (EU) country or the spouse or civil partner or child of an EU national, and been ordinarily resident in the European Economic Area (EEA) for at least the three years prior to the start of his learning programme; or
- an EEA migrant worker or the spouse or civil partner or child of an EEA migrant worker, who is ordinarily resident in the UK at the start of the learning programme and has been ordinarily resident in the EEA throughout the three year period prior to that; or
- recognised as a refugee by the UK Government, or the spouse or civil partner or child of a refugee, have been granted Humanitarian Protection, or have EU Temporary Protection.
- If a young person lives overseas as part of a family serving with HM Forces or the Ministry of Defence in Germany or Cyprus, they should call Service Children's Education on (0049) 2161 908 2525 for further advice.

Application
Evidence of an applicant’s household income for the previous tax year 2006/2007 and proof of the individual’s operational bank account are required.

Eligible applicants will receive a Notice of Entitlement explaining how much they will receive once they have enrolled and started attending their learning programme.

EMA Contract
Once enrolled, the student must attend all course sessions and sign an EMA Contract with their school, college or work-based learning provider. The contract sets out what is expected in terms of attendance, coursework and progress.

LSC
The LSC exists to make England better skilled and more competitive. We are responsible for ensuring the availability of high-quality education and training for everyone. We have a single goal: to improve the skills of England’s young people and adults to world class standards. Our vision is that young people and adults in England have knowledge and skills matching the best in the world and are part of a truly competitive workforce. We work nationally, regionally and locally to deliver this ambition on behalf of learners and employers.

FOR FURTHER INFORMATION

All public enquiries regarding EMA please contact: 0808 10 16219 (some mobile operators may charge for calls made to this number) or visit www.direct.gov.uk/ema.

All public enquiries please contact: LSC Helpdesk: 0870 900 6800

All media enquiries please contact:
LSC Press Office, T: 024 7682 3515
When asked what for which reason they chose their current bank or building society, seven per cent said it was the free gift they were offered and 12 per cent said the interest rate.