



How families teach children about money

Contents

Introduction	3
Research objectives	4
Research approach	4
Meet the families	5
Executive summary	6
How parents teach children about money	12
Section 1. Work ethic and earning	12
Section 2. Spending and exchange	17
Section 3. Saving and security	22
Section 4: Borrowing	25
Challenges and opportunities	28
Appendix	35
Meet the families	35

Introduction

Money Advice Service (MAS)¹ research showed that adult financial capability is linked to what is seen, learned and experienced in childhood and adolescence.²

There is a growing appreciation of the importance of financial education – and that it needs to start early. Ensuring all children and young people get a meaningful financial education, allowing them to manage money well and make good financial decisions later in life, is a key theme of both the Financial Capability Strategy for the UK and the 2018/19 MAS Business Plan, under which this research was commissioned.

The financial education that children receive from their parents at home is crucial in shaping their future understanding of money. Only 40% of children ages 7-17 said they had learned about managing money at school or college³. A large number (90%) of children and young people said they'd go to their parents if they wanted advice about money. Despite this, only 60% of parents claim to feel confident talking to their children about money. There is a clear need to understand how to help parents help their children.

MAS's previous research⁴ has shown that parental actions and characteristics have a greater impact on a child's financial capability than explicitly receiving a financial education in school. Children who are more financially capable tend to have parents who role model financially capable behaviours at home, through explicit teaching (e.g. discussing where household income comes from, showing children how to check bank balance, setting rules around money, discussing budgeting), through demonstrating behaviours (e.g. parent saves often) and through fostering their child's connection with money through giving money to their child regularly and giving their child responsibility for spending and saving decisions.

Children who live in homes with adults who have lower financial capability, (or are 'struggling', 'squeezed'⁵, or over-indebted), can have more likelihood of lower financial capability themselves⁶. This report aims to show positive examples and teachings from parents within households mostly recruited with an emphasis on MAS' 'struggling' and 'squeezed' segments, around areas of financial capability.

¹ The Single Financial Guidance Body (SFGB), created by the Financial Guidance and Claims Act 2018, now brings together the services of the Money Advice Service, The Pensions Advisory Service, and Pension Wise, under one body. The SFGB is a non-departmental public body, accountable to the Department for Work and Pensions, with a goal to help people make the most of their money and pensions. Prior to the creation of the SFGB, the Money Advice Service undertook a range of activity to promote the financial capability of children and young people, including developing the evidence base and funding and testing approaches to delivery. This research was commissioned as part of this work in 2018/19.

² Children and Young People and Financial Capability: Needs Analysis (2018). Ann Griffiths and Shadi Ghezelayagh.

³ Children and Young People and Financial Capability: Needs Analysis (2018). Ann Griffiths and Shadi Ghezelayagh.

⁴ Measuring Financial Capability in Children and Young People: What drives financial behaviour? (2018) Tom Clarke and Shadi Ghezelayagh.

⁵ 'Struggling' – A segment who struggle to keep up with bills and payments and to build any form of savings buffer. They are the least financially resilient and the most likely to be over-indebted. 'Squeezed' – A segment with significant financial commitments but relatively little provision for coping with income shocks. See 'Market Segmentation, An Overview' MAS (2016).

⁶ Children and Young People Financial Capability Deep Dive: Parenting MAS (2018). Dr Gavan Conlon, Viktoriya Peycheva and Wouter Landzaat.

Children and young people's financial capability

Financial capability is made up of several factors. This research builds on elements of MAS's children, young people and parents' Outcomes Framework⁷, which reflects the aspects of financial capability that young people need to manage their money well between the ages of 3–17/18.

The children and young people's Outcomes Framework sets out three main factors that enable or inhibit financially capable behaviours (day-to-day money management and active saving):

- Ability - children's financial knowledge and skills.
- Connection - children's engagement with money and access to financial products/services.
- Mindset - children's values and attitudes towards money.

These three factors interact to influence a child's financial behaviour. MAS's research suggests mindset and connection are stronger drivers of child financial behaviour than ability⁸.

Research objectives

There were two objectives for the research: first, to generate robust understanding about what financial education in the home looks like across different demographic situations and family circumstances; and second, to identify examples of good practice in terms of the strategies parents are using.

More specific objectives were to:

- Fill gaps and add depth to MAS/ SFGB's current, largely quantitative, understanding of parent and child relationships when it comes to money.
- Contribute to SFGB's understanding of the role and activities of parents, which will help inform future commissioning, policy views and communication activity.
- Broaden understanding within SFGB of good practice for financial education in the home in a range of contexts, including overcoming barriers and finding constructive solutions to situations where the child or family has faced challenges related to money management.
- Provide supporting materials for a communications campaign targeting parents, including examples of good practice to support parents.
- Identify learning to inform policy recommendations relating to parenting support and family learning.

Research approach

This qualitative study explored the way parents are approaching financial education and the different strategies they are using with their children.

The research set out to explore the wider context in which families live, including:

- Family dynamics and relationships
- Family values and attitudes towards children's future generally

⁷ <https://www.fincap.org.uk/en/articles/children-young-people-and-parents-outcomes-framework>

⁸ Measuring Financial Capability in Children and Young People. MAS (2018) Tom Clarke and Shadi Ghezelayagh.

- Parents' financial behaviours and understanding
- Children's financial behaviours and understanding
- What parents teach around money
- How parents teach their children about money
- Highlighting good examples and 'bright spots'

Researchers conducted half-day visits with 25 families. They spent four to five hours with families, talking to parents and children (together and separately). During this time, researchers observed a family activity (e.g. a family dinner, food shopping or going to watch a sporting event) to understand family dynamics and everyday conversations between family members. Follow-up telephone interviews were also conducted with ten parents to explore their interactions with their children about money around Christmas.

Meet the families

In total, over 40 parents and 55 children were spoken to as part of the research. The families were recruited to be **motivated** to teach children about money and were already implementing strategies to teach their children about money at home. They were also recruited with a focus on MAS' 'struggling' and 'squeezed' segments⁹.

- **Location:** The families came from across the UK (ten in England, five in Wales, five in Scotland and five in Northern Ireland).
- **Number and age of children:** Children ranged from three years old to 17 years old. Some were only children and others had multiple siblings.
- **Household:** The sample included 14 two-parent households, seven single parent households, two co-parenting households, one blended family and one foster parent.
- **Income:** Gross household income ranged from £17,500 (lower income), £17,500 to £30,000 (lower medium income), £30,000 to £50,000 (medium income) and £50,000 and higher (higher income). Seven families were of lower income, seven families were of lower-medium income, six families were of medium income and five were higher income.
- **Over-indebtedness:** The sample included nine families who were over-indebted and two families who had previously experienced over-indebtedness (found meeting monthly bills a heavy burden or missed bill payments in three or more months out of the last six months).
- **Employment:** The sample included some parents in full time and part time employment, several individuals who were unemployed and others with variable incomes due to being self-employed or on zero-hour contracts.

The result was a broad and diverse sample, within which researchers were able to explore different financial contexts, barriers and motivations, but the small sample size should be recognised.

The families selected have been given pseudonyms to protect their anonymity.

⁹ 'Market Segmentation, An Overview' MAS (2016).



Executive summary

How parents were teaching their children about money

Parents naturally thought about teaching their children about money in terms of four main areas;

- earning;
- spending;
- saving; and
- borrowing.

Work ethic and earning

Parents wanted their children to know that you **need to work to earn money** and that **money isn't limitless**. They taught this through discussions with their children about why they go to work, by role modelling going out to work and, in some cases, by setting rules which would introduce children to experiences of earning their own money.

There were differences across the sample in whether and how **pocket money** was given. Younger children were generally given cash. Older children who had bank accounts often received pocket money digitally, and some received a combination of the two.

Most parents seemed to start giving children pocket money when they started wanting to buy their own things. These were often items that parents were not willing to spend a lot of money on (e.g. console games, clothes, toys, sweets). Sometimes children were only given money when they had 'earned it' through doing chores. In other families, pocket money was given unconditionally, but sometimes parents would threaten to take it away if the child misbehaved. Some of the parents had set their children a rule to raise their own money for school trips abroad, requiring them to get a job, such as packing bags in the supermarket.

Parents found ways to show that **if you work more you can get more money**, for example, by discussing elements of their own jobs, such as overtime, and taking extra shifts. In some households, children accumulated pocket money dependent on the amount of work they did through chores.

Parents wanted to teach that there was **pride to be taken in working and supporting your family**, and **the importance of putting in effort to get something out**. These were related to parents' wider family

values and were often taught through different sayings, such as such as “nothing’s for nothing”. Children were able to repeat these and understand the lessons that they carried.

Parents taught their children that working hard on their education now could affect the job they get in the future, and in turn, that **they can affect their wealth in the future** through work. Many children in the sample knew they had to work hard at school to get a well-paid job.

Spending and exchange

Parents were teaching their children how to **make their money go a long way** by showing them how to save money on household items (such as second-hand white goods) and then allowing them to apply their learning to make their own second-hand purchases (on items such as sports equipment). Some parents were also showing children how to look for good deals during weekly shops (by looking at reduced items and comparing the prices of different brands).

Parents wanted their children to **track spending** and learn to budget. They often explained their spending choices to their children, telling them how much they had to spend per week and to spend it on essentials before other less important things. While many children could explain that budgeting was an important skill, few were actively planning how they would spend their money ahead of time.

Parents wanted to teach their children that **money should be used for things that are worthwhile**. They talked about the household expenditure to explain about wants and needs, for example, needing to pay for rent before spending money on clothes. Other examples for children to relate to included explaining the need to buy food ahead of toys.

Parents found that children often wanted impulsive purchases to be made for them. Some parents gave **pocket money** to make their children think about how much things cost. By giving regular pocket money, parents were also teaching children that they had a certain amount of money to spend, but once it was gone, it was gone. Others saw pocket money as a lesson in teaching how to earn money.

A few parents in the sample described pocket money as something for their children to make mistakes with and learn with. Parents were generally allowing their children to decide what to spend their pocket money on but were encouraging their children to **think about what they buy**.

In some instances, parents had set spending limits during shopping trips, causing children to make choices between items without going over the limit. Many had given children the opportunity to manage their own money, but would help them consider purchases. A technique used by some parents when children were impulsively asking for items at the shops was to encourage them not to buy when they first saw an item, but instead to go away to consider if it was something they really wanted, or to consider whether they should shop around to find a less expensive alternative. With older children, parents still had these conversations but were more likely to allow them to make the final decision and spend their money how they wanted.

Savings and security

Parents across the sample spoke of the importance of putting money away for unexpected payments and specific long-term goals. They taught their children that **saving a little can add up to a lot** both through discussions and practical strategies, such as having piggy banks around the house for different purposes. Children understood that small amounts could add up to larger ones and were encouraged put this into practice.

While parents did not always have savings themselves, they often encouraged their children to save some of the money they received (e.g. birthday money). Many were teaching children about **saving up money to improve their situation in the future**. They discussed the future benefits with them by giving short-term

goals to aim for on the way to affording items such as bigger toys, books, games, in-game purchases, clothes and trainers. While children were aware that saving was positive, few of them were doing this for themselves on a day-to-day basis.

Parents felt **it was important for their children to have a savings account**. Most parents had savings accounts for their children, though children's understanding of these, and engagement with them, varied. A few parents showed their children how to read a statement and discussed with them what they might use their savings for in the future. However, the majority of parents were managing their children's savings account on their behalf and did not use them as an opportunity to teach children about the importance and impact of savings,

Most teens were using current accounts. These had generally been set up when their parents felt like their children knew that money didn't just come for free, and when they were becoming more independent and going out by themselves.

Borrowing

Teaching around borrowing was less common amongst the parents in the sample, it often depended on their own experience of credit and debt. Those who had bad experiences of debt in the past were teaching their children to **avoid borrowing**.

A minority of parents were teaching their children that **borrowing can be good**. Some parents talk to their children about how credit cards work and how to use them carefully. Others were teaching how borrowing can be beneficial in the form of mortgages, and several of the children in the sample could explain approximately how a mortgage works.

Parents were keen to teach their children that you should **only borrow money if you can afford it pay it back**. This was taught through discussions but in some cases through practice, for example, parents lending children money for a purchase and ensuring they pay it back at a later date.

Overall teaching methods

Throughout the sample, some of the main teaching methods were:

Involving children in household and everyday financial decisions

Parents used conversations about their own financial situation and the everyday decisions they were making to help expose their children to the world of money. Many of these conversations happened around or during shopping trips. Talking to their children about the decisions they made relating to money around the home gave children a greater understanding of money management.

The best examples of discussion about money were ones where the parent could communicate why something was important, meaning that the child was able to apply a lesson or value to other decisions relating to money in the future. Some children, however, were only able to repeat sayings or messages back and could not explain why these were important or how they might help them in the future.

Parents found it more challenging to talk to their children about more sensitive topics such as unemployment or a decrease in salary.

Giving children responsibility over their own money

One of the most useful strategies within the sample was when parents were allowing children to manage their own money – and make their own mistakes – on a day-to-day basis. When mistakes were made, parents picked up on these as an opportunity to talk to their child and deepen their knowledge of managing money. The children that were given the chance to manage a regular amount of money themselves were generally

more capable of justifying their purchases and displaying positive financial behaviour, such as taking time to reflect and shopping around for cheaper items.

Role modelling

Parent's own behaviour, both related to money and to more general values, was picked up on by children. Some parents were role-modelling good financial habits in front of their children, such as making informed choices with money in their everyday lives (e.g. explaining why they were buying one item over another). Such behaviours, visible to children in their daily lives, were sending out indirect messages about money, its value and how it should or shouldn't be spent.

Outcomes

Throughout the sample, many children could:

- talk about what positive financial behaviour and attitudes look like;
- use their own money, generally having and using their own current accounts in their early teens;
- understand money as a concept and understand different financial products, such as cash and card payments;
- save small amounts of pocket money - usually over a short period of time;
- understand where money comes from and how people around them got money (i.e. from working).

Challenges and opportunities

Even parents who were achieving positive outcomes talked about challenges they encountered in trying to do this – and the researchers also observed challenges that the parents themselves didn't necessarily articulate. By learning from their challenges, we can identify areas where other families could benefit from support.

While some parents in this study often intuitively taught their children in ways relevant to their age and were reactively talking about money when children asked questions, **many expressed uncertainties about when to start conversations with children about money**. Some were concerned money was too complex for children to understand or didn't want their children to worry about money 'too early'. There was also uncertainty over how and when to begin educating about more complex areas such as borrowing.

“There are some things the children don't need to know about yet, like a mortgage, bills and how to pay for holidays...with things like that, it's a big leap from the tens [of pounds] that they are thinking about to the thousands...” – Carina

Ensuring there is easy access to practical information and confidence-building materials specifically referencing this challenge, could help parents overcome it. This could include materials that:

- Encourage parents to teach their child about a wider range of money management topics than only the most 'obvious' or straightforward ones
- Provide examples of conversation-starters or practical tips to help parents proactively start conversations/ interactions around money.
- Encourage parents that it's never too early to talk about money, and suggest age-appropriate ways to do so for different topics.

Parents' actions and attitudes didn't always reinforce what they were trying to teach their children about money. Some parents described themselves or their children as 'impulsive' or as a 'spender'. They talked as though this behaviour was a permanent aspect of their personality. This could undermine attempts to positively change spending habits through active teaching. Some parents were also voicing certain messages around spending, but not following through, or were contradicting these messages through their

own behaviour, for example telling their children to save their money or consider purchases carefully, but then going out and making their own impulsive purchases.

Supporting parents to develop and use a range of mutually reinforcing teaching methods, including direct messaging, role-modelling and giving children experience, could help parents overcome this challenge. Ideally these would:

- Show parents how teaching and role-modelling the same consistent lesson in a number of ways can support their child's learning.
- Allow parents to use the methods that are most appropriate for them.
- Encourage them to be more consistent in their teaching methods and the way they talk about money by explicitly helping parents think about and understand the long-term goals their teaching will help achieve.

Parents found it difficult to ensure consistency with other family members. In some instances, wider family members' actions helped reinforce parents' teaching about money. But in other cases, parents struggled to reconcile their teaching methods with the actions of other family members. For example, when they were trying to teach their children to work for their pocket money and then another family member would give them some money as a treat. In a few cases, parents were using other family members as an example of how *not* to manage money by telling them what to avoid.

While these families were recruited as highly motivated to teach about money, it **fell down their list of teaching priorities** in comparison to other values they wanted to teach. Parents spoke of outcomes for their children, such as good relationships, good health and a stable home and were teaching other life skills related to these but had not always considered how financial capability could enable these outcomes. Only a few recognised that they wanted their children to be financially capable in order to fund their hobbies or buy a house in the future.

It is likely that these specific challenges are heightened by an **overarching challenge** facing parents that was observed in the research: **parents were not always clear about the longer-term reasons why financially capable behaviours were important for their children.**

When parents discussed what they were trying to impart to their children about money, they could rarely articulate the reasons *why* they were doing so beyond that they felt they **"just should"**, suggesting they didn't have a strong overarching vision for what they wanted to teach and why.

MAS' children and young people's Outcomes Framework sets out three main categories that enable or inhibit financially capable behaviours: ability; connection; and mindset. These three categories have parallels with wider behavioural theory, such as the COM-B framework¹⁰.

This research has found that while parents are **supporting ability** (imparting knowledge and messages about the financial behaviours they are trying to instil), and they are in many cases **supporting connection** (giving their children the opportunity to make decisions about money), there are **some challenges around**

¹⁰ This framework establishes that to most consistently and effectively change behaviour, the target audience must have the capability (the psychological or physical ability to enact the behaviour), the opportunity (a physical and social environment that enables the behaviour) and motivation (reflective and automatic mechanisms that activate or inhibit behaviours). Michie, S., Atkins, L., & West, R. (2014) The Behaviour Change Wheel: A Guide To Designing Interventions

supporting mindset. Parents don't always relate financially capable behaviours to an overarching set of principles or longer-term goal for what these behaviours are intended to achieve, and this is reflected in what they are communicating to their children. Without a deeper understanding of **why** financially capable behaviours will be beneficial to them in the longer term, children are unlikely to apply this behaviour consistently or in different contexts.

Relative to other life areas such as health or relationships, if parents are struggling to conceptualise the longer-term life outcomes associated with good financial capability, it is understandable that it may fall further down their list of teaching priorities. Without understanding the importance of teaching about money, parents may be less likely to teach about money proactively, earlier on in their children's lives. Without a clear sense of what the objectives are, inconsistencies in messages and behaviour are more likely to emerge, and parents may not consider having conversations with wider family members about the messages they are trying to convey to their children.

Given that MAS' research suggests mindset is a strong driver of child financial behaviour (equal to connection, and more so than ability)¹¹, this presents a large opportunity area for improving the way parents teach about money.

Parents would benefit from support that explains the association between teaching their children about money and the positive long-term life outcomes this can lead to for their children.

- By recognising the outcomes made possible by teaching their children about money, it may increase their motivation for doing so (bumping it up their priority list).
- Tools and guidance on how to actively link positive financial behaviour to other skills that they value for their children to learn, such as delayed gratification, self-confidence and commitment, could help embed components of financial capability amongst other life skills they already prioritise teaching.

¹¹ Measuring Financial Capability in Children and Young People. MAS (2018) Tom Clarke and Shadi Ghezelayagh.

How parents teach children about money

Parents were all chosen for demonstrating positive behaviours around money.

There was evidence of a variety of teaching methods being used across the sample to teach children about money. In line with previous MAS research, these can be grouped into several categories:

- talking to children about money;
- role-playing with young children;
- setting rules about money;
- encouraging children to learn about money through direct experience and responsibility;
- involving children in financial decisions around the house;
- role-modelling.

This chapter describes the different strategies and behaviours we saw within families – among parents and children – in terms of learning and teaching financial capability. It will highlight ‘bright spots’¹² of good strategies and describe times when teaching was less successful or more challenging.

It is structured into four sections – based on how parents talked about money:

- work ethic and earning;
- spending and exchanging;
- saving and security;
- borrowing.

Section 1. Work ethic and earning

All parents spoke of the importance of working. Children’s understanding of earning often corresponded to what they saw role modelled by parents or siblings, but few older children or teenagers were acting on this and actively looking for local jobs they could do (such as having a paper route or working in retail).

‘Understand you need to do something to get money’

In line with findings from the MAS Outcomes Framework, parents were all trying to teach their children lessons on the importance of work at an early age. This was a direct message to help children understand that money did not magically appear but rather that something had to be done to earn it.

For many this was done by using direct messages such as specific sayings which they had heard growing up. For example, the saying ‘money doesn’t grow on trees’ implied that money had to be earned by working. This was often used to explain to a child why the parent couldn’t afford a specific item at a specific time.

¹² Switch: How to Change Things When Change Is Hard (2010). Chip Heath and Dan Heath

Kelly, a jobcentre adviser in Belfast, explains to her sons that she doesn't receive money until she has worked for the month and so they need to budget for what can be afforded each month. They understand that money is not simply dispensed but earned over time, and that what is earned needs to last till the next payment.

In other instances, children picked up on conversations in the household and understood that a parent's lack of work was the reason behind a tighter financial situation.

Melissa lives in Dungannon with her three daughters and her partner. Melissa isn't currently working as she's expecting her fourth child. She's explained to her daughters that as a result finances are a bit tight. Annabel (7) was waiting for her mother to return to doing food deliveries so they would be 'rich again', showing her understanding that, without working, her mother didn't receive an income.

Parents found different ways to give their children direct experiences of earning.

Melissa's daughters 'earn' their pocket money by doing chores. The money then goes towards their activities like Irish Dancing and Youth Club. This gave them the experience of earning to do the things they like. Annabel (7) and Alice (6) had recently had a conversation with their mother about the cost of extra-curricular activities and they made the decision to drop jujitsu in favour of Irish dancing classes as they understood that their 'earnings' could not cover both.

Charlotte's daughter signed up to a school trip to India with her school. She had to raise £800 and according to Charlotte had assumed she could "rely on the bank of mum and dad". Her parents told her she had to raise the money herself, so she got a job through her friend's parents and worked over summer to raise the amount. She then carried on working part time as she liked having her own money.

Most children in this study had an understanding of the importance of working to earn money.

‘If you work more, you get more money’

To show that more work was rewarded with more money, parents often used their own working situation to role model to children what could be done to earn more. Though this was not always explicitly discussed in the household, some children were aware of these strategies.

Sandy demonstrated the benefits of taking on additional work as she recently started doing housecleaning for a nearby cousin on the weekend to earn an additional £100/month. As the cousin lives on the beach, she often takes her daughter along for a dip in the sea who is aware that she is supplementing her current income.

Martin works in print finishing in Manchester and often takes on additional shifts if the family finds themselves in a tight financial situation at the end of the month. He and his wife are very open about this and have discussed it with their children. Their two children were therefore aware of short-term strategies to supplement their income.

Others took a more direct approach of giving their children earning experiences, setting the rule that they must do chores to earn their pocket money, with each chore being worth a different price.

Inka had given each task in the house a price so the children worked out how much they needed to do to afford going out with their friends and completed the appropriate number of chores.

However, some parents with fluctuating incomes spoke of how their financial behaviours changed depending on how much they were earning at a particular time

Rachel works as a freelance wedding makeup artist and her income varies based on the season and how many jobs she has been booked for. As her husband's income covers the bills and necessities, she treats her income as a supplement and she likes to treat her children to something extra after a well-paid job. Recently, she had told her eldest daughter that they could buy a top that she really wanted. Her daughter knew the money was from her mother's latest job and that it was meant as an unexpected treat and not part of their regular income.

Some parents were openly communicating with their children about this whilst others weren't. This would sometimes mean that children received mixed messages about the importance of earning when parents would spend more without explaining that a change in income had enabled this.

‘There's pride in working and supporting your family’

Several parents sought to cultivate a desire to work amongst their children but not always for financial reasons and several children also expressed an appreciation of needing to work hard in life.

Inka, a mother of four, wants her children to understand that "nothing's for nothing" and it's important to work hard to earn your money but it's also important to show your work. Her husband works long days on the farm to help them pay for the basics, and her son spoke of the importance of working hard to be financially and professionally reputable in their local farming community.

“You don't get anything in life you don't work for” Mike (12)

‘Put effort in to get something out’

The importance of working towards something over time and persevering was a lesson parents sought to convey to their children early on.

Karen's foster son, Alex (13) needed to fundraise £4000 to attend a Scout Jamboree in the United States. She helped him get a job packing bags at the local Waitrose and M&S and he has already earned £2000 over the past 6 months, giving him the experience to learn the results of putting in the work over time.

‘It’s been little by little but it’s still something’ Alex (13)

Kelly focused on imparting the importance of earning from an early age. Both she and her husband worked and wanted their children to work as soon as they could. Their eldest son was nine and would soon be eligible to start a paper round which he was looking forward to doing.

‘You can affect your wealth and future’

MAS’ previous research has found that only 20% of children aged 11-17 felt they were unable to make a difference to their money situation – an essential attitude that contributes to financial capability. In the present study, several parents wished for their children to have a better future and to work towards having a reputable and stable career. They often talked about this in terms of traits such as perseverance and working hard.

MAS’ research also found that children in low-income households are more likely to feel they are unable to make a difference to their money situation (25%) than those in high-income households.¹³ Our research showed that parents who were motivated towards financial education could overcome this, as exemplified by two of the low-income families in the sample:

In the Alvi family Rachel her husband Hassam were keen for their children to study and do well in school to have secure futures. As a make-up artist and a bus driver, they were aware of the impact of fluctuating and difficult jobs and hope their eldest would become a doctor or a lawyer. Their daughter was proud to be applying herself in school and saw it as a strategy to have a better earning future.

Similarly, whilst Ashley just wished her daughter would grow up and do something that made her happy, Agatha’s father wanted her to become a neuroscientist. A retired salesman, he was keen his daughter used her affinity for the sciences to help others in a reputable and well-paid profession. Agatha hadn’t thought much about working or earning money, but saw it as part of a future she could secure through schoolwork.

Work and earning was often prioritised by parents when teaching their children about money. Many of the indicators from the MAS CYP Outcomes Framework were seen in the sample - from a young age, children became aware of the relationship between working and money, and that their education and actions in the present could affect their future. Less common was the role of money in society and children being aware of tax and how this related to income – generally, these conversations were reactive and tended to happen once children had a job themselves.

¹³ Children and Young People and Financial Capability: Needs Analysis (2018). Ann Griffiths and Shadi Ghezelayagh.

Pocket money

The approach of parents towards pocket money varied across the sample in terms of whether and how they gave it. Most parents seemed to start giving children pocket money when they started wanting to buy their own things. Parents were not generally giving younger children (under the age of 8) pocket money as they felt like they could provide their children with everything they needed, and didn't feel like their children had items to spend their own money on at this age.

Sometimes children were only given money when they had 'earned it' through doing chores. Some parents thought this was a good way to instil a work ethic in their child but others were unsure about rewarding their children in this way as they wanted their child to help around the house without the expectation of receiving money in return.

In other families, pocket money was given unconditionally. Sometimes children were doing chores to supplement unconditional pocket money. In some households, parents weren't giving children a regular amount of pocket money, but they would always receive some money from relatives when they visited.

Across the sample, pocket money was given both digitally and in cash. Younger children were generally given cash. The frequency at which this cash pocket money was given varied. Many parents described giving a certain amount a month. Often it was not given at a set point each month, but more as and when parents remembered.

Older children who had bank accounts often received pocket money digitally. A few parents described transferring pocket money into their children's accounts as something for them to save and use when they were older, so were treating the money more as savings than as money for their child to spend.

A few parents in the sample described pocket money as something for their children to make mistakes with and learn with. These parents were generally allowing their children to decide what to spend their pocket money on, but this often involved a discussion. For younger children especially, parents would often be with them when they spent the money and so would help them to consider their purchases by asking if they were sure or suggesting alternative things to buy. With older children, parents still had these conversations but were more likely to allow them to make the final decision and spend their money how they wanted.



Section 2. Spending and exchange

Spending and exchange is a central part of children's interactions with money and parents' teaching of financial skills. From a young age, children are exposed to the process of using money to make purchases. As they grow older, they can make more complex choices about what they spend their money on and talk about the values and attitudes they have around spending.

This learning was encouraged by parents teaching in a range of different ways, from letting children take part in daily shopping tasks to actively encouraging their children to take responsibility for their spending.

Many of the families across the sample were discussing and experiencing the elements of the MAS CYP Outcomes Framework, such as looking for deals, involving children in financial decisions in the home, and gaining skills related to money management. The result of this was that many of the children were able to discuss what positive financial behaviour looked like and had begun practising some of the strategies in the framework themselves.

'Make your money go a long way'

Many parents in our sample thought it was important for their children to know how to make money go a long way. According to MAS' Outcomes Framework, understanding how to make the most of a set amount is a necessary skill for day-to-day financial management. It seemed like this was something that children were picking up both from watching their parents and through active teaching. MAS' past research showed that many children (77%) are involved in what to buy in the family food shop, and this is most common within low-income households.¹⁴ There were many examples of shopping being used as an engaging teaching opportunity by parents, particularly at the supermarket.

Often, finding good deals was taught as something to be proud of.

When the Cox family bought their new dishwasher and freezer second-hand for £140, they explained to their children why this was a good thing and something to aspire to. They often went to charity shops and car boot sales. This appeared to be taken on by their children. Their twins Finley and Alan (10) recently bought a

¹⁴ Children and Young People and Financial Capability: Needs Analysis (2018). Ann Griffiths and Shadi Ghezelayagh.

second-hand boxing bag for £3 which they were equally proud of. Therefore, by associating a positive emotion like pride with the idea of spending wisely, the children seemed encouraged to shop around for things that were cheaper elsewhere.

For the Douglas family, making a small amount of money go a long way was an important skill. David sometimes takes his daughters (2, 7 and 8) around the local supermarket and teaches them how to make money go further by showing them that you can buy ingredients for a meal that will feed the whole family for just £1. The girls are aware of 'shopping around' to make the most of their money and were particularly proud of a bottle of lemonade they had got for 17p. Here, the girls showed their recognition that in the right places (certain supermarkets), a smaller amount of money can buy a larger quantity.

"It's 2 litres and it cost 17p from Aldi!" – Emily (7)

In other families, parents were giving their children the opportunity to play an active role in household spending choices-. On Friday nights, the Lindsay family often go to the reduced section of local supermarkets and buy whatever they liked for £10. Catherine used this scenario to discuss the pros and cons of buying for quantity and for quality. It seemed Hamish (10) and Anna (6) were picking up the practical skills to learn where and what times food can be bought cheaper while also making them think more carefully and be able to justify their own spending choices – Anna said she preferred to buy lots of smaller things whereas Hamish preferred better quality.

"We had a discussion the other night – I said 'would you rather have one big thing or lots of little things?' Hamish decided he wanted one big thing and Anna wanted lots of little things" - Catherine

'Track your spending'

Parents across the sample felt it was important for their children to learn about budgeting. Using everyday experiences such as shopping, children saw how their parents were limiting and tracking their spending.

Catherine uses online shopping during the week as it allows her to easily track her spending and not be tempted to add extra items into the trolley. She has explained this choice to her children as she feels it is an



essential financial skill. She often talks through how much money they have for the week and what to spend it on with them. Her son Hamish (10) understood the purpose and benefits of budgeting to allow you to afford the things you want:

“Get the kids involved with the spending of the money and budgeting money – sit them down and say this is what we’ve got to spend but this is what we need to spend it on and this is how we should divvy it up and get the most from our money” - Catherine

“When I’m older, I want to be able to control my budgeting to be able to have a decent amount of money in my bank savings account so when I’ve done that I can get good cars and a good house” - Hamish (10)

Parents were explaining the benefits of budgeting and ways of tracking your spending, such as through phone apps and online banking. Many had positive ideas about how useful budgeting can be for daily money management but had not yet started practising this for themselves.

‘It’s important to understand you can pay by cash, card or online’

According to previous MAS research, understanding financial products is an enabler of Ability (children’s financial knowledge and skills) in the children and young people financial capability Outcomes Framework. Parents in the present study also considered this to be an important area of teaching. Identifying different ways of paying and understanding the worth of money was one of the earliest teachings for parents within the sample.

Hannah from Rickmansworth is keen to teach her children how to use and manage money well – she actively teaches her son Daniel (3) how to use money through roleplay as she’s hoping to encourage him to be financially capable. Daniel has a shopping till which he uses at home with different notes and coins inside it. He also plays ‘ice cream shop’ where he charges his mother and sister, Izzie (9) different amounts for different ice creams – and charges an extra 50p for sprinkles. Through this roleplay Daniel was becoming used to the values of different coins and notes from a young age.

Children also began to be familiar with the possibility of paying not just by cash, but by card and online as they grew older. Most children in the sample were using debit cards linked to their own accounts by the time they reached their teens. Parents tended to wait until their children knew that “it wasn’t just money for free” to set up an account for them.

When Ewan was 12, he used Carly’s account on an unregulated website which resulted in a significant sum being taken from her PayPal account. This prompted her to give Ewan his own account to manage his online spending and learn from any mistakes he makes.

Paying for products online tended to start from a younger age, but this was often by mistake and using their parents account details.

Hamish (10) made a purchase on an online game using his mother’s account without realising and spent over £100 on Fortnite. Catherine used this situation to teach Hamish that spending has consequences and when Hamish asked why Catherine couldn’t “put it on the credit card”, she explained that credit cards still have to be paid back. Hamish is now able to explain what the difference between a credit and debit card is, as well as being aware of the risks of online spending.

When mistakes are made with money, parents are effectively using these situations to provide their children with valuable teachings about spending and the benefits and potential risks of different financial products.

‘Use money for things that are worthwhile’

Parents wanted to teach their children that there is a limit to what you can buy, and money should therefore be exchanged for things that are worthwhile. From a young age, children began to be able to differentiate between want and need. Children feel ‘need’ applied to things that related to the home and day-to-day living. As would be expected, younger children often identified food as a ‘need’ but were less likely to identify more abstract needs like paying rent or bills.

As children got older, they were more able to differentiate between things they wanted and things they needed.

Within the Lindsay family, Hamish (10) said that things people needed to spend money on were taxes, bills and electricity after Catherine explained why they needed to use the money they had to pay for certain things.

In the Cox family, Mike (12) felt that money well spent was on items you could use multiple times and thinks you should consider before you buy things after his parents asked him to think carefully about what he wanted for Christmas.

Parents use their own financial situation to demonstrate that spending involves choices and trade-offs.

Kelly explained to her sons (8 and 10) that they should spend their money on things they’ll use, as they won’t be able to afford everything and should make careful choices about what they buy. The family was unable to visit their grandfather in Thailand last year as they had less money and have instead rented accommodation in the local countryside. Kelly used this situation to make her children understand the choices that need to be made with spending and that sometimes you have to think about the fact that the amount of money you have might change.

While the definition of ‘worthwhile’ purchases varies, the fact that children could think about and justify spending choices demonstrated they were starting to use some rationale and ‘cold-purchasing’ in terms of their spending habits. The benefit of experience that children were given in terms of spending also involved learning from their mistakes.

Anna (6) had recently purchased an L.O.L Doll which she hadn’t spent time thinking about and now felt wasn’t worthwhile. She now feels that it is better to wait before you buy something and work out if you really want it.

“Next time, I’ll think about what I buy!” - Anna (6)

By explaining to children that money has value and a limit, children understood that they would need to make choices about what they spent money on and that thinking about what they bought could avoid disappointment later.

‘Think about what you buy’

Encouraging children to manage their own money and make their own mistakes was an important tool across families to encourage them to exercise self-control and think carefully about their purchases. In families where children receive pocket money, most parents allow their children to spend this as they choose. As children got older, they began to have access to and control of savings accounts that their parents had set up for them.

Becci (14) has access to her savings account and can decide what to do with the money in it. Her mother Sandy encourages Becci to talk to her about what she is thinking of buying. Becci is now able to save for things she likes, such as tickets to Comicon, and even points out when Sandy may be buying things she doesn’t need. By having access to her own money, Becci was able to practice self-control and think about what she was spending on a daily basis in order to afford bigger purchases.



To allow children to practice self-control with their own money, some parents encourage their children to take more responsibility for their spending choices by paying monthly bills and subscriptions.

Carly gives her children Freya (14) and Ewan (16) £25 per month to spend as they choose but has made them aware that they need to budget if they want to go out that month as she won't give them extra. They each need to make sure they can afford to pay for their subscriptions to Discord and Netflix at the end of the month, which Carly hopes will prepare them for paying bills in the future. As Ewan and Freya had to make sure they could set aside money for this each month, both had to exercise self-control in what they were buying. Freya even noticed a difference between her friends who did and didn't have responsibility over their own money:

“Most of my friends don't have self-control because they just ask their parents for money. They just buy on impulse – if they received a set amount, I think they definitely would be better with money” - Freya (14)

It is the combination of responsibility and commitment that encourages Freya to learn about money management and exercise self-control. MAS' previous research has identified the links between financial capability in children and the responsibility they are given over their money.¹⁵

Overall, we saw many of the indicators from the MAS CYP Outcomes Framework across families, such as exposure to family spending through shopping and discussions to managing money day-to-day by shopping for good deals. The main thing that wasn't common in the sample was children having spending plans that they stuck to. Many of the children could explain why budgeting was a positive thing, but few were doing this themselves. Most children also began managing and understanding their bank accounts at a later age – normally at around their early teens.

¹⁵ Financial Capability of Children, Young People and their Parents in Scotland 2016- Initial results from the 2016 UK Children and Young People's Financial Capability Survey

Section 3. Saving and security

Parents across the sample were aware of a need to save and recognised the importance of putting money away for unexpected payments or specific long-term goals. This was apparent in various ways - from having insurance products, to having saved for significant things in the past such as a car or deposit on a house.

To show their children that money can accumulate over time, many parents were using practical strategies such as getting their children to put away physical money in money boxes or other household containers. Parents thought that this encouraged their children to set small goals towards things they couldn't afford straight away such as toys, technology or clothing. The best examples however were set by parents who also made a clear connection between these every day strategies and saving as a financial habit that would improve their children's lives in the future (i.e. by enabling them to buy a car or a house).

While most parents had savings accounts for their children, children's understanding of these and engagement with them varied. Some parents did more to actively connect their children with their savings account, such as showing them how to read the account's monthly statement or talking openly to them about what they might use their savings for in the future. Within the sample, children who had the strongest connection and sense of ownership over their savings account had parents that spoke openly to them about what they might spend it on in the future.

Reflecting findings from the MAS Financial Capability survey, that only around half¹⁶ of parents are able to model 'good' saving behaviour, some parents in the sample were less able to act as positive role models due to their own lack of active saving or difficulties in the past. Some parents with little savings themselves were having to use their children's savings when necessary to pay for urgent, unexpected things, but their children were rarely aware of this.

'Saving little by little can add up to a lot'

The lesson that parents said they wanted to teach about saving was that if you don't spend money, the amount grows over time. To teach their children how to physically grow an amount of money, many parents were encouraging their children to collect physical (spare change) in physical places (money boxes, pots and jars) and set goals for what they were saving towards.

Carly explained that she wanted to teach her children the benefits of "saving for a rainy day" by putting away money in different pots or jars around the house. Different pots were assigned to different things – some more functional, such as a new fridge, and some more exciting things, like a dog or a holiday.

In many of these cases the money put away couldn't be retrieved unless the box was broken, showing children that sometimes money can't be accessed until it reaches a certain level, and that it was easier to save up if you keep money somewhere that it's more difficult to access regularly.

Angela's daughter Anna (nine) explained, "you can only smash it when its full". Therefore, having a place to store money that was difficult to access helped Angela to understand that she had to wait until there was a significant enough amount collected.

¹⁶ Only around half of parents are able to model 'good' saving behaviour, with 51% saying they saved every or most months; 24% of parents are over-indebted



‘Make a sacrifice now for a benefit in the future’

Most were teaching the benefits of delayed gratification – that you can sacrifice now for gains in the future. This included not eating sweets now in order to have dessert later, working hard at school to get good grades later, and not spending money now to have more money later.

Ashley knew that she could easily afford to buy her daughter Agatha (11) a new bike but insisted that they save up using a money jar over a couple months. Her daughter was aware of this plan and knew that the wait would make her appreciate it more.

Some parents had shown extraordinary capabilities to delay gratification themselves.

In the Alvi family parents Rachel and Hassam lived separately for three years in order to save up for their current house. The influence of this long-term outlook on the future was apparent on their eldest daughter Sara (11). When she receives money from her relatives she gives £5 of it to her mum to put into her savings account. She explains that this is to have money for her education in the future. Therefore at 11 years old Sara was able to understand and see from the example set by her parents, how saving money could be used to impact the quality of your future.

“My grandma gives me money and says I should spend it on sweets but I don’t – I just give it to my mum and she transfers it to my bank. It’s not that I don’t want to spend it, I obviously do but when I grow up then I’ll have money and can spend it on my education and stuff”- Sara (11)

Other parents believed they were not a good role model and felt hypocritical teaching their children this when they didn’t do the same themselves. Whilst many knew it was important, a few parents didn’t want to be seen as strict, or as “a bore”, and often broke their own rules and gave in to their children’s demands.

Some parents were doing more than others to make a clear connection between the smaller everyday strategies (like putting coins away in jars) and the importance of saving as a habit that can improve your quality of life in the future.

Although Catherine has no savings of her own, she is keen to teach her children to “spend a little, save a little”. As well as saving for smaller, shorter term things, Catherine also speaks openly to her children about the importance of saving in the long-term. This had an impact on both children who could articulate the benefits of saving in the longer-term future. Her daughter Anna (six) explained that she keeps money in her piggy bank “so I can save up for a house or a car”. Therefore, by giving her children direct experience of accumulating money over time and talking to them about how this might impact their future positively, Catherine’s children had practical techniques for putting money away but also understood that this was an important habit to use in the future to improve their quality of life.

Hamish also connected his savings account to the longer-term future:

“I have bank savings...I’m going to use them to go towards a car when I’m 18” – Hamish

‘It’s important for children to have a savings account’

When it came to saving accounts that had been set up for children, relatives were often regular and significant contributors. Money from relatives for birthdays, Christmas and Eid were often managed by the parents without input or interaction from the child.

At Eid, Amir’s children (three, seven and 13) keep any coins received but give notes to their parents to put in their separate savings accounts.

Carly and her family actively manage their Child Trust Funds which were set up by their uncle with £1,000 for the children to have control of when they’re 18.

In Ali’s family, the grandparents put money into the children’s accounts, which they will have access to when they’re 18.

Liling put away money for Chinese New Year from relatives for her daughters (three and five) into a savings account and they never have interaction with it. They prefer playing with the little red bags the money comes in.

Although these were described as the children’s accounts and/or were often in the children’s names, they were often managed by the parents and were not always used to actively teach children about saving. It was unclear whether some children were aware these existed or whether they understood what they were for.

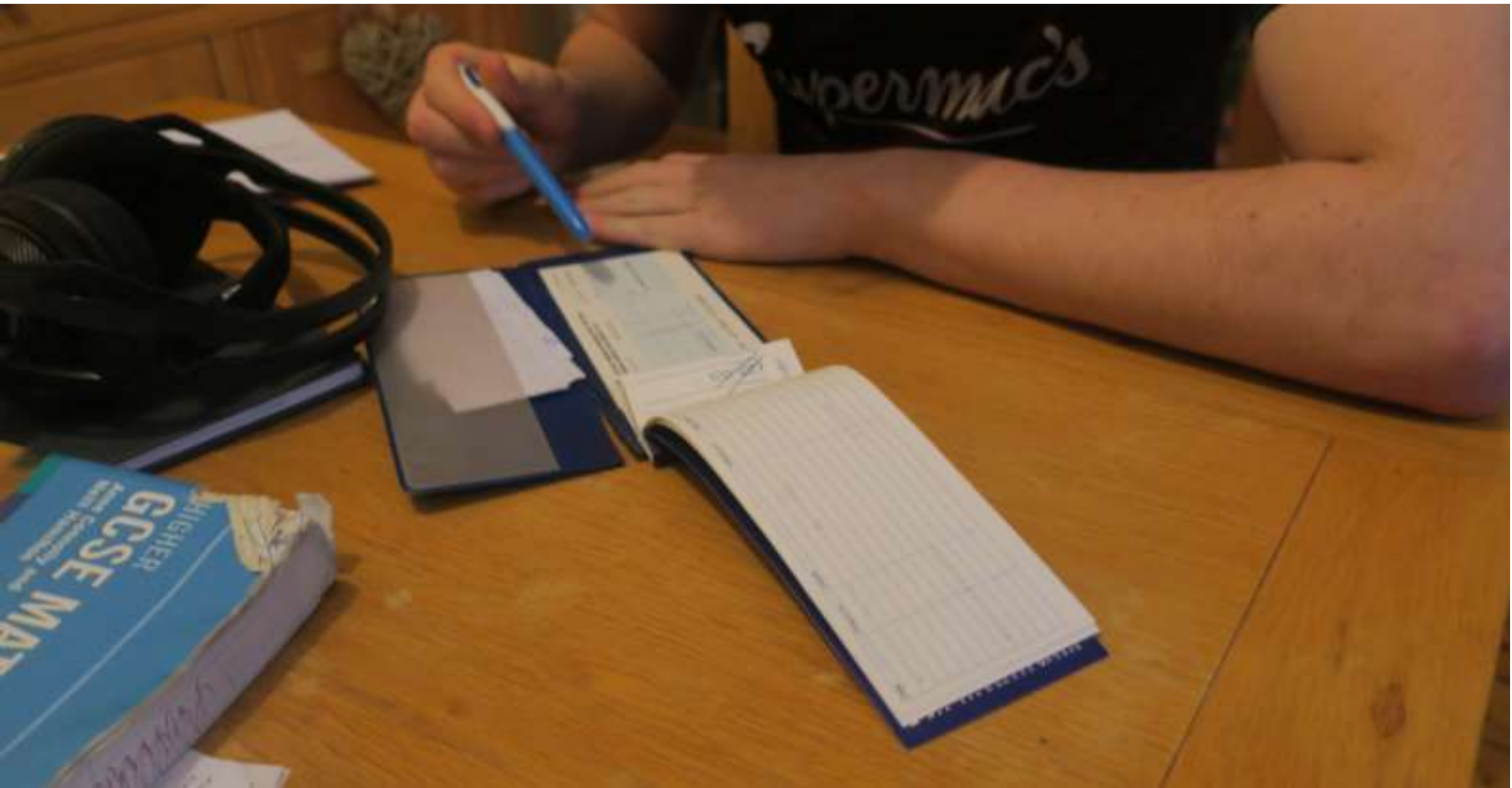
Rhiannon had savings accounts for her three children (eight, six and four), which she looked after for them as she thought they were too young to have to think or worry about managing money. She would add whatever money the children received for birthdays and Christmas into the accounts. The children themselves couldn’t access their accounts either to pay in or withdraw money and did not know what a savings or current account was or how to use one.

Only some were finding ways to engage their children with their accounts, encouraging a sense of ownership and responsibility for it.

Charlotte and her ex-husband had a history of buying properties and leasing them out. Charlotte explained that growing up, they had always had open conversations about this with their children (now 15 and 17). When their children recently received a large inheritance from their grandparents, Charlotte immediately put it into a high interest account. Her son Michael understood that he would be able to access the money when he was 18 and that the amount of money would have grown due to the interest. He then spoke about his and his sister’s plans to invest in a property to rent out as if it was their idea.

Amir has savings accounts for all his children (three, seven and 13) and gets monthly statements for their accounts in the post. Recently he’d sat his eldest daughter Aisha down and explained how to read the balance and how to understand what’s gone in and out of the account since last month from the printed statement. Therefore, Aisha was connected to her savings account through having access to the monthly paper statements and could read different parts of the statement to understand what was happening. Although she wasn’t necessarily accessing the money, the monthly printed statement was a regular reminder that she had her own savings account.

In terms of indicators from the Outcomes Framework, saving was regularly discussed by parents as something to aspire to and many children were aware of where to keep their money in a safe place from a young age.



Less children had clear saving goals over extended periods of time and it was not until children were in their later teens that they understood the benefits of different bank accounts and how to calculate interest. Children understood how to save, but did not always have responsibility over their own savings accounts and were not practising the positive behaviours and skills they had learned.

Section 4: Borrowing

Borrowing was a subject on which the view of parents across the sample differed. While most had borrowed money in some form in the past (credit cards, buying furniture on finance, mortgages, or student loans) and some were trying to teach that borrowing is okay if done sensibly and for a good purpose, only a handful had strategies and were actively teaching their children about borrowing in a stable and secure way. Children often only had a basic understanding of borrowing because discussions with parents were rare.

Lessons around borrowing also tended to have mixed messages: while there was some talk of borrowing being potentially useful, many parents also gave the message that borrowing is inherently dangerous and should be avoided.

Children's behaviour and understanding around borrowing was similarly muddled. Some understood borrowing as a concept had potential positive uses, while others did not have a nuanced opinion on debt considering all debt to be 'bad'. As a result, behaviours of the few children that had borrowed money from parents or siblings in the past were mixed: some paid it back and some did not.

'Avoid borrowing if you can'

The message parents gave in this regard was that borrowing is inherently dangerous and should be avoided. Sometimes these were explicit messages (e.g. "don't borrow money") and other times, they were more indirect messages (e.g. talking about others who had borrowed money in a negative way).

It was quite common across the sample for parents to warn their children about the dangers of borrowing – that you may accumulate more debt, that you may struggle to pay it back, that it can mean you lose possessions, with less said about the potential benefits.

Parents struggled with how to balance teaching their children about borrowing sensibly with a sense that they did not want to *encourage* their children to borrow.

Melissa is actively discouraging her daughters from ever borrowing money because of her own bad experience with having catalogue debt, although she said that borrowing done sensibly can be useful.

Some parents were actively not allowing their children to ever borrow.

For instance, Inka and Graham want to make sure their children don't get into the habit of borrowing money and not paying it back. They are given £1 to spend on sweets at the weekend. If they over spend, they have to put some of the sweets back and can't borrow the extra – "once it's gone, it's gone!"

Children often did not have a nuanced idea of when borrowing may be useful, considering all debt to be 'bad'.

The exception to this was discussion around mortgages. When the children did understand mortgages it was often seen as a good thing.

Karen openly spoke to her children and foster son about the fact they have a mortgage and explained to them the positive effect owning property can have. Her children spoke of wanting to buy houses when they were older and recognized they would need to have mortgages to do this.

Similarly Kelly's son had overheard their financial advisor speaking to his parents about re-mortgaging the house and has since then spoke to his parents about this. He now understands that you can borrow from the bank to buy a house as long as you can pay it back little by little every month.

'Only borrow if you can pay it back'

The second most common lesson around borrowing was that you must have the ability to pay it back and it typically comes with interest that must also be paid.

Some, though not many, of the parents were actively demonstrating sensible and controlled borrowing with interactions with their children.

For instance, Marlene once had to borrow money from her daughter in an emergency to pay for some equipment when her car broke down. From conversations they had had about borrowing in the past, her daughter knew that she could lend the money with conditions about when her mother would pay her back.

Veronica would often 'lend' money to her daughter, Minnie, to buy things she wanted in the shops. Minnie has her own money that she uses, but if she did not have enough then she would borrow the rest from her mum. To pay her mum back she would have to do extra chores when they got home.

"I will make sure she does her chores as soon as we get back before she is actually allowed to play with whatever she has bought" - Veronica

These two examples were among the few that were seen. However, they happened because of unexpected circumstances and were not planned by the parents as a way to teach about debt and borrowing.

Ashley had lent money to her daughter Agatha to buy a Halloween costume. However, they did not have a plan on how Agatha would repay it and, as she has no income, she has yet to repay her mother. However, after the Christmas period, a similar conversation has arisen around borrowing to buy a phone. After discussing in further detail about how this would be repaid Agatha decided to not get the phone. She appears to have reassessed in more detail how much she wanted the new phone and the feasibility of paying it back.

Children's limited experience and knowledge of borrowing meant that observations of children doing it well were very few.



‘Borrowing can be good’

Most parents did not often openly demonstrate positive borrowing with their children. While some parents did talk to their children about any positive examples of borrowing they had, most tended to focus on mistakes they had made around borrowing in the past.

Ashley has a blanket ban on borrowing as her parents had to help her older brother pay his debts. But she admits herself that this means she is not sure how to openly talk to her daughter about going to university and the necessity of student debt, which she sees overall as a positive investment in herself.

Carina regularly borrows between £100 to £4000 from her Nan for beauty courses so that she can have the most up to date training. But Carina struggles to talk about this with her children.

There were a few examples where parents openly discussed how strategic borrowing can leave you better off in the long run and actively role modelled this behaviour.

Kelly and her husband used credit to buy a new dryer as theirs unexpectedly broke down. They didn't have enough to pay for it outright so explained to their children how they could pay a bit more in monthly instalments and therefore still meet their other obligations. The children understood that this meant paying more but meant they didn't have to wait for a dryer.

Sandy pays all of her expenses every month using a credit card and then sits down with her daughter at the end of the month to match receipts to her purchases. The point of this is to keep track of her spending but also to check that she hasn't been wrongly charged for anything. She first got a credit card when she started travelling but had yet to explain the value of getting insurance and additional benefits to using credit cards to her daughter.

There were no positive examples from our sample of parents giving experiences or encouraging borrowing in their children for positive reasons.

In general, parents were discussing and allowing experience of borrowing less than expected from reviewing the Outcomes Framework. There were discussions across the sample about the risks of borrowing, often dictated by own experiences, but discussions around when borrowing can be positive, where to go for advice about borrowing, and experience of children borrowing from parents were far less common.

Challenges and opportunities

Parents face challenges talking to and teaching children about money

Parents in this study were selected to be those who appeared to be particularly engaged in educating their children about finances at home and who were already using a range of strategies to help their children develop financial capability.

However, even parents who were achieving positive outcomes talked about challenges they encountered in trying to do this – and the researchers also observed challenges that the parents themselves didn't necessarily articulate. These included:

- Parents think it is more important to teach children about topics other than money.
- Parents were unsure when to start talking to children about money.
- Parents unconsciously undermined their own messages or were inconsistent in the messages they gave children.
- Parents found it difficult to ensure consistency with other family members.

Each of these challenges will be discussed in greater detail in this chapter as a potential opportunity for improving parents' development of their children's financial capability.

It is likely that these specific challenges are heightened by an overarching challenge facing parents that was observed in the research: **parents were not always clear about the longer-term reasons why financially capable behaviours were important for their children.**

When parents discussed what they were trying to impart to their children about money, they could rarely articulate the reasons *why* they were doing so beyond that they felt they **“just should”**.

We observed that parents were often inconsistent in the messages they gave to their children about money or financial decision making – for example giving a child pocket money with the intention of getting them to save up or budget for things they wanted to buy, but immediately offering to buy something that the child couldn't afford with their pocket money (but wanted) when at the shops.

What this shows is that while parents have some sense of the kinds of behaviours they feel their children should do, they don't always relate these behaviours to an overarching set of principles or longer-term goal for what these behaviours are intended to achieve.



Teaching children financially capable behaviours

Ultimately this research has not evaluated children's actual financial outcomes in the long-term. When considering the ingredients that will successfully influence children's behaviour, it is helpful to draw on evidence from the MAS financial capability framework and wider behavioural and educational disciplines to understand the different factors at play.

The MAS children and young people's Outcomes Framework sets out three categories that enable or inhibit financially capable behaviours (day-to-day money management and active saving), which in turn influence a child's financial behaviour:

- Ability - children's financial knowledge and understanding, including basic numeracy, literacy and problem-solving skills.
- Connection - children's engagement with money, including exposure and access to appropriate financial products and channels.
- Mindset - children's values and attitudes towards money, including understanding that proactive earning / spending / saving decisions will benefit them and help them achieve their goals.

These three categories have parallels with behavioural theory and models, such as the COM-B framework¹⁷.

This research has found that while parents are **supporting ability** (imparting knowledge and messages about the financial behaviours they are trying to instil), and in many cases they are **supporting connection** (giving

¹⁷ This framework establishes that to most consistently and effectively change behaviour, the target audience must have the capability (the psychological or physical ability to enact the behaviour), the opportunity (a physical and social environment that enables the behaviour) and motivation (reflective and automatic mechanisms that activate or inhibit behaviours). Michie, S., Atkins, L., & West, R. (2014) The Behaviour Change Wheel: A Guide To Designing Interventions

their children the opportunity to make decisions about money), there are **some challenges around supporting mindset**.

The MAS Outcomes Framework states that to have a positive mindset, children must understand that proactive money decisions will benefit them and help them achieve their goals.

As discussed, this research found that what was sometimes missing was the ability of parents to articulate **why** certain financial behaviours would be beneficial to children in the long term.

Without understanding why certain financial behaviours will help them in the long term, there is a risk that children aren't learning financially capable behaviours in a way that is **meaningful**. Meaningful learning¹⁸ occurs when children gain an understanding of what the impacts of different financial decisions are in the long run, and therefore the ability to apply learnings to different scenarios throughout their lives.

With a knowledge of what they should do (e.g. 'save money for your holiday') and the opportunity to do so (e.g. *autonomy over how they use their own money, access to tools such as a savings account or piggy bank*) they will in some cases be able to apply that knowledge (and save money for a holiday). However, without a deeper understanding of **why** saving money and delaying gratification will be beneficial to them in the longer term – they are unlikely to apply this behaviour consistently or in different contexts.

Given that MAS' research suggests mindset and connection are stronger drivers of child financial behaviour than ability¹⁹, this presents a large opportunity area for improving the ways parents teach about money.

Understanding of long-term benefits will naturally differ depending on a child's age. Younger children would benefit from understanding and experiencing the advantages of delayed gratification, but, as they get older, children would benefit from having a greater understanding of how financially capable behaviours will relate to consequences in their adult life.

The fact that parents struggle to articulate these longer-term benefits and underlying reasons for financially capable behaviours may also explain to a greater or lesser degree some of the other barriers and challenges they face.

Relative to other life areas such as health or relationships, if parents are struggling to conceptualise the longer-term life outcomes associated with good financial capability, it is understandable that it may fall further down their list of priorities. Without understanding the importance of teaching about money, parents may be less likely to teach about money proactively, or early on in their children's lives. Without a clear sense of what the objectives are, inconsistencies in messages and behaviour are more likely to emerge, and parents may not consider having conversations with wider family members about the messages they are trying to convey to their children.

¹⁸ Educational psychology highlights the advantages of meaningful learning over rote learning. A crucial difference is that while rote learning enables retention - the ability to remember material later in the same way as it was originally presented - meaningful learning enables transfer, the ability to use what is learnt to solve new problems. Mayer, R.E., 2002. Rote versus meaningful learning. *Theory into practice*, 41(4), pp.226-232.

¹⁹ Measuring Financial Capability in Children and Young People. MAS (2018) Tom Clarke and Shadi Ghezelayagh.

Parents struggle to articulate the long-term benefits of teaching their children about money

Asked what they wanted for their children in the future, most parents said happiness was most important. When pressed, it became apparent that they linked happiness to achieving certain outcomes, such as a stable home, a good reputation, and avoiding other negative outcomes such as stress, conflict and ill-health.

The outcomes parents most or least valued for their children often depended on their own lives and experiences. Some parents were keen for their children to follow in their footsteps, by buying houses or starting their own businesses. Others wanted their children to avoid making the mistakes they had made.

Ali, who had not gone to university himself, wanted his children to work hard and have the option of going to university.

Ashley, who had struggled with her own health, wanted to teach Agatha the importance of a good diet

For their children to reach these outcomes, parents were teaching their children about topics such as healthy eating, exercise, being kind and respectful and helping around the house. Teaching about money often came further down their list of priorities.

Rhiannon was unsure how to discuss money with her three children because she wanted them to focus on what she saw to be the essentials: spending time with family and being healthy.

Some parents were not thinking about how teaching about money could feed into some of these other outcomes. When families were more aware of the inter-relation between talking about money and other outcomes, they were more motivated to teach their children about money.

Britney wants to teach her children about developing and valuing relationships. She has noticed that as a result of conversations with her daughter about how her daughter spends money, family dynamics have been less stressed.

Parents are unsure when to start talking to children about money

Giving children responsibility over money and accounts from a young age (and parents' belief that this is a good thing) has been positively linked to financially capable behaviour²⁰. However, across the sample there was concern from parents that money was too complex for younger children to understand or that they didn't want their children to worry about money too early on.

"It's trying to keep them young and nice and innocent to a certain degree – because money is a serious subject so we try and not go too much into it until they start asking for things." – Steve

"There are some things the children don't need to know about yet, like a mortgage, bills and how to pay for holidays...with things like that, it's a big leap from the tens [of pounds] that they are thinking about to the thousands..." – Carina

This concern stopped some parents from initiating conversations around money or giving their children responsibility over money.

²⁰Children and Young People Financial Capability Deep Dive: Parenting (2018). Dr Gavan Conlon, Viktoriya Psycheva and Wouter Landzaat (London Economics)

Some families did not provide their children with pocket money because they felt their children were too young and did not need to be given responsibility for their own finances. Parents could provide them with everything they needed.

Ashley, a single mother living in North London, preferred that her daughter Agatha (11) focused on school. As she provided her daughter with everything she could need, she did not think Agatha should concern herself with taking on little jobs to earn money.

Parents often assume their children are too young to understand financial concepts and wait for children to ask questions before having conversations about concepts such as earning or saving. This responsive parenting style led many parents to wait to have these conversations when their children were older than recommended in the MAS Outcomes Framework. Some parents said that once they started having conversations, they were pleasantly surprised by the interest their child showed or how much their child understood, suggesting that they could have been talking about these topics earlier.

Parents may unconsciously contradict their own strategies

Contradicting strategies through language

The words children hear their parents using to describe their own or other people's habits can affect their financial behaviour.

The MAS Outcomes Framework states that to become financially capable children need to feel they can improve their abilities through personal effort. This is closely linked with locus of control – whether people see consequences as the result of their own actions or of an external force. One of the things limiting the degree to which children feel their own actions improve their abilities was the way parents talked about behaviour.

Some parents described themselves or their children as 'impulsive' or as a 'spender'. They talked as though this behaviour was part of their personality, something innate and permanent. This permanence could undermine attempts to positively change spending habits.

In the Cole family, Britney refers to herself and her son as impulsive spenders. This was considered as a trait that defined their whole relationship to money. For Britney, spending money in the immediate makes sense as "you could get hit by a bus tomorrow". Britney's husband Martin is known as the "saver" of the family and often refers to his "fear of spending". Their children accept these definitions and identify with them – their daughter Lisa thinks of herself as being like Martin, whereas their son Jake feels that he is a spender like his mum.

"I think Mum spends like there's no tomorrow... She goes by the motto of 'you could literally die tomorrow'. Dad doesn't like spending." - Lisa (16)

Seeing certain financial behaviour as a part of who they are can undermine attempts to make positive changes. After the first interview with Britney, she reflected on her spending habits and made positive changes such as going out less, specifically to save money. This shows that a change in mindset can allow parents and their children to make helpful changes to their spending.

In families where change was seen as possible, parents and children were making positive steps to improve their financial habits.

Carly of the Dickens family puts her children's performance in school down to hard work and effort rather than innate intelligence. She also speaks to her children about the importance of self-improvement and making positive changes to spending habits to improve the future.

"I took on a business mentor six months ago, and because I'm changing my mentality they're changing theirs as well – we're all trying to be more proactive." Carly

Undermining strategies through behaviour

Across the sample, parents were often using effective strategies and having useful discussions with their children but sometimes were saying one thing and doing another.

Bethan encourages her daughter (11) to save but has no savings herself. She runs her own business with her ex-partner and has been unable to put money aside for a pension. She talks to her daughter about making ends meet on a monthly basis, implying that she isn't able to put any aside.

"I'm not a saver. There's not enough to save." – Bethan

This was exemplified in discussions about spending at Christmas. While parents had been careful to teach about the benefits of budgeting and spending wisely throughout the year, some mentioned how they had spent too much in the Christmas period.

Melissa used catalogue loans to buy gifts for her daughters at Christmas even though she was still paying back previous debts and warned her daughters to not get into debt.

Ashley had been cautious with her finances, waiting for her new business to pick up, but she felt that it was impossible to budget around Christmas and so was likely to spend as much as necessary to buy others the gifts they would want.

These behaviours showed that parents themselves may not fully understand why it is important to role model consistent financial behaviour.

Parents find it difficult to ensure consistency with other family members

There were instances when parents felt their teaching about money could be undermined by other family members. This was often other family members being generous and wanting to treat the children but it could sometimes contradict the messages parents were trying to teach.

Ali's children receive money from their grandfather without having to earn it or behave well to receive it – something that Ali has been trying to teach his children. Ali accepts this money although it goes against the lessons he is trying to teach his children as he feels unable to refuse on their behalf.

"He is part of the family – it would be rude to say no." – Ali

In some cases, a child's understanding of money was influenced by a parent who didn't live with them. There could be tension between two (or more) different spending habits and environments. This meant that messages and views on money taught at home could be undermined by conflicting opinions or behaviours.

Catherine's children's father often made big but infrequent purchases for their children, which she felt gave them an unrealistic expectation of being able to buy expensive items. To compensate for this, Catherine has been encouraging her children to do chores around the house to teach them that money takes time to accumulate. She has also explained the reasons why their father sometimes buys them bigger presents: his financial situation is different and the children understand this is something he can't do often.

Some families had used the differences in spending between family members to teach important lessons. In a few cases, parents were using other family members as an example of how *not* to manage money by telling them what to avoid.

Carina spoke to her children about their uncle who didn't spend wisely and was always asking their grandparents for money.

~End of Report~

Appendix

Meet the families

The families selected have been given pseudonyms to protect their anonymity.

The Families

The Alvi family

Rachel, Hassam, Sara (11), Ava (4), Zayn (3)

Lower medium income

England

The Alvi family live in London where Hassam works as a bus driver and Rachel as a make-up artist. Their oldest daughter Sara has just started secondary school, and Zayn and Ava are currently at nursery. The family give monthly money to charity as part of their religion, and often help at different charitable events. The children don't receive regular pocket money but are sometimes given money by their grandparents, and Rachel buys the children things they've asked for when they can afford it. Rachel and Hassam have saved up money on the children's behalf which they hope they will use towards university when they're older.

The Cole family

Britney, Martin, James (19) and Lisa (16)

Higher income

England

The Cole family live in Manchester, Martin working as a print finisher and Britney as Front of House in a solicitor firm. Their daughter, Lisa, is currently deciding which college to go to while their son, James, has just begun his first year of university. The family love socialising with friends and going on holiday together – they see creating memories as a really important part of family life. Both children used to receive pocket money, and while this stopped recently due to finances, they're hoping to start this again in the new year for Lisa. Lisa is also looking for a part-time job and James worked from a young age helping with his auntie's business.

The Wartberg family

Hannah, Paul, Izzie (9) and Daniel (3)

Medium income

England

The Wartburg family live just outside of London in a suburban area. Hannah works as a freelance translator and her husband works in a software company. The family enjoy going on outings together, to the park or the zoo and also like to visit charity shops to buy books and toys. Izzie receives £3 a week in cash as pocket money, and her and Daniel enjoy doing shopkeeper roleplays together.

The Douglas family

Jane, David, Sarah (8), Emily (7), Bonnie (2)

Lower medium income

England

The Douglas family live near Birmingham where David works as a care assistant. Jane is from Ghana and moved to the UK when she was 20 to get a good job and make more money. The children enjoy going shopping with David and, while they don't receive regular pocket money, are rewarded with money for good behaviour or helping with chores.

The Brooks family

Karen, Julian, Jonathan (21), Ollie (18), Alex (13)

Higher income

England

Karen lives in Middlesex with her two sons and foster son, Alex. Both parents work within school environments, Karen working as a school administrator and Julian within catering. Karen fostered two children 5 years ago and one has recently returned to live with his biological family. Alex receives £7 a week in pocket money which is provided by the fostering agency.

The Wallace family

Ashley, Agatha (11)

Lower income

England

Ashley lives in London and co-parents with her ex-partner. Agatha tends to spend weekends with her father and during the week with Ashley, and has recently started at a local all-girls school which she's enjoying. Ashley recently left her job as a teacher to start her own antiques upcycling business, and enjoys arts and crafts nights with Agatha. Agatha doesn't receive regular pocket money but Ashley will give her money to spend when she goes out with her friends, usually around £10-£15.

The Farooq family

Amir, Hina, Aisha (13), Sadia (7), Faisal (3)

Medium income

England

Amir has lived in the Birmingham area his whole life, and Hina moved over from Pakistan when she was younger. Amir has worked as a chef for 17 years and his wife has recently completed a beautician course and looks after their children. A lot of the Farooq's family live in the nearby area and much of their time is spent with them. His eldest daughter Aisha occasionally receives money when they are at the shops or she goes out with her friends.

The Kofi family

Marlene, Matilda (11), Julie (9)

Lower medium income

England

Marlene has recently taken part in a house swap and is living in South London. She's a single mum and works as a full-time teacher, sometimes getting help from her mother to collect her daughters from school. Matilda and Julie work hard at school, but also like buying clothes and slime. The girls visit their uncle every week where they receive £5.

The Rimmer family

Carina, Wayne, Chris (9), Dom (6), Florence (2)

Higher income

England

Carina and Wayne live with their three children in Essex. Carina works as a beautician while Wayne works in integrated tech. The boys enjoy playing Fortnite and the family have recently got a pet bunny. Chris receives £2 a week and Dom gets £1.50 a week. They are allowed to spend half of what they get and save the other half. Florence will also receive pocket money when Carina feels she is old enough.

The Masood family

Ali, Adeem (7), Zamir (5), Malik (3), Riad (2 months)

Lower medium income

England

Ali is a recently single dad living in Kent and training to be a train conductor. His children see their grandparents regularly and the two eldest sons live with Ali and the two youngest with his ex-partner. The family recently moved from London and are currently trying to find the best school for Adeem and Zamir to attend.

The Hughes family

Gemma, Steve, Sam (7) and Elsa (4)

Medium income

Wales

The Hughes family live in a picturesque Welsh town, where Steve manages the local hotel and works as an on-call fireman. Gemma and Steve had their son Sam while in their final year of university and moved to Wales shortly after they graduated. The Hughes value their family time and enjoy treat night on Fridays and going to the cinema together. The children don't receive pocket money, but Gemma and Steve have discussed giving this to the children when they're nine. Sam and Elsa also receive around £3 to spend each time they go to car boot sales with their parents to spend as they choose.

The Cox family

Inka, Graham, Mike (12), Finley (10), Alan (10), Ruby (6)

Lower income

Wales

The Cox family live on a farm in rural Wales which Graham's family have owned for six generations. Graham runs the farm while Inka produces textile designs. Their four children, one of whom has ASD, have mixed Finish and Welsh heritage. The children are all active and enjoy sports and do lots of extra-curricular activities. They don't receive regular pocket money but can earn money by doing different chores around the home.

The Roberts family

Rhiannon, Kevin, Maisie (8), Dylan (6), Lauren (4)

Lower income

Wales

Kevin is a property developer in Wales and the family are currently living in one of the projects he is working on. The Roberts value family time together and enjoy spending evenings watching TV with each other. The children don't receive pocket money but do get money for birthday and Christmas presents.

The Dickens family

Carly, Ewan (16), Freya (14)

Medium income

Wales

Carly is a single mother in Wales who runs her own business. Her two children, Freya and Ewan, spend time with their father every few weeks. The family enjoy going to the pub and to literary festivals together and invest a lot of time into conversation with each other. Both children have their own debit cards which they use regularly both with contactless and online. Carly gives both children £25 a month via standing order and allows them to spend this as they choose.

The Williams family

Bethan, Bronwyn (11)

Lower medium income

Wales

Bethan lives near Cardiff with her daughter Bronwyn who has recently started secondary school. She splits parenting with her ex-partner, who Bronwyn sees several nights a week. Bronwyn receives £5 a week in pocket money from each parent – her father transfers this to her account and Bethan gives this to her in cash.

The Lindsay family

Catherine, Hamish (10), Anna (6)

Lower income

Scotland

Catherine and her children live outside Aberdeen. Catherine is currently studying at college three days a week to become a beautician and has previously worked as a dental nurse. Catherine and her partner split in 2010 and the children see him several times a month. Hamish has recently been diagnosed with ADHD and Catherine uses lots of different tools and charts around the house to help him manage this. The children receive irregular pocket money as reward for helping around the house, which normally amounts to around £5 per month.

The Chen family

Liling, Leon, Ann (5), Mayleen (3)

Medium income

Scotland

Liling and her husband Leon are of Chinese heritage, Leon having lived in Edinburgh and Liling growing up in Hong Kong. Leon works in IT and Liling works part-time as a cook for a local Chinese family. The family attend a local Taiwanese Catholic church and both children attend Chinese school at the weekend where they learn the language and calligraphy. The daughters don't receive regular pocket money but do receive money for Chinese New Year. Liling manages this money and puts it into a savings account for them.

The Lewis family

Laura, Aaron (15)

Medium income

Scotland

Laura and Aaron live in Glasgow where Laura grew up and her parents still live nearby. Laura works as a community nurse and has recently completed her masters, which she received a grant for. Aaron is currently studying for his Standards and enjoys playing guitar – something he'll often save up for. Aaron receives money from Laura if he's seeing his friends but has to help out around the house or with his grandparents if he wants to buy something bigger. He's also currently looking for part-time work.

The Cryer family

Veronica, Derek, Minnie (7)

Higher income

Scotland

Veronica works for HMRC in Scotland and lives with her husband Derek, who works for the NHS, and her daughter Minnie. Veronica grew up in Greece and her parents recently moved to the local area to be closer to their granddaughter. Minnie receives around £3 per week pocket money but can earn extra by doing chores around the house or behaving particularly well. Veronica encourages Minnie to buy the things she wants with her own money, but often her grandparents will buy her what she asks for.

The Abbasi family

Nasim, Fahad, Abdul (10), Yusef (9), Bari (3)

Lower income

Scotland

The Abbasi family live near Glasgow. Fahad works in a call centre while Nasim cares for their eldest son, who has autism. The family enjoy playing board games before bed and enjoy living in the area. Abdul and Yusef receive roughly £3 a week in cash, which they keep in money tins, and are sometimes rewarded with money for good behaviour.

The Dornan family

Kelly, Jack, Conor (10), Adam (8)

Higher income

Northern Ireland

Living in Belfast, Kelly works as an advisor in a job centre and her husband works at a gym. A lot of Kelly's family live nearby and help out with picking the children up from school. Both the boys enjoy football and attend a weekend team that Jack coaches. Conor and Adam don't receive regular pocket money but receive rewards for doing well in school, which is usually £7.99 to make purchases on Fortnite. They also receive £10 from their grandfather when they see him.

The O'Connell family

Melissa, Eric, Annabel (7), Alice (6), Jade (1)

Lower income

Northern Ireland

The O'Connell family live in rural Northern Ireland where Melissa works as a care assistant. Melissa met her partner Eric three years ago. He has three sons of his own and recently moved over from England to live with Melissa. The girls receive money for cleaning their rooms and helping around the house. The money they earn from this is put towards extracurricular activities such as Irish dancing and youth club.

The Kowalski family

Angela, Charles, Amy (9) and Mandy (4)

Lower medium income

Northern Ireland

Angela and her husband are Polish and live with their two daughters in Northern Ireland. Angela is studying biomedicine in Belfast and Charles works as a builder. Amy and Mandy don't receive regular pocket money, but are rewarded with small change or treats for helping with chores around the house.

The Brian family

Charlotte, Siobhan (17) and Michael (15)

Lower income

Northern Ireland

Charlotte and her children live in Northern Ireland. She has recently split from her partner who works in the army. Both children attend grammar school in the local area and do a lot of extracurricular activities including rugby and cadets. Charlotte doesn't give pocket money to the children as she feels she buys them whatever they need. Siobhan is currently working as a waitress in a local fast food restaurant to earn some money.

The Cooper family

Sandy, Becci (14)

Lower medium income

Northern Ireland

Sandy is a single mum working as a benefits advisor in Northern Ireland. She loves travelling and is hoping to do more of this now her daughter is older. They have a strong family network nearby and enjoy swimming in the sea. Her daughter enjoys online gaming in her spare time and likes to attend Comicon events. Becci receives £20 a month via standing order into her savings account, which her mother has been putting money into since birth. Becci is allowed to spend this as she chooses, but is expected to discuss her purchases with Sandy before she buys them.