



# Young Adults: financial capability - challenges and opportunities

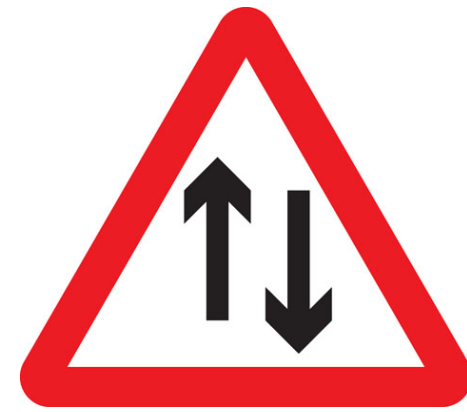
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# Background



- Exploring the potential gap in financial capability of young adults in UK – missing out on compulsory financial education in schools (PFEG 2014) - yet culturally seemingly having little discussion of money within families or society (Gudmunson & Danes 2011)
- In 2014 there was limited specific focus from Money Advice Service, PFEG and Banks as emphasis was on the more overtly vulnerable and school age children (although that has since changed)
- Young adults: next generation rising from the millennium *'most young people in this age period feel like neither adolescents nor (fully) adults, but somewhere in between'* (Arnett 2000, 2006, 2014), known as 'emerging adults'. MAS (18-24 year olds)
- In the context of increasingly complex and financial services marketplace...and an increasingly neo-liberal political environment

# Today: Focus will be on the voices of these young adults



- In early 2016, we presented our initial research findings to Money Advice Service based on **20 individual interviews with young British adults, 10 M/10 F, 18-29 years**
- In 2016 we were commissioned by MAS to undertake a deep dive into their 'Financial Capability Survey' to further explore young adults - supported by additional **5 focus groups of young British adults, 18-25 years, 9 M/14 F, Britis**

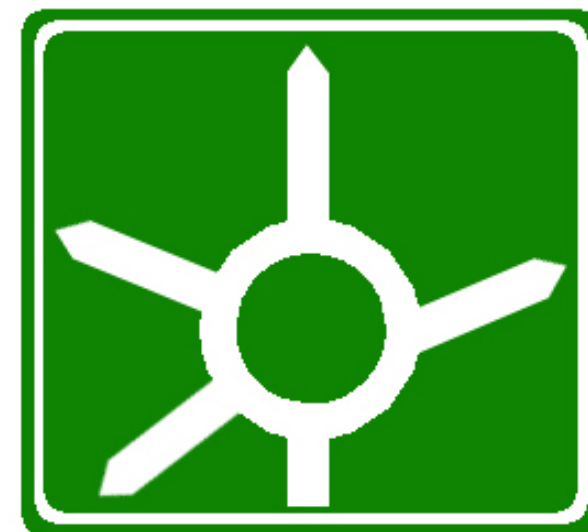
**Important to stress** that none of those who took part in the qualitative research were overtly financially vulnerable but they did come from a range of backgrounds and current circumstances.

Please see detail in 'Young Adult Financial Capability' (2016):

[https://masassets.blob.core.windows.net/cms/files/000/000/525/original/2016\\_08\\_YA\\_Deep\\_Dive\\_Report\\_Final.pdf](https://masassets.blob.core.windows.net/cms/files/000/000/525/original/2016_08_YA_Deep_Dive_Report_Final.pdf)

# Overall: how financially capable did they feel?

- Confident and competent day to day money management – most living from weekly or monthly pay cheque – and limited evidence of any saving or active engagement with planning their finances **beyond short term horizons**
- **Processes for learning:** Evidence of '**incidental learning**' (Roeder, Didow & Calder 1978) or '**experiential learning**' (Drever et al. 2015) rather than '**explicit coaching**'
- Only three key agents of 'financial socialization' identified:
  - Past and ongoing family socialization
  - The paradoxes of the family bank
  - Self-socialization



# Family



## Learn by example (passive, negative and positive role model):

*'They're not financially minded people, if you know what I mean....I don't know if that's just a misguided thing that I have, or kind of a warped image, but I mean I think they're quite good at the base finances, you know the stuff you need to do. But there's nothing more than that, it doesn't seem. I don't really know what else there is out there so I could be wrong.'* (Graham, 24 Charity Worker)

*'The negative mistakes that I've watched them [parents] make have impacted my knowledge of the financial system more than anything'* (Doug, 23, Focus Group 3)

## Control v delegation:

*'I think I only felt probably properly independent in the summer when they [parents] stopped giving me any allowance, I mean it would be nice but! At the same time I think it's, yes, when you're 23 it's probably about time'. (Sonia, 22, Café worker)*

*'I had an ISA for a year and then that matured and I've reinvested it but that was a lot with the help of my mum so I kind of don't really know where I've reinvested it or what I've done with it.'* (Eleanor 22, Graduate Recruit)

## Advice/benchmarking:

*'I'm kind of learning what I'm doing because my brother's just moved up from London and he's just bought a flat... so I go out with him and my mum to his bank appointments about paying stuff off.. I don't really understand through'* (Helen, 19, Focus Group 1)

## Security blanket:

*'She's [Mum] the main, yes, that's where the money is I suppose. I haven't managed to pin down anything job wise to make myself in any way remotely self-sufficient while at university, so it's a combination of student finance with the loan and my mum.'* (Hugo 23, 4<sup>th</sup> year student)

# Bank



- **Historical/rite of passage:**

*'I went with my dad and he decided. But I remember being with him when we set it up, obviously I didn't really understand what was going on but I think he made a point of bringing me with him. He wanted me to understand kind of, don't think I understood at the time. I just knew that if I put some money here then it would be there'* (Sonia 22, Café worker)

- **No real emotional connection, yet no known alternative:**

*Researcher: And where would you go for that [mortgage], do you think?*

*Lynne: I honestly don't have a clue. I think I'd probably start off at the bank, I guess, but I don't know.* (Lynne, 22, Bar Manager)

*'...the man in the pub who has investments', 'men in suits... not like us'* (Doug, 23, Focus Group 3)

- **Blind trust versus avoidance/distrust:**

*'...in built mistrust of financial sector'* (Peter, 24, Focus Group 3)

*'I don't like going in [the bank], I don't feel comfortable'* (Alison, 20, Cafe Worker) and in an extreme case:

*'sort of 10 little spots in my bedroom where little rolls of cash are kept.'*

# 'Self-socialization' (Arnett 2015)



- Internet (Google, Wikipedia, comparison tables dominate)

*'I'd just Google 'student flat insurance' and hopefully find a company and just, I don't know, presumably buy some insurance there'* Jack (22 4<sup>th</sup> year student)

*'Actually for all the things that I do, even how to open a business, how to work the accounts, I've just researched everything online. I think there are a lot of government websites, mostly gov.co.uk, that has got absolutely everything you need.'* Tony (29, self-employed)

- Learning from past mistakes:

- *"Experience kind of tells you, I have no idea; because no-one really knows unless you go through it yourself do you?"* (Dan, 20, Focus Group 1)

*'I wanted to just have a bit of a cushion you know be able to go and if I have 4 days off I can go to Barcelona and not really worry about it when I know that I'm rarely going to have the opportunity later on. So I had a big couple of years and enjoyed it but it did take some time to pay those back and that was tough'* (Harry, 28, Hospitality Manager)



# Very little influence from other agents of financial socialization



- **School:** *'we should be learning how to manage our money not learning trigonometry'* (Anthony 27, Entrepreneur), *'when do you learn about mortgages and stuff?'* (Gemma, 25 Focus Group 3)
- **Work:**

*Researcher: And when do you think you'll start thinking about pensions and that side of things?*

*Hugo (23, final year student) 'Good God, don't know. Once I'm in a stable job I suppose, but I think that with a lot of jobs, do they not sign it up as part of sort of the initial package?'*
- **Peers:** Only in crisis: *'you'll see someone on Facebook or Twitter like "oh student loan day, hooray, let's go shopping" but I wouldn't say we spend that much time talking about it [money], I mean you are aware'* (Mary 22, Cafe worker)
- **Media:** *'boring', 'depressing' or 'difficult to understand'*
- **Government/NGO agencies - MAS, CAB:** *'on low incomes'* and those *'with unstable situations'* (Graham 24, Charity worker)



# Overall challenge remains...

Penny, (21 Focus Group 2)



- *'I don't think people (young adults) are interested in engaging with them (financial services sector) in the first place. I don't think they have as much of a need to engage with them. I just think, no offence, but I think people have to sort of get over trying to make finance fun for young people because its not fun and never will be. I'm not saying that to be negative.'*

# Example of intervention: our next steps...



*'..because our manager has been through what we've been through, like she kind of knows the struggles that we go through with money. She knows our savings, what we've saved up for, what we're saving for, like what we've got going on. She kind of gets - not involved – but she knows what we're going through so she just wants to help out...'* (Vicky, 20, Nursery Nurse, Focus Group 5)

*'I think if you got people out from, like, different work areas, like young people, because they'll interact more with more young people than older...'* (Donna, 21, Focus Group 2)

We are working on an ESRC Impact grant, alongside MAS, Young Enterprise and others, to devise and test **'near to peer'** interventions at three key areas of transition:

- Just before leaving school
- Starting Further Education
- Starting an apprenticeship/work

# Summary: Opportunities to engage young/emerging adults



- Acknowledge their short planning cycle, recognise and devise interventions at key points of transition: 'teachable moments';
- Find ways of engaging during the comfortable time between transitions;
- Utilise peer, 'near-peer' or nominated experts for advice as points of transition are reached;
- 'unbiased' guidance: young adults do not trust or understand the current marketplace;
- education-based practical day-to-day management skills from childhood – the importance of this was stressed by many participants;
- build on family trust as this was by far the most important avenue for information and guidance (albeit complicated by low levels of parental financial capability);
- an increased role for employers (possibly via apprenticeship schemes and graduate employment schemes) in the provision of guidance or targeted interventions to support key transitional financial needs;
- building on online opportunities while addressing or avoiding the problem of overwhelming choice leading to anxiety and lack of capability currently leading to vulnerability online. Regulation?
  - Take a more holistic, lifelong view of financial capability development – a process not a destination...?

Any questions?

