DEBTCRED
The High Sheriffs' financial literacy project

Cash Classes could make kids £32,000 Better Off

News Story

Classes on personal finance and budgeting in schools could make children richer by up to £32,000 between the ages of 35-49 according to the Institute for Public Policy Research (ippr). The evidence from a longitudinal study in America comes ahead of new course units in financial education which will be taught in schools for the first full year from September.

ippr research highlights evidence from the US where they teach children basic finance skills including budgeting, credit management, balancing chequebooks, compound interest and other investment principles. The research shows that financial education has led to people being richer by on average a year's earnings between the ages of 35-49. In the UK this could mean that:

- A couple with two children aged 5 and 11 could be better off by about £32,000
- A couple with no children could be better off by about £22,000
- A single person with no children could be better off by about £13,000

Miranda Lewis, ippr senior research fellow said:

"It pays to get clued up. Lessons that teach young people the basics of personal finance, like how to calculate interest, household budgeting and understanding mortgages, can help them make the right financial decisions later in life and avoid debt problems. The evidence from America shows that financial education can pay real dividends with some people being better off by up £32,000."

Last November 2005 the Qualifications and Curriculum Authority (QCA) published two new work units covering looking after money and saving and spending. These will be part of the Personal, Social and Health Education (PSHE) & Citizenship classes in schools from September 2006. From September 2010 basic finance skills will be taught as apart of the functional maths GCSE.

The framework for PSHE provides for personal finance education to be taught throughout Key Stages 1 to 4. Pupils are taught:

- Key Stage 1 (5-7) year olds will be taught that money comes from different sources and can be used for different purposes;
- Key Stage 2 (7-11) year olds will be taught to look after their money and realise that future wants and needs may be met through saving;
- Key Stage 3 (11-14) year olds will be taught what influences how we spend or save money, and how to become competent at managing personal money;
- Key Stage 4 (14-16) year olds will be taught to use a range of financial tools and services, including budgeting and saving, in managing personal money. And in Citizenship - the rights and responsibilities of consumers, employers and employees.

Notes to editors:

Rethinking Financial Capability: Lessons from economic psychology and behavioral finance by Mike Dixon is available to download from www.ippr.org/publicationsandreports

28 US States – Alabama, Arizona, Arkansas, California, Delaware, Florida, Georgia, Hawaii, Idaho, Illinois, Iowa, Kentucky, Louisiana, Mississippi, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, Oklahoma, Oregon, South Carolina, Tennessee, Texas, Utah, West Virginia, Wisconsin - have had compulsory financial education starting as far back as 1957.