Department of Mathematics Education

Parental Engagement in Children’s Financial Education: A survey of parents’ behaviours, attitudes, and concerns

Tim Jay, Professor of Psychology of Education, Centre for Mathematical Cognition

Introduction

Financial literacy is important for individuals and for society as a whole. Low levels of financial literacy in adulthood are associated with experience of debt accumulation, high-cost borrowing, compulsive spending, poor mortgage choices, mortgage delinquency, and home repossession[i].

Evidence suggests that there are low levels of financial literacy in the UK. An OECD survey of financial literacy levels among 15-year-olds in 20 OECD countries showed that around one in four were “unable to make even simple decisions on everyday spending”[ii]. Further to this, the OECD/INFE 2016 Survey of Adult Financial Literacy competencies, showed that adults in the UK score below the average for OECD countries; just above Thailand and Albania, and well below France, Norway and Austria.

Previous research suggests that one of the best predictors of later financial well-being is the age at which children start having conversations about money and finance with their parents – the younger that children are when these conversations start, the better[iii]. Parental involvement in children’s financial education is important as financial education does not appear in the primary curriculum in England. Previous research also suggests that even when children are taught about money and finance in schools, this teaching is not always effective. Teaching about money works best when it encourages *experiential learning,* where children can relate what they are learning to their own experiences. Again, this means that parental involvement in children’s financial education is likely to be vital to children’s future financial capability.

We know very little about what is actually happening in homes in the UK in terms of parent-child interactions about money. However, research on parental involvement in mathematics education shows that parents often consider education to be the responsibility of the school once children start school. Parents also report substantial barriers and anxieties around supporting their children’s mathematics learning; parents often lack confidence in mathematics themselves, but also frequently feel that they are otherwise not equipped to teach their children[iv]. The limited research that has been conducted on parental involvement in children’s financial literacy suggests that similar factors are likely to be at play.

This research study

To learn more about parents’ behaviours, attitudes and concerns connected with their children’s financial education, we carried out a survey of over 2000 parents of children aged 4-11 years old in England. This is the largest survey to our knowledge to date on this topic.

We recruited parents to the survey via primary schools. Schools were selected at random to provide a representative sample across England, and head teachers were asked to distribute a link to an online survey to all parents of children in the school. 2089 parents completed the survey in total[1].

The survey was designed to explore the kinds of things that parents are doing to help their children learn about money and finance, what attitudes parents have towards children's financial education, and what barriers and challenges parents experience in helping their children learn about money and finance.

Key findings

Here we discuss three main areas of findings from the survey. Firstly, we will outline the things that parents do that are helping their children learn about money and finance. Second, we will explore the barriers and challenges that parents say make it difficult to help children learn and money and finance. Finally, we outline a set of actions that we think are needed in order to improve education and outcomes for young children to improve their future financial capability.

What are parents doing that will help children to learn about money and finance?

The survey gives us a measure of children's financial literacy by combining responses to a set of 9 questions including "My child is able to make good decisions about how to spend their money", and "My child saves money, in case they will need it in the future".

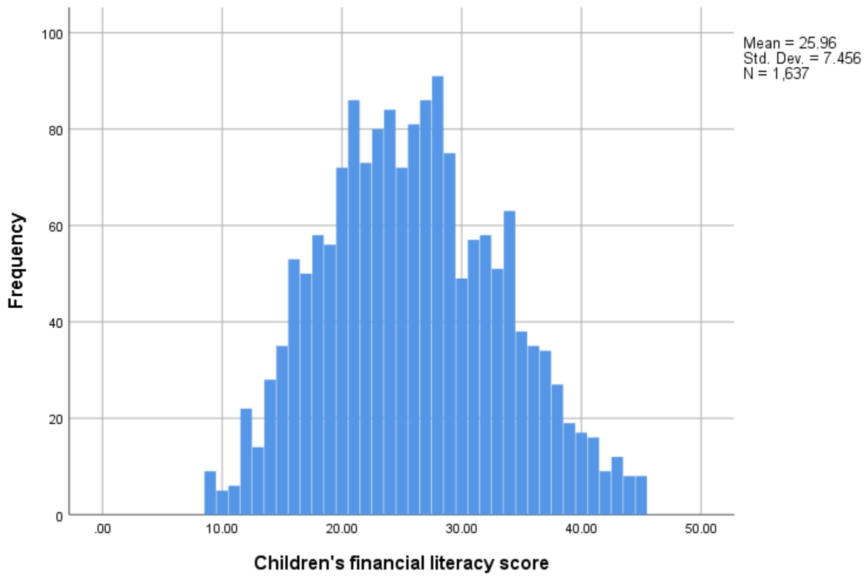

Figure 1: Distribution of children's financial literacy scores

Figure 1 shows a wide range of scores on this measure of financial literacy, spanning from the lowest possible score of 9 up to the highest possible score of 45.

[1] Of the 2089 responses, approximately 1600 completed all questions. Analyses reported here include between 1600 and 1700 participants.

Among all of the questions that we asked parents on the survey, one of the biggest single impacts on children's financial literacy scores was whether parents gave children regular pocket money or not. *On average, the children of the 777 parents who reported giving regular pocket money had financial literacy scores around* ***25% higher*** *than children of the 860 parents who said that they did not give their children regular pocket money*. This is an important finding that backs up what we might expect to see: children who receive regular pocket money have opportunities to save, spend, and manage money in ways that children who do not receive pocket money do not.

A further key finding here was that it does not matter how much pocket money is given. Although weekly pocket money varied widely in our sample (from around £1 a week up to more than £40 a week), there was *no correlation at all between pocket money amounts and children's financial literacy scores*. This is a helpful finding as it shows that even small amounts of regular pocket money help children learn about managing money.

A second important finding from the survey was that parents' attitudes towards talking about money with their children had a large effect on children's financial literacy scores. Parents who regularly involved children in conversations about the household economy had children with significantly higher financial literacy scores than those who did not. In fact, *each additional point on the 'attitudes towards talking about money' scale was associated with a 0.6 point increase in children's financial literacy*. Parents with positive attitudes towards talking to their children about money told us that they regularly talk about their shopping decisions, about where the family's money comes from, and about the cost of household bills with their children, for example. This finding shows that children can learn a lot about money and finance through simple conversations about how money is managed in the household.

How can parents help child learn about the household economy? These kinds of activities correlate well with children's financial literacy scores:

- Talk to children about why you choose to buy one thing rather than another
- Talk to children about where the family's money comes from
- Talk to children about how much different household bills cost
- Discuss ways that you manage the household budget, and make sure there in enough money for things that the family needs
- Take children with you when you go to the shops, to the bank, or other places where financial transactions take place. Encourage them to talk about what they see and to ask questions

A third factor that significantly influenced children's financial literacy scores *was the amount of autonomy children had in managing their money*. Parents who agreed with statements including, "My child should be allowed to make their own decisions about how to spend their money", also reported higher levels of financial literacy for their children. This further backs up the point that children learn best from experience. It is important that children have opportunities to make their own decisions about purchases and about saving so that they can learn about the benefits of good decision making. It is also important that children have opportunities to learn from their mistakes.

How can pocket money habits help children to learn about money? These approaches correlate well with higher levels of financial literacy for children:

- Give small amounts of pocket money on a regular basis. Even 50p or £1 per week gives children the opportunity to learn about managing money and is associated with higher levels of financial literacy
- Encourage children to save at least some of their pocket money. This helps children learn about making good decisions with money as they see that saving can help them to buy things that they really want
- Encourage children to keep track of how much money they have
- Allow children to make their own decisions about spending and saving – children often learn about money best through their own experiences

Difference associated with gender and class

The survey revealed some interesting differences between different demographic variables. For example, among those who receive regular pocket money, *boys receive a median average £3 per week while girls receive £2.50*. Girls were more likely than boys to be given pocket money in cash, while boys were more likely than girls to have their pocket money paid into a bank account. In fact, choice of pocket money method (cash v. paid into an account) may help explain why boys receive more pocket money on average than girls. *Parents who pay pocket money directly into a bank account give £4 per week on average, while parents who give cash give only £2.50 per week*.

The survey also revealed some interesting findings about differences between pocket money habits of parents at different levels of socio-economic status (SES).

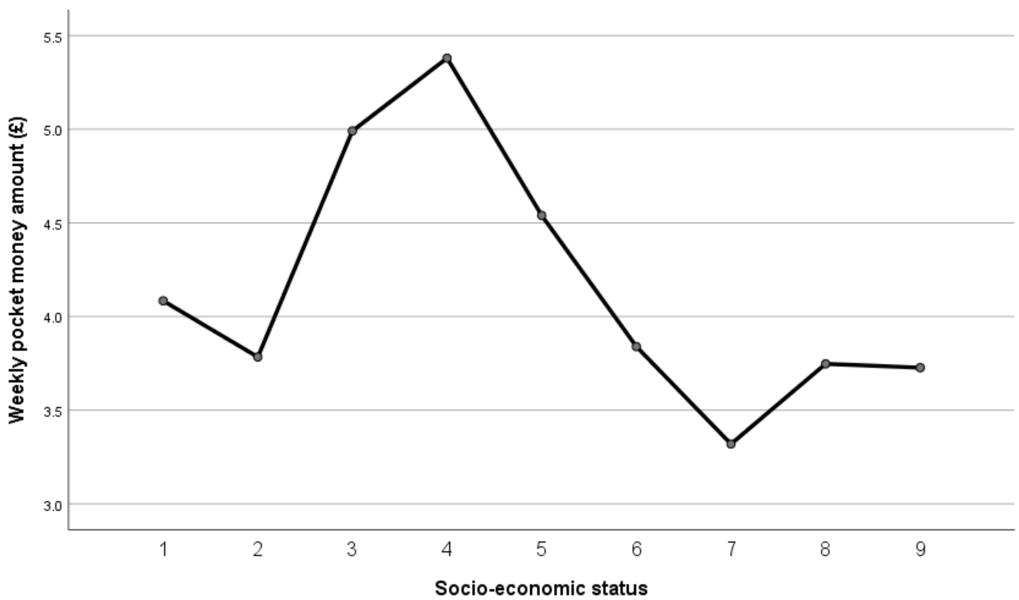

Figure 2: The relationship between weekly pocket money and family socio-economic status

Figure 2 shows that the relationship is not what we might expect. Parents at the top end of the scale, who are among the best off in society, give the least amount of pocket money per week – between £3.50 and £4 per week. The parents that give the most are around the lower-middle part of the SES scale.

What barriers and challenges do parents think are stopping them helping their children learn about money?

The survey showed that there are two main factors that prevent parents doing more to help their children learn about money.

We have described the first factor as *avoidance.* Many parents are concerned that their children may be too young to learn about money, and/or that learning about the household economy might cause children to worry. They also feel that their children may not be interested in learning about money. These parents then avoid talking about money to their children. This is a concern, as parents who reported high levels of avoidance also reported lower levels of financial literacy among their children, even after accounting for factors described above including pocket money habits and attitudes towards talking about money with children.

We have described the second factor as *barriers.* Here, parents feel that they do not have enough time to talk to their children about money, and also feel that they are not confident enough managing money themselves to help their children learn. These parents also report regularly disagreeing with partners or other family members about how to talk to their children about money. Again, these barriers are a concern as parents who report such issues also report lower levels of financial literacy among their children.

These are important findings, as they are both areas that could be improved with better communication to parents about what they can do to help their children learn about money.

What could improve children's learning about money and finance?

There is a need for better signposting for parents on where to go for advice and resources to help them talk to their children about money. The survey revealed some confusion among parents about responsibility for financial education. For example, only 60% of parents disagreed with the statement, "It is more the school's responsibility to teach my child about money than my responsibility as a parent". Money and finance do not appear in the primary national curriculum in England, although there is a good deal of variation in the extent to which schools do include some financial education. This creates some confusion for parents – large numbers are uncertain about whether children are taught about managing money in schools, and about what they should be doing as parents. Clearer guidance for parents on what schools are doing in financial education, and about what parents can do to support this at home, would be welcome.

There is also a need for better signposting of high-quality of resources other than via schools so that parents can find and use them more easily. Many parents reported that they were not confident about knowing what they should be teaching their children about money – some clear guidance on the kinds of concepts that children are likely to be ready for at different ages, and what activities can help children to understand these concepts, could give parents more confidence about what ideas they can easily introduce at home.

We believe that the most important thing that could be done to improve children's financial education would be to *better communicate to parents that they play a hugely important role in their children's learning about money*. Children will benefit a great deal from being given opportunities to manage their own money, and to make decisions about spending and saving. Children learn best through experience – from solving real problems, from achieving goals that they have set themselves, and from making and learning from their own mistakes. Parents who give children these kinds of opportunities and who help children reflect on their decisions will be setting their children up well for the future. Parents can also help children to learn about money and finances by involving them in the household economy. When children are given opportunities to learn about where the family's money comes from and how the family makes decisions about spending and saving, they are likely to gain knowledge and confidence in learning more and developing good financial capability themselves in the future.

[i] Hastings, J. S., Madrian, B. C., & Skimmyhorn, W. L. (2013). Financial literacy, financial education, and economic outcomes. *Annual Review of Economics 5*(1), 347-373.

[ii] OECD (2020). *OECD/INFE 2020 International Survey of Adult Financial Literacy*. Paris: OECD. www.oecd.org/financial/education/launchoftheoecdinfeglobalfinancialliteracysurveyreport.htm

[iii] Agnew, S. (2018). Empirical measurement of the financial socialisation of children by parents. *Young Consumers 19*(4), 421-431.

OECD (2017). *G20/OECD INFE Report on Adult Financial Literacy in G20 Countries*. Paris: OECD.

[iv] Jay, T., Rose, J., & Simmons, B. (2017). Finding "Mathematics": Parents questioning school-centered approaches to involvement in children's mathematics learning. *School Community Journal, 27*(1), 201-230.