Kids' money matters

A report by Orbis Access on attitudes to money among 7 to 11 year olds

ORBIS ACCESS

Introduction

"This study finds that children are not destined to be bad with money – quite the contrary."

I am delighted to introduce a survey of 1,000 schoolchildren aged between 7 and 11 years of age. This study provides unexpected insights into these incredibly formative years.

The importance of financial literacy is only now gaining the attention it deserves, given that the attitudes children develop towards money during these years has a profound impact on their later lives. As long-term investors, Orbis Access wanted to find out more about how our relationship with money first develops and what we can learn from this.

By the time we reach adulthood, statistics bear out how many of us struggle with money. Uncontrolled levels of debt and lack of savings are all too common. Is this situation inevitable? It seems not. This study finds that children are not destined to be bad with money – quite the contrary. So, is there anything parents can do to set children on the right path to avoid the financial pitfalls of adulthood?

To help answer such questions, leading Child Clinical Psychologist Dr Elizabeth Kilbey has supported this report with incisive commentary and practical 'real world' tips for parents.

Dan Brocklebank, Director, Orbis Access

Orbis Access *is an online retail investment company that was launched in January 2015 with a single mission – to make long-term investing simple and accessible to everyone. Accounts can be opened from as little as £1. It offers two funds with a unique fee structure based on performance, where investors are only charged when a fund's returns exceed those of its benchmark. This is in stark contrast to the vast majority of retail funds which charge a flat fee, regardless of how they perform. Orbis Access is part of Orbis Investments, a successful fund manager with over 25 years of experience, managing around £15bn and employing around 400 professionals in global locations, with the largest number based in London.*

Foreword by Dr Elizabeth Kilbey

My experience and knowledge of child development has helped me understand that if we (parents and society) want to achieve the goal of raising happy, successful adults then we need to teach them about money; not only the mechanics of it, but also how to have a healthy relationship with it.

"Learning about money should be seen as being as important as learning to hold a pencil"

Teaching children concepts about money needs to start as soon as they are ready to engage with more formal learning, when they are starting to develop numeracy and literacy skills. Learning about money should be seen as being as important as learning to hold a pencil and turning the pages of a book. It should be an integral part of the initial stages of education, and children are cognitively and developmentally ready to learn this information at that age.

Financial education and the mechanics of using money and financial products, are not widely taught in schools and are only just coming into the national curriculum now. So if schools aren't teaching it, where are our children going to learn this information? The obvious place is in the home. **Indeed, 93% of the children in this survey agreed that their parents teach them about money**, but many parents do not feel that they have the skills and knowledge to do this difficult task justice.

There is currently a huge learning vacuum about money in the UK, not least because we still find it very hard to discuss. It's seen as a very personal and private topic and even within families it's avoided. This is a problem because money is a constant in everyone's life and if we aren't giving our children the skills of financial capability, then how are they going to achieve their ambitions?

"This survey provides a deep understanding of seven to eleven year olds' perceptions of money"

Every parent I meet has similar aspirations for their children – to have a happy and independent life – and being financially secure is an essential component of that.

This survey provides a deep understanding of 7 to 11 year olds' perceptions of money, and some fascinating themes and issues shine through which I think help inform how parents should approach the subject with their children.

Dr Elizabeth Kilbey *is a Consultant Clinical Psychologist in the NHS with over 15 years' experience working with children and families. She has a particular interest and experience in promoting the understanding of children's development and how they learn about money. Dr Kilbey is one of the experts featured on the Channel 4 series "The Secret Life of 4, 5 and 6 Year Olds".*

The world of 7 to 11 year olds by Dr Elizabeth Kilbey

Children's learning or development goes through a number of stages before it reaches full adult cognitive ability. Between the ages of 7 to 11, children gain a better understanding of mental operations. They begin thinking logically about concrete events, but have difficulty understanding abstract or hypothetical concepts. This means they are very well placed to understand a practical concept like money, which can be demonstrated to them using everyday, real-life examples.

"Orbis Access' survey demonstrates that children of this age have a keen awareness of money"

Orbis Access' survey demonstrates that children of this age have a keen awareness of money too, and whether parents like it or not, it's a subject about which we need to engage with them.

The findings reveal that children see the value in saving and waiting for their money to grow. It is clear that they have the basic skills to become good money managers, but this appears to have changed by the time they reach adulthood. Currently, the average consumer credit debt per person is £6,800 and by 2021 it is expected that total household debt will average £94,500, totalling £2.6 trillion[1] nationwide. As a country we cannot continue to have such a cavalier attitude to money and our children need to be educated to recognise the benefits of saving and how investing can help them, their families and, ultimately, the country.

So how do we do this? Children in this age group are still very much visual learners. They understand through watching and modelling from others. They then develop these skills through practising and trial and

"Children see the value in saving and waiting for their money to grow."

error. This means that they need to be shown how to work with money and then given the chance to practise for themselves. The report findings tally with how we would expect children's development to be at this stage. Typically, they are developing a strong sense of 'good and bad', what is 'right and wrong'. This is an excellent platform for teaching good habits or values associated with money.

"... they need to be shown how to work with money and then given the chance to practice for themselves."

Children of this age are drawn towards accruing just about anything, whether that be football stickers, or knowledge about dinosaurs. They are gathering information and resources, ready for the leap into independence and autonomy that will begin with adolescence. Importantly, they are also drawn to adults as role models, particularly their parents. The behaviours that they are exposed to at this age group will be key in shaping their future behaviours – and this is very true for money habits. It is particularly the case because schools are not explicitly teaching children about money, so they are predominantly learning through observing the habits and actions of their parents.

I also know that lots of parents have some illogical or even unhelpful habits built around their relationship with money, such as having savings whilst also servicing short-term debt, and this is not a strategy that we want to pass on to the next generation.

Let's see now what children think...

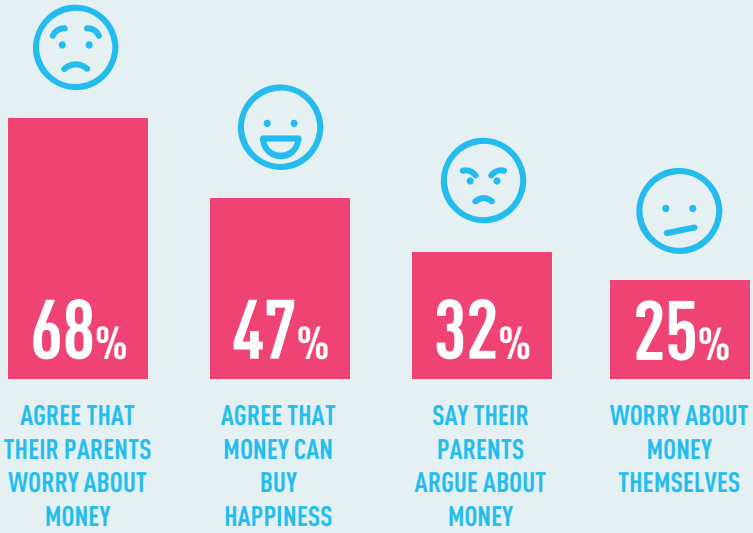
Dr Elizabeth Kilbey

[1] *http://themoneycharity.org.uk/money-statistics/*

1 Let's talk about... erm, money

Children already know that money is a hot topic; something that adults disagree about and worry about. Some children are even beginning to worry about it themselves...

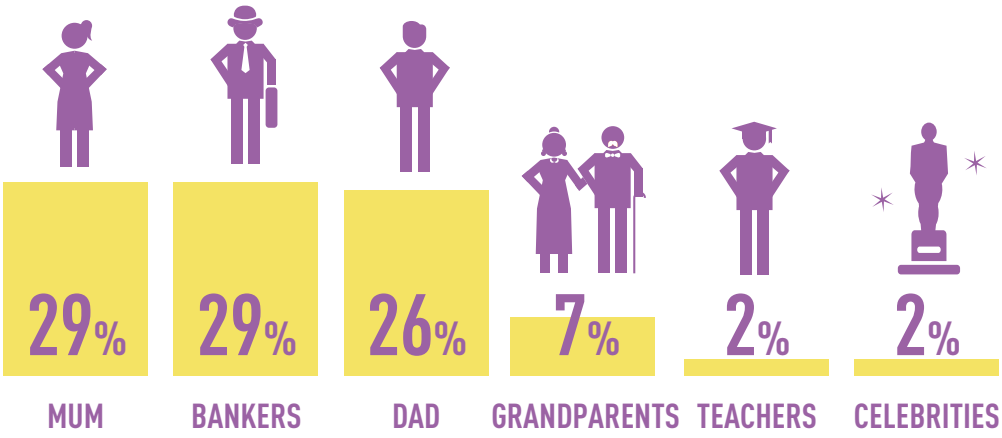
Can money buy happiness?



Many parents talk about wanting to protect their children from being exposed to money at too young an age. Childhood, they say, should retain innocence and not be burdened by complex adult emotions associated with money. But this research tells us that despite our best efforts to shield them from financial troubles, they know. This is particularly upsetting for parents, when you think that this is exactly what they have been trying to avoid. So what's the answer for a generation of children who are starting to worry about money? Teach them about it. Empower them. Give them the skills and knowledge they need to grow into adults who worry less about money.

Children look to their parents for support and advice with **93%** agreeing that their parents teach them about money and **79%** saying that their parents are good at saving. Here are the people that children think know most about money...

Who do you think knows most about money?



I often work with parents to embrace the idea of 'being the parents your child believes you to be'. Children of this age innately trust their parents and think that they are doing the right thing. Now, this might feel like a big role to live up to, but it's also a very good foundation to start having faith in the skills you have as parents and confidence to share those with your child, and this is no less important than when it comes to money.

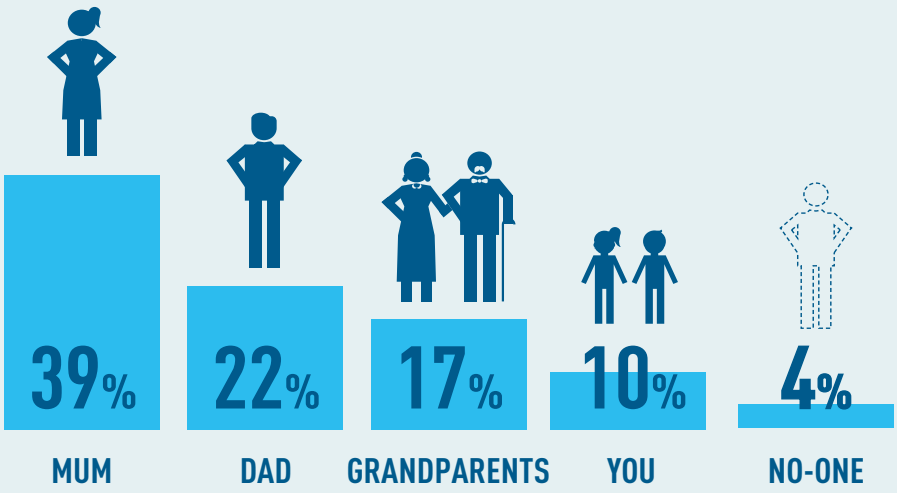
If you were given £1,000 today, what would you do with most of it?

Buy a love present for my crush and save the rest!

SURVEY VERBATIM

Mothers are considered best at saving by their children, with dads coming in a poor second – but both are expected to be on the case – **53%** of children reckon their parents will continue to dole out cash to them when they are an adult!

Who's best at saving money?



Mums are usually the ones showing their children how to use money and the research reflects this. This may also be a nudge to dads to think about the ways that they can show their children that they also have good money habits – which no doubt they do, but perhaps children have more opportunity to see mums engaging in financial activity.

What do you intend to buy with the money you have saved?

Ferrari when I'm older

SURVEY VERBATIM

2 Cash... what's that?

Nearly two thirds of the kids surveyed **(64%)** claimed they 'know enough' about money. In reality they don't really understand what some everyday items cost...

What do these things cost?

	PINT OF MILK	LOAF OF BREAD	CINEMA TICKET	TRAINERS	IPHONE	REGULAR CAR	UNIVERSITY DEGREE	THREE BEDROOM HOUSE
7 TO 11 YEAR OLDS THINK ON AVERAGE THESE THINGS COST:	£4.38	£4.01	£12	£36	£420	£129,000	£137,000	£1.7M
REAL COST:	46P	95P	£6.55	UP TO £55	FROM £539	UP TO £30,000	£27,000	£292,000

No parent is going to be surprised to hear that children think they know it all already! But what the data shows us is that they've a bit more learning to do. Understanding the value of money in the real world is one of the foundation concepts that children need in their journey of understanding money.

If you were given £1,000 today, what would you do with most of it?

Give some of it to poor people

SURVEY VERBATIM

Kids don't have a realistic understanding of salaries and what they can expect in the future. On average, they expect to earn **£178,000** when they grow up! Here's what they thought others earn...

How much do these people earn?

TEACHER	DOCTOR	POLICE OFFICER	PRIME MINISTER	QUEEN
£1.1M	£105,000	£211,000	£42M	£20BN

It warms my heart to think of a world where a teacher earns more than 25 times their current average wage[2]. This statistic tells us how much children value teachers, as they play a significant role in their lives compared to other professions.

What do you intend to buy with the money you have saved?

I'd get my gran a new walking stick

SURVEY VERBATIM

[2] *The average annual teachers' salary is £37,800 according to the Department for Education: https://getintoteaching.education.gov.uk/funding-and-salary/teacher-salaries*

3 Trust me...I'm seven!

The vast majority of kids **(95%)** understand the importance of saving money with **73%** agreeing that they are good at it, and they do seem to have a decent amount saved up...

How much have you saved up and where?

A PIGGY BANK – CASH AT HOME (MEDIAN)

£10

YOUR BANK ACCOUNT (MEDIAN)

£100

Excellent news – children already know about the importance of saving money and they are doing it, but do they understand what to do with the money they are saving? Are they fully engaged with the saving process? Thankfully the majority is in a bank account, which is very encouraging news indeed, but some children are still 'storing' money in a piggy bank! That's not saving – that's hoarding by another name.

Piggy banks are useless

As a teaching aid for financial management, a piggy bank is not very helpful. It's a device where children put their money, but can't easily see it or know how much is in there without getting it all out again, or keeping a note of every coin added. Also marching off to the shops with handfuls of small change is less than practical and does not tally with the increasingly digital financial world that we live in.

Children see the value in waiting for money to grow – the basic principle of long-term investing - with **73%** preferring to wait 9 months to receive £1,000, than to be given £100 now **(18%)**.

Which option would you choose?

TO BE GIVEN £100 NOW	TO BE GIVEN £200 IN SIX MONTHS' TIME	TO BE GIVEN £1,000 IN NINE MONTHS' TIME
18%	7%	73%

In psychological terms they have mastered the concept of delayed gratification and this is great news because you need this to become a top-notch saver. You need to be able to understand the increased benefits of waiting for your reward and to have the willpower to stick to it. This is an important developmental stage that all children need to acquire and they don't all get there at the same time.

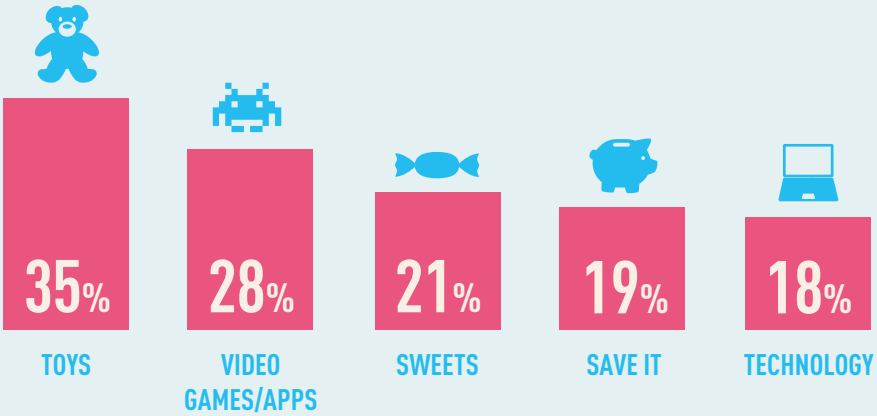
If you were given £1,000 today, what would you do with most of it?

Buy a hot tub

SURVEY VERBATIM

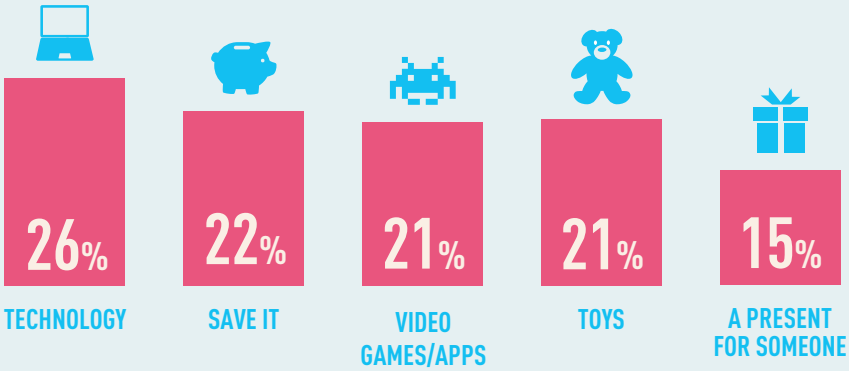
When it comes to spending their savings, toys and technology top the list but **nearly one-in-five (19%)** would prefer to save it...

How will you spend your savings?



And if given £1,000 in one go, **22%** say they would save the cash rather than spend their windfall...

How would you spend £1000?



We have a generation of budding savers among us and they are learning these excellent habits at home. This is the perfect springboard for us to build lessons about money and life skills for the future generation. Nearly all the children surveyed (97%) said they wanted to be good with money as an adult. This is the clearest signal that children want to develop the skills needed to be financially capable adults.

Dr Kilbey's advice for parents

5 principles

Get physical – learning about actual money, the coins and banknotes. Most parents think that this is all that goes in to learning about money, but it's not the only lesson.

Be practical – how to use money and its value in the real world. The practicalities of how to buy things and how the cost of items compares. The real world cost of things.

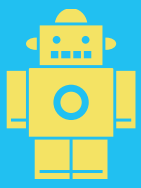
Three things – the things you can do with money: earn it, save it, spend it. Children need to learn all three of these skills because they are going to need them all in adulthood.

Don't be afraid – money can sometimes be a 'scary' subject to talk to your children about, but if you avoid it they will have the same psychological relationship with it.

Be open – allow your child to see you dealing with money, making sure that they pick up good habits from a young age.

Practical examples

Give them the task of buying lunch with a small budget. They've got to feed everyone for a set amount. This is great for teaching budgeting, decision making and prioritising. You can also plan a day out with them and work out how much it will cost.



Begin to tune them in to the real life costs. Start with stuff that interests them, such as toys, games and then everyday items like milk and bread. Get them to compare prices in different shops or across different products and, get them going online to look up the cost of things; they'll be particularly good at this if they are researching something they want to have!

Write a savings list. Find out what items your child would like to save for and then get them to work out how long they would need to save up to get it, and how they might earn money to buy it.

Teach older children how to use a cash point. Parents should show them the stages of doing this and the importance of financial security when using the cash point and shielding your PIN. They need to be shown how to make deposits and withdrawals in an actual bank or post office.

Final thoughts...

The relationship that children develop with money in their formative years will affect them for the rest of their lives, so it is vital that they are taught about the concept of money and how to manage it well as soon as they are ready to engage with a formal learning process.

Teaching children about money is not simply a case of showing them the difference between a £20 note and a 10p coin, for example. Nowadays, there is the added complication that children are and will be using physical banknotes and coins less and less. From cashless school dinner systems to contactless cards, they are already using money in a digital way, so they need to understand and be shown how money works in the digital world.

"Real-life financial education cannot be replicated by the school system"

The piggy bank will be going the way of the dodo, and the days of children going to the sweetshop with handfuls of small change will soon be a quaint memory in the increasingly digital financial world that we live in.

Parents are a vital component of educating children about this new financial landscape, especially as there is limited financial education in schools. Children look up to their parents who can lead by example and give day-to-day lessons on money when out at the shops or planning a family day out. This real-life financial education cannot be replicated by the school system and is the best way for children to form good, long-lasting financial habits.

"Parents need to nurture this enthusiasm to learn about money"

The research by Orbis Access shows that children already understand the central role that money plays in daily life. However, parents need to nurture this enthusiasm to learn about money to ensure that good habits are ingrained in them when they become adults.

Dr Elizabeth Kilbey

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All numbers based on an independent online survey conducted by Censuswide on behalf of Orbis Access; 1000 children aged between 7 to 11 years old were surveyed online between 24.03.16-31.03.16.