Press release

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NEW STUDY CONFIRMS ADULT MONEY HABITS ARE SET BY THE AGE OF SEVEN YEARS OLD

Research highlights the power of parents to foster money skills at home;
Service commits to help parents get 'back to basics' to teach their kids essential money habits.

A study published today by the Money Advice Service highlights the power which parents and caregivers possess to shape the money habits of their children - core behaviours which they will take into adulthood will affect financial decisions they make during the rest of their lives.

Based on evidence in the report, the Service urges parents not to underestimate the effect their own good (and bad) money habits will have on their children. It believes a winning combination of good habits at home combined with simple and playful parenting and teaching resources is required in order for children to develop good money management skills, which are essential to help them become financially capable adults.

Authored by behaviour experts at Cambridge University, the report reveals key findings about how and when core behaviours and habits are formed in young children, for example:

- by the age of seven most children have grasped how to recognise the value of money and to count it out; and by this age they will also have come to understand that money can be exchanged for goods, as well as what it means to earn money and what income is;
- by the age of seven, most children in the UK are capable of complex functions such as planning ahead, delaying a decision until later and understanding that some choices are irreversible; but children under eight years old have not developed an understanding of the difference between 'luxuries' and 'necessities'.

The literature review which underpins the report brings together insights from over 100 studies in the last 30 years - is a pivotal stage in the Money Advice Service's commitment to *"equip young people with the skills, attitudes and behaviours they need to manage their money"* as set out in the 2013/14 Business Plan.

The Service will now take two key steps:

- draw on the suggested strategies in collaboration with partners who are also working to improve and develop financial education (including charities, such as pfeg, the Personal Finance Education Group) and non-school organisations (such as financial services firms); and
- create products and services which parents/carers/teachers can use to help children understand the important concepts that underpin many money skills. These solutions will be developed in collaboration with partners, but initial ideas include simple visual guidance – such as video content - to help parents/carers/teachers and a picture story book.

Commenting on the publication of the study, **Caroline Rookes, CEO of the Money Advice Service,** said:

"This study really demonstrates the power of parental influences, and illustrates how much of what you learn and absorb when you are young, both consciously and subconsciously, affects the choices you make throughout the rest of your life. Over the next few months, we will be working closely with experts in education and the financial services industry to bring together a forum, and develop world-class parenting and teaching resources. But these steps alone are not enough - even more can be done to shape the money habits of young children, by including money education in the primary school curriculum in England."

Co-author of the new study, **Dr David Whitebread, of Cambridge University** said:

"In today's world there are many pressures on young children and their families which make financial education increasingly important. The 'habits of mind' which influence the ways children approach complex problems and decisions, including financial ones, are largely determined in the first few years of life. Simply imparting information is now recognised as being ineffective in this area. By contrast, early experiences provided by parents, caregivers and teachers which support children in learning how to plan ahead, in being reflective in their thinking and in being able to regulate their emotions can make a huge difference in promoting beneficial financial behaviour".

Commenting on the publication of the report, **Tracey Bleakley, Chief Executive of pfeg (Personal Finance Education Group),** said:

"This useful research underlines how crucial it is that financial education starts from a young age, which is why we need to see it taught in all primary schools as well as at secondary level. Parents have a key role to play in reinforcing this by talking to their children about money and helping to pass on good financial habits. After our recent victory in securing a place for financial education in the secondary National Curriculum, now is the perfect opportunity to build on this success. We are looking forward to working with the Money Advice Service and others to make this happen."

ENDS

NOTES TO EDITORS

1. *Habit Formation and Learning in Young Children,* by Dr David Whitebread & Dr Sue Bingham (University of Cambridge) was commissioned to understand how and when core behaviours and habits are formed in young children. Read the full report on the Money Advice Service's website: www.moneyadviceservice.org.uk/en/static/publications#research

2. The study highlights simple ways parents, carers and teachers can help children understand the important concepts that underpin many money skills, such as: waiting whilst saving to afford something they want; understanding the concept of 'future'; dealing with delayed gratification; avoiding impulsive, irreversible decisions.

3. The findings will help the Service deliver its commitment to equip young people with the skills, attitudes and behaviours they need to manage their money (see p31 of Business Plan 2013/14: www.moneyadviceservice.org.uk/files/the-money-advice-service-business-plan-2013-14-final-v3.pdf. During 2013/14 the Service will work to encourage, support and enable parents/carers/teachers, with a particular focus on parents and teachers of children under seven; develop resources and learning material for use by parents/carers/teachers; and facilitate the distribution of resources through appropriate partners.

4. About the authors:

   Dr Sue Bingham (Cambridge University) ran a nursery school in Bedford for ten years, following her training as a Montessori early years teacher in California and London and several teaching positions in both Montessori and mainstream settings. During this time she became interested in young children's emotional and social development and studied for a Masters, then PhD degree at the University of Cambridge, investigating ways of assessing and supporting young children's emotional and social knowledge and regulation in classrooms. Recently, she has worked as an early years adviser and for the Pre-School Learning Alliance, advising and coaching practitioners in best practice and as a tutor on the Early Years and Primary PGCE course within the Faculty of Education at Cambridge.

   Dr David Whitebread (Cambridge University) is a developmental cognitive psychologist and early years specialist. Before joining the Faculty he taught in Primary schools for 12 years. His research interests are concerned with children's cognitive development and implications for early years and primary education. A particular focus has been the development of metacognitive awareness and strategic control in relation to a number of areas of learning. These have included children's problem solving and reasoning, mathematical strategies and road safety skills. Other interests include children learning through play, early years ICT, the education of the gifted and talented, children's drawings, and the application of cognitive neuroscience to education. His current particular focus is concerned with the early development of metacognition and self-regulation in very young children.

5. In February 2013 the Secretary of State for Education announced a public consultation on the new draft National Curriculum in England. The Service welcomed the announcement; read its submission to the Department for Education (DfE): www.moneyadviceservice.org.uk/en/static/publications#responses.

6. The Money Advice Service will work with the Department for Education (DfE) and others to agree how best to deliver the financial education component of the new Curriculum as well as strategies that ensure that the knowledge delivered by curricula across the UK is effective in enabling people to develop positive financial behaviours in the long term. It will also work with academies, independent and free schools that are not required to deliver the Curriculum, to help embed financial literacy in their own curricula.

7. The Money Advice Service supports the aims of the APPG on Financial Education for Young People: www.publications.parliament.uk/pa/cm/cmallparty/register/financial-education-for-young-people.htm

About the Money Advice Service

The Money Advice Service is an independent organisation. Set up by government to help people make the most of their money, it gives free, unbiased money advice across the UK – online, over the phone and face to face. The Service is paid for by a statutory levy on the financial services industry, raised through the Financial Conduct Authority. Its statutory objectives are to enhance the understanding and knowledge of members of the public about financial matters (including the UK financial system), and to enhance the ability of members of the public to manage their own financial affairs. The Service has an independent Chairman and board appointed by the Financial Conduct Authority. It was formerly the Consumer Financial Education Body.

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