Financial Capability Strategy for the UK

NPC

Financial capability outcome frameworks

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August 2014

Executive summary

Millions of people in the UK struggle to make the most of their money; to budget effectively, plan for the future and make informed decisions. Around a third of the population [17 million] currently don't make a budget.[6] 84% of UK adults do not read full terms and conditions when taking out financial products[2] and one in six people struggle to identify the balance on their bank statement.[3] Nearly half (48 percent) of adults across the UK admit to falling into debt as a direct result of their social lives.[4] This kind of poor financial behaviour leads to stress and reduced quality of life, and prevents people from realising their goals. It is therefore a priority to build financial capability across the UK.

To raise people's level of financial capability, organisations working in this field—and the funders that support them—require a good understanding of what works. In-depth discussions with those working in the financial capability sector have revealed the need for a common approach to assessing the success of different interventions. This will make it possible to share what is currently known to be effective, build the evidence base, and ultimately help organisations have a greater impact on the people they are trying to help.

Evidence that interventions do affect financial capability and behaviour is mixed. This is partly because resource has not been invested in investigating the problem, and studies cannot be compared because of differences in research design. Building an evidence base would be facilitated by a better and common understanding of what and how to measure. This report answers the 'what' to measure aspect, describing the important outcomes in financial capability, the evidence behind them, and indicators to show progress. The next stage would be to identify or develop appropriate measurement tools for each indicator.

In response, we have created two financial capability frameworks—one for adults and another for children and young people—developed through extensive research and consultation with a large number of sector experts and practitioners.

Financial capability describes people's ability to handle their finances. The two frameworks group changes or benefits that result from financial capability interventions (outcomes) under three headings: ability (knowledge and skills); mindset (attitudes and motivations); and connection to products, services and tools. Financial capability affects people's financial behaviour, such as how well they pay down problem debt or manage money well day-to-day. Financial behaviour is also affected by people's means—how much money they have—and external pressures, including big life events like having a baby.

Good financial behaviour helps to improve adults' sense of financial well-being and feelings of security. Living without financial stress enables them to better meet their goals. It is also important to give children the building blocks of financial capability to prevent bad financial habits setting in and keep them on track for good financial behaviour in future.

For the outcomes in each of the frameworks, we have developed indicators that the outcome has been achieved. For children and young people, appropriate indicators have been set for different ages of development. We also include a discussion of vulnerable groups, including reasons for vulnerability.

Using these frameworks will help organisations think through which outcomes they affect and how this contributes to improved financial capability, good financial behaviours, and as a consequence financial well-being. The evidence base provided in this report should allow delivery organisations to understand what is the most appropriate and effective way for them to help their clients and help funders make decisions about where best to focus resources. Over time the developing evidence base will demonstrate how much we can drive financial capability across the UK.

Following the consultation on the UK strategy work will be undertaken to identify or develop appropriate measurement tools for each indicator. This will answer the 'how to measure' question facilitating the development of a common understanding and enabling those involved to successful deliver a step change in financial capability.

Contents

Introduction

Millions of people in the UK are struggling to manage their money and make provision for the future—at least 17 million adults run out of money before payday.[5] Low financial well-being leads to stress and poor quality of life, and can prevent people from realising their goals.

Increasing levels of financial capability in the UK population is a priority. Financial capability enables people to make good financial decisions, plan for the longer term and avoid becoming over-indebted, ultimately improving their lifelong financial and general well-being.

The Money Advice Service is leading the development of a new Financial Capability Strategy for the UK. One of the strategy's core aims is to help the financial capability sector to evaluate the impact of its services in a robust and consistent way. To achieve this, the Money Advice Service has commissioned NPC to develop two financial capability outcomes frameworks: one for adults, and one for children and young people. These outcome frameworks seek to create a common language about what success looks like in improving financial capability. The frameworks will form part of a wider evaluation toolkit, which will include step-by-step guidance and practical tools to help organisations decide how best to measure their outcomes. The aim is to support growth in the evidence base around 'what works' in increasing financial capability, and to ensure that, in future, resources are focused on interventions that are most effective in improving people's lives.

The frameworks contained in this report are designed for providers and funders of financial capability programmes, who want to understand measure the impact of and direct the focus of their work, as well as for research and evaluation professionals working in this field. They have been developed collaboratively with input from charities, funders, academic researchers and others. A list of all those who contributed can be found in Appendix A.

Financial capability in the UK

Many people find looking after their finances a problem: Around a third of the population [17 million] currently don't make a budget.[6] 84% of UK adults do not read full terms and conditions when taking out financial products[7] and one in six people struggle to identify the balance on their bank statement.[8] Nearly half (48 per cent) of adults across the UK admit to falling into debt as a direct result of their social lives.[9]

To make a significant change we must equip the people of the UK with the skills, knowledge, attitudes and motivations to act in a financially capable way and also influence those external factors that can enable or inhibit financially capable behaviour.

For people who lack financial capability, the consequences can be severe. If their circumstances change (through losing a job or having a baby, for instance), those who are already struggling can find themselves in real financial trouble, such as being threatened with losing their home.

Why understanding impact is important

In order to improve people's financial capability in the most effective and efficient way, organisations working in this field and the funders supporting them need to have a shared, evidence-based understanding of what works in this area. By measuring their impact, organisations can:

> **Learn what they are achieving:** Measuring impact helps organisations find out which activities are most effective at achieving the outcomes they are aiming for, and identify how they can improve the impact of their services.

> **Demonstrate the value of their work:** Funders (including foundations, trusts and financial services institutions) have social objectives, and government commissioners require evidence that they are getting value for money. Organisations need to be able to show that they are helping funders meet their objectives by creating the desired outcomes.

> **Communicate and engage with stakeholders:** Impact measurement can help motivate staff, engage beneficiaries, and communicate outcomes to other stakeholders.

For funders a shared understanding of impact assures them that initiatives are delivering their objectives and can help direct funding decisions.

Shared measurement

Consultations involving the financial capability sector have highlighted an appetite for a common and consistent approach to assessing impact. Without a collective approach, charities, funders and other organisations working in this space miss out on important lessons and opportunities to demonstrate the value they create.

Shared measurement builds on a common understanding of what to measure and how to measure. The frameworks we present in this report develop the 'what to measure' aspect of shared measurement. They create a common language for the outcomes that contribute to people's financial well-being, and as such lay the foundation for the second, 'how to measure' component of shared measurement: a library of tools and approaches that organisations can use to measure their impact on financial well-being.

A shared approach to measurement offers organisations a wealth of benefits, including:

> **Savings on the costs of measurement and evaluation:** Organisations can adapt and use others' tools instead of always developing their own.

> **Lessons about what works:** Organisations that have a common language for talking about their work and results find it much easier and quicker to assess what works, making the sector as a whole more effective.

> **A growing evidence base:** If a group of organisations measure outcomes in the same way, individual organisations can then demonstrate their impact without having to evidence all causal links from their activity to the end goal of improved financial capability. Over time the consolidated evidence base supports the efficient design of future interventions.

How we developed the outcomes frameworks

This report contains two financial capability outcomes frameworks: one for adults, and one for children and young people. These frameworks are based on the financial capability framework that has been developed as part of the Financial Capability Strategy. In their development we conducted an extensive literature review, including academic papers, research reports and evaluation reports, and consulted a significant number of sector experts and practitioners. The Money Advice Service issued a call for evidence in the summer of 2013, which brought a broad array of submissions from organisations working in the field of financial capacity. Experts in the field also inputted into the design of the frameworks through three workshops, and the draft frameworks were refined through five expert interviews. (See Appendix B for further details.)

In developing the frameworks, NPC drew on key success factors identified in the Blueprint for shared measurement, which explores how to develop, design and implement successful shared measurement approaches based on an analysis of previous initiatives.[10] We also used NPC's experience of developing shared measurement approaches in other sectors, including the Journey to Employment (JET) framework for youth employability,[11] and NPC's well-being measure for young people.

This report

This report helps people understand what is involved in improving people's financial capability, and how that impacts on financial behaviour and as a consequence has the potential to improves financial well-being. It discusses the evidence base behind the outcomes, describes indicators for each outcome, and synthesises the evidence that links common types of financial capability interventions to these outcomes.

- Chapter one introduces the financial capability model (including definitions of financial capability, financial behaviour and financial well-being) used in this report and in the Financial Capability Strategy.
- Chapter two details the outcomes included in the adult financial capability framework and the evidence base for these outcomes.
- Chapter three details the outcomes included in the children and young people financial capability framework and the evidence base for these outcomes.
- Chapter four discusses vulnerable groups and how their financial capability is affected.
- Chapter five looks at the main types of interventions in the financial capability sector, and the state of the current evidence base showing whether they work in raising financial capability.
- Chapter six discusses how to use the frameworks and outlines next steps in their development.

Once the outcome frameworks have been finalised, the next phase of work will be developing tools to measure the indicators. This will be led by the Money Advice Service and will be informed by existing best practice around measuring financial capability. The indicator measurement tools will need to be adapted to recognise the circumstances of people at different life stages, as well as the appropriateness and effectiveness of different research tools for the groups in question.

The UK Financial Capability Strategy

The new UK Financial Capability Strategy represents an opportunity to take a major step forward in developing the financial capability of the UK. Success will realise significant benefits for individuals and families across all sections of society, for business and the wider economy.

The draft strategy for consultation issued in September sets out the new approach to understanding financial capability, its impact on financial wellbeing, and proposed priorities for action. It has been developed collaboratively with many partners from across the financial capability sector.
This collaboration, led by the Money Advice Service, will continue as the Strategy develops further. The final Strategy will include specific recommendations making up a clear and measurable programme of work for raising financial capability.

For more information on the strategy see **fincap.org.uk**

About The Money Advice Service

The Money Advice Service exists to enhance public understanding and knowledge of financial matters, and to help people manage their financial affairs. It provides a free, independent service, giving clear unbiased money advice to help people make informed choices. The Money Advice Service is an independent organisation set up by government and are paid for by a levy on the financial services industry. It gives people information and advice for online, over the phone, and face to face with through trained money advisers. It also provides tailored money advice to help people make choices at key points throughout their lives, whatever their circumstances.

The Money Advice Service works with partners from a wide range of industries, government and other sectors to find innovative ways to make money matters and financial choices clearer for everyone. For more information see **moneyadviceservice.org.uk**

About NPC

NPC is a charity think tank and consultancy that occupies a unique position at the nexus between charities and funders, helping them achieve the greatest impact. We are driven by the values and mission of the charity sector, to which we bring the rigour, clarity and analysis needed to better achieve the outcomes we all seek. We also share the motivations and passion of funders, to which we bring our expertise, experience and track record of success. By helping them use their resources more effectively, by inspiring through new thinking and by prioritising impact, NPC transforms the sector. For more information see **thinkNPC.org**

1. Financial Capability Framework

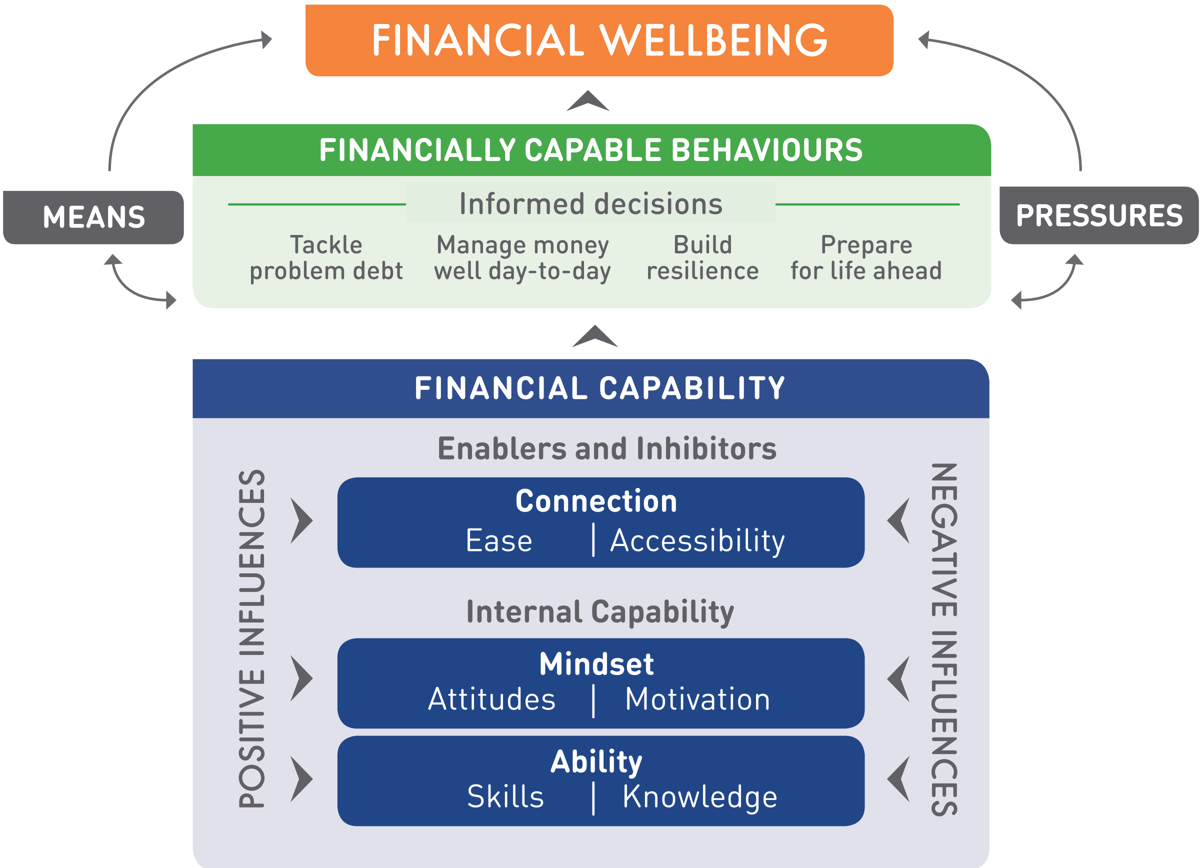
This chapter outlines the various components that make up financial capability as it is defined the 2014 UK Financial Capability Strategy, as well as outlining the links between financial capability and financial behaviour and well-being. The framework and definitions used in this chapter were created as part of the wider development work on the UK Financial Capability Strategy, and form the basis of the outcomes frameworks discussed in the following chapters.

Introduction to the Financial Capability Framework

Financial capability has previously been defined in a number of different ways. The aim of developing this new definition is to gain shared agreement and consensus around what financial capability means and how it relates to the other aspects of a person's financial situation. This financial capability framework builds on the definition of financial capability used in the 2006 UK Financial Capability Strategy, but incorporates some of the research and learning that has happened since then. One of the major changes in thinking is the differentiation between capability and behaviour, and the recognition that attitudes and motivations are as, if not more, important as skills, knowledge and access to services. The financial capability framework is shown in Figure 1 and the following section provides definitions and explanation of the different elements of the framework.

In much of the literature on financial capability, financial literacy is a key concept. There is no accepted definition of this term; in some cases it denotes a broad definition, akin to 'financial capability'. In other cases it is more narrowly defined, akin to the outcome in this framework 'applied numeracy'. For this reason we have avoided using the term within this framework.

Figure 1: Financial Capability Framework



Definitions of concepts

Financial Capability

Financial capability describes people's ability to manage their money effectively and make good financial decisions given their particular circumstances. It takes into account people's personal capability—or in other words the inner drivers of their financial behaviour—as well as some of the external factors that are not within an individual's control but play a role in enabling or inhibiting the translation of those inner drivers into behaviour.

Internal financial capability is made up of ability and mindset.

Ability

> **Skills** include the cognitive or emotional skills people need to engage with financial management processes, including numeracy, literacy and problem solving abilities.

> **Knowledge** is defined as the knowledge and awareness required to effectively access financial markets and information sources, and to make good financial decisions appropriate to an individual's situation. It includes understanding financial products, concepts and services as well as people's understanding of their own financial situation.

Mindset

> **Attitudes** are an expression of underlying beliefs that may influence behavioural intention. They include financial attitudes (eg, about the value of saving for a rainy day) as well as more general attitudes that a person holds about themselves (eg, confidence).

> **Motivation** refers to the conscious and unconscious brain processes or ways of thinking that direct and energise behaviour and include things like goals and aspirations.

External financial capability is made up of connection, and positive and negative social influences

> Connection covers the ease and accessibility of financial products, services and information, and includes:

> > physical access (eg, geographic, technology-based, those relating to the built environment)

> > social access (eg, social networks which determine what kind of informal financial advice a person might be exposed to and therefore may affect levels of skills and knowledge), and

> > other access barriers (including those that might relate to a person's linguistic and cognitive ability or a physical or sensory impairment).

> Positive and negative influences include social norms, which are a key driver of mindset. For example, the normalisation of debt or commercial advertising which encourages a culture in which people feel they are defined by what they consume and buy. They also include more individual-level influences such as the 'pester power' of children, or peer pressure to consume or save in a certain way.

Financially capable behaviours

Financially capable behaviours are the financial or monetary behaviours that a person exhibits at a particular point in time. These behaviours are largely an expression of financial capability, but are constrained or enabled by the interaction between a person's financial means and pressures. The financial behaviours a person exhibits can also, in turn, increase or decrease their financial means, and exacerbate or mitigate the impact of their financial pressures.

Financially capable behaviours are categorised into four key domains:

> **Tackle problem debt—** this relates only to those already in (or on the brink of) problem debt. Behaviours relating to this domain include seeking help and advice and taking steps to reduce their debt.

> **Manage well day-to-day—** this includes setting and sticking to a budget; keeping track of income and expenditure; maximising income; paying bills in full and on time; and shopping around for the best deals.

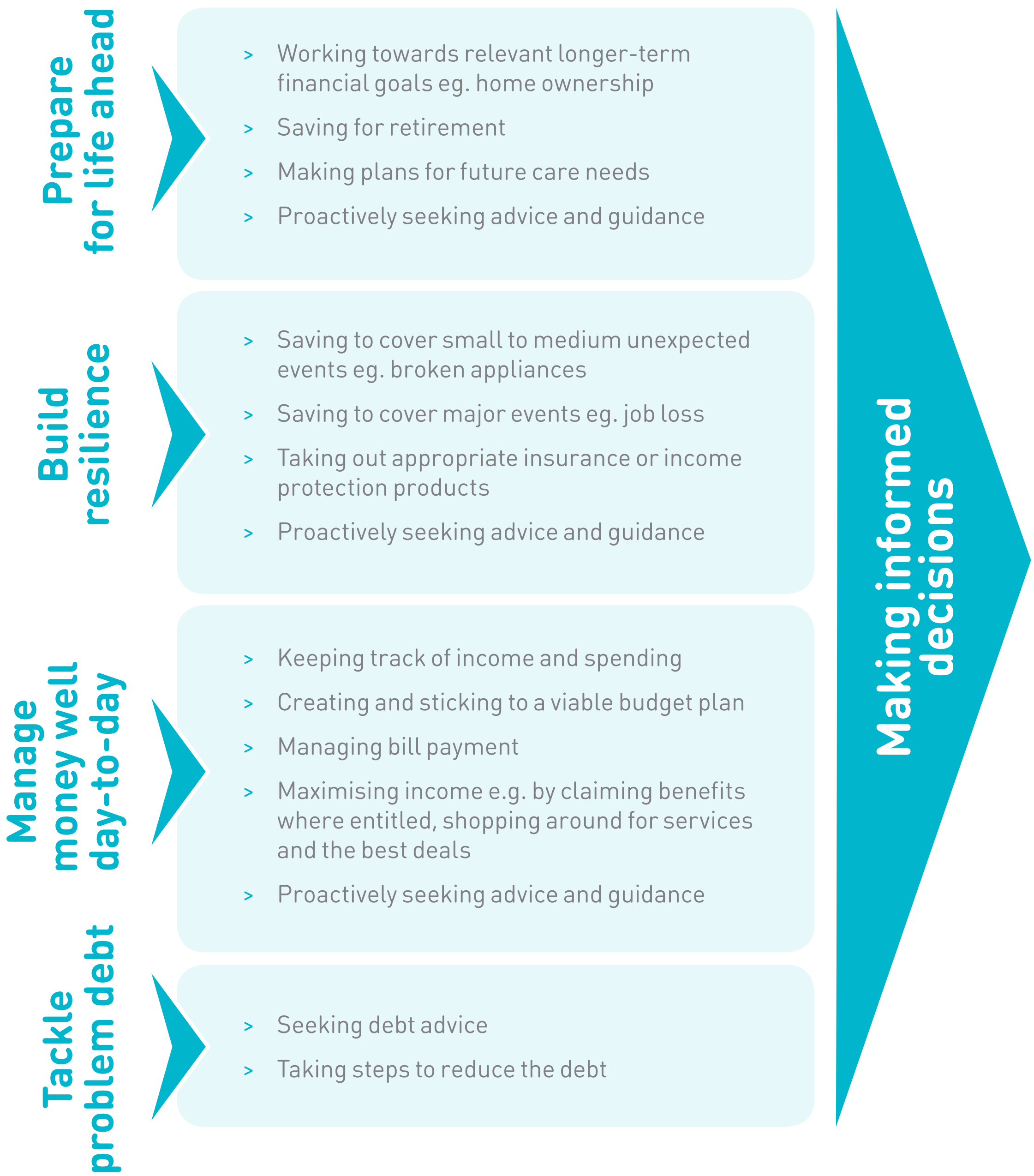
> **Build resilience—**this includes building a savings buffer for unexpected events; saving for short to medium term planned expenses; and taking out appropriate insurance or other forms of protection.

> **Prepare for life ahead—**this includes saving for longer-term planned events and life goals; and making adequate provision for later life (including saving in a pension or making other provision for retirement, saving to meet health-related needs).

A person's ability to make informed financial decisions cuts across and underpins each of these domains. It involves making decisions for them on the basis of appropriate knowledge, information and/or relevant, high-quality advice. It therefore includes seeking advice and guidance where necessary.

Some key indicators for each domain of financially capable behaviour are illustrated in Figure 2.

Figure 2: Indicators of financially capable behaviour



These indicators should be understood as scales rather than stages which are met or not met. Indicators for the behaviour 'preparing for life ahead' are examples of the events people might want to prepare for; it may not be appropriate for people to aspire to each of these.

Financial means

Means are the financial resources that an individual (or household) has at their disposal and which they use to cover their everyday financial costs as well as cope with unexpected or expected larger expenses. These include: income, savings, other assets, and affordable credit products. Means are a large influence on financial well-being; research consistently identifies that temporary or longer-term lack of financial resources—or unexpected financial pressures—are a key reason for poor financial well-being.[12]

Financial pressures

Financial pressures refers to the financial responsibilities that an individual (or household) has to meet using their financial means. In addition to everyday 'steady state' costs this also covers the expected and unexpected life transitions or changes that reduce or put an additional strain on financial means, or require that people have a different set of knowledge, skills or attitudes in order to effectively manage their new situation. Some financial pressures are life events that people go through—such as having a baby or moving in and out of employment. Important life events and their effect on financial capability and well-being are shown in Box 1. Life events mean that people's levels of financial capability change throughout their life.

Box 1: Life transitions and changes

Life transitions and changes affect financial behaviours and well-being. This is true whether it is an expected life event, such as having a baby, or something that is unexpected, such as illness or redundancy. Life changes affect people in different ways: they may change the norms and social pressures that people experience; they may make people so busy that they struggle to put into place good financial behaviours; or they may require people to have a different sets of skills and knowledge in order to effectively navigate the financial decisions they have to make.

Expected life changes

- Having a baby is associated with a reduction in well-being and good financial behaviours and a 19% increase in financial problems, even when income is accounted for.[13]
- Entering work leads to a decrease in financial problems of 27%, even controlling for income.[14]
- Getting married is associated with an increase in financial well-being and behaviours.[15]
- Retirement increases financial problems by 31% even accounting for income changes.[16]

Unexpected life events

- Unexpected life events are likely to lead to a stronger negative effect on financial behaviours and well-being. Becoming unemployed (which is not necessarily, but often is, unexpected) leads to a 63% increase in financial problems, even controlling for income changes. That rises to an 88% increase in financial problems if a person claims Jobseekers Allowance.[17]

Financial well-being

Financial well-being is a measure of an individual or household's overarching financial situation, taking into account both objective elements, such as level of savings held and ability to pay bills on time, and more subjective dimensions, such as how frequently a person worries about money and how positive they feel about their current and future financial situation. It is a concept that only applies in a meaningful way to adults, or to those younger people who are financially independent.

Financial well-being is driven by a combination of behaviour and the interaction of financial means and pressures. There is no one level of financial well-being that is achievable for all people, and financial well-being is not always a direct result of financial behaviour.

2. Adult financial capability outcomes and indicators

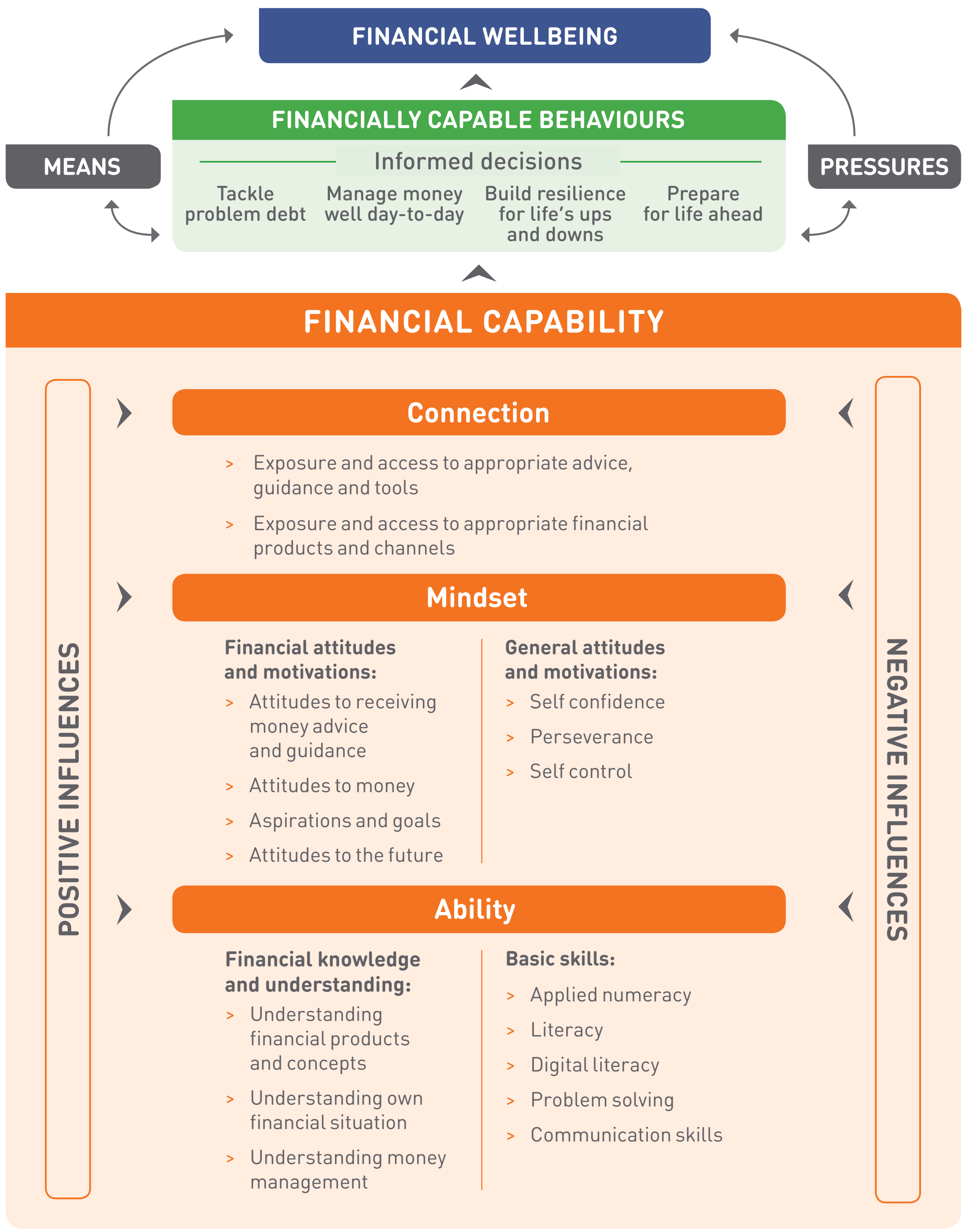
This chapter discusses the financial capability framework for adults in detail. It defines each outcome, provides indicators of achievement of each outcome, and summarises the evidence that links each outcome to financial capability, financial behaviour or financial well-being. It also discusses gaps in evidence. The next chapter provides an equivalent discussion of the outcomes and indicators for the children and young people's framework.

Adult financial capability framework

We have developed the financial capability framework shown in the previous chapter (Figure 1) to include the outcomes of adult financial capability (Figure 3).

We do not suggest that all outcomes need to be addressed in order to improve financial behaviour. There is not yet sufficient evidence to suggest minimum conditions for success, and they are likely to be different for different people.

Figure 3: Adult financial capability framework



Assessment of evidence

In this report, we use the term 'strong evidence' to refer to evidence that is level three or above on the Nesta or Maryland scales (see Appendix C and D for further details), and therefore has some kind of control group[a]. If evidence has been assessed as level one or two on these scales, we use the phrase 'some evidence' or 'weak evidence' (see Box 2).

Box 2: Strength of evidence

The studies referenced in this report contain evidence of varying degrees of rigour. To assess the strength of evidence, each study has been evaluated against Nesta's Standards of Evidence or the Maryland Scientific Method Scale, whichever is most appropriate. Both scales categorise the robustness of evidence on five point scales, illustrating the confidence that researchers can have in a causal link between an outcome and financial capability—in other words, that cause and effect can be established. A score of 5 indicates the highest level of evidence about causality and a score of 1 indicates little rigour in the result. Where evidence is available, the most robust studies have been referenced in this report. However, in some cases only weaker evidence is available. For more information about Nesta's Standards of Evidence and the Maryland Scientific Method Scale, refer to the appendices.

Where there is a link between the outcome in question and financial capability, the evidence often shows correlation rather than causality (see Box 3). Any information about causality has been signposted in the text. The evidence base and its gaps are summarised at the end of the chapter.

Where studies are not based on UK populations, this is signposted in the text.

Box 3: Correlation vs causality

Correlation (or relationship) between two variables does not necessarily mean that one causes the other. This means that two events or two characteristics can consistently correlate without having a causal relationship. The relationship between two variables can be indirect, due to another factor, or entirely coincidental.[18]

For example, the total revenue generated by arcades in the US correlates closely with the number of computer science doctorates awarded. This could mean that computer science doctoral candidates spend substantially in arcades; both phenomena could reflect the underlying factor of increasing computer usage within the country; or it could be a coincidence. Without further information it is impossible to know what the correct explanation is.

Evidence was not found for all outcomes; where there are gaps, we have provided an explanation of why the outcome has been included, and suggestions as to why evidence does not exist. A lack of evidence for any outcome, or a lack of evidence for a specific age range (children and young people, adults or older people) does not indicate that the outcome is not valid: it may simply indicate a lack of research attention. The outcomes in this framework will be subject to ongoing review as evidence develops to identify missing outcomes, evidence existing ones, or indicate that current outcomes are not as essential as we currently believe.

a. In an experiment, a control group is a baseline group that receives no treatment or a neutral treatment. To assess treatment effects, the experimenter compares results in the treatment group to results in the control group.

This discussion about the assessment of evidence is equally applicable to the following chapter, which is about the children and young people outcomes framework.

Indicators

The indicators in this framework have been developed through the literature review and consultation process. These indicators may be revised further, with a focus on making the framework practical and useable.

We have avoided using behaviour indicators as proxies for the financial capability outcomes, as behaviour changes are captured in the 'financial behaviour' component of the framework. This means that organisations that are unable to measure behaviour change (for example, because they do not have the resources to follow up with clients after an intervention and can only measure changes in components of financial capability at the end of a programme or session) can still measure outcomes in a consistent way. This is also important because we do not have a complete picture of how financial capability outcomes lead to financially capable behaviour. For example, there is some evidence indicating that behaviour change can be achieved without measurable changes in knowledge,[19] and conversely substantial evidence to suggest that measurable changes in knowledge do not always lead to changes in behaviour.[20]

An age appropriate framework

While developing this framework, we considered developing a separate framework for older people, but experts felt this distinction was not helpful. There are implications for financial capability in older old age, as many people experience cognitive or other forms of decline and may need support to manage their finances. But there is no particular age at which the outcomes of financial capability change for older people: there is no longer a compulsory retirement age and many people retire gradually through part-time working.

Although there is no separate framework for older people, where there is evidence that they are particularly affected by a specific outcome, we have included that evidence separately. This will help inform the development of measurement tools, which will take a 'life stage' approach, measuring outcomes in terms of what a successful outcome looks like at different ages and life stages.

Adult framework outcomes, indicators and evidence

This section discusses each of the outcomes from the adult framework. It provides a definition, indicators, and a summary of the evidence that the outcome should be included in the framework. The outcomes are clustered under the following areas:

- Ability
  - Financial knowledge and understanding
  - Basic Skills
- Mindset
  - Financial attitudes and motivations
  - General attitudes and motivations
- Connection

Ability

The ability-related outcomes cover two main areas of knowledge and skill: financial knowledge and understanding, and basic skills.

Financial knowledge and understanding

Understanding of financial products and concepts

Definition: People know about financial products and concepts, and recognise how they apply in a wide range of circumstances.

Indicators:

- People understand financial concepts and are able to answer basic questions around interest rates, loan types, investment, inflation etc.
- People are able to understand and interpret bank statements, bills etc.
- People understand financial products eg, different types of savings vehicles, and can assess which options are right for them.
- People understand the products, concepts and options relevant to their issue, life stage or event eg, pensions, mortgages, problem debt etc, and can assess which options are right for them.
- People understand the main types of financial fraud and how to protect themselves from it.

Evidence: There is strong evidence from the US that even after controlling for demographics, individuals with lower levels of understanding of basic loan products tend to transact in high-

b. Methodology: phone interview survey with 1,000 participants.

cost ways, incurring higher fees and using expensive credit.[b21] The same study found that less knowledgeable people also report that they have excessive debt or that they are unable to judge their debt position.[21] (This is also related to the next outcome in the framework: poorer understanding of financial situation.)

There is some evidence from Australia that increasing knowledge of credit and debit cards has a positive impact on savings behaviour amongst low income families, but no evidence that these effects are lasting.[c23] A study from the Netherlands found a positive association between financial literacy (defined here as understanding of financial products and concepts) and wealth holdings, after controlling for other determinants such as income, age, education, family composition, risk tolerance, patience and attitudes towards saving.[d24] However, causality here is not clear. There is some evidence from a literature review covering a number of developed countries that people who are more financially knowledgeable are more likely to plan for retirement.[25]

Understanding of one's own financial situation

Definition: People know what their financial situation is in terms of their income and outgoings, and know their financial rights and entitlements.

Indicators:

- People understand their income and outgoings.
- People understand their financial rights and entitlements.
- People can identify whether they are having financial difficulties and when they might need to seek help.
- People understand the costs and shocks that they might experience in the future.
- People understand the financial implications of life events relevant to their life stage eg, having children.

Evidence: Sector experts consistently highlight this outcome as fundamental for positive financial behaviour: if people do not understand what their financial situation is, it is impossible for them to act on it and improve financial behaviour, for instance, in terms of keeping track and planning ahead. However, this outcome is not discussed in the literature—it seems to be considered as part of 'understanding of money management' and 'knowledge of financial products and services'. For example, the behaviour 'making ends meet' is closely associated with understanding one's own financial situation, and is used extensively in the literature (particularly following its inclusion in the 2006 baseline study into levels of financial capability as part of the 'managing money' domain).[26]

Older people: Age UK has identified substantial unclaimed benefits when it comes to older people; the Money Bus programme identified over £300,000 of unclaimed benefits for 184 older people in regions identified by the Department for Work and Pensions (DWP) as having a high proportion of people eligible for pension credit but not claiming.[27] Analysis by DWP identified between £7.52bn and £12.31bn in income related benefits (across people of all ages) left unclaimed in 2009/2010. This means that take up of benefits is between 77% and 84%, making it a significant issue.[28]

c. Methodology: three waves of survey data from people participating in a matched savings programme for families on low incomes.
d. Methodology: a module inserted into a panel survey of 1,000 households, based on a single wave of data.

Understanding of money management

Definition: People have the ability to create and follow a budget and to understand the consequences of failing to do so.

Indicators:

- People understand the principles of budgeting.
- People can develop a budget suited to their needs.
- People understand the consequences of risky financial behaviours and can weigh up their options.
- People know how to make their money go further.

Evidence: There is reasonably strong evidence to suggest that people who are in debt score lower on measures of money management: they rate themselves as poor money managers, are less likely to put money away for bills, and less likely to pay bills through a regular arrangement, such as a standing order. However, this research does not control for income: it also found that debt was associated with poverty (defined to incorporate low income and a number of other variables).[e29]

There is strong evidence from the Netherlands that mental budgeting positively affects people's knowledge of what is in their expenses and current accounts. It is more associated with lower and intermediate education, people who plan for the longer term, and with less wealthy people.[f30]

Older people: There is some evidence that people aged over 55 have better financial capability than people in younger age groups,[g31] and evidence that successively older age groups are better at making ends meet (controlling for income).[32]

There is evidence that retirement increases financial problems by 31%, accounting for income changes.[33] Despite this one-off shock, people tend to experience lower levels of financial difficulties as they get older: 18% of those aged 50–54 show signs of financial strain (using a composite measure), whereas only 3% of those aged over 80 do so.[h34]

e. Methodology: a single wave postal survey sent to 3,200 utility company customers (26% response rate). The sample was stratified according to three debt groups: non debtors, mild debtors, and serious debtors.
f. Methodology: a survey of 4280 Dutch adults (primarily online, supplemented by face to face interviews).
g. Methodology: drawn from the British Panel Household Survey and using a behaviourally based definition of financial capability.
h. Methodology: based on the large cohort Baseline Survey of Financial Capability published in 2006.

Basic skills

Applied numeracy

Definition: Using numeracy in financial situations, for example, calculating percentages to understand the impact of interest rates on savings or borrowing.

Indicator:

> People can successfully apply mathematical skills to financial problems.

Evidence: Almost half of adults in the UK have numeracy skills below that needed to achieve the lowest grade at GCSE (a G grade).[35] This means that to achieve the outcome of applied numeracy, many people first need to build basic numeracy skills.[36] Numeracy difficulties restrict opportunities throughout people's lives. Analysis of survey-based government data sets clearly demonstrates a correlation between low numeracy and length of time spent employed,[37] and poor numeracy is more common among unemployed people.[38] Better numeracy is associated with a wage premium of on average 10%.[39] All this provides strong evidence that numeracy can have an impact on a person's financial means if not directly financial capability.

Strong evidence from the US indicates that individuals with lower numerical ability are more likely to default on their mortgage (when controlling for socio-economic variables and variables related to the choice of mortgage product).[i40]

There is strong evidence from Sweden that numeracy itself and applied numeracy are both positively correlated with participation in important assets markets—the stock market and home ownership. These two variables are linked but separate concepts: numeracy seems to be a key determinant in individual participation in both markets; applied numeracy seems to be a determinant of participation in the stock market but not in the housing market.[j41]

Literacy

Definition: The ability to read and write in the English language (or the Welsh language in Wales). In some cases translated material may be available (see Connection), but people will struggle to achieve full financial capability in the UK without English (or Welsh) language skills as some materials will not be available in alternative languages.[k]

Indicators:

> People can read and write in English (or Welsh in Wales)

> People have the level of literacy needed to fill in forms accurately.

> People have the level of literacy needed to read information about financial products and services.

i. Methodology: telephone survey of contacts drawn from extensive databases of mortgage holders.
j. Methodology: telephone survey of randomised sample of 1,300 adults.`
k. This includes individuals who require adaptations in order to perform these skills, eg, screen readers, braille etc.

Evidence: Interviews and workshops with sector experts consistently indicate that the ability to read and write in English (or Welsh in Wales) is an essential outcome. People without sufficient literacy skills experience a range of barriers to exercising good financial behaviour, including their inability to access the information necessary to make informed decisions about financial products and services, as most information is only available in written form.

There is an established link between literacy and financial well-being, primarily as a result of the impact of low literacy on employment rates—literacy impacts wealth. Almost a quarter of men and almost a third of women with low literacy skills live in non-working households. A high proportion of working people with low literacy have never received a promotion (almost two thirds of men and three quarters of women), and low literacy is also associated with a range of other work related issues, such as lack of training and lower wages.[42]

However, there is strong evidence that low financial capability is not an inevitable consequence of low literacy and numeracy: a small proportion of working age adults with no qualifications score highly on some measures of financial capability, including making ends meet and planning ahead. Nonetheless, the evidence suggests that people with no qualifications do struggle more with choosing appropriate products.[43]

Digital literacy

Definition: The ability to effectively and critically locate, evaluate and create information using a range of digital technologies.

Indicators:

> People are able to use online services eg, forms, tools, emails, online banking.

> People are able to navigate online content and locate the information they need.

Evidence: Financial services and products have moved online relatively recently, and financial capability research has not yet focused on digital literacy. Our interviews and workshops with sector experts stressed this outcome as important in spite of the absence of research: being able to use online banking services, to use mobile apps, and to compare financial services online is crucial for being able to keep track of your money and make informed decisions.

Older people: Statistics on internet use and digital exclusion indicate that this outcome could be a greater challenge for older people. More than two thirds of digital exclusion is among people aged 65 and over; if we include people aged 55 and over, it rises to 82%. This figure is based on ONS estimates for the number of people who have never used the internet, and lapsed users. The same data source indicates that the most common internet activity is sending and receiving emails—69% of people aged 55–56 send and receive emails, as do 41% of those aged 65 and over. Figures for internet banking are lower: less than a fifth of the oldest age group uses internet banking, compared with 43% of those aged 55–64. Internet banking ranks sixth of 15 different internet activities.[44] These dynamics are likely to change in future years, as people who are existing users of digital technology become older and continue to be technology savvy.

Problem solving

Definition: The ability to find solutions to difficult or complex issues by understanding and weighing up a range of options.

Indicators:

> People demonstrate problem solving ability.

Evidence: The 'problem solving' concept does not occur frequently in the literature on financial capability. However, there is strong evidence from the US indicating that cognitive development (measured using the proxy of education) is essential to taking part in financial markets in a way that increases investment incomes.[l45]

Communication skills

Definition: The ability to articulate their financial position and needs, in a way which is understood by others.

Indicators:

- People are able to convey an opinion and interact with others.
- People are able to discuss their financial situation with professionals to undertake financial tasks (eg, opening a bank account).

Evidence: Sector experts in our interviews and workshops stressed the importance of communication skills for many aspects of good financial behaviour. For people with English as a second language, communication with financial service officials can be a large barrier to making informed decisions if they are not able to discuss their needs and the options available. Communication skills also allow people to effectively self-advocate in communication with financial professionals. The importance of this outcome is clear in the way it overlaps with attitudes to money, which includes how comfortable people feel discussing money. However, we did not identify any studies linking communication skills to financial capability.

l. Methodology: statistical analysis on three waves of US census data (1980, 1990, 2000) providing more than 14 million observations and allowing the researchers to control for a large range of variables.

Mindset

The mindset-related outcomes cover financial attitudes and motivations, and general attitudes and motivations.

Financial attitudes and motivations

Attitudes to receiving money advice and guidance

Definition: People understand the value of money advice, feel comfortable seeking money advice and guidance, and take steps to solicit that advice. A healthy attitude to receiving money advice includes an element of independence, and the ability to treat advice critically. This definition includes regulated financial advice.

Indicators:

> People understand the value of advice.

> People believe that money advice can help them.

> People take steps to seek money advice.

Evidence: Several studies provide strong evidence that solicited advice is perceived as helpful, while unsolicited advice or imposed support is perceived as intrusive, which might lead to the wrong behaviours.[46] Similarly, there is strong evidence that individuals are significantly more receptive to advice they pay for, rather than advice they get for free.[m47] There is also some evidence from Australia that if people do not seek advice proactively, they will not follow the advice that is received.[n48]

Attitudes to money

Definition: The way that people think about money, and their emotional response to money.
For example, money buys happiness, being good with money is dull and boring. A healthy attitude to money would include willingness to talk openly about money with friends and family.

Indicators:

> People have a positive emotional relationship with money.

> People value financial planning and saving, and have an attitude to the use of debt that is appropriate to their financial situation.

> People talk openly and honestly about money with friends and family.

Evidence: There is strong evidence that attitudes towards money can either increase or decrease the risk of experiencing adverse financial outcomes, even after adjusting for socio-economic status.[o49]

m. Methodology: experimental research using a control group.
n. Methodology: three waves of survey data from people participating in a matched savings programme for families on low incomes.
o. Methodology: survey data from over 100,000 British households.

The importance of talking openly about money has been recognised internationally: the New Zealand strategy for financial literacy includes a 'talk' activity stream, which aims to see a cultural shift in how easy it is to talk about money.[50]

Older people: There is some evidence to suggest that older people have more negative views towards debt and are less likely to use credit to pay for an unexpected expense. We cannot equate this attitude with increased financial capability, since appropriate use of debt can be a positive financial behaviour.[p51]

Aspirations and goals

Definition: people are able to make future plans for their money including setting concrete goals for saving over the longer term (such as buying a property) as well as the shorter term (such as saving for a holiday).

Indicator:

> People have concrete short to medium term financial goals and/or longer term aspirations.

Evidence: There is some evidence from Australia that goal setting plays a significant role in influencing the savings behaviour of low income households.[q52]

There is also some evidence from Sweden indicating that households with a better economic situation have higher aspiration levels. Aspiration was assessed in terms of which goods and services the household deems to be luxury, and how satisfied the household is with its level of consumption (this is not a standard definition of aspiration). Data from this study does not indicate a causal direction, although the authors suggest that an improved economic situation influences people's aspirations.[r53]

Attitudes to the future

Definition: How people think about the future and their future financial position. People with a healthy attitude to the future make realistic assessments of future financial benefits and challenges, and see future challenges and benefits as being as relevant as current ones. Attitudes to the future are closely allied to attitudes to risk: the level of financial risk people are willing to take in the decisions they make.

Indicators:

> People recognise the importance of their future financial needs.

> People balance their future financial needs with their current financial needs.

> People anticipate and plan for their future financial needs including in less positive scenarios (eg. planning for care costs).

> People have an appropriate attitude to financial risk.

p. This finding comes from an analysis of the English Longitudinal Survey of Ageing, which has tracked the same cohort of people over 50 through five waves of research.
q. Methodology: analysis of data from a matched savings programme.

Evidence: Studies from around the world provide strong evidence that people's attitudes to the future are a key limit to their capability to make sound financial decisions. Those who solicit financial advice tend to value their future financial needs more than individuals who do not seek advice.[54]

There is some evidence from qualitative research that the desire to be free from worry is the biggest motivator to saving. However, a major barrier to saving is unwillingness to compromise on current living standards, and a belief that saving is futile unless a substantial amount can be saved.[55]

Older people: Ipsos MORI's regular surveys on public perceptions of the NHS found that 38% of people surveyed have thought about preparing financially to pay for social care services they might need when they are older, and 28% are already preparing financially. Over 40% agree that it is their responsibility to save so that they can prepare for future care costs; around the same percentage disagree.[s56]

Basic attitudes and motivations

Self-confidence

Definition: People have positive feelings and expectations about their past and future performance. Self-confidence covers both confidence in financial ability, and a more general definition of personal self-confidence. Self-confidence includes the confidence to question advice and scams, and to be assertive in communicating about needs with financial professionals (eg, to open a bank account). Self-confidence may decrease before it increases as financial capability grows, as people become more aware of what they do not know.

Indicators:

- People have a sense of their own value or worth.
- People believe they have the necessary ability to improve or maintain their financial situation.
- People feel confident to exercise their own judgment in financial decisions and to questions suggestions and advice they are given.
- People feel confident communicating about their situation and needs with financial services professionals.

Evidence: There is strong evidence from the US that confidence in one's own knowledge predicts self-reported retirement planning and savings, as well as performance on a hypothetical investment task, independently of the effect of actual knowledge.[t57] There is also some evidence from the US of a positive relationship between self-esteem (defined as a sense of self-worth and hence a positive or negative attitude towards oneself) and an individual's decision to engage in various forms of financial planning. This is in keeping with the notion that individuals with high self-esteem are more likely to persevere in the face of defeat, tending to continue their efforts after failure rather than admitting defeat. There is, however, no evidence that the relationship is definitively causal.[u58] There is also some evidence from the US that consumers' propensity to save, budget, and control spending depends partly on their level of perceived control over outcomes (ie, their confidence that they are in control) as well as knowledge and financial resources.[v59]

r. Methodology: single wave survey of 400 respondents from a random sample of households.
s. Methodology: surveys with approximately 1,000 people.
t. Methodology: four linked online surveys, with between 500 and 1,100 respondents to each.
u. Methodology: analysis of online tests taken by over 100,000 respondents.
v. Methodology: postal survey with almost 11,000 respondents.

Older people: There is some evidence from the US that older people who have received some financial education feel less anxiety and report lower levels of worry following the intervention, and this correlates with improved financial behaviour and greater control over finances. However, this study does not reveal the direction of causation: improved behaviours may have led to reduced worry, or improved capability could have built confidence or lessened worry, leading to improved behaviour.[w60]

Perseverance

Definition: The ability to succeed in the face of challenges and bounce back from shocks.

Indicator:

> People have perseverance and can recover from setbacks.

Evidence: Perseverance is sometimes referred to as resilience or grit. Although not directly addressing financial capability, the studies show that perseverance may be as essential to high achievement as talent or IQ. This suggests that it is also useful in improving financial capability, as the experts we consulted with agreed. Grit also increases as people age.[61]

Self control

Definition: People can resist short-term impulses in order to prioritise longer-term goals. Self-control includes the ability to recognise and understand pressures which arise from consumer culture, as well as those which arise from familial or peer pressures to spend, and to resist them where appropriate.

Indicators:

> People understand the financial implications of different choices.

> People find it easy to take decisions which enable them to live within their means.

> People can abstain from or delay spending and prioritise longer term goals.

> People demonstrate self-control in non-financial situations.

Evidence: There is strong evidence from a study of UK consumers that lack of self-control is more important than lack of understanding of financial products and concepts in explaining consumer over-indebtedness (although this is still only one among several important factors; over-indebtedness is most often caused by income shocks). Lack of self-control is positively associated with non-payment of consumer credit and self-reported excessive financial burdens of debt. Consumers who exhibit self-control problems are likely to make greater use of quick-access but high cost credit items, such as store cards and payday loans. They are also more likely to suffer income shocks, credit withdrawals and unforeseen expenses on durables, suggesting that lack of self-control increases exposure to a variety of risks.[x62] There is some evidence from a number of studies that those with more self-control are likely to save more and spend less.[63]

w. Methodology: baseline survey of programme participants, followed by three and six month follow up. Analysis of 427 responses.
x. Methodology: online survey completed by more than 3,000 households.

Box 4: The effect of negative life events on basic attitudes and motivations

There is some evidence to suggest that the recent experience of negative life events can affect people's basic attitudes and motivations. For some people, self-confidence falls after a divorce.[64] The loss of a job, planned or unplanned, also affects self-confidence[65] and stress from negative life events (eg, difficulty with family members) can reduce people's self-control and perseverance.[66] Organisations should consider whether their clients have recently experienced a negative life event in order to tailor interventions appropriately and work with these clients most effectively. However, there is also evidence from a US study of young people that life events with both positive and negative impacts on finances can improve financial knowledge[67]—so the impact of life events on financial capability in aggregate is unknown.

Connection

The connection outcomes relate to an individual's ability and opportunity to access and use support to improve financial capability.

Exposure and access to appropriate advice, guidance and tools

Definition: The ease and accessibility of financial products, services and information, and includes both physical access (eg, geographic, technology-based, mobility-based), social access (eg, social networks which determine what kind of informal financial advice you might be exposed to and therefore may affect levels of skills and knowledge), and communication-based accessibility (translation and disability adaptations).

Indicators:

> People know where to go for advice, guidance and tools about their financial situation, in person, by phone and using digital resources.

> People have the physical and technical ability to access financial advice, guidance and tools in a form and language they can understand, and channel they can use effectively.

Evidence: There is strong evidence that a quarter of the British population do not think it is clear where to go for good, impartial debt advice. A third of those who seek debt advice are not aware of all the options of relief available to them beforehand, two thirds wish they had sought debt advice earlier, and a third are not aware of all the options for dealing with debt before they seek advice.[y68] Debt advice helps people improve their financial behaviour (see Chapter 5: Financial Capability Interventions), so this evidence suggests that access to guidance on, for instance, debt advice is a much-needed outcome if financial behaviour is to improve.

y. Methodology: online survey of over 2,000 people.

Exposure and access to appropriate financial products and channels

Definition: Using financial products which meet a person's needs and seeing them being used by other people.

Indicators:

- People can access appropriate financial products which meet their needs via appropriate channels.
- People are aware of individuals in their social networks using appropriate products.

Evidence: There is some evidence from the UK that the key barriers to helping high risk borrowers are a lack of awareness of affordable credit options, lack of confidence to approach a third sector lender, and lack of provision of a payment channel (such as Paypoint) with which high risk borrowers are comfortable with.[z69]

There is some discussion in the literature about the challenges that come with developments in financial products and channels. As banking services become increasingly standardised and reliant on computerised tools, the mismatch between what banks offer and what customers need grows, particularly for those on low incomes or facing upheaval in their lives.[70]

Older people: The physical and cognitive abilities of older people cover a broad spectrum, and they tend to change over time. Over a quarter of people aged over 65 has problems with their eyesight, and over a quarter of people aged over 75 has difficulty walking 100 yards.[71] Older people therefore have specific needs when it comes to achieving the 'connection' outcomes, some of which are shared with other vulnerable groups (discussed in Chapter 4).

z. Methodology: qualitative research through sixty in-depth face to face interviews.

Adult framework evidence summary

Table 1 summarises the level of evidence found for each outcome in the adult financial capability framework. Where we found more than one piece of evidence for an outcome, the table shows only the highest level, with commentary about the number and strength of studies. The existence of strong evidence of a particular outcome does not mean that the outcome has been comprehensively proven: the evidence available may relate to just one aspect of the outcome.

Table 1: Evidence summary for the adult outcome framework

Ability	Mindset	Connection
Understanding financial products and concepts ★ Strong evidence from one study, and several further studies exist.	**Attitudes to receiving money advice and guidance** ★ Two strong studies and one further study indicating the importance of a receptive attitude.	**Exposure and access to appropriate advice, guidance and tools** ★ Strong evidence that debt advice is effective and that people currently do not know where to go for advice.
Understanding own financial situation This is not a concept which is identified in the literature.	**Attitudes to money** ★ One strong study, and further literature discussing the importance of attitudes to money.	**Exposure and access to appropriate financial products and channels** ● Some evidence from one study, and some discussion in the literature.
Understanding of money management ★ One strong study about mental budgeting, and one linking debt to poor money management.	**Aspirations and goals** ● Two studies with weaker evidence linking aspiration or goal setting to financial behaviour and economic wellbeing.	
Applied numeracy ★ Two strong studies linking numeracy to financial capability.	**Attitudes to the future** ★ Strong evidence from a literature review, and one further study.	
Literacy ● Limited direct evidence.	**Self confidence** ★ One strong study and several further studies.	
Digital literacy No studies.	**Perseverance** No studies.	
Problem solving ★ One strong study linking cognitive ability to financial capability.	**Self control** ★ One strong study and several further studies.	
Communication skills No studies.		

Key
● Evidence level 1-2 on Nesta or Maryland scale
★ Evidence level 3-5 on Nesta or Maryland scale

This summary of evidence reflects the information we found through a systematic literature review, a call for evidence and extensive consultation. Nonetheless, it is limited in scope by time and resource, and further evidence may have been missed.

Commentary on evidence gaps

There is no evidence linking the following outcomes with changes in financial capability, behaviour or well-being:

- communication skills;
- digital literacy;
- perseverance; and
- understanding of one's own financial situation.

We found no significant evidence to support these outcomes, yet stakeholder feedback suggests that they are fundamental to people's ability to understand financial information, navigate financial products and services and make informed decisions. There are two possible reasons for this:

- **Problems with terminology:** There is a lack of consensus on terminology in the literature on financial capability, so outcomes identified separately in this framework may be combined in the literature.
- **Lack of evidence for the obvious:** The importance of digital literacy, communication skills and understanding of one's own financial situation may seem so obvious that they have not been a priority for academic study.

Gaps in evidence do not necessarily indicate that the outcomes are not valid, but they may be priorities for further study.

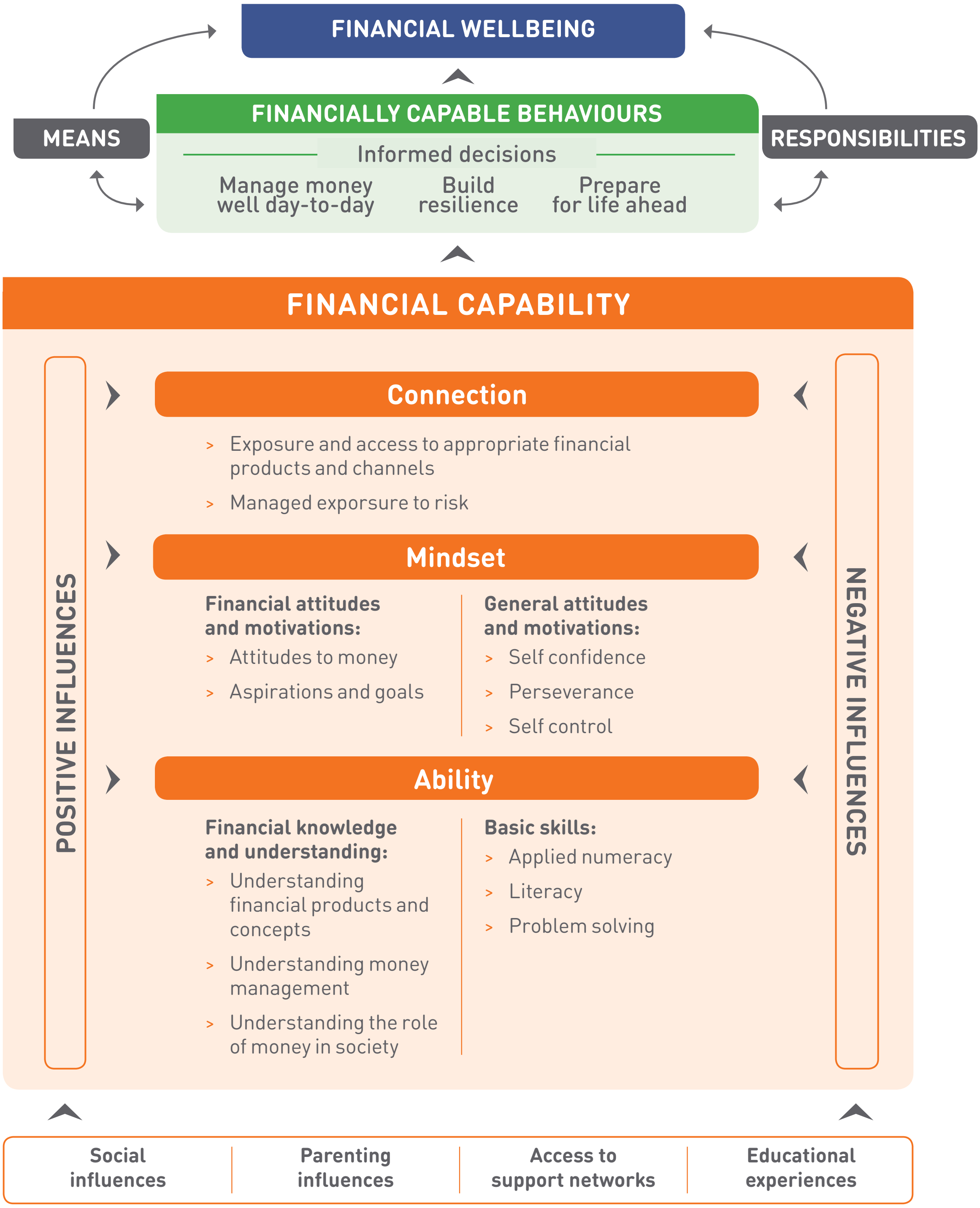
3. Children and young people outcomes framework and indicators

This chapter describes the outcomes that children and young people need to develop to have the best chance of being financially capable in adulthood. We define each outcome and present the evidence linking it to financial capability or changes in financial behaviour. We have also developed different versions of the indicators underlying each outcome area, tailored to different age groups. They reflect the developmental stage of each group and the progression in understanding and interacting with money. The indicators for all outcomes are discussed together towards the end of this chapter.

Children and young people framework (Ages 3-17/18)

Financial capability in adulthood is shaped by what people see and experience during childhood and adolescence. It is therefore important to ensure that children develop the building blocks of financial capability during these formative years to give them the best chance of developing good financial habits and behaviour by the time they become financially independent.

Figure 4: Children and young people financial capability framework



Differences between the frameworks

We have developed the outcomes framework for children and young people in parallel with the adult framework, working with experts in the field. Some of the outcomes in the framework differ from those in the adult framework. These differences reflect the fact that children and young people learn in different ways to adults, and experience money differently.

In the children and young people framework, the external 'pressures' from the adult framework have been replaced by 'responsibilities', reflecting the benefits of experiential learning for children. In adulthood, the more negative term 'pressures' becomes more appropriate.

The children and young people framework does not reference 'tackle problem debt' as a financially capable behaviour, since this only becomes relevant once people have access to credit after the age of 18. At this point, services should begin using the adult outcomes framework for their clients.

Financial well-being as it is defined in the financial capability model is not relevant to young people who are not yet financially independent, so the framework refers instead to helping young people achieve financial well-being in adulthood.

Selection of outcomes and indicators

Age is an important consideration of the children and young people's framework: it has implications for the kind of financial capability and financial behaviour people can attain and demonstrate at different stages of their cognitive development. In the first five years of life, children learn about the world from both imitation and inductive learning (ie, learning by noticing).[72] Concepts such as self-control develop slightly later, until the age of seven. The outcomes in the 'connection' category grow in importance from the age of 11 to 18, as young people get closer to using, or start to use, financial products and services.

Differences in outcomes

In developing the children and young people framework, we relied more heavily on consultation with stakeholders than with the adult framework because of a lack of evidence specifically around the outcomes children need. Many of the outcomes in the children and young people framework are equivalent to those in the adult framework, but there are some additional outcomes:

> Financial knowledge and understanding—Understanding the role of money in society.

> Connection—Managed exposure to risk.

Several outcomes have been removed from the children and young people framework because they are not relevant until adulthood:

> **Financial knowledge and understanding—Understanding one's own financial situation:** Children and young people do not have full responsibility for their financial situation, so this outcome only becomes relevant in adulthood.

> **Basic skills—Digital literacy:** Children and young people generally have strong digital literacy skills, so this is not an area of specific focus.

> **Basic skills—Communication skills:** Children and young people do not need to self-advocate independently to financial professionals until they mature towards adulthood.

- **Attitudes—Attitudes to receiving money advice and guidance; Attitudes to the future:** These attitudes become relevant in adulthood when people take independent responsibility for their finances. Young children gradually understand the idea of the long-term future as their brain develops, so attitudes to the future is not a relevant outcome until later stages of development.

- **Connection—Exposure and access to appropriate advice, guidance and tools:** Children and young people receive financial information through family, friends and school. Until they are independent, this outcome relating to external advice, guidance and tools is less relevant.

In practice, the boundaries between the children and young people framework and the adult framework cannot be neatly defined by age: individuals mature towards financial independence at different rates. In general, the outcomes that have not been included in the children and young people framework become relevant from around the age of 16. For these outcomes, the indicators and evidence in the adult framework are relevant from the point the outcome becomes relevant, so we have not duplicated them in the older ages of the children and young people framework.

The differences between the outcomes in the two frameworks are subject to ongoing consultation, and may change.

Importance of social influences

Social influences may play an important role in financial capability. For example, there is strong evidence linking early financial socialisation to financial attitudes and behaviour.[73]

An important difference between the children and young people framework and the adult framework is that the influences on children and young people have been broken down into social influences, parenting influences, access to support networks and educational experiences. This is because of the evidence that children learn through imitation, and so such influences are even more important during these formative years.[74]

The influence of parents and carers is particularly important for young people. A large poll has found that young people who live in households that save for emergencies are likely to be more confident about managing their money than those that do not.[75] This relationship seems to hold even accounting for income.[76] Evidence about how young people develop cognitively shows that they take on their parents habits by the age of seven.[77] Over three quarters of young people find their parents the most helpful source of advice on financial matters.[78] A large study from the US found that two fifths of young adults follow their parents' financial management style, and tend to follow their parents' guidance.[79]

Evidence for outcomes in the children and young people framework

Chapter 2 explains our approach to assessing the strength of evidence and looks at correlation and causation. There is limited high quality evidence of financial capability outcomes for children and young people, particularly for younger children. Most of the high quality evidence available comes from survey data, and covers teenagers and young adults. In some cases, the evidence we discuss relates to young adults aged 18 and over: although the age group covered by this framework ends at 18; this is the most relevant evidence available illustrating how young people differ from adults.

Much of the evidence we discuss shows how children and young people differ from adults, but it often does not provide evidence linking improvements in the outcomes under discussion to improved financial capability, behaviour or well-being. The evidence presented in the adult framework provides this link, and we can suppose that this link also holds for children and young people. For this reason, the children and young people evidence should be read alongside the adult evidence.

Children and young people outcomes and evidence

This section discusses the outcomes within the children and young people framework and the supporting evidence. The outcomes are grouped into the same areas as in the adult framework:

- Ability
  - Financial knowledge and understanding
  - Basic skills
- Mindset
  - Financial attitudes and motivations
  - General attitudes and motivations
- Connection

Ability

The ability-related outcomes cover two main areas of knowledge and skill: financial knowledge and understanding, and basic skills.

Financial knowledge and understanding

Understanding of financial products and concepts

Definition: Children and young people know about financial products and concepts, and recognise how they apply in a wide range of circumstances. This includes an understanding of likely costs and financial shocks the individual is likely to incur in the future.

Evidence: A range of evidence indicates that young people lack understanding of financial products and concepts. People in debt who are aged 18–24 are less likely to understand financial products and the costs involved than over-25s who are in debt.[80] Strong evidence from the US shows that a substantial proportion of young people aged 23–28 lack knowledge of key financial products and concepts: only 27% know about inflation, risk diversification, and can do a simple interest rate calculation.[aa81] There is some evidence from an intervention evaluation that youth workers trained to support young people who are not in employment, education or training with their financial capability feel comfortable teaching money management, but do not spend time talking about choosing financial products. The evaluation suggests that this may reflect the needs of participants or the low confidence of youth workers to support more technical aspects of financial capability.[82]

This lack of understanding is linked with poor financial well-being: a study from the US provides strong evidence that a lack of financial knowledge—broadly defined to cover issues beyond that of debt—is one of the strongest predictors of debt among students (aged over 18 years), and conversely those with higher financial knowledge are less likely to be in debt.[bb83]

There is limited evidence discussing this outcome in relation to younger children. A review of literature identifies that interventions to build financial knowledge and understanding should begin during the early years of education.[84]

aa. Methodology: analysis of one wave of longitudinal survey data, based on almost 7,500 responses.
bb. Methodology: paper-based questionnaire completed by almost 500 students from five different college campuses.

Understanding of money management

Definition: Children and young people have the ability to create and follow a budget.

Evidence: The evidence concerning young people's understanding of money management is mixed. There is strong evidence that young people aged 15–17 are less likely to keep track of their money than adults (60% do so, compared with 86% of adults), and the likelihood of tracking expenditure increases with age (55% of 15 year olds do so, rising to 79% of those aged 18–24).[85] The young adult age groups (18–19 and 20–29) are among the worst at 'making ends meet'—ie, being able to cover expenses.[86]

Half of young people find it difficult to live within their means, just as half of adults find it difficult. This may be related to patterns of income: more than half of 15 year olds do not receive pocket money in a fixed pattern, making it more difficult to plan and manage a budget.[87] A fifth of the indebted population is aged 18–24; this is a third of 18–24 year olds.[88] However, young adults aged between 18 and 24 are more likely than other age groups to know their bank account balance within £10.[cc89]

We did not identify any evidence relating to younger children.

Understanding the role of money in society

Definition: Children and young people understand that money has value, understand the economic system that we live within, including the motivations and drivers of commercial business and financial institutions, and understand that the life choices they make will influence their financial situation. Once people reach adulthood we assume that they have achieved this understanding.

Evidence: Practitioners and expert interviewees identified this outcome as important, but there is limited robust evidence directly addressing it. Parenting interventions claim to increase young people's understanding of the role of money in society, often through encouraging parents and carers to talk with their children about the subject. There is some evidence from evaluations indicating that the outcome can be achieved.[90] The PISA study of financial literacy among students in 18 OECD countries[dd] uses 'contexts' (the situations in which money is applied) as part of its definition of financial literacy. The ability of students to understand the wider financial landscape is part of the assessment of financial literacy—a recognition of this important outcome (although not evidence that it influences overall financial capability or financial behaviour).[91]

Basic skills

Applied numeracy

Definition: Using numeracy in financial situations eg, calculating percentages to understand the impact of interest rates on savings or borrowing.

Evidence: The importance of applied numeracy to the development of children and young people is widely recognised, as evidenced by its inclusion in the mathematics curriculums throughout key stages 1–4 (age 5–16). Further detail on the curriculum for applied numeracy can be found in the indicators section below. Studies discussed in the adult section link applied numeracy to financial capability.

cc. Methodology: qualitative research (with 72 families) and quantitative research (a survey with 5,000 respondents).
dd. The UK did not participate in this study.

Literacy

Definition: The ability to read and write in the English language (or Welsh in Wales). In some cases translated material may be available (see Connection), but people will struggle to achieve full financial capability in the UK without English language skills as some materials will not be available in alternative languages.

Evidence: There is reasonably strong evidence from the US that among primary school-aged children, both literacy and mathematical ability are strongly correlated with levels of financial knowledge.[ff92]

Problem solving

Definition: The ability to find solutions to difficult or complex issues by understanding and weighing up a range of options.

Evidence: There is strong evidence from the US linking cognitive ability with better financial performance later in life. In this study, cognitive ability is measured through SATs, which are problem-solving exams taken towards the end of school (aged approximately 17).[93] Another study from the US (analysis of the Jump$tart series of surveys) provides strong evidence that financial capability is more closely linked to problem solving than to educational content.[94]

Mindset

The mindset-related outcomes cover financial attitudes and motivations, and general attitudes and motivations.

Financial attitudes and motivations

Attitudes to money

Definition: The way that people think about money, and their emotional response to money, for example, money buys happiness, being good with money is dull and boring. A healthy attitude to money would include willingness to talk about money with friends and family.

Evidence: There is strong evidence from a US study that younger adults have a different attitude to money than the rest of the adult population: they are more likely to identify themselves as 'spenders' and less likely to identify themselves as 'planners'.[ff95] Weaker evidence from the UK echoes these findings (although it does not offer a comparison with the adult population): young people (aged 15–17) like to be seen as generous, and there are strong norms about the need to spend money in social participation.[96] Research also shows that a substantial segment of young people feel debt is inevitable, and that some young people prefer to have luxuries than to be debt free.[97] However, it is far from proven that these attitudes translate into poor financial behaviour: in one study, almost two thirds of young people report not going out if they cannot afford it.[98]

ee. Methodology: a control group study of third and fourth graders receiving a financial education intervention. The cohort sizes were quite small (38 by the end of the study).
ff. Methodology: analysis of survey responses from a random population sample of more than 500 people, and a convenience sample of almost 130 students.

There is also literature linking young people's attitudes towards financial learning and their financial capability. A US study with high school seniors (aged 17–18) provides strong evidence that willingness to learn financial skills is correlated with financial literacy.[gg][100] There is also reasonably strong evidence from Germany that students who receive a financial training intervention have a greater interest in financial topics.[101]

Aspirations and goals (H2)

Definition: Children and young people are able to make future plans for their money including setting concrete goals for saving over the longer term (such as buying a property) as well as the shorter term (such as saving for a holiday).

Evidence: Strong evidence from the US finds that aspiration is linked with financial literacy. Students who expect to go to college, become professionals and have a higher starting salary do better on tests of financial literacy. This evidence comes from an analysis of the Jump$tart series of surveys of high school seniors.[99]

Basic attitudes and motivations

Self-confidence

Definition: Children and young people have positive feelings and expectations about their past and future performance. Self-confidence covers both confidence in financial ability, and a more general definition of personal self-confidence. Self-confidence includes the confidence to question advice and scams, and to be assertive in communicating about needs with financial professionals (eg, to open a bank account). Self-confidence may decrease before it increases as financial capability grows, and people become more aware of what they do not know.

Evidence: One US study provides weak qualitative evidence that children of primary school age develop increased confidence in their own ability to apply economic concepts, particularly in their interactions with banks.[102] There is some evidence from an evaluation of a training programme for young people who are not in education, employment or training that involvement in the programme increases the confidence of participants and reduces levels of worry. The programme also saw an increase in those rating themselves as happy and relaxed.[103]

Perseverance

Definition: The ability to succeed in the face of challenges and bounce back from shocks.

Evidence: The large 2012 PISA study of students from across OECD countries defines financial literacy as knowledge and skills along with non-cognitive attributes, such as the ability to manage emotional and psychological factors that influence financial decision-making. There is evidence from the study that positive attitudes towards learning, such as perseverance and openness to problem solving, are positively associated with financial literacy. The study assumes that perseverance is important for many financial activities, such as saving for a future expense or repaying loans, and that the same is the case for openness to problem solving.[104]

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gg. Methodology: a survey administered to randomly sampled classes of high school from across the US, from among a cohort of schools offering a particular financial literacy programme.

Self-control

Definition: Children and young people can resist short-term impulses in order to prioritise longer-term goals. Self-control includes the ability to recognise and understand pressures which arise from consumer culture, as well as that which arises from familial or peer pressures to spend, and to resist them where appropriate.

Evidence: Strong evidence from the US links the inability to delay gratification with debt among college students.[hh105] There is also reasonably strong evidence from Germany that students receiving a financial training intervention demonstrate lower levels of self-assessed impulsiveness following the training.[106]

Connection

The connection outcomes relate to an individual's ability and opportunity to access and use support to improve financial capability.

Exposure and access to appropriate products and channels

Definition: Using financial products which meet a person's need and seeing them being used.

Evidence: Only 8% of 16–19 year olds in the UK do not have a bank account. This figure is low, but still significantly higher than the 0.7% of the adult population aged 16 and over as a whole that lacks a bank account.[107] The channels through which young people check their bank account seem to change rapidly. One study found that 15–17 year olds are less likely to check their balance online (a behaviour that is associated with more frequent balance checking and knowledge of financial situation), and instead tend to check their balance at cashpoints or paper bank statements.[108] Another study found that slightly older teenagers (aged 18–19) are more inclined to use different information channels to keep track of their money, including their bank's website, mobile apps and cash machines.[109]

According to a poll from the UK, only 17% of young people aged 15–17 find financial institutions the most useful source of information about finances. This group of young people are more likely than other ages to be displaying good financial behaviour, such as saving regularly and managing their money.[110]

Managed exposure to risk

Definition: Gradual introduction to the concept and reality of financial risk, so that the young person can develop an appropriate attitude to risk as they move towards independence.

Evidence: Psychological studies provide some evidence of the importance of managing young people's exposure to risky products. Evidence suggests that less experienced people make short-sighted decisions when doing something that they consider thrilling or exciting.[111] There is also evidence from an evaluation of a US intervention that managed and early access to banking increases knowledge, attitudes, access and behaviour of young people, compared with a random control group.[112]

There is reasonably strong evidence from the US that where parents are proactive in teaching children to handle money (for example, by teaching them to handle an allowance and to manage a bank account), these children have lower levels of credit card debt in college.[ii113]

hh. Methodology: paper based questionnaire completed by almost 500 students from five college campuses.
ii. Methodology: a small sample (173) of college students completed a paper based questionnaire.

Children and young people indicators

The indicators of financial capability in the children and young people's framework are tailored so that they are appropriate for different stages of child development. They have been developed through our review of the evidence and the views of stakeholders. Previous research has identified a need for further primary research to ascertain appropriate indicators for financial autonomy at different ages of child development.[114] Some ability outcomes relate to elements of the school curriculum (including understanding the role of money in society and the basic skills outcomes). The general attitudes and motivations outcomes have general indicators, which do not vary by age, alongside some financial indicators. Where the same indicator is appropriate across several age groups, this will be beneficial at the measurement stage, because it will allow an easy assessment of progress at different ages.

Research from other disciplines has identified that attitudes are formed in early age (between the ages of 3 and 12 years old), although the majority of education programmes occur at secondary school age.[115] There is also evidence that people retain what they have learned for only 20 months,[116]so to have a long-term effect, education should be 'just in time'—ie, likely to be put into practice within a year so that good habits can form.

In the following tables, the indicators identified for each age group are presented under the headline outcome areas, and presented in age groups aligned with school key stages. The framework is cumulative: the indicators defined at each age group build on those in the previous age groups. We therefore do not replicate indicators that remain relevant. Where boxes are blank, no appropriate indicator has been identified for this age group, but we anticipate that this is a time to build on the previous indicator and work towards the next.

For all outcomes, we anticipate that the adult indicators may start to become relevant from the age of 16. The adult indicators have not been repeated in this table: where the age brackets 17–18 and 16–17 are empty, adult indicators apply. Where there are indicators in the age 17–18 bracket, this recognises the importance of 'just in time' interventions before young people are expected to act independently as adults.

Ability: Financial knowledge and understanding

Age	Understanding financial products and concepts	Understanding of money management	Understanding the role of money in society
17-18	I can interpret bill statements, payslips, and know how to address errors. I can assess which adult current account / savings option will be right for me. I understand the range of adult financial products now available to me including credit, pensions and investments, and can assess whether they will help me meet my goals.	I can develop a complex budget for independent living. I know a range of ways to improve my income and cut the cost of living. I can identify positive and risky financial decisions, weigh up options and understand the consequences.	
16-17	I know how to protect myself through financial products. I understand financial vocabulary, for example compound interest, APR, AER, depreciation.	I can identify the steps I need to take in the short and medium term in order to meet long term goals. I can develop a budget that will help me manage my money well now and support me reaching my goals. I can break down what I spend my money on and I am regularly able to keep track of spending. I know how people get into problematic debt and how I can stop it happening to me.	I understand the financial implications of different educational / career choices (further or higher education, work, entrepreneurial).
14-16	I understand the range of savings options available and how they relate to my goals.	I understand how my spending decisions could affect others, and how others' spending decisions could affect me.	I am aware of the external factors that could impact my own personal financial situation including government spending and decisions. I know how public money is raised and spent.

Table continues overleaf

Ability: Financial knowledge and understanding contd.

Age	Understanding financial products and concepts	Understanding of money management	Understanding the role of money in society
11-14	I can assess which current/ savings account will be right for me. I can interpret what my bank statement means.	I know how to set a basic budget for myself and broadly stay on track. I know how to protect myself from fraudulent activity	I understand the functions and uses of money, the importance and practice of budgeting, and managing risk. I understand different ways companies try to influence spending. I am aware of how the government gets money and my role in generating income through tax.
7-11	I understand there are different purposes for savings.	I know how to pay for things that do not involve cash or cards. I can track spending through keeping simple records.	I know where people get money from and that different jobs earn different amounts. I understand companies exist to make money I understand that advertising is trying to make me buy things.
5-7	I understand the concept of borrowing and can apply it to financial situations. I know how to complete a cash transaction in a shop and understand why change is given.	I know that many things I want cost money.	I know that different coins have different values and that money exists in digital forms. I understand where my parents and carers get money from and that money is a finite resource.
3-5	I am aware of basic financial language eg, spend, save, change.	I understand that money has a value.	I understand when people are paying for goods or services.

Ability: Basic skills

<table>
<tr><th>Age</th><th>Applied numeracy</th><th>Literacy</th><th>Problem solving</th></tr>
<tr><td>17-18</td><td></td><td rowspan="2"></td><td rowspan="2"></td></tr>
<tr><td>16-17</td><td>I am able to develop a budget appropriate to my needs.</td></tr>
<tr><td>14-16</td><td>I have attained the level of skills in maths relevant to applied numeracy including compound interest.</td><td rowspan="2">I have attained the level of skills in English expected in the national curriculum for my age, including reading, writing, grammar and vocabulary, and spoken English.</td><td rowspan="4">I can identify and understand a problem.

I can plan ways to solve a problem.

I can monitor progress in tackling a problem.

I can review solutions to problems and modify them if necessary.</td></tr>
<tr><td>11-14</td><td>I have attained the level of skills in maths relevant to applied numeracy including using decimal quantities, unit pricing, percentage increase and decrease, and simple interest.</td></tr>
<tr><td>7-11</td><td>I have attained the level of skills in maths relevant to applied numeracy including adding and subtracting amounts of money to give change, and solving simple problems involving fractions and decimals to 2 decimal places.</td><td>I have attained the level of skills in English expected in the national curriculum for my age. Including the skills of reading (word reading and comprehension) and writing (transcription, composition, vocabulary, grammar and punctuation).</td></tr>
<tr><td>5-7</td><td>I recognise and use symbols for pounds (£) and pence (p) and combine amounts to make a particular value.

I can find different combinations of coins that equal the same amounts of money.

I can solve simple problems in a practical context involving addition and subtraction of money of the same unit, including giving change.</td><td rowspan="2">I have attained the level of skills in English expected in the national curriculum for my age. Including the skills of reading (word reading and comprehension) and writing (transcription, composition, vocabulary, grammar and punctuation).</td></tr>
<tr><td>3-5</td><td></td><td></td></tr>
</table>

Mindset: Financial attitudes and motivations

Age	Attitudes to money	Aspirations and goals
17-18	I believe taking responsibility for managing my money well is intrinsic to me living independently. I am happy to seek financial advice when I think I need it.	Proactive earning / spending / saving prioritisation decisions will benefit me and help me achieve my goals.
16-17	Good financial capability is something I want my friends and me to have. I am proud to talk about how I manage my money. I have ways of participating socially that don't involve money.	Managing money well will help me achieve many of my goals. Saving now will benefit me in the future.
14-16	I am happy to talk openly about money and what I can and can't afford.	I know that setting goals and making and sticking to goals will help me achieve the things I want.
11-14	I do not perceive money as something difficult, that should be worried about but I understand that I can influence my own financial situation through the choices I make.	Money is the means to achieve some of the things I want. I can identify my own short to medium term goals and understand the role money could play in achieving them.
7-11	I am starting to understand the difference between 'price' and 'value' – price is one measure of value.	I can save for a goal up to a year away, rather than simply collecting money.
5-7	I recognise the broad benefits of saving. I understand my parents and carers may not be able to afford all of their wants. I think spending decisions need to be considered wisely.	I can save up to one month in advance.
3-5	I know I can't do / have everything I want and that's not a problem.	

Mindset: General attitudes and motivations

Age	Self-confidence	Self-control	Perseverance
All ages	I have a sense of my own value or worth.	I can demonstrate self-control in non financial situations.	I have perseverance and can recover from setbacks.
17-18			
16-17		I should avoid borrowing money if I can't afford to pay it back. I feel in control of my money, not that my money controls me.	
14-16	I feel confident to critically assess advice and information I receive / behaviour I see and question whether it is right for me.		
11-14	I feel confident to select an appropriate current account without parental instruction, and communicate with banking staff about this activity.	I am starting to differentiate between different levels of needs when I make spending decisions	
7-11	I can reflect and explain why others have behaved in certain ways	I can make spending or saving decisions based on 'wants' and 'needs' differentiation. I can delay gratification through employing a number of different strategies. I am becoming responsible for my own thinking and learning.	

Table continues overleaf

Mindset: General attitudes and motivations contd.

Age	Self-confidence	Self-control	Perseverance
5-7	I am confident in my own opinion and can disagree with my friends / peers.	I can differentiate between wants and needs. I feel responsible for my own behaviour and can reflect and explain why I have behaved in certain ways. I know it is sometimes better to wait for things and feel confident I can do this most of the time.	I feel ok making mistakes; I can learn from them.
3-5	I can improve my own abilities through personal effort	I am starting to feel responsible for my own behaviour and can follow classroom rules. I am beginning to understand the need to suppress or delay behaviours or activities.	I have a positive approach to new experiences

Connection

Age	Exposure and access to appropriate financial products and channels	Managed exposure to risk
17-18	I choose and use adult financial products.	
16-17	I am aware of finance options available if I want to continue my studies beyond A level. I am aware of how to maintain good credit record; and what is meant by APR.	I regularly experience managing more complex decisions eg, mix of short term, long term and regular bills. I experience making my own money through eg, job, entrepreneurial activities. My risk appetite for spending and saving decisions is based on my experience.
14-16	I choose and regularly use my own current and savings accounts.	I experience managing my own money without supervision. I am included in complex and longer term adult spending decisions.
11-14		I experience managing my own money with some supervision. I am included in more complex adult spending decisions.
7-11	I have my own current / savings account.	I use digital money online / in app purchase.
5-7	I have somewhere I keep my money (eg a piggy bank).	I regularly experience managing my own money under supervision. I am included in basic adult spending decisions
3-5	I regularly see money being used.	I hear how everyday spending decisions are taken.

Children and young people framework evidence summary

Table 2 summarises the level of evidence we found for each outcome. Where we found more than one piece of evidence, only the highest level is shown. The existence of strong evidence for a particular outcome does not mean that the outcome has been comprehensively proven: the evidence available may relate to just one aspect of the outcome.

The approach to categorising evidence for this framework differs slightly from the adult framework. In many cases, the adult evidence links the outcome to financial capability, behaviour or well-being. Often these links are not made in the literature on children and young people. Instead the following summary focuses on whether there is evidence that the outcome is relevant to children and young people. It should therefore be read in combination with the adult framework to understand where links to financial capability, behaviour or well-being can be made.

Table 2: Evidence summary for the children and young people outcome framework

Ability	Mindset	Connection
Understanding financial products and concepts ★ One strong study relating to young people, no studies for children.	**Attitudes to money** ★ Mixed evidence but strong evidence that positive attitudes to learning about money are linked to positive attitudes to money.	**Exposure and access to appropriate products and channels** There is mixed information about how well children and young people are linked to products and channels.
Understanding of money management ★ There is strong evidence that young people struggle with money management. No studies for children.	**Aspirations and goals** ★ Strong evidence from a single study. Evidence relates to young people, no studies identified for children.	**Managed exposure to risk** ★ Strong evidence of the risks of poorly managed exposure to risk.
Understanding the role of money in society ● Some evidence from evaluations and discussion in literature.	**Self confidence** ● Two studies showing weak evidence: one for children and one for young people.	
Applied numeracy No studies identified, but recognised through the curriculum.	**Perseverance** ● One study linking perseverance to financial literacy among young people.	
Literacy ★ One strong study for young people.	**Self control** ★ Two studies with strong evidence relating to young adults and young teenagers.	
Problem solving ★ Two strong studies for young people.		

Key
● Evidence level 1-2 on Nesta or Maryland scale
★ Evidence level 3-5 on Nesta or Maryland scale

Commentary on evidence gaps

There is an evidence gap for applied numeracy because we did not identify any studies of children and young people explicitly linking this outcome to financial capability. However, the adult framework shows us that this outcome is relevant to financial capability, and evidence from the maths curriculum shows us that it is an important skill to learn and build through childhood.

There is an evidence gap for exposure and access to appropriate products and channels. This is also poorly evidenced in the adult literature, indicating that it could be a priority for further study.

This summary of evidence reflects the information we found through a systematic literature review, a call for evidence and extensive consultation. Nonetheless, it is limited in scope by time and resource, and further evidence may have been missed.

4. Vulnerable groups

In this chapter we discuss some key groups identified by the literature as particularly at risk of poor financial capability and well-being. These vulnerabilities have implications for the ways in which providers would work with these groups, the appropriate sequence of activities, and the nature of outcomes which can be achieved.

Introduction to vulnerable groups

It is not possible to compile a comprehensive list of people who might face difficulties achieving financial capability; other groups and individuals are not covered by the list below may be vulnerable. The reasons for vulnerability can be summarised as:

> **Lack of information or knowledge:** migrants and refugees could fall into this group because they have not had the opportunities open to others to develop Ability outcomes.

> **Lack of capacity:** people with cognitive problems or some mental health problems may struggle to achieve Mindset and Ability outcomes.

> **Challenges of physical access to services:** people with disabilities and frail older people could have particular challenges in achieving Connection outcomes.

To deliver effective interventions, organisations need to understand the vulnerabilities of clients: the type and extent of vulnerability will influence the intervention which is likely to succeed for any cohort and the nature of the outcomes they are likely to achieve. To understand whether an intervention is likely to be successful, we need to take into account the life complexity of people participating (including how chaotic or steady their life is in other respects); the capability of that person to engage with the intervention; and the type and depth of intervention available. In the next chapter we summarise the evidence of the effectiveness of different interventions. It has not been possible within the scope of this work to offer specific guidance regarding the effectiveness of each intervention with specific vulnerable groups.

Vulnerable groups

People with a disability

Disabled people's financial capability is affected mainly through connection. Disabled people report high levels of confidence in managing their finances, and are slightly less likely to run out of money at the end of the month than non-disabled people. However, when they do run out of money they are less likely to use a credit card or overdraft than non-disabled people. This may indicate that they are less likely to know about or have access to financial products.[117] Disabled people are likely to have problems with transport and accessibility that prevent them from accessing advice, products and services.

People with cognitive impairments

People with cognitive problems are more likely to have problems with the outcomes in the ability area: they may not have the necessary levels of literacy or be able to understand financial products and terms. As well as this, cognitive problems may also limit access to products, services and advice. A poll from 2013 found that 23% of people with a learning disability found it physically difficult to access their bank or building society, compared with only 12% of people across all disabilities.[118]

A small survey of people with dementia found that three quarters had experienced difficulties managing their finances, and only 21% managed their own money all the time.[119] A small survey of carers found that around a third experienced problems managing the money of the person they supported.[120] Qualitative research identified that banks and financial institutions were ill adapted to support people with dementia and those who help them manage their money.[121] The risk of financial abuse of people with dementia is high, but there is also a grey area wherein family members may spend money on behalf of a person with dementia (for example to buy gifts for grandchildren as they had previously), but without the explicit consent of the person with dementia.[122]

Victims of domestic violence

Victims of domestic violence can have problems accessing products and services, particularly bank accounts. This is sometimes caused by having no identification documents because they left their accommodation in a hurry; sometimes it is caused by staying for a long-time in a refuge that does not have a public address. Additionally, control of finances is a common part of domestic abuse and therefore victims might not have experience of managing their money, and therefore have lower skills than usual. Self-confidence is also likely to be lower because of the abuse. Indicative but not strong evidence points to the key financial issues impacting on women after leaving their violent partner as being little experience of using financial institutions and banks, lack of confidence in claiming welfare benefits, limited experience of budgeting, difficulty managing debts, and need for help and information to support their specific financial needs.[123]

Migrants and refugees

The financial capability of migrants and refugees may suffer if their spoken language skills and literacy in English are not at a sufficient standard. Additionally, they may not be aware of and understand financial products if they are different to financial products in the country they came from. Migrants and refugees often have trouble with providing the identification needed to access products and services.[124]

People with mental health problems

Although there are links between mental ill-health and financial problems, particularly debt, it is not clear how the two interact and which is more likely to cause the other.[125] People with mental health problems are likely to have lower confidence, lower resilience, and problems accessing financial products and channels which may lower their overall capability. On the other hand, people with severe debt problems are likely to suffer high levels of stress which could trigger a mental health problem.

Former prisoners

Financial well-being is essential to prisoner rehabilitation, yet assessments by the National Offender Management Service in 2008 indicated that 2,300 offenders face significant problems achieving financial security.[126] The financial capability of people who have been in prison is affected in various ways. People who have gone to prison have lower levels of education than the general public, so their ability is likely to be lower. On leaving prison, there is often a delay before an individual can access benefits or other income, leaving a means gap, and people often will not have stable accommodation which they can return to. People who have been in prison often find it more difficult to access financial products and services, because of identification issues caused by complex and chaotic lives, and other criteria that financial institutions require their customers to meet.[127]

People managing money on behalf of other people

A small survey of carers supporting people with dementia found that almost two thirds wanted more information about managing money and financial matters for the person they care for.[128] Qualitative research identified the challenges which carers (particularly spouses) could face in taking responsibility for household finances which a person with dementia previously managed, and the additional burden of engaging with financial institutions on someone else's behalf.[129]

5. Financial capability interventions: the evidence on what works

Earlier chapters have shown the evidence base underpinning each financial capability outcome and linking each outcome to improved financial behaviour and well-being where the evidence is available. However, this does not necessarily mean that interventions are able to change people's level of financial capability. In this chapter, we discuss the evidence base behind the main types of financial interventions, including what we know about what makes interventions more or less successful. We discuss what outcomes each intervention might be able to achieve (based on what is currently measured in evaluations) in order to provide an illustration for funders and charities working in this area of what they can expect.

The main types of interventions that we discuss in this chapter are:

> financial education programmes for children and young people;

> family focused programmes;

> debt advice;

> financial and money advice;

> intermediary focused programmes;

> edutainment; and

> social marketing.

Characteristics of successful interventions

Use of behavioural insights research

Recent evidence from behavioural economics has provided some insight into how to change people's behaviour; in particular, the importance of changing people's attitudes and mindsets as well as giving them information. The MINDSPACE model developed by the Cabinet Office and the Institute for Government is a mnemonic that summarises the nine important elements of behavioural insights research, which has then been simplified further into the EAST model.[130,131] Table 3 below shows the MINDSPACE cue, the behaviour it describes, and how this is being used by charities, banks, and policy makers to help improve financial capability and financial behaviour.

Table 3: MINDSPACE behavioural insights model

MINDSPACE cue	Behaviour	Use in financial capability interventions
Messenger	We are heavily influenced by who communicates information to us	Messenger effects are an important consideration for organisations working in the financial capability field—evaluations suggest that interventions are more likely to be successful if the person giving the advice is trusted.[132]
Incentives	Our responses to incentives are shaped by predictable mental biases such as strongly avoiding losses	Banks have been changing the options around incentives. For example, to make mental accounting easier, and allow people to save more.[133]

Table 3 continues overleaf

Table 3 contd.

MINDSPACE cue	Behaviour	Use in financial capability interventions
Norms	We are strongly influenced by what others do	Studies have shown that employees are strongly influenced by whether others are signing up to a savings scheme. [134]
Defaults	We 'go with the flow' of pre-set options	Recent changes to automatically enrol employees into workplace pensions change the default 'setting' for people's behaviour in this area.
Salience	Our attention is drawn to what is novel and seems relevant to us	There is substantial evidence for using 'teachable moments' to influence people's behaviours when it is salient to them.[135,136,137] Financial behaviours are not static over a lifetime and can change as a result of experiencing life events such as having a baby, divorce, or bereavement.[138] These may provide teachable moments when people are willing to change their behaviour. Organisations are increasingly using 'gamification' to make financial capability work more relevant to young people.
Priming	Our acts are often influenced by sub-conscious cues	Framing the amount of insurance that people should pay can increase the level of insurance that people think they need.[139]
Affect	Our emotional associations can powerfully shape our actions	Savings accounts that are linked to positive things, eg, holidays, could influence people's willingness to save.[140]
Commitments	We seek to be consistent with our public promises, and reciprocate acts	There is substantial evidence that pre-commitment to future goals improves people's financial behaviour. Commitment forces people to make future decisions in the present, thereby avoiding procrastinating and going with the status quo. Studies have showed commitment to have a large effect on a variety of areas, including pensions savings.[141]
Ego	We act in ways that make us feel better about ourselves	Reminding people of their beliefs that paying tax on time is a good thing might increase the numbers of people paying tax on time.[142]

As the table shows, behavioural insights research has had a significant influence on financial capability interventions and is increasingly being used to make those interventions more successful. This is important as there is some evidence that traditional interventions that rely on giving people information are more useful for people who already have a higher level of financial capability.[143] Therefore it may be that traditional models that concentrate on giving people information may improve financial capability but widen financial capability inequalities.[144]

Appropriateness

It is important that interventions are appropriate and relevant to the client group in terms of content, channel and mode of delivery. For children and young people, this is partly about being aware of the developmental stage of children and when it is pertinent to deliver interventions.[145] There is evidence, for example, that interventions about financial products and concepts are best delivered just before children begin to use them rather than earlier.[146] For vulnerable groups, interventions should recognise the degree of vulnerability and ensure that the intensity of the intervention is suitable and achieves the degree of difference that is needed. Additionally, vulnerable groups in particular may prefer certain channels, or may be more likely to accept help if it is offered in a certain setting.[147]

Outcomes of interventions and theories of change

There are a number of different interventions that aim to improve the financial capability and behaviour of people. We have reviewed evidence on the effectiveness of each programme to grasp which outcomes they are likely to achieve, and how strong the evidence is that they will achieve those outcomes.

To help charities and funders working on financial capability determine which outcomes their intervention is likely to achieve, we have shown the outcomes that are typically achieved by particular types of intervention. However, even similar interventions are not the same; there may be differences within the model, or within the client group that mean that an organisation's outcomes will differ from those illustrated. The framework is designed to act as a model and guide, not a set of rules.

Where possible we have ordered the outcomes into an illustrative theory of change. A theory of change is a map showing the path from activities to final goal, and the order of intermediate outcomes in between. A theory of change is useful for an organisation to think through exactly how change happens and to be able to articulate clearly how their work contributes to their mission. For the most part, it has not been possible to create theories of change for each intervention as the evaluations have not provided enough information about how change is created.

When looking at the evidence base behind interventions, we have prioritised research that makes an attempt to control for what might have happened otherwise (ie, using a control group). The results can be attributed to the intervention and the evidence can therefore be transferred to different settings. This does not mean that this is the standard of evidence we would recommend for all projects or settings.

Financial education programmes for children and young people

In school

Financial education is part of the national curriculum in Wales, Scotland and Northern Ireland, and will also be taught in all Government maintained schools in England from September 2014. Financial education can be delivered by specialists, by non-specialist teachers, and using specialist resources to expose children and young people to financial products.

There is debate about the effectiveness of financial education in schools. Although some individual programmes have been found to be effective, reviews of evaluations of financial education for young people in schools in the UK and the US have found that they do not lead to improved financial knowledge or behaviour—especially when financial behaviour is measured a number of years later.[148,149,150,151,152,153] One meta-analysis looking at financial education found that it does lead to improved financial behaviour, but only a minor amount.[154] One study points out that the increase in financial knowledge is much smaller than you would expect compared to the efficacy of other lessons taught in school.[155] As so little financial knowledge is retained, this has prompted researchers to emphasise the importance of just-in-time interventions, where people are taught key concepts and products just before they are likely to start using it.[156]

There is evidence that the delivery mechanism for financial education programmes matters.[157] Ofsted found evidence that teaching personal finance within maths classes may result in poor financial education and hinder maths progress.[158] Behavioural insights are also important here: children and young people learn more when the approach to teaching it is experiential and takes advantage of teachable moments.[159,160] Some evaluations of experiential learning methods show more knowledge being retained.[161] Students are also more likely to be engaged when their education demonstrates how poor or positive financial behaviour will impact them on an individual level.[162]

Targeted groups

Evidence from other behaviour change work with young people suggests that work in small, targeted groups might be more effective than general education in schools.[163] Youth work with young people who are not in education, employment or training that has contained elements of financial capability was successful in encouraging saving, reducing debt, and improving confidence when compared to a control group.[164]

Online

There are a number of online resources designed to be delivered to children as part of an interactive lesson plan in school. However, there is little research about this as a delivery mechanism, possibly because it is rolled into discussions of financial education in schools. We have not been able to identify any evaluations of online resources designed to be used by children themselves.

Family focused programmes

Family focused programmes work with both parents and carers and children and are designed to help money management and communication about money in the home. The theory behind this is to communally explore the attitudes and relationships that shape people's attitudes to money and give people the tools to communicate about money so that they can resist social pressures. The development of these programmes is based on strong evidence about the influence that parental attitudes have on children.[165,166] This type of work is thought to be particularly good at helping families communicate about money, therefore providing an opportunity to influence not only the financial capability of the parents and carers but also of the children throughout their lives. Another strength of this type of programme is that it helps parents and carers resist the pester power of their children. Often the programmes try to bring in behavioural insights by helping people understand their emotional connection with money, discussing consumer culture and peer pressure, and having people make commitments to change in front of everyone. At the same time as tackling the mindsets and attitudes of people, these programmes often work on trying to improve people's basic skills and financial knowledge and understanding.

The evidence base supporting these programmes is not as strong as it is for some other interventions. Although there have been evaluations of this type of work, we found none that used a control group. Work in family focused programmes is usually conducted in group work over a period of time. We were not able to find any research that gave information about whether any particular channels or time periods are more effective in family focused interventions. Figure 5 below discusses the outcomes discussed in these evaluations. Charities and funders working on similar programmes could expect to see these type of outcomes amongst both the children and young people, and the adults participating in the programme.

Figure 5: Outcomes within financial capability that family focused programmes achieve

FINANCIAL CAPABILITY

Ability

Basic skills

- Problem solving
- Communications skills

Financial understanding:

- Understanding financial products and concepts
- Understanding own financial situation
- Understanding money management

Only for children and young people:

- Understanding the role of money in society

Mindset

Financial attitudes and motivations:

- Attitudes to receiving money advice and guidance
- Attitudes to money
- Aspirations and goals
- Attitudes to the future

General attitudes and motivations:

- Self confidence
- Perseverance
- Self control

Connection

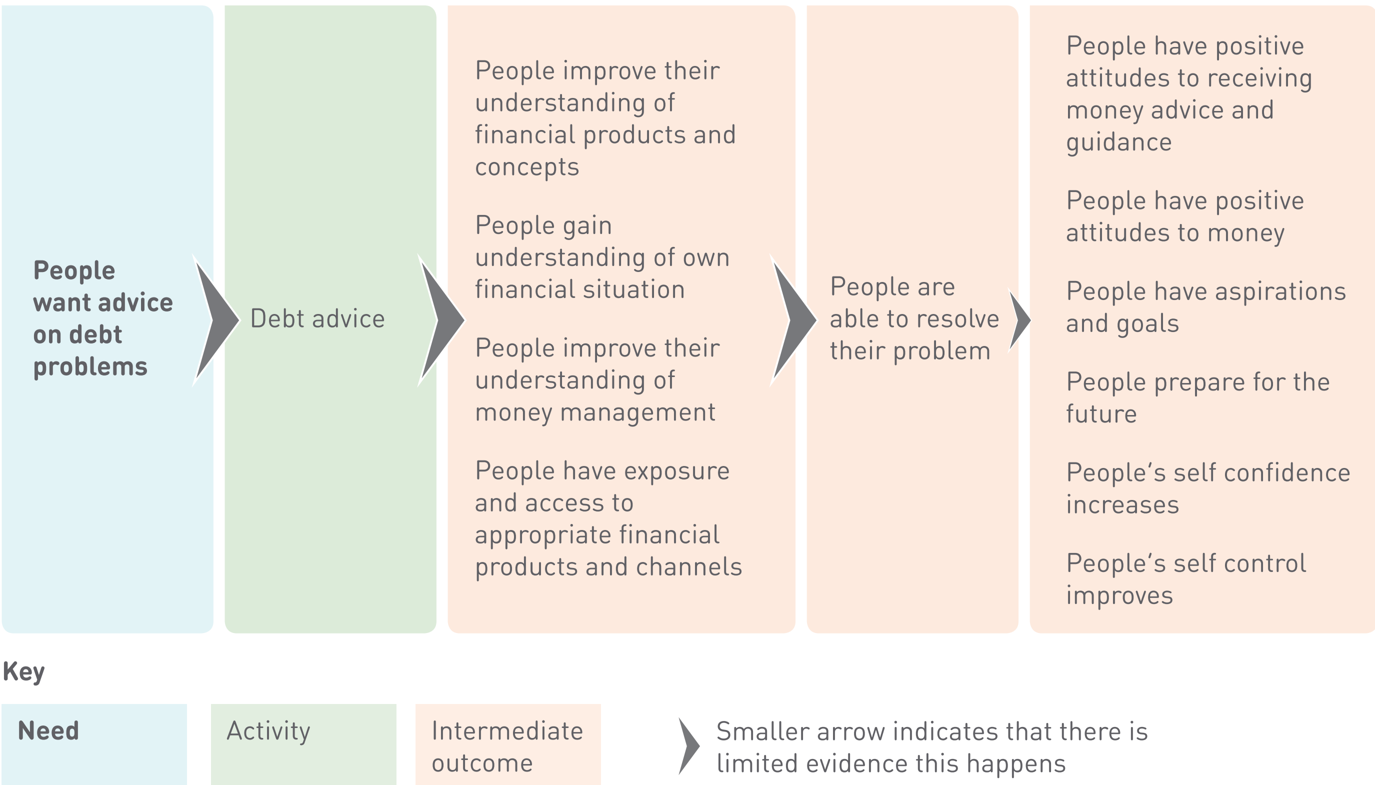
Debt advice

Debt advice normally occurs in a one-off session where people discuss specific debt problems they have with an advisor; although for more serious cases there will be follow-up casework. The advisor will typically give them advice about their rights and better products they can use and, to a lesser degree, on money management to help them get out of a problem debt situation. Crisis debt advice has the advantage of being very salient to people, which as we understand from the behavioural insights model, makes people more likely to act upon the information.

Figure 6 below shows a typical theory of change discussed in evaluations of these interventions. In some ways, the theory of change for these interventions is simple. People present with a problem, and then receive advice on that problem. This advice gives them either improved financial skills—for example, understanding of money management—or improved connections—for example, if they have been shown cheaper loan deals. This then helps them to resolve their problem. For many people, the resolution of a debt problem might be the final outcome, but the hope is that the experience also changes their attitudes and mindset, making a larger contribution to their financial capability.

Most of the evaluations of debt advice discuss how many people have resolved their problem, and many also mention that this leads to a reduction in stress and increase in well-being. Individuals in unmanageable debt situations who seek advice are nearly twice as likely to have moved into a manageable situation 12 months later than those who do not seek advice.[167] The evaluations also talk about the increased skills and attitudes of financial capability listed above, but we found none that compared these skills and attitudes to a comparison group.[168,169]

Figure 6: Illustrative theory of change for debt advice



Channels

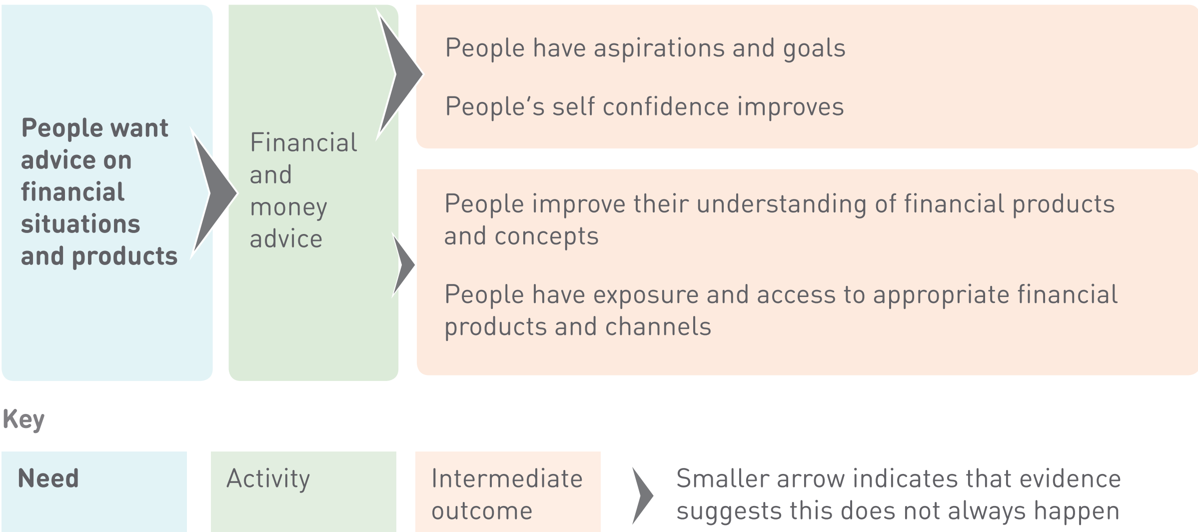
Analysis of debt advice channels found that, taking into account the fact that people with more serious needs were more likely to approach face-to-face debt advice, the channel did not affect the outcome.[170,171] However, other research seems to suggest that it might be more complex than this. Research suggests that people are more comfortable talking about personal financial information face-to-face rather than over the phone.[172] An analysis of the effectiveness of face-to-face legal debt advice versus telephone debt advice, found that debt advice is equally effective via both methods at early stages, but that telephone debt advice is less likely to achieve a tangible outcome later on.[173]

Financial and money advice

Money advice incorporates both regulated and generic financial and money advice;[jj] it can be around a wide range of issues including pensions, savings, or insurance, but is usually tailored to people's specific financial circumstances. People getting financial advice may have sought the advice voluntarily, or be given it as part of a work-place programme (eg, pension advice); it may be free or paid for by the client. Around a fifth of people who are over-indebted do not recognise themselves as having a debt problem.[174] They might be more likely to go to advice that is branded as money advice rather than debt advice.[175]

The outcomes discussed in evaluations are about financial knowledge, confidence and better financial behaviours. Figure 7 shows the outcomes described.

Figure 7: A theory of change for financial and money advice



jj. Generic financial advice is unregulated advice which takes account of the specific financial circumstances of an individual but which does not result in a product recommendation.

Most of the strongest evidence about financial advice comes from the US and does not differentiate between regulated and generic advice. Financial advice is more likely to be taken up by people with higher levels of financial education, general education and income.[176,177,178] Once they take financial advice, people with a higher level of financial education are more likely to make better financial decisions with it than people with a lower level.[179] The field of investment advice is well studied, however evidence on the financial impact of such advice is mixed. While some research has found benefits (including decreased investment mistakes and increased revenues) some of the more robust studies suggest that investment advice can lead to lower returns for people due to increased share trading.[180,181] However, use of a financial advisor has been linked to some important outcomes of financial capability and behaviour, including goal setting, planning, and building resilience.[182]

Financial and money advice is usually delivered face-to-face, although there are online resources (including information and practical tools) available for people. We have been unable to find evidence of the impact of online resources that uses a control group, but the Money Advice Service achieved the majority (around 99%) of its 16.5 million customer contacts through digital channels in 2013/14, and these resulted in 653,000 positive financial actions taking place.[183]

Adult financial education

Adult financial education can take place in a variety of ways from workshops, to group courses over a number of weeks. They work with people who have either chosen to come, or those who have been referred. There have been a few evaluations from the UK and abroad that have compared the outcomes of financial education to a control group and found that it does improve financial capability and behaviour. Others from abroad have found effects on increasing knowledge, attitudes and behaviour.[184,185] One study found that financial education had little impact on behaviour that required applied numeracy, although it did improve other forms of financial behaviour.[186]

A meta-analysis shows that a third of financial education interventions studied were delivered in less than a week.[187] This same study found a weak relationship between the intensity of interventions and the effectiveness of interventions aimed at better record keeping, but not in other interventions.[188]

Workplace education

Workplace initiatives are usually aimed at encouraging and helping people to enrol in savings schemes or pensions, or to help people plan for impending redundancy. Workplace programmes generally have a teachable moment, where people are able to take advantage of a new product or scheme. Evidence from the US suggests that they can be successful, particularly in encouraging those who otherwise would not have joined a savings scheme to do so.[189,190,191] This evidence says that one-off schemes are usually not enough to generate behaviour change, but that a series of schemes can be effective.[192]

Financial education aimed at targeted groups

As for young people it may be that financial education aimed at targeted groups is more successful than general financial education. One study looking at financial education for people in social housing found a positive effect on money management skills, including making ends meet, and keeping track of money and financial confidence compared to a control group.[193]

General financial education

Meta-analysis comparing general financial education to more targeted work suggests that it is not as effective as more targeted work.[194] The authors suggest this might be because of the lack of teachable moments, and therefore the opportunity to put learning into action soon after the intervention.[1954]

Figure 8 shows the typical outcomes described in evaluations of financial education to illustrate the types of outcomes that charities working in this area might expect to achieve.

Figure 8: Outcomes discussed in evaluations of financial education

FINANCIAL CAPABILITY

Ability

Financial understanding:

- Understanding financial products and concepts
- Understanding own financial situation
- Understanding of money management

Mindset

Financial attitudes and motivations:

- Attitudes to receiving money advice and guidance
- Attitudes to money
- Aspirations and goals
- Attitudes to the future

General attitudes and motivations:

- Self confidence

Connection

- Access to appropriate advice, guidance and tools
- Exposure and access to appropriate financial products and channels

Intermediary focused programmes

Intermediary focused programmes aim to teach others, such as teachers, volunteers, and youth workers, how to deliver financial capability programmes. This is an important strand of work because of the messenger effect in the behavioural insights model: if the messenger is trusted, people are more likely to act upon the advice. Therefore it might be better to work with people who have already built up a relationship with the client than to try to build up that relationship from the start.

Most evidence for these interventions uses a pre- and post-questionnaire, and shows that intermediaries felt that their financial capability knowledge had increased and that those of beneficiaries had increased.[196,197,198,199] The outcomes that are discussed are mainly confidence and money management. Figure 9 below shows an illustrative theory of change based on evaluations of these programmes to show the sort of change that charities working in this field might expect to happen.

Figure 9: Illustrative theory of change for intermediary training

Intermediaries want training on how to deliver financial capability work → Training of intermediaries → Intermediaries have a better understanding of the importance of financial capability; Intermediaries have a better understanding of how to deliver financial capability work → Financial capability work by intermediaries → People's confidence increases; People's understanding of money management improves

Key

Need | Activity | Intermediate outcome

Edutainment

Edutainment is using entertainment, such as video games or television programmes, to deliver educational messages. For example, a television soap might use a storyline about debt in order to teach people how to manage budgets and get out of problem levels of debt. Edutainment makes use of behavioural insights lessons about both changing the norm—we are strongly influenced by what others do—and the messenger effect. Edutainment is not widely used in the UK to teach adults about financial capability, but has been used abroad and in other sectors in the UK. Gamification (as it is sometimes called) is often used in financial education for young people to make it more salient to young people.

The outcomes that edutainment tries to achieve are very similar to those in financial education work (see Figure 10 below). Results from South Africa, where a soap opera was used, found an improvement in knowledge and borrowing behaviour; however, others have found no impact or little long-term impact on levels of savings and other financial behaviours.[200]

Figure 10: Outcomes within financial capability that edutainment delivers

FINANCIAL CAPABILITY		
Ability	**Mindset**	**Connection**
Financial understanding: > Understanding financial products and concepts > Understanding own financial situation > Understanding of money management	**Financial attitudes and motivations:** > Attitudes to receiving money advice and guidance > Attitudes to money > Aspirations and goals > Attitudes to the future	> Access to appropriate advice, guidance and tools > Exposure and access to appropriate financial products and channels

Social marketing

Social marketing is the application of commercial marketing techniques to achieve behaviour change—for example, increased saving.

There have been some financial capability marketing campaigns in the UK, for example those delivered by the Money Advice Service. The challenges of tracking people's journey from advertising through to eventual behaviour change means that evidence of their direct impact on financial behaviour is limited.[kk] Evidence from abroad suggests that social marketing might be an effective way to increase people's financial capability.[201] However, social marketing in other sectors has a mixed record. A review of social marketing techniques to change people's attitudes and behaviours to women and girls in developing countries found that social marketing is successful in changing attitudes and behaviour, but that social marketing alone was less likely to lead to behaviour change than if it was combined with other interventions.[202] There is evidence that longer and more intense campaigns lead to a more sustained change in behaviour.[203] Some campaigns have found that

kk. The level of awareness of and agreement with campaign messages within the relevant population is often monitored, but direct attribution of any resulting positive changes in attitudes or behaviours to the campaign in question is not possible.

behaviour change can be short lived and does not last when the campaign finishes.[204] It seems to be the case that campaigns that require one-off changes are more successful than those that require more sustained behaviour changes.[205]

Marketing methods to show people where they can get tested or screened have been used in a variety of health conditions, and while some have seen increases in the numbers of people being tested, others have not.[206] Often campaigns aim to change social norms in the expectation that this will change behaviour, and do not aim to change behaviour directly. Based on the evidence from other sectors, Figure 11 below shows the types of outcomes we might expect to see from social marketing work in this sector.

Figure 11: Outcomes within financial capability that social marketing might achieve

FINANCIAL CAPABILITY

Ability	Mindset	Connection
Financial understanding: > Understanding financial products and concepts > Understanding own financial situation > Understanding of money management	**Financial attitudes and motivations:** > Attitudes to receiving money advice and guidance > Aspirations and goals > Attitudes to the future	> Access to appropriate advice, guidance and tools > Exposure and access to appropriate financial products and channels

Summary

The evidence that interventions do affect financial capability and behaviour is mixed. This is partly because resource has not been invested in investigating the problem, and that studies cannot be compared because of differences in research design. This would be helped by a better understanding of what and how to measure. This report will help organisations to do this as part of the wider common evaluation toolkit. Figure 12 below shows the summary of the strength of evidence regarding the interventions.

Some of the interventions have been well studied. However, it is clear from these studies that effectiveness cannot be taken for granted. This makes the requirement for organisations to measure their effectiveness more urgent, so that funding can go to interventions that actually work in improving financial capability and changing behaviour, rather than those that have little or limited effect.

Furthermore, some outcomes to do with basic skills are not touched on by any evaluations of financial capability programmes—literacy and communication skills in particular. This demonstrates the need for financial capability interventions to work closely with charities working on basic skills to ensure that all outcomes are covered.

Table 3: Summary of evidence regarding interventions

Financial education programmes for children and young people	Family focused programmes	Debt advice:	Financial and money advice
In school ■ There is good quality evidence in this area which shows that current financial education has a limited or no effect. **Targeted groups** ✹ There is some good quality evidence for the effectiveness of this work. **Online** ▲ No good quality evidence yet published on the effectiveness of online interventions.	**Family focused programmes** ♦ Pre-post questionnaire evidence provides some evidence of effectiveness.	**Debt advice all channels** ✹ Good quality evidence suggesting debt advice works. Most evidence suggests no difference between the channels.	**Financial and money advice** ■ Good quality evidence shows that it can affect aspects of financial capability and behaviour.
Adult financial education	**Intermediary focused programmes**	**Edutainment**	**Social marketing**
Workplace schemes ✹ Good quality evidence that these are effective. **Targeted groups** ✹ Good quality evidence that this is successful. **General education** ✹ Evidence suggests that this is effective, but not as effective as more targeted work.	**Intermediary focused programmes** ♦ Some evaluations showing that these are effective, but use subjective methods.	**Edutainment** ♦ Not very many evaluations, and they show mixed results making it difficult to generalise.	**Social marketing** ♦ No evidence in financial capability, but evidence from other sectors suggests social marketing might work.

Key
- ▲ Lack of good quality evidence
- ♦ Some evidence for this intervention
- ■ Good quality research exists, but effectiveness is not proven
- ✹ Good quality evidence of effectiveness

6. Conclusion and next steps

Thinking through your outcomes

The financial capability frameworks and the evidence presented in this report can help organisations working in this sector develop their strategy, review their plans, and think about how to measure their impact. By highlighting the outcomes that are important in building a person's financial capability, and the evidence base behind interventions, these frameworks provide the building blocks to create a theory of change.

A theory of change is a conceptual map that links an organisation's activities to its outcomes and goals. It enables an organisation to think through exactly how change happens and to articulate clearly how its work contributes to its mission. A theory of change can help an organisation to plan how to measure its impact, as it clarifies exactly what its outcomes are. Where there is evidence to suggest theories of change for certain interventions, we have provided them as examples.

Using these frameworks will help organisations think through their outcomes how they contribute to better financial capability, better behaviours, and improved financial well-being. Although we have presented the raw materials for creating a theory of change, each organisation will need to think through what its theory of change is. Organisations may concentrate on one outcome area or a selection. It may be that differences in the client group or the intervention mean that an organisation has outcomes that are not part of the framework.

Next steps for this framework

Both the adult and children and young people frameworks in this report are being considered as part of the UK Financial Capability Strategy consultation process. Once responses have been collated and any necessary refinements made to the frameworks, the next stage of development will be to identify measurement tools to enable organisations to measure progress robustly and consistently within their client groups against the indicators they select. Measurement tools will be developed for each of the financial capability outcome indicators, as well as the financial behaviours and dimensions of financial well-being. The Money Advice Service will lead this work, building on the good practice that already exists within the sector, and is looking to publish a final version of the outcomes frameworks towards the end of 2014.

If you would like to submit any feedback on the frameworks, or highlight any evidence that has been missed, please contact the Financial Capability Strategy team at **consultation@fincap.org.uk**

7. Appendices

Appendix A: Acknowledgements

We would like to thank the following for contributing their knowledge and experience during the research process:

- Cate Fisher, Money Advice Service
- Kirsty Bowman-Vaughan, Money Advice Service
- Adele Atkinson, OECD
- Jonathan Bailey, DWP
- Lena Baumgartner, NPC
- Jan Channing, Caerphilly Citizens Advice Bureau
- Sharon Collard, Open University
- Linzi Cooke, Big Lottery Fund
- Basam Diablos, Citizens Advice
- Rachel Dodge, Colleges Wales
- Liz Dunston, The Money Charity
- Antony Elliott, Fairbanking Foundation
- Rebecca Fearnley, Which?
- Jane Finnerty, SOLLA
- Rachel Gardner, Ecorys
- Michelle Highman, The Money Charity
- Kat Hodgkinson, pfeg
- Jahanara Hussain, Hyde Plus
- Alison Ingram, Age UK
- Clare James, Community Housing Cymru
- Delyth James, Citizens Advice Cymru
- Sharan Jaswal, MyBnk
- Janine Kelly, Citizens Advice
- Ellie Kershaw, Maidstone Council
- Dr Elizabeth Kilbey, Clinical Child Psychologist
- Kristina Leonnet, Quaker Social Action
- Sinead Marron, Toynbee Hall
- Rachael Mather, National Association of Student Money Advisers
- John Moss, Birmingham University
- Emma Murphy, AdviceNI
- Alison Pask, ifs University College
- Sylvia Perrin, National Skills Academy for Financial Services
- Gemma Piggott, National Skills Academy for Financial Services
- Gavin Rennie, Prudential
- Natalie Reynolds, Department of Heath
- Guy Rigden, MyBnk
- Melinda Riley, TPAS
- Karen Rowlingson, Birmingham University
- Tamsin Shuker, Citizens Advice
- Steve Stillwell, pfeg
- Joseph Surtees, StepChange
- Alison Sweetland, Citizens Advice Scotland
- Gavin Terry, Alzheimer's Society
- Paul Wilkerson, Hertfordshire Social Services
- Sian Williams, Toynbee Hall

Appendix B: Methodology

This section outlines the methodology that was used to produce the financial capability framework. It details how the outcomes in this report were developed and the approach taken to conducting the stakeholder workshops, expert interviews and literature review.

Initial scoping

An initial scoping exercise was conducted to provide a starting point for the development of the financial capability framework. This involved building a draft framework and reviewing key literature in the field.

Stakeholder workshops

Three stakeholder workshops were used to gather input from 42 experts in the field including academics, industry chief executives, measurement and evaluation managers, civil servants, and representatives from sector bodies. The workshops engaged senior experts from the financial capability field and ensured that the framework was developed by the sector and for the sector. During the workshops, the financial capability framework was presented and refined and stakeholders helped identify the outcomes that are involved in good financial capability at different stages of life. Participants also discussed the indicators and outcomes for specific interventions and placed these outcomes in theories of change.

Expert interviews

Following the workshops, five semi-structured interviews were conducted with key stakeholders. The interviews were an opportunity to unpick complicated issues which arose in the workshops, and to develop the indicators and outcomes included in the financial capability framework. The stakeholders also advised on key sources of literature that should be included in the Rapid Evidence Assessment.

Rapid Evidence Assessment

A Rapid Evidence Assessment (REA) is a structured and transparent method to review what is already about a narrowly defined research issue. This approach was taken to review the literature linking financial capability to the outcomes included in the financial capability framework. Key search terms were defined, as well as the places where these terms were searched, and criteria was established for the type of evidence that was included in the review. The aims of the REA were threefold:

1. To identify the intermediate outcomes relevant to financial capability for the life stages covered in this report—children and young people, working age adults, and older people.

2. To assess the evidence that these outcomes lead to financial capability.

3. To find interventions that lead to the outcomes in the financial capability framework.

Reviewed evidence was written up into proformas and was assessed against the NESTA standards of evidence or Maryland Scale.

Appendix C: Nesta's standards of evidence

Nesta's Standards of Evidence were developed to categorise evidence and test whether the services that the Nesta Impact Investments team fund make a positive difference.[207] The approach aims to bring impact measurement in line with academically recognised levels of rigour, and the stages are presented as tiered and incremental.

Level one: A justification is provided for why an intervention could have an impact on a specified outcome.

Level two: Data is collected showing a change amongst those who have received an intervention, but there is no evidence that the intervention caused this change.

Level three: A comparison or control group provides evidence that an intervention is causing impact, because those not receiving the intervention have different results.

Level four: It is possible to explain why and how an intervention has impact and this has been validated by an independent evaluation which has replicated the results.

Level five: The intervention could be scaled-up and delivered by others, whilst continuing to have a positive and direct impact on outcomes.

Appendix D: Maryland Scientific Methods Scale

The Maryland Scientific Method Scale is a five-point scale used to classify the strength of scientific evidence.[208] The scores reflect the level of confidence that can be placed in an evaluation's conclusions about causality, with a score of 5 indicating strong evidence and a score of one indicating little scientific rigour in a result.

Level one: Correlation between an intervention and a result at one point in time, with no comparison group (eg, areas with CCTV have lower crime rates than areas without CCTV).

Level two: Measures taken before and after an intervention, with no random assignment for matching, and no statistical controls for baseline differences between groups (eg, crime decreased after CCTV was installed)

Level three: Measures taken before and after an intervention, controlling for some variables (eg, crime decreased after CCTV was installed in an experimental area, but there was no decrease in crime in a comparable area).

Level four: Measures taken before and after an intervention, controlling variables known to influence outcomes (eg, victimisation of premises under CCTV surveillance decreased compared to victimisation of control premises, after controlling for features of premises that influenced their victimisation).

Level five: Randomised controlled trial of intervention where people are allocated at random to receive one of several interventions. To allow meaningful comparison, one group is a control group which receives a standard intervention or no intervention at all (eg, victimisation of premises randomly assigned to have CCTV surveillance decreased compared to victimisation of control premises).

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