

Shetland Transition And Continuing Care Monitoring Group

Building Financial Skills for Children & Young People Handbook

- ✓ Shetland
- ✓ Community
- ✓ Choices



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Financial choices and well being

This booklet is designed for professional workers and carers whom work with children but it may also be encouraging and useful for parents.

Most people get their money habits and skills from their parents and caregivers. So they are very important in this process. Most adults seek financial well being which can be broken down into:

- to be in control of daily and monthly finances;
- the ability to financially deal with emergencies;
- to be in control of financial goals;
- to have financial choice or freedom.

Be aware that if you are making financial choices your children will see how you cope with these and what you do whether you are deliberately teaching them or not. Thinking outloud helps children not jump to their own conclusions and its okay not to know the answer.

Why?

“Making good financial decisions is a vital life skill. With the growing complexity of financial products, a seemingly ever-increasing number of financial decisions for all of us to make and the continued pressure on many households’ budgets, we have a smaller margin for error than before. Moreover, scientific evidence is steadily accumulating that financial decisions not only have financial consequences, but also affect people’s mental health and wellbeing. When people struggle financially, they tend to struggle in other ways, too.”ⁱ

Managing money is one of the most important and essential life skills. It can combine understanding the value of money and how to make good choices. It can also help us to think about how to plan ahead which is not just important for money but all aspects of life.

A study in 2015 by Shetland Transition & Continuing Care Monitoring Groupⁱⁱ found that 100% of Care Leavers were in debt in real terms.ⁱⁱⁱ Anecdotally support workers spend at least 50% of their time with 16 to 25 year old clients working with financial issues. They find this the hardest area for clients to be honest about and accept help with, especially in relation to reducing debt and managing their daily finances. Many of these young people also struggle to plan their day to day lives. The areas this group is focusing on are helping young people understand when they need help, helping young people plan better which will all come from young people having a better foundation of financial skills.

This is backed up nationally by indepth research from the Childrens Society^{iv} the following concerns relate to the purpose of this booklet directly:

“Young people leaving care, alone and with no family to support them, are falling into debt and financial difficulty due to insufficient financial education from local authorities.”

“Almost half of local authorities in England fail to offer care leavers financial education support and debt advice, leaving vulnerable young people unprepared for the realities of adult life and at risk of falling into dangerous financial situations.”

“Many care leavers only receive any financial advice once the situation has reached crisis point. Such dangerous financial situations could be prevented through financial education and advice.”

Aim

The aim of this booklet is to encourage all those working with children and young people to have a consistent approach to supporting them and to develop financial skills, thus reducing the likelihood of them going into serious and stressful debt when they come into adulthood.

These skills can be developed from a very early age and should save parents and professionals time, stress and worry in the long run. However just having the skills which could be taught in schools will not be enough. They have to have the opportunities to use them and learn when to use them.

How?

This booklet will refer to detailed information that is already publically available and give a break down of the everyday activities that you can think about and involve your children in order to help them develop better financial skills. The opportunity to practise these is just as important.

Where to start

The easiest way to start building skills will be depending on your young person's age so the resources and activities have been broken down into age ranges. However it maybe worth reading through younger age activities if you feel some of the earlier skills have not been developed yet. You should find this booklet reaffirming and encourage them to continue to enjoy and do the activities they are already doing. You can also encourage them to try activities you have not thought about doing as appropriate to their age and ability. It will also be important to understand what they are most reseptive to learning depending on their age and maturity.

Understanding childhood development stages inrelation to finance ^v

This can vary depending on a child's maturity and experiences. It may also overlap stages but they will all continue to develop right into adulthood. However it is important and interesting to understand this to provide the right foundation for financial well being in adulthood.

education setting and age	main development
pre School – 3 to 5 years old	Executive commands – mental process that allow us to plan, focus, remember and multi task.
primary school – 6 to 12 years old	Money habits and normal behaviours that help us cope with day to day finances.
secondary school & further education & training – 13 years old and above	Financial knowledge and decision making skills the way we find and apply information, compare options, act on these and review the consequences.

Ages 3 to 5

1. Free and prepaid activities.

- Understand that free activities can be fun and valuable.
- Understand that cost and value are not always linked.
- Understand how to make the most of activities that are already paid for.

Activities

Visit some different play parks.

Highlight that fun was had. money was saved. How it compares to what you would normally do. If what you would normally do was free was there any added value of doing this.

Visit some beaches.

Sorting seems to be one of the core skills that helps people create lists and plan for financial decisions.

There are lots of activities you can do on a beach that involve sorting including: building sandcastles; finding & collecting shells, pebbles, driftwood & sea weed.

This allows for following up activities when you get home like painting pebbles^{vi}, make a wind chime using different types of shells or just find out more about the items.

Visit some museums, historical or natural sites.

They are interesting to explore and have some fun activities for all ages.

You can go to your local tourist office or shop and find out the top 10 free sites in your area.

Similar to parks highlight fun was had at very little or no cost and therefore good value for money.

Play outside.

Free play is important and learning you do not need the latest gadget or toy and you can play and have fun in any safe and suitably supervised environment.

Block booked classes.

This seems young but some classes can start at this age. Learning to keep a commitment is very important. If attending block booked classes encourage them to have a good attendance and make the most out of the cost of the class. Talk through it with them before going. If we sign up to this we need to go for however long. Trial or taster weeks may also be available so that they know what they are committing too. Sometimes individual sessions can be cheaper so go over the pros and cons with your young person.

2. You need money to buy things.

- Teach children how to identify coins and notes.
- Understand that they have different values.
- Understand that money is used to pay for goods and services.

Activities

Play pretend shop or cafe.

Both games or alternatives build on sorting skills, communication skills, understanding about buying goods, identifying and giving change. They also prepare the person for more difficult financial activities later on such as selling raffle or tombola tickets, helping at jumble sale, car boot sale, Sunday teas.

Coin identification game.

Go through your purse or wallet and see if they can sort them into different shapes and sizes. Use online match and sort coins flash games. ^{vii}

Main learning points coins are different and worth different values. However it will also get them used to handling and thinking about money. Start with the coins we use here in the UK. It may develop when older into coin collecting. It will help later on when looking at history of money and hence why we use it.

Cut out and use coupons at the shops.

This might seem like a very simple activity but it helps develop a lot of very valuable financial skills for later on like sorting, planning, matching and value for money. You can use it like a treasure hunt to make coming shopping a little bit more fun and it might help with value for money and attention to detail discussions when they are older.

3. You earn money by working.

- You earn money by going to work.
- Talk about jobs you have done, wanted to do or admire with your child
- Talk about different occupations as the opportunity arises.

Activities

Read fictional books or tell them stories about different jobs.

Try the local library or check out a book club.

Think about the people you know and what jobs they do. Can you visit any of them at work (ie is it safe are they happy with that) and learn more about what they do. Do they have any interesting stories from work that your child can ask them about. Meeting them in the work environment can make it feel much more real and visual than just listening to a story at their home. First hand experiences are very powerful learning tools and involve all the learning styles listening, visual and action based.

Play games based around different jobs.

Could be dressing up games, board games, activity type games or more physically active games. Imagination based games can be the most fun and can involve the most thinking but you might get better answers when they are older like if I was a fireman what type of pet would be best for me? This helps them to think about these types of jobs from the perspective of the person doing them, think about the skills and tasks involved and whether they like doing them or not as well as helping them to develop some of those softer skills by playing the game.

Ponder about different jobs as you see people doing them.

This can be a great travel game for walking or on public transport. There are many formats that could work well but even a variation of a classic like I spy. Experiential learning is very powerful and sometimes using games like "I wonder". Ie I wonder what it would like to be a baker? This can help children learn more before they actually see the job in action or go for a visit and the differences in what they thought and what actually happened can be quite memorable.

4. You may have to wait before you can buy something.

- Learn to save, spend, and share money.
- Learn to wait to get something and to prioritise a wish list.

Activities

Make a piggy bank. ^{viii}

Could just be a jam jar with label on it or something more elaborate.

This will teach them about recycling and saving money by making it yourself. It also gives you a chance to discuss what they might use it for and set some realistic saving goals.

Use a piggy bank to save. ^{ix}

Save up to try to fill it. Try to guess how much money is in it. You may not have a goal other than to fill it and put it into the bank at this age. This will help children to learn to manage money in an easy, useful and hopefully a fun way. They will try to keep track of how much they have just like a bank a/c.

Use a piggy bank to give.

Whenever you are putting money into a jar you could choose to put it into a giving jar. This jar can be used to help people whom are less well off like fund raising or supporting charities. This could be a very important tool in helping a young person develop empathy and thinking about other people and how we can help them. As the young person grows up then hopefully this will help to develop financial planning type skills and see more long term solutions to problems. An example might be instead of giving money to a homeless person on the street giving to a homeless charity.

Share a piggy bank.

Is there something that your children want? If they save up together they can get it quicker or do they want to help save up for the family holiday? It could go towards their spending money or activities on the holiday. This is great for encouraging sharing and developing planning skills dependent on their age as well as helping them be more reflective and cautious when it comes to spending it.

Make an A4 sized white board

Make their own whiteboard and personalise it. Can be as simple as a laminated sheet of paper or more artistic with fancy borders. This has long term practical uses like to keep their weekly schedule, plan activities in advance, cross off how many sleeps until an event. It is a great way to get them thinking about sorting, planning and making lists. It also helps to reinforce waiting to get something.

Make a list

It could be a wish list. Everytime they ask for something put it on a wish list and maybe that will stop them nagging to get it rather than just saying no. It could be what they want to watch on tv. It does not have to be about money but something that is limited either by yourself or by its nature. This way they are learning to plan, sort and compromise from an early age.

5. There's a difference between things you want and what you need.

- Learning to sort into what is a need and what is more of a want.

Activities

Use a wish list and prioritise it like above.

There are some good flash games that reenforce this too like pick 6 items out of 12 that you need for school.^x This will helps develop planning and sorting skills. Order it by object (how soon you want it) and cost (how long it will take to save for it). Everytime you put an item on it you can have discussions about how long it will take is it more important than other things on the list.

Once they have enough money for the cheapest item they have a choice to make.

Do they buy it or do they keep saving for something else? Do they still really want it?

Ages 6 to 10

Financial education lessons have been developed to be used in schools for delivery by teachers or youth workers, and are in line with the experiences and outcome targets for Curriculum for Excellence. In Shetland there is an input planned around primary 6 for ages 9 - 11. They will get an opportunity to learn and practise basic banking, budgeting, financial choices, needs and wants.

6. “Money does not grow on trees” lesson.

- History of money.
- Why was money invented?

Activities

Learn basic history of where money comes from. ^{xi}

More indepth history of where money comes from. ^{xii}

Lots of information out there on both these from learning slang for money values to interesting facts like: did you know that “*Physical cash accounts for less than 3 per cent of the total stock of money in the economy.*”^{xiii} This will help them understand that money is finite and why we use it.

Consider coin collecting as a hobby. ^{xiv}

It could be currency in circulation. Specially made coins with sports stars on it for special events like Olympics or World Cups. Maybe a general childrens book on coin collecting. ^{xv} It helps develop sorting, planning, patience and analysis type skills.

7. We make choices about how to spend our money.

- Learn that we have to choose how we spend our money.
- Real life money consequences

Activities

What items do we need.

Discuss what items we need and if there are other ways to get them when we shop like borrow, do without or does it cost less elsewhere?

Give them a fixed budget to buy a present for a friend’s or relative’s birthday.

This helps them to think about budgetting and choices.

Play individual allowance type of board games like Payday, Game of Life, Allowance Game.

This helps them to think about and practise how their individual finances work.

Play business type of board games like Monopoly, Cashflow 101, Puerto Rico . ^{xvi}

This helps them to think about how businesses need money and what happens when things go wrong.

Flash Games or Apps.

There are lots of flash games but a few favourites are below.

Savings Spree About trying to save the most money ages 7+. ^{xvii}

Needs and wants About choices ages 6 to 8. ^{xviii}

Pay the price Guess the price of items ages 6 to 8. ^{xix}

Party time Plan a birthday ages 8 to 10. ^{xx}

Helping out On helping out ages 8 to 10. ^{xxi}

It is always helpful to look for real world teachable moments, and take the time to talk to your children about money and how you manage it.

8. It's good to shop around and compare prices before you buy.

- Learn how to make your money go further.
- Learn the money we save can be spent on activities that we would not have got otherwise.
- Learn about second hand, reduced or damaged goods.

Activities

Visit a charity shop

Compare the prices and the pitfalls of buying items from a charity shop rather than elsewhere. Consider when or why you would buy damaged or reduced goods. Is it a good deal, will it be okay for what you want the goods for.

Simple comparisons while food shopping

This is as simple as comparing unit prices & quality.

Fixed budget meal challenge

Give them a fixed budget to buy food for and help make a meal. When they get older or better at it expand to a days, a weekends or a weeks food. This challenges them to see whom can make the best meal. What made it the best was it quality or value for money. Good as a holiday activity.

Good things come to those who wait ^{xxii}

Money lesson: don't spend it as soon as you get it ^{xxiii}

Curbing impulse buying goes hand in hand with teaching delayed gratification.

Before you go shopping, create a budget. Outline what you are going to buy, what stores you are going to and the price range for each item. Then compare prices online and clip coupons together consider letting your child keep the savings to demonstrate that bargain hunting pays. This should teach them that planning purchases before you buy is a worthwhile routine. Also understanding by choosing not to impulse buy means you still have the choice on how you spend that money in the future. There might be a better item or it might be cheaper elsewhere.

9. It can be costly and dangerous to share information online.

- Learn basic online safety rules. ^{xxiv}
- Learn to use gadgets' with parental controls

Activities

Check all their devices

Check all online devices they have access to including computer games, mobile phone, ipods and computers. Also check apps to make sure they do not have the option for spending more money on them. If they do, see if you can restrict this. Do not forget about roaming, wifi, 3G & 4G costs on mobiles. This will hopefully avoid a large unexpected monthly fee.

Consider the real cost of free apps

Consider the mantra nothing is ever free and there is always a catch.

Are they passing on your information for money?

Do they have hidden charges or bonus extras that cost money?

Would you be cheaper buying a similar package in the first place rather than buying added extras of a free package? Is the app from a trustworthy source?

Earn rather than pay

Help them to think about when playing games is it more fun (ie what a game is supposed to be a bit of fun) to complete challenges by spending time on them and working them out rather than spending money either to complete them or make them easier. How did it feel to complete the challenge and how did it feel to do better than people who paid money? Helps them to feel better about earning.

10. Putting your money in a savings account

- Learn that it will protect your money and pay you interest.
- Learn how to open an account and track your savings.
- Encourage them to save regularly and make deposits.
- Help them to think about goals including longer term.

Activities

Open a savings account together

Open an account with your child and track how the savings grow.

Childrens savings accounts can still get up to 3% even when every where else has very little to no interest but you need to shop around.

Make a deposit and keep a track on deposit slips. ^{xxv}

Make an event of putting in deposits. Help them to keep a track of what they have deposited and how they are getting on in terms of their long term goals.

Make a savings chart

If you child has something they want to save for, figure out out how many weeks it will take them and make a chart. Have a box or something similar to represent each week so when they cross it off or put a sticker in it they can see themselves getting closer to their goal. Make sure you know how much they can save each week and it is achievable if they have other expenses they need to use their money on too.

Discuss some long term reasons for saving up money. ^{xxvi}

Could be buying a car, going to college or university, getting a deposit on a house or items for your own property or saving for a holiday. This will probably not be something they can make a chart for but the more money they save by the time they need it the more options they will have. You could help them visualise it like you have enough to buy a tire. It is also a good way to help them develop planning skills and knowledge to be able to achieve this goal and not just the financial part.

Go over bank statements

Help them see the benefits and when they are older understand their own spending behaviour.

Read childrens books

There are plenty of books out there on how to save, spend, donate and invest. Try the local library, school library or a book club. ^{xxvii}

11. Consider a small allowance

- Research suggests anything from £1 to £5 at this age. ^{xxviii}
- Special tasks can earn rewards but not daily tasks.
- Encourage Entrepreneurship or other ways of making money.

Activities

Discuss what they might need to pay for if they get an allowance.

Discuss what you will still pay for.

Negotiate amount. ^{xxix}

Will they contribute towards birthday or xmas presents, activities they do, lunches, school or other trips they go on. Will they still have to ask for permission before spending a certain level of money or buying certain items?

Parents Bucks ^{xxx}

Parent bucks are fake money that you could use like an allowance. Besides letting your child "pay" for special privileges, like extra TV time, you can teach them how to save for something they really want.

Then exchange parent bucks for real money again making an event of something they have saved hard to get. If they are allowed 5 hours of computer time a week then set a price on that time and give them that much money at the start of the week. If they choose to use it for something else then great. Even go through with your children the activities that you want to limit and work out how much they should cost and put them on a list. This is a great activity for helping young people appreciate other activities as they basically compare everything to the cost of their favourite activity. It also creates another opportunity to look at free or low cost activities and how they can be a lot of fun and great value for money as discussed in section one.

Manners & responsibility ^{xxxii}

Experts say that chores should not be linked with manners. We all need to be polite whether we are paid or not. They also suggest that allowances should not be linked with daily chores as these are things we need to do anyway. You would not want them saying I do not want any money this week so I am not going to cut the grass or wash the dishes this week.

Motion Math: Cupcake or similar app. ^{xxxiii}

These are great apps for learning the true cost of products and how to earn money and set prices. This makes learning about money fun, helps them negotiate real life money problems and learn valuable business skills.

Car boot sale or jumble sale

Whether fund raising for a trip or event or trying to earn a few extra pounds. Get them involved in community fund raising or auction type events. This can only improve their financial skills & knowledge. A car boot sale for example means cleaning out of your attic, garage, and child bedroom. This helps them with sorting, valuing and planning type skills like mentioned previously. With some supervision, preteens may take to this project like a duck to water. They can handle much of the responsibility while learning about pricing, making decisions and helping haggle over prices.

Ages 11 to 13

Further financial education has been developed for secondary schools targeting ages 11 to 14, likely to be delivered at Secondary Two. This includes managing your money, financial choices, budgeting, financial products, credit, debt, basic economic principles, savings and investments.

12. You should save at least a part of money that you receive.

- Learn to save a minimum amount.
- Learn to pay off debts before saving.
- Get into a habit of always adding to their savings whenever they earn.

Activities

Agree a minimum amount

Agree with them a minimum amount to save everytime they get money. Hopefully they will not have any debts to pay off yet but if they do then it will be a good learning opportunity. Specifically that they lose some of the money they would normally get to pay off that debt hence encouraging them not to get into debt in the first place. Getting into a habit of putting aside some money every time you receive some cannot be underestimated. It helps them understand that all the money they get is not disposable income which is a common trend for the more vulnerable young people when they become more financial responsible. Otherwise the danger is they think that everything that is essential will be paid for by parents, council or government.

Use a piggy bank or money box

Regularly transfer this to their savings account.

If they borrow money make them pay it back do not reward them for borrowing. They need to learn from their own mistakes too.

XMAS or Birthday Saving Accounts

Why not get your child to start saving and thinking about xmas and birthdays and then as a reward you can match or put so much money in to presents this way they learn to plan and remember about such events. They then may value these events and think more about the presents they give rather than you just giving them money to buy presents. Maybe work out the total they are likely to spend on presents during the year and work out how much they need to save each month or week and how much others will contribute.

13. What about giving?

- Dealing with peer pressure to give
- Giving other than financially
- Why charities are important

Activities

Read some articles in newspapers or online on giving ^{xxxiii}

There are basically three ways to give financially, time or expertise. Young people do not generally have much expertise or money but they generally have a lot more time to give. The time they give should hopefully build up their confidence and expertise giving them another way they could give in the future. As mentioned in this booklet having some rules of thumb about giving might help them to only give what they can afford to and avoid being pressurised into giving to a particular charity. Some examples might be only give financially to a charity that you have seen in action. Set aside each month or each time you receive money what you feel happy to give and do not exceed this. Give to the charities you want to give to not to the ones that try to pressurise you into financial giving. Do not give money regularly unless you have a regular income and never sign up to something on the spot.

Learn about the different ways of financial giving and keeping yourself safe

Speak about the adverts as they come up look at the hidden charges is there a better way to give. How much of the money goes to the charity using one of these appeals. Examples to look at are text giving, social media campaigns, door to door collections, tv adverts and highstreet fundraising^{xxxiv}. There are also schemes for donating through recycling and food donations through supermarkets which might be more appropriate for their age. Maybe offer to match the food they donate might be a good motivator.

Learn about volunteering

Highlight what activities or services are provided by volunteers when you see them. Could they run without volunteers? Think about what opportunities there are for young people to volunteer and learn about the benefits of volunteering. Look out for volunteering awards^{xxxv} and what the young people could gain for their CV's by volunteering. Lastly think about what activities or events young people could get to attend by volunteering. Anything from Local concerts and football matches to massive events like commonwealth games and worldchampionship events.

14. Entering personal & financial information online is risky

- Learn what is personal data & what are the risks & how to avoid them
- Learn what is financial data & what are the risks & how to avoid them
- Learn if it sounds too good to be true then it probably is.

Activities

Visit a be safe online site

Check out Google's "Good to Know" safety ^{xxxvi} for a wide range of personal and financial safety tips. Check out CEOP national safety advice website^{xxxvii} for how to keep your personal details safe online. Check out local advice & telephone numbers. ^{xxxviii}

Shop online with your Children

Talk through what you are thinking about and hence show them how to keep their information safe.

Banking online

Explain the dangers of banking online^{xxxix}. Even what happens if you making a mistake as well as the temptations when having direct access to all your money.

15. The sooner you save the faster it grows.

- Learn about how compound interest affects your money.
- Learn about different saving options for children

Activities

Use an online compound interest calculator.

This will help learn about compound interest and how money can grow.

Read some of the latest articles on savings options for children.

When interest is low there maybe other perks you can gain by saving money in different ways. ^{xi}

Use Bankaroo or similar apps. ^{xii}

Use Renegade Buggies or similar apps.

Help your children to learn smart shopping type skills that we use everyday. An important lesson to learn early on.

16. Using a credit card is like taking out a loan.

- Learn the difference between paying off cards off in full after a month or not.
- Learn to workout the difference between buying it and monthly payments.

Activities

Criticise ads

Get your children to review advertising on TV and in catalogues with you. Ask them what the ads are trying to sell, how they try to sell it and if they need the product they are advertising. Are they value for money or quality products. Links in with previous needs & wants type discussions.

Invisible money

In a time of credit cards, internet banking and online shopping, children do not often see people buying products with physical money like notes and coins. Not seeing money exchanged for purchases makes it harder for children to get their heads around what things cost. They might see this invisible money as an abstract and unlimited resource rather than real money coming in and out of their family's bank accounts. Talk to your children about money often to help them make this invisible money real. If you think this is an issue consider using parent bucks in section 11.

Good things come to those who wait

Teaching children delayed gratification will help combat the "buy now, pay later" mentality that could mire them in credit card debt later on. So, as much as you can, reinforce the idea that waiting pays off. For instance, make a homemade pizza together with all the ingredients your child loves; then microwave a store-bought frozen one. The homemade pizza takes longer, but it tastes way better.

How might having a good or bad credit card rating affect you in the future?

All debt is bad but you may have to borrow to buy a house, start a business, to pay college or university fees or other workplace related training.

One credit card

If you have a credit card be clear why you have it. You may have one credit card that you pay off regularly to help increase your credit rating. However if used incorrectly it could do the opposite.

General advice is to decide what you are going to use it for, set up a reminder and pay it off regularly or setup a direct debit to cover the most it could be. This should prevent any unmanageable or unexpected debts on your card. Paying for fuel for your car is a good example of how to use it. This is because it is a relatively small cost but enough not to cause additional charges on your card, regular and in most cases an essential need rather than a want.

If you can demonstrate these good habits in how you use your credit card then this should hopefully filter through to the young people you are working with and influence their behaviour without the need for a lecture. 45

Ages 14 to 18

17. The financial pros and cons of staying in school ^{xlii}

- Understand the cost of going into further education & higher education.
- Understand the financial benefit of going into further education & higher education.
- Understand employment rates, compare the quality to the cost and non financial factors.
- Understand what situations might make financial sense to start full time employment.
- Understand when it makes sense to apply for a scholarship, apprenticeship or similar scheme.

Activities

Compare college and university perspectives

Compare total costs, employment rates and average wages post education.

Careers event or library

Go to a careers event or a careers library. There maybe some online too.

More time to save and plan

Look at the benefits of staying on at school and being able to save up more money.

Gap year

The Gap year concept is popular in England but does not seem to have caught on so much further north. Consider a planned year out before going into further or higher education to save more money. Better to be clear what they want to achieve and if they have grades to get in prior to a gap year.

18. Why use a credit card

- Avoid using a credit card to buy items you cannot afford to pay with cash.
- Understand what protection a credit card can give when buying goods or services over £100.
- Understand pros & cons of a credit card vs a debit card or other forms of payment.

Activities

Learn about credit card protection when buying goods or services over £100

If you pay (even in part) with a credit card for a single item or service costing more than £100 but less than £30,000 then your credit card provider, as well as the retailer or supplier, will usually be legally liable for any problems with the goods or service. ^{xliii}

Learn about protection from debit cards or other forms of payment

If you pay for an item using a debit card, you may be able to use the banks' voluntary Chargeback scheme to get a refund if there is a problem with the goods or service and the retailer or supplier cannot or will not sort it out. ^{xliiv}

If you pay using PayPal, you probably will not have the additional legal protection that comes with credit card purchases or be able to make a Chargeback claim. However, you may be able to use PayPal's own Buyer Protection scheme if there is a problem. ^{xlv}

Go over a method to remind you to pay it off promptly.

Go over what to do if your card is lost and how to check your statement promptly.

Go over why you do not need multiple credit cards and why it might be difficult to keep track of.

19. Learn about how money will work for you at 16 and 18.

- Understand a paycheck and about National Insurance, Tax & Pensions.
- Review a paycheck to show how much goes to the government and why?
- Understand how to be financially savvy and reduce tax or claim it back.
- Understand your financial rights & responsibilities at 16 & 18.

Activities

Visit Citizen Advice Bureau ^{xlvi}

When they start to think about this then it might be easiest for you both to visit the citizen advice bureau and speak to a money advisor. This should mean you both get a good grasp of what they might be entitled too. This is especially important in relation to benefits and managing on a tight budget.

Learn about National Insurance

Look up with the young person and find out what national insurance is for.

Learn about different types of Tax

Look up with the young person and find out what the tax rates are & what it is used for. How does tax work for summer jobs might be a good question to ask. This could be Council Tax, TV licence, VAT, income tax, road tax and any other type of tax they are likely to come across.

Learn about job related benefits

Look up with the young person and find out why it is good to start a pension early.

Think about the other benefits of being in work.

Think about any other benefits from being in their specific job. Employer schemes, discount schemes and so forth and what do they do with the money they save.

20. Learn about great ways to save.

- Understand what an ISA is and when it can work for you.
- Understand other ways to save and when they might be useful.
- Understand how to protect your money once you start earning your own.
- Once old enough to earn money be motivated to save some.

Activities

Save up for items before you need them

Save up for a car before they learn to drive.

Save up for fridge, freezer, microwave, mattress, bed before moving home.

Save up for starting a new job. Remember it may take a while before you get your wages and you might not be taxed correctly at first and have to claim tax back. You might have to pay for uniform out of your first pay check too. It might cost money to travel to work. It is all about compromise and them seeing there is more than one choice and waiting a little while before doing something may put them in a much better financial situation.

Online saving resources and ideas

Check out mybnk^{xlvii} or similar websites for lots of good resources and ideas. This should help make the most of your money as well as help keep yourself motivated to keep making good financial choices.

21. Be careful of borrowing

- Only use a credit card if you pay it off in full each month. Yes, again.
- Easy money
- Learn about credit ratings ^{xlviii}

Activities

Pay day loans and other forms of quick money

There is no such thing as easy money if you can money quickly and easily there will be a catch. It could cost you and put you in a much worse position in the long run. There will nearly always be a better way to get money but it will take some effort up front rather than the easier more tempting options.

Learn about bailiffs and loan sharks ^{xlix}

We all see mortgages as good credit but would we change our mind if we realised the meaning in ancient days was pledge til death or death pledge? Do we know how to spot a loan shark and why we should never use one. If credit goes bad and the bailiffs come in do we know what can happen?

This over laps with the ideas discussed in section 17.

22. You need back up for when problems occur

- You may need different types of insurance.
- Know you rights.
- Know how to get the right deal for you.

Activities

Learn about car insurance ⁱ

Look at and go through different car Insurance, what the different types mean and what would be the best for you.

Learn about travel & health insurance ⁱⁱ

Think about health care costs money even though we are lucky it is mostly free or limited cost in the uk. Learn about risks of travelling abroad and what the foreign office recommends.

Learn about house insurance ⁱⁱⁱ

Look at house insurance and why you would get that if you are living on your own.

Learn about activity and sporting insurance

Look at activity or sporting insurance if you are doing a higher risk sport or an activity that could stop you from working if you are injured. This includes team sports like football and hockey. Most clubs have a very low and limited cover. Even small things like breaking a tooth can be expensive nevermind painful and require emergency treatment that may not be covered by the NHS.

Learn about your rights as an employee ⁱⁱⁱⁱ

What are your rights to sick leave. Is it different depending on your length of service? What are unions and what are the advantages of being in a union.

Learn about your rights as a tenant or owner occupier ^{liv}

When you sign up to a tenancy you get lots of documents and information thrown at you. You cannot hope to remember it all so why not start learning about this before hand and not fall into any financial or other traps that could cost you time and money as well as unnecessary stress. Remember the two biggest type of debts in Shetland for care leavers were inrelation to their tenancies. Rent arrears and recharges for damages.

23. Savings are important

- Save at least three months of expenses for emergencies.
- Understand what an emergency fund would be for. (ie The essentials or needs.)
- Consider the risks & expenses of saving or investing ^{lv} (Give some ideas.)
- Try planning & saving for a short trip.

Activities

Learn about emergency expenses

Look into what you might need an emergency expense for and why might you need it and hence how much you might have to save.

Estimate the emergency fund needed and automate the savings

Work out how much you would need as an emergency fund, where you would keep it and how you would get access to it. It may take a while to build these up but they can start before they leave home or become financially responsible.

Help your young person draw up a budget

The main source of the problem with debt is understanding what out of your budget is essential and a need and what is disposable income and a want. It might be that something we see as a want is a need because it helps them to deal with stress or mental well being. Working through a budget helps them to see what they can do and maybe how to be a bit more financially savy and get more for less.

Plan a weekend away

Why not plan a weekend away to the isles or further a field to give them a taste of how to survive in a new environment. Why not use a self catering cottage see how they get on with basics like cooking and cleaning. See how do they manage with transport and planning ahead. See if they could fit in with a new or different community. Find out how they feel was it fun or stressful.

Learn how to use, adjust and maintain your budget

Save money by going to different shops or choosing what you want or need and where you plan to go to get it. This section is more about learning to save and saving for a purpose, how to motivate yourself and how it feels when you achieve it. Even save up to take part in a community fund raising event like mind your head fun run or relay for life.

Further financial advice or ideas to take advantage of

Credit Union savings account ^{lvi}

Not many people consider these but they may have some good deals. Even just learning the difference between a Credit Union and a bank may help them understand savings and credit a bit better. Credit Unions do not have the same financial protection that banks do so be aware of how much you save there and what the risks are.

Adult and childrens banks accounts ^{lvii}

Look at comparison sites online for other options for childrens and adult bank accounts.

Understand the cost of using a phone & internet ^{lviii}

Maybe get them to think of the cost of having a mobile and using landline calls. Teach them about the cost of 3G, 4G, wifi, roaming before they and you get stung. For example never call a mobile from a landline, if streaming football matches or watching films be aware of consequences and what data limits are.

Their first big purchase

Do they wait and save for it or want a loan to get it as soon as possible?

Understand the benefit of saving up for big items rather than buying them on hire purchase.

Recommendations

Teach heuristics & strategies in addition to knowledge of concepts

Rules of thumb (heuristics) should be simple, specific and action-based. These will help aid young people to come to better outcomes without having to be experts.

Experiential learning

One of the most effective ways of learning financial skills is learning by doing and solving real life problems. Hopefully this booklet lets us be more aware of those opportunities for memorable and life long lessons and helps our young people build up good financial skills.

Teach early, but reinforce at key moments

Hopefully this booklet allows you to start to be aware of, think about and deliberately teach financial type skills early. Skills like planning, sorting and prioritising are important. Good maths skills are also thought to help develop strong financial skills but reinforcing all these skills would seem to give the best chance of developing strong financial skills.

Strong financial skills are not the be all and end all of helping people out of financial problems but they are a very good foundation. This can only benefit the whole community and our young people as they move into adulthood. Strong financial skills will mean parents, carers, professional workers can concentrate more on the other problems that leave our young people struggling financially.

Appendices

Financial capability checklist

Can they address cognitive overload?

- Manage multiple bank accounts (ie main, saving, spending).
- Use cash to pay for day to day expenses.
- Use standing orders, direct debits for regular expenses like rent, bills and savings.
- Clarify purchases into wants and needs.
- Priorise debt correctly. ^{lix}
- Pay off smaller debts first. ^{lx}
- Save at pre-determined intervals.
- Use a rainy day fund ^{lxi}
- Only hold one credit card (or none).
- Pay off debts before saving.

Can they address empathy gaps?

- Prevent wants becoming needs ^{lxii}
- Can use spending barriers.
- Understand and can cope with consequences of breaking spending barriers.

Can they address optimism and overconfidence?

- Make a budget. ^{lxiii}
- Identify rough cost of expenses. ^{lxiv}
- Can they predict the financial consequences of unexpected events. ^{lxv}

Can they address instant gratification?

- Avoid making an unwanted unplanned purchase.
- Cash only for day to day expenses or prepaid debt cards.
- Save up for household appliances rather than buying on credit.

Can they address harmful habits?

- Calculate the annual and lifetime cost of their habits and how much they could save ^{lxvi}
- Cancel poor value packages for gyms memberships or tv packages.
- Save for small household appliances and holidays for feeling of achievement.
- Pay off the full credit card debt at the end of the month.
- Do not use a credit card for consumption.
- All credit card purchases are debt.
- Pay off all debt as soon as possible.

Can they address social influence?

- Do not buy anything immediately after seeing media adverts especially using credit cards.
- How are they influenced by peers on spending decisions.
- Understand what the common bad financial behaviour are.
- Peer learning, participants are more likely to learn from and educator similar to them.

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- xxiii Money Lesson: Don't Spend It as Soon as You Get It
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- xxiv Never buy without permission & never share personal information.
- xxv Make sure they do not have direct or easy access to money and make it an event to take it out. They can watch it grow too.
- xxvi Saving for spending money for a holiday, for a car when they are older, going to college or going on school or group trips.
- xxvii Money Savvy Kids Club Books
- xxviii Ian Bright, senior economist at ING Group, said:
“Our research suggests a correlation between adults who were given pocket money as a child and their ability to better manage their finances later in life.”
Almost three quarters of parents allow their children a small allowance. They feel more confident about becoming self-sufficient once they leave home and 83% believe it has helped realise the value of money.
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- xxix If they want more when they are older what are they going to do to earn more money. If they are bad will it be stopped or will it be reduced next week. How will this affect their ability to join in.
- xxx <http://www.parents.com/fun/printables/other/teach-your-kids-about-money-with-parents-bucks/>
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- xliii <http://www.moneysavingexpert.com/shopping/section75-protect-your-purchases>
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lix ie what do you lose and which needs paid off first.

lx RSA Action & Research Centre, Wired for Imprudence Report Page29, www.rsa.org

This advice goes against basic accounting principles, which dictates to focus on the most costly debts. However, paying small debts first has been shown to be more effective. A study of credit card repayment (Gal and McShane, 2006) actually shows that people who pay off small debts first pay off their total debt quicker. The authors report that paying off each debt gives people a “small victory” feeling that keeps them motivated. Moreover, it reduces the number of creditors faster, reducing correspondence from creditors and thus potentially lightening the cognitive load.

lxi Should cover about three months of essential expenses.

lxii 24 hour break to take out of heat of the moment or do i really need it type questions, how long will i use it for etc?

lxiii What spending is realistic, what regular saving is realistic.

lxiv ie Do they know how much it would cost to run a car, go away for the weekend, organise a big birthday party, get married, etc..., do a weekly shop.

lxv Consider a number of events like car broke down, lost job, lost benefits, house was broken into, off sick for 6 months and what would happen, what could they do before or after to reduce the impact of this. Some of this may have to be gone over multiple times to sink in.

lxvi Buying coffee, cigarettes or some other form of regular indulgence.