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CONSUMER NEWS and PERSONAL FINANCE

money

SPECIALIST JOURNALIST OF THE YEAR

Kids clueless in cashless UK

CHILDREN are heading back to school - but they are not learning the vital lesson of how to manage their money.

Youngsters are less familiar with cash due to seeing their parents pay by card all the time, a study by University College London's Institute of Education has found.

It has left them struggling with basic tasks such as working out how much they should pay when at a shop checkout and how much change they should get.

Researcher Dr Jennie Golding, is "shocked" by the findings, and warns a lack of financial know-how could add to Britain's growing debt crisis.

Significant problem

In one primary school, seven and eight-year-olds were using plastic coins to work out their shopping total and change due.

Half of the class had "significant difficulty", as they were unfamiliar with the use of coins, different combinations of values, or the notion of "change".

Her observations in a secondary school classroom found none of the teens were getting pocket money or working part-time.

If they went shopping, they were given money or their parents would pay - usually by card.

When the teacher showed one class of 14 and 15-year-olds a spreadsheet for her monthly budget, students showed no understanding of taxes or loans such as mortgages - describing them as a "rip-off".

Dr Golding says: "There's already a significant problem with debt in this country. And those struggling with it will have been brought up handling money

CARD WORK... the young are used to plastic payments not cash



YOUNG STRUGGLE AT STORE CHECKOUTS

much more than youngsters today do. My concern is that the problem will escalate and we'll have more people not able to manage their money effectively - and struggling with increased poverty as a result."

The same issues are continuing into later life.

A separate study by UCL Institute of Education and the University of Cambridge found one in three adults in England and Northern Ireland is incapable of working out the correct change when shopping. While four in ten struggle to understand when a simple discount is applied to an everyday product.

Professor John Jerrim, also

of the UCL Institute of Education, says: "The research highlighted how England is facing a crisis in terms of adults' financial literacy skills."

Jamie Smith-Thompson, of pensions advice specialist Portafina, says: "The sooner children start learning about money and the role it plays in our lives, the better equipped they will be when it comes to managing their finances as an adult."

To help get the kids thinking about money and how it works, here are some talking points for each age group and a quiz for the teens and grown-ups.

Quiz devised by Portafina, KickStart Money, MyBnk and Young Money

AGED 5-7 Understanding concept of money

AT this stage it is about making the connection that the things we need and want cost money.

So to get these things, we need to earn money and save it, too.

TALK ABOUT

- Where does money come from?
- What do we use money for?
- How do we get more money?
- What happens if you save money?

AGED 8-11 Understanding value of money

GET them to understand that money is precious and that it does not grow on trees. It is also about grasping the fact that different things cost different amounts of money, which is why savings are so important.

grown-ups have to spend their money on each month?

● On average, how much do people earn a year?

● Think of the one thing you really want - how much does it cost?

● How long would it take you to save up and buy it?

TALK ABOUT

- What type of things do parents and

AGED 12-15 Understanding money management

THE crucial, final building block - understanding some spending is essential and some isn't, and being able to balance between your needs and wants.

● Can you list all of the monthly essentials and guess how much each of them cost?

● You want something but can't afford it - what should you do?

● If you were paid £10 a week, what would you do with it?

TALK ABOUT

- How much does it cost your parents to run your home?

AGED 16-ADULT They should be ready

BUT even adults struggle with basic concepts. Here are grown-up questions to test your knowledge. (Answers below)

daily, monthly or yearly?

3. Do you know what your personal savings allowance is?

4. Explain the difference between APR and AER.

5. What does the term PAYE stand for?

6. Explain the difference between a standing order and a direct debit.

QUIZ

1. Explain the advantage of compound interest compared to simple interest.
2. Which of these is better for a saver - an account which calculates interest

ANSWERS

1. Compound interest means you get interest on interest.

2. Daily calculation is better for a saver.

3. The personal savings allowance means a basic-rate taxpayer (20 per cent tax on income) can earn £1,000 interest on savings per tax year without paying tax on it.

4. The interest rate you receive when you save money in an account is known as the Annual Equivalent Rate (AER). The Annual Percentage Rate (APR) is what you are charged for borrowing products. Both take into account any

fees and charges.

5. Pay As You Earn. This is how most employees pay tax. It is deducted by the employer before you see it.

6. With a standing order, you instruct your bank to pay the money to a particular person or company. It is your responsibility to change the payment details (eg. the date or amount) if they need to be changed. A direct debit is an instruction to your bank to release money from your account to pay amounts automatically - the billing company has control rather than you.