Funding the Future

# We badly need better financial education for teenagers

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Investment adviser Hargreaves Lansdown sent me a press release this morning, which despite my best efforts I cannot find on the web. In it, they said:

*Teenagers are set to get an F for finance. Because while schools have done everything possible to prepare them for their GCSEs and A-Levels, there's a reasonable chance they're horribly unprepared for looking after their money.*

*By the age of 18, the vast majority of us had massive gaps in our knowledge. Despite the fact that an awful lot of people take on student debt at this age, and even more will qualify for credit cards, three quarters of people don't understand the rules around borrowing at the age of 18. Today's 18-year-olds will also be emerging into a world where inflation and interest rates will play a key role, and yet at 18, only 37% understand interest rates and 30% have got to grips with inflation.*

*Aside from everyday finances, we also tend to know very little about putting money aside for the future at 18. While a healthy 55% have grasped savings by this age, only 32% know what a pension is, and our investment knowledge is even more sparse – only 28% know what a share is.*

They then included this chart indicating  the state of awareness 18-year-olds have on some key financial issues:

| Personal finance term | Understanding at 18 |
|---|---|
| **Savings** | 55% |
| **Interest rates** | 37% |
| **Pensions** | 32% |
| **Inflation** | 30% |
| **Shares** | 28% |
| **Rules around borrowing** | 24% |
| **Mortgages** | 20% |
| **Compounding** | 20% |
| **An investment fund** | 14% |

I think we could all agree that on some of those issues the level of understanding is particularly worrying. That rules around borrowing and the impact of compounding are not understood is most especially concerning.

If evidence was needed that education of the sort that I proposed in the report that I published on Sunday is required, then this is it.

I will be contacting Hargreaves Lansdown about this.