The Financial Inclusion Centre

Promoting fair, inclusive financial services

LONDON CITIZENS MONEY MENTORS PROJECT

PROJECT EVALUATION BY THE FINANCIAL INCLUSION CENTRE

REPORT SUMMARY

INTRODUCTION AND BACKGROUND

- As part of its response to the financial crisis, London Citizens developed a pilot project to test the effectiveness of the peer-to-peer approach to improving financial capability – the **Money Mentors** project. Specifically, London Citizens set a target to equip a total of 4,500 year 10 and 12 students in selected schools across London with financial skills, knowledge, confidence and experience which they could then use to teach sound financial management practices to their families and peers.

- It is important to note that the Money Mentors project was a first stage ***pilot*** scheme. With this in mind, The Financial Inclusion Centre (The Centre) was asked to evaluate the effectiveness of Money Mentors as a financial capability intervention and to identify lessons to be used to develop a second stage, larger Money Mentors 'Academy' project.

- The Centre used a combination of quantitative and qualitative assessment techniques to assess the effectiveness of Money Mentors and looked at the impact on two broad aspects of financial capability: financial behaviours, confidence and attitudes towards money matters; and financial literacy and aptitude. It is important to note the limitations and caveats. The limited resources available and the short timescale mean that it has not been possible to undertake longitudinal analysis and we had to rely on self-reporting. Nevertheless, we are confident that the combination of evaluation techniques provides us with a meaningful evaluation framework to assess the effectiveness of Money Mentors.

KEY FINDINGS

- We undertook two different forms of assessment: i) a sample of students took a set of 3 financial literacy tests to monitor the impact of Money Mentors on financial behaviours and attitudes, and financial aptitude and knowledge; and ii) qualitative assessment in the form of observational visits and focus groups with students in a sample of schools.

Key findings from financial literacy test: impact on financial behaviours and attitudes

- In our view, there was a significant improvement amongst students – certainly in terms of attitudes towards financial matters. Comparing Test 1 with Test 2, an improvement was noted on every aspect of the test relating to behaviour, confidence and attitudes. Taken across the board, the average improvement was 0.7 points on a scale of 1-5.

- The key points we would highlight are significant improvements in: levels of reported confidence in dealing with financial products and services; the numbers of students reporting that they find financial products and services less confusing; levels of awareness of financial products, and the degree to which students became open to learning about money; and numbers of students intending to take action and adopt positive financial behaviours.

- Moreover, the findings from Test 3 suggest that these improvements have been sustained to a large degree even if there was some fall off from the peaks reported in Test 2 (which is not surprising). Although, we have to note the limitations of self-reported surveys/ tests, the qualitative research we undertook seems to support the view that much of the noted improvement was sustained over the summer.

- In many cases, there was a notable improvement – for example, on students saying they felt they had greater ability to keep finances under control and had more confidence about drawing up a budget.

- In the areas relating to *intentions* to do something – for example, intention to draw up a budget, the improvement in scores was also particularly good. But, as we explain below, we think it is unlikely that these intentions were necessarily followed up with the same level of action indicated by the test results. However, this is not unexpected given the nature of the challenges facing those engaged in financial capability. It is recognised that it is very difficult to ensure that consumers actually change their behaviour even if they say they intend to.

- It suggests to us that the Money Mentors approach is very effective at inspiring confidence and prompting positive behaviours. The intensive, innovative and energetic style of teaching seems to be very effective at encouraging healthy consumer scepticism about financial products and consumption generally – it seems to make connections to students' lives.

- However, the intensive one-day approach followed by the original Money Mentors project may not be appropriate for persuading students to undertake practical tasks that require a degree of planning and discipline – ie. tasks such as budgeting. We would suggest that it is very difficult to teach practical tasks in such an intensive format and this would be better delivered using a structure which allowed for regular contact (this will be built into the Academy project).

Key findings from financial literacy test: impact on financial aptitude and knowledge

- The questions in the tests were designed to specifically reflect the Money Mentors curriculum as well as test general financial knowledge. However, we also included questions which required students to calculate compound interest in order to make comparisons between different financial offers – this captures assessment of numeracy skills.

- As the summary results suggest (see Table 4), the Money Mentors programme seem to have had a real impact on certain aspects of financial knowledge. However, in other areas, the results were mixed.

- For example, with regards to knowledge of APR, the percentage of respondents who got the correct answer rose from 63% to 83%. Similarly, the percentage getting the answer on knowledge of AER increased by 16%. What is also very encouraging is that the results suggest that this improvement in knowledge was maintained.

- Intriguingly, with regards to the questions involving compound interest, the percentage getting the right answer in Test 2 actually fell compared to Test 1. However, the percentage getting the answers right rose again in Test 3 with the result that there was no meaningful change between the results at Test 1 and Test 3. We think this can be explained by this due to the intensive nature of the day long course and the nature of this type of question. Calculating the effects of compound interest to choose a product requires much greater mental effort than recalling the meaning of a financial term. So it would perhaps not be surprising that students at the end of a very intensive day were less able to perform such calculations in a test environment or possibly didn't have the energy or desire to make a good attempt at the question.

- Overall, we conclude that the Money Mentors approach is very effective at inspiring confidence and prompting positive behaviours, and is successful at improving knowledge of financial terms. The intensive, innovative and energetic style of teaching seems to be very effective at imparting knowledge of financial products – it seems to make connections to students' lives. However, the intensive one-day approach may not be appropriate for improving general financial aptitude and numeracy skills. In many cases, there may be significant issues to overcome with general numeracy and literacy levels in schools. Moreover, we would suggest that it is very difficult to teach practical problem solving in such an intensive format and this would be better delivered using a structure which allowed for regular contact and allowed students to improve financial aptitude using practical examples (this will be built into the Academy project).

Key findings from qualitative assessments

- The 'quantitative' assessment of financial capability was complemented by qualitative assessment of key elements of the programme. This qualitative assessment was undertaken through a combination of: observation of the training programme in seven schools by Centre staff (one-third of students were covered by the observational visits); and interviewing a sample of the students in five of the schools following the summer holidays in a focus group setting using structured questions.

- There was some variation in views between the focus groups in the different schools. This is to be expected. However, notwithstanding this proviso, overall the majority of the students across the groups said that they found the Money Mentors day useful, interesting and kept them engaged.

- Although there were some exceptions, generally, the students were of the view that the Money Mentors programme improved their confidence, provided reassurance and increased interest in money matters. Money Mentors day made them realise that money can be very complex and they need to be 'clued up' and sceptical about advertisements. In particular, the elements of the programme they found most useful were those that: showed how complex finances could be; explained the pitfalls of credit and what terms such as APRs mean; and explained how to spend wisely and shop around more effectively.

- With regards to financial behaviours, the focus groups were positive in most cases – this reinforced the results from the financial literacy tests. The key points to highlight include:
  - Money Mentors encouraged the majority to take on board the need to save, and to think about saving in future rather than using credit cards straight away;

- the debt session had made them think that they don't want to be in debt in future;
- many thought they were already good at shopping around – especially clothing and online, but Money Mentors had reinforced messages and provided helpful tips;
- numerous examples of good practice and conscious decisions to shop around were given such as mobile phone shopping, food shopping (made people think about the costs of food they were buying and how healthy – issues of quality of food and value), and clothes shopping (seen as good example of using their new financial awareness);
- Money Mentors also encouraged students to consider more carefully the terms and conditions they were signing up to – the 'hidden small print' problem;
- Money Mentors encouraged many to think about shopping more carefully and become more sceptical, rather than shop 'mindlessly'.

- Responses on budgeting were not so positive. Some did draw up a budget and intend to stick to it. However, the overall attitude was that they didn't see the need to budget or didn't have the practical skills to draw up a budget. The overall attitude seems to be that rather than draw up a detailed budget they save sometimes and simply spend less when they think they need to (in a sense an informal type of mental budgeting rather than formal budgeting).

<u>Overall views/ ideas for improvement:</u>

- Overall, the impression from the focus groups was that students thought the Money Mentors programme was good and was set just about right. Many students thought it would be boring or 'rubbish' but were very surprised, and would recommend to other young people. It 'opened their eyes to finance' and gave them a better understanding of 'how the real world works'.

- Our impression is that the majority of the students across the groups found the Money Mentors day useful, interesting and kept them engaged. The Money Mentors approach with the use of competitions, a lively style of learning, and the use of real life examples was very much appreciated. The Money Mentors themselves were particularly praised.

- However, there were a number of criticisms and helpful ideas for improvement including:
  - some thought it was a bad time of year to do it (people had left after exams and less focused);
  - a number thought too much information was crowded into a one-day session;
  - the need for a booklet/ checklist/ website students and families could use after the Money Mentors programme was finished;
  - a checklist of danger signs to help spot when family/ friends are in financial difficulties;
  - the need to pass on information to family and friends should have been stressed;
  - while some want less information and coverage, some wanted more detailed advanced sessions on specific issues such as surviving at university, how to use a bank account, renting, understanding utilities bills, salaries and tax, and consumer rights;
  - having follow up sessions to check progress/ provide ongoing guidance; and
  - the need to overcome language barriers if families are to be engaged.

OVERALL SUMMARY

- The evaluation suggests that the Money Mentors approach is effective at teaching students about products and financial terms. Understanding of concepts and definitions of terms such as APR improved considerably.
- However, with regards to financial decisions and choices that require calculations or understanding of concepts such as the effect of compound interest, intensive one-off interventions may not be very effective. Improving this aspect of financial capability probably requires more sustained approach using practical examples.