

Understanding money skills

Where our help is needed most to
improve client financial capability



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Contents

Foreword by Andy Haldane	2
Summary	4
Research method	5
1. Defining financial capability	7
2. What support is needed?	9
2.1. Many people need help - sometimes acutely	10
2.2. Core money skills are where some clients are doing well	13
2.3. High capability does not preclude the need for support	15
3. What other factors matter?	17
3.1. Demographics	18
3.2. Related needs	20
3.3. Situational factors	22
4. Our experience of providing support	24
Conclusion	27
Appendix	28

Foreword by Andy Haldane

Everyone needs to be able to manage money well. To manage money well takes time and skills. Yet many people in the UK lack these skills.

A recent study by the OECD¹ placed the UK 17th in the OECD league table of financial literacy – out of 17.

Financial illiteracy can affect real people in real ways. It can leave them stretched beyond their means, leading to debt, distress and, sometimes, depression. In extreme cases it can result in eviction, homelessness and joblessness.

Financial illiteracy can be as much a blight on people's lives as reading illiteracy.

Given the poor state of financial capability in the UK, and the personal costs it imposes, it is clearly a problem needing action. But up to now, the best way to address these problems has been far from obvious, particularly among those on low incomes.

Citizens Advice supports thousands of people each year who need support in managing their money. Drawing on their unique experience, this report begins to close the evidence gap by exploring the money skills needs of Citizens Advice clients.

What should you take from this report? This is what stood out for me:

1. There's a clear need for money skills support and significant targeted investment. There is now clear evidence to show what people actually need, rather than what has been assumed is needed in the past. This will enable us to effectively plan, measure and test different services.

2. Focusing on day-to-day skills is not enough. This report finds the need for skills is not limited just to basic budgeting support. It's about giving people confidence to take action, stay informed and keep up to date with financial matters.

3. We shouldn't be aiming for a 'one-size fits all' approach to support. A tailored response is required. What might work for one person will be totally lost on someone else. Evidence like this should be used to plan for targeted services.

4. Money can't be isolated from everything else in life. Making the most of when people are willing to learn and take action is essential. Support shouldn't be 'one-off' but tailored to engage and support at critical life junctures.

¹ OECD, [International Survey of Adult Financial Literacy Competencies](#) 2016.

5. Public and private services that rely on money management skills can improve too. There is a need to design better services, public and private, that anticipate the money management needs of customers, claimants and consumers.

Problems in managing money have never been more important for people's lives. This report is an important contribution towards beginning to understand and solve these problems, not just for Citizens Advice clients but for everyone.



Andy Haldane

Chief Economist, Bank of England

Summary

Citizens Advice supports thousands of people each year who need help with money problems. We wanted to understand the role of people's financial capability - or as we call it, money skills - so we can provide more holistic, appropriate services that help people find a way forward.

We surveyed over 1,000 face-to-face local Citizens Advice clients on their baseline money skills to understand their needs. This draws on our existing work² that defines, measures and tracks the interlinking aspects of financial capability.

We've focused particularly on the money skills of our local client base, who represent some of the most disadvantaged and

 **We reach almost 1 in 5**
of the 8.6 million low income
individuals in England and Wales

vulnerable people in society. For example, our clients are five times more likely to live on a low income than the average population in England and Wales.

We've found our clients have different strengths and weaknesses:

- Most people need support in at least one money skills area (63%) - while a significant minority - 1 in 10 - need help in all money skill areas
- People primarily need support in being confident about taking action on their money matters (49%), knowing the main information about their money services (42%), as well as acting to stay informed about this (45%)
- Core money skills are where clients do well, in how often they keep track of money (58%) and in their knowledge of controlling spending (58%)
- However, high capability doesn't preclude the need for support. There can be notable differences between what people know and how they act
- A range of fixed and transient factors play a role in people's money skills, e.g. demographics, related needs and life events. Some people need more help than others, for example because of ill-health or being a renter

These findings can inform how private and public service delivery, as well as advice provision, can be best tailored to help the most vulnerable people in society with their money skills. At Citizens Advice, we'll use them to improve, develop and test our support services to better meet clients' needs, whilst contributing to the research base on what works. This includes our life event focussed money skills support being tested in Wales, which as part of the Money Advice Service 'What Works Fund', will contribute to the national evidence base of the UK Financial Capability Strategy.

² Citizens Advice, [Measuring Financial Capability](#), 2017.

Research method

Citizens Advice money skill areas

This research uses the Citizens Advice money skill areas that have been created to enable us to understand our clients' financial capability. We developed these using our knowledge of our clients and services, combined with consulting a range of internal and external experts. They cover a set of relevant, appropriate and consistent money skills areas, questions and scales.

Our areas align with commonly used financial capability domains identified in our research into established national studies, strategies and evaluations³ - including with the Money Advice Service's UK Financial Capability Strategy's adult outcomes framework.

Research participants

In June 2016, we used our money skills questions to survey 1,074 clients before they accessed face-to-face advice in local Citizens Advice, including on non-money related issues. Face-to-face clients accounted for 49% of clients seen directly through our local network in 2015/16. Our local clients are representative of the general population in England and Wales in terms of age, gender and ethnicity, whilst differing in some important respects such as being five times as likely to live on a low income. Overall, our statistical analysis allows us to be confident the survey participants are broadly representative of the characteristics of clients we saw over the course of the period that the survey took place.⁴

Sampling and data collection

39 local Citizens Advice took part, covering every region of England and Wales. We asked them each to invite the equivalent of the number of clients they would see in one day to complete the survey while waiting for an appointment or drop-in service at their locations. The paper-based survey included elements that assessed clients' demographics, money skills, numeracy and also included some open text questions. We used a functional numeracy skills screener developed by National Numeracy, that has been tested in a variety of service settings.⁵ During the course of the research, we asked some participating local

³ Citizens Advice, [Research paper: Developing a theory of change for financial capability](#), May 2015.

⁴ The survey is representative of our clients to a 95% confidence interval with 3% margin of error.

⁵ There were some methodological difficulties with administering the numeracy screener within service delivery (i.e. non-test conditions). This means we can make limited claims about the numeracy of our clients, particularly those scoring at the lower end.

Citizens Advice to complete further booster surveys to ensure adequate representation of our national client population.

Analysis

Once gathered, the data was analysed internally. For the quantitative analysis, we tested the data using confidence intervals to identify any statistically significant results, and undertook Spearman's correlation analysis to assess relationships between different money skills areas and scores. For qualitative analysis, we used Nvivo 10 to look at a proportion of all open text responses until themes became sufficiently self-repeating (20%, n=432). This identified themes explaining why and how clients needed most help.

Developing our money skills areas and questions

We're developing consistent ways of understanding client capability so that we are best placed to provide appropriate and empowering support.

Money skills are often key to the issues our clients bring to us - we expand on this in our final chapter. When undertaking research and evaluations projects, we found measuring clients' financial capability improvement to be nuanced and challenging. We recognised the need to do further in-depth research, as having the capacity to correctly and consistently understand need and measure change is an essential step in delivering quality services that work. Critically, we wanted to develop measures and indicators that would take into account the complex contextual factors at play for our clients and services.

Full details can be found in 'Measuring Financial Capability'⁶, including details of the mixed research methods used to develop and test our measures:

1. **Background research** - literature review⁷, service map⁸, intersectional research⁹.
2. **Development** - theory of change development⁸, question mapping, drafting of measures.
3. **Testing and refining** - piloting and consultation with experts¹⁰, develop IT recording system, consider data collection.
4. **Evidence gathering** - national research survey with our clients, ongoing research, testing and development.

Further details on our methodology can be found in the appendix.

⁶ Citizens Advice, [Measuring Financial Capability](#), 2017.

⁷ Citizens Advice, [Financial capability: A review of the latest evidence](#), May 2015.

⁸ Citizens Advice, [Mapping our services: Financial capability](#), June 2015.

⁹ Citizens Advice, [Research paper: Developing a theory of change for financial capability](#), 2015.

¹⁰ Citizens Advice, [Briefing: Checking our financial capability measures with experts](#), February 2016.

1. Defining financial capability

Why financial capability matters

Moving from school to work, in and out of employment, and into retirement, the capabilities we need to manage well and deal with any emerging life challenges will change. Financial capability is one example.¹¹

Financial capability means a person having the right money skills to deal with the everyday as well as manage big changes in their life. This can be complex and nuanced and involves having the right knowledge, skills and mindset to make good financial decisions and take action at the right time.

If people can make good decisions with money they will be able to navigate these everyday, new and life changing events. But not everyone has all the skills they need to do this effectively and this matters because it can lead to problems such as debt or homelessness.

That's why we offer advice and guidance to people to help them to avoid problems and we also help them when they face financial problems.

Creating a definition that works for our clients


Our clients share many characteristics with the general population - for example age, gender and ethnicity. However, they differ in some important ways in terms of individual characteristics, needs and life circumstances - crucially including that local Citizens Advice clients are five times as likely to be on a low income.

Having a low income can mean you need to spend a lot of time on 'core' money skills areas, keeping track of money day to day, controlling spending and making sure you have enough money to live. Meanwhile the 'supporting' money skills areas: shopping around, planning ahead with money and staying informed about money services - can fall by the wayside. We will see similar patterns as these are borne out in our research findings later.

Focusing on a single characteristic isn't enough to capture the significant financial challenges that our clients face on a day-to-day basis. As a result, we have developed a multi-faceted definition of money skills, tailored to be meaningful and appropriate for our clients and services.

¹¹ We're developing consistent ways of understanding client capability and barriers they face to problem resolution - digital capability, in terms of access and basic digital skills is another area we have undertaken research: Citizens Advice, [Digital Capability: Understanding the digital needs of face-to-face clients of Citizens Advice](#), August 2016.

The Citizens Advice Money Skills Areas

 Keeping track of money	 Having enough money to live	 Looking for the best deals	 Confidence (Mindset)
 Controlled spending	 Planning ahead with money	 Staying informed about money services	

Using our money skills areas to assess need

We developed each money skills area alongside a set of associated questions with seven point scales so clients can indicate their score for each, looking in turn at knowledge, actions and mindset. This has allowed us to understand where they are starting out with their money skills, before they get help from us. Later, we can also use these questions and scales to measure how our clients progress over time.

The diagram below outlines how we defined high, average and low scores in each money skills area. The numeracy screener scores aligned with this scoring method producing red (low), amber (average) and green (high) scores.

The scales we used to measure client money skills - and what they mean

	Red Low score			Amber Average score	Green High score		
	1	2	3	4	5	6	7
Knowledge	No knowledge	No to some knowledge	Some knowledge	Some to good knowledge	Good knowledge	Good to excellent knowledge	Excellent knowledge
Actions	Never	Never to sometimes	Sometimes	Sometimes to often	Often	Often to very often	Very often
Mindset	No confidence	None to some confidence	Some confidence	Some to good confidence	Good confidence	Good to high confidence	High confidence

2. What support is needed?

Our research shows a clear need for better money skills support. Almost half (45%) of clients we surveyed are not confident managing their money and 11% have acute needs:



Many clients have strengths in some core money skills areas, but the picture is complex and nuanced. High capability doesn't preclude the need for support:



From our findings, understanding money services and having the right mindset to take action are key factors where most clients need our help:



Vitality, it's not simply about helping someone get better at budgeting, but rather looking holistically at people's different money skills, while being aware that there are some key areas where they are likely to need our support.

2.1 Many people need help - sometimes acutely

Reporting a low score for a money skills area means you think you have little to no knowledge or confidence and hardly ever take action. The practical implications of this are that you probably need quite a lot of help in that area.

Over one in ten of clients (11%) report low scores¹² across all areas. This frames the extent to which our support is needed. Our findings later looking at client characteristics and circumstances, provide a fuller picture of how the daily challenges our clients face, relate to their money skills.¹³

A large number need help in some areas and less so in others

Many clients report a variety of scores, with weaknesses in some areas and strengths in others; this also varies from person to person. Taking this into account, we wanted to understand to what extent high, average and low scores occur across all clients, to get a sense of the full spectrum of need.



...across all the money skills in at least one area

Scores vary between money skills areas

Looking at scores across all money skills areas, we found they all significantly correlate with one another¹⁴. However, when combining the knowledge and action scores, it makes apparent how more clients score themselves on the higher or lower ends of the scale. This brings out confidence and staying informed as key areas of need with the highest proportions reporting low scores. Keeping track, controlled spending and looking for the best deals show the highest proportions of clients with high scores, however, there are some

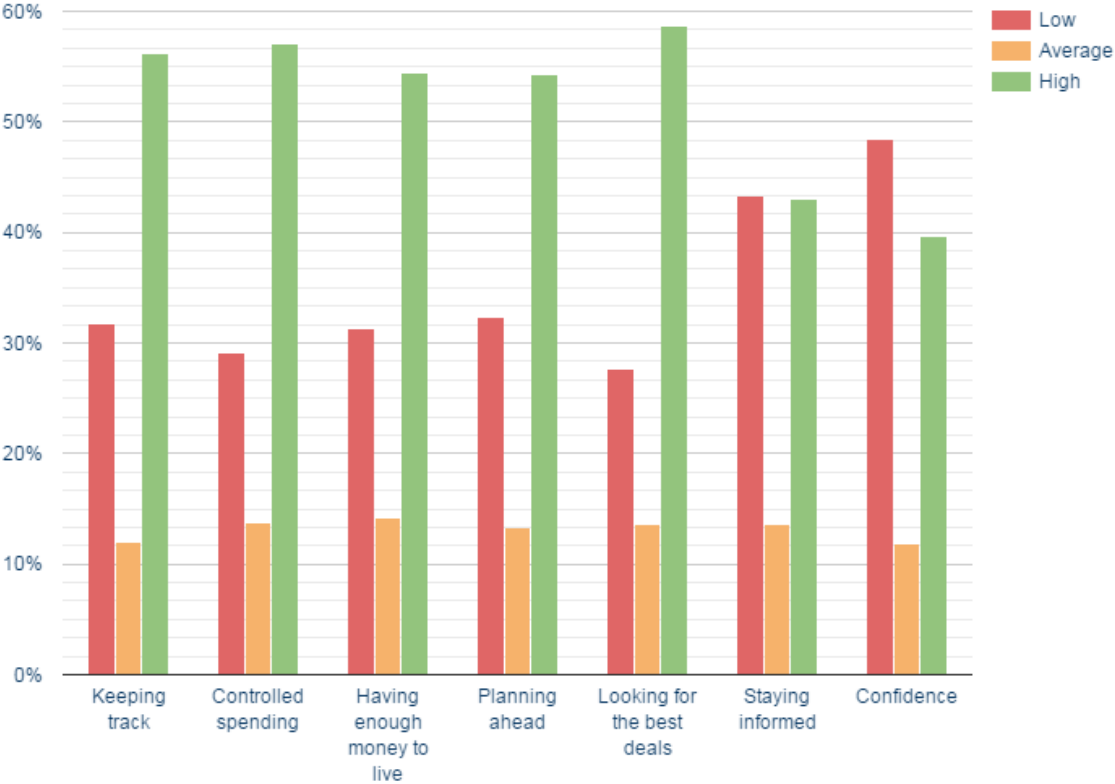
¹² These figures are calculated excluding missing or incomplete responses, so the total number of responses for each area varies - the full details are provided in the appendix.

¹³ See Chapter 3, p.17

¹⁴ All of our money skills questions showed a statistically significant positive correlation with one another ($R > 0.5$).

important differences between knowledge and action scores in these areas which we examine in more detail later.

Client proportions with high, average and low scores across money skills areas¹⁵



Low confidence is a running theme for high and low scorers alike

Low confidence is a factor for many clients, regardless of their reporting high and low scores in other areas. What this indicates is that establishing a sense of self-efficacy when it comes to money, is a critical area of need.

Almost half (49%) say they have low confidence when it comes to taking action on their money matters. Of this group, again nearly half report low scores in many other money skills areas. This suggests confidence might be an underpinning aspect of our clients’ money skills. Further research is required to explore this connection.



“I’m not that confident because sometimes I’m behind.”

Citizens Advice client

¹⁵ See the full results table for this graph in the Appendix, p. 28

These findings mirror similar recent research with the general population by the Money Advice Service (MAS), which shows the most important factor in money skills is having the confidence to manage money day-to-day, to make financial decisions and apply basic numeracy skills:

'One of the key findings from this analysis is the importance of confidence generally and this is an area that we hope to explore further in subsequent research.'

Money Advice Service, Measuring financial capability - identifying the building blocks, (2016)

Three standout areas where our clients require support

Three particular areas stood out in terms of where clients report the lowest scores: confidence in taking action on their money matters, how often they stay informed about their money services and how much knowledge they have about their money services.

The staying informed knowledge question specifically asked clients about how much they know about the main information on their money services like banking, benefits and loans. The actions question asked how often they read this information. Of those scoring low in other areas, at least 70% score low in one of these three. Even for those scoring high in other areas, at least 20% scored low here too.



"I get info but can't always make use of it. I try to do my research and be aware. I would like to be able to access some of these things - insurance, loans. I understand some things about these things but not enough." **Citizens Advice client on staying informed**

This finding chimes with common issues we see clients about as well as qualitative feedback¹⁶ from the survey: often they need support with paperwork, such as letters, forms and legal language. Similarly, benefits and tax credits are a top issue for our clients.

The three key areas of need might also suggest that there is more work to be done on the way information is conveyed about different financial products and services. This could be in terms of making information easier to understand and more enticing to read. Also pitching that information to the right level and

¹⁶ See Chapter 4, p.24

through the right medium is important, given the later findings we see for those with low money skills also having low digital capability and low literacy.

2.2 Core money skills are where some clients are doing well

It's important to acknowledge strengths. Understanding our client's strengths is just as important as knowing where they might need our help:

- It allows us to support them in a way that is empowering and appropriate
- It allows us see how helping them in one area might help strengthen other aspects of their money skills
- Critically, not delivering support on areas where there is already good knowledge and practice is the best use of our client's time, motivations as well as our resources

This last point is particularly important given our clients' reported strength in areas associated with core money skills, and that a blanket approach to providing support on budgeting might not be as relevant.

Areas clients are doing well in

Many people coming to us for help about money issues are living on a low income and it might be easy to assume that this is because they are bad with their money or just need to budget better. Our research shows this is not always the case, though as we explore later, even for high scorers the story is complex.



1 in 4

clients score high across all money skills areas

**Areas with
most high
scores:**



Keeping track of money - actions



Controlled spending - knowledge



Looking for the best deals - actions

For clients scoring themselves high in one area of their money skills, a large proportion score themselves high in other areas; this trend is less pronounced for low and average scorers.

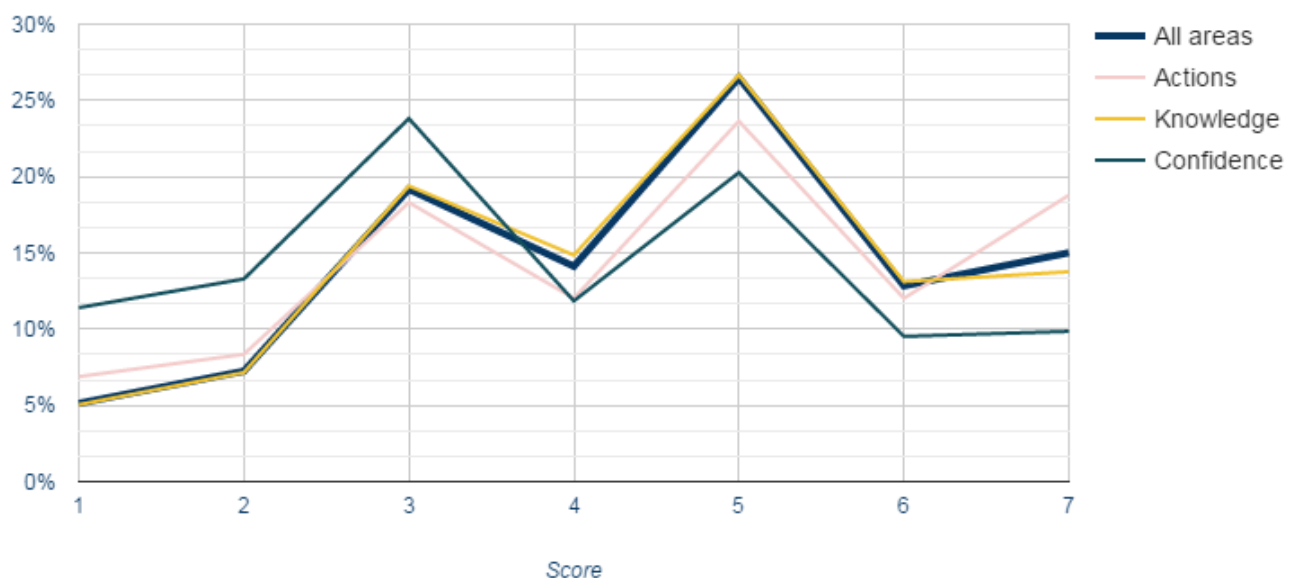
Within this group of consistently high scorers, their knowledge of having enough money to live is where the most scored themselves high (92%). Conversely, confidence is the area with the lowest scores (18%) for this group. This might suggest that knowing how to maximise one's income to cover the essentials is a key factor in high financial capability whilst confidence potentially is not.

Therefore assumptions about self-reporting of high scores as being a marker for high or even over-confidence might be countered somewhat by this finding. Further research is required to understand this finding.

High scorers with room for improvement and low scorers making a start

Although we often talk about high, low and average scores here, it is important to note the overall distribution of clients per score across all the areas and the variation within that.

Proportions of clients per score across knowledge, actions and confidence



Many low scoring clients (1 to 3) cluster in the higher end of this range which shows that most of this group have some knowledge and confidence and are taking action some of the time, giving a basis to work from. Again, confidence still comes out as being the area where most score themselves low and least score themselves high.

Conversely, high scoring clients (5 to 7) cluster in the lower end of their range showing that many in this group still think they could improve. The higher proportions giving themselves top scores for action compared to knowledge might suggest people are trying hard to get on but recognise the need for better tools and approaches. We explore this comparison in more detail later.

This finding should be balanced by how there was significant variation from person to person. For example some clients simultaneously gave themselves a high score in one area, while reporting low or average scores in others.

2.3 High capability does not preclude the need for support

Clients do well in many of the core money skills areas but these high scorers often score themselves low in other areas. At the same time, for some, even if the knowledge is there, the actions may not be, and vice versa. So a high scorer might still need significant support to get the right tools and techniques, or behavioural nudges, to better specific areas of their money skills.

A high proportion of clients report keeping track of their money highly often. This is something other research¹⁷ has shown is common for people living on a low income. And so, a quarter of those who keep track of their money highly often, report low or average scores in how often they have enough money to live.



Of those saying they keep track of money highly often, over 1 in 5 report average or low scores for knowledge in this area. One explanation for this might be that clients who are often living on a low income, are endeavouring to keep track out of necessity but realise they could be using better tools and techniques to do it.


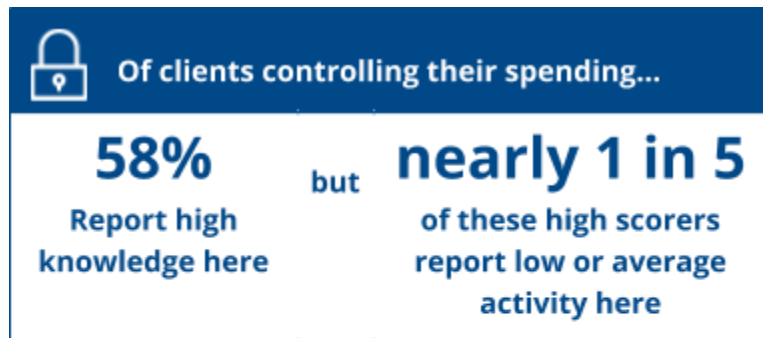
When it comes to looking for the best deals, a large segment say they do it highly often, however 1 in 6 of these same people report average or low knowledge here.

A suggested analysis for this difference could be that clients are often taking action to get good deals, but realise they could have better tools or be doing it in a more informed and effective way.

¹⁷ ONS, [Financial capability in Great Britain 2010-2012](#), September 2015. Findings showed that having a low income means you are likely to have a higher score in organised money management and controlled spending.

A large proportion of clients report high knowledge of controlled spending but almost 1 in 5 of these score themselves low or average on how often they do it.

This could be because clients may have the know how but need more nudging to do it more often. Some of the barriers for taking action here could be having a lack of control over certain items or habits of spending, especially if you are living on a low income (of this high scoring group, at least 1 in 4 score low or average in how often they have enough money to live).



“I’m in control of my money, but can’t control circumstances like [my] children needing a new uniform.”

Client on controlling spending

The pressure of constantly counting the pennies might also mean you feel the need to have a break and spend a bit of money on yourself every so often, even if it means giving up some necessities.



















Crucially, of the high scorers in these three areas, at least 1 in 3 still report low or average scores in their staying informed actions, staying informed knowledge and confidence taking action on money matters.

3. What other factors matter?

Your characteristics, needs and life situation all play a role

Individuals' needs are often neither simple, singular or stationary, which is why money skills don't make sense unless looked at in context with a range of different factors about a person. For example, being older might mean you have had more life experiences and are well acquainted with which money skills are required for different situations. But that depends on your experiences, as it might also mean you have had less exposure to the online world, so you might not have the same knowledge or tools at hand to get the best deals.

The strength of the statistical relationship between different factors and clients' money skills

	Demographics	Related needs	Situational factors
Strong	 Age  Housing tenure	 Digital skills  Literacy	 Current health issue  Mental illness  Debt
Moderate	 Gender  Disability & long-term health issue  Ethnicity  Household type  Household income	 English as a second language  Numeracy	 Decrease in income  Physical illness
Weak	None found	None found	 Moved house  Lost job

Knowing this allows provision of holistic, appropriate, targeted support

Understanding the different mechanisms playing a part in people's money skills helps us understand who needs help most and when. Some of these characteristics often stay the same, for example your ethnicity, while others might be changeable, like digital skills or income. Knowing this allows us to look at each client's situation holistically, understand the range of barriers and vulnerabilities they are facing and so, provide appropriate and targeted support.

Here we look at these factors in more detail, while comparing our findings with existing research to examine any important similarities and differences with the general population. Where we refer to a significant difference being present, this is statistically significant based on a 95% confidence interval and where mentioned, 99% in some cases.

Demographics

Here we examine information on our clients' demographic characteristics gathered through our case management system.

Strong connections



Looking at the **age** of respondents, over-50s reported significantly higher scores than working-age adults under-50 in the majority of money skills areas; shopping around knowledge and action and keeping track knowledge were the exceptions. This aligns with evidence in other research¹⁸ which has found that over-50s have the healthiest finances. Further research with a larger sample size would be required to look at what this means for smaller age-groupings.



"Most of these things I don't really think about, I just do them automatically. At my age, you've just been doing it. I know about it anyway."

Citizens Advice client aged over-50, on their money skills

¹⁸ Ipsos MORI, The Money Advice Service, [The Financial Capability of the UK](#), August 2013. Numbers are based on extrapolation of statistically significant survey data.



With **housing tenure**, homeowners report significantly higher scores than social housing and private tenants in half of the money skills areas. Other recent research by the Money Advice Service also looks at the role of housing tenure in people's financial capability:

"...those in social housing need support or encouragement to engage with their finances. That being said it is also clear that social tenants are better than average at managing (mainstream) credit." ¹⁹

Moderate connections



In terms of **gender**, men reported significantly lower scores than women in controlled spending action, whilst they were equally as confident. Similar findings were demonstrated by the Office of National Statistics (ONS)²⁰ and Financial Services Authority (FSA)²¹ research which found women had significantly higher scores in various money skills areas than men. Other research²² has shown that women consistently score lower than men on certain indicators of financial capability.



For clients with a **disability** or **long-term health conditions**, there were significantly lower scores than for those without a disability in keeping track and staying informed, for both knowledge and action. We have found²³ few other studies look at the relationship between disability, physical health and how these relate to levels of money skills, other than in 2011, when the Institute for Social and Economic Research²⁴ (ISER) suggested that improving your money skills can benefit your physical health specifically when it comes to stress-related illnesses.



In terms of **ethnicity**, black, Asian and minority ethnic (BAME) clients recorded significantly lower scores than non-BAME clients for having enough money to live knowledge, while there was no significant difference in reported confidence between BAME and non-BAME clients.

¹⁹ Money Advice Service, [Measuring financial capability - identifying the building blocks](#), 2016.

²⁰ Office for National Statistics (ONS) [Financial capability in Great Britain 2010-2012](#), June 2015.

²¹ University of Bristol, Personal Finance Research Centre (on behalf of the FSA), [Levels of Financial Capability in the UK: Results of a baseline survey](#), March 2006.

²² Money Advice Service, [Measuring financial capability - identifying the building blocks](#), 2016.

²³ Citizens Advice, [Research paper: Developing a theory of change for financial capability](#), 2015.

²⁴ Institute for Social & Economic Research, [Financial capability, income and psychological well being](#), July 2011.

Recent research with the general population has differed in this respect and found financial confidence to be a key issue for those in BAME groups.²⁵



When it comes to **household type**, clients with adult dependents have significantly lower scores than those without adult dependents in 'controlled spending action' and 'having enough money to live action'.

These findings echo other research which consistently shows a strong relationship between household type and money skills whilst emphasising the importance of additional co-influencing factors. This goes back as far as the FSA's 2006 baseline survey²⁶, which found that household type in and of itself isn't a determining factor for money skills unless looked at in combination with other factors such as household income, material wealth and age.



Looking at **household income**²⁷, clients earning a low income recorded significantly higher scores than those on an above average income for 'staying informed knowledge'. Wider research shows there to be a strong relationship between household income and money skills, for example ISER²⁸ found that a fall in household income results in a statistically significant decrease in money skills while a rise in household income results in a significant increase in money skills. Given that clients tend to come to us at trigger points in their lives when finances are likely to be affected, the ISER research provides some useful additional context.



"I'm not 100% sure about benefits and their changes because it depends on what the government decides."

Citizens Advice client on their knowledge of staying informed

Related needs

We asked clients about other things they think they need help with, including using online forms to do job or benefits applications, reading and writing english and what their first language is. We used a screener to test their numeracy.

²⁵ Money Advice Service, [Measuring financial capability - identifying the building blocks](#), 2016.

²⁶ Financial Services Authority (FSA), [Levels of financial capability in the UK: results of a baseline survey](#), March 2006.

²⁷ Where data was available, we analysed our client's income in terms of those who fall above and below 60% of the median income.

²⁸ Institute for Social & Economic Research, [Financial capability, income and psychological well being](#), July 2011.

Strong connections



Amongst clients with **digital skills needs**, there were significantly lower scores and fewer high scores across all areas, including confidence, when compared to clients without digital skills needs. Research by Lloyds²⁹ has also shown the relationship between digital and money skills to be strong, finding that online consumers save on average £744 per year compared to those not online and 86% of people who manage their money online report they “worry less because they can track their finances” suggesting there may be some implications here for mental health.



Clients with **literacy needs** reported significantly lower scores and fewer high scores across all money skills areas, showing markedly lower confidence scores. The Personal Finance Research Centre (PFRC)³⁰ found there to be a strong statistical association between educational qualifications and a majority of money skills areas, but no other research has looked at literacy other than in terms of educational qualifications.

Moderate connections



Differences between those with **English as a first or second language** were inconsistent and small across the money skills areas except in ‘planning ahead action’, where clients with English as a second language achieved higher scores than those with English as a first language. This shows how literacy is more important than having English as a first language.



“I’m good at it if I have the money.”

Citizens Advice client with English as a second language, on how often they plan ahead



Clients obtaining the lowest **numeracy** rating had significantly lower money skills scores than those with higher numeracy ratings in all but one area across knowledge, action and confidence. We evaluated our clients’ numeracy in our waiting rooms during service delivery - some clients did not have time to complete the screener questions, and will have been scored red. We therefore can make limited claims about the low numeracy

²⁹ Lloyds, [UK Consumer Digital Index](#), 2017.

³⁰ Personal Finance Research Centre, [Financial capability amongst adults with literacy and numeracy needs](#), January 2007.

scores, and instead have focused on where we can be certain of reasonable numeracy.² From this we found that 1 in 4 Citizens Advice face-to-face clients were able to demonstrate reasonable numeracy skills.

In terms of other research, the PFRC³¹ found a strong statistical association between educational qualifications and a majority of financial capability domains. Little other research has found a strong link between numeracy and money skills however it is evidently important. Recent findings from a survey of the general population³² show that an individual's confidence in applying their basic numeracy skills is important for financial wellbeing.

Situational factors

Here we asked clients whether certain life events were affecting them at the time of the survey.

Strong connections



Clients who reported being affected by a **health issue** have significantly lower scores than those not affected, across all money skills areas for knowledge, action and confidence, apart from shopping around knowledge. Few studies look at the relationship between physical health and levels of money skills, other than ISER³³ who found that improving your money skills can benefit your physical health, specifically when it comes to stress-related illnesses.



Clients affected by a **mental health condition** have significantly lower scores than those not affected, across all money skills areas for knowledge, action and confidence. These differences were significant at both the 95% and 99% confidence levels, apart from for having enough money to live knowledge. Confidence is an area where those affected by a mental health condition scored the lowest in comparison to those not affected. A Mind survey³⁴ also found that 80% of people with a mental health condition feel they struggle to manage their finances. Recent research by the Money and Mental Health Policy Institute³⁵ shows that people's ability to manage everyday financial tasks like paying bills or budgeting is affected by periods of poor mental health.

³¹ Personal Finance Research Centre, [Financial capability amongst adults with literacy and numeracy needs](#), January 2007.

³² Money Advice Service, [Measuring financial capability - identifying the building blocks](#), 2016.

³³ Institute for Social & Economic Research, [Financial capability, income and psychological well being](#), July 2011.

³⁴ Mind, [Still in the red: Update on debt and mental health](#), 2011.

³⁵ Money and Mental Health Policy Institute, [Seeing through the fog: how mental health problems affect financial capability](#), January 2017.



Clients affected by **debt** had significantly lower scores across all areas for knowledge, action and confidence, than for those not affected; this was significant at both the 95% and 99% confidence levels. So far, little other research has been done to look at the specific relationship between debt and money skills other than a national survey in 2015 showing how the servicing of historic debt can significantly impair people's ability to save and improve their future financial resilience.³⁶

Moderate connections



Those who reported being affected by a **significant decrease in income** recorded significantly lower scores than those not affected for 'keeping track knowledge' and 'having enough money to live action'. Research by ISER³⁷ found that falls in household income are related to reductions in money skills while an increase in household income is related to an increase in money skills.



Clients who reported being affected by a **physical illness** recorded significantly lower scores than those not affected for 'managing money knowledge', 'managing money action' 'controlled spending knowledge', 'controlled spending action' and 'choosing products knowledge'. Few studies look at the relationship between physical health and how it relates to levels of money skills other than ISER³⁸ who found that improving money skills can benefit physical health specifically when it comes to stress-related illnesses.

Weak connections



There was no significant difference between the scores of those who had **moved house** versus those who had not, across all money skills areas for knowledge, actions and confidence.



This was also the case for those who had **lost their job** versus those who had not. Similar findings were reflected in research by ISER³⁸, who found that unemployment does not result in statistically significant falls in people's money skills however can result in significantly lower money skills than average when measuring both before and after the event.

³⁶ Money Advice Service, [Measuring financial capability - identifying the building blocks](#), 2016.

³⁷Institute for Social & Economic Research, [Financial capability, income and psychological well being](#), July 2011.

4. Our experience of providing support

It is important to understand the context of these research findings, which align with our experience of delivering services. Taking this approach allows us to turn our research into actionable steps to improve our money skills services.

What clients tell us about their money skills

As part of the survey we asked clients to tell us in their own words what they find hard and what they need help with when it comes to money matters more generally. These are the words clients use everyday when they come to us, so that helps put into context and understand what lies behind some of the findings outlined above.

Clients said...

We find it hard to:



Cope with money matters - because we are overwhelmed by bills, debt, or living on a low income.



Have enough money to live - because of the low amounts of benefits we are receiving or our general low income, and how this affects our ability to pay bills.



Manage money - in relation to a range of issues, such as calculating income, spending and surplus, paying our bills or being able to save.

We need help with:



Managing money - calculating income, spending and surplus, managing bill payments, and planning for the future.



Getting enough money to live - to make ends meet.



Paperwork - for example letters, form-filling or understanding legal language.



Money-related issues - debt, benefits, mental & physical health.



"I'm good at it if I have the money but rarely do I have money for that after covering the basics."

Client on planning ahead with their money.

Money is central to our work

Citizens Advice last year helped 2.7 million people with over 6.3 million issues, whether that was face to face, by phone, email or web chat. We often see people at a critical juncture in their lives, whether they've just become unemployed, are renting for the first time or are struggling with debt. And as we have seen, money is often the hidden, underlying issue for many of these problems.

Top 5 most common issues seen by our network 2016/17



We help people deal with their finances regardless of the problems they face - particularly when money is tight and needs to be carefully managed. Our advice often includes checking a client's finances, finding ways to maximise their income and providing some form of money skills support - help that is tailored to their needs and relevant to their situation and presenting problem.

We understand the wider impact of money skills

Our broader research demonstrates how money skills can have important implications for a range of different aspects in people's lives. These survey findings show the importance of different personal characteristics, needs and life situations in how they relate to people's money skills at any given time. Our wider research³⁸ shows how increasing levels of unmanageable debt can have far reaching consequences in people's lives, leading to financial exclusion, family breakdown and poor mental and physical health.

Taking a more preventative approach, like providing well-timed money advice around a life event, while focussing on specific aspects of money skills, like saving little and often, might help alleviate these wider impacts. Our research on advice gaps³⁹ evidenced a clear need for this type of approach, for example 39%

³⁸ Citizens Advice, [A debt effect? How is unmanageable debt related to other problems in people's lives?](#), 2016.

³⁹ Citizens Advice, [The four advice gaps. An analysis of the unmet consumer needs around financial advice and public financial guidance](#), 2015.

of people who have expected a baby would have taken money advice if it was offered.

Along with this our studies find that while the squeeze on incomes has left many households close to the edge, it's the problems life throws at people that knocks them over—and that can make the difference between managing and not. Supporting our clients with their money skills can help them deal with life events like these and build their resilience in dealing with similar things in the future.

How we plan to use this research

The groups we work with and so much of what we already do, makes Citizens Advice well placed to take action with these research findings.

Now we know the full mechanics of our clients' baseline money skills needs, we can refine current services and test new ones to make them more holistic, targeted and appropriate for our clients. Using our money skills areas, we can track client progress to understand what does and doesn't work to improve their money skills.

This year, we're going to start by testing an approach in Wales that uses life events as a focus of the help we give people with their money skills. In this project we will evaluate to what extent such an approach does and doesn't improve people's money skills.

We aim to share the evidence we gather from our work here and beyond to further shared knowledge and best practice on the effectivity of financial capability services.

Conclusion

As mentioned by Andy Haldane in his foreword to this report, these findings have wider external implications for how services are commissioned and designed in the UK. They are not just figures - they can enable the sector to take action to improve and develop services to better meet people's needs.

How we'll use these findings to take action

At Citizens Advice, we are clear on the steps we now need to take to make best use of this evidence, based on the following principles:

- **Many people need help, sometimes acutely** - our service already has some current focus on these needs, so we're well positioned to address them directly in a more targeted and nuanced way.
- **Core money skills are where some clients are doing well but they still need support in some areas** - this knowledge allows us to be ready to recognise client's common strengths which is important for us in providing an empowering service that engages and motivates people to take action.
- **People's characteristics, needs and life situation all play a role** - being sensitive to the complexity of different clients' contexts means we can provide support that is more appropriate, relevant and meaningful for every person we come into contact with.
- **This measurement approach works** - we can start to test and adapt our money skills questions for use in follow up with client progress and across wider channels and organisations.

We'll also continue to support and inform the sector's understanding of what approaches do and don't work to improve people's financial capability, contributing to the national evidence base of the UK Financial Capability Strategy, particularly for those who are the most vulnerable in society.

Appendix

Results tables

Total responses and representativeness

Total local Citizens Advice that took part	39 (from Wales and every region in England)
Total surveys completed	1074
Total incomplete surveys (excluded from analysis)	58
Survey representativeness of Citizens Advice clients	95% confidence level with 3% margin of error
Survey representativeness of local Citizens Advice	80% confidence level, with a 10% margin of error

Number of responses per question

	Knowledge		Action	
	No.	%	No.	%
Keeping track of money	968	90%	963	90%
Controlled spending	946	88%	944	88%
Having enough money to live	955	89%	938	87%
Planning ahead with money	945	88%	938	87%
Looking for the best deals	948	88%	947	88%
Staying informed about your money services	941	88%	935	87%
	Mindset			
	No.	%		
Confidence	903	84%		
No. respondents to all questions	No.	%		
Money skills areas	747	70%		
Numeracy screener	764	71%		

High, average and low scores across each money skills area⁴⁰

Financial Capability	Area	High scores	Average	Low scores
Keeping Track Of Money	Knowledge	54%	14%	32%
	Actions	58%	10%	32%
Controlled Spending	Knowledge	58%	14%	28%
	Actions	57%	13%	30%
Having Enough Money To Live	Knowledge	57%	15%	28%
	Actions	52%	13%	35%
Planning Ahead With Money	Knowledge	53%	14%	33%
	Actions	55%	13%	32%
Looking For The Best Deals	Knowledge	57%	15%	28%
	Actions	61%	12%	27%
Staying Informed About Your Money Services	Knowledge	42%	16%	42%
	Actions	44%	11%	45%
Confidence	Mindset	40%	12%	49%

Correlations between the money skills scores

All money skills areas were found to have statistically significant positive correlations with one another using Spearman's Test ($R > 0.5$).

Representation of client characteristics

Overall survey participants are representative of the characteristics of clients we saw over the course of the period the survey took place, apart from small variations which can be explained by some of the effects created by the process of administering the survey.

There is a slight overrepresentation of households earning over £3000 pcm (+6%) however this can be partly explained by monthly income erroneously being put down as weekly income. There is an under representation of clients with benefits (-16%) and debt issues (-8%) and overrepresentation of financial services & products (+8%) and other issues (19%), most likely due to the effect of the survey identifying additional needs in these areas, differences in recording created by the administration of the survey and the potential filtering out of those with more pressing or complex issues.

⁴⁰ Percentages are based on number of responses per question (n=903>968)

Qualitative feedback

Our qualitative analysis looked at the open text responses to a question asking participants to tell us in their own words, when it comes to money matters, what they find hard to do and what they need help with. Of the 1,074 survey participants, 40% (431) responded to these questions and we analysed just over 20% of those responses using Nvivo 10.

Approach to sampling and data collection

In May 2016 we placed call-outs inviting local Citizens Advice across England and Wales to take part in the survey. In some regions we followed up to ensure those engaged with the survey were proportionately representative of our service as a whole, in terms of the number of clients seen per region.

We asked each Citizens Advice service to invite every client to complete the survey, which was a 3-sided paper-based questionnaire, while waiting for an appointment or drop in service at their locations.

As part of this we took into account different considerations to do with various data collection methods, such as self-reporting, data entry errors and response bias.

Survey design

There has been extensive work done to define and measure people's financial capability, going back to the Personal Finance Research Centre's Baseline Survey in 2006⁴¹, to the Money Advice Service's Tracker Survey in 2015⁴². Over the course of the last two years, we've defined the interlinking aspects of money skills for our clients, developing areas and questions that have been tested and validated with experts⁴³ and through our research.

The areas have been developed to align with outcomes in the Money Advice Service UK Financial Capability Strategy Adult Outcomes Framework to ensure that any findings gathered using our questions contribute to the national evidence base. Our money skills areas underpin the questions we used to survey our clients' money skills needs using a self-assessment approach. To measure numeracy, we used a functional numeracy skills screener developed by National Numeracy, which has been tested in a variety of service settings, including Jobcentre Plus.

⁴¹ Personal Finance Research Centre, [Financial capability amongst adults with literacy and numeracy needs](#), January 2007.

⁴² Money Advice Service, [Financial Capability in the UK 2015](#), 2015.

⁴³ Citizens Advice, [Measuring Financial Capability](#), 2017.

As shown in the diagram below, within each money skills area, there are one or two sub-areas. The first sub-areas underpin primary questions which assess the main aspect of each money skills area. The remaining sub-areas underpin secondary questions that assess more general knowledge and actions that clients need to support that area overall. In the survey we focussed on asking about the 'primary' aspects of each money skills area to keep the survey to a reasonable length and maintain question granularity.

The Citizens Advice Money Skills Areas

<p>Keeping track of money</p>	<p>Controlled spending</p>
<p></p> <ul style="list-style-type: none"> ● Keep track of money going out, money coming in and calculate what's left over. ● Check my current balance and keep my papers in order. 	<p></p> <ul style="list-style-type: none"> ● Spend or save only what I can afford after covering the basics I need to live, like food, housing and electricity.
<p>Having enough money to live</p>	<p>Planning ahead with money</p>
<p></p> <ul style="list-style-type: none"> ● Have enough money to cover the basics I need to live like food, housing and electricity. 	<p></p> <ul style="list-style-type: none"> ● Know when my bills and payments are due and keep on top of priority bills, like for electricity, loans and council tax. ● Put some money aside for big or unexpected costs.
<p>Looking for the best deals</p>	<p>Staying informed about money services</p>
<p></p> <ul style="list-style-type: none"> ● Look at different options and buying the best deal for things like food, clothes, large items or services like phone, electricity or insurance. ● Get different opinions on what I am buying, like from reviews and comparison websites. 	<p></p> <ul style="list-style-type: none"> ● Read the main information about money services I get like banking, benefits and loans. ● Stay on top of changes to these or get help when I don't understand.
<p>Mindset</p>	
<p></p> <ul style="list-style-type: none"> ● Confidence about taking action on my money matters. 	

Citizens Advice Financial Capability and Numeracy Survey

Thank you for taking part in this survey, it will help us to improve our services.

1. Please fill in the below:			
First name and last name		Telephone number	Email address
What is your weekly household income before you pay your rent or mortgage?		£.....	OFFICE USE ONLY: Petra ID.....
2. TICK ALL THAT APPLY			
Are any of these life events affecting you?			
<input type="checkbox"/> Relationship break-up	<input type="checkbox"/> Gender violence or abuse	<input type="checkbox"/> Debt	
<input type="checkbox"/> Marriage	<input type="checkbox"/> Lost job	<input type="checkbox"/> Significant increase in income	
<input type="checkbox"/> Pregnancy	<input type="checkbox"/> Started new job	<input type="checkbox"/> Significant decrease in income	
<input type="checkbox"/> New child	<input type="checkbox"/> Retirement	<input type="checkbox"/> Mental illness	
<input type="checkbox"/> Bereavement	<input type="checkbox"/> Moved house	<input type="checkbox"/> Physical illness	
<input type="checkbox"/> Discrimination	<input type="checkbox"/> Lost home	<input type="checkbox"/> Disability	
Would you need help with any of the following?			Is English your first language?
<input type="checkbox"/> Reading or writing English <input type="checkbox"/> Using online forms, e.g., job or benefit applications			Yes <input type="checkbox"/> No <input type="checkbox"/>
When it comes to money matters...		I find it hard to	
		I need help with.....	
Tick if you are happy for Citizens Advice to contact you again for a survey in one of these ways:			Email <input type="checkbox"/> Telephone <input type="checkbox"/>

Please tick one per row	Financial Capability							
	No knowledge	None to some knowledge	Some knowledge	Some to good knowledge	Good knowledge	Good to excellent knowledge	Excellent knowledge	Don't know
How much do you know about...								
...keeping track of money going out, money coming in and calculating what's left over?								
...spending or saving only what you can afford after covering the basics you need to live, like food, housing and electricity?								
...having enough money to cover the basics needed to live?								
...planning ahead to keep on top of bills and payments?								
...looking for the best deals when buying things like food, clothes or services like phone, electricity or insurance?								
...the main information about your money services like banking, benefits and loans?								
How often do you...	Never	Never to sometimes	Sometimes	Sometimes to often	Often	Often to very often	Very often	Don't know
...keep track of your money going out, money coming in and calculate what's left over?								
...spend or save only what you can afford after covering the basics you need to live, like food, housing and electricity?								
...have enough money to cover the basics you need to live?								
...plan ahead to keep on top of bills and payments?								
...look for the best deals when buying things like food, clothes or services like phone, electricity or insurance?								
...read the main information about your money services like banking, benefits and loans?								
How much confidence do you have about...	No confidence	No to some confidence	Some confidence	Some to good confidence	Good confidence	Good to high confidence	High confidence	Don't know
...taking action on your money matters?								

44

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Going to work						Office use
Bus 599 To Endham: Monday to Friday Only						Susie lives in Starton, and she takes the 599 bus to her work in Endham. <ul style="list-style-type: none"> • She wants to be at work by 8.45 a.m. • It takes her 10 minutes to walk from Endham Bus Station to her work.
	0700	0720	0740	0800	0820	
Tipham <i>Heston Square</i>	0718	0738	0758	0818	0838	
Starton <i>Repham Road</i>	0728	0748	0808	0828	0848	
Epham <i>High Street</i>	0734	0754	0814	0834	0854	
Repham <i>Farley Road</i>	0738	0758	0818	0838	0858	
Meisham <i>Helmsdale Street</i>	0742	0802	0822	0842	0902	
Endham <i>Bus Station</i>	0750	0810	0830	0850	0910	
Getting paid						Office use
Susie is paid £9.00 per hour. These are her working hours: <ul style="list-style-type: none"> • Start Time: 9.00 a.m. • Finish Time: 1.30 p.m. 						How many hours does Susie work each day? _____
						How much does Susie earn each day? _____
						Susie gets a 5% pay increase. What is her new pay per hour? _____

The above screener is copyrighted to National Numeracy.

Numeracy Scoring

The numeracy screener was designed to identify candidates with poor numeracy skills that are likely to limit their ability to cope with the mathematical demands of the world of employment and everyday life.

5 Marks / Green - Candidates who obtain full marks should be able to cope with most basic numeracy demands in non-technical work settings and in everyday life. The Challenge can provide useful support to candidates who want to develop their mathematics further.

2 – 4 Marks / Amber - Subjects in this range have demonstrated some facility with everyday mathematics, which will allow many numeracy-related activities to be successfully completed in the world of work and in everyday life. However, there may be significant areas of weakness and the subject would be likely to benefit from systematic work to improve their numeracy. The Challenge provides an ideal self-help tool for candidates in this category who want to improve their mathematics.

0 – 1 Marks / Red - This category corresponds to a very low standard of numeracy. Subjects in this category are likely to experience severe difficulty in dealing with even the most basic numeracy demands in the world of work and in everyday life. The Challenge can help these candidates to identify misconceptions and plan the next steps in their mathematical learning.

Free, confidential advice. Whoever you are.

We help people overcome their problems and campaign on big issues when their voices need to be heard.

We value diversity, champion equality, and challenge discrimination and harassment.

We're here for everyone.

Satdeep Grewal, Impact and Evaluation Analyst

Our impact and evaluation team are responsible for customer insight research, assessing service effectiveness through evaluating what works, and using our evidence and analysis to understand and demonstrate the impact and value of Citizens Advice. They also work with others in the sector around impact and evaluation, shaping approaches and sharing findings.

To find out more, follow our impact and evaluation team on Twitter (@CABImpact) or get in touch: impact@citizensadvice.org.uk



citizensadvice.org.uk

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