Financial Capability and Looked After Children:

Guidance for carers and residential care workers

Department for Education
Personal Finance Education Group
pfeg
sharefound

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Introduction

This document is designed to help carers and residential care workers promote the financial capability of the children and young people in their care, so that they are better able to manage their finances when they become independent.

This document forms part of the financial educational element of the Department for Education initiative to provide Junior ISAs for Looked After Children (also known as children in care). The initiative, led by The Share Foundation, provides children in care who are not in receipt of a Child Trust Fund, with a junior individual savings account (Junior ISA). Further information about Child Trust Funds, Junior ISAs, as well as the initiative, appears later in this document.

Why is learning about money so important?

Children in care often miss out on opportunities to learn about money as part of everyday family life. All children and young people need to use and talk about money as they grow up. This might start with discussions about spending pocket money on toys, games and clothing but as they get older young people can talk with carers about food, rent and mortgages, household materials, heating and lighting or the cost of going out with friends.

'I had a good foster carer who taught me a lot about stretching and prioritising money. Without her I would be stuck now'

Care leaver

Young people need to start early so that learning develops over time and they can practise in real life situations long before living independently.

There is an assumption that children learn about managing money at school. However, many children in care move in and out of placements and change schools frequently (sometimes mid-year) and hence miss out on personal finance education. Provision in schools can, in any case, be inconsistent.

Children and young people of all ages tell us that they want their carers/families to help them learn about money – they are seen as the most important people in this respect. They want their carers to help them learn how to spend wisely on things they need (and not to spend on things they don't need!), how to get the best deals and how to save.

'Nobody can help you spend but if you have a little chat with your carer from time to time that would help.'

16 year old

What can I do to help?

Talk about money

Even if a child is only staying with you briefly, you can talk about money. Include children in conversations about money from an early age – make them part of decisions about what can and can't be afforded in the household. Make sure they know that everything has to be paid for and that budgeting and saving is the way people manage.

It's a gradual process. They will learn about more complex aspects of budgeting, spending and saving as they grow up. Some carers find it difficult to decide when to start talking about financial independence, worrying that doing it too soon may unsettle children; but doing it too late means they are not prepared enough for life outside the care system. It is important, therefore, that money management is seen as something that all children and young people need to learn gradually as part of everyday life.

> *'With both my own children and my fostered children, I have tried to instill certain values – if they wanted something quite expensive they had to save up for half of it and we would pay the other half. When they were older they could do a paper round or baby-sit. If they borrowed money they always had to pay it back.'*
>
> Foster carer

When they are younger, show them coins and notes and help them learn their value, then encourage them to play shops as well as learning as they go to the shops with you.

Talk about what things cost. When some children aged between 7 and 11 were asked what they would do with £1,500 at age 18 they said things like *'I would buy an iPhone and iPod and iPad and a Ferrari and a bike'* or *'I would buy a house and a car'.* Only 10% said they would save the money!

Talk about the difference between things that we want and things that we need. Even with young children you could arrange some simple items like a glass of water, an item of clothing, a bar of soap, some sweets and a game and discuss which were things you couldn't live without (needs) and things that are 'wants'.

Young children can be involved in planning a day out, and as they get older they can take on more of the responsibility. If there is a set budget for the day they can help to find out the cheapest train or bus fares or work out how much car travel would cost. With some research into costs they can decide whether the budget can stand eating out or if it's better to take a packed lunch. Teenagers can plan trips to sporting or music events in a similar way.

As they get older get them to go through some questions:

Do I need it? Can I afford it? Do I only want it because my friend has one? Am I being influenced by a clever advert? Will I use it? Is it worth it? If I really need or want it where can I get the best price?

When approaching adulthood they need to look to the future. What things will they definitely need to survive when they live independently?

What are the things they would like to have but they could live without? Whilst in care, young people receive all they need to live on, and often have more money given to them than other children. Whilst it is right that they should have financial opportunities and advantages, they need a realistic view of what they will have to live on in the future and what they will need to spend it on.

> *'I estimate that with allowances, leisure and other (household) costs they could have £25,000 a year spent on them. All that will change when they leave care.'*
>
> Foster carer

You can talk about what they would do if they suddenly had access to a relatively large amount of money. They will all receive some money in the form of Child Trust Funds or Junior ISAs, and some will receive compensation awards. It is important that they think ahead about spending or saving. Some 15 to 18 year olds were asked recently what they would do if they had £1,500 at age 18. They said things like *'go shoe shopping', 'have a holiday', 'have driving lessons'*. Only 25% of this older group mentioned saving.

Spending

Check if your fostering or residential care service (or Local Authority) has a pocket money policy with guidance for carers. This may also set out the rights and responsibilities of the young people and include information about savings schemes.

Pocket money should come out of the allowance the carer receives for looking after the child or young person. By giving children pocket money which they have to manage themselves, they learn to understand that when this income is spent there will be no more until the next ‘pay day’. Young people can be included in conversations with social workers and carers about spending priorities and funding allocations. Even young children can keep a simple record of what they spend their money on and what they have left.

To avoid difficulties between them, try to give all children in the house – whether cared for or your own – the same amount of money to spend. Where funding for children in care could give them more pocket money than the other children any extra funds could be saved. (See ‘saving’ below).

> *‘I get them to work out the best mobile phone tariff checking if it’s cheaper to pay as you go or to take out a contract. They have to research the terms and conditions of different contracts and the consequences of using extra minutes or data. I ask them to justify the cost of the latest models as opposed to older ones.’*
>
> Residential Care Worker

As children get older they should receive more of the allowance and shop for clothing and personal items. As they move towards independence they need to see how you need to plan for all aspects of household expenses. You can include them in family discussions about gas and electricity bills, and they can look across the year to see seasonal variations in cost, and the need to plan for them.

Encourage them to keep a budget of their allowance and everything they spend so they get into the habit of keeping track of their finances.

> *'I give them their allowance but then ask them for a contribution towards everything they use or consume in the house – the broadband and XBOX, the units of electricity when they have a shower, money for a litre of petrol for the lift to school or the food taken from the fridge at 2 am!'*
>
> Foster carer

This idea can be used with younger children. You could get them to draw the house and some of the things in it and then talk about what different things cost - such as electricity, food, furniture, TV (including the licence).

Take them shopping and help them work out what is value for money. You could challenge them to compare prices and find the best value for money – on a single item at first, gradually increasing it to the whole basket of shopping. You can make it more complex by comparing products by weight and checking if special offers really are good value. You could also try this with on-line shopping.

> *'We go out shopping together regardless of their age. It is like helping out in the house – they all do it. They stand in the queue and pay for the goods. There is a link between knowing the value of money and activities like shopping and preparing food.'*
>
> Foster carer

As young people move towards independence, help them to manage a budget for all the household expenses.

> *'One of the most useful things anyone told me was how to shop and make food last. At first I spent £100 in one shopping trip because I had bought loads of cans (of drink) and that sort of thing'.*
>
> Residential care leaver

Saving - keeping money safe

A child should always have somewhere to keep their own money. If they don't have a bank account and they are not staying with you for long, give them a money box or money jar to keep their money safe. It is very important that the child's money is kept separately from your account not least because if you are claiming means tested benefit this will count as income.

Teaching children to manage their own saving as well as spending is an important part of the responsibility of a carer.

I don't know about saving – my carer saves for me'

11 year old

Their own bank account can be the answer. This will help them learn about money, to think about whether they need, want or can afford something and encourage them to save up for special things. Quite young children can look at bank statements and find out about interest. As they grow older they can compare different accounts and choose the best ones, using comparison sites on the internet to help. You can help them learn about internet and telephone banking – a conversation with an adviser at the local bank could also help with this.

If they have a bank account before they come to you, they should bring it with them - but it may need a change of trustee.

Different banks and building societies will have different requirements for supporting documents. They may ask for a birth certificate which, as a carer, you will not have. Although banks will allow children of eight or ten to manage their accounts, they will need help and guidance to do this.

Note that when young people reach the age of 18 most bank accounts automatically become credit/debit accounts. This means they could get into debt as their bank card allows them to overdraw. Older teenagers need to know about alternatives to high-street banks – for example credit unions –and be warned about the dangers of doorstep lenders and payday loans.

Long term savings – CTFs and Junior ISAs

All children in care will have some long-term savings or investment in the form of either a Child Trust Fund (CTF) or a Junior Independent Savings Account (Junior ISA). However, it is important to distinguish between these long-term savings and money that the young people can manage themselves. Local Corporate Parents[1], not carers, should be responsible for long-term savings which cannot be accessed until the young person is 18, and the Junior ISA scheme with The Share Foundation is designed to make this more effective. However, young people need to think about saving for themselves long before this.

Child Trust Funds (CTFs)

Child Trust Funds, introduced by the Labour government in 2002 as a tax-free savings vehicle for children, ceased to receive state contributions following a decision by the coalition government in 2010. However, children – including those in care - born between 1st September 2002 and 2nd January 2011 are entitled to a CTF, which should already be open and active.

The majority of children in care will have someone with parental responsibility who manages their CTF account for them, even if they are not currently living with that person. There may be some children, however, for whom there is no one appropriate with parental responsibility who can manage their CTF account, e.g. orphans with no legal guardian.

[1] Local Authorities in England, Scotland and Wales, and Health and Social Care Trusts in Northern Ireland

In this case, the Official Solicitor (for England, Wales or Northern Ireland) or the Accountant of Court (for Scotland) manages the CTF accounts of those children, either until someone with parental responsibility becomes available or until the child reaches the age of 16 when the child can take over the management of their own CTF account.

For more information on Child Trust Funds for children in care, see www.hmrc.gov.uk/ctf/la-info.htm

Junior Individual Savings Accounts (Junior ISAs)

In order to maintain support for children in care, the Government has initiated a scheme to open Junior ISA accounts for children who have been in care for 12 consecutive months and who do not have a CTF. An initial sum of £200 will be paid into a Junior ISA account for these children.

The Share Foundation, which has been appointed by the Department for Education to establish and operate these accounts, is raising funds to provide additional philanthropic donations which will be used to increase the value of these accounts. The Share Foundation is an independent charity set up in 2005 to help children and young people whose family situation is either severely disadvantaged or non-existent to achieve their potential by providing support in the form of financial resources and education.

Whilst most children in care will have either a CTF or a Junior ISA, these are additional to - and should not replace - existing financial support such as the setting up home allowance.

For more information about Junior ISAs for children in care, see www.sharefound.org

Use rhymes and stories to learn about money

Most stories and books provide opportunities to talk about the cost of things. From an early age you could use nursery rhymes and traditional tales. *Sing a song of sixpence* can lead to talking about where money can be kept safe (i.e. money boxes and banks) and if you read *Jack and the Beanstalk* you could discuss whether Jack's trade of the cow for a handful of beans was good value and whether it was right or wrong to steal the giant's gold.

Some books have story lines specifically about money. Your local library can advise on suitable books for the age and ability of the child or young person but examples for young children include *Little Crocs Purse* by Lizzie Finlay and *The Great Pet Sale* by Mick Inkpen.

Children from 8 to 12 might enjoy *The Bed and Breakfast Star* by Jacqueline Wilson, *All the Money in the World* by Bill Britain or *Millions* by Frank Cottrell Boyce.

The book Millions by Frank Cottrell Boyce (suitable for ages 8 – 13) is the story of a young boy (Damian) who finds a bag filled with money (£229,370) that has seemingly fallen from the sky. In the story England is about to change its currency and join the Euro so Damian must find a way to spend the money as quickly as possible, before it becomes worthless. Helping him is his older brother and only confidant, Anthony; however, unlike Anthony, Damian is a boy of great conscience and sensitivity, and is frequently troubled over the question of "the right thing to do". The story raises questions about the true value of money, the difference between selfishness and selflessness, the comparable importance of personal gratification versus helping other people. It also addresses issues such as trust and grief (the story begins not long after the death of his mother).

Welsh language books with characters who need to find ways of making money include *Dan Draed Dan Glo* by Eurgain Haf and *Dim Problem* by Emily Huws. These and other titles can be found on the website www.gwales.com

Learning through games

Computer and board games are a fun way to support learning. **pfeg's** (Personal Finance Education Group) website lists games and other resources that have been checked to make sure their content helps to teach about money in an effective way www.pfeg.org/resources. Your local library may also be able to advise on computer games and programmes that can be borrowed.

Use TV programmes such as soaps

TV dramas or soaps almost always offer opportunities to talk about money management, especially with teens. Just asking questions such as *where do you think they got the money to pay for that? is it better value to buy on the market than in the shops? does everyone do that? how do these people earn a living when they always seem to be in the pub?* could start conversations that lead to exploring real-life issues. Some soaps have specific storylines about personal finance and what people do when they get into difficulties – some of these provide opportunities to talk about the danger of using doorstep lenders and payday loans.

Where can I find more ideas and materials?

An increasing number of websites offer information, activities and games to use with and by children and young people. For example:

pfeg

Along with this guidance for carers and residential care workers, **pfeg** (Personal Finance Education Group) has also produced, on behalf of The Share Foundation, the following materials as part of this project:

- A workbook for young people in care aged 11
- A workbook for young people in care aged 15
- Financial Capability and Looked After Children: the role of Corporate Parents

All materials are available at www.pfeg.org/JISA or www.sharefound.org. There are also a plethora of resources, games and materials for use with young people around money matters, all available at www.pfeg.org.

As part of the Junior ISA initiative, **pfeg** is also providing an advisory service for carers in England, Scotland, Wales and Northern Ireland which can help support carers in playing their part in promoting financial capability including the use of specific materials. Contact the advisory service on 0300 6660 127 or support@pfeg.org.

Family Learning

www.familylearning.org.uk/money_games.html

Action for Children

www.actionforchildren.org.uk/

Action for Children supports and speaks out for the UK's most vulnerable, disadvantaged and neglected children and young people, for as long as it takes.

BBC

www.bbc.co.uk/bitesize/ks1/maths

This site with activities for children aged 5 to 7 years includes a section on money.

Money Matters to Me

www.moneymatterstome.co.uk

This site tells you all about money, including where it comes from, spending and budgeting, consumer rights and lots more. There are interactive workshops, printable resources and different paths you can explore to match your circumstances.

The Site

www.thesite.org/homelawandmoney

As well as advice about home, law and money, young people can check TheSite.org for advice, information and support on work and study, sex and relationships, drink and drugs, health and wellbeing.

Dough UK

www.doughuk.com

A personal finance resource designed for 14 – 19 year olds to find information, develop skills and find sources of further help.

How can young people in care get advice about money matters?

Money Advice Service

www.moneyadviceservice.org.uk

This is a first port of call for sound, impartial financial information with step-by-step guides to help manage everyday money, family finances, studying and working. It will help parents and carers and older teens.

Finding out about finance for higher education

in England (includes a welsh language section):

http://www.direct.gov.uk/en/EducationAndLearning/UniversityAndHigherEducation/StudentFinance/index.htm

in Scotland:

www.saas.gov.uk/

in Wales:

www.studentfinancewales.co.uk

in Northern Ireland:

www.studentfinanceni.co.uk

Citizens Advice

A source of advice and information on almost everything both on-line and in person via local offices, Citizens Advice provides comprehensive advice and support on money matters across the UK.

There is a specific service for young people under the age of 25: www.citizensadvice.org.uk/advice4me/htm

Services for each nation:

- Citizens Advice in England and Wales see: www.citizensadvice.org.uk
- Citizens Advice in Scotland see: www.cas.org.uk

- Citizens Advice in Northern Ireland see: www.adviceguide.org.uk
- Citizens Advice in Northern Ireland also runs community-based projects to help with families and young people with money management and debt prevention see: www.citizensadvice.co.uk/Money-Management/

Young Scot

A website for young people in Scotland aimed at 11-26 year olds

www.youngscot.org Includes the '*Young Scot Infoline'* telephone helpline: 0808 801 0338

MEIC – information advice and support for young people in Wales:

An information service for children and young people aged 0 – 25: www.meiccymru.org. Includes information about internet safety and a free telephone helpline which is open 24 hours per day, seven days per week: Phone 0808 802 3456

Advice NI

Free money advice services for people in Northern Ireland: www.adviceni.net

General helplines for carers:

England

Fosterline: 0800 040 7675

Scotland

Kinship Care Helpline: 0808 800 0006

Fosterline Scotland: 0141 204 1400

Northern Ireland

Fostering Network NI: 0289 070 5056

Wales

Fosterline Wales: 0800 316 7664

How can I help them stay safe online?

If you are encouraging children and young people to research online make sure they understand both personal and financial safety issues. There are websites that can help with this for example:

BBC CBBC

www.bbc.co.uk/CBBC/topics/stay-safe

CBBC Office: CBBC Stay Safe. *Hacker and Dodge* – this tests children's Internet safety knowledge with Hacker and the *Horrible Histories* gang

Get Safe Online

www.getsafeonline.org/

This site provides adults and older teens with free expert advice on how to avoid financial scams and identity fraud.

Think You Know

www.thinkyouknow.co.uk

With sections for children and teens as well as parents and carers, this provides guidance on internet safety and safe surfing.

About The Share Foundation

www.sharefound.org - The Share Foundation is an independent charity which has been appointed by the Department for Education to provide Junior ISA savings/investment accounts for all young people in care (known as 'Looked After') for over one year continuously, who do not have a Child Trust Fund. The Share Foundation is responsible for:

- Establishing each account with an initial grant of £200 from the Government;
- Raising additional voluntary money by encouraging individuals and organisations to contribute and invest in the futures of these young people;
- Monitoring the operational and investment performance of these accounts for best results; and
- Providing financial education with the help of **pfeg**.

About pfeg

www.pfeg.org - **pfeg** (Personal Finance Education Group) is the UK's leading organisation helping schools to plan and teach children and young people how to manage their money now and in the future. **pfeg**'s mission is to support education providers in giving children and young people the skills, knowledge and confidence to manage money. We do this by:

- Influencing policy and practice
- Supporting educators in teaching money matters with confidence
- Providing education resources that will engage and inspire.