



## Debt Education - Advice for Parents & Teachers

***“The UK’s personal debt stands at £1.3 trillion, the highest amount in Europe”.***

**Debt is a problem, and it’s one that grown more serious over the past few years. Credit has become much easier to get, with people living the ‘buy now, pay later’ lifestyle.**

For many parents and teachers, educating children and teenagers about finance and debt may seem like a minor concern. But children are active consumers – toys, music, clothes, games and films are all specifically targeted at them from a very young age. Children can get easily swept into the consumer cycle before they realise the value of money.

Instilling money awareness in children is crucial, and should be done from as early an age as possible. By the time they are teenagers, they will open their first bank accounts, get their first job, and have to make real decisions about their future. If at this age they lack a working understanding of how banks and credit systems work, they’ll soon run into problems. We want children and young adults to have a real working knowledge of how to manage money so that they can spend and save realistically, and not store up future problems for themselves.



### Key concepts to teach

- Establishing the ‘cost’ of items – the financial, emotional, and ‘real time’ cost of purchases
- Basic understanding of banking – current accounts and savings accounts, credit cards and debit cards, overdrafts and loans, rates of interest and the way that basic credit works
- Simple money management skills– how to make a budget and keep a money diary
- Illustrating how the debt cycle works



## Money Management Lessons

**At school, money management can be integrated into the curriculum in a variety of ways.**

**These include:**

- **Form time** – teach children about financial priorities

### **SAMPLE EXERCISE:**

Draw up a list of day-to-day costs (for example going to the cinema, rent, transport etc) and get the class to put them into three categories: essential, useful, and luxury spending.

- **Mathematics** – calculations that focus on money management, interest on bills and other basic financial principles

### **SAMPLE QUESTION:**

If you have £1500 in your current account with a £500 overdraft and spend £1000, how much more money will you be able to spend without paying interest on it? How much more before you are charged by your bank?

- **ICT** – The effective use of spreadsheets and internet resources

### **SAMPLE EXERCISE:**

Assign the class the task of compiling a spreadsheet of their weekly budget, including formulas, categories and colour coding.

- **PSHE (Personal, Social and Health Education)** – Roleplays and discussions about ways in which people get into debt

### **SAMPLE EXERCISE:**

Act out several scenarios where people need to borrow money in different circumstances (e.g. long term vs. emergency borrowing) Explore the pros and cons of different channels for lending and saving.

***“32% lie to their partners about how much they spend on credit cards”.***

For detailed plans on for lessons specifically focusing on debt (at both Primary and Secondary education levels) see the IVA.co.uk Debt Lesson Plans, available free at: [www.iva.co.uk/debteducation](http://www.iva.co.uk/debteducation)



## Parents

### There are many ways for parents to help with financial education.



- Try and explain the concept of 'cost' as early in a child's life as possible. If they ask for something, explain to them how much it costs, in terms its price compared to the amount you have available to spend. Explain the 'real time' cost - how much time it takes to earn the money for that item.

- As soon as your child opens a bank account or has a regular income, talk through the basics of banking and encourage them to keep a monthly or weekly diary. If you give them an allowance, you can incentivise them by giving them a higher allowance as long as they show you their budgets or money diaries.

***"19% of 22-24 year olds have short-term debts over £5,000".***

- Run through your bank statements together at the same time each month, to establish the habit of checking and reviewing the statement.

You shouldn't look at their statement without their permission – the important thing is not to snoop on their spending but to make sure they keep track of it.



- Be careful about berating a teenager about overspending – they'll be less likely to come to you when they have a real problem if they know they're going to get a lecture. Instead, you should sit down with them and draw up a 'retroactive' budget – how much they had coming in and where it was from, how much money they spent and what they spent it on, where they could have saved money and avoided the problem.



## Emergency

- If a child has gotten into financial difficulty, the important thing is to try and differentiate between a money mistake and a spending problem.



- If they've made a simple miscalculation or been hit with an unexpected expenditure, this is not a serious issue. Discuss their budget with them, and encourage them to set more aside so that the situation doesn't happen again. If you do lend them some money to help them, it may be worth asking them to pay back at least some of it, perhaps 50%. This will help make sure they get in the habit of repaying, rather than exposing them to 'free money'.
- If, however, they are consistently overspending, running up large credit card bills, refusing to open mail and won't consider rebudgeting, then they may have a spending problem. This means that no matter how much money you give them, they'll find a way to spend it.

- Gambling, shopping addictions, alcohol or drug habits can all fuel a spending problem, but so can peer pressure or depression – don't leap to conclusions about where the money has gone.

- The Citizens Advice Bureau should be your first point of contact – they will be often be able to recommend a course of action or give a referral to a councillor to help treat the emotional causes of debt.

- In very serious cases, you may want to seek debt management advice from a qualified Insolvency Practitioner.

## Contacts

- **The Citizen's Advice Bureau (CAB)**

An independent charity giving free advice on legal, financial and consumer matters.

[www.adviceguide.org.uk](http://www.adviceguide.org.uk)

- **Connexions:** A government run careers, counselling and advice service for 13 – 19 year olds.

[www.connexions-direct.com](http://www.connexions-direct.com)

- **Consumer Credit Counselling Service:** A large debt advice charity.

[www.cccs.co.uk](http://www.cccs.co.uk)

- **IVA.co.uk:** Online forum and community site discussing all aspects of personal debt. [www.iva.co.uk](http://www.iva.co.uk)