



FINANCIAL WORD

Lucian Camp doubts the value of teaching financial services to children.

Obviously it's a bit of a waste of time looking for answers to problems that were solved long ago. Manufacturers of tin-openers, say, or hair-brushes, would be puzzled to hear I was beating my brains out trying to find ways to get at my baked beans and tomato soup, or to arrange what's left of my hair in some semblance of order.

It may well be that this financial education thing we keep hearing so much about falls into the same category. A lot of very brainy people have given it a lot of thought. There's at least one quango, the oddly named PFEG, whose role in life is to be The Group that sets the pace in Personal Finance Education. And, more than this, a good deal of financial education has been delivered in classrooms for a good many years, using materials provided and sponsored by big institutions like NatWest and Prudential.

I'm painfully ignorant of the detail of all these initiatives and activities, and as a result I'm free to speculate in an ignorant kind of way about the issues and challenges they face.

These are many. Firstly, and most obviously, is there any reason to imagine that personal finance will be the one subject studied at school that people then remember into their adult lives? Given that, these days, average first-time mortgage borrowers are thirty-four years old, they'll have to keep their classroom learnings in mind for about twenty years. If they remember as much about fixed rates and yield curves as I do about, say, photosynthesis and the Hundred Years War, then God help them. I seem to remember that the former requires water and sunlight, and the latter lasted 116 years, unless of course it was the other way round. I certainly wouldn't want to make big financial decisions in my adult life on the basis of such hazy recollections.*

Secondly, when you hear that something like 50% of schoolchildren are basically innumerate, you do rather wonder how they're going to absorb the sessions on how to calculate compound rates of return or the benefits of pound cost averaging. Or, come to think about it, the difference between EARs and APRs, which I must say is a question that even I can't answer – although I've written millions of words on the subject.

Thirdly, it seems necessary to address a frighteningly-broad range of financial needs. Whilst the high-end trustafarians want to know about hedge funds and currency options, kids at the opposite extreme need to know whether 800% APR is an unreasonable rate to pay for a doorstep loan. What's more, in these socially-mobile times, today's trustafarian could be tomorrow's Provident Financial customer, and, probably, now and then, *vice versa*. Does that mean you need to cover all the ends of the market, so to speak, with all the children? I suspect it does.

Then there's an issue which is of interest to the hard-core educationalist community, although less so to everyone else. To what extent, these people often ask, should the curriculum be colonized by the teaching of life skills? Is the acquiring of life skills, no matter how important, what school is actually about? How does this square with the organizing principle of Western liberal education, that people should leave school just generally, well, you know, sort of *educated* about things like photosynthesis and the Hundred Years War?

Admittedly quite a lot of people want to have their cake and eat it as far as this argument is concerned, being happy to teach some life skills like using computers, making scrambled eggs and having sex, but proving oddly reluctant to teach others like programming the video, choosing clothes or arranging a dinner party. On which side of this dividing line will you find buying a cash ISA? I'm not sure.

Next, there is the tricky business of avoiding mixed messages. For their own particular reasons, the industry and the government will want plenty of proselytizing content about the virtues of long-term savings. But in real life, outside the classroom, for the 50% of schoolchildren going on to university, the message is pro-debt, not pro-saving. Savings? Who needs them? You're far too young. Go to uni. Party, drink, do drugs, rack up a five-figure loan, and take the next ten years to pay it off. That's what the smart money's doing these days. Do as I say? Or do what you have to do?

And then, finally, and probably most problematically, let's assume for a minute that, despite everything, it all works perfectly. At some

joyous moment in the future, we find we have a well-informed, financially-involved adult population, familiar with the basic concepts of financial services and keen to make sure they get the right advice and make the right choices. What will that be like?

Well, actually, I think we know pretty much what it'll be like, because we've seen it all before – with family and friends who are what's known in the trade as *financial hobbyists*. My former colleague Tony was one. And so was my dad. And so was a girlfriend called Nina. How did they get on?

Well, Tony spent years trying to persuade me to follow his example and move my pension to the only firm in the market that didn't pay commission to salesmen and came top of all the investment performance tables. A firm called Equitable Life.

My dad sold most of his blue-chip investment portfolio in 1999 and reinvested in the likes of Baltimore Technologies and boo.com.

And when we bought a house together, my ex-girlfriend Nina insisted that we'd be daft not to choose an endowment mortgage because it would cost us no more than a repayment mortgage and would deliver a tidy sum at the end of the term.

You see where I'm going with this. If a little knowledge is a dangerous thing, a fair bit of knowledge is absolutely bloody lethal. Contrary to what people think, it hasn't been, in the main, financial ignoramuses who've made the disastrous decisions. It's been people who knew quite a lot. Many, indeed, knew enough to be in business as financial advisers, and most of them were as surprised and horrified as any of their clients when the investments that had constituted their "best advice" turned turtle and sank beneath the waves.

So maybe teaching financial capability is indeed like opening cans and brushing hair – a known science that presents no mysteries or terrors. In that case, I am indeed wasting my time giving the matter a moment's thought.

But then again, I can't help thinking that maybe it's not quite that simple ... □

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* And in any case, any retained learnings will then be as out of date as, say, endowment mortgages or flared trousers are today.