Executive Summary

Most decisions in life need money for support. As rapid economic development and high levels of inflation continue, the financial pressure on the younger generation is only set to increase. It is essential therefore that the younger generation is better equipped with the financial capabilities and skills necessary to cope with what the future might bring.

According to the Investor and Financial Education Council (IFEC), upon completing Secondary Education students should have the ability to: establish financial plans; develop life plans (and consider the financial needs involved); describe some common types of saving and investment choices and list out the potential risks and rewards involved. Ultimately they should be confident in finding and using the information required to make better-informed and responsible financial decisions for themselves as they enter adulthood[1].

Unfortunately in recent years, multiple findings have prompted concerns about the financial-management ability of young people. A survey targeting Secondary 3 to 5 students in 2018 revealed that 59% of the interviewees claimed to have overspent before, of which 32% had overspent for 3 months or longer[2]. In 2018 of those who applied for Bankruptcy, 15.76% were aged 30 or below[3].

It is commonly believed that financial education is an important way to strengthen the financial capability of young people. Yet, it is not part of the compulsory content within Hong Kong's education system, and there is no formal platform for schools to implement financial education. Most schools typically make use of informal education methods such as assemblies, extra-curricular activities, or through selected learning content of specific subjects (e.g. Liberal Studies).

The ultimate goal of financial education is 'wherein a person can fully meet current and on-going financial obligations, can feel secure in their financial future, and is able to make choices that allow enjoyment of life'. As

[1] Investor & Financial Education Council (2015): 'Hong Kong Financial Competency Framework'.
[2] 香港商報。2018 年 4 月 13 日。〈三成中學生透支生活費 理財意識高不代表懂得管理財務〉。
[3] Official Receiver's Office (2018): 'Annual Statistics on Profile of Bankrupts and Types of Petitioners (Jan 2018 – Dec 2018)'.

such, people should be more capable of managing their money to deal with socio-economic issues, and ultimately improve their personal well-being[4]. Therefore implementing system-wide financial education for young people is crucial.

To understand the ways in which young people manage their funds (including preferences for dealing with personal debt), their values concerning money and thoughts on financial education, this study collected opinions from 1,034 students aged between 14 and 24 through an online survey, and interviewed 20 young people and 5 experts. Ultimately, feasible suggestions designed to help improving young peoples' financial education have been provided in the final section of this summary.

Main Discussion

1. The interviewed students and experts all agreed as to the necessity of providing financial education to young people, believing financial capability is beneficial by itself and for tackling social problems.

The majority of the 1,034 students in the online survey agreed that 'being capable of personal financial management is very important' (82.8%). To support this, an interviewed expert claimed that once a young person is capable of managing his or her own wealth, it will also help to push them to achieve their personal goals.

As the main contributor of financial education in Hong Kong, the IFEC believed that if youth are equipped with proper financial-management skills, not only the youth themselves will benefit. In the longer term, it can also prevent and indirectly alleviate some social problems, such as inter-generational poverty and providing for an aging population[5].

2. Most of the interviewed students were aware of the need to protect themselves from possible financial problems.

The responses of young people on multiple survey items revealed most were aware of the need to protect themselves from possible financial problems.

4 Investor and Financial Education Council (2019): 'Financial Literacy Strategy 2019'; Pages 2-3.
5 Investor and Financial Education Council (2019): 'Financial Literacy Strategy 2019'; Pages 3, 5-7.

As an example, the majority said they would prefer to spend their savings (63.5%) or earn more (53.0%) rather than use credit cards (4.0%) or take out loans (2.0%) to cope with the problem of overspending. Moreover 67.5% and 54.5% respectively did not agree with spending future money or borrowing money on behalf of friends.

An interviewed expert claimed that Hong Kong young people were actually knowledgeable in related fields of personal finance. The major reason for some to still fall into financial difficulties was that they held incorrect values concerning money, like underestimating the consequences of lending money. It is therefore necessary to help the younger generation learn the correct values through financial education.

3. Some current financial habits of the interviewees:

(a) Budgeting personal expenditure is uncommon among Hong Kong's young people: a considerable amount of the interviewees admitted overspending in the past.

The online survey revealed that 38.2% of the interviewees did not habitually budget personal expenditure or record details of their spending. One of the case interviewees stated he did not budget his personal expenditure because "it is too hard to foresee large expenditure." This indicates that 'saving extra money for emergency situations' is unpopular among Hong Kong's youth.

In addition, 48.6% admitted having overspent their budgets in the past. This demonstrates that a considerable number of the interviewees may not be doing a good job in controlling their spending.

(b) Some of the interviewees were indulgent in spending money, a few preferred to use credit cards so they could delay payment.

When asked their attitude towards spending money, close to 30% of the interviewees chose 'I have no plan in my spending' (18.6%) or 'using as much as I have' (10.2%). One of the case interviewees even claimed that as she believed 'money value will depreciate if I don't use it now', she was willing to spend now rather than save her money.

Regarding the payment method, 14.6% of the interviewees claimed a preference to use credit cards. Among those, 41.7% claimed the reason was credit cards allowed them to delay their payment; relieving the short-term money pressure. This raised concerns as to whether the students are able to prevent overspending.

(c) Having a limited amount of money, most interviewees claimed they had little motivation to more actively manage their finances.

A case interviewee claimed he had decided upon the approach of 'saving as much as he [had] left after spending', as he only had a very limited income. Another interviewee rejected the idea of investment. She believed that by only having a very small amount of principal, it would not be able to generate a meaningful revenue, nor help her to withstand the potential money loss.

A few of the interviewed experts said that some young people ignore the essence of financial management as they usually have unstable incomes, or their attitude is one of 'having now if not tomorrow'[6].

(d) The interviewees claimed a lack of financial-management knowledge, especially regarding the Mandatory Provident Fund Scheme (MPF).

The interviewees rated their level of knowledge about financial management to be approximately mid-level (5.56, on a 0-10 scale, 10 being highest); particular knowledge about the MPF scheme was rated to be at an even lower level (3.71). One of the interviewed experts believed that every student should have a basic understanding of it since it is an obligation for every worker to invest in an MPF scheme

4. Financial education for young people should have the following foci:

(a) Encouraging young people to plan to pursue personal goals.

In the online survey, the majority of interviewees rated "preparing

[6] In Chinese words「今朝有酒今朝醉」.

financially for future personal goals" as the most important function of financial education, rating it 8.03 on a 0-10 scale. Some of the interviewed experts agreed with the idea, claiming it to be the most important application of financial education.

(b) Helping young people to build up correct values about money.

In the online survey, most of the participants agreed that 'values and beliefs concerning money' should be the major content of financial education (average ranking: 1.70/4). Some of the interviewees and experts agreed with this idea, as they believed that correcting beliefs and values of students (e.g. Spending money in an indulgent way) is the ultimate aim of financial education.

(c) Supplement young people's knowledge about financial products and services, as well as the risks of investment.

The online survey findings revealed that interviewees generally accepted 'helping young people to select suitable financial products' to be one of the goals of financial education (6.80, on a 0-10 scale). Many interviewees (20.2%) ranked 'financial products' as the major content of financial education, though one case interviewee wanted to know more about the different types, and the working mechanisms of financial products.

Case respondents who have had investment experience said that financial education should also develop young people to become mentally ready to invest. This would help prepare them for the rapid, and potentially serious, up-and-downs inherent with investment.

5. The best time to implement financial education is at Senior Secondary level, and the best method is experiential learning.

All interviewed students and experts agreed that Senior Secondary level is the best time to implement financial education. One case respondent supported this idea as she believed students would be willing to know more about managing money as they are ready to enter adulthood, and starting to become more familiar with the implications of major financial decisions.

An interviewed expert said that implementing financial education in Junior Secondary or Post-Secondary education might not be appropriate due to limitations in subject or class arrangement.

The survey findings revealed that the surveyed students preferred using an activity-based approach to teach financial education. This would be similar to extra-curricular activities arranged by schools and external agents (currently adopted by 53.4% and 44.4% of schools respectively).

Some of the interviewees suggested that experiential learning activities (e.g. 'Sims') could be possible forms of activity for frontline workers to adopt. This would help to deepen students' reflection and understanding of financial management, by allowing them to gain first-hand experience in making financial decisions using different identities and under different conditions than in every-day life.

Meanwhile, some case respondents said that they were tired of receiving exhortations such as 'you should save money' from adults, indicating that the 'preaching' approach should not be adopted for youth financial education.

6. Other than schools and the government, support and contributions from other stakeholders are also important in improving youth financial education.

Among all stakeholders, the surveyed students selected parents as the most influential in their financial decisions (49.1%). An interviewed expert claimed that parenting style is closely related to young people's financial motivation. One interviewed expert believed NGOs (i.e. social workers) should use a lifestyle-based approach to educate young people, rather than simply delivering knowledge to them like the other stakeholders.

Recommendations

Based on the above research findings and discussion points, we propose the following measures for the Education Bureau and IFCC to facilitate the development of financial education for young people:

1. **The Education Bureau should include financial education in Other Learning Experiences (OLE) as part of the New Senior Secondary (NSS) Curriculum.**

   By including financial education in OLE as part of the NSS curriculum[7], each school would be required to provide mandatory financial education services for students, not on the current voluntary basis. Every student should have at least a basic understanding of personal finance, before moving on to further studies or the job market; they can start planning their own way to manage money as early as possible.

2. **The IFEC should consider using ''preparing financially for future personal goals' as a branding focus of youth financial education; facilitating youth to start planning their financial management strategy as early as possible.**

   Currently, there are multiple foci for youth financial education, including 'making the most of limited income', or even for very long-term goals such as 'saving more for retirement'. Despite helping to give financial education a deeper meaning, this detracts from the focus on the specific needs of the youth population.

   As most surveyed youth welcomed the idea of "preparing financially for future personal goals", the IFEC may consider using this as the primary branding focus for financial education targeting young people. This would encourage them to carry out financial planning as early as possible.

3. **The IFEC should prioritize the competencies suggested in 'The Hong Kong Financial Competency Framework', and provide more related teaching guidelines to facilitate educators' work.**

   As frontline educators often have very limited time and space to work, it is important for the IFEC to think of ways to help them adopt the 'The Hong Kong Financial Competency Framework' in

[7] The Education Bureau (n.d.): Other Learning Experiences – Introduction. Retrieved October 11, 2019, from https://cd1.edb.hkedcity.net/cd/lwl/ole/01_intro_01.asp

designing teaching content and activities.

As an example, the IFEC can prioritize the suggested competencies for students and classify them into two levels (Foundation and Extended). Educators can then consider teaching all the content of the foundation part if they have very limited time and/or resources (i.e. space). Providing abundant teaching guidelines and examples can also facilitate educators' understanding of the content of The Framework, and how to adopt them whilst teaching.

4. **Apart from the IFEC, NGOs and secondary schools, other stakeholders (parents, the business sector, and the higher education sector) can all contribute to youth financial education.**

While the IFEC and NGOs are currently the main contributors of youth financial education, others can also play an important role:

(a) **Parents:** Should always self-reflect and equip themselves with the latest information and knowledge about personal finance. They should also, if possible, allow their children to participate in the decision-making process of the family's financial matters. Based on the findings, it is important to avoid using exhortation as the only method of education.

(b) **Business sector:** The Business Sector can consider adding in elements of financial education in its products or services. They can also combine with NGOs and schools to organize activities that strengthen the students' business-related knowledge e.g. credit rating. An activity like this can be beneficial for the business sector too, as they can demonstrate Corporate Social Responsibility.

(c) **Higher education sector:** The online survey revealed that the major source of income for the surveyed post-secondary students was earnings from part-time jobs (72.0%). It is therefore an undeniable responsibility for the higher education institutes to enhance students' knowledge about part-time job matters, e.g. the MPF scheme. Students should then be better able to manage financial situations that they might encounter throughout their life.