



State of Banking for Families

Report

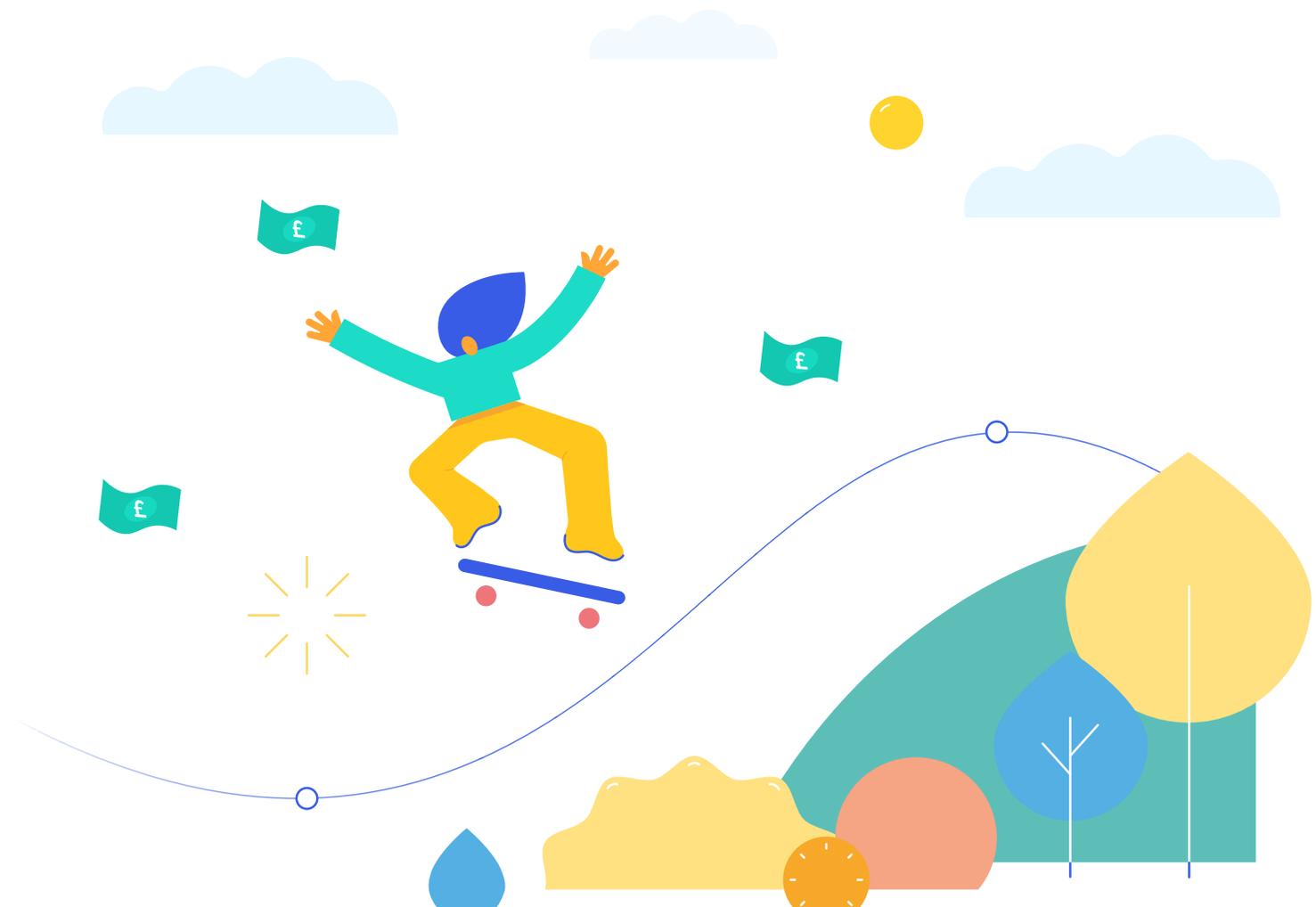


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Intro

Executive research

- We spoke with **experts** from the financial industry about the areas where the technology industry can still streamline processes and simply help the user.
- C-level executives from the largest UK banks, we've spoken with, said that current banking education is insufficient and that children should be empowered to learn how to use money wisely.
- A third-party research and survey on **69 UK families** confirmed the hypothesis that there is a big need to improve education about banking.
- Almost all of our respondents (98.6%) stated that teaching children about money and financial responsibility is an important topic.
- **63.8% of parents feel safe** giving money to their children.
- **71% of them feel comfortable** with their children having a prepaid payment card.
- The main occasions when kids start to talk about money with their parents are: evaluating a purchase together, asking for money to buy something, topping up their phone.
- **Only 31% talk about money** to make children understand how to save more, 30% to teach them how to shop online, and 20% about payment cards.
- It seems that most conversations about money start when there's a **problem**.
- **43% of students** are not able to tell the difference between a debit and a credit card.
- **30%** stated that their parents taught them nothing about managing money.

About the report

After speaking with fintech industry leaders who shared some valuable insights about the current state of the financial market, we decided that the topic of banking for families may be interesting for further exploration. C-level executives from the largest UK banks, claimed that the currently available public education about money is insufficient and parents find it hard to teach their children how to use money wisely. Therefore, we decided to dig deeper and find more insights that can be valuable in designing fintech products.

Our report includes analyses of both third-party research and our own internal study. The main source for the data in the report was Statista, but we also looked at results from other studies:

- “The Way We Bank now 2018” by UK Finance [report](#),
- Federal Reserve Board [study](#),
- [Nationwide Building Society](#),
- College Students and Personal Finance study ([2016](#)).

The survey we conducted was aimed at getting more information from parents about the financial part of their children’s upbringing. We received answers from 69 families in the UK. The questions were related to the



current state of financial education, how their children spend their pocket money, and their saving behaviors. Thanks to the results of the survey, we got a better understanding of how families approach mobile banking.

We hope that the insights we included in the report will be useful in designing digital products targeted at families and especially children, but also come in handy when it comes to building a marketing strategy.

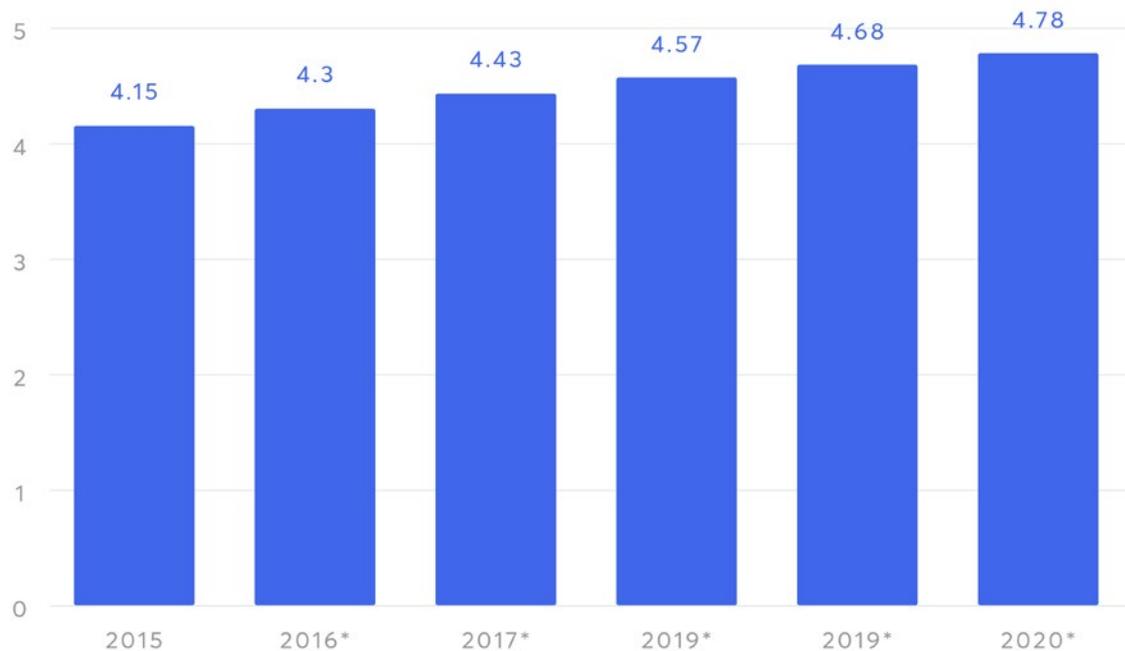
The current state of mobile banking

We may be under the impression that mobile phones are everywhere. It's true that the number of people using a mobile device is constantly growing, but in fact only 62.9% of the population in 2016 owned a mobile phone ([Statista](#)). The forecast shows that the number of people who **have a mobile phone** will reach **4.68 billion by the end of 2019**.

From all the people who have a mobile phone, **over 50% have a smartphone** which allows them to download various apps and use more advanced features.

Therefore, it's safe to say that the market will continue to grow and that it has not yet been entirely explored.

Number of mobile phone users in billions



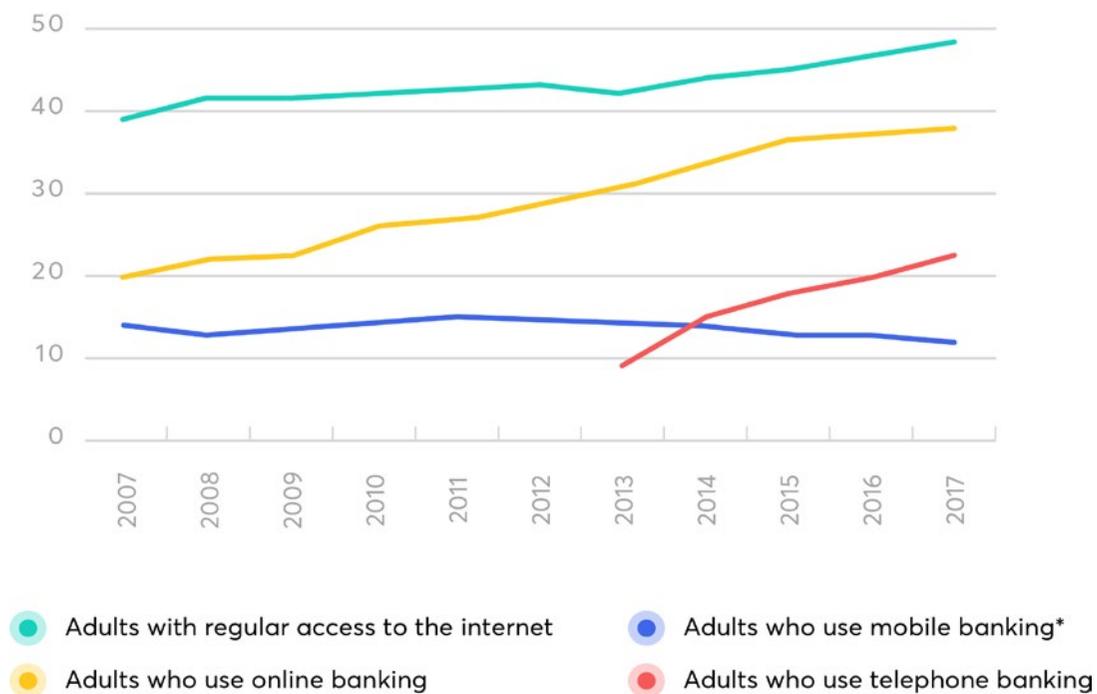
Behavior analysis

Around 41% of young people living in the UK used 1-5 apps actively during the week ([Statista, 2014](#)). 32% used 6-10 apps on a weekly basis. No matter the age, kids have their own set of apps that they use daily, mostly related to entertainment and social media.

How do banks, fintechs and other financial products orient themselves on the constantly growing market of smartphone users?

The "The Way We Bank Now 2018" [report](#) by UK Finance states that **38 million adults** (71%) used online banking in 2017 and 22 million used it on a regular basis (12% increase from the previous year). The number of people who are using online and mobile banking is constantly growing.

Regular internet users and adults using online, mobile and telephone banking (millions)



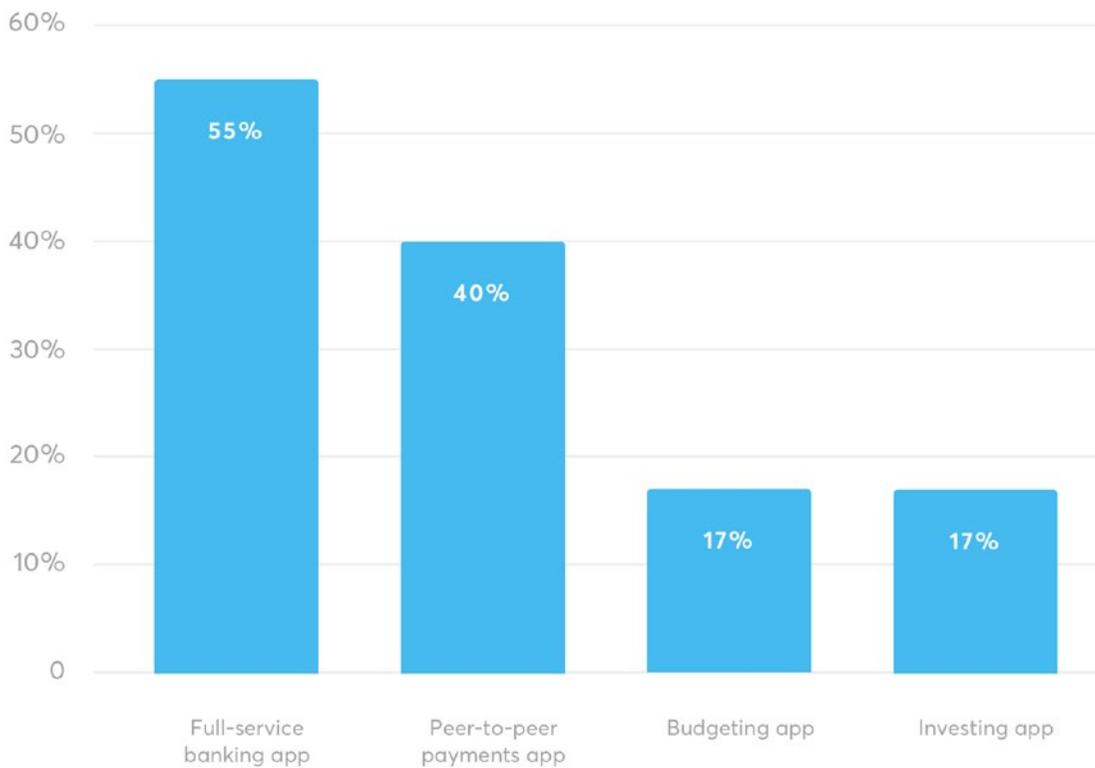
On average, people logged into their mobile banking app 275 times a year, which is around 5 times per week.

According to a Federal Reserve Board [study](#), the most common uses of mobile banking are:

- Checking account balances or recent transactions (94%)
- Account transfers (58%)
- Receiving alerts (56%)

The [2018](#) statistics show that more than half (55%) of banking apps used by Americans were full-service banking apps and peer-to-peer payments apps (40%). Users were also interested in budgeting apps (17%) as well as investing apps (17%).

Types of financial apps used in the United States in 2018



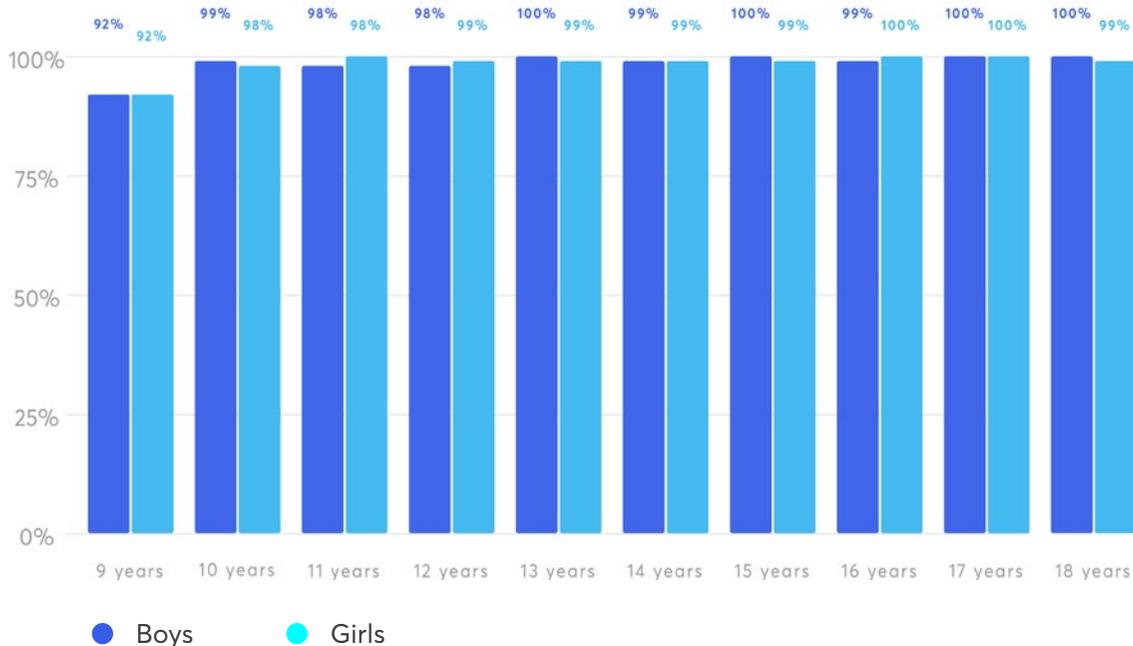
Kids in banking

The numbers indicate that more and more people are getting access to smartphones and mobile banking apps. By extension, this includes families and children. The times are rapidly changing and it seems that the last generation that will remember a childhood without mobile devices are the millennials.

Smartphone and apps usage

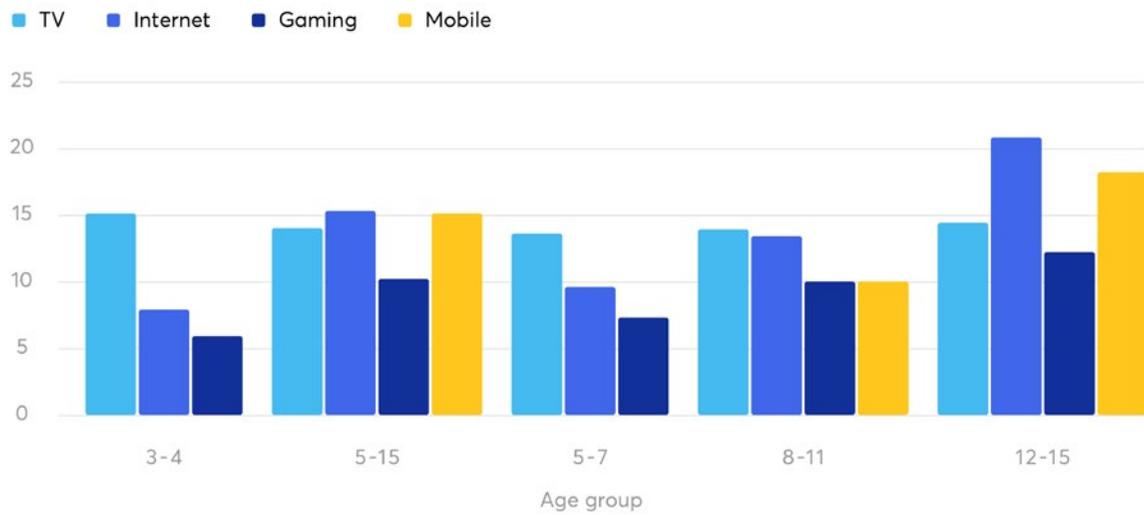
As an example of how dramatically things have changed, in Norway almost 100% of children between 10-18 years old had access to a mobile phone, no matter the gender (2017, [Statista](#)). Younger children had a slightly smaller percentage of access (92%), however the data still clearly indicates that most children have the option to use a mobile phone.

Smartphone usage in Norway



In terms of internet usage and access to smartphones, just as with adults, the trend among the youngsters is growing. According to [Statista](#), kids in United Kingdom between 12-15 are mostly spending their time on the internet (20.8%) and mobile phones (18.2%) rather than watching TV or playing games. Similarly, 13.4% of younger kids (between 8-11) prefer to stay online.

Weekly hours of media consumption by children in the UK 2017, by media



Banking vs. youngsters

According to the [Nationwide Building Society](#), youngsters below 18 years old held 2.8 million accounts and 750,000 accounts are opened each year.

Although in some countries it's possible to have an account at an early age (i.e. in the UK a 6 year old can get their own contactless payment card via GoHenry), the responsibility lies in their parents' hands - they have full control over the finances in the household and they decide whether their children need a banking account or not.

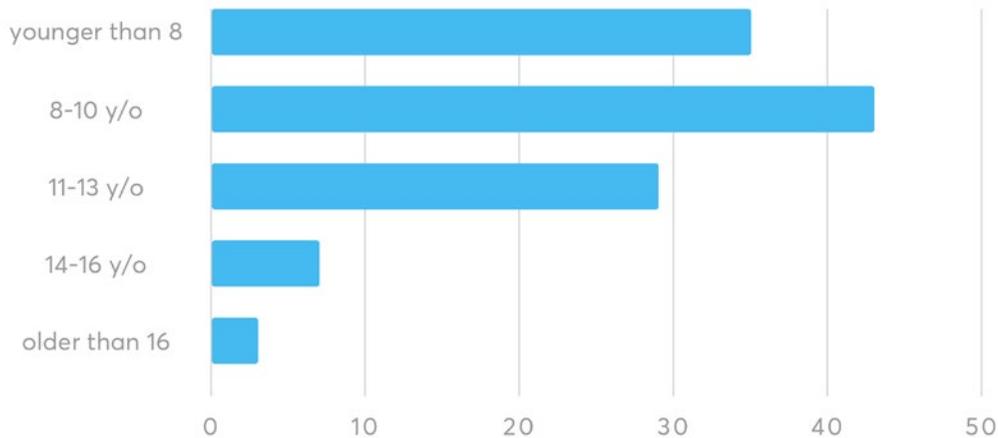
To discover what parents think about the financial part of child upbringing, we conducted a survey on 69 participants and asked questions regarding education and how their children spend and save their money.



Age and smartphone usage

Most of our survey participants (95.7%) have children below the age of 16. More than 60% are school-aged (8-10) and 50% are preschool-aged.

What age are your children?



In terms of having access to smartphones, over 75% of participants declared that their children have full or limited access to a smartphone. One quarter of them indicated that they do not allow their kids to own a smartphone, but it does not mean they don't have access to one.

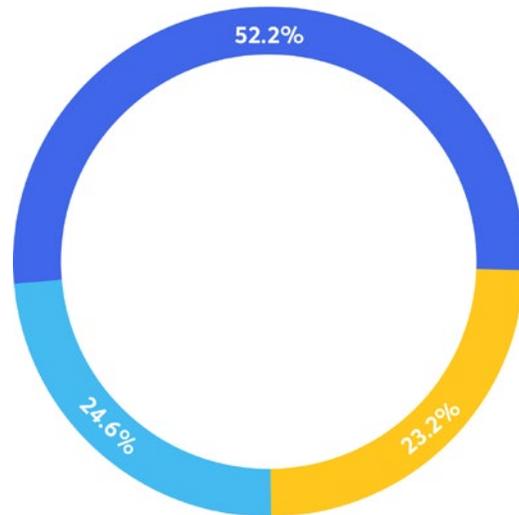
There could be a few reasons for that sort of behaviour:

- Parents often "lend" their own smartphones as a way of having control over what their children are doing on the phone.
- Parents are afraid of the consequences of unsupervised usage.
- Parents are concerned with security, phishing emails, and identity theft ([Statista](#), 2016).
- Parents don't want their children to spend their free time online.

In general - the lack of education around online security and appropriate usage of online solutions is a concern that might cause parents' distrust when it comes to giving their children full access to a mobile device.

Do your children have their own smartphones and, if so, do you limit their screen time

- Yes they do, and they use it without restrictions
- Yes they do, but I tend to limit their screen time
- No, they don't have smartphones



Money in a household

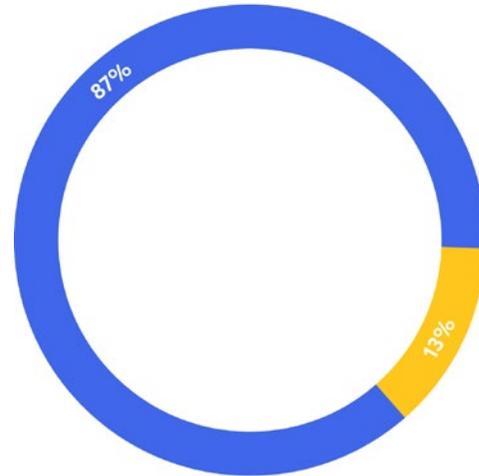
More than half of our respondents stated that their children receive an allowance - it can be small pocket money as well as charged pre-paid cards. 63.8% of parents feel safe about giving money to their children. It does not directly indicate whether parents are sure whether that money is well spent.



Another question to our respondents was connected with owning a piggy bank or saving money in some other way. 87% stated that their children have piggy banks, which shows that kids know the concept of raising money for some kind of goal.

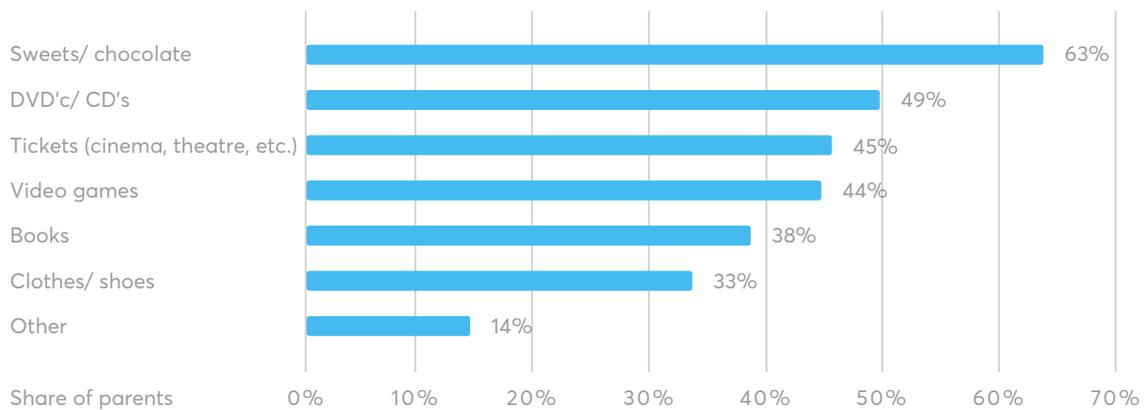
Do your children have piggybanks or any other way of saving money?

- Yes
- No



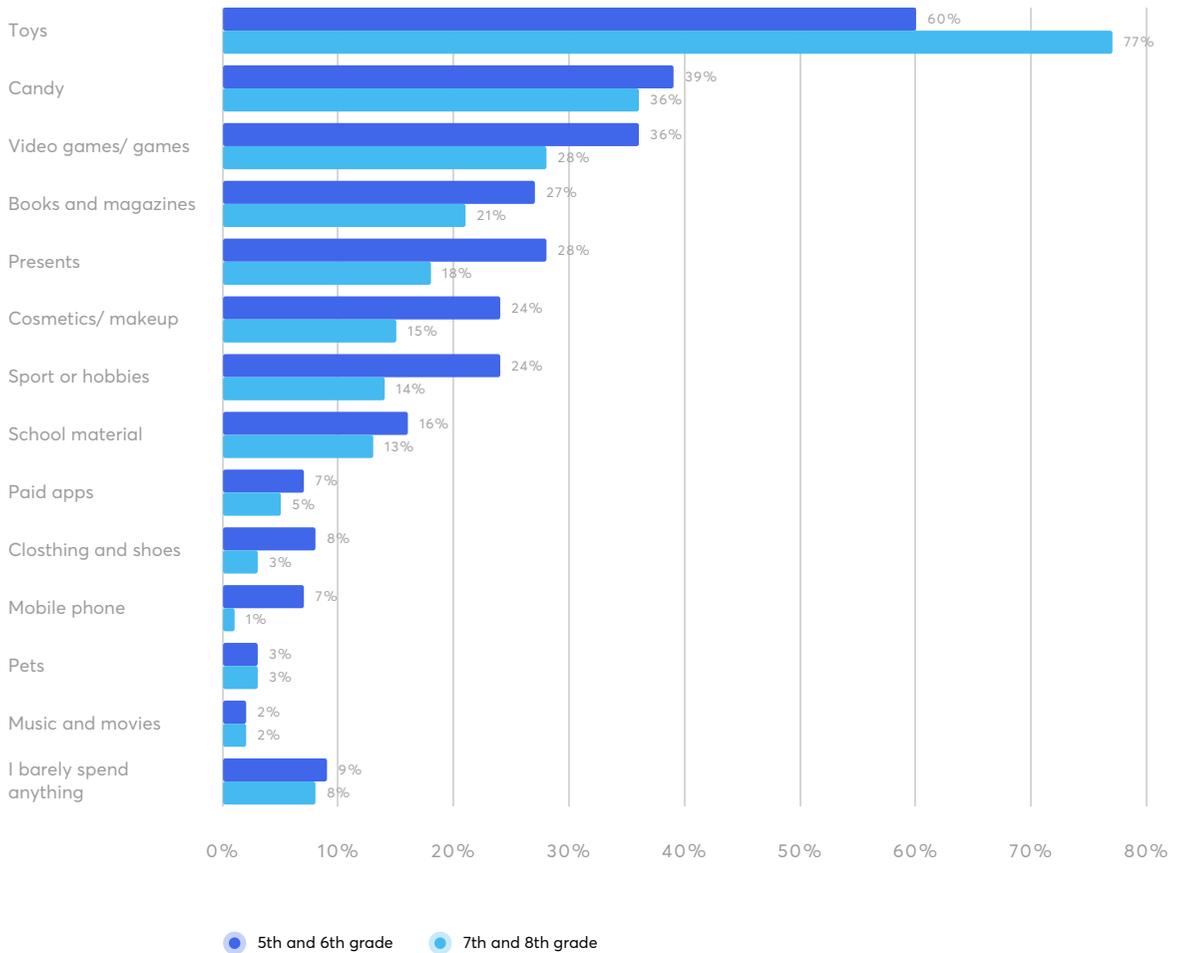
When it comes to expectations, a study by [Statista](#) (2015) shows that parents believe that pocket money is mostly spent on sweets (63%) as well as movies, music, tickets for events, video games, books, and clothes.

Parental expectations regarding spending habits of pocket money by their children in United Kingdom (UK) in 2015



Other statistics from [2018](#) show that kids (between 8 and 11 years old) spend their pocket money mostly on toys, candy, and games.

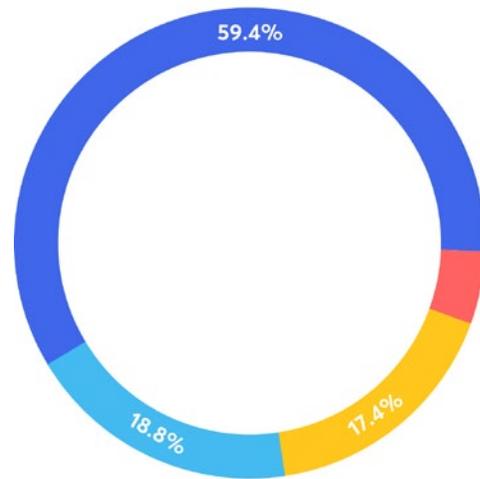
On what do you spend your pocket money?



Almost 83% of our respondents stated that their children own a wallet. Around 64% of children use their wallets from time to time or on a daily basis.

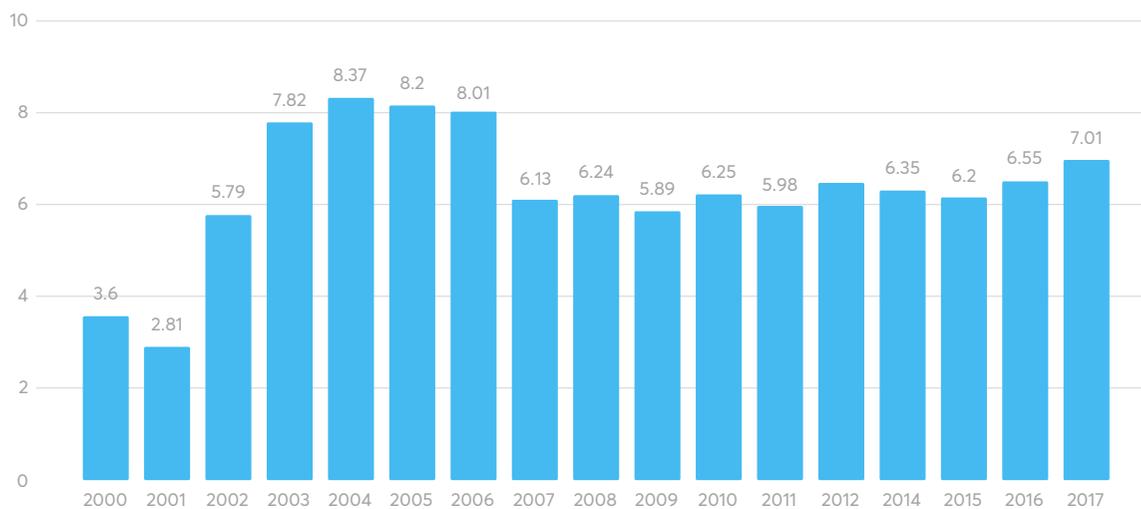
Do your children have wallets and, if so how often do they use it?

- Yes, and they use it from time to time
- Yes, but they don't use it
- Yes, and they use it everyday
- No, they don't have one



When it comes to the amount of pocket money children receive, in [2017](#) kids living in the United Kingdom got an average of 7 pounds per week from their parents. After the financial crisis in 2008 the average amount plummeted, but now we can observe that the numbers are increasing and children have more pocket money to spend freely.

Pocket money weekly average in the United Kingdom (UK) between 2000 and 2017 (in GBP)



The average amount of pocket money given by parents in the UK (2016) is mostly dictated by:

- How much a given family can afford (47%)
- The child's age (29%)
- The child's needs (25%)
- The amount of money that the child's friends receive (7%)

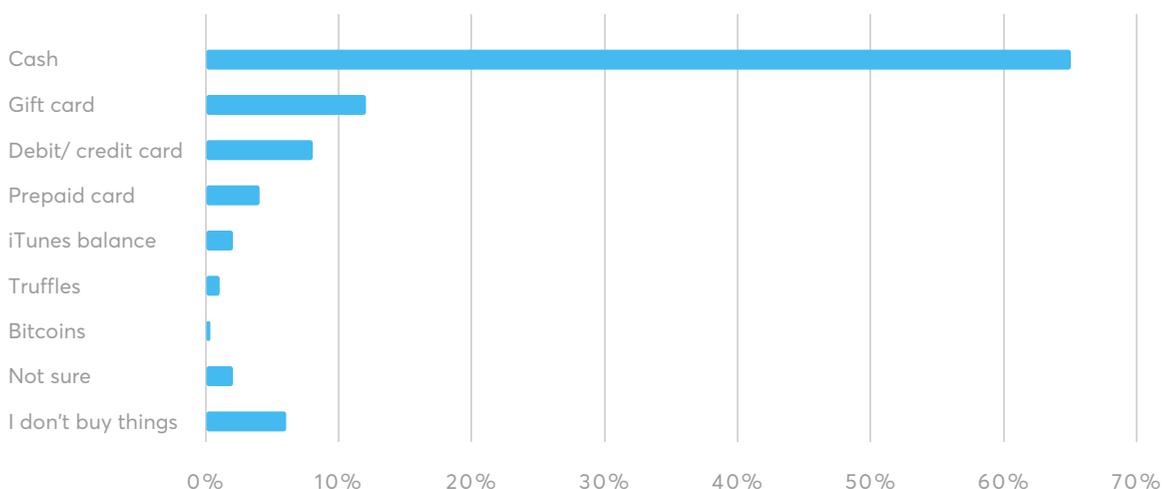
And what do kids think about the size of their allowances? In 2014, nearly half of the kids stated that they received the "right amount", 43% responded that they should have received more money, and 25% said that their friends are getting more money than they are.

It seems that not all kids are satisfied with the amount that they receive from their parents, but the factors vary with household finances and their friends' economic status. This indicates that the social factor is important in terms of kids' financial satisfaction.

Banking products

When it comes to payment options for kids, cash is still the most popular choice. As [Statista](#) shows, other means of payment that are gaining popularity are gift cards, debit and credit cards, as well as prepaid cards.

In general, how do you pay for the things you buy?



There are various financial products available for youngsters under the age of 18:

- Dedicated savings accounts
- Personal accounts without overdraft
- Prepaid cards
- Certificate deposits

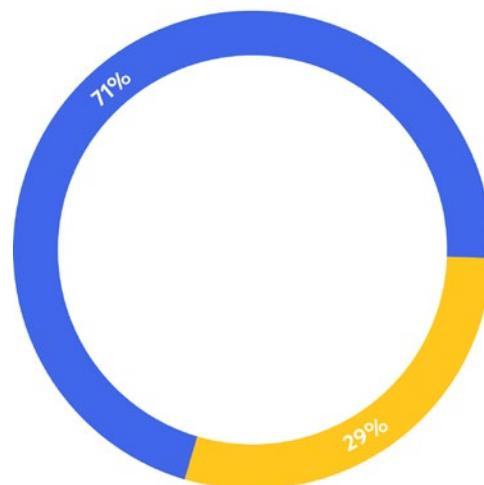
When selecting the right product for their children, parents need to take into consideration a few aspects of each product, such as the different fees depending on the usage, options to set up daily, weekly or monthly limits, tracking the history of purchases, being able to set up savings goals - the list goes on and on. Oftentimes, it's connected with what the parents think about the child's responsibility and ability to handle money, financial education, as well as the security of the financial product.

When it comes to our respondents, 71% of them feel comfortable with their children having a prepaid payment card. 29% do not feel it's a good solution for kids. The reasons for this may be connected with:

- Security concerns
- Safety
- Possibility of losing a card
- Kids "not being ready" for the responsibility of carrying a card
- Ease of use

Would you be comfortable with your children having pre-paid payment card?

- Yes
- No

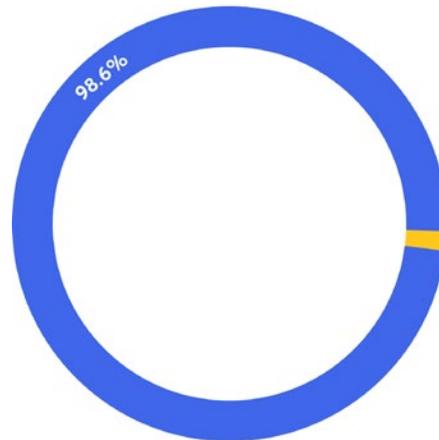


Kids' financial education

When it comes to financial education, almost all of our respondents (98.6%) stated that teaching children about money and financial responsibility is an important topic. None of the parents answered that it's irrelevant knowledge which would indicate that, according to parents, it's an essential topic that kids need to be familiar with.

Do you consider teaching children about money and financial responsibility important?

- Yes
- No
- Maybe
- I don't have an opinion



According to a Statista survey from [2016](#), there are a few occasions when kids start talking about money with their parents, which are:

- Evaluating a purchase together - 68%
- Asking for money to buy something - 64%
- Recharging a card - 31%
- Understanding how to save more money - 31%
- Understanding how to shop online - 30%
- Understanding what payment cards are - 20%
- Solving a problem with an online purchase - 20%
- Understanding how a current account works - 16%
- Understanding how to ask for funding for studying, travelling or starting an activity - 13%

It seems most conversations about money start when there is an issue connected with understanding a financial service or a purchase that needs thorough consideration. Interestingly, according to the College Students and Personal Finance study (2016), 43% of students are not able to tell the difference between a debit and a credit card, and 30% stated that their parent taught them nothing about managing money. These alarming statistics show that there is still a lot to be done in terms of educating children about finances and preparing them for future money-related decisions.

It's a little bit hard for parents to teach their children how to use money wisely, because they probably didn't exactly know how to use money wisely since there's no public education about money

Excerpt from the interview with experts.

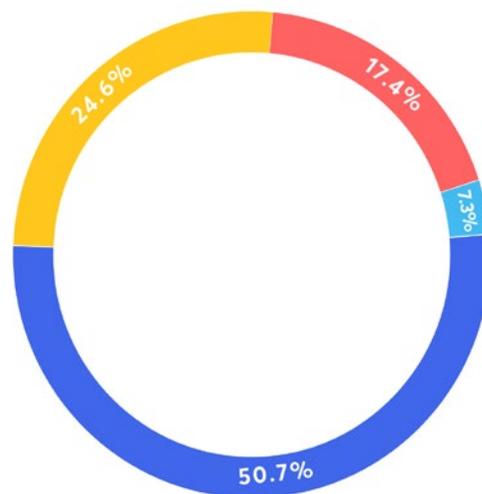


A lot of our survey participants seemed to know about the importance of financial education - half of them indicated that kids between 8 and 10 years of age should start learning about personal finance; nearly 25% stated that kids should be slightly older - between 11 and 13 years old.

At what age do you think children should start learning about personal finance?

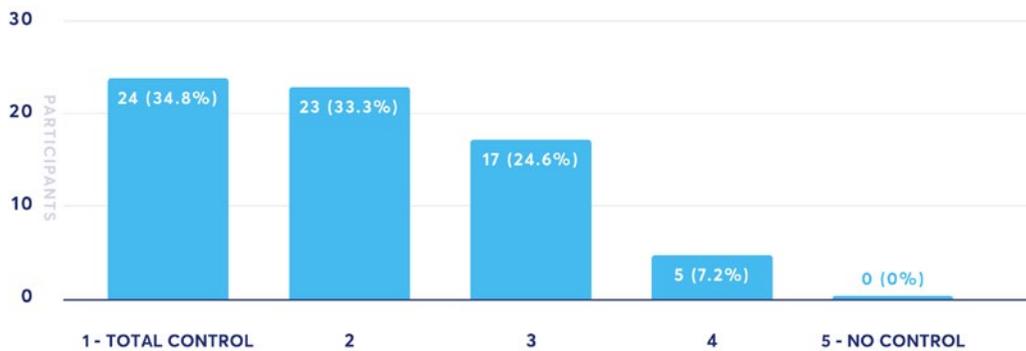
- 8-10 y/o
- 14-15 y/o
- 11-13 y/o
- Other

There's no lower age limit
As soon as they start understanding maths
As soon as they have money
As soon as they are able to understand the concept
5 y/o



When we asked them about the level of control, it seems that all parents would like to have control over the child's' experience with the financial app to some extent. Almost 35% would like to have total control over the app, and only 7.2% would like to give their children complete freedom in terms of using the app. This does not indicate that parents do not trust their children, but rather that they would like to know how their children are managing the funds allocated in their account.

If your child used a financial app, how much control would you like to have over your's experience with it?



You may be a nine-year-old getting your first pocket change from your parents or your family is about to have your first kid. The fundamental idea is the same - being aware of what's happening with your money, making sure that you're not just spending for your current self but also thinking about your future self a little bit.

Excerpt from the interview with experts.

Conclusions

Non-cash payments make up over **50% of all transactions** in the USA and Europe. In the UK alone, **17.2 billion debit card transactions** were made in 2017. There is also a rising trend for mobile banking usage. 71% of the adults in the UK use it on a regular basis (increase from 22 million in 2016 to 38 million in 2017). While cash is slowly disappearing from our lives and technology is making its way in the banking world, children seem to be left behind on the journey. Financial education is not at the highest level and parents feel it is very important that children learn and understand about money and finance. Most of our respondents claimed they should start learning about finance between 8-12.

In the UK, it's possible to own an account at an early age – a **6 years old**, kids can get their own contactless payment card via GoHenry. Yet, most parents would like to have full or limited control over the spending. 71% of them feel comfortable with their children having a prepaid payment card. The reasons others are not so eager to do so may be connected with security concerns, safety, possibility of losing the card, ease of use, or simply feeling that their children are “not ready” for the responsibility of carrying a card.

All these insights indicate that there is still a big niche to fill when it comes to:

- **Teaching children about money and savings,**
- **Providing a secure and reliable way for children to use digital money.**

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