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Teaching personal finance [1]

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The ASI receives many contributions on education ? and especially how and what children should be taught. What would really benefit virtually every teenager is far more emphasis on personal finance. To be sure, many secondary schools do teach some elements of personal finance, a subject that most adults will need to address during their lives. There are four particular areas ? mortgages, pensions, insurance/assurance and social security.

Given that UK owner-occupation is now c70%, a basic understanding of mortgages is especially important, including repayment calculations, endowment policies and loan-to-value data. In the latter case, some borrowers of Northern Rock?s infamous 125% ?Together? mortgage might have thought more carefully about the potential downside.

Whilst pensions may seem very distant to a teenager, a basic knowledge of pension arrangements can only be beneficial, if only understanding the concepts of occupational pensions, the many variations ? defined benefit v defined contributions ? and commutation of pension rights.

The complex area of insurance/assurance ? ranging from car insurance to life assurance ? is also poorly understood, although virtually everybody will have some involvement with the subject in their adult years.

Lastly, many individuals would benefit from some knowledge of the social security system, ranging from the few remaining universal benefits to the state retirement pension scheme.

Major changes to the £200 billion per year social security programme are currently underway - very few people fully understand how it operates. Aren?t most teenagers better off learning about these four subjects ? with direct relevance to their lives - rather than about Henry VIII?s six wives?

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