

ING International Survey

Mobile Banking, Social Media and Financial Behaviour

SEPTEMBER
2014

Learning young: Does getting pocket money teach savings habits for life?



This survey was conducted by
Ipsos on behalf of ING

About the ING International Survey

The ING International Survey aims to gain a better understanding of how retail customers – and potential customers – of ING Bank around the globe spend, save, invest and feel about money. It is conducted several times a year, with past reports online at www.economics.com/iis.

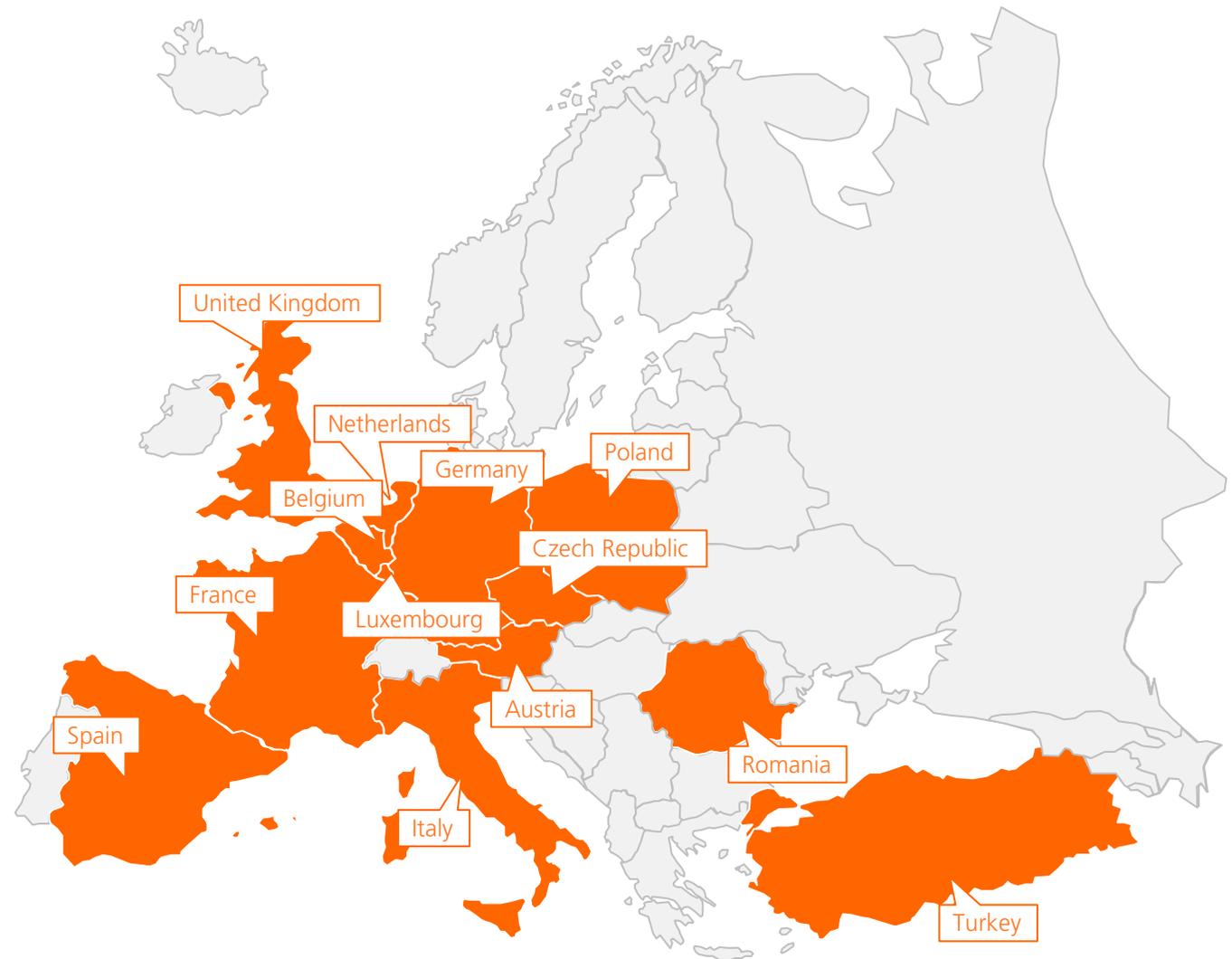
This survey was conducted by Ipsos between 20 February and 14 March 2014 using internet-based polling and, in Poland, a portion of telephone-based polling.

European consumer figures are an average, weighted to take country population into account.

13 countries are compared in this report.

1,000 About 1,000 respondents were surveyed in each, apart from Luxembourg, with 500.

12,403 is the total sample size of this report

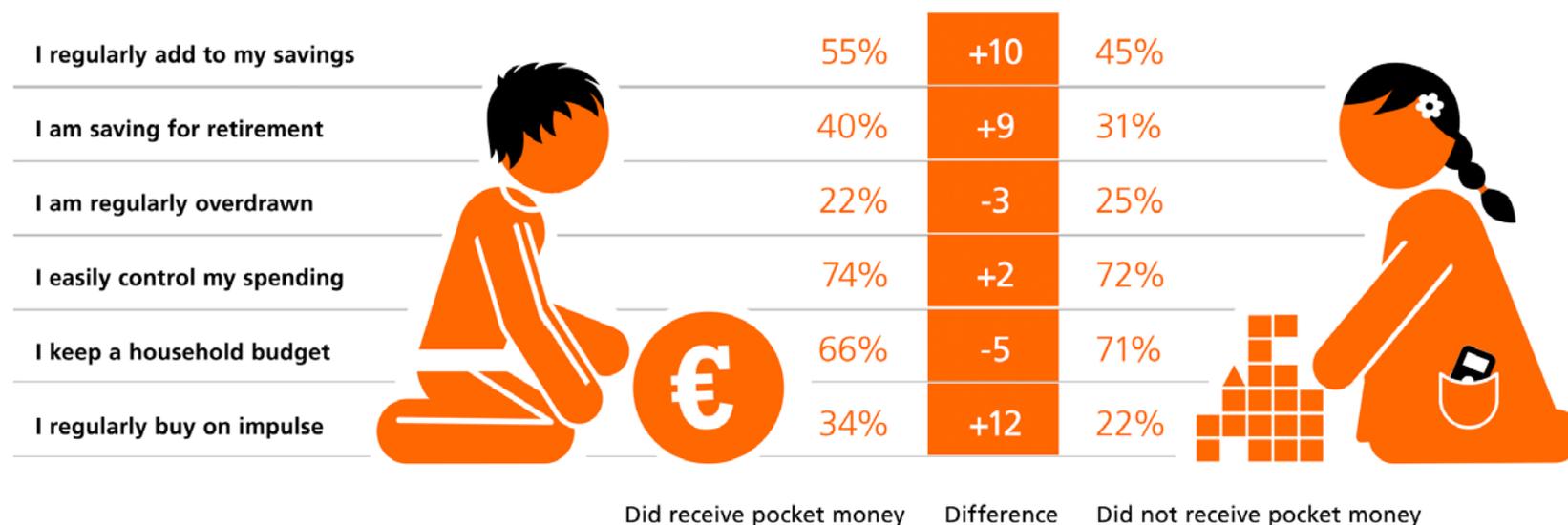


Does pocket money teach savings habits for life?

Pocket money is often used as a tool to help children get a grip on money. Do children in Europe still receive pocket money from their parents and how are they getting pocket money these days? We asked almost 5,000 parents across Europe in the ING International Survey.

Positive signs

People who received pocket money as a child are more likely to regularly add to their savings, save for retirement and show greater financial competence in other areas too. But some academics dispute whether pocket money has an impact on the way people save and spend later in life. It is not possible to conclude from our results whether pocket money is the cause or if there is simply a correlation because of other factors.



Making money more real: Pocket money as a teaching tool around Europe, with life-long results?

Respondents who received pocket money as a child are more likely to say they regularly add to their savings and to save for retirement. They are also less likely to regularly be overdrawn on their bank account. Of six money habits, people who received pocket money are more likely to show greater financial competence in four. But it is not possible to conclude from this whether pocket money is the cause of the greater financial competence or if there is simply a correlation.

When asked how much pocket money they give to their children, **Italian parents top the 2014 pocket money index.** In contrast, the Czech Republic was the lowest ranked in our pocket money index – but exchange rates and lower average incomes are likely to be a factor here. The Dutch stand out as being less generous with pocket money than parents in neighbouring countries. In Austria, the rate spikes for children aged 15+, perhaps suggesting greater financial independence for Austrians in their late teens.

The share who received pocket money as a child is similar to the share who give it to their children now, however, there are some interesting differences that have emerged over time. **Paying into a bank account appears to be increasingly common, while working for pocket money (both inside and outside the home) is much less common.** At the individual country level, **pocket money appears to have become more popular in Italy** (with a higher share giving it now than receiving pocket money as a child) and the reverse is apparent in the Netherlands (where much fewer parents give pocket money than received it as a child).

As many might expect, **the number one reason parents surveyed give their children pocket money is to teach how to be responsible with money.** Teaching the value of money is the second most common response, followed by “so that they can buy the things that they need”. **The vast majority of respondents who give pocket money have seen an improvement in their children’s understanding of the value of money.**



- Ian Bright, ING senior economist

Italy tops the “pocket money index” for 2014, Czech Republic last

Italian parents top the 2014 pocket money index, being the most generous in a ranking of all age groups.

Next are France, Spain and Austria.

At the other end of the spectrum are Romania, the Netherlands and the Czech Republic, but exchange rates and lower average incomes are likely to be a factor in two of the countries here.

There are some interesting standouts when looking at country medians.

Austrians in the 15-plus age group do particularly well in the pocket money stakes.

The going rate in the Netherlands is relatively low compared with that in the neighbours of the Dutch.

It must be noted however, that the sample sizes in many of these answer categories are very small – so the results should be treated with caution.

The all age ranking has been formed by ranking each country from highest to lowest pocket money in each age group. These rankings are then averaged to give the all age result.

For Luxembourg, the sample size was too small for under 10s to give a statistically robust median, so it is excluded from the pocket money index.

Median amount of pocket money given a week by age, converted into euros

	Under 5	5-to-10 years	10-to-15 years	15-plus	All age ranking
European consumer	2.00	4.75	9.50	20.00	
Italy	5.00	5.00	10.00	30.00	1
France	2.00	5.00	10.00	20.00	2
Spain	1.00	5.00	10.00	20.00	3
Austria	2.25	3.50	9.75	35.25	4
Belgium	2.00	2.25	10.00	20.00	5=
Germany	1.00	4.00	10.00	20.00	5=
United Kingdom	2.50	6.00	6.00	12.00	7
Turkey	1.50	3.25	6.50	16.00	8
Poland	2.25	2.25	4.75	11.75	9
Romania	2.25	2.25	3.00	11.00	10
Netherlands	0.50	1.50	5.00	12.50	11
Czech Republic	0.75	1.75	4.00	10.75	12
Luxembourg	n/a	n/a	10.00	50.00	n/a

Sample size: 671 (Under 5), 918 (5-to-10 years), 1,107 (10-to-15 years), 1,223 (15-plus)

Positive signs: Does pocket money teach savings habits for life?

Respondents who received pocket money as a child are more likely to regularly add to their savings and to save for retirement.

They are also less likely to regularly be overdrawn on their bank account and likely to say they can easily control their spending.

Of six money habits, people who received pocket money are more likely to show greater financial competence in four.

In addition, people with well organised personal finances and a financial buffer in place arguably may have more freedom to “buy on impulse”, so the higher likelihood to do this among people who received pocket money is not inherently negative.

Some academic research disputes whether pocket money has an impact on the way people save and spend later in life.

The results to this survey add to the debate but it is not possible to conclude from the results whether pocket money is the cause of the greater financial competence or if there is simply a correlation because of other factors. Current income, parents’ income during childhood and other influences from family background may be relevant.

	Did receive pocket money	Did not receive pocket money	Difference
I regularly add to my savings	55%	45%	+10
I am saving for retirement	40%	31%	+9
I am regularly overdrawn	22%	25%	-3
I easily control my spending	74%	72%	+2
I keep a household budget	66%	71%	-5
I regularly buy on impulse	34%	22%	+12

Sample size: 12,403

Direct payment to bank more common; fewer working for their cash

The most common way of giving children pocket money is from parents on a regular basis, with a smaller share saying they do it "when needed". This is similar to answers respondents gave to how they received pocket money themselves.

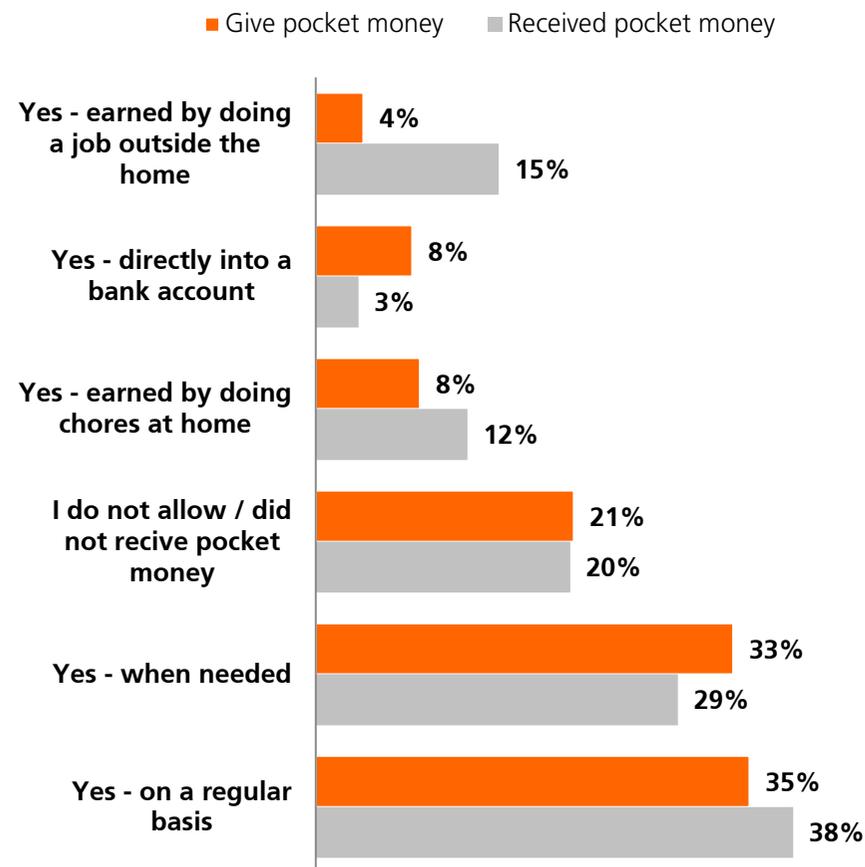
While only 8% of parents who give pocket money stipulate that they do so by directly depositing it into a bank account, this is more than double the share of respondents who received it in this way. Paying into a bank account appears to be increasingly common.

However, the reverse is true for the share of children who earn their pocket money. Just 8% of parents who give pocket money say the pocket money is contingent on doing chores in the family home and an additional 4% on working outside the home. But the share who received pocket money in this way when they were children themselves was 12% working inside the home and 15% outside it.

These days, giving pocket money for good performance at school or in school exams is another commonly cited reason.

THE QUESTION

Did you receive pocket money when you were growing up?/Do you allow your children to get pocket money?



Sample size: 4,695 give pocket money, 12,403 received pocket money

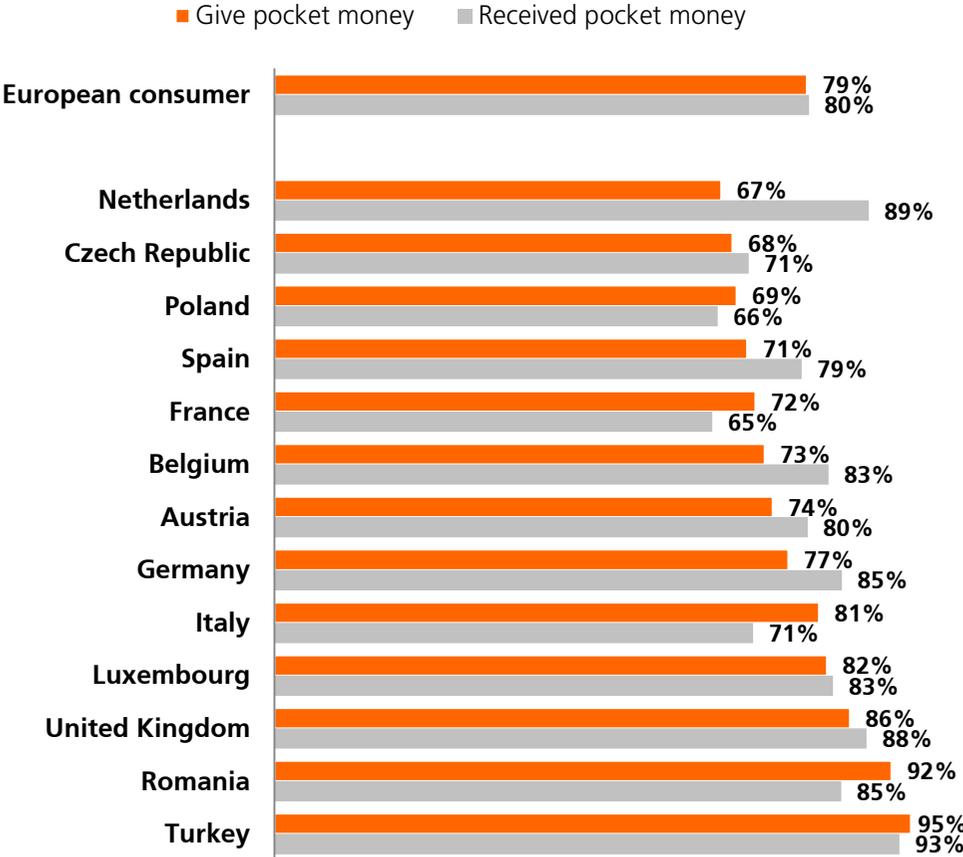
Generation shift? Dutch least likely to give pocket money

The vast majority of people in Europe received pocket money when they were growing up – with 80% saying they did. It ranges from highs amongst respondents from Turkey, the Netherlands and the United Kingdom, to lows in France and Poland. A similar share of people in Europe say they give pocket money as those who received it when they were young. However, there are some differences between responses in some countries. Italians, for example, are much more likely to give their children pocket money than they were to receive it themselves. Meanwhile, the Dutch are least likely to give pocket money but the second most likely to have received it when they were growing up.

THE QUESTION

Did you receive pocket money when you were growing up?/Do you allow your children to get pocket money?

Percent who indicated their answer was “yes”
 (Did not answer “no”)



Sample size: 4,695 give pocket money, 12,403 received pocket money

Teaching responsibility the top goal of giving pocket money

As many would expect, the number one reason parents surveyed give their children pocket money is to teach how to be responsible with money.

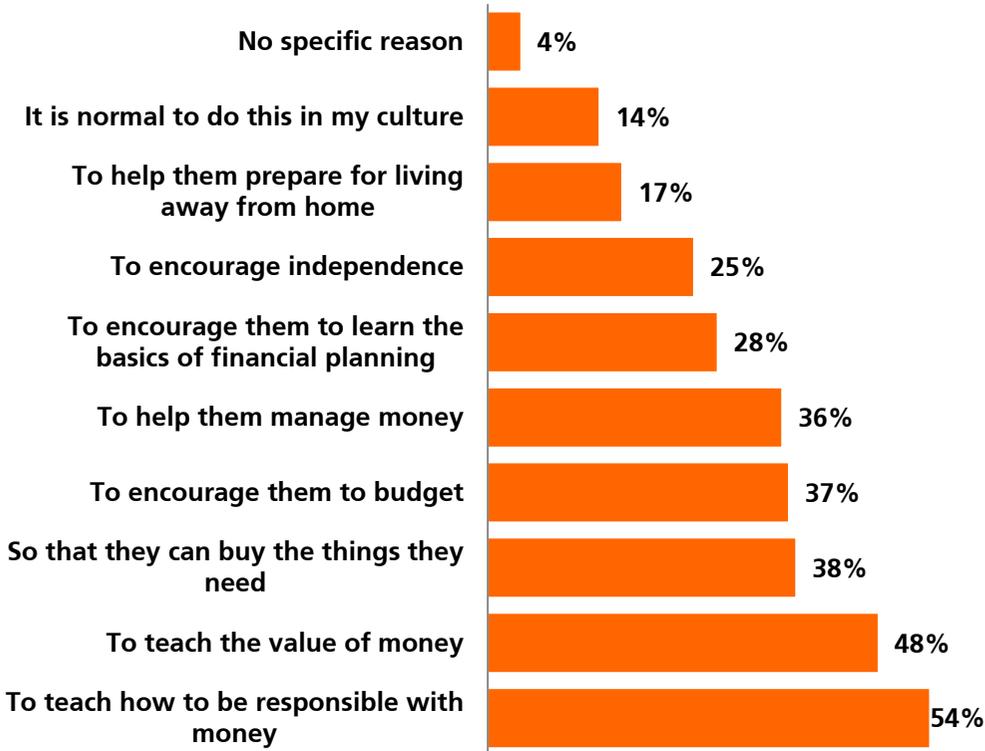
Teaching the value of money is the second most common response, followed by “so that they can buy the things that they need” in third.

Very few give pocket money without any specific reason, suggesting it is a tool rather than simply handing over money without a bigger purpose.

THE QUESTION

Why do you give your children pocket money?

Percent who answered in the below categories



Sample size: 3,635

“My child knows the value of a euro now”

The vast majority of respondents who give pocket money have seen an improvement in their children’s understanding of the value of money.

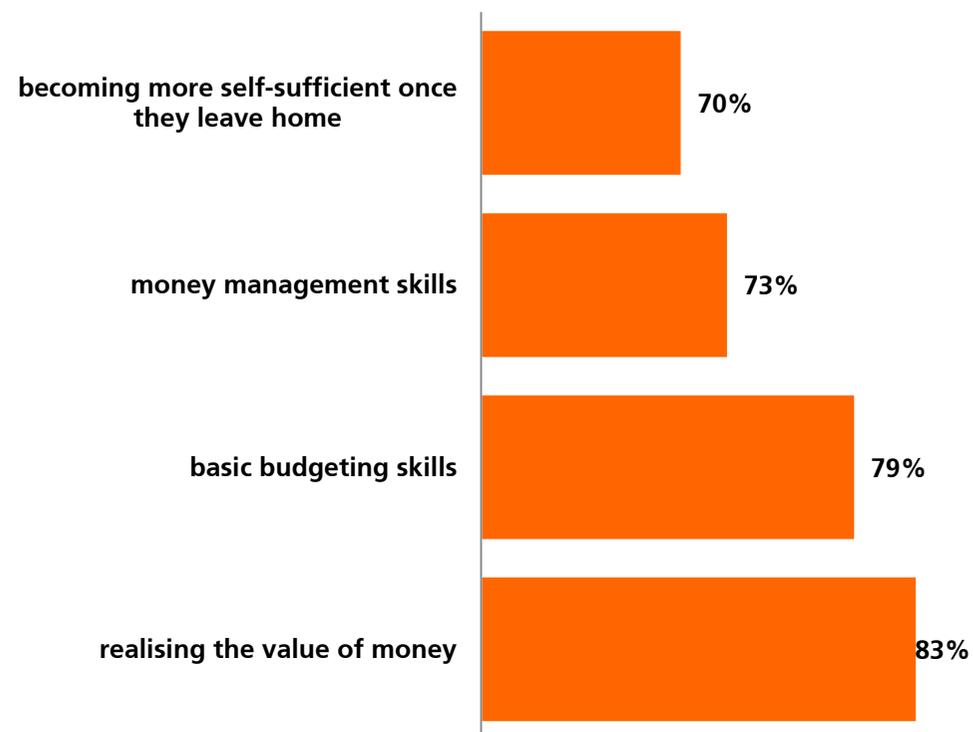
Likewise, many have seen improved basic budgeting and money management skills.

This is in line with the top goals of parents when they give pocket money to children – teaching responsibility and the value of money.

THE QUESTION

Since giving my child(ren) pocket money I have seen an improvement in their...

Percent who “strongly agree” or “agree”



Sample size: 3,635

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