

Asset Building for Children with Disabilities

Samuel Middleton and Sandra Gruescu



ResPublica
changing the terms of debate



About ResPublica

ResPublica is an independent, non-partisan UK think tank founded by Phillip Blond in November 2009. We focus on developing practical solutions to enduring socio-economic and cultural problems of our time, such as poverty, asset inequality, family and social breakdown, and environmental degradation.

Our research combines a radical civic philosophy with the latest insights in social policy analysis, economic modelling, behavioural economics, management theory, social psychology and technological innovation to produce original, implementable solutions. We would like to foster new approaches to economic inequality so that the benefits of capital, trade and entrepreneurship are open to all. We believe that human relationships should once more be the centre and meaning of an associative society, and that we need to recover the language and practice of the common good. Our work seeks to strengthen the links between local individuals, organisations and communities that create social capital.



About Scope

Scope. We believe disabled people should have the same opportunities as everyone else. We run services and campaigns with disabled people to make this happen. As a charity with expertise in complex support needs and cerebral palsy we never set limits on potential.

www.scope.org.uk

Asset Building for Children with Disabilities

©ResPublica 2011

www.respublica.org.uk

Contents

Foreword by Richard Hawkes, Chief Executive, Scope 1

Executive Summary 3

Part One: The Cost of Living with a Disability 10

Part Two: The Importance of Assets 13

Part Three: The Opportunities 20

Part Four: Recommendations – A Savings Product for Children with Disabilities: the ABC-D Account 26

This report uses the Government's definition of disability, taken from the Disability Discrimination Act (2005): A disabled person is someone who has "a physical or mental impairment that has a substantial and long-term adverse effect on his or her ability to carry out normal day-to-day activities." Current estimates suggest that there are over 10 million disabled people in Britain.*

*Disability Rights Commission, *Disability Briefing: May 2007*, (DRC, London, 2007) p5

Authors' Note

In compiling this piece, we would like to thank Marc Bush at Scope for his invaluable comments and suggestions at various stages of the project. We would also like to thank our colleagues at ResPublica; Jonathan West for contributing vital research, and Adam Schoenborn and Matt Leach for their comments and support.

Notwithstanding the above, any mistakes found herein are our own.

- S.M. & S.G.

Foreword

Disabled people are more likely to be unemployed, receive disproportionately lower wages and accrue high levels of debt. This is further exacerbated by the extra costs that they and their families incur as a result of living with an impairment in our society.

It therefore comes as no surprise that disabled people are more likely to depend on welfare benefits for a large part of their income. This in itself brings a multitude of barriers. They are prevented from accessing affordable credit in times of emergency and, as is explored in detail within this report, are also faced with a distinct disincentive to save and accumulate assets.

What results is an acute lack of resilience in the face of financial shocks, and a susceptibility to any fluctuation in income. All these factors heighten the risk of disabled people living in poverty and remaining financially excluded.

With this in mind, the Government's sweeping reforms to disability benefits will hit the incomes of disabled people extremely hard. Without taking an active role to help disabled people build their capabilities and become more financially resilient and independent, the Government's pledge to better enable disabled people to chart the course of their own lives will remain little more than a vision.

Relatively little attention has been paid to the role of assets and savings in helping to address disability poverty. This report does well to remedy this – bringing to light new and innovative ideas on how to better the life chances of disabled children by making them more financially independent as adults. Having ownership of an asset like the ABC-D account, which a disabled child can access when they turn 18, will undoubtedly help smooth the transition from childhood to adulthood and improve the opportunities of young disabled adults to fulfil their potential and lead the type of lives they value.

For nearly sixty years Scope has strived to realise its vision of a fair society for disabled people. Yet still disability poverty remains a stubborn stain on our social fabric. Increasingly, many of the people we speak to are living hand-to-mouth, deeply worried about what the future holds for them and their families.

For politicians and policymakers alike, the ideas in Asset Building for Children with Disabilities bring with them valuable lessons, which, if acted upon, could constitute a significant step towards eradicating disability poverty once and for all.

Richard Hawkes

Chief Executive, Scope

www.scope.org.uk

Executive Summary

Living with a disability increases the risk of poverty and financial exclusion - some 30 per cent of disabled people live in relative poverty, compared with 16 per cent of non-disabled people.^[1] One of the main reasons for this is that disabled people incur a higher cost of everyday living than non-disabled people. The extra costs add up: paying for social care, specialist transport, equipment such as stair lifts and accessible baths, and higher electricity and gas bills as a result of spending a significant amount of time at home.

If the higher costs of living with a disability are taken into account, it is estimated that twice the number of disabled people would be classified as living below the poverty line than official statistics currently recognise (increasing the figure from 2.3 million to 4.7 million).^[2]

“Cost of living rising faster than benefits. Lack of ability to save due to no spare cash after outgoings. Constant battle to try and avoid going deeper into debt. Lack of provision for later years in life.” – Respondent to Scope’s Money Matters Survey 2010

This was before the financial crisis and the consequent squeeze on public finances. The welfare reform bill (2011) set a government target of cutting annual spending on the Disability Living Allowance (DLA) by £2.1bn from more than £12bn. It is estimated that the change in upratings of disability benefits will cost families with disabled children £3,000 each by 2015; similarly, couples in which one partner acts as a carer for their disabled partner will be £3,000 worse off by the end of the current parliament.^[3] Of the 1.5 million people currently receiving Incapacity Benefit who are due to be reassessed at any point here on, some people will move onto jobseekers allowance (JSA), others will move onto other benefits (income support, carers allowance etc), including the new Employment and Support Allowance (ESA) - for anyone who cannot work due to disability or illness. Employment and Support Allowance is paid at one of two rates: the Support Group (£96.85) is for those who cannot work due to their health; the Work-Related Activity Group (£91.40) is for those who would be expected to be able to move into work in future, with adequate support. A significant number of claimants of incapacity benefit are expected to move off benefits altogether. Additionally, the reclassification of the Disability Living Allowance (DLA) into the Personal Independence Payment (PIP), alongside a 20 per cent decrease in its budget, could see hundreds of thousands of disabled people losing access to this benefit.

The primary issue is that the vast majority of disabled people are ill-equipped to cope with – even relatively small – changes to their income or circumstances. They have not been given the chance to accumulate savings or another form of asset to assist them during times of financial vulnerability. Instead, predominantly income-based welfare has left disabled people in a position where the slightest increase in expenditure or change in circumstance can lead to indebtedness, a feature of life for almost 50 per cent of disabled people.^[4]

1. Guy Parckar, *Disability poverty in the UK* (Leonard Cheshire Disability, London, 2008) p3

2. Wood & Grant, *Counting the Cost* (Demos, London, 2010), p16

3. Wood & Grant, *Destination Unknown* (Demos, London, 2010) p88

4. Scope, *Money Matters Survey* (2010)

To alleviate financial hardship, most Government policies have been focused on income measures, utilising either universal methods such as child benefit or targeted ones such as income support. The modern welfare state has been primarily focused on raising levels of income across society, while trying to reduce income inequality at the same time. Ensuring that everyone has enough resources to sustain themselves and not fall into destitution at any given time is perhaps the fundamental responsibility of the welfare state. Yet despite these efforts, in 2010 the median individual income for disabled men was £157, nearly half the £316 for non-disabled men, while a tenth of disabled men had individual incomes below £59 per week. The median individual income for disabled women last year was £131, compared with £198 for non-disabled women, and a tenth of disabled women had incomes below £31 per week.^[5]

By approaching welfare reform only through income-related measures, the state fails to build individual resilience or autonomy, as income is, by its very definition, a short term measure limited to providing or guaranteeing a certain (often low) level of resources over a limited period of time - for example, while one is unemployed. To date, relatively little attention has been paid to the generation and distribution of assets as part of the UK's welfare reform agenda.

Assets matter; from liquid savings to home ownership to investments, they offer flexibility, independence and self-reliance. They can be borrowed against and exchanged. In contrast, a lack of assets means one is dependent on others, a situation which disabled people find themselves in all too often.

The legacy of an income-focussed welfare policy is a situation in which disabled people are especially financially vulnerable to changes in welfare policy and the provision of public services. More than one third of disabled households have no savings and almost half are in debt.^[6] The status quo has failed to provide disabled people with the means to be resilient and self-supporting. Instead they are asset-poor and fully exposed to even minor fluctuations in their income or changes to their circumstances, which can often impact them disproportionately. The distinction between income, a short-term resource, and assets, a long-term resource, provides a powerful lens through which to assess success in delivering social justice and economic resilience.

The current welfare system for disabled people is not geared towards supporting the asset-agenda. In a 2010 survey of disabled people, 29 per cent of respondents reasoned that they had no savings because they were unemployed; yet, among those disabled people who were in work, an even higher number – 44 per cent – were in debt, highlighting the real and pervasive problem of in-work poverty among disabled people.^[7] And income is certainly not the only barrier preventing disabled people from saving. Disabled people are in effect incentivised to dispose of assets in order to receive adequate levels of support from the state.

The very structure of support and eligibility for services creates a perverse incentive for families to shed their savings or to not try to save in the first place: 'the social care charging system can provide an active disincentive to saving for many disabled people – a disincentive that can be present throughout their entire lives.'^[8] To take one example, at the age of 18 disabled young

5. National Equality Panel, *An anatomy of economic inequality in the UK* (Government Equalities Office, London, 2010) p161

6. Scope, *Money Matters Survey* (2010)

7. Wood & Grant, *Counting the Cost* (Demos, London, 2010), p94

8. Parcar, *Disability poverty in the UK* (Leonard Cheshire Disability, London, 2008) p5

people are transferred from children's social care to adult social care. This transition can often be abrupt, as the differing eligibility criteria between the two services suddenly mean that people no longer receive support they had come to rely upon, unless the services can be subsidised through personal or family savings. For those who are still eligible for social care, the provision of that care is means-tested. This means that disabled adults who receive some form of assessed social care support from their local authority will have their income and assets taken into account in calculations to determine how much they must contribute towards their care. The result is that the greater their savings, the greater their contribution (those disabled people who manage to save are forced to use their entire savings to subsidise their care until their savings run out): there is little incentive for disabled people to save.

However, as the figures for disabled people living in poverty demonstrate, receiving even full disability benefits does not necessarily mean that all the costs of living with a disability are met. For disabled people to cover these costs is extremely difficult: they have low levels of savings, high levels of indebtedness and have poor access to credit. Mainstream banks tend not to lend money based on benefits income, despite benefits payments being relatively reliable. As a result there are few mechanisms to access affordable credit in an emergency in order to cover unexpected costs. Consequently many disabled people experience high levels of anxiety about financial control. A 2010 survey found that 19.1 per cent of respondents were not very confident in managing their finances, and 5.8 per cent were not confident at all. 77.7 per cent of respondents worried often or very often about their finances.^[9]

However, there are opportunities as well as challenges. A reconfigured welfare system which does not penalise saving, combined with tailored financial capability programmes for disabled people, would go a long way to moving the asset-building agenda forward. Additionally, through Direct Payments and The Right to Control legislation, disabled people will experience more flexibility and choice in how their care is delivered and how they interact with their personal finances will – in many cases – be radically transformed. For example, there is the potential for people currently in full-time residential care – where they have little control over what time they eat their meals, what activities they do and who they see – to move into independent accommodation and become employers of social carers and personal assistants; operating bank accounts to receive their direct payments and pay their employees, viewing their monthly statements and managing their finances. The potential of this policy to transform the lives of disabled people is considerable, granting them independence and choice by taking a group of people that have been historically marginalised and dependent on state support and putting them in a position they have never been in before.

The opportunities of Independent Living may be vast, but without adequate support and financial capability, the full potential of this policy may go unrealised. Disabled people will require heightened levels of financial capability in order to manage their money prudently and effectively, they will need financial products that meet their needs, and they will need to possess assets and the means to borrow in cases of emergency without incurring high interest rates or other penalties. Just as the Government's Office for Disability Issues (ODI) claims that Independent Living options are often more cost effective than conventional systems of support,^[10] asset

9. Scope, *Money Matters Survey* (2010)

10. Office for Disability Issues, *The costs and benefits of independent living: Executive Summary* (ODI, London, 2007, available at <http://odi.dwp.gov.uk/docs/res/il/costs-benefits-summary.pdf>) p8

building is a more effective strategy for poverty alleviation and building independence than the passive receipt of income welfare. This is why asset-building initiatives, beginning in childhood, are so important. To be able to live independent and fulfilling lives, disabled people must be able to plan for the future. If they are able to do this, it is not only the individual who benefits: for example, it 'costs local education authorities considerably more to send young disabled people to out-of-authority residential schools rather than facilitating their further education within their community.'¹¹

A savings product for children with disabilities: the ABC-D Account

There have been two previous government initiatives that targeted asset building for children. These two previous asset-building initiatives – Child Trust Funds and the Saving Gateway – were not a panacea to all the obstacles standing in the way of increased financial inclusion and asset ownership amongst disabled people. There are lessons to be drawn from the experience of each initiative, which could help to inform the design and delivery of Junior ISAs to ensure that this financial product meets the specific needs of disabled children and reflects an understanding of the specific financial problems they face.

The Coalition government has announced that a new savings product for children, the Junior ISA, will be rolled out in autumn 2011. There will be two different types of Junior ISA: The Junior Cash ISA and the Stocks and Shares Junior ISA. Each account is set to have an overarching contribution limit of £3,000 per year. All returns will be tax-free funds placed in an account owned by the child, who will not be able to access the funds until they turn 18 years old.

The Government should work with providers of Junior ISAs to create a distinctive new ABC-D savings account for disabled children with the following unique features:

- Flexibility
- Eliminate the 'Fear of Saving'
- Make Every Penny Count
- Prepare for post-18
- Preserve Savings into Adulthood
- 'Right to Control' ready

1. Flexibility

Disabled children will face unanticipated – and often quite considerable – expenditure. Fast and easy access to savings when confronted with unexpected expenditure is essential for disabled children. Although this measure would lead to further complexity in the operation of ABC-D accounts, it is an essential feature for disabled children and will significantly increase the attractiveness of the product.

Recommendation: Allow short-notice withdrawals from ABC-D accounts for disabled children between the ages of 15 years and 18 years, where both the parent and child consent, without penalisation through reduced interest rates.

11. Office for Disability Issues, *The costs and benefits of independent living: Executive Summary* (ODI, London, 2007, available at <http://odi.dwp.gov.uk/docs/res/11/costs-benefits-summary.pdf>) p8

2. Eliminate the ‘Fear of Saving’

It is counterproductive to penalise those on low incomes who have saved by reducing their benefits until they have depleted their savings. For disabled children, this means ensuring that they are incentivised to save for their adult lives without the fear that because adult social care is provided on a means-tested basis, they must use up their savings to fund their social care before they become eligible for state support. Junior ISAs are set to have an upper limit for contributions of £3,000 per year.

Recommendation: ABC-D accounts should be discounted when calculating means-tested benefits and the Government should consult with disabled people, Disabled People’s Organisations (DPOs) and disability charities in order to set a maximum limit for what can be saved into an ABC-D account. Government must eliminate the “fear of saving” by ensuring that clear and accessible information is provided to disabled young people and their parents – particularly those in receipt of benefits – to inform them of the impact that saving will have on their benefits.

3. Make Every Penny Count

The Government has ruled out public contributions to Junior ISAs. But there are other ways for public and private money to assist in asset-building. The Department for Work and Pensions wants to ensure that the £12bn spent on the Disability Living Allowance (DLA) each year “makes the most difference and that people can rely on it for years to come”. Currently, for child recipients of DLA, parents use the benefit in ways that will enhance their child’s future life chance and opportunities. For example, using it to pay for tuition, physiotherapy and speech and language therapy, and equipment to encourage learning and stimulate response, all with a view to the future development of the child.¹²

Recommendation: Government should explore the feasibility of re-directing the value of the VAT on expenditure which meets certain criteria (items and services which enhance the child’s future life chance and opportunities) into the ABC-D account. In this way, the DLA will make a difference in the present and also create an asset that will enhance the child’s future life chances. We recommend that the Government explore this option in consultation with disabled people, disability groups and retailers and service providers.

Recommendation: As part of the Big Society agenda, Government should encourage businesses that disabled people spend a disproportionate amount of their money on to make gifts-in-kind to disabled people in the form of contributions into the ABC-D account in order to boost savings. For example, disabled people often spend proportionately more on their gas and electricity bills than similar non-disabled households. In recognition of the higher bills incurred by disabled people, who in many cases spend a considerable amount of time at home, utility companies could be encouraged by government to grant small rebates of up to 10% of the bill. These rebates could only be cashed into specified savings accounts such as the ABC-D account.

12. DWP, *The impact of Disability Living Allowance and Attendance Allowance: Findings from exploratory qualitative research* (London, 2010, available at <http://research.dwp.gov.uk/asd/asd5/summ2009-2010/649summ.pdf>) p3

4. Prepare for post-18

Previous asset-building initiatives from Government such as Child Trust Funds have focussed on creating an asset accessible to the account holder once they turn 18. There was a deliberate choice not to place restrictions on what that asset could be spent on, and there were limited efforts to link Child Trust Funds to financial capability programmes. While Government should not place restrictions on how money saved into ABC-D accounts can be spent once the account holder turns 18, the Government should not be disinterested in what happens to those savings: in the context of disabled people, whether the benefits system (and means-testing in particular) forces the money saved as a child to be shed in order to meet eligibility criteria for support, and how ABC-D accounts can best position disabled children – through the creation of assets and the teaching of financial capability - to take full advantage of the Right to Control agenda. The following two sets of recommendations are made in light of this:

4.1 Preserve Savings into Adulthood

The purpose of a savings account such as the ABC-D account is to provide children with an asset to take into adult life. However, disabled people particularly are often forced into increased expenditure during times when they experience a major transition in their life; whether that be moving from receiving children services to receiving adult services, or going from living at home to attending university. A situation in which the entire savings accumulated in the ABC-D account is used to subsidise the continuation of services which the now-adult holder received for free as a child, must be avoided. Understandably, in a turbulent time such as ‘transition’ there will be unexpected and significant financial outlay, but efforts should be made to ensure that disabled people are not forced to use up everything they have saved into their ABC-D account to finance ‘transition’.

Recommendation: The primary objective of ABC-D accounts should be to create an asset for the child that supports them through ‘transition’ and stays with them into adulthood. ABC-D accounts should not be viewed solely as a means of accumulating assets to be disposed of in their entirety during transition: ABC-D accounts should be discounted when calculating eligibility for means-tested benefits (such as adult social care). Government should explore how additional support – alongside ABC-D accounts – such as the provision of targeted advice services to plan effectively for transition can be delivered to ensure disabled young people are in a position to shape their own future.

4.2 Right to Control Ready

Through Direct payments and The Right to Control legislation, disabled people will not only experience more flexibility and choice in how their care is delivered, how they interact with their personal finances will – in many cases – be radically transformed. Yet current provision is unsuitable and current preparation (financial capability) inadequate. Currently disabled people have poor access to affordable credit (largely because benefits are not considered by mainstream banks to be an income that can be borrowed against). Disabled people must use personal accounts to manage their direct payments: where disabled account holders are acting as employers and making a high number of transactions each month, a financial product that resembled a business account may be far more suitable.

Recommendation: The teaching of financial capability should be put at the heart of ABC-D accounts. While many ‘disabled people are best placed to decide what support they need to achieve their aspirations’,¹³ managing a budget to purchase that support requires a certain degree of financial capability and the right financial products. The degree to which previous asset-building initiatives such as Child Trust Funds have been linked to financial capability programmes have been limited. Providers of the ABC-D accounts, the newly created Money Advice Service from the Financial Services Authority (FSA), and social enterprises and charities should work to deliver effective and tailored financial capability programmes to teach disabled young people financial skills to adequately prepare them for managing their budget and direct payments under the Right to Control. These financial capability programmes could be delivered at fixed points within the timespan of ABC-D accounts, or during transition.

Recommendation: ABC-D accounts should automatically transform into a Right to Control-ready account when the holder turns 18 years old. Right to Control-ready accounts should be co-designed by financial service providers, disability organisations and government. It should meet the needs of disabled people receiving direct payments: access to credit (potentially borrowed against future direct payments), ability to handle a high number of financial transactions, and the option of choosing a managed account to prevent excessive anxiety over finances. When the ABC-D account transforms into a Right to Control-ready account, clear and accessible information on suitable savings products for disabled adults should also be provided, potentially by the new Money Advice Service.

Recommendation: Government, together with financial providers and disability groups, should explore the potential for delivering co-operative models of banking for disabled people receiving direct payments. High Street banking models tend to standardise operations across their network by way of a “single customer view”. Consequently, there is little differentiation according to needs of different communities or different segments of the population, including the specific needs of disabled people. **Government should explore the potential for Right to Control ready accounts to be delivered in the context of mutual and co-operative banking, where account holders combine their power to negotiate more attractive deals or interest rates with businesses (e.g. utility companies, retailers of disability-specific equipment, and supermarkets).**

13. Office for Disability Issues, *Good practice guide for delivering the Right to Control, Guidance for front line staff* (ODI, London, 2010), p3

Part One: The Cost of Living with a Disability

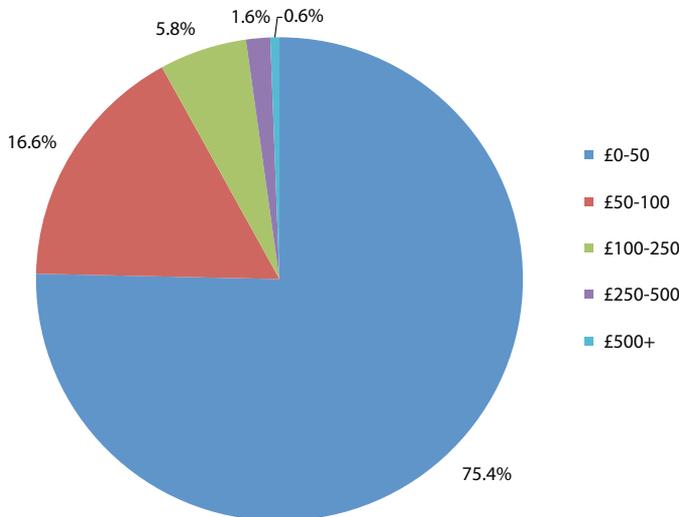
Living with an impairment or health condition is expensive. Disabled people are almost twice as likely to live in poverty as non-disabled people; 29 per cent of disabled households lived with incomes below 60 per cent of the median — the official poverty line — compared with 17 per cent of non-disabled households.^[14] A major reason for this is because the cost of living for disabled people is considerably higher than that of non-disabled people. The social model of disability identifies the barriers disabled people face – environmental, social, cultural and financial – as being created by society. For example, in calculating the additional costs that disabled people incur, we must consider the source of this extra cost; be it the reliance on taxis, because of inaccessible local public transport, streets and buildings, higher rent rates, due to the limited availability of accessible housing, or increased expenditure on utilities as a result of needing to use washing machines and heating appliances more frequently.

“The main problem is that at the end of each month after paying the bills and food there is nothing left” – Respondent to Scope’s Money Matters Survey 2010

This true cost of living with a disability often goes unacknowledged by policymakers and welfare provision. As the National Equality Panel (2010) observes, working age disabled adults have a median equivalent net income 30 per cent below that for other working age adults, yet this income measure includes social security benefits, including those paid to disabled people on the grounds that they face extra costs in achieving a given standard of living compared to non-disabled people. (If Extra Costs Benefits are excluded from net income, the net income of disabled people is reduced by more than 10 per cent, and their poverty rate would be 5 per cent more than under the usual definition).^[15]

Fig. 1

How much do disabled people spend each month on specialist equipment?



Source: Wood & Grant, *Counting the Cost* (Demos, London, 2010) p66

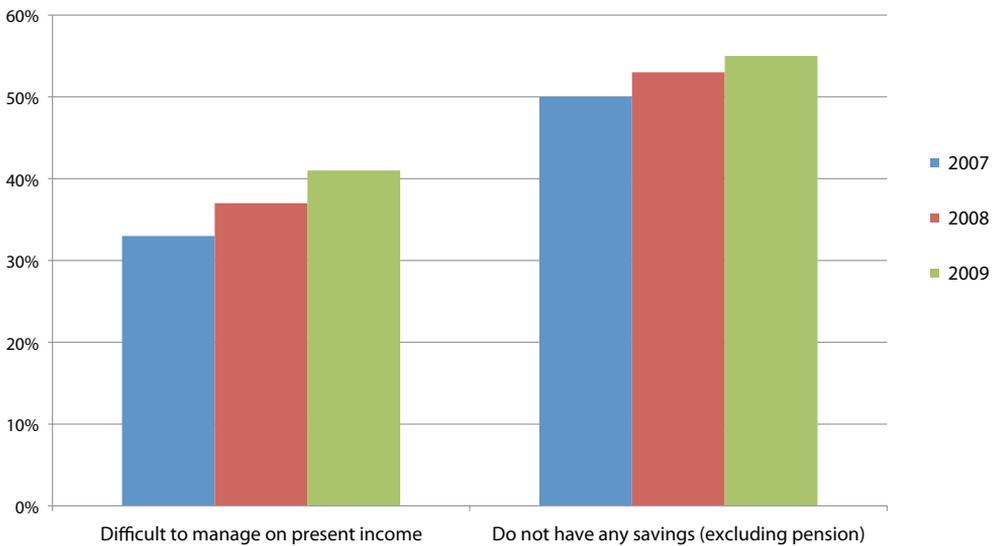
14. Guy Parckar, *Disability poverty in the UK* (Leonard Cheshire Disability, London, 2008) p3

15. National Equality Panel, *An anatomy of economic inequality in the UK: summary* (Government Equalities Office, London, 2010) p20

Wood and Grant (2010) point out that “many items essential for managing a variety of conditions are not provided by the state, or acquiring them through statutory services is prohibitively difficult or takes too long.”^[16] As a result of the lack of acknowledgement of the real cost of living with an impairment or health condition, it could be argued that twice as many disabled people live below the poverty line than official figures suggest: 4.7 million rather than the 2.3 million disabled people that the Government currently estimates.^[17] Whether it’s paying for a stair lift or a hydraulic bath, a taxi - because local public transport systems are inaccessible - or a sign language interpreter, these extra costs can have a destabilising effect on disabled people’s disposable income, leaving them at much higher risk of poverty and financial exclusion. The combination of higher costs of living and inadequate income to cover outgoings means that the vast majority of disabled people are ill-equipped to cope with even relatively small changes to their income or circumstances.

Fig. 2

Increasing levels of difficulty in managing on present income and saving amongst disabled people
(percentage)



Source: Leonard Cheshire Disability Reviews, 2007, 2008, 2009

In times of need, most people would typically turn to one of three sources of support: family, personal savings or the state. But for many disabled people, a welfare system focussed predominantly on income has not given them the chance to become more self-reliant by accumulating savings or another form of asset to assist them during times of financial difficulties. As a result they are more dependent on the state increasing benefits to compensate for increased need (through income benefits, allowances and special funds).

16. Wood & Grant, *Counting the Cost* (Demos, London, 2010) p36

17. Wood & Grant, *Counting the Cost* (Demos, London, 2010), p16

“Cost of living rising faster than benefits. Lack of ability to save due to no spare cash after outgoings. Constant battle to try and avoid going deeper into debt. Lack of provision for later years in life.” – Respondent to Scope’s Money Matters Survey 2010

More than one third of disabled people have no savings.^[18] Interestingly, in a 2010 survey of disabled people, 29 per cent of respondents felt that they had no savings because they were unemployed^[19]; yet the evidence suggests that the likelihood of a disabled person being in debt actually increases if they are in full-time work: 44 per cent of disabled people who worked full-time were in debt, considerably more than the 33 per cent of unemployed disabled people.^[20] This may well be because of being able to access credit, once in-work; additionally, there are significant extra disability-related costs that arise directly from being in employment.

To alleviate financial hardship, most Government policies have been focused on income measures, utilising either universal methods such as child benefit or targeted ones such as income support. The modern welfare state has been primarily focused on raising levels of income across society, while trying to reduce income inequality at the same time. Ensuring that everyone has enough resources to sustain themselves and not fall into destitution at any given time is perhaps the fundamental responsibility of the welfare state. Yet despite these efforts, the median individual income for disabled men is £157, half the £316 for non-disabled men. For women the figures are £131 and £198 respectively. At the bottom end of the income scale, a tenth of disabled men have individual incomes below £59 per week, and a tenth of disabled women have incomes below £31 per week.^[21]

A narrow reliance on income, as opposed to the stability and versatility that an asset might provide, means that people are often affected disproportionately by relatively small disruptions to their finances. By approaching citizen welfare only through income measures, these interventions are short-sighted, as income is, by its very definition, a short term measure limited to providing or guaranteeing a certain (often low) level of resources over a limited period of time, for example, while one is unemployed.

These measures do little to help recipients move on from their current situation, to help them become more financially self-reliant and to provide a key element of financial and psychological support for those moving back into work (and who are worried about the impact employment will have on their levels of income). So far, relatively little attention has been paid to the generation and distribution of assets.

18. Scope, *Money Matters Survey* (2010)

19. Scope, *Money Matters Survey* (2010)

20. Wood & Grant, *Counting the Cost* (Demos, London, 2010), p94

21. National Equality Panel, *An anatomy of economic inequality in the UK* (Government Equalities Office, London, 2010) p161

Part Two: The Importance of Assets

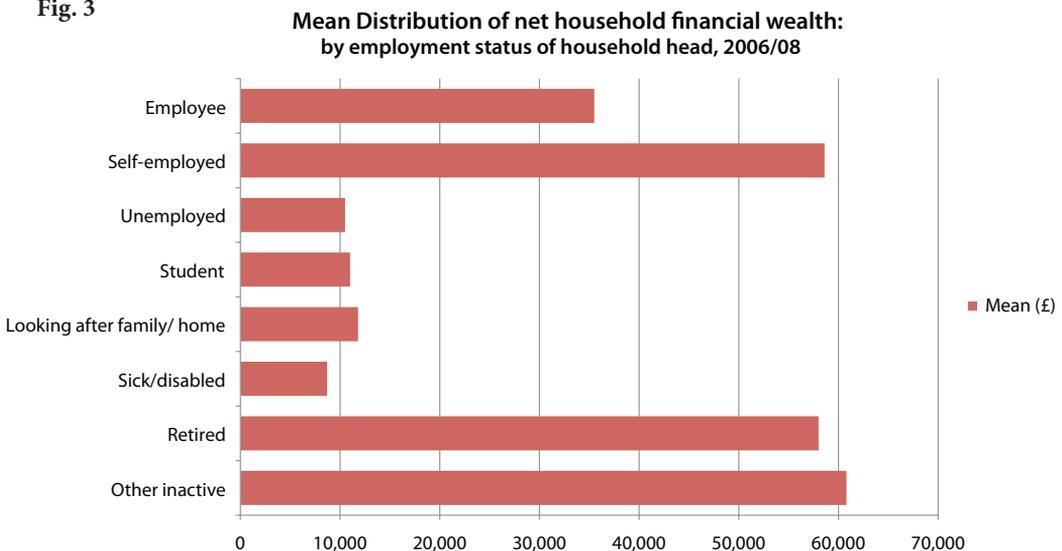
Assets matter – for assets and asset welfare represent the distribution of economic resources which are sustained over time. Assets can take many forms, from liquid savings to home ownership to investments, in essence anything that can be owned and exchanged. The important aspect of assets is that they represent ownership of a positive economic value. In contrast, a lack of assets means one is dependent on others, a situation which disabled people find themselves in all too often.

“Our daughter, who lives in a supported tenancy with 2 other young ladies, run by social services... is 25 years old with severe learning disabilities. I manage her money for her, at the moment her benefits do not meet her financial needs so we “sub” her as & when is needed. We are just in the process of looking at how we can get her financial needs meet, because if we weren't here, who would do this? This is a big worry for us-her future.” - Respondent to Scope's Money Matters Survey 2010

Over the last few years a new approach to social policy - welfare policy in particular - has started to gain ground both in the UK and internationally; known as ‘asset-based welfare policy’, it implicates Government in fostering saving and asset building to overcome asset inequality and its negative consequences.^[22]

An ownership approach to social policy – where income and benefits is seen not only as an end in itself, but as a means to building crucial assets and furthering economic participation – can challenge the startling asset inequality currently prevailing in modern Britain. As the table below shows, UK households with the lowest levels of net financial wealth are headed by a sick or disabled adult, a home-maker, an unemployed person or a student.

Fig. 3



Source: Office of National Statistics ^[23]

22. See Prabhakar, *The Development of Asset-based Welfare: the case of the Child Trust Fund in the UK* (London School of Economics and The Open University, 2010, available at <https://www.treasury.govt.nz/publications/media-speeches/guestlectures/pdfs/tgls-prabhakar-p-june10.pdf>)

23. Office for National Statistics, *Wealth in Great Britain: Main Results from the Wealth and Assets Survey 2006/08* (2009) p35

Income support is necessary for people to just get by, but only assets can enable people to improve their circumstances over the long term. Assets can have positive psychological outcomes on individuals and families; people can feel more confident about their present situation, more emboldened to take risks and more empowered to think and plan for a future they themselves might shape.^[24]

For disabled children, the possession of an asset during the period of ‘transition’ - the stage in a disabled person’s life, between the ages of 14 and 25, when they take decisions about their future and undergo often substantial changes in their lives – could mean the difference between having the opportunity to shape their future and being left in a vulnerable position heavily reliant on state support. Asset building can insulate against the fluctuations of income and changes to circumstances that characterise ‘transition’ by fulfilling what Robson terms, “the financial adage that we should all have at least three months current living expenses in liquid financial assets.”^[25]

Transition

The period of transition is experienced by all young people, but for disabled young people, though their aspirations and wishes may be similar to everyone else, they may face particular challenges: for example, in some cases, what most people take for granted - such as meeting up with friends, considering whether to apply for university or whether to move out of the family home - may be unattainable for some disabled people without the possession of assets. Without assets, disabled people are in the vulnerable position of being reliant on state support to help them fulfil their aspirations.

This report uses the word ‘transition’ to refer to the following situations experienced by young disabled people:

- Between the ages of 16 and 19, responsibility for supporting disabled young people passes from children’s services to adults’ services. For instance, a disabled young person may be transferred from paediatric to adult health services at the age of 16, and then from child to adult social care at the age of 18. The criteria for who is eligible for support also vary. In some cases, individuals who have received extra support at school find that they are not eligible for assistance from social services immediately after they turn 18.^[26]
- The transition from school to further or higher education generally takes place between the ages of 16 and 19. Many disabled young people attend a further education college or university, though their choice of course and institution may be limited by accessibility and the support available. It will soon be compulsory for all young people to remain in education or training until the age of 18. This means an added emphasis on ensuring that adequate support is available to those making the transition to further education.

24. For details on the asset agenda and asset-based welfare policies, see Blond & Gruescu, *Asset Building for Children – Creating a new civic savings platform for young people* (ResPublica, London, 2010), pp13-21.

25. Robson & Nares (eds.), *Wealth and Well-being/Ownership and Opportunity: New Directions in Social Policy for Canada* (SEDI, North York, 2006), p32

26. McGrath & Yeowart, *Rights of Passage: Supporting disabled young people through the transition to adulthood* (New Philanthropy Capital, London, 2009), p7

- After leaving school, college or university, many disabled young people explore how they can participate and contribute to society: for some that may mean paid or voluntary work; for others, it may mean living independently in their community. Ensuring disabled young people are given the right support is essential.
- Young people who have been living in a residential school or college may have to live with their parents after they leave. Alternatively, they may move into their own flat and live there with regular support, or move into supported housing run by a charity or local authority.

At the age of 18, disabled young people are transferred from children's social care to adult social care. This transition can often be abrupt, as the differing eligibility criteria between the two services suddenly mean that people no longer receive support they had come to rely upon (unless the services can be subsidised through personal or family savings). For those who are still eligible for social care, the provision of that care is means-tested, meaning that they will have their income and assets taken into account in calculations to determine how much they must contribute financially towards their care. The result is that the greater their savings, the greater their contribution, and so there is a distinct lack of incentive for disabled people and their families to save.

The Government has acknowledged that many disabled young people undergo a “cliff edge” experience during these moments of transition. For those who have enjoyed independence at a special residential school, leaving education can mean relying once again upon their parents and enjoying less contact with friends. In this scenario it is not only the life of the disabled person that is transformed, the parents – one or both – may have to give up full-time work to become carers, which has negative knock-on effects for household income levels.

There is Government recognition of the need for support during transition, but as of 2008, only one third of local areas provided young people with access to a key worker or lead professional to coordinate their transition process.^[27] In the same year, the Connexions service, which supports young people with a learning difficulty or disability through transition and into further education, training and work up to the age of 25, did not know the status of 31 per cent of their clients.^[28] As a report by New Philanthropy Capital points out:

...many disabled young people get lost in the no man's land between children's and adults' services, suddenly cut off from the support and services they received only a few weeks before. Some young people receive help with their special educational needs at school, then find at the age of 18 that they are no longer eligible to receive this help from the state.^[29]

Without the possession of assets the transition between child and adult services can often mean that disabled young people are only able to exercise limited or indeed no influence over their immediate futures. Without an asset they are less able to adapt to their changed circumstances;

27. National Transition Support Team, *The Self Assessment Questionnaire: update on returns* (2009, available at <http://www.transitionssupportprogramme.org.uk/pdf/SAQ%20briefing%20March%202009.pdf>) p3

28. National Audit Office, *Supporting people with autism through adulthood* (NAO, London, 2009) p8

29. McGrath & Yeowart, *Rights of Passage: Supporting disabled young people through the transition to adulthood* (New Philanthropy Capital, London, 2009), p1

they may be unable to purchase specific support equipment or fund a place on a supportive programme such as a 'travel training' programme^[30], which teaches disabled young people to use public transport such as a local bus route in order to avoid the costs of private taxis or having to rely on parents and carers to drive them.

Making financial provisions for this difficult time is paramount. However, the very structure of support and eligibility for services creates a perverse incentive for families to shed their savings or not try to save in the first place: 'the social care charging system can provide an active disincentive to saving for many disabled people – a disincentive that can be present throughout their entire lives.'^[31]

"I worry about my daughter, who has cerebral palsy. As far as I can tell there's little point in us making provision for her future, because any money or assets she has in later life will mean she is ineligible for help with her personal care needs etc. I am not sure whether she will be independent as an adult" – Respondent to Scope's Money Matters Survey 2010

"I am not allowed to save money when I can as my benefits will be cut if I go over £6000. This means I cannot save for the future and will have no real security for when I am on my own, and my family are gone." – Respondent to Scope's Money Matters Survey 2010

However, as demonstrated in previous chapters, receiving even full disability-related benefits does not necessarily mean that all the costs of living with a disability are met. For disabled people to cover these costs is extremely difficult: they have low levels of savings, high levels of indebtedness, have poor access to credit and consequently experience high levels of anxiety about financial control. A 2010 survey found that 19.1 per cent of respondents were not very confident in managing their finances, and 5.8 per cent were not confident at all. 77.7 per cent of respondents worried often or very often about their finances.^[32]

Mainstream banks tend not to lend money based on benefits income, despite benefits payments being relatively reliable. As a result there are few mechanisms to access affordable credit in an emergency in order to cover unexpected costs. Even for less unexpected events such as transition, disabled people have little means of accumulating assets in preparation.

Government should consider the fact that the benefits of providing support to disabled people – in this case, the active encouraging of asset-building – vastly outweigh the cost. To take one example, the costs of providing advocacy support to help disabled individuals remain in employment are considerably less than the financial gains made by individuals through salary retention and their application for other entitlements, in addition to the costs that would be incurred by the Exchequer if the service were not in place and the recipient of the service became unemployed (with the consequent requirement of benefit payments and a loss in tax revenues).^[33]

30. See Department for Transport, *Travel Training Discussion Document and Strategy Outline* (DfT, London, 2008)

31. Parckar, *Disability poverty in the UK* (Leonard Cheshire Disability, London, 2008) p5

32. Scope, *Money Matters Survey* (2010)

33. Office for Disability Issues, *The costs and benefits of independent living: Executive Summary* (ODI, London, 2007, available at <http://odi.dwp.gov.uk/docs/res/ill/costs-benefits-summary.pdf>) p8

To be able to live independent and fulfilling lives, disabled people must be able to plan for the future. If they are able to do this, it is not only the individual who benefits: for example, the Government Office for Disability Issues found ‘particular evidence at service delivery level... highlighting the higher costs of NHS and institutional provision compared to Independent Support mechanisms such as Direct Payments.’^[34]

An asset-building strategy that begins at birth, creates an asset to support the child through transition into adulthood, and endures after this period, is the key to increasing the resilience of disabled people and broadening their horizons. Asset ownership would provide a certain degree of economic independence; it would grant owners the capital to take positive risks, be it the costs of education or moving into a new home, and it would provide adequate support to disabled people in order to chart out their own futures and be less dependent on external factors such as state support. Above all, asset ownership would tackle the financial vulnerability that many disabled people experience, where they are reliant on income which barely covers their expenditure.

Welfare Reform

The welfare reform bill (2011) set a government target of cutting annual spending on the Disability Living Allowance (DLA) by £2.1bn from more than £12bn. It is estimated that the change in upratings of disability benefits will cost families with disabled children £3,000 each by 2015; similarly, couples in which one partner acts as a carer for their disabled partner will be £3,000 worse off by the end of the current parliament.^[35] Of the 1.5 million people currently receiving Incapacity Benefit who are due to be reassessed at any point here on, some will move onto jobseekers allowance (JSA), others will move onto other benefits such as the new Employment and Support Allowance (ESA) - for anyone who cannot work due to their impairment or health condition. ESA is paid at one of two rates: the Support Group (£96.85) is for those who cannot work due to their health; the Work-Related Activity Group (£91.40) is for those who would be expected to be able to move into work in future, with adequate support. A significant number of claimants of incapacity benefit are expected to move off benefits altogether.

Under the welfare bill, disabled young people will also face the impact of the removal of the youth provision from contributory Employment and Support Allowance, a benefit for unemployed disabled people who have paid sufficient National Insurance (NI). While many disabled adults with more complex needs will continue to receive this benefit, regardless of their household income, the eligibility of disabled young people will be means-tested according to the income of the household in which they live. It is estimated that by 2015/16, approximately 15,000 disabled people will see this benefit reduced by £25 per week and approximately 1,500 disabled people will receive nothing at all.^[36] Due to changes in housing benefit, the Department for Work and Pensions predict that approximately 450,000 disabled people will experience a cut to their incomes, leave those affected £13 a week worse off on average.^[37]

34. Office for Disability Issues, *The costs and benefits of independent living: Executive Summary* (ODI, London, 2007, available at <http://odi.dwp.gov.uk/docs/res/il/costs-benefits-summary.pdf>) p6

35. Wood & Grant, *Destination Unknown* (Demos, London, 2010) p88

36. Left Foot Forward, *'Simplification' leads to severely disabled young people's benefits being cut* (18 February 2011, available at <http://www.leftfootforward.org/2011/02/impact-of-welfare-reform-bill/>)

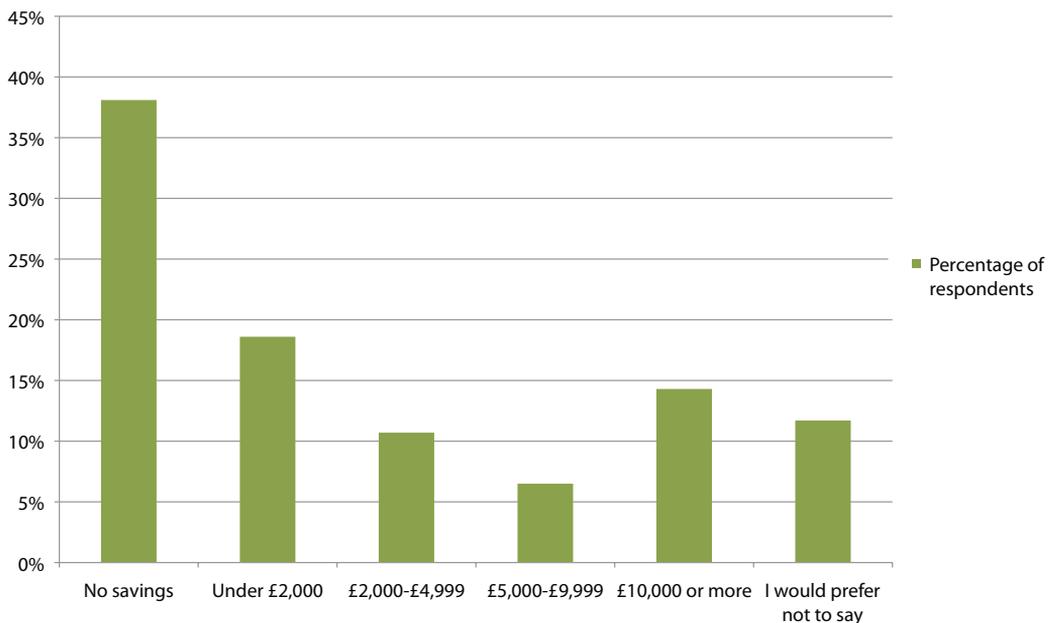
37. DWP, *Spending Review 2010: Summary – Disabled people* (available at <http://www.dwp.gov.uk/adviser/updates/spending-review-2010/>)

In social care, the significant reduction in the budgets of local councils announced in the Comprehensive Spending Review (7.1% every year for four years which amounts to approximately £28.4 billion) increases the possibility that councils will be forced to raise the eligibility for support to those deemed to have “substantial” or “critical” levels of need. There are currently almost two million people receiving social care in England, set to rise to around 3.7 million by 2029. Already in 2009, moves by councils to realise efficiency savings resulted in 72 per cent of councils restricting access to free social care to those with “substantial” or “critical” needs only.^[38] As a consequence many disabled people currently living independently in the community with support will be forced into costly residential services. Similarly, disabled people reliant on local social care services as a prerequisite to employment - for assistance with getting out of bed, dressing, bathing and eating - may be forced to leave their jobs as these types of care are withdrawn.

The legacy of an income-focussed welfare policy is a situation in which disabled people are financially vulnerable to changes in welfare policy and the scaling back of public services. The status quo has failed to provide disabled people with the means to be resilient and self-supporting. Instead they are asset-poor and fully exposed to even minor fluctuations in their income or changes to their circumstances.

Fig. 4

(Survey of disabled people) Do you or your family have savings?



Source: Scope, Money Matters Survey, 2010

38. Care Quality Commission, *The state of health care and adult social care in England—Key themes and quality of services in 2009* (CQC, London, 2010) p15

Without the resilience and flexibility offered by an asset, disabled people – already somewhat financially vulnerable – will be left more vulnerable still: to borrow money from (often high cost) lenders to continue their social care cannot be considered sustainable and a 2009 survey of disabled people found that 50% of respondents with incomes of less than £100 per week who needed social care were already paying towards the costs of that care.^[39]

Unpaid social care, undertaken by six million people in the UK caring for a sick, frail or disabled relative, partner or friend, is estimated to save the state around £87bn per year,^[40] but with 70 per cent of carers claiming that they had not had a week's holiday or free time in the past year and 64 per cent saying they were sometimes unable to cope,^[41] there is clearly limited capacity to meet what will be an increase in demand.

The possession of an asset would provide the means for disabled people to be more able to meet unanticipated expenditure, whether responding to occasions when their social care needs increase and they need to pay for more hours of care, purchasing specialist equipment or adapting to the consequences of welfare reform. With only income to rely upon, adapting to these challenges becomes far harder.

39. Gore & Parckar, *Disability and the Downturn* (Leonard Cheshire Disability, London, 2009) p4

40. University of Leeds study for Carers UK, *Valuing Carers: calculating the value of unpaid care* (2008) p1

41. Macmillan, *Carers can't afford to be ill* (press release, 9 June 2008, available at http://www.macmillan.org.uk/Aboutus/News/Latest_News/Carers_cant_afford_to_be_ill.aspx)

Part Three: The Opportunities

Independent Living (IL) is a policy concept that focuses on supporting disabled people to live independent lives and experience choice and control over the way in which their care is delivered. Through Direct payments and The Right to Control legislation, disabled people will experience more flexibility and choice in how their care is delivered, and how they interact with their personal finances will – in many cases – be radically transformed. For example, there is the potential for people currently in full-time residential care – where they have little control over what time they eat their meals, what activities they do and who they see – to move into independent accommodation and become employers of social carers and personal assistants; operating bank accounts to receive their benefits and pay their employees, viewing their monthly statements and managing their finances. The potential of this policy to transform the lives of disabled people is considerable, taking a group of people that have been historically marginalised and dependent on state support and putting them in a position they have never been in before.

The opportunities of Independent Living may be vast, but without adequate support and financial capability, the full potential of this policy may go unrealised. Disabled people will require heightened levels of financial capability in order to manage their money prudently and effectively; they will require financial products that meet their needs; and they will need to possess assets and have the means to borrow in cases of emergency without incurring high interest rates or other penalties. Just as the Government's Office for Disability Issues (ODI) claims that Independent Living options are often more cost effective than conventional systems of support,^[42] asset building is a more effective strategy for poverty alleviation and building independence than the passive receipt of income welfare. This is why asset-building initiatives, beginning in childhood, are so important.

The Right to Control

Under The Right to Control policy and legislation (Welfare Reform Act 2009), following an assessment of their support needs, a disabled person receives money directly from the state so that they can have choice and control over a single budget allocated to meet agreed outcomes.^[43] The policy is billed as shifting 'the balance of power from the state to the individual, assisting disabled people to achieve better outcomes from the support they currently receive.'^[44]

The Right to Control customer journey involves six steps:

1. notify the disabled person about their Right to Control
2. work with the disabled person or their appointed representative to develop a support plan
3. include specified details in the support plan
4. take into account the wishes of the disabled person as they work together to develop a support plan
5. provide services and/or direct payments in accordance with the support plan, and
6. review support plans.^[45]

42. Office for Disability Issues, *The costs and benefits of independent living: Executive Summary* (ODI, London, 2007, available at <http://odi.dwp.gov.uk/docs/res/il/costs-benefits-summary.pdf>) p8

43. Office for Disability Issues, *Good practice guide for delivering the Right to Control, Guidance for front line staff* (ODI, London, 2010), p3

44. Office for Disability Issues, *Good practice guide for delivering the Right to Control, Guidance for front line staff* (ODI, London, 2010), p3

45. Office for Disability Issues, *Good practice guide for delivering the Right to Control, Guidance for front line staff* (ODI, London, 2010), p4

The Right to Control grants disabled people the right to use their allocated budget in a number of ways. They can, if they wish, continue with their existing services if they are happy with them. They can also request that the relevant public body arrange for services or equipment that they need (as far as it is reasonably practicable to do so), or they can opt to receive a cash payment and buy services or equipment and support themselves. There is also flexibility to allow a combination of services or equipment arranged on their behalf as well as a cash payment.^[46]

Direct Payments

Direct payments are cash payments made to individuals who have been assessed by the relevant authorities as needing services, and who wish to arrange and pay for their own care and support services instead of receiving them directly from the local council. In order to qualify for direct payments, the recipient must give their consent to receiving the payments and be able to manage them (even if they need help to do this on a day-to-day basis).

Direct payments can be made to a willing and appropriate 'suitable person', such as a family member or friend, who receives and manages the payments on behalf of the person who lacks capacity (such as adults with head injuries and some people with dementia). Children with highly complex needs moving into adulthood, who would previously have lost the direct payments they received as a child, can continue to receive them on reaching the age of 18.^[47]

Direct payments can be made directly into bank, building society, Post Office or National Savings accounts. However, there are a number of issues with the current range of financial products on offer to disabled people receiving direct payments:

- In many cases personal bank accounts are unsuitable for the management of direct payments: where disabled account holders are acting as employers and making a large number of transactions each month, a financial product that resembles a business account may be more suitable.
- Poor access to affordable credit. With direct payments categorised as benefits, the scope for account holders to borrow money to cover unexpected events or the purchase of specialist equipment is limited.
- Consequently, some account holders may come to rely on an overdraft facility. This can lead to the incurring of considerable penalty fees and high levels of anxiety over financial control.

The provision of specific 'Right to Control' accounts is one solution to these issues, where the Government encourages mainstream financial service providers (high street banks, post office etc) to offer products tailored to the needs of disabled people receiving direct payments. However, a policy of actively promoting wider asset ownership amongst disabled people is also required, to bolster the independence and flexibility of disabled people receiving direct payments.

46. Office for Disability Issues, *Good practice guide for delivering the Right to Control, Guidance for front line staff* (ODI, London, 2010), p9

47. Department of Health, *A summary of changes to direct payments* (DH, London, 2009, available at http://www.dh.gov.uk/prod_consum_dh/groups/dh_digitalassets/documents/digitalasset/dh_107263.pdf) p1

The Government's Office for Disability Issues states that '[disabled] people need to be allowed and encouraged to use their [Right to Control] budget flexibly.'^[48] Direct payments would make an ideal mechanism for the delivery of an asset-building strategy for disabled children (and adults). If 'agreed outcomes' was extended to asset-building under The Right to Control legislation, disabled people, working together with the relevant authorities, could be supported in building an asset which would put them in control of their lives. Chapters 1 and 2 have highlighted the vulnerability of disabled people to sudden – even small – changes to their circumstances; the uncertainty and 'cliff edge' experience of the transition period; the widespread lack of savings and insufficient income amongst disabled people which means they are less able to cope with those challenges, and the negative social impact that this financially insecure situation often produces. In its current guise, direct payments - while undoubtedly more dynamic - remains an income-based method of support.

Asset ownership is a valid objective in the context of improving disabled peoples' lives and giving them more independence, resilience and responsibility. Asset ownership would help disabled people cope with the issues which prove so challenging in the context of a responsive, purely income-based welfare system, such as the reconfiguration of housing benefit, the withdrawal of mobility allowances, or the re-indexation of benefits according to the Consumer Price Index (CPI). It would assist disabled people in dealing with the fluctuations of income and outgoings, from being able to pay for higher heating bills in the winter, to purchasing new equipment, clothing or specialist food, or even to pay for a holiday or day out.

[My biggest fear is] "not having anything to spare when things happen unexpectedly, for example car problems - events - trips or activities that I have not planned for" – Respondent to Scope's Money Matters Survey 2010

Financial capability

The Right to Control policy is 'built on evidence that disabled people are best placed to decide what support they need to achieve their aspirations.'^[49] However, while many disabled people are undoubtedly best placed to decide what support they need, managing a budget to purchase that support requires a certain degree of financial capability.

FSA research suggests that 15-19 years old is the age at which people generally start to engage with, and take more of an interest in, financial services.^[50] A survey of 15-19 years old finds that 88% of them claim that their parents are an important influence on their decisions regarding money, while 45% claim that their parents are their most used source of information concerning money.^[51] An acknowledgement of how the family unit, close friends and peer groups, and the wider community influence young people's financial decision-making is beginning to influence approaches to increasing financial capability, but this area of thinking remains at an early stage.

48. Office for Disability Issues, *Good practice guide for delivering the Right to Control, Guidance for front line staff* (ODI, London, 2010), p26

49. Office for Disability Issues, *Good practice guide for delivering the Right to Control, Guidance for front line staff* (ODI, London, 2010), p3

50. Financial Services Authority, *Young people and financial matters: Consumer Research* (FSA, London, 2004, available at <http://www.fsa.gov.uk/pubs/consumer-research/crpr25.pdf>) p4

51. Financial Services Authority, *Young people and financial matters: Consumer Research* (FSA, London, 2004, available at <http://www.fsa.gov.uk/pubs/consumer-research/crpr25.pdf>) p13

The CFEB Financial Capability targets for 2009/10 recognise the importance of teaching financial capability to new parents. The 'Parent's Guide to Money' aims to make new parents 'more aware of the financial implications of parenthood.'^[52] Through the distribution of 400,000 copies of the Parent's Guide to Money the scheme will "strengthen relationships with midwives, Children's Centres and Sure Start Centres and embed the guide as a key and necessary resource for new parents.' Families with disabled children know little about the relation between disability and finance, and the small amount of information and advice that could be made available to them is not widely available nor actively promoted by Government.

Financial capability – the ability to manage income and outgoings – is vitally important to the success of the Right to Control agenda. Disabled people need to be able to budget effectively.

"I once got myself into such a state worrying about finances etc that I didn't open any post for over 18 months. By the time that I got help to be able to face it I was in such a mess financially that I ended up having to declare myself bankrupt." – Respondent to Scope's Money Matters Survey 2010

The Right to Control legislation explicitly recognises the importance of not making assumptions about a person's capacity without following proper procedures and using Mental Health Foundation's Assessment of Mental Capacity Audit Tool.^[53] The regulations and statutory guidance will set out clearly how the Right to Control can be delivered where a person lacks capacity.

However, this is not just an issue of assessing mental capacity. Levels of financial capability amongst the UK population are low. A 2006 financial capability survey by the Consumer Finance Education Body (CFEB) found that even after lower incomes and limited experience are taken into account, those in the 18-40 age group are less financially capable than their elders.^[54] Financial capability amongst disabled people is vitally important because The Right to Control legislation will in many cases transform disabled people from (passive) recipients of services into active employers, with all the money management skills and legal obligations that this demands.

"My adult son has no awareness at all of financial matters, and the authorities assume that families will take on the task of managing finances and sizeable care packages with no advice or training." – Respondent to Scope's Money Matters Survey 2010

Asset-building and financial capability: these two features should be at the heart of the Government's approach to supporting disabled people through a time of change and uncertainty.

Junior ISAs

The Coalition government has announced that a new savings product for children, the Junior ISA, will be rolled out in autumn 2011. There will be two different types of Junior ISA: The Junior Cash ISA and the Stocks and Shares Junior ISA. Each account is set to have an overarching contributing limit of £3,000 per year. All returns will be tax-free funds placed in an account owned by the child, who will not be able to access the funds until they turn 18 years old.

52. Consumer Finance Education Body, *Financial Capability Targets for 2009/10* (CFEB, London, 2009) p6

53. Office for Disability Issues, *Good practice guide for delivering the Right to Control, Guidance for front line staff* (ODI, London, 2010), p30

54. Financial Services Authority, *Financial Capability in the UK, Establishing a Baseline* (FSA, London, 2006) p3

There have been two previous government initiatives that related to asset-building for disabled people. The Child Trust Fund (CTF) was a tax-free savings account that allowed family members to invest in an account that would mature at the child's eighteenth birthday.^[55] The Government made two set lump sum contributions to these accounts and additional payments were made for disabled children (the 'disability premium').

A second initiative, the Saving Gateway, a pilot programme designed to help people on low income to kick-start a saving habit by employing matched funding as an incentive, ran in different cities for 18 months between 2005 and 2007. Many of the intended beneficiaries of this programme were disabled people on out-of-work benefits.

The two previous asset-building initiatives – Child Trust Funds and the Saving Gateway – were not a panacea to all the obstacles standing in the way of increased financial inclusion and asset ownership amongst disabled people. There are lessons to be drawn from the experience of each initiative, which could help to inform the design and delivery of Junior ISAs to ensure that this financial product meets the specific needs of disabled children and reflects an understanding of the specific financial problems they face.

Although not all details have been finalised there are set to be clear differences between Junior ISAs and Child Trust Funds (and the Saving Gateway), one of which will be that there will be no Government contributions to the Junior ISA. In this context, the lessons to draw from evaluations of the Saving Gateway pilot schemes were that Government contributions to savings accounts are not the only driver of successful saving, particularly amongst the poorest people. The evaluations found that engagement and financial inclusion programmes which accompanied the Saving Gateway pilots were crucial to the latter's success, especially amongst the disadvantaged.^[56] Successful international programmes to incentivise people to save also incorporate measures to boost engagement and increase financial capability.^[57] Investment in education and financial training, with a focus on linking low-income individuals and communities with local non-profit agencies and financial institutions, is widely seen as an important, perhaps even decisive, addition to targeted asset-building products, especially for those who are most financially disadvantaged.

The previous government focussed particularly on the provision of generic financial advice services,^[58] which has led to the newly-formed Money Advice Service (formerly the Consumer Financial Education Body) launching a new national financial health-check for families.^[59] However, there were limited efforts to link the teaching of financial capability to financial products targeted at children such as Child Trust Funds. Policymakers should explore how the financial health-check initiative, combined with additional financial advice services – provided by banks, social enterprises, charities and other organisations – can be tailored to the particular needs of disabled people (covering 'transition', management of direct payments and how to cope with unexpected expenditure). These services should then be delivered alongside or through ABC-D accounts and other disabled-specific accounts.

55. See Directgov, *Child Trust Funds – the basics* (available at http://www.direct.gov.uk/en/MoneyTaxAndBenefits/ChildBenefitandChildTrustFund/ChildTrustFund/AnintroductiontotheChildTrustFund/DG_193690)

56. IpsosMori, *Saving Gateway: Following up the Second Saving Gateway Pilot Participants* (IpsosMori, London, 2009), p4

57. See Blond & Gruescu, *Asset Building for Children* (ResPublica, London, 2010), p32

58. See for example, *Thoresen Review of generic financial advice: final report* (HM Treasury, London, 2008)

59. Speech by Mark Hoban MP, Financial Secretary to the Treasury, *Promoting a Responsible Approach to Personal Finance: the Government's Vision* (14 July 2010, available at http://www.hm-treasury.gov.uk/press_26_10.htm)

Transition serves as an accurate lens with which to evaluate Child Trust Funds and highlights some of the shortcomings for disabled children of this product. Disabled people are particularly vulnerable to even the smallest fluctuation in income and as a result may find restricted access to an account (as with the Child Trust Funds) more financially unappealing than non-disabled people. One crucial element of a new savings product tailored towards disabled people would meet the need for emergency access to funds without heavy penalisation through lower interest rates, as typically savings accounts will reward savers who do not access their funds for set (long) periods with more attractive interest rates.

When the holders of Child Trust Funds turned 18 the focus was on the sum accumulated in the account, and what the holder might be able to do with it. There was less focus on what would happen after the account reached maturity and pointing account holders towards using new products that would be of use to them. For disabled people, it would be worth exploring whether savings accounts for children could automatically transform into adult accounts suitable for receiving and managing direct payments under the Right to Control. As this report has highlighted, there is a limited number of financial products on offer to disabled people who are receiving direct payments, and many of these products do not meet the specific needs of people who in some cases require functionality similar to a business account. Additionally, disabled children receiving direct payments could be given the choice of including 'asset-building' as an agreed outcome under the Right to Control, and through this mechanism being to accumulate savings that would provide support and flexibility through transition and into their adult lives.

The disincentives to save must also be addressed, in order to encourage disabled people to prepare financially for their future. Social care eligibility (to name just one example) offers clear disincentives to save, primarily through the use of means-testing. One solution to this 'fear of saving' is to discount money saved in specified child savings products from any means-testing, either during transition or afterwards – as was the ethos and intention behind the Saving Gateway scheme. This action, combined with clear information as to how savings will affect eligibility for benefits, will go some way to correcting the current disincentives to save.

A savings product which addresses the points outlined above will lay the foundations of a successful asset-building policy for disabled children which will foster more financial independence and resilience, and ultimately, prepare them for a successful transition to adulthood and a more secure and independent life. A savings product which, combined with the provision of targeted advice and support, teaches disabled children financial capability, will place them on financially sturdier footing, where they will be in a better position to more confidently navigate the changing welfare landscape and be less financially vulnerable to shocks to their income. Finally, a savings product for disabled children which – when the account holder reaches adulthood – automatically reverts to a specially designed account which meets the unique needs of someone receiving and managing direct payments, will help ensure that the full potential of the Right to Control agenda is realised.

Part Four: Recommendations – A Savings Product for Children with Disabilities: the ABC-D Account

The Government should work with providers of Junior ISAs to create a distinctive new ABC-D savings account for disabled children with the following unique features:

- Flexibility
- Eliminate the ‘Fear of Saving’
- Make Every Penny Count
- Prepare for post-18
- Preserve Savings into Adulthood
- ‘Right to Control’ ready

1. Flexibility

Disabled children will face unanticipated – and often quite considerable - expenditure. Fast and easy access to savings when confronted with unexpected expenditure is essential for disabled children. Although this measure would lead to further complexity in the operation of ABC-D accounts, it is an essential feature for disabled children and will significantly increase the attractiveness of the product.

Recommendation: Allow short-notice withdrawals from ABC-D accounts for disabled children between the ages of 15 years and 18 years, where both the parent and child consent, without penalisation through reduced interest rates.

2. Eliminate the ‘Fear of Saving’

It is counterproductive to penalise those on low incomes who have saved by reducing their benefits until they have depleted their savings. For disabled children, this means ensuring that they are incentivised to save for their adult lives without the fear that because adult social care is provided on a means-tested basis, they must use up their savings to fund their social care before they become eligible for state support. The Government has announced that Junior ISAs are set to have an upper limit for contributions of £3,000 per year.

Recommendation: ABC-D accounts should be discounted when calculating means-tested benefits and the Government should consult with representatives of disabled people in order to set a maximum limit for what can be saved into an ABC-D account. Government must eliminate the “fear of saving” by ensuring that clear and accessible information is provided to disabled young people and their parents – particularly those in receipt of benefits – to inform them of the impact that saving will have on their benefits.

3. Make Every Penny Count

The Government has ruled out public contributions to Junior ISAs. But there are other ways for public and private money to assist in asset-building. The Department for Work and Pensions wants to ensure that the £12bn spent on the Disability Living Allowance (DLA) each year “makes the most difference and that people can rely on it for years to come”. Currently, for child recipients of DLA, parents use the benefit in ways that will enhance their child’s future life chance and

opportunities. For example, using it to pay for tuition, physiotherapy and speech and language therapy, and equipment to encourage learning and stimulate response, all with a view to the future development of the child.^[60]

Recommendation: Government should explore the feasibility of re-directing the value of the VAT on expenditure which meets certain criteria (items and services which enhance the child's future life chance and opportunities) into the ABC-D account. In this way, the DLA will make a difference in the present and also create an asset that will enhance the child's future life chances. We recommend that the Government explore this option in consultation with disabled people, disability groups and retailers and service providers.

Recommendation: As part of the Big Society agenda, Government should encourage businesses that disabled people spend a disproportionate amount of their money on to make gifts-in-kind to disabled people in the form of contributions into the ABC-D account in order to boost savings. For example, disabled people often spend proportionately more on their gas and electricity bills than similar non-disabled households. In recognition of the higher bills incurred by disabled people, who in many cases spend a considerable amount of time at home, utility companies could be encouraged by government to grant small rebates of up to 10% of the bill. These rebates could only be cashed into specified savings accounts such as the ABC-D account.

4. Prepare for post-18

Previous asset-building initiatives from Government such as Child Trust Funds have focussed on creating an asset accessible to the account holder once they turn 18. There was a deliberate choice not to place restrictions on what that asset could be spent on, and there were limited efforts to link Child Trust Funds to financial capability programmes. While Government should not place restrictions on how money saved into ABC-D accounts can be spent once the account holder turns 18, the Government should not be disinterested in what happens to those savings: in the context of disabled people, whether the benefits system (and means-testing in particular) forces the money saved as a child to be shed in order to meet eligibility criteria for support, and how ABC-D accounts can best position disabled children – through the creation of assets and the teaching of financial capability - to take full advantage of the Right to Control agenda. The following two sets of recommendations are made in light of this:

4.1 Preserve Savings into Adulthood

The purpose of a savings account such as the ABC-D account is to provide children with an asset to take into adult life. However, disabled people particularly are often forced into increased expenditure during times when they experience a major transition in their life; whether that be moving from receiving children services to receiving adult services, or going from living at home to attending university. A situation in which the entire savings accumulated in the ABC-D account is used to subsidise the continuation of services, which the now-adult holder received for free as a child, must be avoided. Understandably, in a turbulent time such as 'transition' there will be unexpected and significant financial outlay, but efforts should be made to ensure that disabled people are not forced to use up everything they have saved into their ABC-D account to finance 'transition'.

60. DWP, The impact of Disability Living Allowance and Attendance Allowance: Findings from exploratory qualitative research (London, 2010, available at <http://research.dwp.gov.uk/asd/asd5/summ2009-2010/649summ.pdf>) p3

Recommendation: The primary objective of ABC-D accounts should be to create an asset for the child that supports them through ‘transition’ and stays with them into adulthood. ABC-D accounts should not be viewed solely as a means of accumulating assets to be disposed of in their entirety during transition: ABC-D accounts should be discounted when calculating eligibility for means-tested benefits (such as adult social care). Government should explore how additional support – alongside ABC-D accounts – such as the provision of targeted advice services to plan effectively for transition can be delivered to ensure disabled young people are in a position to shape their own future.

4.2 Right to Control Ready

Through Direct payments and The Right to Control legislation, disabled people will not only experience more flexibility and choice in how their care is delivered, how they interact with their personal finances will – in many cases – be radically transformed. Yet current provision is unsuitable and current preparation (financial capability) inadequate. Currently disabled people have poor access to affordable credit (largely because benefits are not considered by mainstream banks to be an income that can be borrowed against). Disabled people must use personal accounts to manage their direct payments: where disabled account holders are acting as employers and making a high number of transactions each month, a financial product that resembled a business account may be far more suitable.

Recommendation: The teaching of financial capability should be put at the heart of ABC-D accounts. While many ‘disabled people are best placed to decide what support they need to achieve their aspirations’,^[61] managing a budget to purchase that support requires a certain degree of financial capability and the right financial products. The degree to which previous asset-building initiatives such as Child Trust Funds have been linked to financial capability programmes has been limited. Providers of the ABC-D accounts, the newly created Money Advice Service from the Financial Services Authority (FSA), and social enterprises and charities should work to deliver effective and tailored financial capability programmes to teach disabled young people financial skills to adequately prepare them for managing their budget and direct payments under the Right to Control. These financial capability programmes could be delivered at fixed points within the timespan of ABC-D accounts, or during transition.

Recommendation: ABC-D accounts should automatically transform into a Right to Control-ready account when the holder turns 18 years old. Right to Control-ready accounts should be co-designed by financial service providers, disability organisations and government. It should meet the needs of disabled people receiving direct payments: access to credit (potentially borrowed against future direct payments), ability to handle a high number of financial transactions, and the option of choosing a managed account to prevent excessive anxiety over finances. When the ABC-D account transforms into a Right to Control-ready account, clear and accessible information on suitable savings products for disabled adults should also be provided, potentially by the new Money Advice Service.

61. Office for Disability Issues, *Good practice guide for delivering the Right to Control, Guidance for front line staff* (ODI, London, 2010), p3

Recommendation: Government, together with financial providers and disability groups, should explore the potential for delivering co-operative models of banking for disabled people receiving direct payments. High Street banking models tend to standardise operations across their network by way of a “single customer view”. Consequently, there is little differentiation according to needs of different communities or different segments of the population, including the specific needs of disabled people. **Government should explore the potential for Right to Control ready accounts to be delivered in the context of mutual and co-operative banking, where account holders combine their power to negotiate more attractive deals or interest rates with businesses (e.g. utility companies, retailers of disability-specific equipment, and supermarkets).**

Asset Building for Children with Disabilities - ResPublica - May 2011

scope

ResPublica
www.respublica.org.uk
Price: £15.00

Design for ResPublica by BCDesign - Paris