Money Matters on Campus: Insights into How Financial Well-Being Affects Pathways to Success

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Session Outline

• Pillars that drive student success
• Financial attitudes and behaviors before college
  • *Money Matters on Campus* study results
• How students make it work
  • Defining success
  • Insights on money management issues
  • How students feel about student loans
• Implications for institutions, researchers and financial institutions
Graduation is a success milestone for students and universities.
Money Attitudes Indicate Future Behavior
New College Students

Money Matters
ON CAMPUS

How Early Financial Attitudes, Knowledge, and High School Preparation Influence Financial Decisions

2014
Credit Card Behavior

- 29% have a credit card
- Most have more than one
- 24% have over $1,000 in credit card debt
- 4% of students have over $5,000
- 4% have been late on a credit card payment at least once
Identified 7 Key Factors

- **Cautious Financial Attitudes** – “Students should be discouraged from using credit cards”
- Indulgence for Status and Social Gain
- Utilitarian Financial Behavior
- **Debt as a Necessity** – “Debt is an integral part of today’s lifestyle”
- Possessions Providing Happiness
- **Spending Compulsion** – “I enjoy spending money on things that aren’t practical”
- Aversion to Debt
# Regression Analysis

## CAUTIOUS FINANCIAL ATTITUDES
- Following a budget (+)
- Withdrawal from college (-)
- Participate in high-risk debt behavior (-)
- Having a checking account (+)
- Paying loans on time and in-full (+)

## DEBT AS A NECESSITY
- Having a checking account (-)
- Paying loans on time and in full (-)
- Structured savings plan (-)
- Following a budget (-)
- Withdrawal from college (+)
- Being late on credit card payments (+)

## SPENDING COMPULSION
- Frequency of bank contact (-)
- Paying loans on time and in-full (-)
- High-risk debt behavior (+)
- Being late of credit card payments (+)
Risky financial behavior increases with time on campus.

**FALL SEMESTER**
First-year students are less likely to have engaged in risky behaviors.

- **Fall Semester Begins**
  - Credit Card Payment Due
- **Winter Break**
  - Added Second Credit Card
- **Spring Semester Begins**
  - Late Payment on Credit Card

**SPRING SEMESTER**
By their second semester on campus, students are more likely to have a credit card(s) and more likely to have paid their credit card bill late in the past year.
Financial education is not “one size fits all.”

**PUBLIC COLLEGES**

Students are less responsible with spending and credit cards, but (seemingly contradictory) more averse to debt.

They are also more likely than their peers at private colleges to have their own checking accounts.

**PRIVATE COLLEGES**

Students attending have the highest levels of parental education/socio-economic status, but also expect to have the highest levels of student loan debt when they leave college.

They are also more likely to have a credit card and to have gotten it earlier.
Gender

Males may score higher on tests of financial knowledge, but women still behave more responsibly overall.

**Males**
- Perform better than females on financial literacy aptitude questions...
- More likely to have their own checking account
- Have fewer credit cards
- Less anxious about not shopping

**Females**
- Behave more responsibly than males in almost every aspect of financial behavior
- More likely to have a joint account
- Have more credit cards (and got them earlier)
- More anxious about not shopping -- and more likely to get a “high” from shopping
High School Preparation

Students who received financial literacy education in high school scored significantly higher than their peers and are significantly more responsible when it comes to money.

- more responsible with loans and credit
- more financially cautious
- less accepting of debt as a necessity
- less fixated on possessions
- more averse to incurring debt

Only 17 states require high school financial education.
Intersection of Academics, Money & Social
Picking Up Knowledge About Student Decisions

• Academic, financial, and social factors are the key concerns/stressors in students’ lives.
• Graduation is a common success milestone for ALL students.
• Money management is a day-by-day activity.
• Savings is not a foreign concept.
• Don’t make decisions for students, give them tools to help them make their own decisions.
Students agree that these 3 areas were at the center of their day-to-day lives and how they made decisions.
- They ALL struggle with having enough time to get it all done.
- They provided many examples of making trade-offs between the areas; however, didn’t view them as interconnected.

They monitor these 3 areas of their lives in a very siloed way.
- They only bring them together in rudimentary ways – like checklists.

There was a clear hierarchy between these areas of their lives:
- Money
- Academics
- Social
Students Weigh Difficult Trade-Offs

Trade-off decision making was highly situational for students.

- Depending on the **immediate** issue or need, trade-off decisions often were in conflict with their higher order priorities.

Sleeping, eating and social outings were common go-to items to “give up” to make time for other priorities.

Non-traditional students had much more complex trade-off decisions because many had children that trumped their own priorities and needs.
Success
Success Definition

All students define graduation as a major success, but the route towards graduation has many detours (more detours for 2-year students):

- Switching majors (often multiple times)
- Employment (and job losses that require a halt to studies)
- Changing schools
- Pregnancy and other family reasons (wedding, death of parent)

After graduation, the definition of success is different for 2-and 4-year school students:

**2-year (straight line):**
- Security/stability
- Job
- Family
- House
- Specific jobs (chef, event planner)
- Own business
- Retirement (preferably in a tropical climate)

**4-year (circuitous route):**
- More time for social life
- Happiness
- Earn big $
- Vacations
- Relationships
- Family
- Grad school
- Career
2 year: Typical Success Route

- Graduation
- Network
- Gainful Employment
- Open Own Business
- Sell Business & Retire Somewhere Tropical
- Age 60
4 year: Typical Success Route

- Graduation
- Living with Parents
- Job, making $!
- Hating job, being unsatisfied
- Getting a chance to do what I love
- Doin' what I love

Age 35
Academic Horizon

Experiences shaped decisions and planning
- Bad grades in initial major choice
- Lost or gain in employment (2 year students often stopped school when money expired)
- Mentors/others influenced decisions
  - “I spoke to someone running a gym and realized they didn’t make enough money”

Horizons were often framed in academic year frames.

Experiences were often acquired in similar year frames.

Key Insights
- Students will likely struggle to create long-term, fixed plans for the academics
- Unexpected life experiences will influence academic choices and should be accounted for when planning academics
- As students want to reduce stress, options that maximize academic experiences/credits in their decision-making processes should be considered
Example Academic Horizon (Traditional Student)

- Started school
- Picked psychology major
- Had to take an extra math class
- Wanted to write for the college journal
- Wanted to teach abroad, maybe Spanish major?
- Grad school stresses, the stress of an English major
- At home, right now
- Stuck/conflicted at the moment
- Didn't want to teach, wanted to be a sex therapist
- Questioning major
- Went to Spain,眩光elsey
- Tutored and got interested in teaching
Student Financial Behavior
Money Management Is A Day-to-Day Activity

Balance tracking is paramount:
“I check my balance 2-3 times a day to see how much money I have.”
“Check it daily, especially when I am low on money.”

Spending decisions are made daily on what students need vs. what they want:
“I have a needs list and a wants list that I use to make decisions on when I can spend.”
“If I could just push a button on my phone that told me if I could spend or not, that would be awesome.”

Cash is used daily and provides discipline:
“When I notice my wallet has less than a certain minimum, I stop spending.”
“Keeps me on a budget if I can physically see how much money is left in my wallet.”

Paychecks drive deposits and savings:
“Every time I get a paycheck, I put $15 into my savings account”
“I lock my debit card away so I won’t use it.”

Higher One
A shared course for success
Budgeting in the traditional sense is impractical for students. Both traditional and non-traditional students make financial decisions in the moment with very little analysis for advanced planning.

Budgeting decisions are made primarily around large category expenses such as rent, car payments, cable bills (considered by students as large category).

Day-to-day decisions are made primarily based on cash on-hand or through a careful mental calculation of account balance.

Pay cycles are the hubs of students budgets.
Bill Pay Routines

Paying bills is a multi-tool activity

Stress about:
• Meeting the due dates
• Juggling varying amounts/payment sites
• Coming up with the money
• Calculating how much $ is left
Money Management Tools

Percentage of participants that used these tools at least once per week:

- Budgeting App: 5%
- Mobile Banking: 75%
- Online Banking: 70%
- Go to Bank: 60%
- Call Bank: 10%
- Cash: 75%
- Spreadsheet: 10%
- Manual/Notepad: 10%
Managing Unexpected Expenses

Unexpected:

Something Breaks
Used to describe small or large items including car or phone.
This poses a real threat to their budget since they consider this important to their lifestyle.

Overlooked:

Recurring Bills
Traditionally not considered an unexpected category but due to their short term view of their expenses (daily) and very little long term budgeting, they considered it an unexpected expense.

Creating advance reminders for recurring bills and providing an outlet for the students to adjust or confirm that they want to pay these bills on the same date every month would be extremely helpful to students.

Some students expressed that due to immediate needs they may decide to put off the Netflix bill by a day or two in order to buy food.

Unplanned:

Social Peer Pressure
Students said that they planned to forgo social outings because they didn’t have the money or they didn’t have the time. However, peer pressure forces them to participate and thus creates unplanned expenses that throw them off budget.

Several students considered dates a burden and hard to manage financially.

Students also considered peer birthday celebrations/gifts a necessary but unplanned expenses.
Influencers

Influences on money management decisions

Material pressures impacting student choices

- “Money”
- “Bills”
- “Rent”
- “Needs vs. Wants”
- “Pay Day”
- “Food”
- “Social Pressures”

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<th>Influencer</th>
<th>Sum of 2-year students</th>
<th>Sum of 4-year students</th>
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<td>Older role model</td>
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Decision-Making

• Students would like something that provides behavioral guidance to inform financial decisions
• Students want to retain control. Independence is critical to them
• Guidance must leave the final choice up to the student
• Students want the ability to make financial decisions quickly and have tools readily available to help them decide on the fly

“This is where I want help: if I'm in red financially, give me advice on how to alter my lifestyle to get back to green”

Justin – 4-y. student
Features students think are **most important in a student bank account offering**, for example, include:

- Credit-building
- Rewards for good financial behavior
- Ability to set real-time spending limits
- Safe to spend balance
Worry About Student Loan Debt

- Anxiety about debt levels
- Lack of confidence in ability to manage payments
- Underestimate the time it will take to pay off loans
- Lack of awareness and utilization of debt management options
- Almost 50% of students would have reconsidered going to college if they had known the impact student loan debt would have on their lives
- Disconnect between students and parent conversations and expectations

What Can We Do

Colleges and Universities:

- Ensure financial education is an important part of your student success planning
- Provide ongoing, engaging experiences for students
- Consider early money attitudes and behaviors as important success indicators
- Increase communications to students about student loan debt levels
- Share best practices with colleagues and peers
- Other?
What Can We Do

Policy Makers:

• Provide adequate funding to keep college within reach
• Simplify financial aid process and student loan repayment options
• Support better refinancing options
• Ensure servicers are doing a better job of educating and communicating
• Provide research funding to study efficacy of financial literacy interventions
• Other?
What Can We Do

Business Partners

- Provide better mobile tools that embed financial literacy into student experience
- Provide objective resources and tools for students and schools to use
- Other?

Researchers

- More research on financial socialization and link to academic success
- More focus on post-college outcomes
- More longitudinal studies to measure effects of financial education over time.
Speaking of Engagement…

Money on My Mind Video Contest

Winners:

$2000 Grand Prize Winner
Second Place Winner