

White Paper



# Financial Capability Now: Why College Students Can't Wait

Action Plan for Developing a Campus Financial Education Program

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## Executive Summary

Much has been written in the news recently not only about the need for financial education, but also for strategies for implementing a financial education program on college and university campuses. To help schools create a solid plan for teaching students about their finances, Inceptia has released an action plan for developing a campus financial education program.

This white paper provides a framework for student financial success. The data supports the mounting body of evidence that proves financial education is critical for students in higher education.

The report recommends:

- Create a multidisciplinary success team that includes the stakeholders on your campus and engages them to improve the financial capability of students.
- Identify the financial topics relevant to students. Each campus and student population has a different need, and those needs may change as students progress through their education.
- Identify the best and most accessible strategy for your campus, and select a delivery method that works for your school.
- Once you begin your program, promote it to your students in order to get them to participate throughout their college career.
- Assess the impact of your financial education program. Gather data related to programs and services to highlight the impact on financial capability and to support the need for continued resources moving forward.

While some schools have implemented financial education programs on their campuses, the report explains why schools need to go beyond simply offering a program to their students. This report encourages schools to act now to ensure a better financial future for students, schools and our communities.

Financial education is focused on improving a student's financial knowledge, cultivating money management skills, increasing confidence around financial decision-making and providing appropriate perspective related to their financial well-being. Together, these components describe a student's financial capability, a characteristic that is sorely lacking on many college campuses.

Today's college students are enrolled during turbulent economic times, resulting in widespread tuition increases, amplified student loan borrowing<sup>1</sup> and a high correlation between money management and stress<sup>2</sup>. With retention and completion objectives mainstays on the list of goals at most colleges and universities, campuses should focus energy and resources toward developing or enhancing effective financial education programs to increase financial capability and support student success.

A recent poll by Student Lending Analytics reveals that nearly half (48 percent) of institutions surveyed are providing some type of financial education option beyond entrance and exit counseling<sup>3</sup>. With resources at an all-time low, it is critical to recognize the need for financial education and to learn what the research has to say about how to create or enhance an effective program on campus.

## Why is financial education for college students so critical?

Here are some recent facts to illustrate the pressing need for financial education for college students:

- **Today's young adults desperately lack financial skills.** A study by Hartford Financial Services Group shows that only 24 percent of students feel well-prepared to deal with the financial challenges that await them after graduation.
- **College students want help.** Seventy-nine percent of students in an EDSA<sup>4</sup> study report that their school is not doing enough to meet their needs for financial education. Even more, a recent survey conducted at the University of Arizona<sup>5</sup> revealed that 95 percent of students believe financial independence is important and 84 percent of students in a survey by Sallie Mae<sup>6</sup> want more information on financial management topics.
- **Stress caused by finances has a negative impact on persistence.** Forty-seven percent of students report that money makes them stressed on a regular basis while 17 percent of students always or sometimes think about dropping out of school due to financial stress<sup>7</sup>. Another study shows most students leave college because they are working to support themselves while attending school. More than half of those who left their institution said they needed to work to earn money<sup>8</sup>.
- **Cost of attendance and cohort default rates are moving in the same direction.** Nineteen percent of full-time students at public four-year colleges and universities attend institutions that increased their published prices in 2011 by 12 percent or more<sup>9</sup> and the three-year cohort default rate for fiscal year 2008 was 13.8 percent<sup>10</sup>.
- **Students are expected to manage large debts but have little training to do so.** Many students will leave college with a staggering amount of education debt – nearly \$24,000 for students earning a bachelor's degree. When these large debt loads are coupled with a lack of education or understanding about how to manage them, today's college students are already at a disadvantage.

These sobering facts underscore the critical need to teach money management skills to college students. Young adults need financial training in order to make sound choices and avoid mistakes that can compound problems as they proceed throughout college and become tomorrow's professionals.

## Developing Your Campus Financial Education Program

Many campuses across the country have recognized the need for financial education and have put time and resources towards developing effective programs. While financial education is by no means one-size-fits-all since every campus' needs are different, the following components are common to established programs around the country that have the rigor to impact awareness, knowledge gain and long-term behavior change.

### Create a Multidisciplinary Success Team

The financial success of college students must be seen as a campus-wide issue, rather than the role of one or two offices. Many campus administrators may already recognize the importance of helping students learn financial management skills, while others place it low on the list due to competing priorities and scarce resources. The following table will help determine who the stakeholders are on your campus and how to engage them to improve the financial capability of students.

| Stakeholder                           | Why should they care?   |
|---------------------------------------|---|
| President                             | A well-rounded education includes a financial education, which in-turn graduates more financially responsible adults. Additionally, a financial education on campus supports student success and retention efforts. |
| Admissions Officers                   | Offering a campus financial education program for students can be a powerful recruiting tool that's attractive to both students and parents.  |
| Enrollment Managers                   | Students who can manage money are better equipped to stay in school and graduate.   |
| Bursars/Business Office Professionals | Students who can manage their finances are most adept at paying their student accounts and repaying their loans.  |
| Financial Aid Administrators          | If students need financial assistance, they often turn to the financial aid office for help.  |

## Select a Delivery Method

Institutions of higher education that have existing programs are using several methods to effectively deliver financial education to students, including one-on-one sessions with peer or professional counselors, group education workshops and online modules. Goetz, et al. (2011) suggests that these three methods experience high demand from students and may be complimentary when used together. With scarce resources available, including staff time, it is important to identify the best and most accessible strategy for your campus. Below is a look at what is known about the various methods:

| <b>Delivery Method</b>    | <b>Highlights</b>  |
|---------------------------|--|
| One-on-One Sessions       | Students with especially sensitive financial issues to discuss are best served through one-on-one sessions because they are highly customizable. Using peer educators can be a cost-effective way to provide one-on-one opportunities. |
| Group Education Workshops | This method may result in increased awareness and lead students to confidently seek out sources of financial education throughout their lifetimes. Group workshops have not been shown to have a long-term impact on knowledge gain.   |
| Online Education          | Students are increasingly comfortable with this method and tend to prefer interactive vs. passive learning. This method often provides easy reporting and is often very accessible through campus computing sites.                     |

## Promoting a Financial Education Program

While research has shown that students want more assistance when it comes to their finances<sup>11</sup>, promotion is necessary to let students know about available options. There are several ways to inexpensively and effectively promote financial education offerings to college students:

- Social media (i.e. Facebook, Twitter, etc.). Members of Generation Y spend at least two hours online every day<sup>12</sup>, making this a free and effective way to deliver marketing messages to today's college students.
- Build into existing programming. Programs such as First Year Experience, Residence Life and Greek Life often already have a captive audience for educational workshops. Work with stakeholders in these existing frameworks on campus.
- Educate your colleagues. Other professionals around campus may be in the best position to identify a student's need for financial education. Work to educate colleagues in career services, academic advising, counseling and mental health services and housing to familiarize them with programs and services offered to address financial capability.
- Word-of-mouth. Often the most powerful source of referral is word-of-mouth. As your program expands, encourage current users to refer their friends and colleagues.

## **Assessing the Impact of Financial Education**

Many existing financial education programs on college campuses are not doing enough to assess the impact of their work. It is important to gather data related to programs and services to highlight the impact on financial capability and support the need for continued resources moving forward.

Many programs collect data related to numbers served, demographics and referral sources to identify who is using the service and how they found out about it. A next step would be to collect qualitative data – what students say about their financial issues and their candid appraisal of programs and services offered to increase their financial capability. These data stories can often provide a strong rationale for continued or increased support of programs.

Simple satisfaction surveys can be used to gather data that will suggest necessary changes to programs and services based on students' needs and perceptions. Consistent use of satisfaction surveys can allow for a program to remain relevant as the economic environment and students' needs shift.

Finally, leverage expertise across campus by collaborating with faculty, graduate students and assessment office professionals to develop more rigorous ways of gathering data and assessing the impact of financial education programs.



## About the Author

Kate Trombitas, Inceptia's vice president of financial education previously served as the associate director of The Ohio State University Student Wellness Center, where she founded Scarlet & Gray Financial, a peer-to-peer financial education program. Her expert financial advice for college students was recently featured in the 9th edition of Gardner, Jewler, and Barefoot's *Your College Experience: Strategies for Success*.

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## Sources

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## The Inception Of A Movement.

For more than 25 years, as the not-for-profit loan guarantor National Student Loan Program (NSLP), we provided guidance to both schools and students. We made great strides in default aversion, compliance and financial education, working directly with students on their quest to fulfill their educational dreams and uphold their commitment to repay their student loans.

As the student loan landscape changed, we changed. We created Inceptia, a new brand and movement poised to become a school's crucial support system. Our goal is to continue providing guidance to schools and, ultimately, helping students become financially responsible adults. Through carefully planned tools, resources and practices, we can work with schools to establish new processes that focus on students' needs and deliver extensive support.

Ultimately, we want to assist schools as they help all of their students—not just borrowers—become financially responsible adults.

- Inceptia offers schools an in-depth **Financial Aptitude Analysis** to determine the financial health of students and faculty.
- For students, Inceptia then develops a customized program which includes **Online Financial Education** and **Financial Education Seminars** that help them become financially responsible adults.
- For higher education professionals, Inceptia offers a **Personal Financial Management Certification** that helps professionals effectively guide others on personal financial matters.



