

White Paper



Financial Stress: An Everyday Reality for College Students

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Executive Summary

Recent studies, including those hosted by Inceptia, have shown students, both those enrolled and ones who have recently graduated, are under high levels of stress. A number of factors contribute to student stress, but very prominent are those related to student finances. From day-to-day expenditures, to the cost of tuition, to the repayment of loans; students have new financial obligations they have not experienced in the past.

Naturally, stress varies across different demographics such as year in school, school type and major, but a recurring theme of financial stress is an ongoing issue. This stress goes well beyond their wallets and bank accounts and, in turn, has the potential to affect students' performance in the classroom.

In a national survey of college students and recent college graduates, Inceptia explored the impact of financial stress on students. The survey also revealed students have shown to be receptive to financial education. The information found in Inceptia's survey is critical for financial aid and business offices to use in the development and implementation of their financial education programs.

Key findings:

- One third of respondents said financial stressors have had a negative impact on their academic performance or progress.
- Seventy-four percent of respondents are working during the academic year, and 15 percent of students are working full-time.
- Students who work more than 20 hours per week during the academic year are significantly more likely to report that financial stress has had a negative impact on their academic progress or performance and that they reduced their academic course load due to this stress.

Financial Stress: An Everyday Reality for College Students

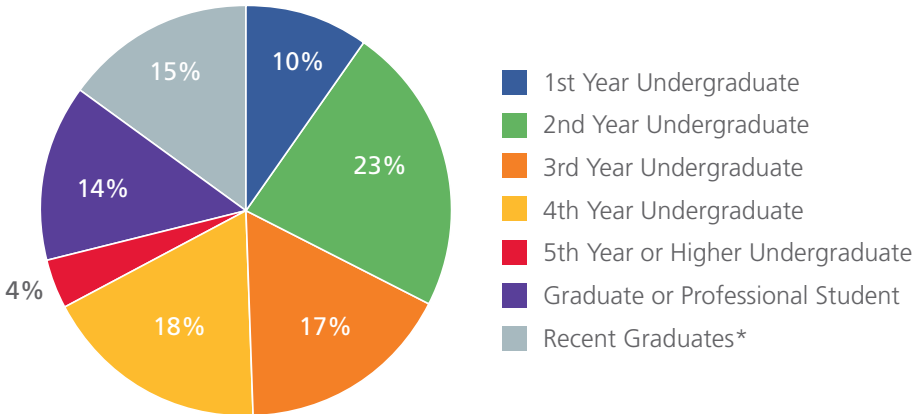
Over the last academic year, the media has dedicated a great deal of column inches and broadcast minutes to the impact of student loan indebtedness on recent college graduates. Politicians have also joined the conversation by shining a light on the country's outstanding student loan debt, which is closing in on \$1 trillion (Federal Reserve Bank of New York, 2012), and the country's unemployment rate of 8.2 percent (Bureau of Labor Statistics, June 2012). Even with all of the recent focus on the financial wellness of college graduates, little discussion has occurred around the impact of financial stress on currently enrolled students and recent college graduates. Responding to this gap, Inceptia recently launched a national survey to explore and document the impact of financial stress on college students. This report outlines what we learned from the respondents.

Methodology

In May 2012, an invitation was sent to both snowball and convenient samples of college, university and vocational/technical students nationwide. Student respondents were asked to complete an online survey regarding the sources of financial stress they experience and how these stressors impact their academic progress and performance. The primary goals of the study were to learn about the financial issues that are most stressful for currently enrolled college students and recent graduates and to determine if these stressors are associated with slowed academic progress or negative academic performance.

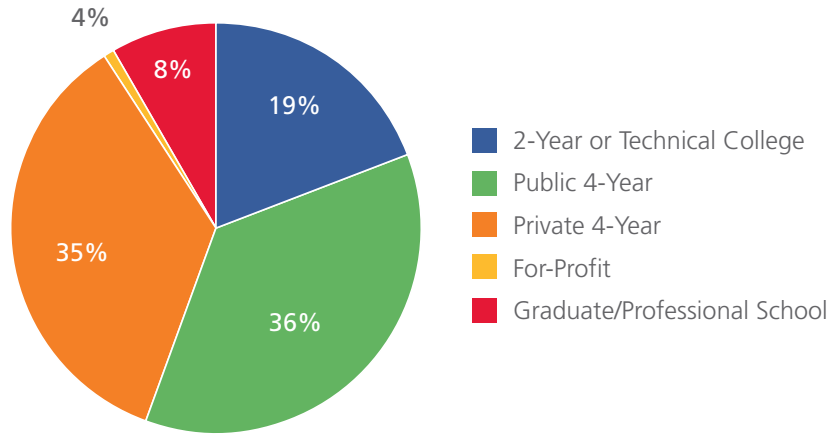
The following charts describe the students who responded to the Inceptia Financial Stress survey.

Student Respondents by Rank



*Recent graduates were within 2 years of earning a degree or credential.
Note: Percentages may not equal 100% due to rounding.

Student Respondents by Institution Type



Note: Percentages may not equal 100% due to rounding.

Results

The Inceptia Financial Stress survey was designed with the underlying assumption that personal finances are a source of stress for college students and sought to provide an in-depth look at the specific financial stressors impacting degree or credential attainment and academic performance.

Identifying Stressors

The survey explored 11 possible sources of stress spanning personal finances, family life, work commitments, academics and time management. According to the data, the top five stressors for currently enrolled college students are:

- the need to repay loans;
- the cost of education;
- borrowing money for college;
- the need to find a job after school;
- and, the academic challenge of course work.

Not surprisingly, four out of the top five stressors were related to personal finances while only one was related to a non-finance source (the academic challenge of course work).

The chart below outlines mean scores and frequencies for each of the overall top five stressors.

Stressor	Mean Score*	Percentage who ranked stressor as causing Extreme or High Stress
Need to Repay Loans	3.83	52%
Cost of Education	3.74	59%
Borrowing Money for College	3.67	49%
Need to Find a Job After School	3.66	54%
Academic Challenge of Courses	3.48	52%

*5 = Extreme Stress; 4 = High Stress; 3 = Some Stress; 2 = Not Much Stress; 1 = No Stress

First year students were found to be significantly more stressed than the average student when it came to the Cost of Education (means of 4.09 and 3.74, respectively) and the Cost of Living (means of 3.86 and 3.45, respectively). These students may be experiencing higher stress due to the novelty of managing their money and living away from home for the first time, or it may be due to the awareness of recent tuition increases combined with a slow job market, and perhaps even job loss of family members contributing to these statistical differences within the sample.

Very few differences in mean stress scores were found across class rank for any of the variables, with the exception of fifth year and beyond students who commonly reported statistically higher stress scores than other student ranks. In fact, fifth year and beyond students reported a statistically higher stress score than the average student in five of the eleven stressors measured (Balancing School and Work, Borrowing Money for College, Managing Money, Cost of Living and Finding a Job After College). This trend may reflect the growing anxiety these students experience as they continue to extend their college experience, increase their student loan indebtedness and face meeting aggregate loan limits and a difficult job market. Although the sample of fifth year and beyond students in the study was small, it is worth noting that these students were twice as likely to report being negatively impacted by financial stress when compared to the rest of the students surveyed, with a full 69 percent indicating that financial stress had impeded their academic progress or performance.

When exploring the top five stressors by age of respondent, the degree of stress was found to increase significantly for students over the age of 30 for the overall top three stressors (Need to Repay Loans, Cost of Education and Borrowing Money for College), which ranked first, fourth and second, respectively, for this age group. There was no significant difference in mean scores for Finding a Job across age ranges, and the Academic Challenge of Course Work fell out of the top five for students over the age of 30, altogether. The lessening impact of this stressor may be due to competing priorities in the lives of over 30 students, including balancing work, school and family life.

Negative Impact on Academic Progress and Performance

Overall, one third (34 percent) of respondents said financial stressors have had a negative impact on their academic performance or progress, and another 20 percent report they have had to reduce their course load due to these same stressors.

Borrowing

Since Borrowing Money for College was found to be the top overall stressor for students, we took a closer look at the borrowing behavior of students who reported that financial stressors have had a negative impact on their academic progress or performance, or reported that these stressors had caused them to reduce their course load. Mean scores, which provide an index of the amount of stress felt for Borrowing Money for College, were statistically higher for students who reported that financial stressors had negatively impacted their academic progress or performance compared to those who did not feel this had occurred (means of 4.10 and 3.42, respectively) and for those students who had reduced their course load due to financial stress compared to those who had not (means of 4.19 and 3.53, respectively).

	Financial Stress Negatively Impacted Academic Progress or Performance		Reduced Course Load Due to Financial Stress	
	Yes	No	Yes	No
Mean Stress Score*, Borrowing Money for College	4.10	3.42	4.19	3.53

*5 = Extreme Stress; 4 = High Stress; 3 = Some Stress; 2 = Not Much Stress; 1 = No Stress

Respondents who reported that financial stressors negatively impacted their academic progress or performance were significantly more likely to have borrowed federal student loans, private student loans and personal loans from friends or family members to help cover the cost of their education. Additionally, respondents who reported that they had reduced their course load due to financial stress were also statistically more likely to have borrowed private student loans, although there was no difference in federal borrowing among these two groups.

Working

With consistent tuition increases occurring nationally, as well as an increase in the cost of living, it is reasonable to expect that current college students are working more than ever to help meet the demands of attending a college or university (Scott-Clayton, 2012). We found that 74 percent of respondents are working during the academic year, and 15 percent of students are working full-time. The average student is putting in 21.1 hours of work per week, which is significantly more time than they are spending on academic endeavors outside the classroom (National Survey of Student Engagement, 2011).

These numbers are also troubling given widely accepted research that shows a correlation between working more than 10 hours per week and an increase in negative academic outcomes (Bound, Lovenheim, and Turner, 2010; Stinebrickner and Stinebrickner, 2003). In fact, we found that students who work more than 20 hours per week during the academic year are significantly more likely to report that financial stress has had a negative impact on their academic progress or performance (46 percent) and that they reduced their academic course load due to this stress (49 percent) when compared to those who worked less than 20 hours per week (24 and 27 percent, respectively).

Financial Education

In response to the trends outlined previously, colleges and universities have dedicated more and more resources to the delivery of financial education to their students. In fact, another recent Inceptia study found that 65 percent of institutions of higher education currently have a financial education program in place on their campus. Additionally, of those institutions that do not currently have a program, 43 percent expect their institution to definitely or probably start a program within the next 12 months (Trombitas, 2012).

Fifty-six percent of respondents in the Inceptia Financial Stress survey indicated they had completed some type of financial education program. Respondents reported receiving financial education through several forms of delivery, including: attending a seminar on money management (33 percent); participating in an online financial education program (21 percent); attending a seminar on student loans (21 percent); participating in a one-on-one financial counseling (18 percent); and taking a for-credit personal finance course (15 percent). Encouragingly, all forms of financial education received relatively high mean scores from student respondents when rating their helpfulness. These scores are shown in the table below.

Type of Financial Education	Mean Score*
One-on-one Financial Counseling	4.01
For-credit Personal Finance Course	3.89
Seminar on Money Management	3.71
Seminar on Managing Student Loans	3.59
Online Financial Education	3.35

*5 = Extremely Helpful; 4 = Very Helpful; 3 = Somewhat Helpful; 2 = Not Very Helpful; 1 = Not At All Helpful

Conclusion

It is important to note that the data presented in this report do not necessarily imply causality; rather, they indicate a correlation between behaviors, financial stressors and academic outcomes. With that said, there is a clear link between financial stressors and academic progress and performance, highlighting a need for more research in this area and warranting a critical look at what schools are doing to support the financial success of their students.

Today's incoming college students are reporting higher levels of poor mental health than ever before (Cooperative Institutional Research, 2010) and financial stress is an emerging issue within this trend. Inceptia encourages institutions of higher education to take a closer look at the impact of financial stress on currently enrolled college students and recent graduates and to dedicate more resources towards supporting the financial success of their students.

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* and Durband and Britt's *Student Financial Literacy*.

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The Inception Of A Movement.

Inceptia is dedicated to providing much-needed support to help schools effectively fulfill their new roles and responsibilities. Through comprehensive data analysis, financial education, default prevention and financial aid management, we are confident we can help all students, not just borrowers, become financially responsible adults. We are here to make it possible for more schools to launch brilliant futures.

- Inceptia offers schools an in-depth *Financial Aptitude Assessment* 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.

