



RESEARCH BRIEF

# The State of Student Finances 2018: Results from a Multiyear Assessment

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## Executive Summary

A critical component of any good financial education program is assessment. Being able to compare pre and post-programming knowledge levels is an effective way to indicate program efficacy. But knowledge alone tells only one half of the story; behavior tells the other.

Since the spring of 2016, Inceptia has collected survey data from college and university students across the country in order to better understand financial behaviors. Analyzing the choices that students make about money, the steps they take to be financially well, or the ways in which they view their own competency, can provide a valuable baseline regarding their levels of financial capability. In addition, it can better inform the learning objectives and areas of focus for financial education programming, aligning our efforts to meet the needs of our students.

With over 60,000 respondents weighing in on a number of topics, we are able to see that although students rate their financial knowledge as average, they are falling woefully short in key areas like saving, protecting, and preparing. This contrast demonstrates the disparity between perceived knowledge and applied behaviors.

- 74% of students rated their financial knowledge as a B or C
- Only 32% of students have a sufficient emergency fund
- 62% find it difficult to pay their monthly bills
- 72% have not pulled their credit report in the past year

There is also good news. The majority of students indicate they are setting and following budgets, avoiding unnecessary account fees, and steering clear of nonbank institutions:

- 80% of students say they follow their budget closely, or vary only slightly
- When it comes to credit cards, only 7% of students paid a late fee over the past year and only 3% paid an over-the-limit fee
- 77% of students have never utilized a check cashing store to cash a check

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Financial education has steadily evolved to include not just knowledge gain, but also behavior modification as one of its goals. After all, the ability to apply that knowledge to real-world decision-making is a strong indicator of the efficacy of those efforts and how well we have prepared students to be financially empowered.

The examination of current student financial behaviors, then, provides an excellent opportunity to determine areas in which students are excelling, and where they are struggling. This multiyear behavior assessment gives sometimes surprising insight into how students are managing money, a reminder that student groups are not heterogeneous and can change as fluidly as the composition of the student body.

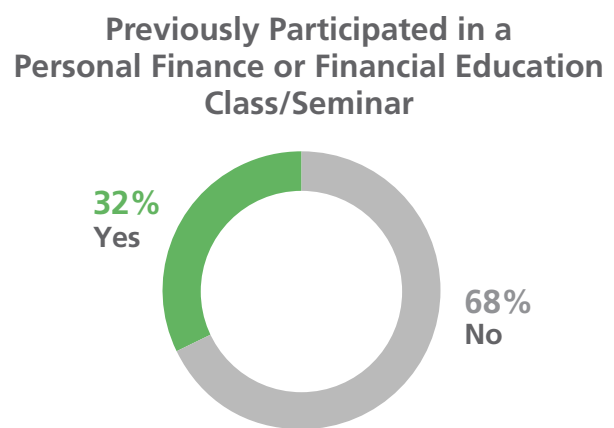
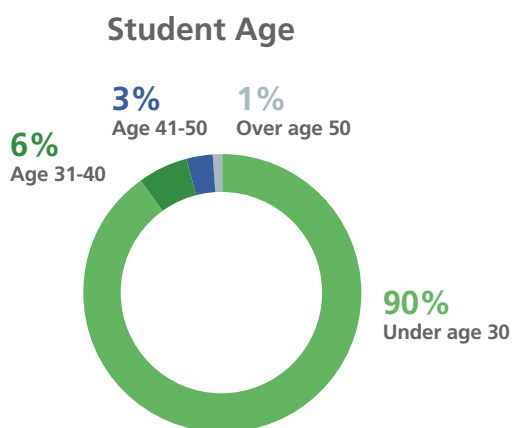
Our goal in conducting this research is to provide another tool for financial educators and advocates to consider survey data in determining how to best serve students. Analyzing shifting behaviors, and assumptions versus reality, can be a much-needed temperature check to align our work with student needs.

*“Knowledge without action, is like having no knowledge at all!”<sup>1</sup>*

–Ted Nicholas

## Methodology

Inceptia’s behavior assessment results were collected from over 60,000 college students across the country. The voluntary survey, presented to students prior to beginning our online financial education courses, was administered from April 2016 through December 2017. The goal of the survey is to provide insights into the applied financial behaviors of students in order to identify areas of opportunity within financial education. The majority of students were under thirty and had not previously been provided with formal financial education programming.



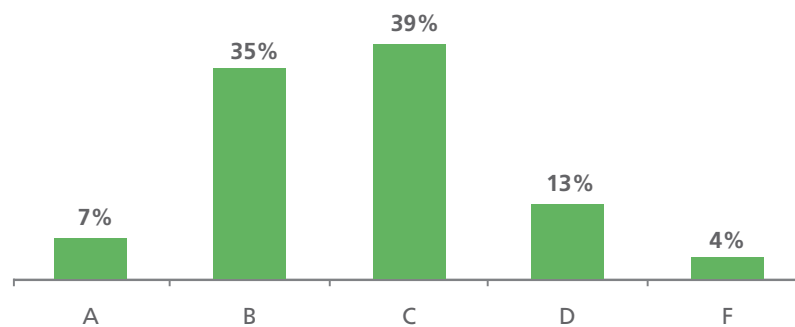
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## Student Grade Card

In framing this study, we wanted to know whether students thought of themselves as financially savvy. We can see that the results follow a typical bell curve, with the majority of students indicating average levels of financial knowledge. Only 7% gave themselves an A, while only 4% gave a failing grade of F.

This provides a good frame-of-reference, as we look at how student self-perceptions stack up against applied behaviors. As the data will show, while most students give themselves a passing grade, their financial actions may not support that rating.

**How would you grade your overall financial knowledge?**

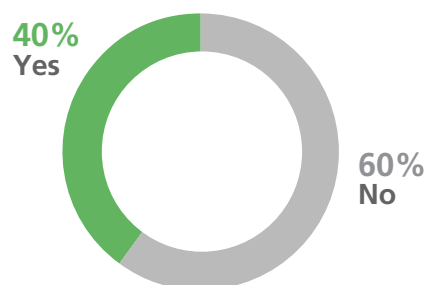


## Budgeting and Expenses

40% of respondents identify as budgeters, and are doing a good job at sticking to that budget (80%). However, even though students say they are budgeting, only 27% of students are keeping some form of written budget, and only 23% are writing down their expenses. 13% of students don't track their spending at all.

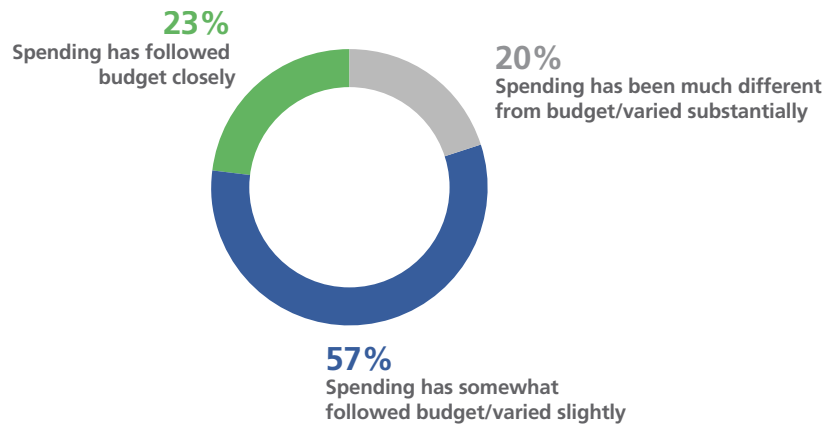
Additionally, students are struggling to cover their monthly expenses with over 60% indicating that it is difficult.

**Did you create a budget this year?**

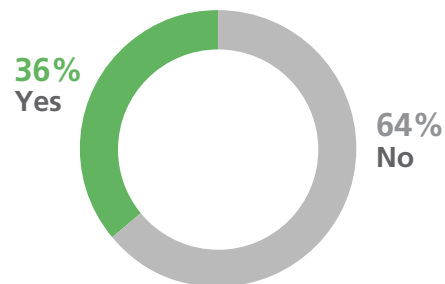


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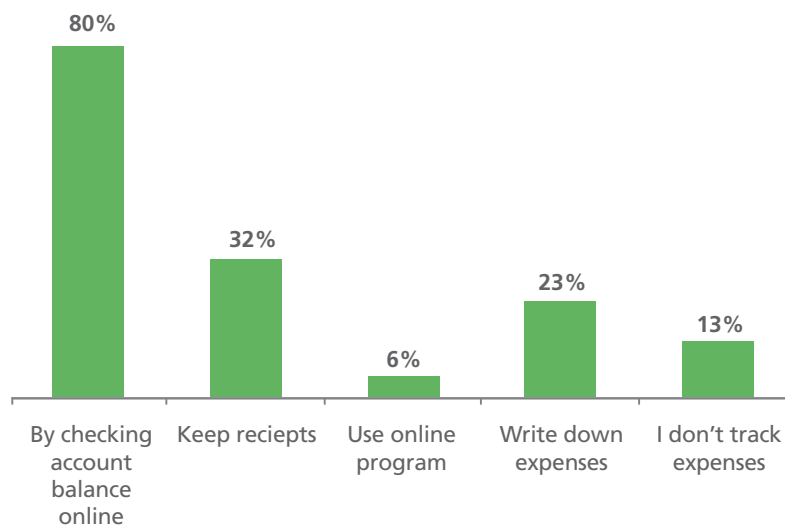
### How closely have you been following your budget?



### Is your budget written down or tracked electronically/online?

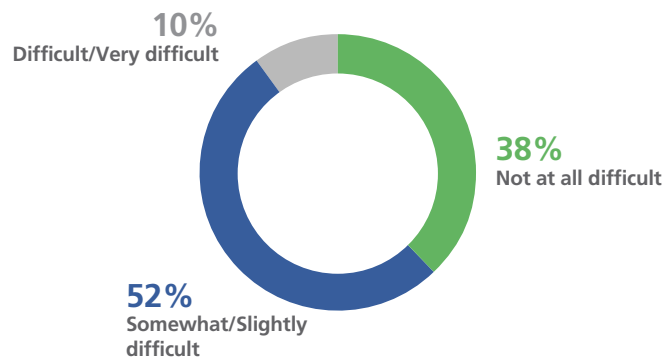


### How do you track your spending? (Choose all that apply)



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**In a typical month, how difficult is it for you to cover your expenses?**



### **Implications and Opportunities**

Keeping a mental budget may seem like a good strategy, but we can see this leads to uneven expense tracking and may contribute to the monthly struggle to cover expenses.

Expand on the basic budgeting information by helping students explore online budgeting programs or apps that do much of the work for them. Students avoid “budgeting” discussions; change up the messaging so your focus is on covering monthly expenses instead.

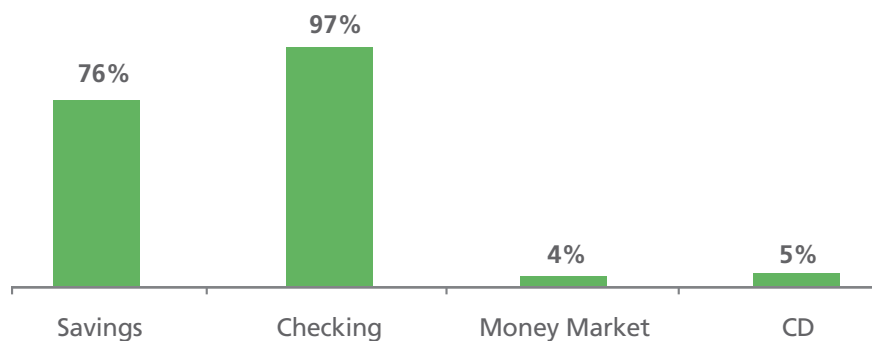
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## Banking and Payments

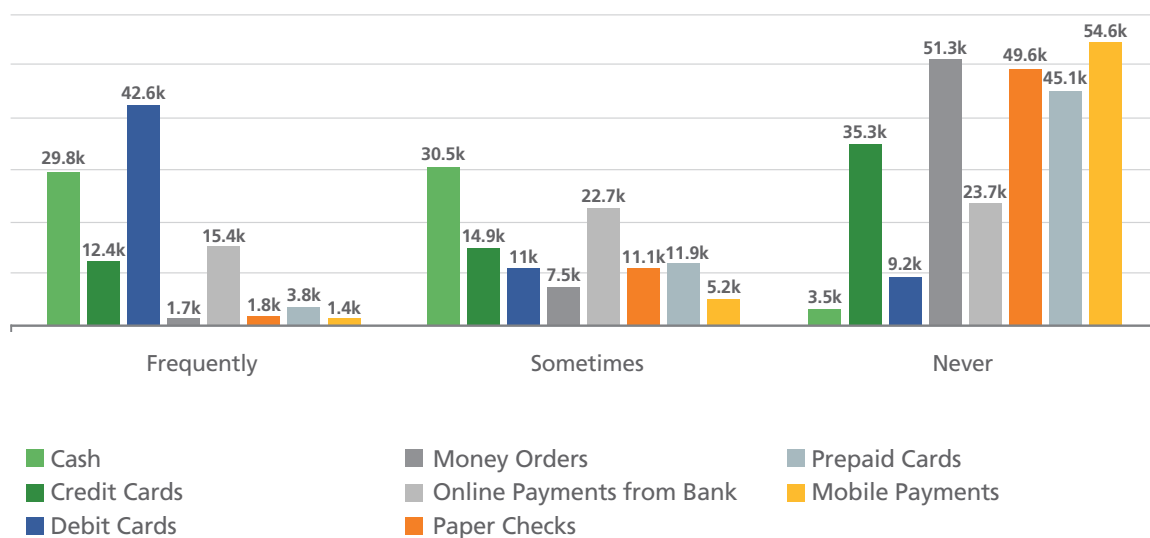
Overall, students report being heavily banked, with 97% utilizing a checking account and 76% utilizing savings. Over 90% report never or rarely utilizing check cashing facilities.

When it comes to making payments and purchases, students prefer debit cards, cash, credit cards, and online payments. Lagging behind are mobile payments (e.g. Google Wallet or iPay), money orders, and paper checks.

**Which accounts do you have?**  
(Choose all that apply)



**How often do you use each of the following methods to make payments (e.g., for shopping, paying bills, or other purposes)?**



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## Implications and Opportunities

Having a majority of students utilizing bank products is a good start to introduce a wider variety of options. Point out the advantages of high yield savings accounts, and how to shop around to find the account with the most features and the least fees.

Also, reaching out to your unbanked population is still critical. These students may have complicated reasons for not choosing to bank; getting to the root of those choices may help to dispel myths or remove hesitations.

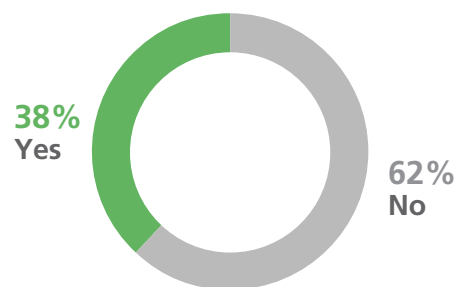
The heavy use of debit cards provides an opportunity to discuss the limited protections offered by debit cards, as opposed to credit cards. Discussing the use of credit cards can promote responsible utilization and the importance of being credit savvy.

## Saving and Planning

The majority of students do not have adequate savings to sustain them (62%), should a financial emergency arise. This financial fragility is no surprise, as students often feel financially pressed while in school, with no opportunity to save. When asked if they could cover an unexpected expense, 56% indicated they either couldn't or didn't know if they could.

Aside from not currently saving, the majority of students are also not looking toward their financial future. Only 16% of students have thought about how much they may need to retire. Again, this number is not surprising, given the majority of respondents under the age of 30. However, roughly a full 50% of all respondents over 40 have not thought about retirement either.

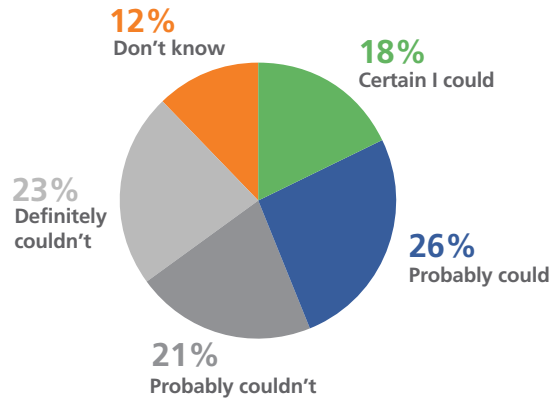
### Have you set aside emergency or rainy day funds that would cover your expenses for 3 months?



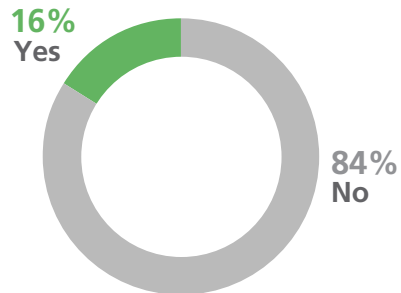


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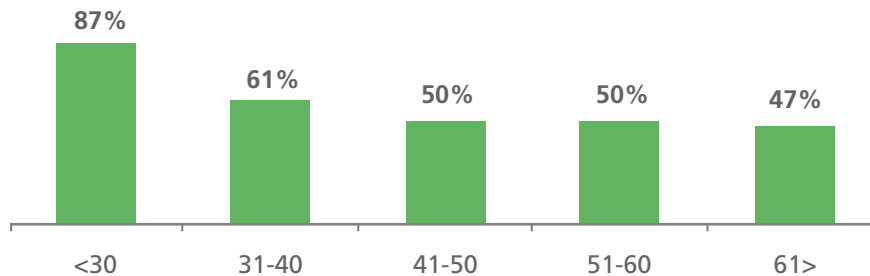
How confident are you that you could come up with \$2,000 if an unexpected need arose within the next month?



Do you know how much you need for retirement?



Respondents who answered "No"



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## Implications and Opportunities

Not saving is not unique to college students. Only 39% of Americans could cover a \$1,000 expense, and 44% of people could not handle even a \$400 expense.<sup>2</sup> Creating an open dialogue around this epidemic can be a powerful first step to make students aware of the importance of saving, even if they cannot currently do so.

Time is a powerful factor in retirement planning, so it is imperative to make younger students aware of the impact of current planning. Again, even if they aren't in a position to do so today, discuss the vehicles and tools available to them when they are ready. For older students, retirement education may focus more heavily on reducing debt or improving physical health as a strategy to weathering retirement. Thinking outside the box to address everything that retirement encompasses can be an effective strategy to work around financial limitations.

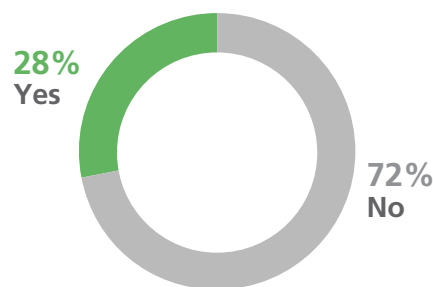
## Credit

Despite the ability to receive free credit reports and scores from a multitude of providers, students still are not monitoring either. Only 28% of students have reviewed their credit report in the last year, while only 33% have checked their credit score.

The good news is that students report handling their credit card usage responsibly. 46% are paying their monthly balance in full, and only 10% incurred a late or over-the-limit fee in the last year.

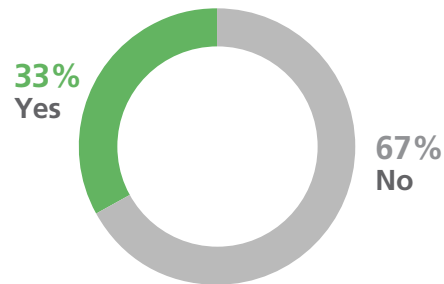
However, students are not necessarily choosing credit cards with the best options or features. 66% of respondents did not compare credit card offers when they obtained their most recent credit card.

**In the past 12 months, have you obtained a copy of your credit report?**

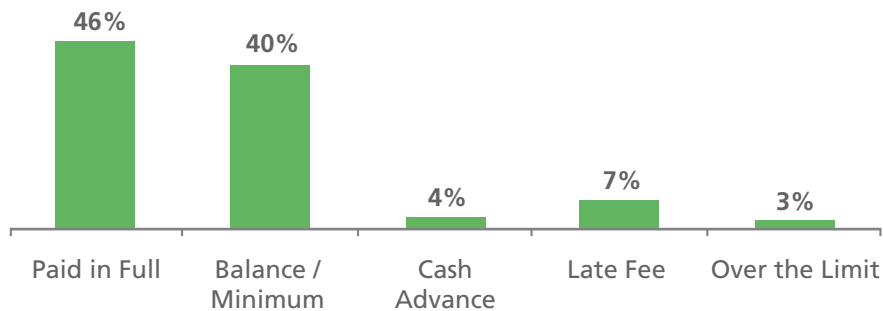


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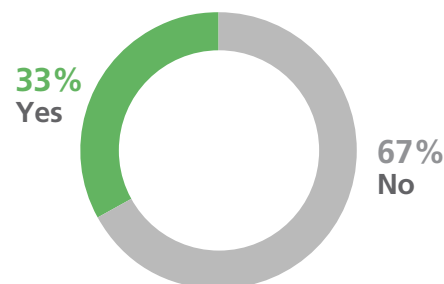
**In the past 12 months, have you checked your credit score?**



**(If you use credit cards) In the past 12 months, which of the following describes your experience with credit cards?**  
(Choose all that apply)



**Thinking about when you obtained your most recent credit card, did you collect information about different cards from more than one company in order to compare them?**



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## Implications and Opportunities

Students may be more inclined to review credit reports if we simply walk them through the process. Hosting a workshop or online lab to show students how to pull reports, and then how to interpret them, may help them feel more comfortable with the process and see the value in regularly monitoring their credit.

Similarly, showing students how to check their free credit score may help uncover any concerns that have prevented them from doing so. This also allows for a broader discussion about the difference between reports and scores, and how the score merely reflects the financial choices shown in their report.

Aside from the above topics, students may also benefit from discussions about how to choose the right credit card for their needs. Help students understand different account features and benefits, and how to compare credit card offers.

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## Conclusion

Even with the majority of students believing they have a B or C level understanding of money, we can see that there are clear areas of opportunity to help them improve. Indeed, sometimes the first step in effective financial education is helping students to understand that they don't know what they don't know.

With almost 50% of students indicating the financial aid office is their most trusted source of financial information,<sup>3</sup> we already have student buy-in to lead these conversations. Analyzing how students are currently handling their finances can help us fine-tune our financial education efforts to build-up those areas that are most lacking.

While financial education fundamentals like earning, spending, saving, borrowing, and protecting, will always be at the core of what we teach, we can see that shifting generational behaviors and financial developments can make our delivery more relevant. Continual evaluation of what we're teaching, in relation to student applied behaviors, is a best practice that benefits both educators and learners.

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## About the Author

### **Carissa Uhlman**

Carissa's nearly fifteen year collegiate career included roles in admissions, advising, records, student services, and financial aid. She served as the financial literacy consultant for DeVry's Columbus Metro, and she also created an adult learner financial literacy program at Franklin University. She now enjoys building financial education partnerships with colleges and universities across the country in her role as vice president of student success at Inceptia.

Carissa received her BA in Communications and Business from Malone University, her Masters of Human Resource Management from Keller Graduate School, and her business Credential of Readiness from Harvard Business School.



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## Sources

1. Nicholas, T. (n.d.)
2. Fottrell, Q. (2018). Millions of Americans are one pay check away from the street. Retrieved from <https://www.marketwatch.com/story/most-americans-are-one-medical-emergency-away-from-financial-disaster-2017-01-12>
3. Ascent. (2018). Investing in the Future: A Survey of College Students Regarding the Value and Financing of Higher Education. Retrieved from: <https://ascentstudentloans.com/wp-content/uploads/2018/07/Ascent-Student-Loans-Survey-Results-Final.pdf>

## About Inceptia

Inceptia, a division of National Student Loan Program (NSLP), is a nonprofit organization committed to offering effective and uncomplicated solutions in financial aid management, default prevention, and financial education. Our mission is to support schools as they launch brilliant futures for students, armed with the knowledge to become financially responsible citizens. Since 1986, we have helped more than two million students at 5,500 schools reach their higher education dreams. Each year, we help more than 278,000 students learn how to pay for college, borrow wisely, resolve their delinquency issues, and repay their student loan obligations. Our solutions are designed to support student success by helping financial aid administrators maximize resources, so they can spend more time focusing on students. Learn more at [Inceptia.org](https://inceptia.org).

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