Research Brief

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The New Traditional: Addressing Financial Literacy and Delivery Needs for Adult Learners

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Executive Summary

Non-traditional students, those students often older than 24, typically employed full time, and commonly providing financial support to dependents, now comprise up to 70 percent of the post-secondary population. They present the dichotomy of a learner that brings advanced experience to the classroom, yet may not have mastered foundational skills that are integral to the college learning experience. Not the least of these skills is the ability to achieve fiscal wellness, the cornerstone of any sound financial literacy program.

In an effort to recognize the changed face of the "typical" college student, this research brief addresses the need for financial literacy targeted toward adult learners, as determined by surveying students about perceived financial capability, access to financial education, applied financial behaviors, and financial aid borrowing habits. It also offers a framework for incorporating adult learning theory to better engage non-traditional students.

Key Findings:

- 60 percent of respondents rated their level of financial education very highly, yet as many as 78 percent of respondents do not know how much they need for retirement.
- 57 percent of respondents have not participated in financial education initiatives sponsored by their schools, with 27 percent reporting they do not know if financial education is offered at their school.
- Non-traditional students are most interested in learning about budgeting/saving and spending, retirement planning, how to pay for college, and how to manage/repay student loans.

The New Traditional is Non-Traditional

For many, the old benchmarks for traditional students still apply: age 18-22, attending full time, dependent upon parents, does not work or works part time, and lives on campus. What a surprise, then, to discover these characteristics apply to less than thirty percent of college students.[1] The new traditional is non-traditional, a student who meets any of the following characteristics:

- Delays enrollment: does not enter postsecondary education in the same calendar year that he or she finished high school
- Works full time (35 hours or more per week) while enrolled
- Is considered financially independent for purposes of determining eligibility for financial aid
- Has dependents other than a spouse, usually children, but sometimes others
- Is a single parent: either not married or married but separated and has dependents
- Does not have a high school diploma: completed high school with a GED or other high school completion certificate or did not finish high school[2]

(For the purpose of our study, Inceptia chose to further define the population by targeting survey respondents aged 25 and older. We will hence refer to these respondents as adult learners.)

Laboring under the assumption that traditional is as it always has been, many colleges and universities have been slow to change their service delivery models and teaching methods to accommodate the needs of the overwhelmingly non-traditional majority. From admissions to the classroom and everything in between, these round peg students are being asked to fit themselves into the square hole of the traditional student, often to the detriment of persistence, retention, and degree completion rates.

Now, however, with financial literacy programs being increasingly offered on many campuses across the country, a new opportunity presents itself to meet these non-traditional students where they are. By understanding the unique learning needs of this population and employing corresponding teaching methods, colleges and universities have the ability to provide critical education at a time when it is needed most, in a way that speaks to the adult learner.

1. Casselman, B. (2013, July 6). Number of the week: 'Nontraditional' students are majority on college campuses. Retrieved from http://blogs.wsj.com/economics/2013/07/06/number-of-the-week-non-traditional-students-are-majority-on-college-campuses/.

2. National Center for Education Statistics. (n.d.). Nontraditional undergraduates: Definition and data. Retrieved from http://nces.ed.gov.

Methodology

In August of 2014, Inceptia conducted an online survey of college students, targeting those aged 25 and older as non-traditional. The central focus of the study was to determine their perceived financial capability, access to financial education, applied financial behaviors, and financial aid implications. A total of 1,114 students completed the survey; we have also included a sampling of students under 25 to allow for response comparison amongst demographic groups where appropriate.

The following chart describes respondent demographics.

Respondent Demographic Profile

Degree Sought	% of Sample
Certificate	3%
Associate's Degree	4%
Bachelor's Degree	53%
Graduate Degree	40%

Age	% of Sample
24 or under	13%
25 to 44	57%
45 or older	30%

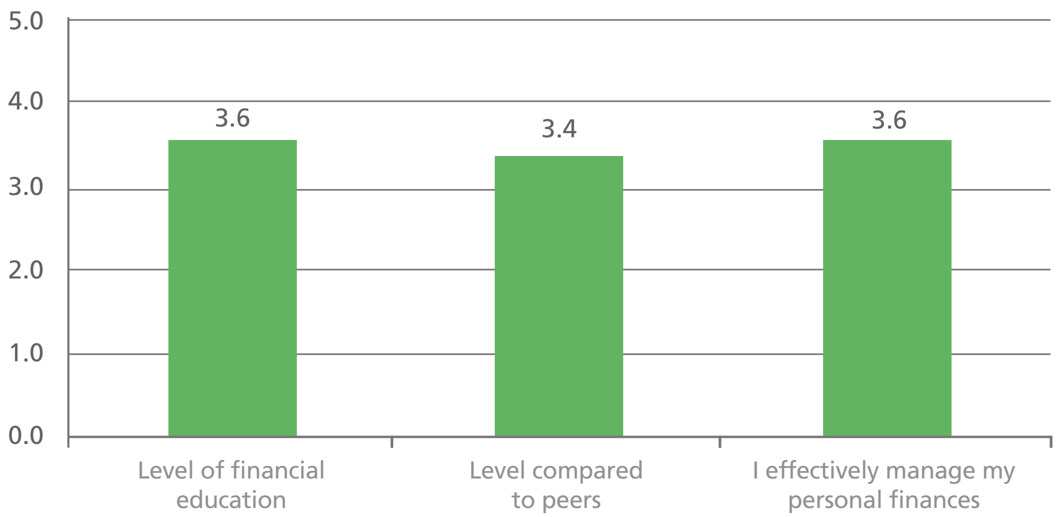
Results

Financial Education Self Rating

Survey respondents were asked to rank their level of financial education as compared to their peers, and how effectively they are at managing their own personal finances. They responded very positively, with 60 percent rating themselves a four or five (on a five point scale where 1 = low and 5 = high) for their current "level of financial education" and 55 percent rating themselves four or five for "effectively managing my personal finances." As age increases so does the rating for the level of financial education. Yet as age increases, self-rating in comparison to peers drops slightly.

Financial Education Self Rating

Q: How would you rate your level of financial education?
Q: How would you rate your level of financial education in comparison to your peers?
Q: I am able to effectively manage my personal finances.
Base: All respondents



*Mean Score based on a 5 point scale. 5 = high, 1 = low

Self Rating by Age

	Total	24 or Under	25 to 44	45+
How would you rate your level of financial education?	3.6	3.5	3.6	3.7
How would you rate your level of financial education in comparison to your peers?	3.4	3.4	3.4	3.3
I am able to effectively manage my personal finances.	3.6	3.7	3.6	3.6

Financial Education Topic Interest

For students 25 to 44, the topic of *Retirement Planning* jumps to number two in terms of importance (ranked as number six for students 24 and under). *Paying for College and Debt Management* have equal importance.

For students 45 and older, *Retirement Planning* becomes equally as important as *Budgeting and Saving*. *Identity Theft* is second in terms of importance.

Respondent Demographic Profile

Topic	25 to 44	45+
Budgeting/Saving & Spending	3.7	3.6
Retirement Planning	3.5	3.6
College Planning/Paying for College	3.4	3.2
Debt Management/Repaying Student Loans	3.4	3.2
Home Ownership	3.3	3.1
Using Credit/Credit Scores/Credit Cards	3.1	3.1
Identity Theft	3.0	3.3
Insurance	3.0	3.0
Taxes	3.0	3.1
Future College Planning for your Children	2.7	2.2

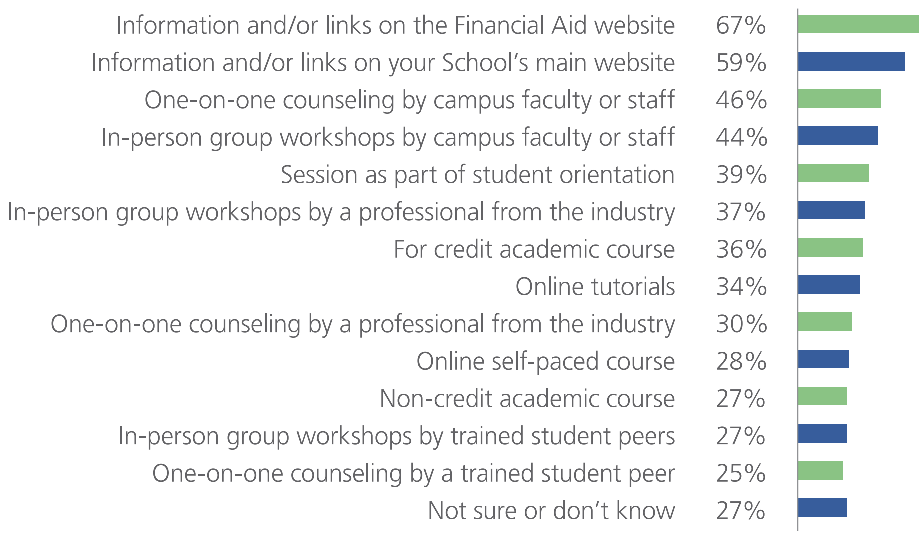
Financial Education Programs

Students were asked about the types of Financial Education information and/or programs offered by their college. One item worth noting: 27 percent of students indicated they don’t know if financial education is provided by their college.

Students were then asked in which of the programs they had decided to participate. Nearly six in 10 of the students surveyed (57 percent) had not taken advantage of any of the programs offered.

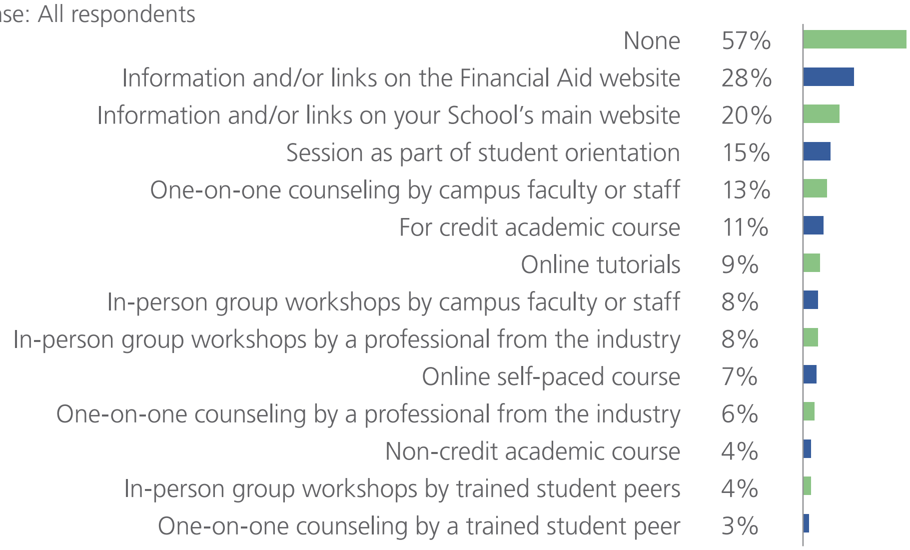
Financial Education Programs Offered

Q: Which of the following types of financial education programs are offered on your campus?
Base: All respondents



Participation in Financial Education Programs

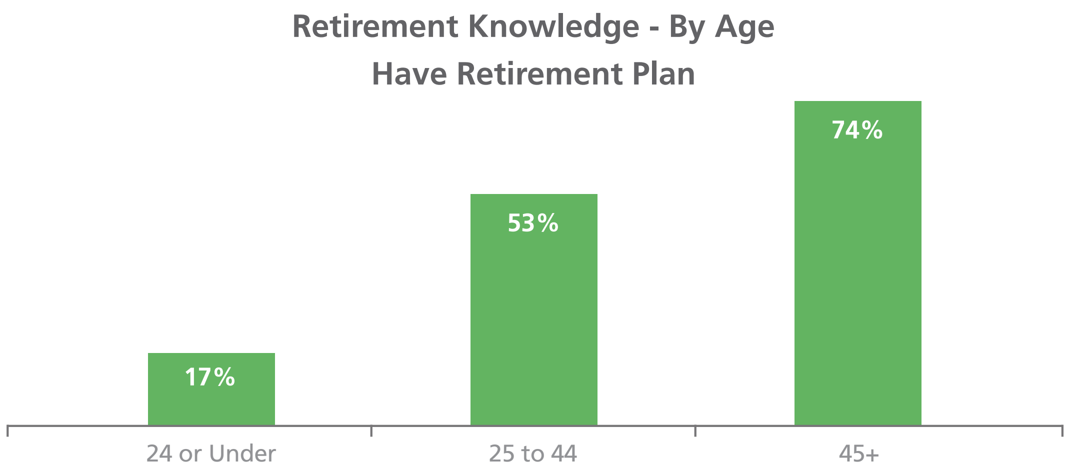
Q: In which programs have you participated?
Base: All respondents

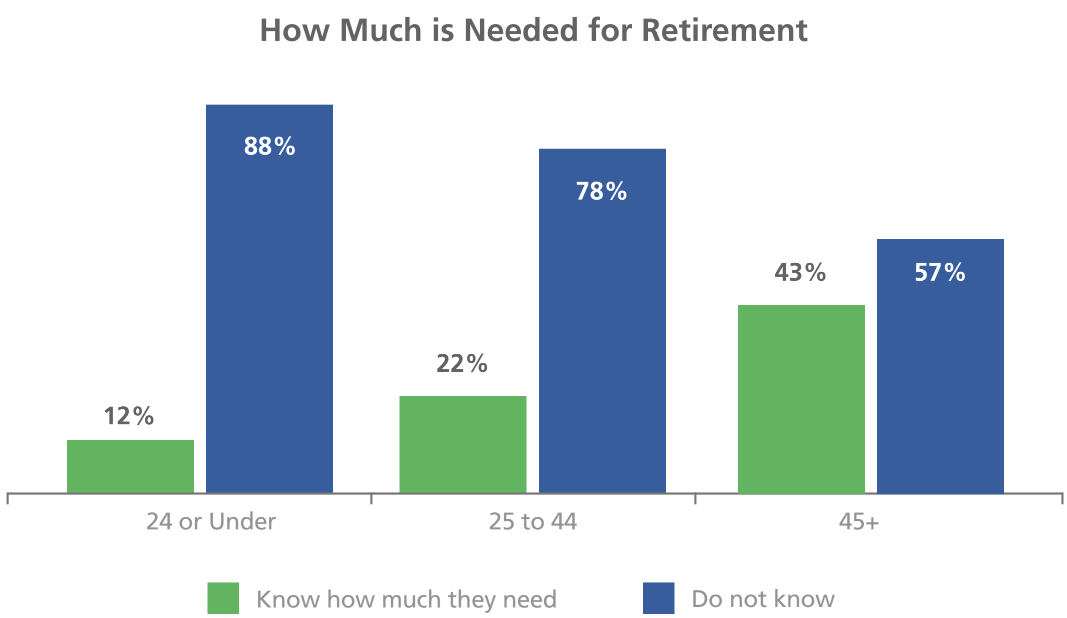


Financial Behaviors

For the purpose of this study's focus on students aged 25 or older, retirement planning was chosen to be a sample indicator of students being able to apply a desired financial behavior. Respondents were first asked if they have a retirement plan, and then if they knew how much money they would need to retire.

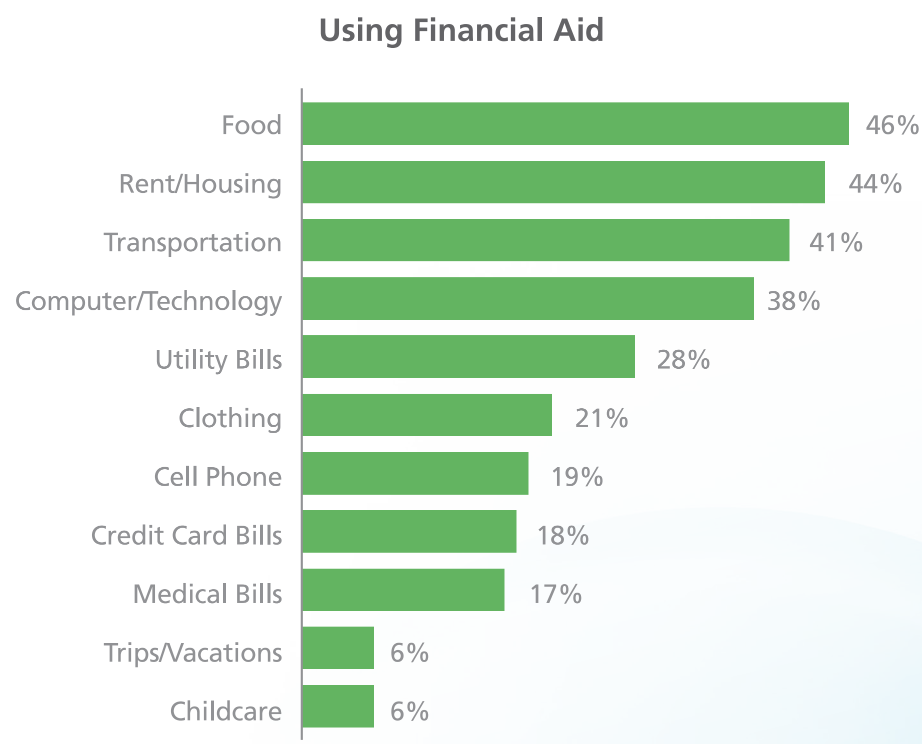
Responses show that as age increases so does the likelihood that a student participates in a retirement plan. Additionally, as age increases, so does the likelihood that the student knows how much he or she will need for retirement. However, even among those 45 years of age or older, over half (57 percent) don't know how much they will need for retirement.





Uses of Financial Aid

Respondents indicate that financial aid is being used to pay for everyday living expenses, with the most common being food, rent/housing, and transportation.



Analysis

Do adults need financial literacy?

Some of the very same characteristics used to identify non-traditional learners can also be the same traits that would seem to indicate a high level of financial capability. Working full time, providing for family, parental independence: these factors typically predict an advanced level of financial wellness that would make college financial literacy programming oversimplified and unnecessary. Yet, as our data shows, adult learners are suffering from poor financial behaviors just as much, if not more, than younger generations. From not knowing how much is needed for retirement, to using interest bearing student loans to pay for basic living expenses, students are demonstrating a lack of financial regard that will negatively affect their long term financial wellness. We see these trends play out at a national level with these statistics from the 2014 National Foundation for Credit Counseling survey:[3]

- 61 percent of adults do not have a budget
- 32 percent do not put any of their annual income toward retirement savings
- 65 percent have not reviewed their credit report within the past year
- 21 percent are not at all sure about what information is included in a credit report
- 41 percent assigned their personal finance knowledge a grade of C, D or F

> *"What's going to happen if Mom or Dad doesn't have good personal finance skills? Financial education can really be a twofer. What you learn, you can teach your kids – and break the cycle."*
>
> **Gail Cunningham, National Financial Education Foundation**[4]

Furthermore, it is the adult learner that has more to lose with a financial misstep, such as repossession, foreclosure, or retirement account losses, and less time to make up for that lost ground. It is the adult learner that is most likely supporting others and is responsible for family finances. Additionally, those very same adult learners will pass on their financial knowledge (or lack thereof) to the next generation.

Financial incapability amongst adults creates a compounding problem in which parents feel unprepared to teach their own children basic financial skills. With research indicating family is the most significant source of financial knowledge for children, providing this service to adult learners as part of the college experience can move the needle not just for current students but for future ones, as well.

3. Harris Poll. (2014). The 2014 Consumer Financial Literacy Survey. Prepared for The National Foundation for Credit Counseling. Retrieved from https://www.nfcc.org/wp-content/uploads/2013/06/NFCC_2014-FinancialLiteracySurvey_FINAL.pdf.

4. Grant, Kelli B. (2014, January 13). Why Adults Need Financial Literacy, Too. The Fiscal Times. Retrieved from http://www.thefiscaltimes.com/Articles/2014/01/13/Why-Adults-Need-Financial-Literacy-Too.

Positive Self Ratings Indicate Lack of Knowledge

Despite the demonstrated negative behaviors previously cited, it is quite contradictory then that our respondents rated their level of financial education so highly. This is not a new phenomenon, and often indicates respondents have a false sense of confidence, as evidenced in the FINRA National Financial Capability Study.[5] This survey asks adults five questions about everyday financial situations; 2012 results showed that only 39 percent of respondents were able to answer four out of five questions correctly; only 14 percent answered all five questions correctly.

This disconnect between self-perception and behavior is also evident in Americans' inability to link current spending choices with long term finances. For example, 87 percent of those who make daily coffee purchases do not believe that expense affects their long term financial state[6]. However, a modest calculation of a $4 coffee five times a week, 50 weeks out of the year nets a total $1,000 expense. If the coffee buyer were to take that annual $1,000 expense and commit those funds to a growth account at 7 percent interest for 20 years, the future value would grow to a whopping $44,700. Clearly, the inability to connect these dots further proves why financial literacy is crucial for future financial wellness.

Current Efforts Need Improvement

Respondents' lack of knowledge and/or participation in financial education programs indicates room for improvement. If colleges are already providing financial education opportunities, better outreach should be made to ensure adult learners are at least aware of these opportunities. Efforts may also be made to offer financial education in formats and at times that allow greater participation for adult students.

The positive news is our survey respondents showed a clear interest in learning more about most financial education topics. All but one topic (future college planning for children) scored at least 3.0 on a five point scale. This is a good sign that students are receptive to the information, and may be looking to their schools to guide them in the right direction.

"There is a gap between how we perceive ourselves and how we test out. We think we're good at managing our money. But when you start slicing and dicing that data, you see there are people who give themselves high marks...but overdraw their checking account or carry a balance on their credit card."

Gerri Walsh, president of the FINRA Investor Education Foundation

5. FINRA Investor Education Foundation. (2013) 2012 National Financial Capability Study. Retrieved from http://www.usfinancialcapability.org/downloads/NFCS_2012_Report_Natl_Findings.pdf.

6. Merrill Edge (2014). Merrill Edge Report: Fall 2014. Retrieved from http://www.merrilledge.com/Publish/Content/application/pdf/GWMOL/Merrill_Edge_Report_Fall_2014.pdf.

Recommendations

Adult Learning Theory

Through our data analysis, we can see that not only is financial education appropriate for adult students, the benefits thereof can truly make an impact at a time when many of these students can and need to apply those concepts.

However, any such program would need to acknowledge that non-traditional/adult learners have characteristics that require special consideration. In the now classic text, "Making Sense of Adult Learning," Dorothy MacKeracher established these assumptions about adult learners:

- Adults accumulate experiences and prior learning over their lifetime; the older they grow, the more past experiences and prior learning they bring to bear on current learning.
- The role of time in the life of an adult has important implications for the learning process.
- Adults bring to the learning process an established sense of self and an inclination to protect this self from perceived threats.
- Both self-directedness and relatedness to others contribute to how adults prefer to learn.[7]

In short, the adult learner depends on experience, both prior and current, and context in order to apply meaning to concepts; the adult learner processes concepts based on "real-life."[8] For educators used to the old "sage on the stage" method of delivering information, this approach will leave adult learners feeling excluded, invalidated, and without any opportunity to apply knowledge concepts.

A better approach, then, would be to utilize adult learning theories in adapting and presenting financial education programs. Using the adult learner assumptions and principles developed by renowned educator Malcolm Knowles, these suggestions provide the framework on which to build a program that will appeal to the unique learning needs of these students.

1. Maximize autonomy – remember, adult learners build on the previous experience they bring with them. The best way to do this is give them the latitude to explore a topic in small groups or through self-paced study. Online financial literacy programs fit the bill nicely.
2. Make subject matter relevant – more than any other group, adult learners will question why they should learn something. When it comes to financial education, this is an easy answer. Because most adult learners are actively managing finances, it is easy for them to make that connection. The key will be providing them with solid takeaways, like the development of a spending plan or how to play the coupon game.

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7. MacKeracher, D. (2004). Making sense of adult learning (2nd ed.). Toronto, Ont.: University of Toronto Press.

8. Jacobs, F., & Hundley, S. (2010). *Understanding and supporting adult learners: A guide for colleges and universities.* San Francisco: Jossey-Bass.

3. Give purpose to everything you teach – you may get pushback if the adult learner cannot find the value in what you are teaching. Be prepared to offer several ways in which learning the content can benefit them. For instance, a student who thinks budgets are useless may be persuaded to think otherwise if you appeal to his desire to teach his daughter responsible money management.
4. Information should be experienced, not just memorized – provide opportunities for the material to be absorbed. A student who is shown a sample credit report does not learn nearly as much as one who pulls her own report and learns to look for errors and unauthorized account activity.
5. Request feedback, and use it! – Because adult learners bring so much life experience to their learning, recognizing and validating that contribution is critical. Encourage student participation when appropriate, and work hard to integrate student suggestions into your program.[9]

Conclusion

Financial literacy has made great strides over the past few years to become recognized as a valued and necessary part of the student experience. Conventional wisdom is moving to the consensus that learning to read a balance sheet in the boardroom is just as important as balancing a budget in the kitchen, and that is how it should be. After all, higher education is nothing if it is not preparation for "real life."

For non-traditional/adult learners, especially, there are few subjects that are more "real life" than developing financial capability and wellness; it is inextricably linked to so many of their daily interactions, discussions, and decisions, making content-relevant financial literacy programs of the utmost benefit. For the non-traditional student, financial literacy can be both life sustaining and life-transformative. In fact, much adult-learning theory is grounded in the idea that education should be a transformative process; that it should challenge existing beliefs and patterns and lead to a revision in thinking and doing. Financial literacy, if delivered at the right time and in a way that adequately addresses student needs, does just this. It disrupts old money habits and empowers students to adopt new ones that will benefit themselves, their families, and future generations of students. What a welcome disruption that would be.

9. Pappas, C. (2014, August 15). 9 Tips To Apply Adult Learning Theory to eLearning. Retrieved from http://elearningindustry.com/9-tips-apply-adult-learning-theory-to-elearning.

About the Authors

Terry Porter. Having served non-traditional learners for more than 10 years, Terry Porter is committed to helping students transform their lives and communities through education. Terry's experiences and roles in admissions, student affairs, course design and teaching give him a complete picture of the student experience and the challenges and opportunities of being a non-traditional learner. As an academic advisor, Terry counseled students on the importance of understanding financial wellness. As an adjunct professor of sociology, Terry empowers students to understand the connection between personal financial well-being and the overall economic health of society. Terry received his Bachelor of Science in Organizational Leadership from Franklin University, and his Masters of Arts in Social Science from Antioch University.

Carissa Uhlman. As the vice president of student success, Carissa Uhlman is committed to helping school partners realize the link between student loan education, overall fiscal responsibility and student success. With over 15 years of higher education experience, Carissa held roles in academics, records, admissions, advising, student services and financial aid. As a former financial literacy consultant at DeVry University, Carissa saw the benefits of incorporating financial wellness into the student success equation. Utilizing that knowledge, she created a financial literacy program for adult learners at Franklin University. Carissa's expertise in financial literacy helps administrators guide students toward a path of financial success.

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The Inception Of A Movement.

Inceptia, a division of National Student Loan Program (NSLP), is a nonprofit organization providing premier expertise in higher education access, student loan repayment, analytics, default prevention and financial education. Our mission is to support schools as they arm students with the knowledge needed to become financially responsible adults. Since 1986, we have helped more than two million students achieve their higher education dreams at 5,500 schools nationwide. Annually, Inceptia helps more than 156,000 students borrow wisely, resolve their delinquency issues and successfully repay their student loan obligations. Inceptia educates students on how to pay for college, guides borrowers through loan repayment counseling, and provides default prevention strategies and services to schools.