

2019

**MONEY MATTERS**

**ON CAMPUS**

EVERFI

AIG Retirement Services





## About The Author

**Daniel Zapp, PhD**, is the Senior Director of Research at EVERFI and drives the data analysis, research development, and dissemination of findings gleaned from digital education courses concentrated on social and personal wellness. He has extensive experience in research methodology, advanced statistical analyses, and evaluating educational technology.

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# Results Brief with Highlights

In order to understand the financial capability of those in college and preparing to become part of the future workforce, EVERFI, sponsored by AIG, surveyed a nationally representative sample of **over 30,000 college students** from more than **440 institutions located in 45 states**. The survey instrument focused on respondents' financial knowledge, experience, behaviors, and perspectives. Students who were taking online education courses on personal wellness were given a chance to provide responses to survey items and response dates spanned across the fall semester of 2018 and early spring semester of 2019.

This report compares data collected from 2012-2018 gleaned from nationally distributed surveys on financial knowledge, attitudes, and behaviors, including a current cohort of higher education students that represent a wide age range that is representative of the shifting demographic of enrollments in post-secondary education. Researchers can start to extrapolate from this dataset and make some inferences about the developmental pathway of financial capability constructs through emerging, young, and middle adulthood for those who attend college in the United States. A selection of the most salient results from the report are listed below. Overall, these results suggest that these adults are suffering from a lack of financial capability long before they enter the workforce and employers will need to be aware of how these attitudes and behaviors may impact their job performance.

## College Students are Least Prepared to Manage Money

Students were presented with a variety of challenges associated with college and asked which they felt they were prepared to tackle. Consistently, respondents have reported that they were and still are the **LEAST** prepared to **Manage their Money** (only 53% felt prepared) compared to **Managing Time, Finding Resources, Keeping Up with Coursework**, and **Staying Organized**. Overall preparedness increases with student age and experience in higher education, but **Managing Money** remains as the most daunting challenge of college for nearly all students and has been for the past four years. Programs need to be implemented in secondary education curriculums to better prepare these students for their future collegiate experiences.

**53%**

reported that they were the **LEAST** prepared to manage their money

## Credit Card Use and Debt are High

Nearly half (**46%**) of all the students we surveyed reported they currently had at least one credit card and **61%** of those students acquired their first card when they were 18 or younger, suggesting many of these young adults are starting their credit card experiences around the same time they transition to higher education. Of those students with credit cards, **55%** have only one card (**22%** have two cards) and the rest have more than two. In terms of total credit card debt, a third (**36%**) of this sample already have more than \$1000 in credit card debt and researchers found that credit card usage and overall debt have increased substantially since we began collecting data in 2012. These unhealthy habits can compound stress and financial burden over time and delay adults in their achievement of their financial goals, decreasing their ability to develop into successful professionals in the workforce.

**36%**

of this sample already have more than \$1000 in credit card debt

## Planning is Low and is Dropping

Students were asked what they plan to accomplish in the next year to help manage their finances and prepare for the future. While they were presented with 11 different healthy planned behaviors, only a third (**34%**) reported they would balance their checkbook and less than that (**32%**) would start saving for an emergency fund. Sixty-percent (**60%**) of all students plan to take out loans to pay for college, and while **65%** of these students with loans do plan to pay off their student loans on time and the same percentage plan to pay them off in full, only **42%** plan to consolidate their loans to achieve this. The percentage of students planning to engage in all planning behaviors has been decreasing for the past seven years.

**60%**

of all students plan to take out loans to pay for college

## Knowledge and Education are Low

Only **35%** of this sample of adults report having ever taken a personal finance course in high school and that includes no more than **40%** of students graduating from a state that claims to require such a course for graduation. To assess each student's financial knowledge, participants were asked to answer six basic financial knowledge questions, pulled from the financial literacy research and referencing topics such as credit history, net worth, interest rates, and student loans. As prior research from EVERFI and other organizations have found, respondents struggled with the basic questions, answering only **two out of six multiple-choice questions correctly** on average with particularly low success rates on questions about credit card use, credit history, and building an emergency fund. College students of all ages are desperately in need of education and skills related to personal finance management and future fiscal planning and their experience with a personal finance course in high school does not appear to have a major impact on their knowledge levels measured in college.

**35%**

of this sample of adults report having ever taken a personal finance course in high school

## Stress is High, Especially About Finding a Job After Graduation

The challenges of paying for one's education and engaging in personal finance management (perhaps for the first time) can represent a source of significant emotional distress for students in college so researchers presented 11 different financial issues associated with post-secondary education and asked how much anxiety they produced for respondents. **Finding a Job After Graduation (68%)** was the most frequently chosen challenge, followed by **Tuition Hikes (59%)** and the **Cost of Tuition (57%)** and those have remained at the top for the past four years. Students were least distressed by **Personal Finance Management (32%)** and **Keeping Up with Peers (31%)** and these stress levels remained high among respondents through their 20s. These stress levels could impact their ability to value themselves when negotiating with employers and to stay engaged in their professions.

**68%**

reported that finding a job after graduation produced a large amount of anxiety

# Introduction

Although financial capability, its development, and its impact on fiscal behaviors have been receiving increased public attention for several years—especially the efficacy of programs designed to teach this construct—there is a scarcity of research on how this critical skill is developing in the U.S. Students, parents, administrators, and public policymakers share considerable concerns about the deficiencies in financial knowledge and capabilities among today’s adult population (Williams & Oumlil, 2015). College students are accruing high levels of student loan and credit card debt, displaying poor understanding of financial topics, responding variably to fiscal interventions implemented during K-12 and Higher Education, and becoming less proactive and responsible in their goals and plans for the future. The economic consequences of these financial capability deficits are slowly becoming more evident, as many of today’s adults are struggling more than older generations with basic money management skills and overall financial literacy and skills. Institutions of higher education agree that the development of overall financial wellness is a priority for the sustained engagement and success of their student body, but many agree that their programming efforts in this domain are in need of expansion and improvement.

Young adults are also of particular interest in terms of their financial capability because of the high degree of experience and development that occurs during this critical time period and individuals increasingly face financial pressures at an early age and are required to make critical fiscal decisions before gaining adequate experience or receiving any



type of financial education (Lusardi, 2015). However, research by Lusardi and colleagues (2017) found that only 48% of all American adults could correctly answer at least half of a set of financial literacy questions and 52% scored a 50 out of 100 or lower. The results were even less promising for young adults in their early 20s, and we know these individuals are saddling themselves with increasing student loan debt and often becoming overwhelmed by stress regarding the challenges of personal finance management (Britt, Ammerman, Barrett, & Jones, 2017).

Year over year, the demographics of higher education are shifting, and we are seeing an increasing number of students taking a non-traditional path to college who may be coming to these institutions with more life experience including financial and career experience (CLASP, 2015). The term “college student” no longer just refers to those of a specific age range or developmental pathway. The college population now not only consists of members of Generation Z (under 24 years old), but also a sizeable proportion of Millennials (24-38 years old), Generation X (39-53 years old) and even some Baby Boomers (54-72 years old). According to the National Center for Education Statistics, non-traditional students or adult learners now constitute a majority of members of classrooms in all sectors of higher education (MacDonald, 2018). There are sizeable differences in the attitudes, behaviors, knowledge, and plans of collegiate members from each of these generations and institutions of higher education will have to adapt their policies and programming to better suit the financial wellness needs of this shifting population.

**We are seeing an increasing number of students taking a non-traditional path to college who may be coming to these institutions with more life experience including financial and career experience.**

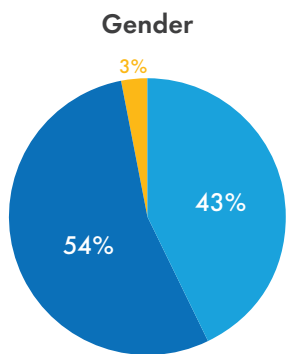
This report will investigate data from a wide variety of students in higher education on their financial knowledge, behavior, attitudes, and distress in an attempt to paint a clear picture of the financial capability of adults in college. Analyses of the aggregate survey response data set paints a rather uninspiring picture of the financial capability of adults in the U.S. higher education system. Despite most students having to make their own fiscal decisions regarding loans, credit cards, and personal money management, large swaths of this population report insufficient financial experience, limited financial knowledge, unhealthy behavior patterns, high levels of stress, and minimal plans for the future (Britt et al., 2017).

Due to the demographic variations in student populations, the developmental timelines for financial wellness may be quite different for students attending different types of institutions, non-traditional student populations, and those from differing socioeconomic backgrounds. In order to completely understand how the college experience plays a role in financial knowledge, opinions, and behaviors for young adults, this report aims to thoroughly compare students on a variety of characteristics including their institution type, age, and school year across various domains of fiscal health. The findings derived from this analysis could surely help direct policies and programming designed for each type of student, as well as guide the measures used to assess financial interventions in higher education.

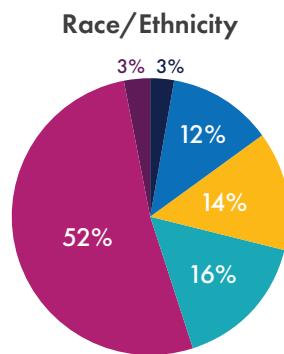
# Methods & Demographics

This year, EVERFI, sponsored by AIG, collected survey data from a nationally representative sample of college students, totaling **over 30,000** respondents from more than **440 institutions located in 45 states**. The survey instrument focused on respondents' financial knowledge, experience, behaviors, and perspectives. Students who were taking online education courses on personal wellness were given a chance to provide responses to survey items and response dates spanned across the fall semester of 2018 and early spring semester of 2019. According to the National Center for Education Statistics, our sample's demographics suggest they are representative of the current population of students currently enrolled full time in post-secondary education. Across our age range in the sample, **82%** of the students could be classified as members of Generation Z (17-23 years old) and another **12%** could be classified as Millennials (24-35 years old).

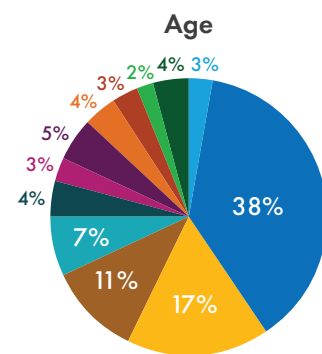
## Student Demographics



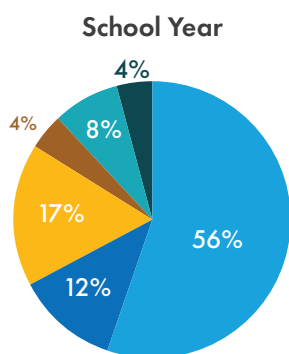
- Female
- Male
- Other or Prefer Not to Answer



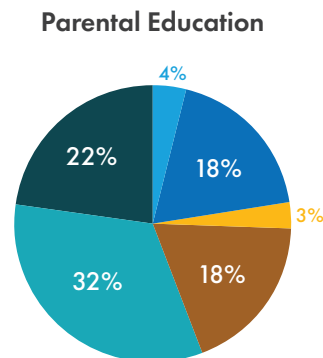
- American Indian/Alaska Native
- Asian
- Black or African American
- Hispanic or Latino/a
- White/Caucasian
- Other or Not Listed



- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24-26
- 27-30
- 31-35
- 36-40
- 40+



- First Year
- Second Year
- Third Year
- Fourth Year
- Graduate or Professional School
- Other



- Some High School Education
- High School Graduate
- Technical School Graduate
- College Graduate
- Some College Education
- Graduate School





Survey questions covered a variety of topic areas relating to financial literacy, which included their experience with checking accounts, student loans, credit cards, budgeting, saving, and planning for the future. Students were also asked about how much stress they felt when engaging in personal finance behaviors and how likely it would be they would perform certain fiscal actions in the near future and in the next five years. Finally, students were asked to answer some basic questions about their knowledge of financial topics such as interest, credit reports, and emergency savings.

## School Demographics

- **93%** Four-year students; **7%** Two-year students
- **70%** Public institutions; **30%** Private institutions

### School Size Breakdown

- **4%** - Under 1,000 full time students
- **20%** - 1,000 to 4,999 full time students
- **21%** - 5,000 to 9,999 full time students
- **7%** - 10,000 to 19,999 full time students
- **46%** - 20,000+ full time students

# Results

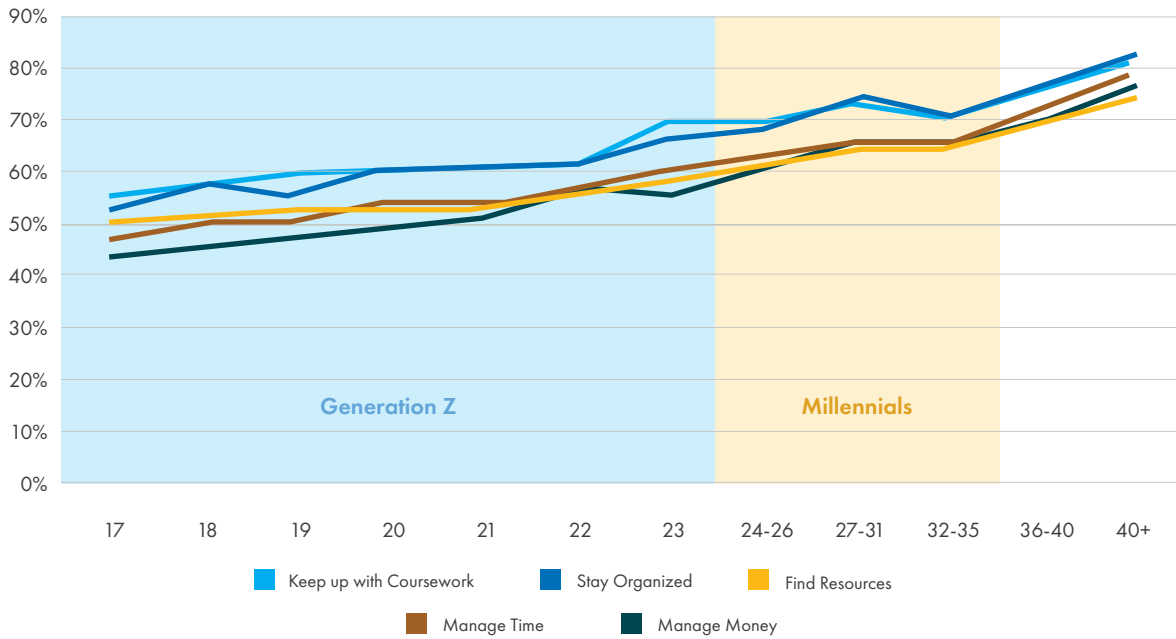
## College Preparedness

Our sample of higher education students were asked how prepared they felt to tackle a number of aspects of college life on a scale 1-*Not at All Prepared* to 7-*Very Prepared*. For most challenges, only a moderate majority reported they were prepared (greater than 4 on the scale of 1-7) to deal with these issues. In fact, as we have seen every year, students consistently reported being the **least prepared** to manage their own finances:

- 62% were prepared to keep up with coursework
- 61% were prepared to stay organized
- 55% were prepared to find help and resources to succeed
- 55% were prepared to manage time
- 53% were prepared to manage money

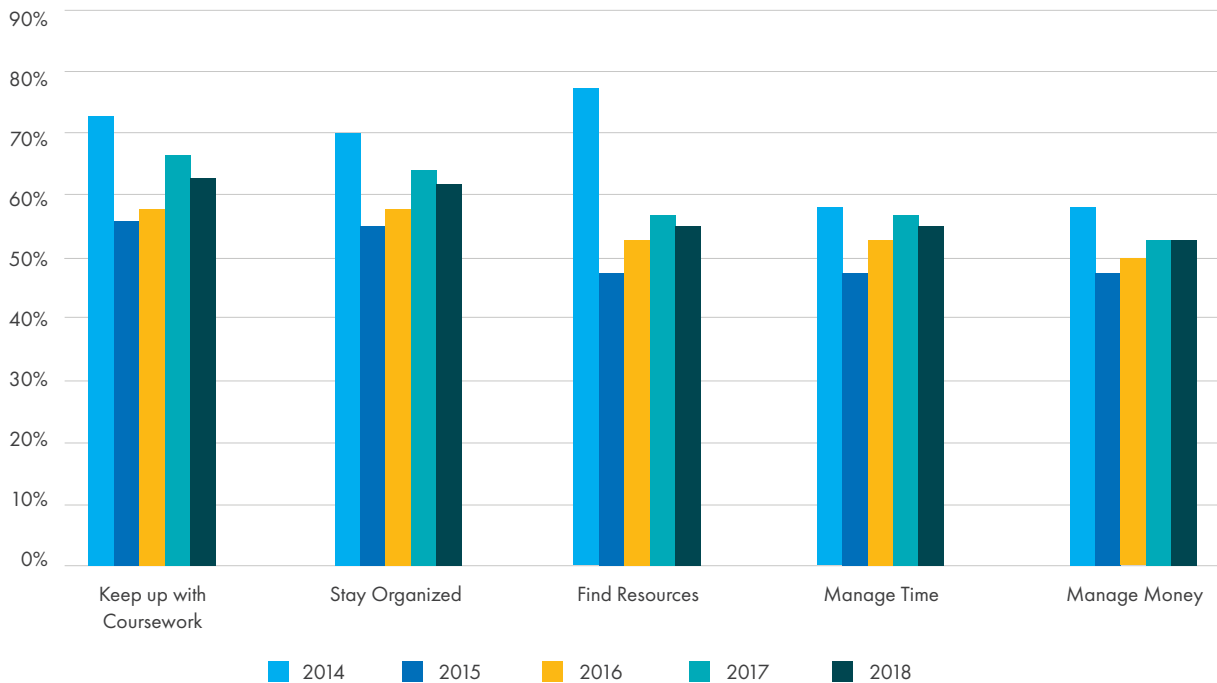
One might assume that personal finance education would increase students' ability to manage their money, but only 55% of students who took such a course in high school reported feeling prepared to do so. Students from two-year institutions reported being slightly better prepared to tackle all the listed challenges than their four-year peers, but this is most likely related to the general age difference we find between students at these types of schools. As seen in the graph on the following page, preparedness increases with age for all of the categories, however there is not nearly as close of a relationship between preparedness and year in school, apart from a moderate increase after a student's first year in school.

### College Preparedness by Age



Despite these universal increases in preparedness with age (and subsequently between Generation Z members and Millennials), the ability to manage money nearly consistently remains at the bottom of the list. It is also important to note that when we review the year over year data for this question from when we first started asking in 2014, every student sample has reported that they were the least prepared to manage their money of any of the college challenges.

### College Preparedness Over Time

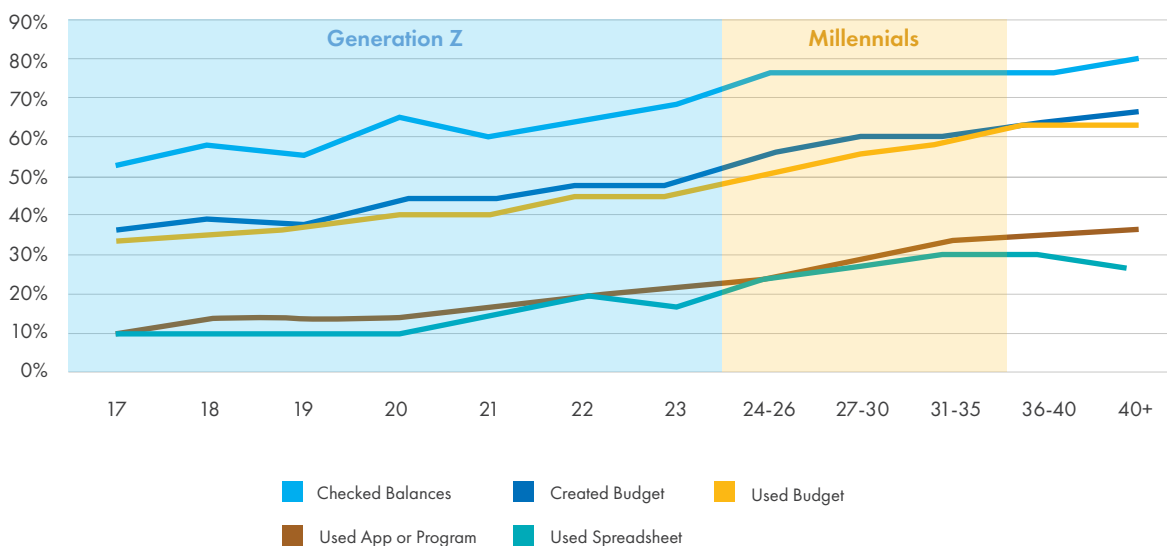


## Financial Experience

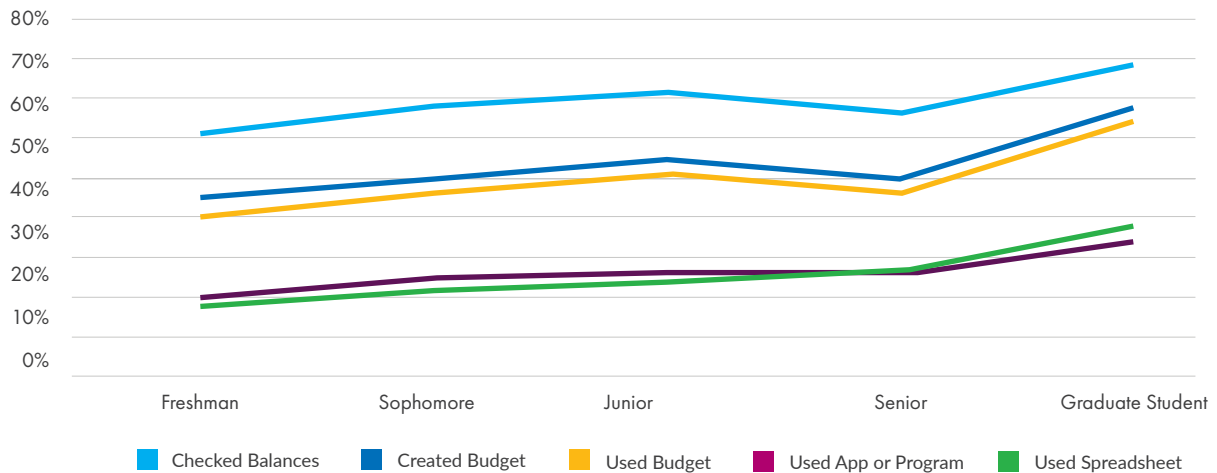
It may be the case that some of this lack of preparedness stems from a lack of actual experience with making fiscal decisions. Starting with the most basic level of financial experience, we found that a vast majority of the aggregate sample, **91%**, reported having experience with a transactional bank account (i.e., a checking account). This has increased from **86%** when we first started asking students in 2012. However, of these students with checking accounts, only **66%** of those were personal accounts, as opposed to joint or custodial accounts. Students from two-year institutions were less likely to report having this experience (**86%**) and were more likely to have a custodial or joint account than their four-year peers. Comparing students from schools of varying size, we see those from larger schools are slightly more likely to have checking accounts. Having a checking account increases slightly with the age of the student from **90% to 95%** from the lowest to the highest brackets, but following a jump from **89% to 94%** after the first year of school, having a checking account remains steady through the higher education experience. Millennial students were more likely to report having a checking account (**95% vs 90%**) than their Generation Z peers, and also were more likely to have a personal account (**77% vs 65%**), but this is most likely driven by the age of the students in each group. Parental education is only moderately related to this financial experience but having parents with a high school diploma is especially impactful.

When asked about specific financial behaviors they have engaged in recently, only **59%** claimed that they had checked their account balances and even fewer had created (**40%**) or used (**38%**) a budget to manage their personal finances. This is especially disappointing given our unprecedented access to technological tools that help support healthy financial behaviors. Despite these conveniences, only **16%** of the entire sample reported using a money management app or program to support their efforts and only **15%** used a spreadsheet to generate a budget. Students from two-year institutions were more likely to report creating and using a budget, as well as checking their account balances, than four-year students, but did not use technology resources any more frequently. However, students did report increased likelihood to engage in all of these behaviors as they aged and as they progressed through school. The following graphs show a strong linear relationship with age and with year in school and budgeting behaviors, however we can see there are key windows for growth and improvement during the freshmen and senior years and also during the mid to late 20s.

**Budgeting Behavior by Age**



### Budgeting Behavior by School Year

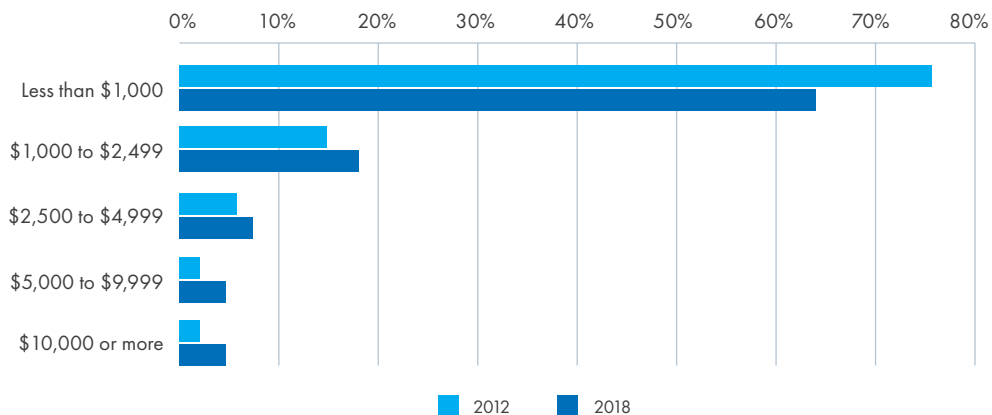


### Credit Cards

Another important financial experience for young adults is the acquisition and maintenance of a credit history. In our sample, **46%** reported currently having any credit cards, and **61%** of those students acquired their first card when they were 18 or younger, suggesting many of these young adults are starting their credit card experiences around the same time they transition to higher education. Of those students with credit cards, **55%** have only one card (**22%** have two cards) and **78%** have never been late paying their bill. For these students with credit cards, **36%** already have more than \$1000 in credit card debt.

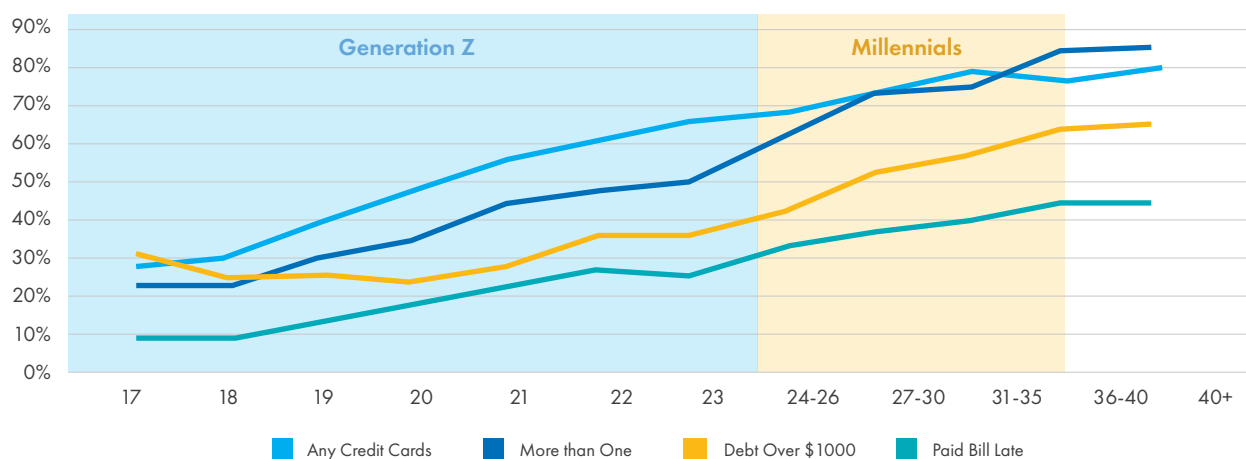
The percentage of students using credit cards in college has increased from **28%** in 2012 to **46%** today as has the percentage of students with more than one card from **25%** to **45%**. It is clear that students in higher education are increasingly likely to have already established a credit history and we can also see from the graph below that their total credit card debt is increasing. Further, those students who never paid a credit card bill late decreased from **91%** in 2012 to **78%** today. Some of these differences may simply be due to variation in the college population, and consequently our nationally representative sample, over time. However, this does still mean that credit card usage is becoming an increasingly critical part of the higher education experience.

### Total Credit Card Debt Over Time



In previous years, we have also seen sizeable differences in the credit card experience and behaviors of two-year and four-year students and this sample is a compilation of both types of students. Surprisingly, only **41%** of two-year students have other credit cards compared to **47%** of four-year students. There was no relationship found between parental education and credit card behaviors or any school-related characteristics. Having experience with credit cards seems much more likely to be related to age and experience as an active consumer. While only **34%** of students report having credit cards during their first year, this jumps to **65%** by their senior year and **82%** for those in graduate school. Further, the percentage of students with over \$1000 in credit debt increases from 28%, to 38% and then 56% respectively. The graph below also shows the direct linear relationship between age of students and their experience with credit cards and credit card debt, with clear differences between those in the Generation Z and Millennial cohorts.

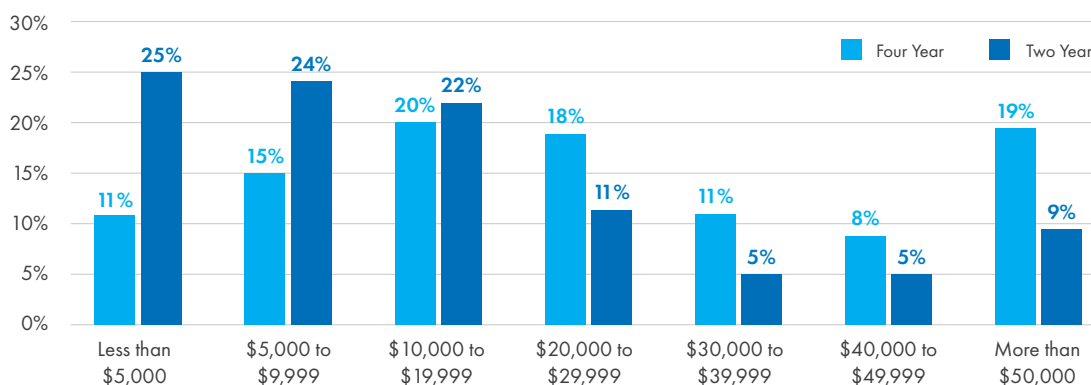
**Credit Card Behavior by Age**



## Student Loans

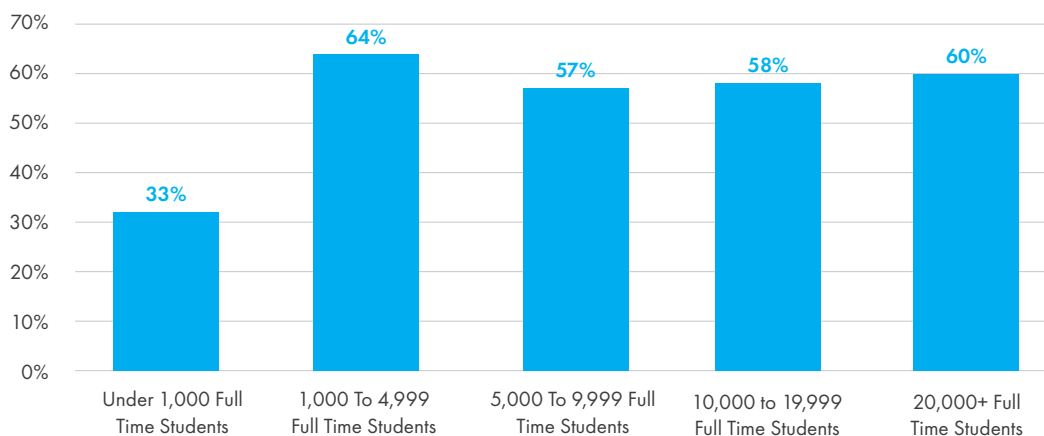
Perhaps some of the most important and impactful financial decisions that adults will make during their post-secondary education experience are whether or not they will take out loans, how much they are willing to borrow, and how they will pay back those debts. Nearly **60%** of the sample have or will take out loans for college, but only **35%** of two-year students will have loans compared to **61%** of four-year students and have substantially less total student loan debt upon graduation. Their anticipated total debt accumulation upon graduation is as follows:

**Total Student Loan Debt by School Type**



We also found that as school size increased, students were more likely to report that they planned to take out loans, but total student loan debt did not increase in turn. Fifty-nine percent of Generation Z members reported plans to take out loans compared to 65% of Millennial peers who also reported higher levels of expected student debt upon graduation. Thirty percent of Millennials expected to owe more than \$50,000 in student loan debt upon graduation, compared to 14% of Generation Z students, even though 14% of Millennials were students at two-year institutions compared to only 4% of Generation Z students. Further, the likelihood of taking out student loans increases with parental education until parents have a college or graduate degree, then it is much lower, suggesting that parental achievement is mitigating some of this need for students.

**Students with Loans by School Size**

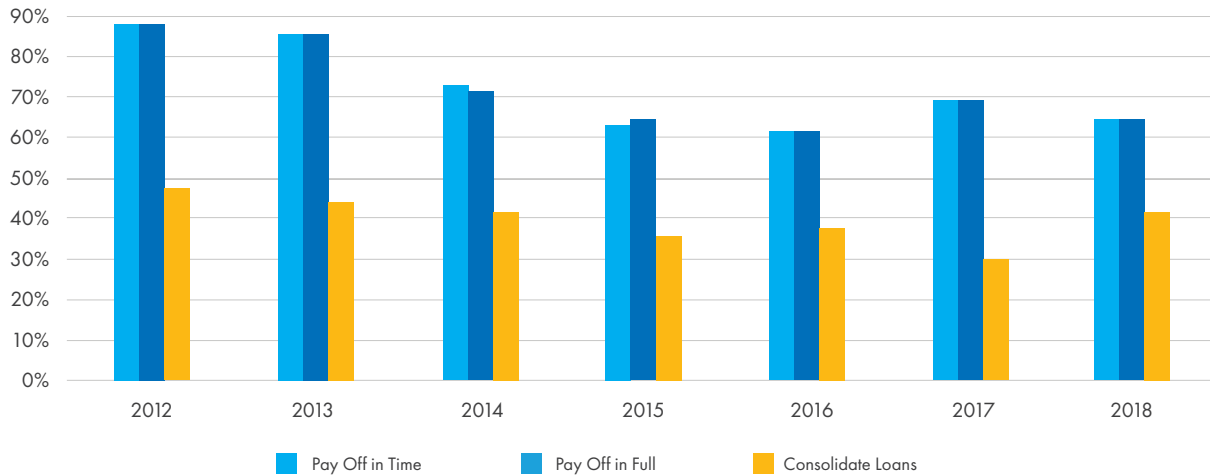


**Total Student Loan Debt by School Size**



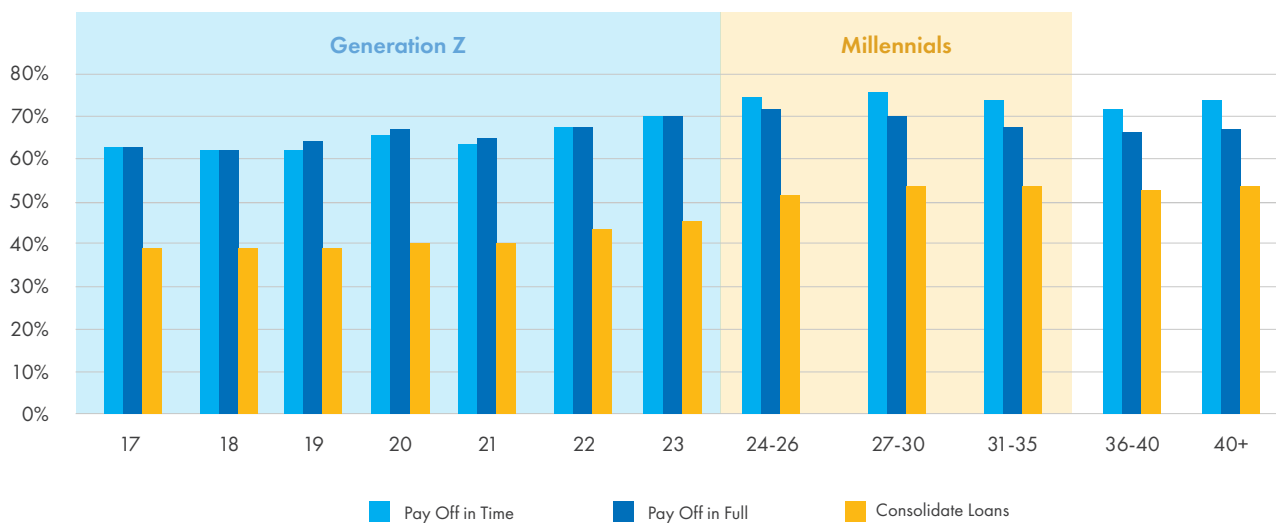
No matter what the total balance, repayment of student loans after graduation represents a significant financial challenge for these adults and most do not currently feel prepared to overcome that obstacle. While **65%** of these students with loans do plan to pay off their student loans on time and the same percentage plan to pay them off in full, only **42%** plan to consolidate their loans to achieve this. Looking at the graph on the next page, we can see an unhealthy trend in our year over year data, such that students seem less likely to plan to pay off their loans on time, in full, and to consolidate.

### Planned Loan Behaviors Over Time



The likelihood of engaging in these behaviors increases with student age, particularly around a student’s mid-20s as seen in the graph below, however students of all ages appear to need more education and support around why and how to consolidate these loans in order to pay them off on time and in full. A more disturbing finding, however, was that these planned behaviors did not increase as students progressed through school even though students may graduate at any age depending on when they entered school but would certainly be closer to repayment responsibilities during their senior year than they would be earlier in their college career. There was no relationship found between these planned student loan behaviors and any of the school-based characteristics, including school size or comparing two-year vs four-year schools. Even though having more affluent parents decreased the likelihood for students to have to take out loans to finance their education, it was not correlated with any increases in healthy repayment plans.

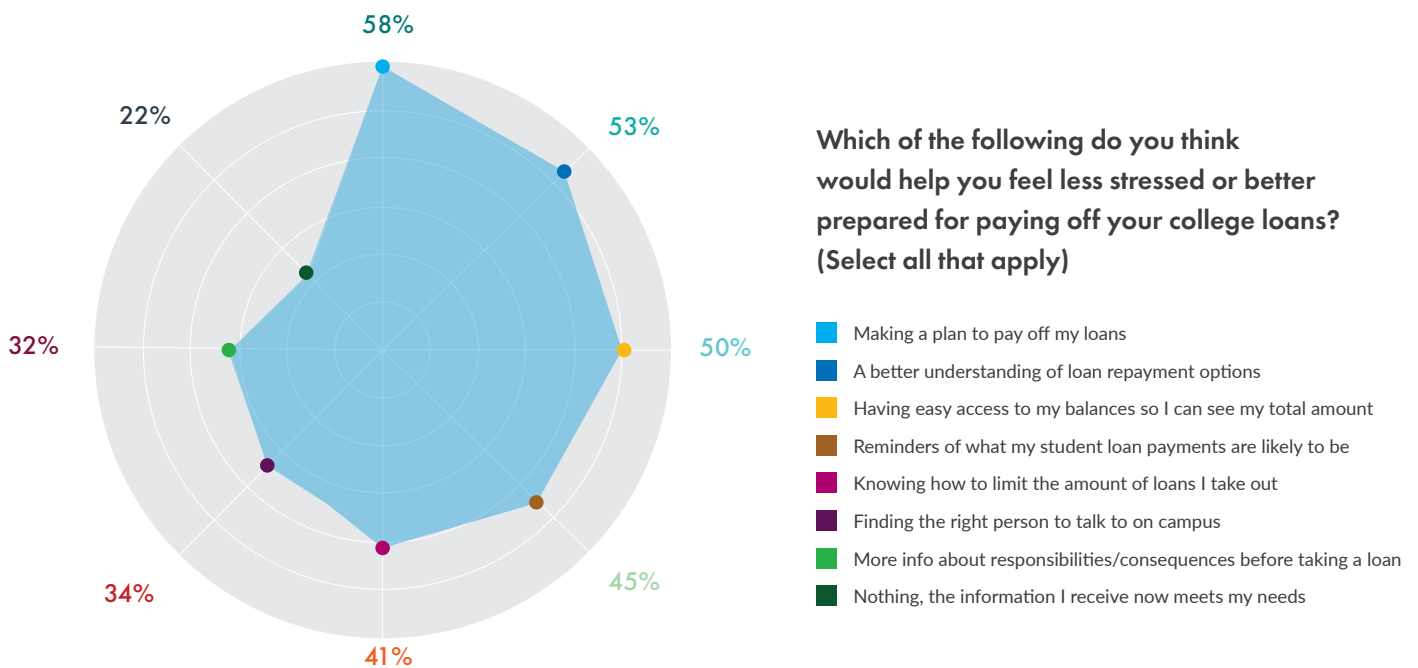
### Student Loan Behaviors by Age





## Loan Repayment Resources

Over half of the students taking out loans (**51%**) reported that they “worried about their debts,” while only **28%** of the students without loans felt the same anxiety. This anxiety increases with expected student loan debt from **38%** of those with under \$5,000 to **58%** of those with \$50,000 or more. To learn about how best to mitigate this worry, we asked those students who did plan to take out student loans which of the following resources would help them feel less stressed or better prepared to pay off those debts. They are listed below in order of most to least selected by students:

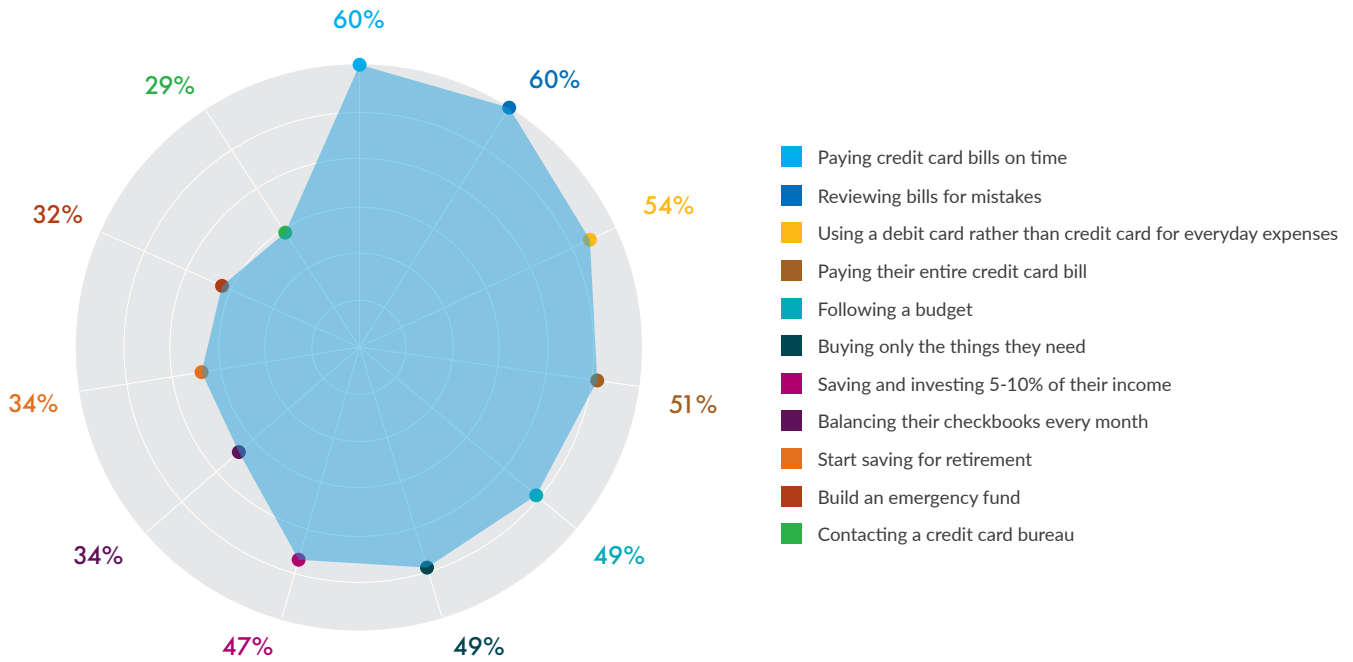


While it is encouraging that most students valued proactive, data-driven approaches to successful loan repayment, only 22% of students taking out loans currently felt they had the education, information, and/or support to be able to pay off those debts. It is important to note that students reported all of these to be less likely to relieve their stress or help them pay off loans compared to last year (by about **5-7%** for each item) and actually increased reporting they had all the information they needed (from **15%** to **22%**). However, as we will see in the following results, these students don’t seem any less stressed about those loans or have better plans for repayment. We also found that those students with the smallest expected loan amounts (less than \$5,000) and those with the greatest (over \$50,000) were the most likely to report they had all the information they needed to repay their college loans (**30%** and **25%** respectively).

## Financial Plans

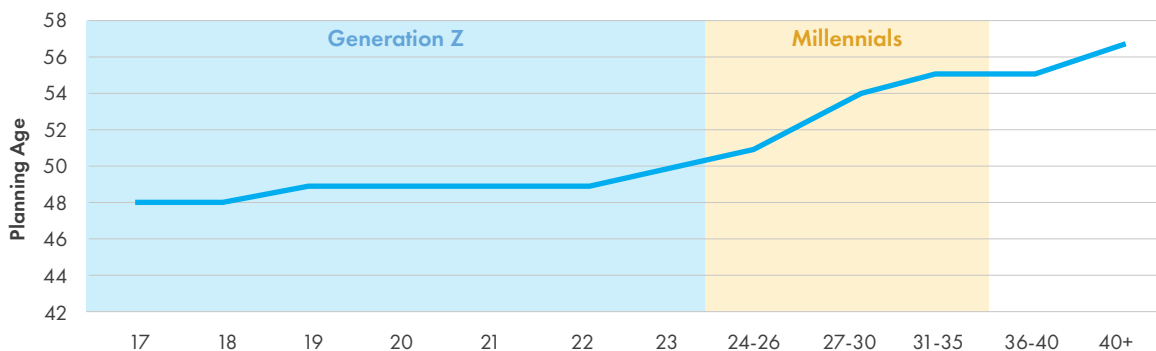
While having a plan and support to repay one’s college loans may seem like a distant goal for a student currently attending college, at some point that strategy will have to be formalized and prioritized. We also asked students about more near-term financial plans regarding what they plan to accomplish in the next year to help manage their finances and prepare for the future. Students were asked about 11 different healthy planned behaviors and the likelihood they would engage in those behaviors in the next year (on a scale from 1-*Not at all Likely* to 7-*Extremely Likely*).

Below are the percentage of students who reported each of these behaviors at least moderately likely to be conducted (above 4 on a scale of 1 to 7). They are listed here in order of the most to least likely to be carried out:

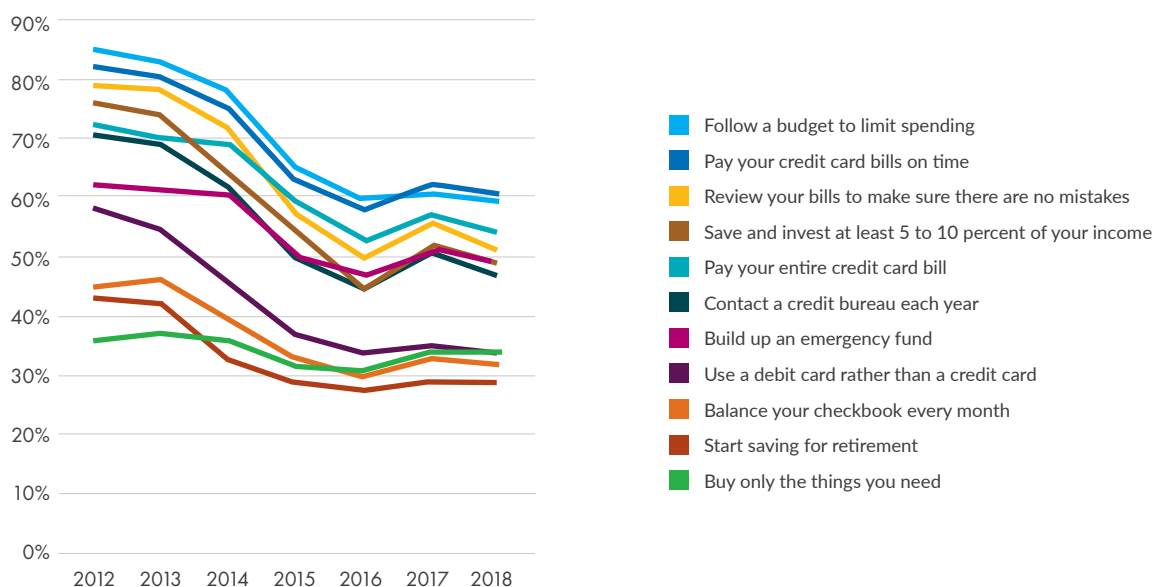


To reduce this long list of data and make comparisons based on personal and school characteristics, a **Planning Score** was created for each student. This was done by summing responses (1 through 7) for these eleven planned behaviors. These scores ranged from **11 to 77**, with an average score of **50** and a standard deviation of **15**, with higher scores representing higher levels of reported financial plans. Certain types of financial experience played a role in increasing planning behaviors including having a credit card (**51 vs 48**) and having a checking account (**50 vs 45**) but there was no impact of having student loans. Students from two-year institutions were more likely to have plans (**51**) than those from four-year institutions (**49**), but there was no difference comparing students from schools of varying size. There was also no correlation between planning behaviors and reported parental education or experience with a personal finance course in high school. There was a fairly consistent linear relationship between planning behavior and school year as first year students planned the least (**48**), then students in their second through sixth year planned slightly more (**50**), and graduate students reported the highest levels of planned financial behaviors (**55**). As we have previously seen with many other financial constructs, planning behaviors significantly increased with age, particularly in the mid to late 20s, as seen below, driving a distinct difference between Generation Z members (**48**) and Millennials (**53**).

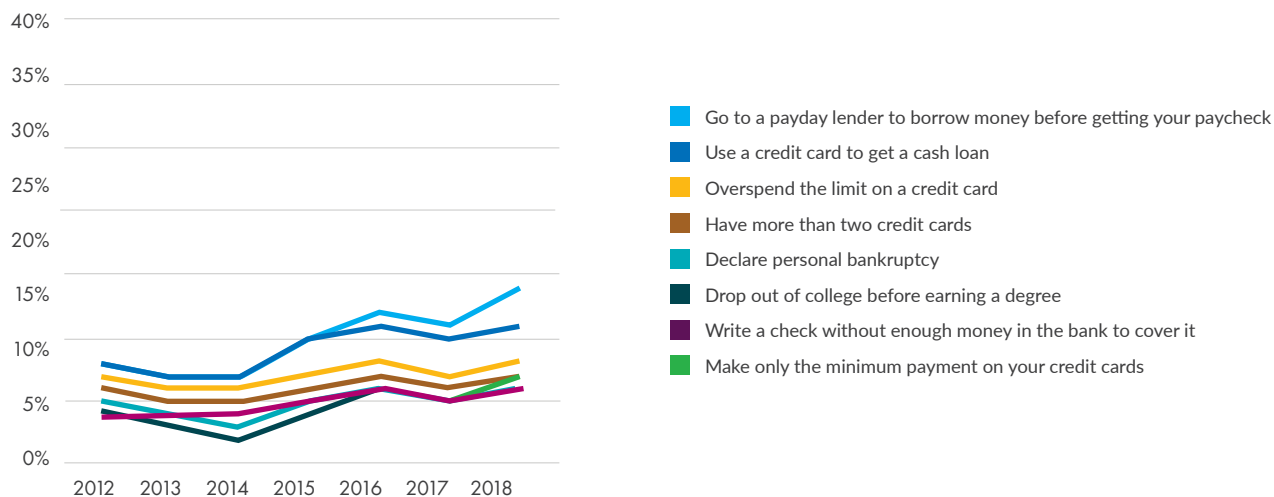
**Planning Score by Age**



Perhaps the most disturbing trends we found in this analysis were when we examined planning behaviors in the year over year data. Since we began collecting data in 2012, there has been a marked decrease in the percentage of students planning to engage in all healthy personal finance behaviors in the next year. While it appears to have flattened at present, financial planning behaviors among college students dropped dramatically from 2012 to 2016, with all actions showing a similar decrease based on our samples of thousands of students in higher education each year. This could have been due to the shifting economic conditions of the United States during this time as we recovered from recession and individuals felt less likely to have to plan for the future, but is likely not related to the shifting collegiate population as we have consistently found that older students tend to have healthier plans for personal finance management. Regardless, this suggests that while many types of experience with personal finance management are increasing in the college population from credit card usage to student loan debt and the average age of the typical student in higher education is increasing, students are not choosing to prioritize planning for their financial futures.



While not nearly as dramatic, there has also been a slight increase in students' reported likelihood to engage in unhealthy financial behaviors in the next year, but the percentages still remained almost entirely below 15 percent. The unfavorable planned behaviors that saw the largest relative increases during the past few years were related to credit cards, specifically, having more than two credit cards and making only the minimum payment on credit card bills.



## Financial Education

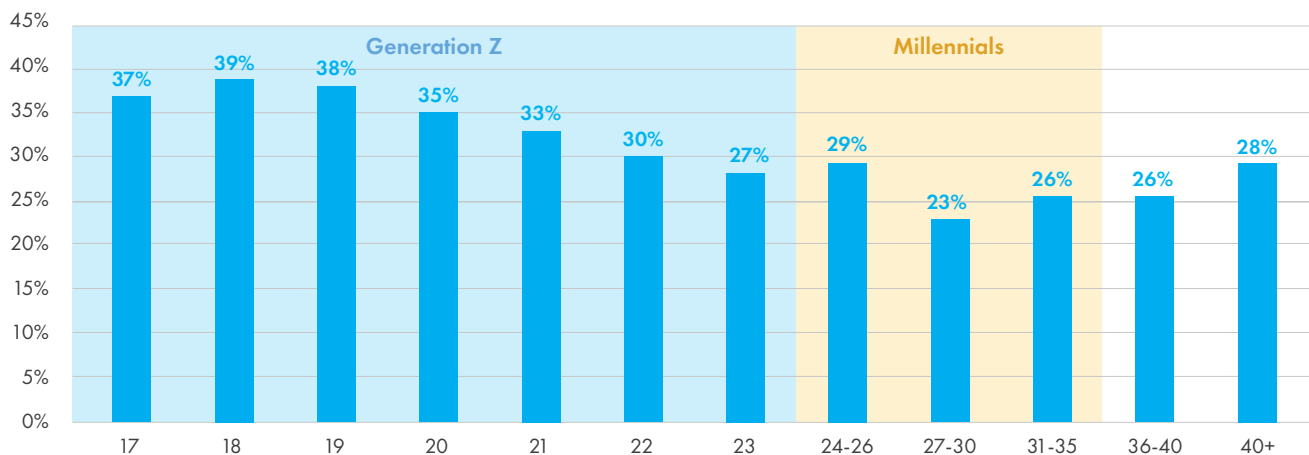
One explanation for the concerning trends we are finding in our data related to fiscal planning and behaviors is that adults simply do not have the education and understanding to succeed in this area of their lives.

This year, only **35%** report having ever taken a personal finance course, and this statistic has wavered in between **34%** and **39%** during the time we have been collecting this data. These findings are not entirely surprising as the Council for Economic Education has found in their bi-annual Survey of the States that only 17 of the 50 states requires a personal finance course as a mandate for high school graduation and only seven of those require testing of those skills for graduation. Further, there has been almost no change in state-level policies across the U.S. in the past four years in regard to economic or personal finance education. Even more disturbing is that no more than **40%** of students surveyed in our sample who graduated from a state that required personal finance education reported to us that they ever had such an experience. This suggests that either state policies are not being enforced at a school level or that the education was so minimal that it was entirely forgettable for the majority of students or that the programs did not ring as relevant to the participants at the time of implementation.

These adults seem desperately in need of knowledge, skills, and resources to help promote healthy fiscal decision making and ensure positive development throughout and beyond higher education. However, the impact of a personal finance course on financial capability appears to be limited in our analysis. Those who took a personal finance course in high school were slightly less likely to worry about their debts, but not any more likely to create or use a budget. They were slightly more likely to have a checking account (**92% vs 90%**) and to report living paycheck to paycheck, but they were actually **LESS** likely to check their account balances (**43% vs 48%**) or to have a credit card (**42% vs 48%**). They also weren't any more likely to plan to engage in healthy fiscal behaviors or to feel that they were prepared to manage their money in college. While our investigation did not take into account any of the details of the personal finance course including content, length, quality, or student engagement, it is not encouraging to see such limited results and such minimal impact and scale even in states where a course is required for graduation. As shown below, older students are generally even less likely than their contemporary peers to have taken a personal finance course in high school, though they have consistently shown healthier attitudes and behaviors in regard to fiscal decision making. This is clear when comparing Millennials' experiences with personal finance courses (**26%**) to those of their peers from Generation Z (**37%**).

To assess each student's financial knowledge, along with their attitudes and behaviors, participants were asked to answer six basic financial knowledge questions, developed by Annamaria Lusardi, Director of the Global Financial Literacy

Took Personal Finance Course by Age



Excellence Center (GFLEC), referencing topics such as credit history, net worth, interest rates, and student loans. These questions and the rate of correct responses selected are listed below:

**As a general rule, how many months' expenses do financial planners recommend that you set aside in an emergency fund?**

- 1 to 3 months' expenses
- 3 to 6 months' expenses
- **6 to 12 months' expenses – 15% correct**
- 12 to 15 months' expenses

**If you have too many credit cards, what should you do?**

- Close as many as possible
- Request a higher credit limit
- **Be cautious about closing cards – 32% correct**
- Close cards with the lowest balances

**If a late payment is sent to a collections agency, how long will it remain on your credit history even if you have paid it off?**

- Less than a year
- 1 to 3 years
- 4 to 5 years
- **6 to 7 years – 20% correct**

**What is the formula for calculating your net worth?**

- Assets plus liabilities
- Liabilities minus assets
- **Assets minus liabilities – 59% correct**
- Assets divided by liabilities

**Imagine that the interest rate on your savings account was 1% per year and inflation was 2% per year. After one year would your ability to buy something with the money in this account be:**

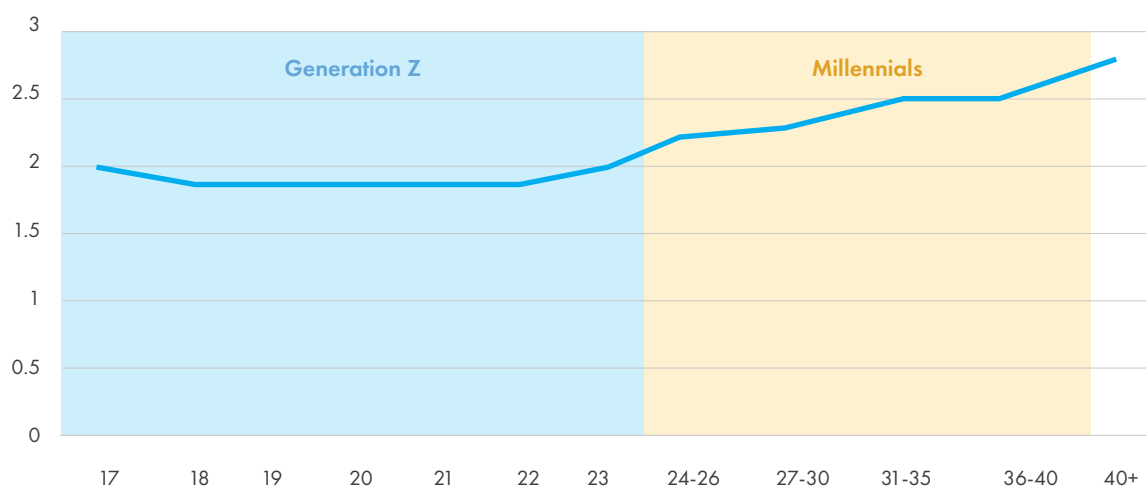
- More than today
- Exactly the same
- **Less than today – 42% correct**
- Don't know

**Which of the following about federal student loans is not true?**

- For certain federal loan programs, the interest on your loans is paid for by the federal government while you are in school and during grace periods
- **Your parents must sign a promissory note before loan funds are distributed – 34% correct**
- Entrance loan counseling for all first-time borrowers is required
- You will have to pay back your student loans even if you do not complete your degree or find employment after college

As prior research from EVERFI and other organizations have found, respondents struggled with the basic financial literacy questions, answering **only two out of six multiple-choice questions correctly** on average (with a **standard deviation of 1.3**). While students fared better on some of the more complex financial questions, it is concerning how few correctly answered questions about credit card use, credit history, and building an emergency fund. Knowledge scores were not found to increase with parental education level and were also not impacted by a student's experience with a personal finance course or with taking out student loans. However, those with credit cards had higher scores (**2.1**) than those without (**1.9**), as did those with transactional bank accounts (**2.1**) compared to those without (**1.7**). Students in their first year of post-secondary education had an average score of **1.9**, while upperclassmen had a higher score of **2.1** and graduate students were the highest with **2.5**. Again, as student age increased, we found that those students displayed healthier measures in this construct as well, shown below. Millennial students had an average score of **2.3** and Generation Z students had an average score of **1.9**. The oldest students in our sample showed some of the highest levels of raw financial knowledge out of any of the students we have surveyed in this analysis over the past seven years, suggesting that life experiences have imparted on these students the importance of financial literacy and capable behaviors.

**Financial Knowledge Score by Age**

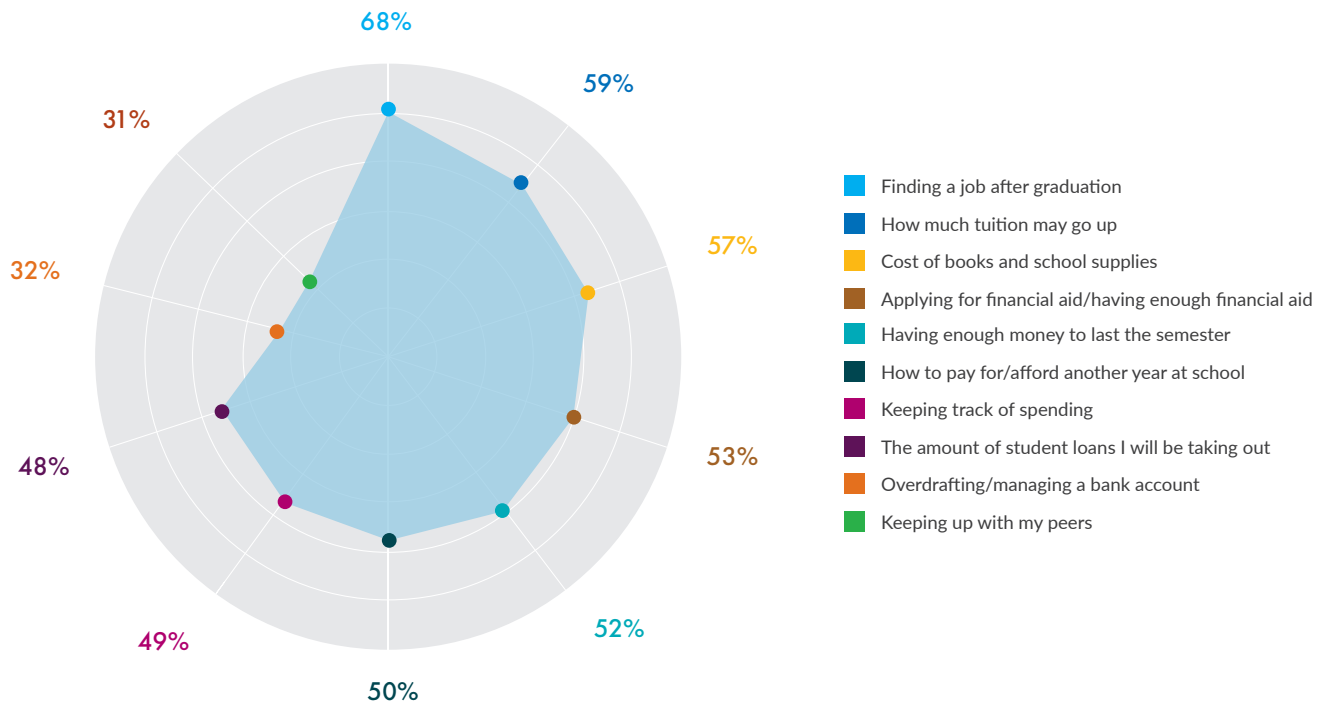


Students from two-year schools had the same financial knowledge scores as those from other institutions, and they were MUCH more likely to have taken a personal finance course (**46%** of two-year students vs **24%** of four-year students). Interestingly, students from the largest schools had the highest financial knowledge scores (**2.1**) and those from the smallest had the lowest scores (**1.7**), though **52%** of students from the smallest schools took a personal finance course and only **33%** of those from the largest did the same. Finally, we found that those students who engaged in healthy basic fiscal behaviors like budgeting and checking their account balances showed higher scores (**2.2**) than those who did not (**1.8**), but this same pattern was not as clear with more complex behaviors like using a money management app or utilizing a spreadsheet for budgeting. This data clearly highlights the strong impact of direct foundational experience on financial knowledge as compared to a vague educational experience or state mandates.

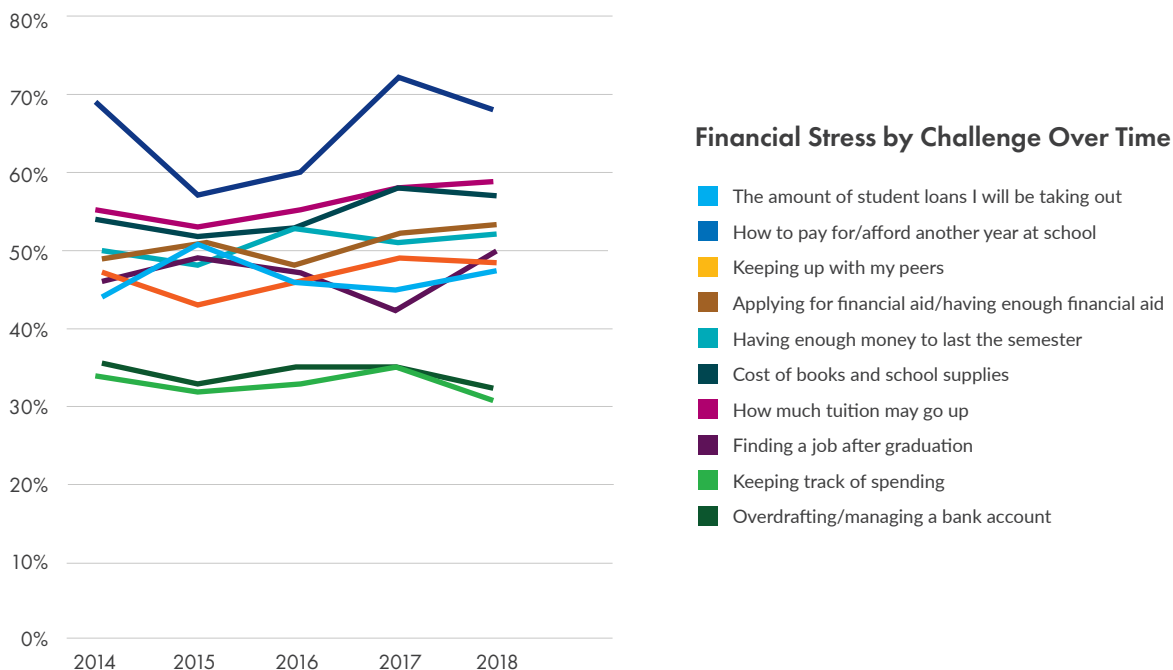
## Financial Stress

Obviously, the challenges of paying for one's education and engaging in personal finance management (perhaps for the first time) can represent a source of significant emotional distress for students in college. Our instrument provided students with a list of 10 financial tasks associated with higher education and asked them to rate how much anxiety they generated (on a scale from *1-Not at all stressful* to *7-Extremely stressful*).

Below are the percentage of students who found each of the tasks at least moderately stressful (above 4 on a scale of 1 to 7). They are listed here in order of the most to least selected as stressful:

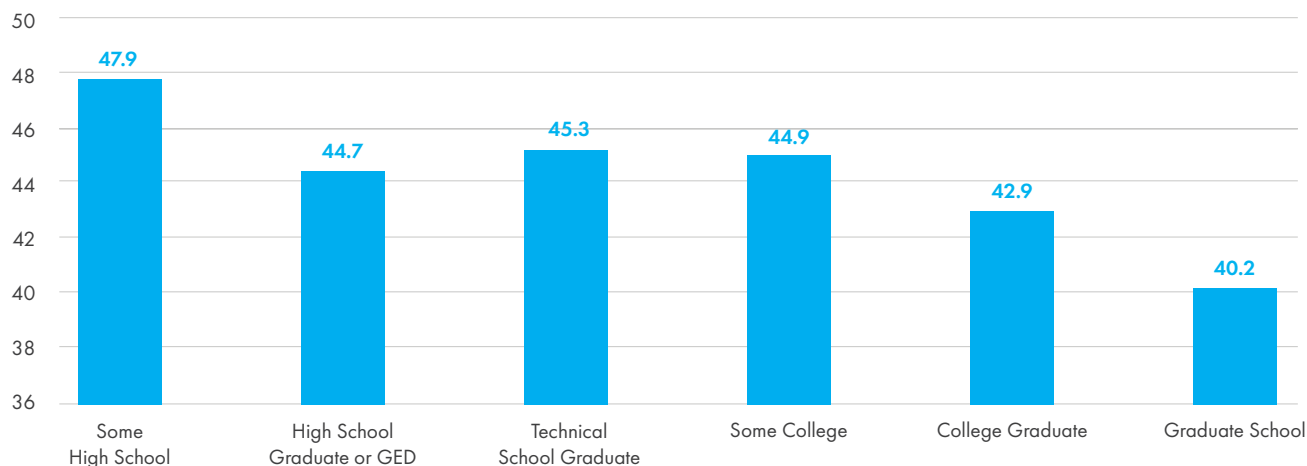


Respondents reported the highest levels of stress when considering finding a job after graduation and how they will finance their education. Comparing these data points year over year in our datasets (below), we consistently find these financial decisions to be the most stressful while keeping up with peers and managing a bank account to be the least stressful. It may be that the lack of stress students feel in regard to personal finance management hinders their initiative to engage in those activities, though the other stressful obstacles don't seem to be encouraging action either.



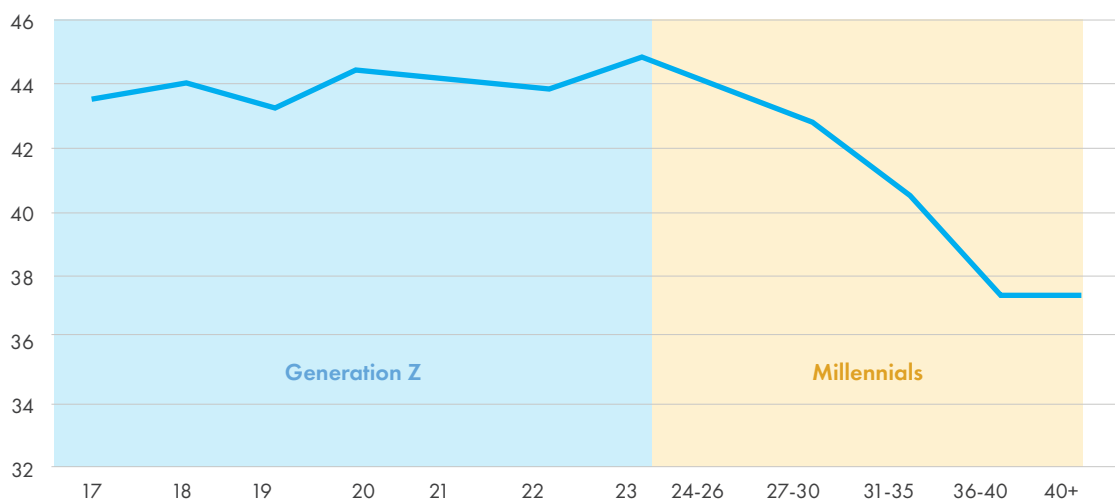
For this construct, researchers also generated an overall **Stress Score** for each student by summing responses (1 through 7) for these ten financial tasks. These scores ranged from **11** to **69**, with an average score of **43** and a standard deviation of **15**, with higher scores representing higher levels of reported financial anxiety. Students attending two-year schools were significantly less stressed (**40**) than those from four-year schools (**44**) but were more worried about the cost of books and supplies than their peers. As might be expected, financial stress decreased as parental education level increased, again suggesting affluence is reducing stress levels for students with more financial resources, below.

**Financial Stress Score by Parental Education**



Reported financial stress remained stable through undergraduate years in school (**43 or 44**) and then actually dropped for graduate students (**39**). There was a relationship between stress and preparedness in that students who reported they were Very Prepared to manage money in college reported lower stress scores (**39**) than those who reported they were *Not at All Prepared* (**46**). Although we found most financial constructs changed in a linear fashion with age, stress scores showed a decidedly non-linear relationship over time. They remained very stable through the 20s then only really decreasing when a person was in their 30s or older. They remained very stable through the 20s then only really decreasing when a person was in their 30s or older and Millennial students had slightly lower stress scores on average (**43**) compared to Generation Z students (**44**).

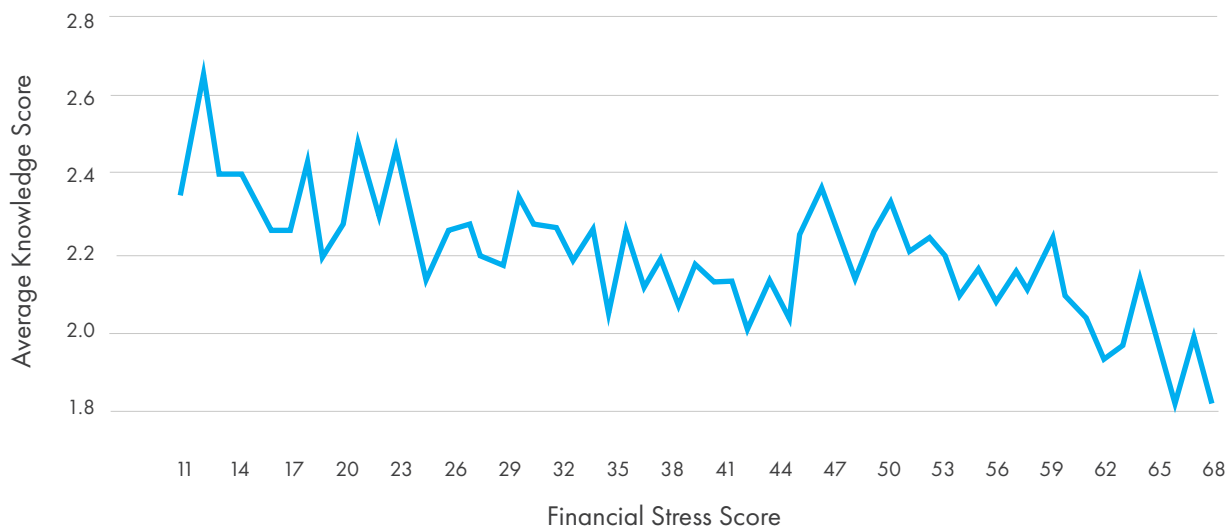
**Financial Stress Score by Age**





While experience with a personal finance course did not have a major impact on reported stress (**43 vs 44**), researchers found a strong, negative linear relationship between financial knowledge scores and financial stress scores,  $r = -.67$ ,  $p < .001$ . Put another way, as financial knowledge scores increased in this sample, reported stress experienced from fiscal decision making decreased. Despite there being little variance in knowledge scores among this population, these findings clearly indicate a relationship between what adults know about fiscal decision making and how much they are distressed by those challenges.

**Financial Stress Score by Knowledge Score**



# Implications and Conclusion

While we sincerely hope that this report serves as a starting point for conversations about how organizations can best collaborate around this concerning topic, there are also several actionable implications that can be suggested. In terms of research, questions still exist regarding exactly where college students are acquiring their credit cards. Are they starting them through banks, stores, or predatory on-campus services or are these students still simply utilizing their parents' accounts after they matriculate to college? This will have a huge impact on the degree to which these students suffer consequences of unhealthy behavior patterns or reap the rewards of building credit as they use these cards through their post-secondary education. Further, NCES (2018) data shows that currently a majority of college students (64%) are working either full or part time while they attend school. To date, we have not queried students about their work experience and it is very likely that these students have very different perceptions and behaviors in regards to financial capability than those that can focus entirely on their academic career. As the average age of the college student population continues to increase, institutions of higher education will have to compete with time and resources for other aspects of personal and professional life and also need to prepare their students for those challenges earlier.

In 2019, the National Endowment for Financial Education (NEFE) reported that they found an impact of state-mandated financial education graduation standards and exposure to financial education on student loan and credit card behavior, while our results in the Money Matters reports have been less encouraging or consistent. Further research should be conducted to examine these mixed findings and to better align resources for studying the impact of high-school financial education on post-secondary fiscal behaviors. Do all college students recognize these benefits or do certain subgroups realize more impact? We also have yet to consider student engagement in the financial aid process, which was another area NEFE (2019) found positive correlation with state education standards and financial education exposure.

Finally, it is essential that we continue to investigate the mechanisms that link age with so many of these financial constructs. Is it solely increased experience with financial products and facing money management challenges that drives the development of financial capability in adulthood? How can we provide training and resources to young adults that promote more mature and seasoned behaviors and plans? We can certainly see a developmental trajectory of these skills in our data comparing students cross-sectionally by age, but further research is necessary to decipher what specific blend of instruction and personal experience is driving shifts in knowledge, stress, preparedness, and behaviors.

These results also have implications for campus-based financial literacy education and support programs—strongly suggesting that it is important for colleges and universities to be aware of demographic differences within their student populations in order to account for them when refining curriculum and/or delivery methods. There is obviously room for education and growth in regard to the financial capability of young adults in higher education in the United States. However, increased knowledge alone is not the solution and interventions to develop financial literacy should include objective information as well as subjective personal experience. Financial stress has been shown to be a consistent predictor of retention rates among college students as those with the highest reported stress are the most likely to drop out prior to graduation (Britt et al., 2017). Our data shows that stress is linked to knowledge and to the availability of financial resources, so it is imperative that institutions also measure student stress levels along with other outcomes when assessing the instruction and resources they provide to students on campus.

Peer to peer counseling has shown some impact on shifting attitudes and behaviors in college students (Britt, Canale, Fernatt, Stutz, & Tibbetts, 2015) and those efforts should continue, but it is important to consider how difficult it may be to find true “peers” for many current college students given vast differences in age, experience, socioeconomic backgrounds, and future goals. Financial counseling and education services will need to continue to diversify the resources they provide, the strategies they employ, and the differentiated student backgrounds they will need to consider as they move toward the future. Like most constructs incorporated in the academic experience, full potential can likely only be achieved for students with continuous, developmentally appropriate content and exercises that build on previous knowledge and allow for direct interaction to increase engagement. It is a high bar for higher education institutions to strive for, but it is the best way financial literacy education can improve knowledge, attitudes, and behaviors related to personal finance management and increase students’ feelings of self-efficacy and reduce the distress they experience.

As the number of students attending institutions of higher education has steadily increased over the past decade, tuition rates have concurrently swelled in kind, pushing an unprecedented number of adults with sizeable student loan debt into the job market. It is more important than ever that college students are equipped with the knowledge, perspectives, skills and habits to successfully navigate the fiscal burdens that stand in the way of their financial independence. The findings gleaned from this report are valuable for professionals working to improve the state of financial capability among America’s adults. Overall, the data suggest that financial experience among incoming college students is increasing, but there has not been a related increase in basic finance management skills or fiscal planning. This is worrisome as students continue to take out more and higher student loans, affecting their lives both before and after graduation from college.

Certain domains of financial capability seem very tied to general development in adulthood, such as financial plans, preparedness, and fiscal experience, while others seem to vary greatly in response to personal context and experience, including financial stress. We found many of these differences were evident when comparing Millennial students to those in Generation Z as well, but because cohort members were not measured at the same age, we cannot separate generational differences of experience from developmental differences related to age. Findings indicate that financial capability tends to develop in a similar fashion for most adults and the growth of those constructs are predictive of behavior, but actions can also be greatly influenced by feelings and emotional reactions, which are more closely related to environmental challenges and obstacles. These results also indicate that special attention should be paid to the vulnerability of traditional learners who may have more unique personal and financial difficulties than older students in the same academic programs. It is also important to highlight the similarities and differences in financial health between students from varying institutions, as this will guide programming to support the development of fiscal skills during and following their academic careers. This study’s

results suggest that these students have more in common than first expected, especially when considering the influence of their unique socio-demographic backgrounds and the fact that they are generally entering and exiting their academic programs at different points on the age spectrum.

More than anything, this research raises the question of how best we all can prepare students for their post-secondary journey and beyond. The poor financial capability of future generations is a national concern and we need to work together across business sectors and institutions of education to help prepare college students to become future professionals. No matter what the total balance, repayment of student loans after graduation represents a significant financial challenge for these adults and most do not currently feel prepared to overcome that obstacle. What is still unknown is how much of these problematic planning and management behaviors have become the burden of parents, spouses, and families of these students and have prevented them from achieving their financial goals. Further, it is unclear how much of these unhealthy behavior patterns have been learned by modeling parents and peers who may be struggling under massive amounts of consumer credit or mortgage debt. College students, and really all adults, need strong role models of behaviors, appropriate educational services, and lifelong support to plan for and reach their personal and financial goals and this research suggests we have room for improvement in how we are promoting student wellness and success throughout higher education. While we may not all share the same direct responsibility to mentor and educate these students, all of us will share in the consequences of their lack of knowledge and skills when they enter the workforce and participate in the development of the economy.

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