

Insights Into Student Financial Literacy On College And University Campuses

Introduction:

Students are dropping out of school because of financial stress. Student loan default rates are on the rise, credit card debt continues to plague students, and perhaps the most alarming statistic - young adults now have the second largest personal bankruptcy rate.

With these statistics providing the impetus to dig deeper, The EDSA Group, an independent financial education company, conducted an informal survey of college and university professors and administrators nationwide. The goal was to learn more about students' need for improved money skills, and how schools are responding.

Key Findings:

The need for financial education for students:

All respondents reported a need for improved financial literacy among students. 100% of respondents reported that students need help understanding how to manage their money. In fact, 90% of respondents have known students who dropped out of school due to financial stress. Only 21% feel their school is adequately meeting those student needs.

What schools are offering:

58% of schools represented in the survey offer student financial education "for credit" – either as a stand-alone instructor-led financial education course, a stand-alone online financial education program, or a subject included in a class that covers multiple topics. Based on the fact that so few feel students' needs are being met, however, one must assume these programs either target a small segment of the student population, or the programs available are not providing adequate education.

The subjects noted to be of most importance in a financial education program include (in order from highest response rate to lowest response rate):

1. Budgeting
2. Basic banking
3. Major life decisions and their financial impact
4. Managing credit cards
5. Needs versus wants
6. Considering a student loan
7. Emergency funding
8. Understanding your paycheck
9. Your obligations with student loans

10. Goal setting
11. Goal funding
12. Decisions beyond college
13. Managing credit score
14. Retirement planning
15. Corporate benefits
16. Other

The majority of survey respondents felt the first 11 subjects were important for students. The twelfth subject received just under 50% of votes.

Who is managing the student financial education offering on campus:

The financial aid department is the most often group being tasked with the assignment of providing student financial education, distantly followed by Student Affairs.

What barriers exist in meeting student needs:

While 100% of respondents feel there is a need to teach students money management skills, 79% do not feel their school is meeting the need.

Unfortunately, 84% of respondents feel there are barriers to providing students with the financial education they need. The leading barrier reported was funding. This is certainly no surprise, given the current economy and resulting cutbacks in higher education.

Other barriers of note included limited support from school administration and professors; limited resources (time available in students' schedule, professors available to teach, physical classroom space to meet); and concern about whether students will have interest or understand its value, given their diverse backgrounds and varied needs.

Other comments from respondents:

There were common themes included in comments provided by survey participants, such as:

- The challenge to meeting the needs of a diverse student population and engage them in a financial education program requires a flexible program. Several respondents asked: How can a school help students understand why they need to know and understand subjects that they have not yet seen as a problem? An interpreted example: Why does a student with no debt – student loan, credit card, or otherwise - need to learn about debt?
- The critical step of helping students understand and value the education now when their need for this information may not be immediate is important. (This challenge is somewhat related to the first posed challenge).
- The need to reinforce to students that a college degree is valuable.

Closing comments:

Overall, respondents agree that students need help with money skills, and schools are not currently providing adequate education on the subject (with few exceptions).

A solution is needed.

To quote a prominent government figure, Treasury Secretary, Tim Geithner:

"The recent financial crisis taught us an enduring lesson. Financial literacy is essential not only to the financial security of millions of American families, but also to the economic health of our nation as a whole. Ensuring that young people have the skills they need to make wise financial choices today and into adulthood will help us build a stronger foundation for our nation's economic future."

Survey Methodology:

The survey was distributed via email to over 800 contacts. The survey was created and results captured via the online survey tool, SurveyMonkey.com. The survey itself included 8 questions including multiple choice – single answer response, multiple choice – multiple answer response, and open-ended questions.

The EDSA Group, Inc.:

The EDSA Group, headquartered in Louisiana, is a national leader in financial education. The EDSA Group offers live workshops, one-on-one educational meetings, and online education programs including Good Money Habits for Students (www.gmhstudents.com), which teaches targeted financial skills to college students.

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