Improving the Financial Literacy and Empowerment of College Students

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Problem/Need

- **Student loan debt is 1.16 Trillion!! This is more than the national credit card debt!**
- 30% of college students with loans **drop out without a degree.**
- 30% of 18-24 year old's income **goes towards debt repayment.**
- Members of the class of 2011 graduated with an average of **$26,600 in student loan debt.**
- Less than one-third, of college students possess **basic** financial knowledge (e.g., interest rates, inflation, and risk diversification).
- 81% of college students **underestimate how long it will take to pay off a credit card balance.**
- 1/3 of parents are **more comfortable talking with their kids about smoking, drugs, and bullying than about money.**
- Students in debt tend to **lack self-control, self-esteem**, and financial knowledge and **experience feelings of isolation, depression, anxiety, and stress.**
- In 2010, more individuals **filed for bankruptcy** than graduated from college
- *"The number one problem in today's generation and economy is the lack of financial literacy."(Alan Greenspan, Economist & Former Chairman of the Federal Reserve)*

Purpose

To improve the financial capability (knowledge, skills, attitudes, perceptions, and behaviors) of students and families so they can be empowered to make more informed decisions regarding student loans, debt, managing their finances, and being financially self-reliant and prepared for life.

Learning Organized

I use a Learner-Centered approach to teaching. My purpose is to motivate students and help them to improve their financial attitudes and behaviors.
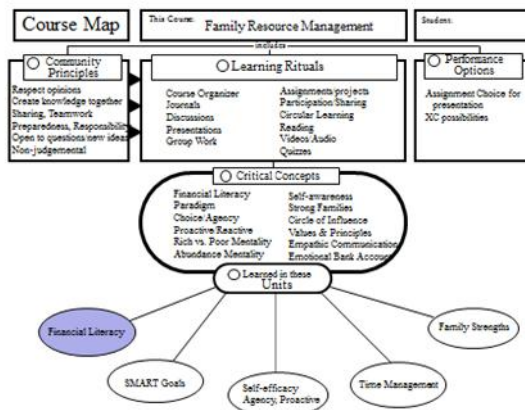
Active Learning

- Students need to be engaged through hands-on, learner-centered assignments that lead to "ah-ha" moments.
- Reflection on their current situation and behaviors and what they want to accomplish in the future is key to attitude and behavior change.
- Setting goals on what they want to accomplish and acknowledging what changes need to happen leads to SMART goals and an action plan of change.


Spending Leaks[1]

Example
By not buying these items, you could save....

ITEM & FREQUENCY	PRICE	SAVINGS/ YEAR
Candy Bar 1 per day	.60	$219.00
Potato Chips 1 pkg. per day	.50	$182.50
Chewing Gum 1 pkg. per day	.40	$146.00
Peanuts 1 pkg. per day	.50	$182.50
Coffee 1 per day	2.00	$730.00
Soda Pop 1 per day	.55	$200.75
Ice Cream 1 per day	.90	$328.50
Beer 1 per day	2.00	$730.00
Wine 1 bottle per month	8.50	$102.00
Movie 2 per month	15.00	$180.00
Magazine or Newspaper 1 per week	1.50	$ 78.00
TOTAL		**$3079.25**

"Ah-ha" moment

Use online calculators to estimate payments for each option (2). Average cumulative graduate education debt was about $40,000 in 2008 (3). Repayment on a $40,000 principal Direct Unsubsidized loan with 6.8% interest looks like:

START YOUR PAYMENTS

Selective Readings

The 4 Laws of Financial Prosperity

1. **Track your spending** – enables you to find the "leaks" in your spending and redirect the money to a more important goal.
2. **Target** - set SMART goals. Goals not written down are only wishes.
3. **Trim expenses** – plug your spending leaks and cut expenses to find more money to put towards debt, savings, or another financial goal.
4. **Train** – learn about how to manage your money so you can stop spending money on interest and begin earning money through interest.
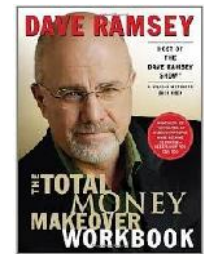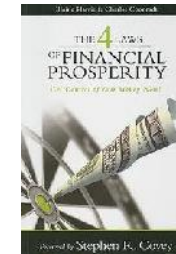
Dave Ramsey's 7 Baby Steps

- step 1: $1,000 In An Emergency Fund
- step 2: Pay Off All Debt With The Debt Snowball
- step 3: 3 To 6 Months Expenses In Savings
- step 4: Invest 15% Of Income Into Roth IRAs And Pre-Tax Retirement Plans
- step 5: College Funding
- step 6: Pay Off Your Home Early
- step 7: Build Wealth And Give!

Student Impact

Students who take personal finance courses are:
- **More likely to save money**
- More likely to **pay off credit cards in full each month**
- More likely to **display positive financial behaviors and dispositions**
- More likely to **increase their financial knowledge, improve their financial attitudes, and improve their financial behaviors and decisions.**
- **Less likely to max out their credit cards**
- Less likely to **make late credit card payments**
- Less likely to **be compulsive buyers**

Continued Engagement -
Do personal finance courses influence: Student retention, drop out rates, graduation rates, time to graduation, choice of major/career, and level of debt upon graduation??