Chapter 1
The Case for Financial Education Programs

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Introduction

One method of addressing personal finances among students of higher education is through college- and university-based financial education programs. In recent years, there has been a growth in the number of these programs, which vary widely in their composition. Some schools offer individual financial counseling services for students, while others provide presentations and workshops relative to personal finance topics; others provide websites with links to financial content. And some schools offer all of these services! Throughout this book, we refer to all as financial education programs. This includes financial counseling, financial planning, and financial literacy programs designed to help students with their money matters while they are affiliated with an institution of higher education. The term *education* is defined by the Merriam Webster dictionary as "knowledge and development, resulting from an educational process"; *literacy* is defined as being literate or "able to read and write" or "having knowledge or competence." In other words, education tends to refer to a certain level of understanding, whereas literacy is the ability to use or apply knowledge. Obtaining follow-up information from students is very difficult due to their high turnover rate (primarily a result of graduation), frequent moves, etc., so measuring literacy is much harder than delivering education. Although some programs are able to obtain literacy data, it is more likely that most programs operate from an

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educational standpoint which is the rationale for using the term *financial education programs* throughout this book. Furthermore, we understand that the word *campus* can describe a number of settings. It might mean a physical location like a residential college, a building for a downtown university, or even a satellite campus. We will therefore be sharing content that can be applied to several types of campuses.

We have often been called upon to consult when an individual is attempting to start a financial education program at another institution and desires information on where to begin the process, which is one of the main reasons for producing this book. Our consultations have included campus visits and dissemination of information via webcasts, phone conferences, and email exchanges to share program design and delivery methods. Many exciting programs have developed over the past 10 years as a result. Given the frequency of requests we have received, it is our belief that this book is both timely and necessary in order to share the information desired with a larger audience. This book is the first known resource of its kind.

Reasons to Offer a Program

A college or university setting offers the opportunity to educate students at important decision points during their life to help them "avoid mistakes and missed opportunities" (Lerman and Bell 2006). Consider just a few of these decision points in the life cycle of a student: choosing a major, financing an education, establishing credit, renting an apartment or home, paying for major purchases, reviewing job offers, and choosing health-care coverage or a retirement plan. Many young people are vulnerable when it comes to making important financial decisions. Challenges students face while in the process of assimilating to a campus community may include escalating tuition costs, being presented with various unforeseeable expenses, and the use of financial aid packages and credit cards or other loan products. Within these decision points and others are opportunities and challenges that can be addressed by a financial education program.

Some students may experience difficulty at decision points in their life because of a lack of experience or knowledge and also because of the amount of information that is available. Multiple sources of information exist in a rapidly changing environment. Unfamiliar financial terminology and numerous complex financial products and related documents can be daunting for students and nonstudents alike. So in some cases, "what is lacking is not information but rather the ability to interpret the information" (Lerman and Bell 2006, p. 5). A financial education program can fulfill the role of translator to assist students in making informed decisions.

A focus on personal finance offers the opportunity for problem prevention and early intervention. It is easy to make a case for this by simply observing trends and personal financial outcomes in adult populations, e.g., low savings rates, lack of retirement preparedness, and/or debt and default levels. College students make decisions that have lasting financial implications for years to come, and many of them recognize this. A cursory search of your campus newspaper is likely to reveal a plea from students for financial education resources at your college or university.

Financial wellness is a component of overall well-being and a status of financial health (Joo 2008). Many universities have wellness programs or wellness centers that promote the integration of health and wellness to enhance their students' physical and emotional health. Joo contends that to become financially healthy, individuals need to demonstrate desirable behaviors in cash management, credit and debt management, planning for events during the life cycle, and consumerism. All or most of these are behaviors that students will exhibit. Therefore, why not include personal finance in an existing university wellness program?

While financial education efforts have been shown to be effective in some groups (e.g., Bernheim et al. 2001; Danes and Haberman 2004, 2007; Lusardi 2003), they have had mixed results among others (e.g., Cole and Shastry 2009; Xiao et al. 2010). Despite this, there is still much that we do not know about students. A program in a higher education institution provides a means to learn about students' financial management practices, knowledge, and attitudes. A financial education program can provide important evidence-based outcomes to the university and the community.

Financial education programs can be easily designed to reflect university missions of outreach, research, and teaching while at the same time helping students become more financially sophisticated. Expanding financial literacy is not the only goal of financial education programs. These programs are also in line with college and university goals to increase student retention rates and limit delayed graduation or academic interruption of students due to financial reasons. Financial education programs may best serve their students by providing access to important resources, such as emergency loans offered by the college or university, affordable housing, or directions to a food bank.

Universities who invest in future generations through a financial education program will foster the transfer of financial knowledge and skills likely resulting in financially independent and responsible alumni. Loan default prevention and timely graduation are two outcomes that are of great importance in higher education.

To find an article in a school newspaper highlighting the need and desire for student financial literacy is not difficult. Building a program from the ground up is challenging and not as easy as simply identifying the need. As will be illustrated throughout this book, other matters must be addressed when initiating a financial education program including recruiting and training of staff members, obtaining support, determining programming content, developing marketing strategies, forming partnerships, and evaluating processes and outcomes. Before delving into the specifics of beginning a program, it is important to have an understanding of the issues faced by today's college students. As advised by a program director surveyed for this book (Durband and Britt 2011), research must be done in your institution to answer the following questions:

- What is the quantity of student loan debt among your students?
- What is the quantity in dollars that the Financial Aid Office is processing in student loans?

- What is the default rate for your graduates?
- Are your students citing money-related issues as reasons for them leaving the university?
- Are money-related questions on any existing surveys or questionnaires being distributed to students? If “yes,” what are the findings?

Potential Uses of This Book

This book fills an important need in helping college and university administrators, faculty, and staff who seek a guide for use in establishing financial education programs for college students. Our goal is to share practices and resources based on our experience in developing and directing one of the first university financial education programs. Our contributing authors are content experts representing all aspects of a program. In the chapters that follow, they share a collection of practice, research, and knowledge that will help you in implementing and sustaining an effective program at your institution.

Despite frequently cited recommendations for offering financial education to audiences such as college students, a one-size-fits-all financial education program is not recommended (Lusardi et al. 2010) nor is one-time education since learning is a continuous process and each person has a unique financial literacy context (Beck and Neiser 2009). Consider the makeup of the students at your institution and their cultural backgrounds, programs of study, and classifications, not to mention their financial socialization, their preferences for the use of technology, and their learning styles. The financial education needs of a first-year student may be very different from a transfer student or an international student, so tailoring a program to the specific needs of the target learners will be important.

Financial Help-Seeking Among College Students

When determining the type of financial education programming to offer, it is also important to consider who is most likely to seek financial education services. This is just what a group of Kansas State University researchers did. The researchers collected data from a group of students who sought help from the on-campus financial education program and a group of non-help seekers to determine what factors influenced the financial education program’s clients to seek help (Britt et al. 2011). The help seekers were older and carried higher credit card debt but similar amounts of installment debt. The help seekers had lower net worth, were less prepared for a $1,000 financial emergency, had lower financial and income satisfaction, and reported lower levels of financial knowledge. The help seekers reported only slightly higher financial stress than the non-help seekers.

Britt et al.’s (2011) decision tree revealed that five significant variables can be used to anticipate who is likely to seek on-campus financial counseling: (a) perceived net worth, (b) mental health, (c) age, (d) financial knowledge, and (e) income. In general, help seekers are older with a lower asset base, less satisfaction with income, less knowledge, and elevated levels of stress and depression.

The perception of a low net worth could be influenced by the overall amount of debt a student has, including credit cards, installment loans, and student loans. The other possibility is that high net worth respondents have a lack of debt, which may be the result of parental payment of college tuition and college expenses. These students are likely to have a strong support system for financial advice and therefore do not require the use of a financial counseling center now or perhaps in the future. The perceived lack of financial knowledge among help seekers is a positive sign that financial counseling centers may be attracting those students who feel they need more information regarding personal finances. If the intention to start an on-campus center is to help students with low financial literacy, then the results from this study suggest that this strategy may be effective.

When a financial emergency arises, the tendency to use credit (i.e., credit cards) drastically increases if sufficient cash is not available to cover the necessary expenses. These findings may work in tandem since a person not able to meet a financial emergency must find alternative cash sources (which are likely to charge high rates of interest and fees), leading to dissatisfaction with their financial situation. This, in turn, may cause anxiety, fear, and depression.

As students mature and approach graduation, they begin to gain a more realistic grasp of their personal financial realities. The students' evaluation of their personal financial situation as they look to enter the "real world" may drive them to seek help. Other external factors might also be motivating help-seeking behavior, such as self-reflection. As one begins to interview for jobs, separate from parental support, or perhaps make plans to get married and take on the financial dependency of a family, the realization that there is more to be learned may surface. Additionally, age may simply be associated with experience. Some older students have amassed more debt in the latter part of their postsecondary education than the former and thus have more debt to pay off creating a sense of urgency to seek financial guidance. They have gained experience through behavior that prompts a help-seeking response.

Book Overview

This book presents key components and effective strategies needed in a college or university financial education program; it is a unique guide for those interested in starting a program or for others desiring to enhance aspects of an existing program. The chapters provide distinct components with a common thread between them. Experts in financial education share their knowledge as your program development team in this book. Due to the size and space of any book project, one can never hope to include all of the relevant experts in any particular field; however, program directors of all known college and university financial education programs were invited to convey their expertise and experience through a survey conducted prior to publishing (Durband and Britt 2011). There are likely other emerging programs that were unidentifiable by an Internet search at the time of the survey.

Chapter 2 highlights the current state of financial education programs. Dr. John Grable, Ryan Law, and Jodi Kaus present the program model survey results conducted for this book by the editors (Durband and Britt 2011). John is a university financial planning program director and was instrumental in starting the financial education program at his school. Ryan and Jodi are the directors of their respective schools' financial education programs. In addition to presenting the results of the survey, the trio reviews and discusses financial education program models and best practices for programs.

Guidance on how to staff a financial education program is presented in Chap. 3. The primary author, Dr. Ryan Halley has experience as a financial consultant and assistant director of a campus financial education program. Drs. Dorothy Durband and Sonya Britt assist Ryan in comparing and contrasting the various staffing options that may be used in a program. The trio extends the topic into training of financial education staff in Chap. 4. Mentorship can help with transitions inherent in a college setting as detailed in Chap. 4 written by the same authors. The chapter provides a description of recommended competencies for staff and volunteers in financial education programs. Knowledge and skills necessary and desirable for those who provide services to student clients are offered.

No program can exist without ongoing support. Chapter 5, authored by Drs. Dorothy Durband and Bill Gustafson, addresses this critical aspect of a program. Bill served as program director of one of the original 20 CFP-Board-registered programs for 14 years. He has acquired an immense amount of knowledge that addresses program support and sustainability. The authors offer advice on how to identify supporters and persons that may help secure space for operating a financial education program.

Chapter 6 focuses on content and delivery in programming. Drs. Joseph Goetz and Lance Palmer have practical and educational experience in financial education programming for students. These authors outline programming content efforts and the process of program delivery. Examples of the most popular requests for individual sessions and group presentations are given as well as innovative and/or interdisciplinary approaches to offering services.

Encouraging students to attend and participate in your programming efforts necessitates a solid marketing strategy. These guidelines are provided in Chap. 7. Mary Bell, a Certified Financial Planner™, practitioner has worked with the Department of Defense and the US Department of Agriculture to assist military and military dependents to further their financial education during their military experience. Jason McGarraugh is also a Certified Financial Planner™ practitioner whose teaching of financial planning extends from working with students to working with practitioners in Singapore. Dr. De′Arno De′Armond teaches marketing courses, so he brings skilled focus in marketing strategies to the chapter. Defining your target population and finding creative ways and places to promote your program will result in a positive outcome for your program.

The goal of Chap. 8 is to present strategies for developing partnerships in and around the institution and community. Drs. Sonya Britt and Joseph Goetz focus on the benefits of partnerships, who can potentially be involved, and how to establish, maintain, and terminate partnerships. A sample memorandum of understanding illustrates the mechanisms of forming a partnership.

The goal of most college or university financial education programs is to enhance the financial literacy of students. Dr. Sandra Huston provides a mechanism for assessing financial literacy in Chap. 9. Sandra recently led a team of faculty and students in creating the Financial Literacy Assessment for Adults. In this chapter, she defines financial literacy, justifies the need for an assessment of financial literacy, highlights the process of developing an assessment, and shares the key findings of the Financial Literacy Assessment.

Some colleges and universities have a research component in their financial education program. Others may desire to begin collecting program outcomes. Chapter 10 showcases research opportunities within programs. Dr. So-hyun Joo has published numerous scholarly papers and book chapters. Dr. Swarn Chatterjee is proficient in the study of consumer and household economic behavior and the economic integration of immigrants. Together So-hyun and Swarn explain why we need to conduct research with financial education programs and summarize the areas of research interest with college students and financial matters within the last 20 years. They conclude with direction on future research needs.

A key element of interest for administrators and funders of financial education programs is evaluation data, and in Chap. 11, Drs. Jonathan Fox and Suzanne Bartholomae and Kate Trombitas describe how to effectively evaluate a program. Each of them has extensive experience in program evaluation.

The last chapter ends with an overview of three national certification programs that staff may obtain to enhance their knowledge and skills and provide credibility to the program. This final chapter will discuss certifications relevant to program staff, including students. Angela Mazzolini writes about the Accredited Financial Counselor designation history, purpose, background on current certificants, education and practice requirements, and code of ethics. Mary Bell describes the same areas for the Certified Financial Planner™ designation as Angela does for the Accredited Financial Counselor designation. Finally, Dr. Timothy Griesdorn, who has experience in teaching financial counseling and working in a university financial education program, discusses the key concepts of the Certified Retirement Counselor® designation.

An important aspect of this book is the wide extent of resources provided in the Appendix. Jamie Lynn Garrett has worked for several agencies in providing financial education services to a broad range of audiences. She annotates useful websites, software, professional associations, and conferences in the appendix.

Getting Started

We hope that you will use this book to build the foundation of a new financial education program or find ways to build upon an existing foundation. The chapter authors were carefully selected to deliver timely and practical information. In general, the book is written for individuals involved with the formation of a financial education program for college and university students. However, it can also be used by colleagues, administrators, and general supporters of financial education who want services to be offered to students.

Your job as the reader is to determine what role you can play. Have you conducted a needs assessment? What assistance from colleagues, other departments, or your administration will you need in beginning a program? Are there campus connections that you can make as you begin this process? Are there opportunities for you to collect research data to examine student behaviors, attitudes, knowledge, and actions related to personal finances? What resources are needed to keep a program sustainable? This book will help you answer these questions and can serve as the go-to resource for beginning or enhancing your successful program.

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