# Financial Literacy Team Report

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A general definition of “financial literacy”:

“The ability to use knowledge and skills to manage financial resources effectively for a lifetime of financial wellbeing.”

*2008 Annual Report, President’s Advisory Council on Financial Literacy*

## Introduction

According to multiple sources, financials issues have quickly become the #1 reason students are dropping out of college.[[1]](#footnote-1) Traditionally, many students left college because of academic difficulties or a lack of motivation. However, it now seems as though many students involuntary leave college even though they are working hard (often through multiple part-time jobs) and are very interested in their education. The idea of finances getting in the way of completing a college degree sheds light on the importance of financial literacy among students.

Students begin to make decisions with large financial implications around the time they first apply for college. Approximately 78% of the students at Stephen F. Austin State University are on some type of financial aid. The average debt burden for a student in 2016 is $20,555. Many are not well equipped to make these decisions with an understanding of the long-term impact the costs will have on their lives and accordingly, are not financially literate.

The Texas Higher Education Coordinating Board has also recognized the importance of financial literacy on the ability of students to finish college and to avoid paralyzing debt levels after graduation. The 60x30TX plan outlines the Texas Higher Education Coordinating Board’s four central goals. The fourth goal is the following:

*By 2030, undergraduate student loan debt will not exceed 60 percent of first-year wages for graduates of Texas public institutions.*

*The student debt goal aims to help students who graduate with debt complete their programs with manageable debt. This goal challenges stakeholders to balance the levels of student loan debt with a graduate’s earning potential the first year after college. The intent of this goal is to hold student loan debt in Texas to 60 percent of first-year wages after college – 60 percent being the current level of loan debt for students who graduate with debt.*

The Coordinating Board’s goal emphasizes the need to articulate to students the role that career development has on starting salaries. We can build the financial literacy of our students to promote a better understanding of how and why to pay for higher education. Furthermore, improving the financial literacy of our students would greatly improve their lives and their chance for success.

The following two sections provide salary data and outreach strategies that would help strengthen the financial literacy of all students at SFA.

## Salary Data and Dissemination Strategies

Evidence suggests that college students wildly misestimate the average earnings of graduates.[[2]](#footnote-2) A number of new sources for earnings data of graduates have recently become available (Payscale, Georgetown Center on Education and the Workforce, The Hamilton Project, College Measures, College Scorecard). Some of these sources provide institutional averages while others present earnings by major; a few sources further disaggregate by major at each institution and additionally include average costs of programs, average loan burden of students, and employment rates of graduates.

Providing students with information about borrowing levels is enhanced if students have reasonable expectations about future earnings. An additional difficulty is that national averages of graduates hide large disparities in earnings by both institution and major.

**Recommendation #1:** Use an already developed data source from the Coordinating Board to share earnings/borrowing information with students (possibly: http://launchmycareertx.org/).

It would be possible for SFA to develop an in-house database, à la the UT System’s SeekUT. However, it would require coordination with the Coordinating Board and Texas Workforce commission to collect data, and substantial in-house time and expertise for development and subsequent updating. The Coordinating Board’s sources (Launch My Career/Texas Crews) are already available and these and/or other sources are likely to improve in the near term.

**Recommendation #2:** Develop an easy to use, student friendly summary for these earnings data.

The Coordinating Board websites rely on CIP codes to identify degrees. At a minimum, we would need to make available some sort of a crosswalk between SFA degree names and the programs listed by CIP code. Perhaps a document and/or webpage could provide earnings/borrowing information for the top ten most popular majors at SFA, as a starting point.

**Recommendation #3:** Develop mechanisms to disseminate this information consistently.

Specifically, we would share information on earnings, rules of thumb for borrowing, and possibly the link between majors and occupations. If possible, we would designate one individual as a point person to ensure a consistent message.

Developers of the SeekUT tool report being disappointed in the number of students using their website. This lack of usage could be due to students using other proprietary sources that are available to learn about earnings (Payscale, etc.), or it could indicate that students need a nudge to think about their expected future earnings and potential to repay loans. There are several groups on campus where interventions would be possible:

1. **Student Affairs:** the opportunities to connect with students are boundless and with a stronger campus partnership we will be able to educate and connect students to resources that encourage financial planning. The following programs can begin immediate implementation.

The Involvement Center peer-to-peer advising program encourages students to get involved in various campus organizations and engage with the university through campus resources. During these one-on-one peer conversations student advisers can provide information on financial services and resources.

In addition, the office of Student Engagement hosts a training annually for four of the officers of each student organization, this is a great opportunity to reach out to nearly 1000 students about financial resources that are available for not only their personal journeys, but to share resource contact information to schedule presentations at their organization meetings.

1. **Financial Aid Counselors**: Information could be provided to students about the 60x30TX student borrowing goal, as well as very broad earning averages and/or rules of thumb.

The Office of Student Financial Assistance can tie financial literacy to a couple of things that students do. For students taking out federal student loans, they are required to complete entrance counseling. This counseling gives the students information about what the loan is, interest rate, and repayment. This would be a good time to introduce some basic financial literacy issues with students. In addition, when students graduate, they receive exit counseling. Here again, students can do something in regards to financial literacy. This would cover any student that receives federal student loans from our institution.

Financial aid is currently evaluating to ability to give their students the following information:

* An estimate of the total amount of state and federal education loans incurred
* An estimate of the total payoff amount, including principal and interest
* An estimate of the monthly repayment amount that the student may incur for the repayment, including principal and interest.
1. **Center for Career and Professional Development:** Collaborate with financial literacy groups to develop programs (presentations, workshops, tabling outside or in an academic building) and provide additional resources (website) to get students thinking about typical earnings by major and/or career as they transition throughout their experience at SFA and beyond.
2. **Academic Advisors:** Several colleges on campus have advising manuals and training for professional advisors. Earnings/borrowing information could be included in updates to advising manuals to include information about earnings sources and the 60x30TX goal about student borrowing.
3. **Marleta Chadwick Student Financial Advisors:** Student advisors could add earnings/borrowing data to their current programming with respect to financial literacy and SFA students. In fact, these advisors might have insight into the most effective ways to present information to students.

## Financial Literacy Outreach and Coordination

Although the Marleta Chadwick Student Financial Advisors began operations just a few years ago, they have been able to improve the financial literacy of high school students, college students, and residents of the East Texas community. One thing has become very evident to them: there is a severe lack of resources and support for financial literacy. Most individuals fail to stress the importance of the financial life lessons needed to achieve and maintain success. It is apparent that there is a serious lack of understanding of the importance of being financially healthy. The number of people who do not know what a simple budget is, what a credit score is, or that there is a prevalent crime of identity theft is surprising and alarming. Many students, active and prospective, are ill equipped to make financial decisions and understanding the long-term impact of the costs of those decisions.

In 2013, the State Legislature passed House Bill 5 (S.B. 1590), which requires Texas schools to offer personal financial literacy courses as part of their enrichment curriculum. There is no centralized financial literacy program offered at Stephen F. Austin State University. Therefore, SFA does not have to proper staff, curriculum, or resources devoted offering campus-wide financial literacy enrichment. Although Stephen F. Austin State University offers a personal finance course through Nelson Rusche College of Business, the course is not easily accessible to students of other majors.

University of North Texas offers a centralized Student Money Management Center. The staff is composed of a Senior Director, an Operations Assistant Director, an Outreach Assistant Director, an Administrative Assistant, a Graduate Assistant, six part-time student workers, and one intern. Their Student Money Management Center also has an interactive web portal that allows students to request individual coaching sessions, request presentations for student organizations and residence halls, credit reports and credit scores education, and online curriculum modules and materials. They also offer a college financial survival plan, graduation transition financial planning, tuition and housing payments planning, and job offers and benefit packages analysis. Along with this support, they also host weekly events and workshops. One workshop that stands out in particular is *Soaring to Success With Student Loans.* All students accepting student loans are highly encouraged to attend this workshop that provides incoming freshmen with a detailed explanation of the student loan borrowing process from determining your borrowing needs to acceptance to future repayment obligations.

Sam Houston State University also has a Student Money Management Center, which has the assistance of the Vice President of Student Services. The staff includes a Director, two Program Coordinators, an Administrative Coordinator, three Financial Peer Coaches, a Graphic Designer, and a Student Assistant. Most of its staff are CPFC® certified**.** Sam Houston State University’s Money Center also hosts presentations, personal consultations, and monthly events and workshops on various financial topics.

**Recommendation #4:** Hire a full-time staff member to coordinate the salary data and financial literacy activities of student affairs, financial aid, career and academic advisors.

Many departments on campus provide financial literacy information to students.[[3]](#footnote-3) A coordinator would allow everyone to provide a coherent and unified message across the university. Additionally, this hire would follow the successful structure of UNT and SHSU’s financial literacy programs.

A coordinator would also allow the Marleta Chadwick Students Financial Advisors to:

* Extend part-time staff
* Structure resources to become easily accessible to students
* Increase the number of events and workshops
* Offer parent sessions during Freshman Orientation, Transfer Orientation, and Showcase Saturdays
* Extend the Personal Finance course to students of all majors
* Offer a financial literacy course as an online exit program (similar to Alcohol EDU)

Furthermore, completing the staff of the Marleta Chadwick Student Financial Advisors would allow the following activities to exist in the areas of recruiting, retention, alumni, and professional development:

**Recruitment**

* High school workshops
* Showcase Saturday information
* Provide guidance through the Financial Aid process

**Retention**

* Talk to trained peer financial planners about personal finances
* Workshops for SFA101 classes
* Learn how to establish and manage credit
* Create a financial survival plan for college
* Plan for tuition and fee payments
* Budgeting and planning
* Financial rehabilitation
* Preventing identity theft
* Saving money
* Setting financial goals

**Graduating Students (alumni)**

* Compare employer salary and benefits packages
* Understand credit report and credit score
* Graduate with a plan for repaying your debt
* Insurance analysis

**Help Financial Planning Students**

* Provide financial awareness through outreach-based planning, training, and coaching
* Evaluate client needs and provide confidential advice
* Empower clients through financial education
* Provide professional leadership experience
1. Multiple citations include washingtonpost.com, nytimes.com, collegeview.com, classesandcareers.com, petersons.com, and many more… [↑](#footnote-ref-1)
2. For a recent study of NYU graduates, see: Wiswall, M., & Zafar, B. (2015). How do college students respond to public information about earnings?  *Journal of Human Capital*, *9*(2), 117-169. [↑](#footnote-ref-2)
3. Others not mentioned in this report include: Center for Economic Education, Ralph W. Steen Library, Student Success Center, etc… [↑](#footnote-ref-3)