

Insights on the Journey to Financial Adulthood: The Kids Are (Mostly) All Right

An Overview of the APLUS Longitudinal Study
Waves 1-4 | 2008-2016



Research funded by the National Endowment for Financial Education® (NEFE®) studied a group of Millennials who entered the University of Arizona as freshmen in 2007 to capture the changing financial knowledge, practices and life choices on their journey to adulthood. Differences in their growth and maturity can be assessed by many characteristics, including gender, race, socioeconomic status (SES) and whether they are the first in their family to attend college.

Here are selected highlights of the findings.



NATIONAL ENDOWMENT FOR
FINANCIAL EDUCATION

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DEMOGRAPHICS

Participant demographics have remained substantially similar throughout the study, including:

- » Two-thirds women, one-third men
- » Majority white, 15 percent Hispanic, 9 percent Asian, 3 percent black
- » One-third low SES, one-fourth middle SES, about 45 percent high SES
- » About one in six are first-generation

TIMELINE

Data for the longitudinal Arizona Pathways to Life Success for University Students (APLUS) study have been drawn from the same group of college students every two to three years. This approach provides understanding on how young adults change as they mature, as well as why some thrive while others struggle.



5 Data Checkpoints

Wave	Status	Age of Participants	Date	Highlights	Number of Participants
1	1st year: freshmen	18-21	2008	Baseline data	2,098
1.5	2nd year: sophomores	19-22	2009	Impact of Great Recession	748 [impact sample]
2	4th year: seniors	20-23	2010	Financial capability changes in college	1,508
3	2 years post-college	23-26	2013	Thriving and struggling just out of school	1,010
4	5 years post-college	26-29	2016	Developing adult financial capability	855

SECTION I

Financial Literacy: Objective and Subjective

Financial capability, or the ability to make informed financial choices, encompasses both financial literacy and financial behavior.

How Much Do They Really Know?

- » Men consistently outperform women in objective financial knowledge.
- » Knowledge for both genders increased steadily in Waves 1-3, dropping sharply in Wave 4.
- » Although striking, the drop in Wave 4 may reflect a normal age-related decline in test-taking skills that begins in the 20s and 30s of healthy, educated adults.

How Much Do They Think They Know?

- » Men consistently score themselves higher than women in subjective financial knowledge.
- » Participants from middle SES households increased their self-assessed knowledge throughout, while higher and lower SES households peaked at Wave 2 and have declined since. However, their actual knowledge remains similar.

FIG. 1: OBJECTIVE KNOWLEDGE BY GENDER OVER TIME

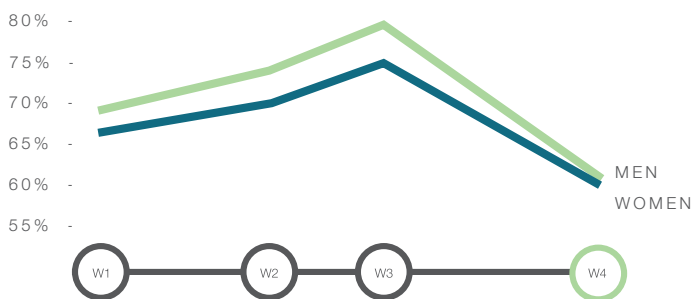


FIG. 3: SELF-ASSESSED KNOWLEDGE BY GENDER OVER TIME

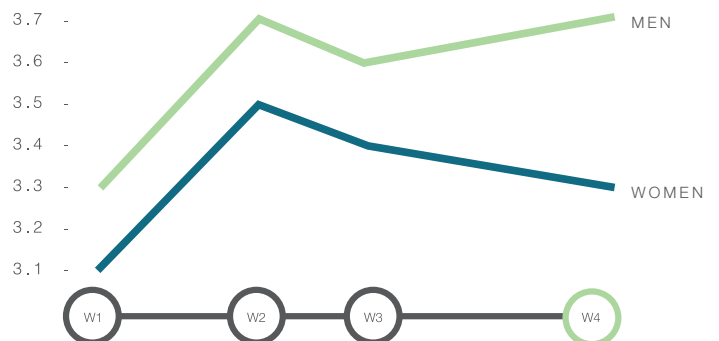


FIG. 2: OBJECTIVE KNOWLEDGE BY SES OVER TIME

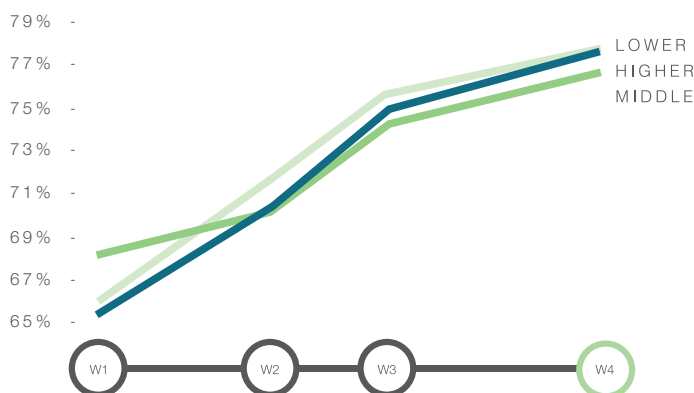
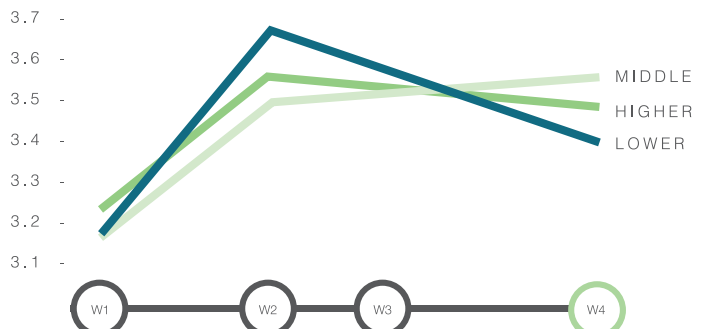


FIG. 4: SELF-ASSESSED KNOWLEDGE BY SES OVER TIME



Note on charts: Percentages indicate scores. Numerals indicate responses given on a 1-5 scale.

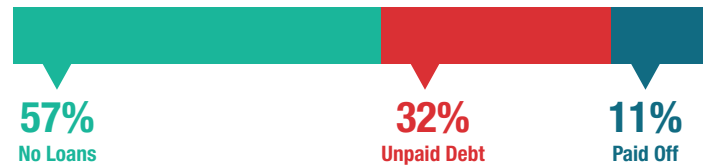
SECTION 2 Financial Behaviors: Positive, Risky and Coping

Financial behavior is the action component of financial capability.

The researchers examined three financial coping behaviors:

- » **Reactive:** borrowing when one doesn't have enough money to cover expenses
- » **Preventive:** basic money management to minimize future financial strain (e.g., budgeting, paying bills on time)
- » **Proactive:** current behaviors to achieve future financial goals (e.g., saving, investing)

STUDENT LOAN IMPACTS

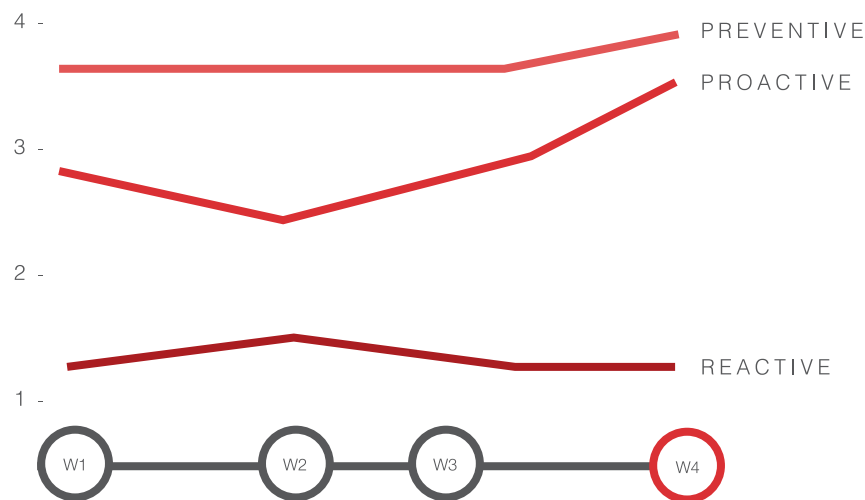


Carrying student loan debt:

- » Reduces proactive behavior
- » Increases reactive behavior
- » Causes stress

» Participants steadily improved their basic money management practices (preventive) and got better at saving and investing (proactive) by Wave 4.

FIG. 5: FINANCIAL COPING BEHAVIOR OVER TIME



SECTION 3 Progress Toward Adulthood

In contemporary society, adult status often is measured by the number of adult social roles completed — and a feeling of one’s place in the adult world.

Most participants have achieved adult status by Wave 4 according to objective indicators and their own self-assessment.

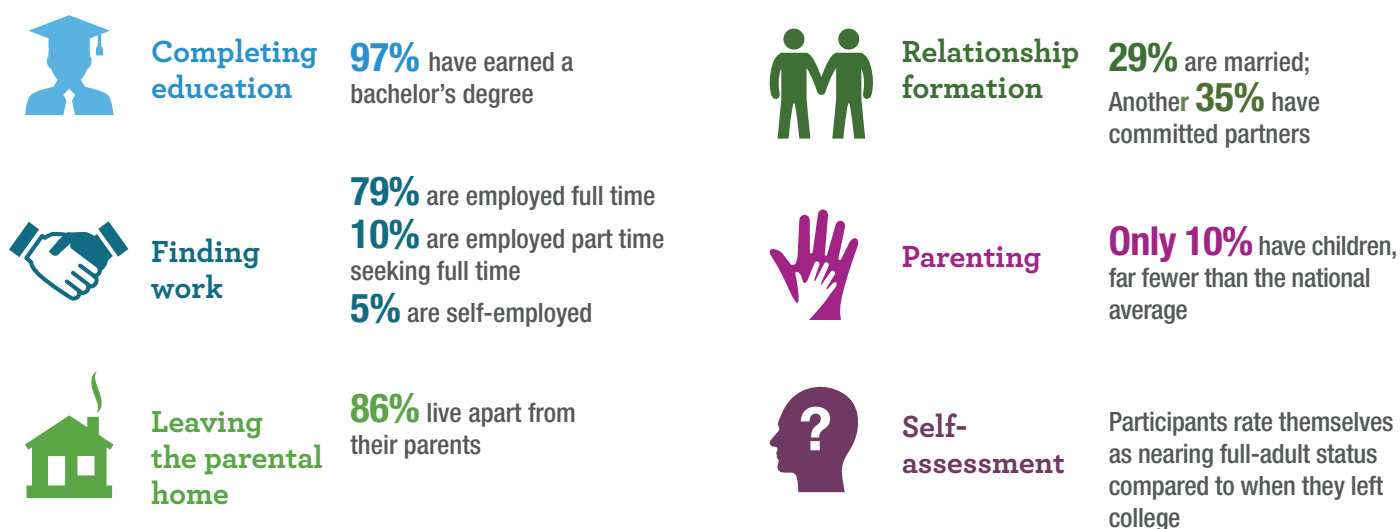


FIG. 6: SELF-ASSESSED ADULT STATUS OVER TIME

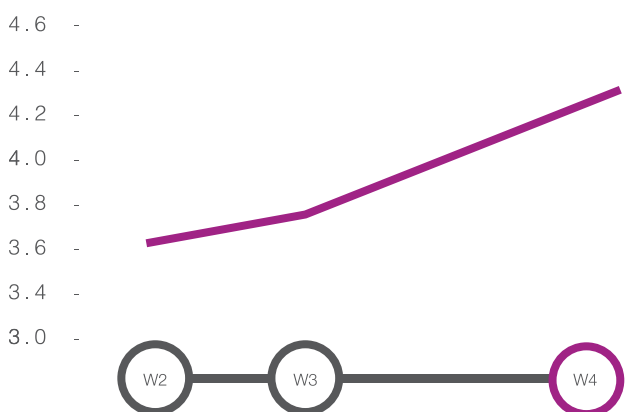
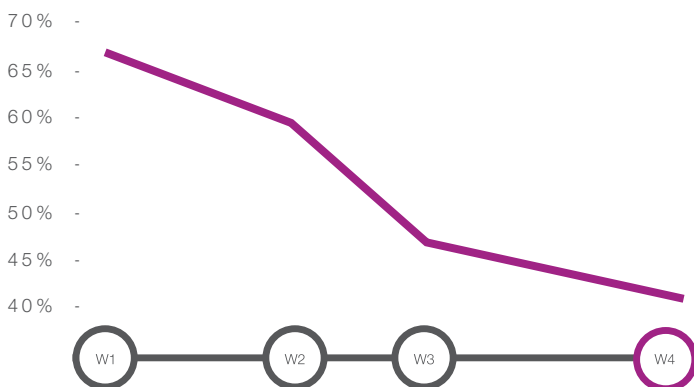


FIG. 7: RECEIVING FINANCIAL SUPPORT FROM PARENTS OVER TIME



SECTION 4 Financial Capability and Confidence

Financial literacy and financial behavior alone can't explain why some people thrive and others struggle. People have to have confidence in their ability — to believe they can succeed if they try.

Financial self-efficacy — how confident one is that he or she can perform a particular behavior (e.g., “pay my bills”) — dropped for everyone at Wave 4.

- » Men consistently rated themselves higher than women.
- » Participants from lower socioeconomic status (SES) households dropped significantly compared to those from middle and higher SES households.
- » Asians closed the gap they had had with whites at baseline, but Hispanics dropped significantly compared to whites at Wave 4.

FIG. 8: SELF-ASSESSED EFFICACY BY GENDER OVER TIME

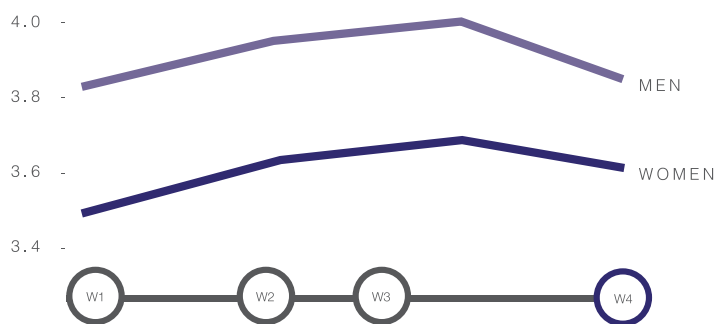


FIG. 9: SELF-ASSESSED EFFICACY BY SES OVER TIME

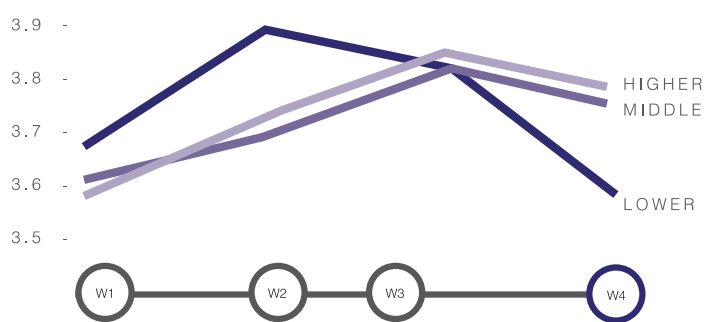
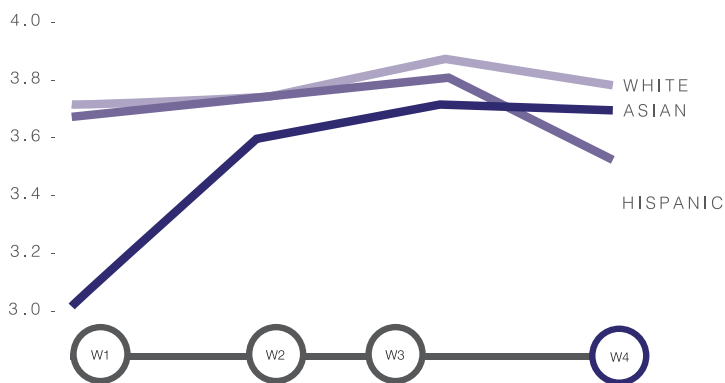


FIG. 10: SELF-ASSESSED EFFICACY BY RACE/ETHNICITY OVER TIME

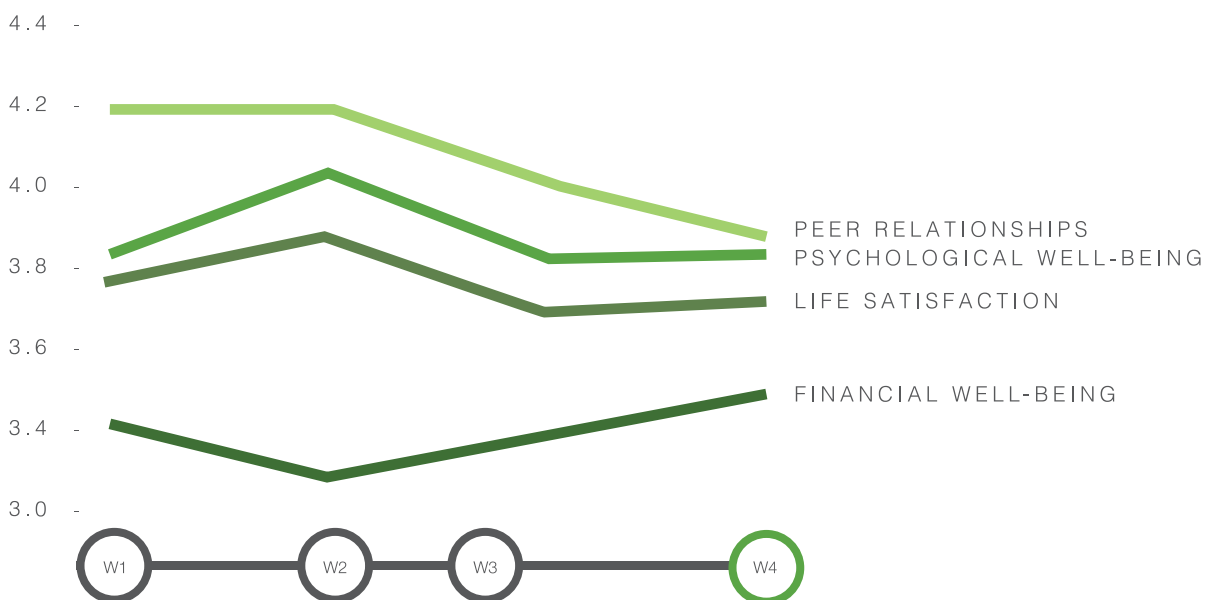


SECTION 5 Finances and Well-Being

The researchers wanted to know how young adults' financial knowledge and skills are positively connected to their well-being measured in four life domains: peer relationships, psychological well-being, life satisfaction and financial well-being.

- » Peer relationships continue trending downward, likely reflecting less time with friends as compared to the college years.
- » Psychological well-being peaked when leaving college, but is virtually the same among the other waves. Quality of life is important to these young adults, who may be more willing to trade higher pay for more freedom with their time.
- » Life satisfaction also peaked when leaving college and is up slightly from Wave 3.
- » Financial well-being has risen steadily since its lowest point upon leaving college.
- » Financial self-efficacy is the strongest contributor to positive well-being in all domains.

FIG. 11: CHANGES IN WELL-BEING OVER TIME





» Conclusion

Most of the young adults in the study are doing well.

- » They are well-educated and employed, living independently and forming relationships.
- » They are financially capable, confident and able to manage their finances.
- » They are making prudent financial choices in achieving life goals, often working more hours to make ends meet and saving before purchasing.

At the same time, some are doing better than others, and some are struggling.

- » Men are earning more and are more confident than women.
- » Participants from lower SES families feel less control over their finances, less confidence and report less healthy financial coping behaviors.
- » More non-white participants still had student loan debt and scored lower on financial self-efficacy than whites.
- » First-generation college students felt less confident and capable, but outperformed their peers on objective knowledge.

Higher well-being and life satisfaction generally followed healthier financial behaviors and higher financial knowledge and confidence.

ABOUT THE APLUS STUDY

The landmark study, Arizona Pathways to Life Success for University Students (APLUS), launched in the spring of 2008 with 2,098 University of Arizona freshmen. Researchers followed and surveyed the participants five times from 2008 to 2016. The principal investigators are Joyce Serido, Ph.D., University of Minnesota, and Soyeon Shim, Ph.D., University of Wisconsin-Madison.

Detailed reports on findings from each wave are available at <https://www.aplushappiness.org>.

ABOUT NEFE

The National Endowment for Financial Education (NEFE) is an independent, nonprofit foundation committed to educating Americans on a broad range of financial topics and inspiring educated financial decision making for individuals and families through every stage of life. For more than 30 years, NEFE has been providing funding, logistical support and personal finance expertise to develop materials and programs for all ages. To learn more about NEFE, visit www.nefe.org or call 303-741-6333.