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Nefe Digest

Spring 2019

DEBT BY DEGREES:

A DISTINCT CHALLENGE FOR COLLEGE STUDENTS

It is a commonly held belief in America that a college degree facilitates income potential, career advancement and financial stability. Student loans make college possible for many students, while simultaneously commencing their lives under the burden of debt.

Examining the debt journeys of young adults, beginning with education loans, new NEFE-funded research quantifies debt holding by level of education completed and identifies the corresponding financial precarity as young adults progress through their 20s.

What it finds is a much different—and sometimes more financially vulnerable—experience for those who obtain associate's degrees. Community college attendees share unique characteristics as they seek higher education and accumulate unique debt portfolios compared with bachelor's degree holders.

Often overlooked by those who assume a traditional four-year college experience, two-year degree holders deserve closer attention—and a different approach.

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National Endowment for Financial Education

Educational Attainment and Debt Profiles

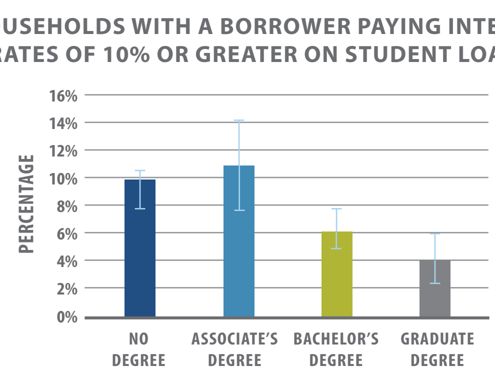
"The story of young adulthood is the story of debt holding," says researcher Rachel Dwyer, Ph.D., of The Ohio State University, who conducted this study for NEFE. Dwyer investigated financial inequality and insecurity among Americans from age 20 to 30, focusing on individual and household educational attainment and the types of debt held. She examined student loan debt along with secured and unsecured consumer debt to illustrate the broader financial risk experienced by young adults with education ranging from high school diplomas to graduate degrees. "While debt does not always become an unbearable financial burden, it makes young adults more vulnerable to financial problems when troubles do arise," Dwyer says.

Community college attendees are at the forefront of this vulnerability, particularly compared to traditional four-year college attendees. They represent a financially precarious population attempting to get ahead by investing in postsecondary education. On average they are more likely to start school later and stay in school longer despite a shorter overall degree program—only 39 percent have earned a two-year degree within six years of starting. (In comparison, 60 percent of those who started at a four-year institution have earned a bachelor's degree within six years.)[1]

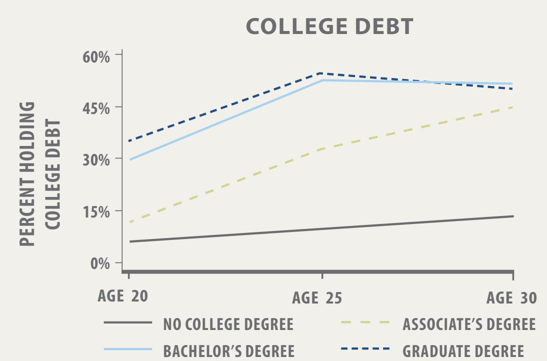
Differences in Student Loans

Like their four-year college counterparts, two-year college attendees take out student loans to cover education costs. In fact, similar proportions of individuals with bachelor's degrees and associate's degrees carry college debt. However, nearly 11 percent of associate's degree-headed households are paying the highest loan interest rates (over 10 percent) compared to 6 percent of bachelor's degree-headed households. This is likely a result of taking on private loans, which often carry higher interest rates than federal loans.

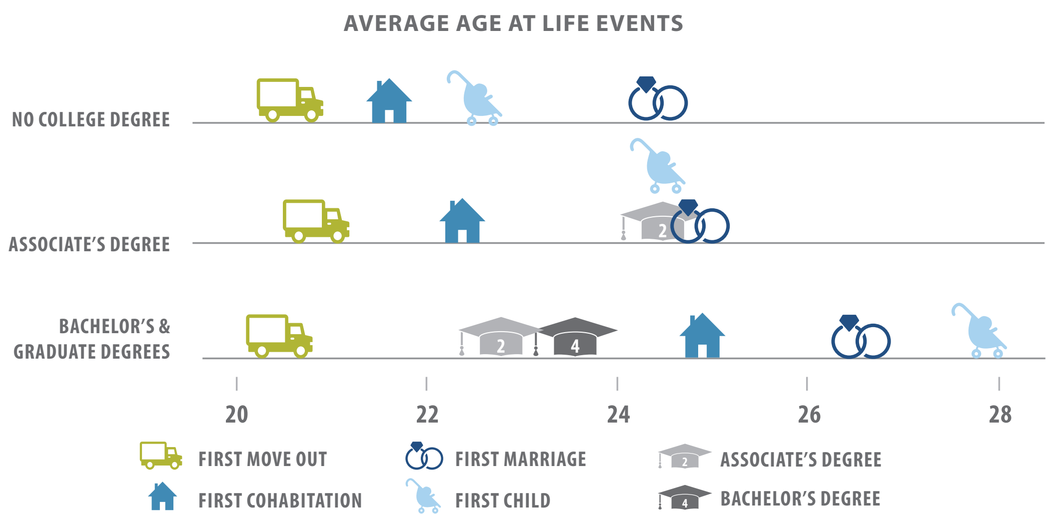
Bachelor's degree holders are more likely to have student debt across the entire age range reviewed in this study, first increasing in proportion and then decreasing as they pay it off. The proportion of associate's degree holders with student debt increases steadily over time.



Source: Authors' analysis of Survey of Consumer Finances data



Source: Authors' analysis of National Longitudinal Survey of Youth data



Source: Authors' analysis of National Longitudinal Survey of Youth data

Life Events Impact Debt Holding

Although degree holders vary in average age of experiencing significant life events such as moving out, living together, getting married, having a child and completing a degree, traditional four-year students and those without college degrees tend to make these transitions sequentially in time.

Two-year students, conversely, are more likely to experience major life events during the same time period that they are pursuing their education, particularly marriage and child rearing.

1 – National Center for Education Statistics, 2016

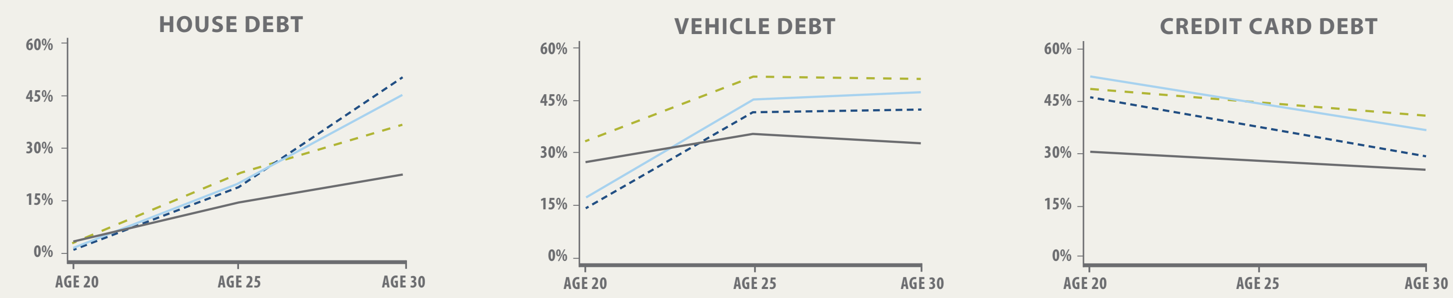
"Grown-Up" Debt: Cars, Homes and Credit Cards

Debt portfolios evolve over time in early adulthood as individuals with bachelor's and graduate degrees gradually accumulate more secured debt and pay down unsecured debt between age 20 and 30.

Associate's degree holders are less likely to have home debt than higher degree holders by age 30. Although associate's degree holders are less likely to have credit card debt at age 25, they are more likely than other degree holders to have it by age 30. The proportion of bachelor's degree holders with credit card debt drops steadily over time.

The likelihood of car debt for associate's degree holders is higher than all other groups from age 20 to 30, possibly because two-year degree pursuers need transportation earlier for work and child-related obligations.

PERCENT OF INDIVIDUALS CARRYING DEBT



*Consumer debt includes credit card debt and all other debts to businesses.

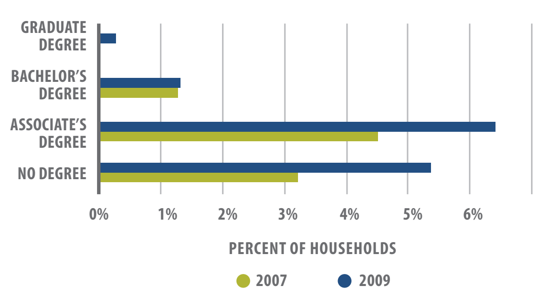
Source: Authors' analysis of National Longitudinal Survey of Youth data

Financial Risk in Context

Debt holdings heighten a household's vulnerability to economic shocks, whether personal or societal. The Great Recession is an example of such a shock. Households headed by someone with less than a bachelor's degree fared worse as measured by utilization of payday loans—specifically those with associate's degrees.

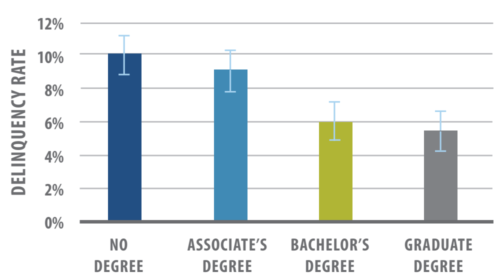
Additionally, households headed by an individual with less than a bachelor's degree have higher rates of loan delinquency.

PERCENT OF HOUSEHOLDS WITH A PAYDAY LOAN



Source: Author's analysis of Survey of Consumer Finances data

LOAN DELINQUENCY RATE BY EDUCATION OF HOUSEHOLD HEAD



Source: Authors' analysis of Survey of Consumer Finances data

Diverging Paths: Youth Debt, College and Family Background was conducted by Ohio State University researchers using data from the National Longitudinal Survey of Youth–1997 from the U.S. Bureau of Labor Statistics and the Survey of Consumer Finances from the Federal Reserve Board. See the executive summary at www.nefe.org/research for complete methodology.

(Continued on page 4)

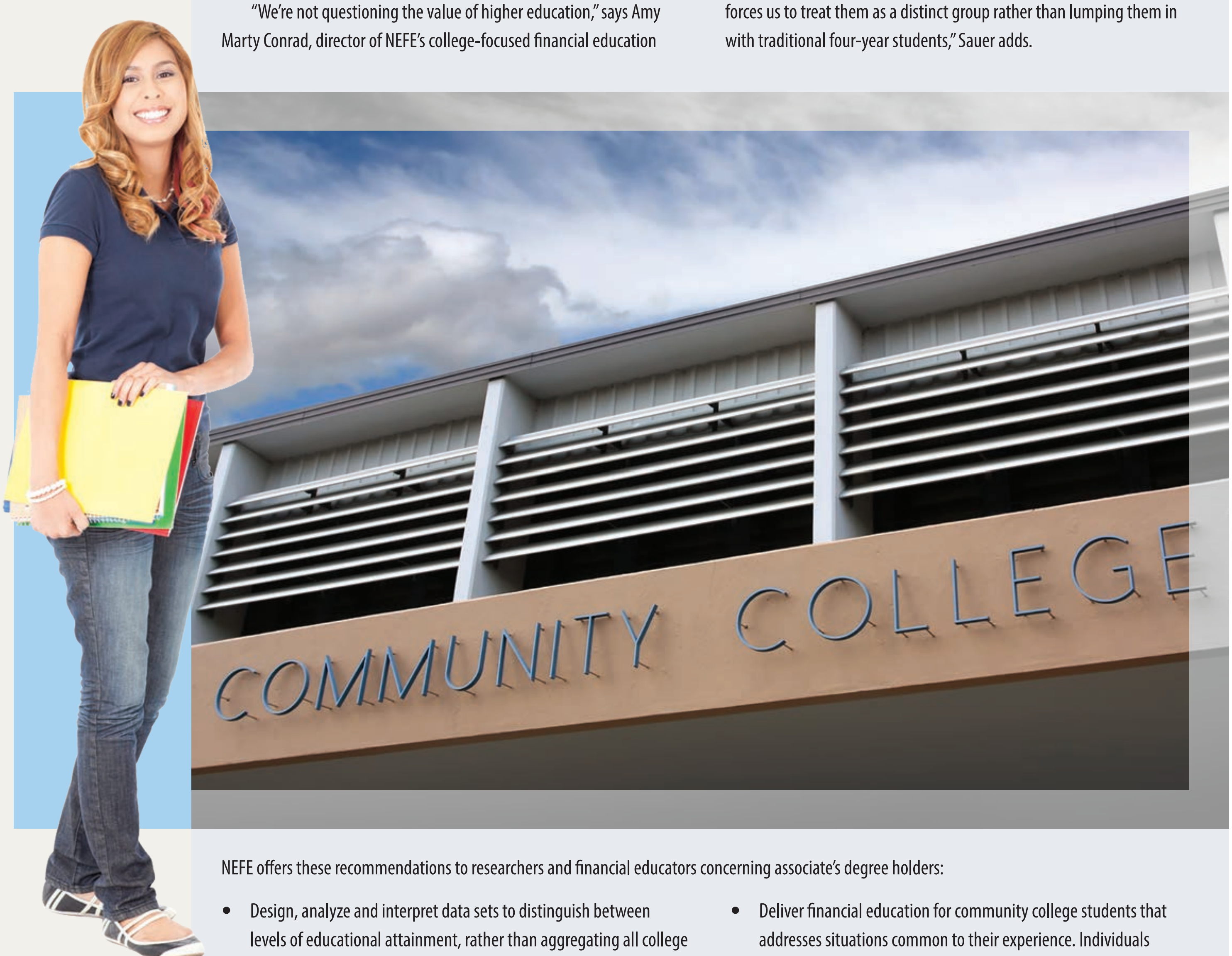
Call to Action: The Case for Distinction

The prevalence of the "everyone should go to college" philosophy in the United States has encouraged widespread investment of young adults in higher education—72 percent of the oldest Millennial cohort enrolled for at least one term in a two-year or four-year higher education institution by age 30[2]. Student demographics for two-year and four-year schools definitely overlap, even as educators and researchers strive to identify and serve similarities and differences among their student bodies.

Studies such as the NEFE-funded OSU research reveal surprising outcomes after college attendance, particularly the similarities in debt holding and financial risk shared by associate's degree holders and those who never attended or never graduated college.

"We're not questioning the value of higher education," says Amy Marty Conrad, director of NEFE's college-focused financial education program CashCourse. "What we are learning is that two-year college attendees experience major life events and transitions in a significantly different manner than most four-year students. Getting married, going to school and having children at the same time have profound, long-term effects on debt holding and financial precarity. There's an opportunity to address these situations in the financial education we offer to community college students."

"Most data and assumptions about 'college' focus on bachelor's degrees," says Katherine Sauer, Ph.D., NEFE senior director of education, research and strategic impact. "But these are not universally translatable to two-year degree pursuers. Understanding their unique challenges forces us to treat them as a distinct group rather than lumping them in with traditional four-year students," Sauer adds.



NEFE offers these recommendations to researchers and financial educators concerning associate's degree holders:

- Design, analyze and interpret data sets to distinguish between levels of educational attainment, rather than aggregating all college attendees together regardless of what degree they are pursuing.
- Conduct additional research on the life experience and circumstances faced by those who ultimately complete two-year degrees to understand their challenges and how they make educational decisions.
- Deliver financial education for community college students that addresses situations common to their experience. Individuals seeking an associate's degree are a distinct group that deserve consideration, especially when it comes to the financial education resources that colleges provide.

Visit www.nefe.org/research for more information on *Diverging Paths: Youth Debt, College and Family Background.*

2 – Authors' analysis of National Longitudinal Survey of Youth data

How 5-Year-Olds Learn About Money

Kindergartner Douglas knows that banks are where you get money, but also says banks are places that "bad guys rob." Brian, another kindergartner, points out that people go to banks for money and "to get free stuff… [maybe] gum and suckers."

How do grownups get a savings account?
"It comes in the mail."

By second grade, these boys and fellow participants in a NEFE-funded study from the University of Kansas knew a lot more about banks, including that they were places to deposit and withdraw money and keep money safe. Researchers followed 40 kindergartners for three years to learn more about how children's understanding of financial concepts develops. And although the qualitative study was small, it aligns with commonsense beliefs about the impact of financial education in schools, child savings accounts and parental influence.

Children in two treatment groups received 12 in-class financial education lessons in kindergarten, followed by multiple instructional packets sent to their parents throughout their first- and second-grade school years. The lessons covered spending, saving and banking. One treatment group also opened child savings accounts, while the other control group received no intervention. Researchers interviewed both parents and children prior to the study and at the end of each school year.

How do grownups get money from the bank?
"Well, usually they just type in some numbers how many money they need."

Children's financial knowledge improved faster among those who received financial education than among those who did not. Researchers attributed this knowledge gain to both the direct effect of the lessons on the child and to changes in the parents' financial socialization of the child through the letters sent home after each lesson. Those children whose parents used financial terms were better able to explain concepts than students whose parents did not use financial terms.

Many of the parents, including some in the control group, stated that being part of the study and responding to the interview questions made them more aware of the need for helping their children develop financial awareness and savings behaviors. Several parents said they had thought more about their own financial capability and started working to improve it.

Having savings accounts in the program prompted more of those children to interact with their accounts and use them (rather than a piggy bank or box at home) to save. The study sample was too small to discern other notable differences. Regardless of which treatment group the child belonged to, parents had a significant impact on their children's understanding of saving, wants and needs, and goal setting.

"The parent-child interactions in this study support our understanding of just how critical parents are in the financial socialization of their children," says Billy Hensley, Ph.D., NEFE president and CEO. "And we also see the critical importance of starting early to talk to our kids about money—both at home and at school."

Where does the bank get its money?
"Well, a machine just makes it."

Where do banks get money?

	No understanding	From people
Baseline (beginning of kindergarten)	90%	10%
Year 3 (end of 2nd grade)	16%	84%

Visit smartaboutmoney.org for NEFE's, *Simple Steps to Raising a Money-Smart Child.*

PROCEED WITH CAUTION!

These interviews show only what children can articulate. Five- and six-year-olds may not yet have the vocabulary to express their complete understandings, often making their responses difficult to interpret. The researchers also had to balance the depth of their questioning with the children's short attention span. They tended to tire of the interview after 15 to 20 minutes. [The children, not the researchers…]

Financial Education Research on Display at Cherry Blossom Institute

NEFE encourages rigorous research in financial capability topics and for the fifth year continued its support of the Cherry Blossom Financial Education Institute hosted in April by the Global Financial Literacy Excellence Center (GFLEC) at George Washington University.

"The quantity and quality of peer-reviewed citations in financial literacy research is growing substantially, increasing our understanding and allowing us to rely on a more robust body of knowledge," says Billy Hensley, Ph.D., president and CEO of NEFE. "Better analysis creates better interventions, leading to better outcomes."

Presenters and attendees from across the globe heard a keynote address from Dr. Monika Bütler, professor of economics and public policy at the University of St. Gallen in Switzerland, providing insight on retirement financial decision making abroad. Additionally, Dr. Tim Kaiser, of the German Institute for Economic Research (DIW Berlin), presented *The Effect of Financial Education on Downstream Behavior*, a study coauthored by Dr. Lukas Menhoff at DIW Berlin; Annamaria Lusardi, Ph.D., of GFLEC; and Carly Urban, Ph.D., of Montana State University.

Katherine Sauer, Ph.D., NEFE's senior director of education, research and strategic impact, says the study "provides some of the clearest evidence yet of positive effects of education on behaviors and knowledge. This analysis effectively summarizes the proliferation of research that has come out over the past five years."

The event also featured the presentation of the Financial Literacy Research Award, sponsored by NEFE. This year's recipients were Philippe d'Astous of HEC Montréal, who won for his paper titled "Tax-Sheltered Retirement Accounts: Can Financial Education Improve Decisions?"; and Gopi Shah Goda of SIEPR, Stanford University, who was recognized for her paper entitled "Who is a Passive Saver Under Opt-In and Auto-Enrollment?"

For more on the studies presented at the Cherry Blossom Financial Education Institute, visit www.gflec.org/events.

NEFE's Hensley Named to CNBC Financial Wellness Advisory Council

In January 2019, as part of its strategic partnership with the investment/personal finance website Acorns, CNBC announced a new multiplatform financial wellness initiative called "Invest in You: Ready. Set. Grow," which focuses on improving Americans' money knowledge in the areas of saving, spending and investing, and inspiring young investors to prepare for their future.

Through the initiative, the financial network established the CNBC Financial Wellness Advisory Council, a body of financial experts, thought leaders and influencers to share their expertise and knowledge. Kicking off Financial Literacy Month in April, CNBC introduced the council, including Billy Hensley, Ph.D., NEFE president and CEO.

"This is an impressive move and we're thrilled to be included on the CNBC Financial Wellness Advisory Council to help provide people with the knowledge and tools to be more thoughtful in their financial decision making," says Hensley. "This is a tremendous group of stimulating thought leaders, some of whom we have been proud to have worked with over the years, but also influencers who care deeply about financial well-being."

Other members of the council include Sheila Bair, former chair of the Federal Deposit Insurance Corporation; Annamaria Lusardi, Ph.D., professor and academic director at George Washington University and founder of the Global Financial Literacy Excellence Center; Tony Robbins, entrepreneur, author and philanthropist; Brandon Copeland, entrepreneur and current professional football player; and Andy Roddick, youth nonprofit founder and tennis professional, among others.

For more on the CNBC Financial Wellness Advisory Council and the Invest in You initiative, visit www.cnbc.com/invest-in-you.

Billy Hensley, Ph.D., President/CEO NEFE

Invest in You:
Ready. Set. Grow.

CNBC + acorns®

NEFE's High School Financial Planning Program Updates Program Website

The High School Financial Planning Program® (HSFPP) recently updated its website, adding new features and improving the online experience for educators, parents and learners.

New Features

- Instructors now can share student lessons and resources using Google Classroom.
- Instructors can bookmark lessons and resources for easy retrieval on their personal My HSFPP page linked to their user profile.
- Individual lesson pages provide all learner handouts and related resources.
- Use the Resource Library to enhance learning. Filter resources by audience, financial topic or resource type.
- More parent resources available, including "Taking It Home" activities and conversation starters to continue learning beyond the classroom.
- The interactive Budget Wizard walks learners through the steps of making a budget that works for them and saves the budget for later comparisons with actual amounts earned, spent and saved.

Improved Features

- Downloading the comprehensive curriculum is now easier and more efficient. Everything instructors need to teach the curriculum is immediately available online.
- Requesting free printed materials is simplified. Support the online instructional curriculum with student guide booklets, participant certificates and an instructor starter kit.
- Learner materials now available to students without requiring a student account.

NEFE's HSFPP is a turnkey financial literacy program specifically focused on basic personal finance skills that are relevant to the lives of teens. The program is intended for in-person teaching and works well in classrooms, workshops and one-on-one situations. Backed by extensive research, developed by educators and trusted experts, and independently evaluated, the HSFPP's curriculum is proven effective.

"For more than 35 years the High School Financial Planning Program has built a strong reputation for quality education standards and curriculum," says Susan Sharkey, HSFPP's senior director. "This latest website debuts several new features, including an exciting new brand identity that represents our program's evolution over time."

The HSFPP's plan-driven approach doesn't just teach information or show students how to manage a financial task—it guides them to do it for themselves so they can apply financial decisions to their own lives and return in the future to do it again successfully.

As a result, HSFPP students are better at demonstrating and forming positive behaviors, and have greater average gains in confidence, than those who take other financial education courses based solely on knowledge and literacy. "As the HSFPP continues to serve approximately 35,000 educators a year, we will strive to provide the resources they need to be successful in the classroom," Sharkey adds.

To learn more about the program, visit www.hsfpp.org.

Success Stories:
Iowa CashCourse

- Iowa State University 34,992 total enrollment
- University of Iowa 31,099 total enrollment
- University of Northern Iowa 11,212 total enrollment

All incoming freshmen at Iowa's public four-year universities now receive financial education before they even arrive on campus, thanks to the combined effort of key university faculty and staff and NEFE's CashCourse program.

"Regardless of whether their new students have had financial education in high school or not, Iowa's major universities are making sure they will get personal finance basics in college," says Amy Marty Conrad, director of CashCourse.

All freshmen and transfer students at Iowa State University, the University of Iowa and the University of Northern Iowa now have a financial literacy requirement through CashCourse, focusing on budgeting and money management, spending and financial decision making, credit and debt, and financial aid and student loans. Although the requirement is primarily administered online, the campuses also have an in-person component in the form of peer mentors and on-campus support services.

The initiative represents a concerted effort to build the right team of people across the university system. Implementing new large-scale university requirements can be a challenge, including resistance from administration, funding concerns and response from students. However, by organizing local teams at each university, creating interdepartmental partnerships, and presenting a thorough, research-backed plan to university leadership, the Iowa

(Continued on page 8)

HOLIDAY CLOSINGS

NEFE will be closed May 27 for Memorial Day

Success Stories: Iowa CashCourse

team got approval for a pilot program in 2017. The success of the pilot and positive feedback from students helped launch the program in 2018, and the team continually monitors and refines its implementation based on experience.

"NEFE is proud of Iowa's commitment to student financial education and is pleased to support the partnership between the university system and CashCourse," says Conrad.

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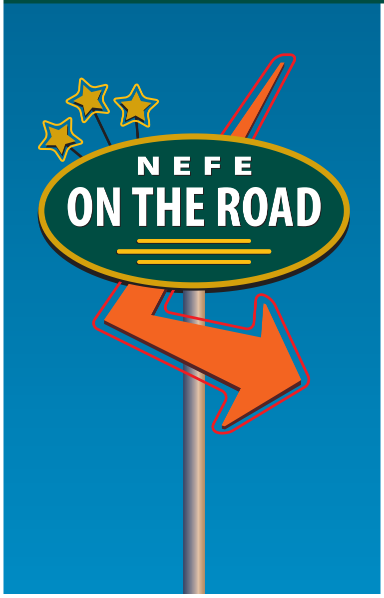

Biennial Household and Behavioral Finance Symposium	May 6-7	Ithaca, N.Y.
Asset Funders Network (AFN) Accelerating Ideas Into Action Conference	May 7-9	San Antonio
Federal Reserve Community Development Research Conference	May 9-10	Washington, D.C.
Maine Jump$tart Coalition Annual Conference	May 10	Augusta, Maine
Collective Impact Convening	May 14-16	Chicago
Center for Financial Services Innovation (CFSI) EMERGE Financial Health Forum	May 14-16	Scottsdale, Ariz.
Society for Advancing Business Editing and Writing (SABEW) Annual Spring Conference	May 16-18	Phoenix
Boulder Summer Conference on Consumer Financial Decision Making	May 19-21	Boulder, Colo.
American Council on Consumer Interests (ACCI) Annual Conference	May 21-23	Washington, D.C.
National Association of State Treasurers (NAST) Symposium	May 20-22	Providence, R.I.
Operation HOPE Global Forum	May 29-31	Atlanta
National Institute for Staff and Organizational Development (NISOD) Annual Conference	May 25-28	Austin, Texas
Higher Education Loan Coalition Forum	Jun. 3	Washington, D.C.
Public Radio News Directors (PRNDI) Annual Conference	Jun. 13-15	Washington, D.C.
NASPA Student Financial Wellness Conference	Jun. 16-18	Orlando, Fla.
American Library Association Annual Conference	Jun. 21-25	Washington, D.C.
Jump$tart Financial Foundations for Educators	Jun. 24-26	Washington, D.C.
Tools for Financial Literacy, Empowerment and Justice Symposium	Jun. 28	Irvine, Calif.

The mission of the National Endowment for Financial Education is to inspire empowered financial decision making for individuals and families through every stage of life.

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