



ARIZONA PATHWAYS TO LIFE SUCCESS FOR UNIVERSITY STUDENTS (APLUS)

Financial behaviors study turns data into outreach programs

By Joyce Serido, Norton School; Jeff Harrison, University Communications; and Susan McGinley

Students at the University of Arizona are more than feeling the strain of the recession.

A longitudinal study—the Arizona Pathways to Life Success for University Students, or APLUS—by the Norton School of Family and Consumer Sciences is following the financial attitudes and behaviors of more than 2,000 freshmen. Launched in spring 2008, the study, led by Soyeon Shim, Norton School director and by researcher Joyce

Serido, project director and co-principal investigator, started just before the current recession.

“We have a historically unprecedented opportunity to study how global economic events can affect young adults’ well-being and their future financial behavior,” Shim said. “At a time when young people should be developing a sense of trust in the larger community, they are confronting skepticism in the wake of economic uncertainty and concern for the future well-being of the country as well as their own financial futures.”

To gain input from a cross-section of students representing all socioeconomic levels, the researchers invited all first year students who entered the UA in fall 2007 to participate. More than a third of the students—2,098—completed the survey. Fifteen percent of the surveys were administered on paper, while 85 percent were completed online.

The survey asked students about early financial socialization experiences (e.g., by parents, school and paid work), their financial competence (knowledge, attitudes, behaviors), and their resulting physical, psychological, financial, relational and academic well-being.

Preliminary findings from the first wave of the study showed that parents have more influence over their children’s financial knowledge, attitudes and behaviors than work experience and high school financial education combined.

The study also showed clear value in moderate work experience. Overall, young people with experience in the workplace developed more positive financial attitudes and behaviors and were better off than their nonworking peers.

At the same time, the research yielded some troubling information. Nearly 73 percent of students

TAKE CHARGE AMERICA INSTITUTE (TCAI)

The Institute's mission is to create research-based educational outreach programs to improve financial literacy and help consumers to make informed financial choices in today's complex markets. A major endowment gift to the University of Arizona in 2003 from the credit counseling agency Take Charge America established the Institute. Located in the Norton School of Family and Consumer Sciences, the TCAI has focused its efforts during its first five years on educating young people how to manage their finances as they move into adult life. In terms of sheer numbers of students reached, the Institute's Family Economics and Financial Education (FEFE) has the broadest impact. The FEFE program develops and continually updates a financial education curriculum for high school and middle school students. Provided free of charge in downloadable format by the Institute, the curriculum is being used by more than 17,000 teachers nationwide and reached more than half a million students during 2008.

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surveyed had resorted to at least one "risky" financial behavior, such as maxing out credit card limits or not paying bills on time. Nearly one in five of those surveyed had used some extreme strategy for meeting day-to-day financial needs, such as taking out payday loans or using one credit card to pay off another.

Michael Staten, director of the Take Charge America Institute at the UA added, "It is not surprising that the group scored, on average, 59 percent on a standard test of financial literacy. This is consistent with the national average for this age group. What is both striking and encouraging is that parents can so positively influence the formation of financial behaviors. Classroom-based personal finance courses do help—but parents make the biggest difference. I'm not sure that parents fully appreciate this."

When a subset of 748 students from the original group were surveyed as sophomores in spring 2009, nearly all of them (95 percent) reported that the current global economic crisis—which hit shortly after the first wave of the study—had adversely affected their own financial picture as well as that of their families, and had changed how they manage their money.

In comparing the two waves of data collection, Shim and Serido found that student debt went up and well-being went down. Credit card balances jumped 60

percent, and self-confidence about managing their finances dropped 19 percent.

The second wave survey also pointed to significant declines in psychological health (5 percent), physical health (3 percent), peer relationships (6 percent), academic satisfaction (3 percent) and financial well-being (8 percent). Students taking the survey reported that finding enough work to pay bills is more difficult. The stress of trying to balance work and school also is taking a toll on some. Others said parents losing their jobs or having work hours reduced was a concern.

The results weren't evenly distributed. For example, credit card debt increased 219 percent for African American students and 105 percent for Hispanic students—compared to a 64 percent increase for white students. Financial self-confidence dropped 22 percent for women, double that of men.

Echoing media coverage of the impact of this "Great Recession," the study finds that economic turmoil wreaks havoc with your resources: money and job, but also intangible resources—confidence and self-esteem.

The second wave of data collection also showed an alarming increase in extreme or risky financial coping strategies. According to their report, the researchers noted "the percentage of students dropping classes nearly tripled, from 5.4 percent to 14.5

percent; leave of absences doubled from 1.7 percent to 3.5 percent; postponing health care nearly doubled from 12.2 percent to 23.5 percent, and the percentage of students using one credit card to pay off another increased over 25 percent."

Perhaps not surprisingly, a set of questions dealing with the students' trust in banks and financial institutions revealed that 19.4 percent had "hardly any confidence at all" and barely half—54.4 percent—had some confidence in banks. Just 19 percent "indicated a great deal of confidence in banks and financial institutions." This last figure is 50 percent lower in comparison to a national study of 18-to-24-year-olds conducted in 1997.

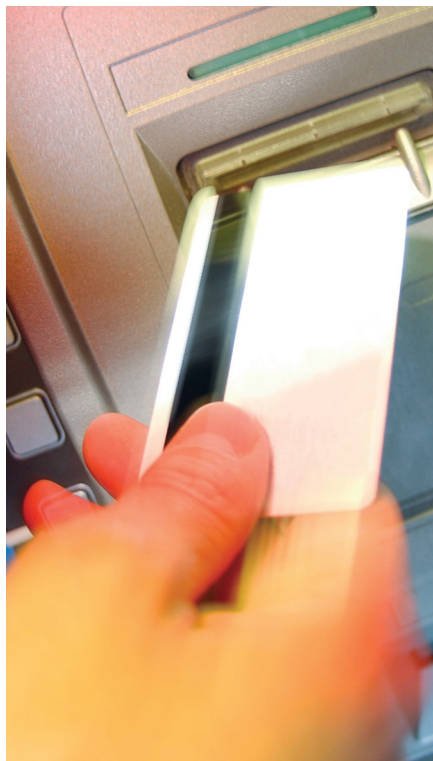
Shim and Serido are not only looking at how financial behaviors develop among UA students, they are also sharing the data to help develop programs for them.

Within the Norton School, the Take Charge America Institute (see sidebar) is incorporating the findings into their Family Economics and Financial Education Program, designing outreach activities to help the public. The Norton School has also begun collaborative projects with other campus groups, including the alumni, faculty, student affairs, parents, multicultural centers, student financial aid, career services, the registrar and others.

On a national level, the National

Endowment for Financial Education (NEFE) has assisted in funding the study.

"We're so glad we could be part of this outstanding research," said Marilyn Canfield, NEFE's director of grants and research. "There's so much here that will benefit our



work with high school and college students and young adults in general."

APLUS touches on three of the top 10 research priorities laid out by the U.S. Department of Treasury in working with scholars and government officials to address shortcomings in financial literacy: How does socialization affect

financial behavior in a household? How does it vary by socio-demographics? And how does it affect well-being?

The latter is particularly important since financial behavior affects more than just wallets: earlier research links poor financial decision-making to lower academic achievement, lower-quality relationships and decreased physical and mental health.

Shim and Serido would like to know if financial behaviors formed in college carry over later in life. Thus the Norton School will maintain contact with the APLUS students after they leave college to understand the role of financial behaviors formed in college on their well-being and life success as adults.

"APLUS students are already making a difference," Shim says. "We can't make changes to our programs or policies without their help." The next wave of data collection will take place during fall 2010, surveying the full APLUS cohort of 2,098 students.

For more information or to download the full reports see **aplus.arizona.edu**. ☼

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