

Financial Literacy for College Students: Taking Control of Your Money

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"It was really beneficial and good for college students."

INTRODUCTION

Financial education for college students is not just a good idea – it is a necessity of life. According to Greg Gottesman, Managing Director of Madrona Venture Group and a professor at the University of Washington, two-thirds of today's college students take out loans. The average student loan is \$27,000 however more than one million students have over \$100,000 of loan debt by the time they graduate.

At Shawnee State University, 73.0% of incoming students take out a loan to help defray freshman year costs, averaging \$7,531. This amount includes both private and federally-funded student loans. The average federal loan is \$5,399, 98.2% of the first-year borrowing cap of \$5,500* for the typical first-year dependent student. Not only are a large number of Shawnee State University students securing student loans, an even more concerning fact is that the default rate on repayment of these loans is 21.7% as compared to 7.3% nationally. While there are a number of contributing factors to this statistic, the fact remains that student loans are never forgiven in any type of bankruptcy action.

Based on this information, Ohio State University (OSU) Extension, Scioto County pursued a partnership with Shawnee State University, located in Portsmouth, to begin addressing student financial literacy basics. OSU Extension professionals were invited to present information to incoming freshman during their First Year Experience (UNIV 1100) classes.

METHODS

Based on research, discussion with college students, and personal experience, the topics of College Student Budgets, Spending Wisely, Student Loans, Credit Cards, and Credit Score were selected to be included in the training which was ultimately called Taking Control of Your Money! The classes were 40-75 minutes in length. Presentations were given to a total of 43 sections, reaching over 750 students.

Retrospective program evaluations were collected at the end of most presentations, providing data which clearly demonstrates an even greater need for more financial education programming. Less than 10% of the students indicated they knew the interest rate on their student loans. Student's knowledge of budgeting was high, however, there was much lower understanding of credit scores and how it could impact their buying power.

There are four primary goals of the Taking Charge of Your Money workshop for college freshmen. These are:

- 1) to better understand the importance of creating a budget and sticking to it when making purchasing decisions,
- 2) to increase knowledge of student loans and the effect on financial decisions in the future,
- 3) to recognize the pros and cons of using credit cards, and
- 4) to understand credit scores (FICO) and how it impacts buying power of individuals.

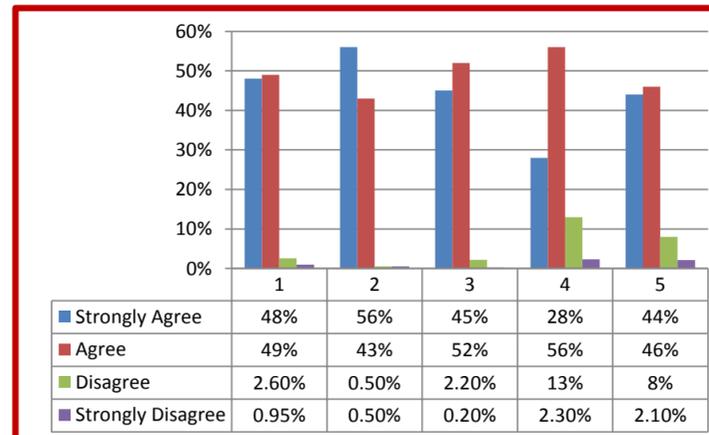
ACKNOWLEDGEMENTS

This program would not have been possible without the support of the staff and administration at Shawnee State University. A special thank you to Sherri Powell, Coordinator of the UNIV 1100 Program.

Really opened my eyes to how important financial literacy really is!



Evaluations stipulate the tremendous need for Financial Literacy for our college students.



RESULTS

College Freshmen indicated they would make the following changes in:

One month:

- ❖ Spend less on wants
- ❖ Plan a budget for the month
- ❖ Save money each paycheck
- ❖ Control impulse buying

Six months:

- ❖ Rely less on credit cards
- ❖ Start building their credit score
- ❖ Estimate what their monthly payment on their student loan will be when they get out of college
- ❖ Pay off loans faster

CONCLUSIONS

College students are usually facing difficult financial hardships. The comprehension of Financial Literacy is a necessity for any college student. How to budget money and spend wisely will always have an impact on their financial futures.

"So pleased that this was provided for me as a freshman and early on so I am aware of these situations."

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1. I learned new information
2. I plan to use the information
3. I am confident I can make changes
4. I plan to make changes in 1 month
5. I plan to make changes in 6 months

