Research Brief

Inceptia

The Intersection of Student Financial Literacy and Career Readiness

February 2013

Abstract

In the fall of 2012, the Inceptia National Financial Aptitude Analysis was administered to students at five institutions across the country[1]. The results of the National Study aggregating data from both two and four year colleges has been analyzed in a Research Brief dated February 2013 and can be accessed at the following link, https://www.inceptia.org/about/resources/college-students-are-put-to-the-test. The purpose of the following Research Brief is to focus on the knowledge levels, attitudes, and financial confidence of community college students. Four hundred forty-four (444) students from community colleges completed the survey. Based on the data, this brief identifies student financial literacy as a barrier to degree progress and credential attainment, and provides suggestions for improving this metric.

Introduction

In the fall of 2012, the Inceptia National Financial Aptitude Analysis was administered to students at five institutions across the country.[1] The purpose of the following Research Brief is to focus on the knowledge levels, attitudes, and financial confidence of community college students. Four hundred forty-four (444) students from community colleges completed the survey.

Since 2007, the number of jobs that require only a high school diploma has decreased by 5.8 million,[2] making associate's degrees, certificates and credentials more important than ever. In fact, the American Association of Community Colleges recently released a policy brief that concluded, "community colleges launch students and relaunch workers who need new skills and strengthen local economies.[3]"

Despite the role community colleges play in developing America's workforce, the nation ranks sixteenth among industrialized countries for sub-baccalaureate attainment.[4] Additionally, only 7.4 percent of students earn a two-year degree within four years of enrolling and only 11.8 percent earn a one-year certificate within two years of enrolling.[5] While many factors contribute to community college attrition, poor financial literacy is emerging as an area of concern on many campuses.

This research brief presents evidence that makes the case for dedicating more resources toward supporting the financial success of community college students.

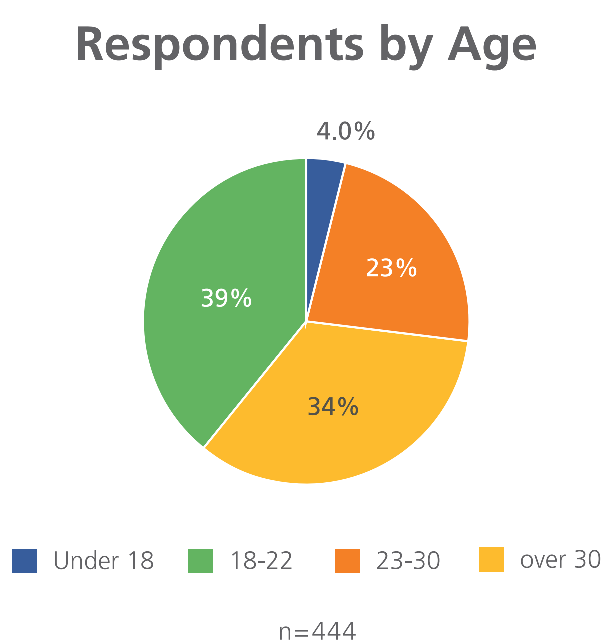
Methodology

The Inceptia National Financial Aptitude Analysis was administered online to the entire student body of a Midwest public community college yielding 444 responses. For the purpose of this analysis, financial success is defined as students' knowledge, behaviors and confidence related to money management.

The 85-item survey utilized 50 questions to determine the levels of financial knowledge held by respondents. These knowledge questions were designed based on the Financial Literacy and Education Commission's (FLEC) five core competency areas:[6] Earning, Protect, Spending, Borrowing and Saving/Investing. FLEC is chaired by the United States Secretary of the Treasury and boasts members from 19 other federal agencies. FLEC is tasked with developing a national strategy for financial education.

Along with standard demographic questions, the survey also included 27 survey items designed to measure students' beliefs in their ability to manage their finances, students' attitudes towards money and self-reported financial behaviors.

Respondents were disproportionately female with 72 percent of respondents reporting as females, compared with an overall campus population of 57 percent female. The average age of respondents was 28, which is slightly higher than the overall average campus age of 26. The age breakdown of respondents is shown in the chart below.



Results

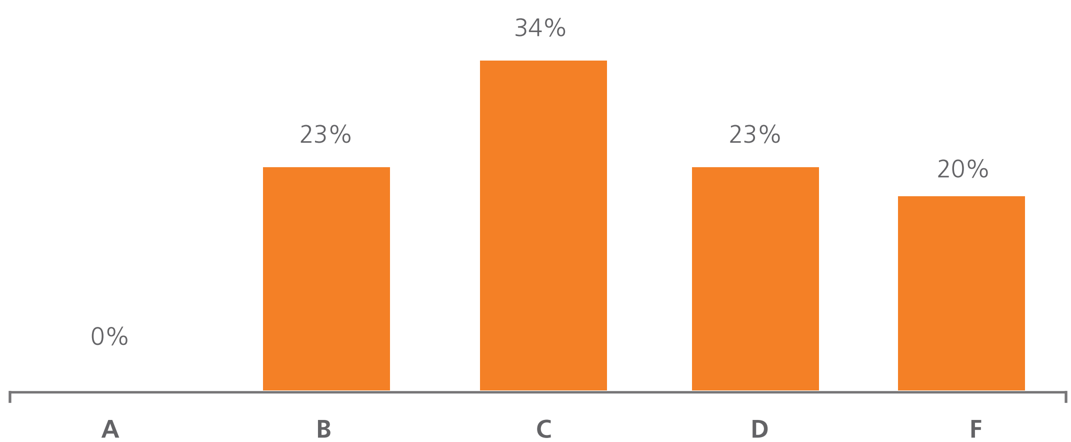
One in every five American jobs and nearly half of all jobs that pay wages between $35,000 and $95,000 require education or training beyond a high school diploma.[7] While this represents 29 million jobs in America today, many individuals find themselves unqualified for these roles due to a lack of education. The results from this study suggest that poor financial literacy may be acting as a barrier to achieving the education necessary to qualify for the increasing number of jobs available at this level.

Knowledge

While knowledge is not the only factor to consider when analyzing student financial success, it is perhaps one of the easiest to improve through intervention. For this reason, it is critical for administrators to understand their students' levels of financial knowledge in order to effectively direct the use of resources to develop or enhance programs and services to support student financial success.

The overall average knowledge score for the community college students surveyed was found to be higher than their four-year student counterparts, at 69 and 53 percent, respectively. This trend remained true even after controlling for age and may reflect the fact that many community college students are financially independent. Breakdowns for overall knowledge scores for community college students are shown in the chart below based on a traditional grading scale (A = 90 percent or above, B = 80 to 89 percent, etc.).

Overall Knowledge Scores for Community College Students (based on a traditional grading scale)



Money Attitudes: Stress and Confidence

Another aspect of student financial success is the psychological impact of a students' attitude towards money and its potential influence on academic performance. Money attitudes include factors such as financial stress and confidence. Despite having higher knowledge scores, community college students report significantly higher stress levels related to their financial situations when compared to four-year students. These high stress levels may reflect the competing priorities many community college students face outside of the classroom, including work and family life. The table below outlines students' responses to two statements related to their financial stress.

Statement	Percent Answering "True" or "Very True of Me"	
	Two-Year	Four-Year
My finances are a significant source of worry for me.	43.9%	17.0%
I am regularly stressed about my financial situation.	45.5%	22.8%

In response to this financial stress, 19 percent of community college student respondents reported that the stress they experience due to their financial situations has caused them to consider dropping out (compared to less than 7 percent of student respondents from four-year colleges), making it clear that students' finances represent a very real barrier to their success.

Finally, in addition to the high levels of financial stress reported, community college students also appear to lack confidence. Almost half (47.1 percent) of community college student respondents said they do not feel confident in their ability to manage their finances. Lack of confidence can contribute to increased stress levels, can lead to mistakes such as over-borrowing and may hinder help-seeking behavior.

Behaviors

What students know about personal finances and their attitudes towards money often inform their actual money management behaviors, the third factor explored in this analysis of student financial success. Two behaviors emerged from the data as being critical to student financial success: goal-setting and budgeting.

Ninety percent of the community college student respondents reported they have financial goals and forty percent of those students have formalized their goals in writing. According to the data, financial goal-setting is positively correlated with increased financial confidence and positive behavior practices. The following table shows the relationship between written goals and students' confidence levels and positive financial behaviors.

Belief or Behavior Statement	Percent of Students with *No Goals* Who Exhibit Behavior/Agree with Statement	Percent of Students with *Written Goals* Who Exhibit Behavior/Agree with Statement
I am capable of handling my financial situation.	47%	85%
I feel in control of my financial situation.	42%	65%
I contribute to savings on a regular basis.	30%	52%
I have checked my credit report.	12%	71%
The last time I took out a loan I compared interest rates and/or lenders.	7%	35%

In addition to goal-setting, budgeting was another money management practice that was correlated with positive outcomes. Community college students who have a monthly budget were more likely to be able to meet their monthly expenses, contribute regularly to savings, make informed financial decisions (e.g. compare lenders when borrowing, etc.) and report higher levels of financial self-confidence when compared to students who do not have a budget.

Responding to the Data and Conclusion

Credential attainment is not only important to individual student success, but also plays a critical role in the country's overall economic success. With this in mind, every potential barrier to success must be measured and responded to when possible. The data shared in this brief not only highlight the impact that financial stress and money management have on community college students' financial success and degree progress, but also identify several simple solutions for improving student outcomes. Specifically, the data suggests encouraging students to adopt basic money management behaviors such as goal-setting and budgeting.

In response to this evidence, community and technical colleges should consider building or enhancing financial literacy services and programming into existing workforce development or career readiness programs. A number of resources are available, including online learning platforms (FinancialAvenue.org) and staff and faculty training programs (InceptiaCPFM.org), to help institutions make student financial success a priority and a reality.

Community and technical colleges are lauded for their ability to respond well to changes in the labor market and have worked hard to create workforce development programs that seek to maximize student success. The data presented in this research brief suggest that financial literacy programming should be a key component of this work moving forward in order to prepare America's workforce for a lifetime of financial success, and strengthening the American economy as a whole.

About the Author

Kate Trombitas, Inceptia's vice president of financial education, previously served as the associate director of The Ohio State University Student Wellness Center, where she founded Scarlet & Gray Financial, a peer-to-peer financial education program. Her expert financial advice for college students was recently featured in the 9th edition of Gardner, Jewler, and Barefoot's *Your College Experience: Strategies for Success.* To contact Kate, you may send her an email at **katet@inceptia.org**.

Additional Contributors

Ted Lannan is a director of market research for Inceptia. Ted's specialty is turning raw data into usable information. Most of his 30 year career has been in primary market research. Throughout the years he has designed and executed virtually every kind of market research project and has moderated over 150 focus groups. To contact Ted, you may send him an email at **tedl@inceptia.org.**

Sources

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The Inception Of A Movement.

For more than 25 years, as the not-for-profit loan guarantor National Student Loan Program (NSLP), we provided guidance to both schools and students. As the student loan landscape changed, we changed – we created Inceptia. Inceptia, a division of NSLP, is dedicated to providing much-needed support to help schools effectively fulfill their roles and responsibilities. Our mission is to provide guidance to schools, along with the means to help their undergraduate, graduate and professional students succeed. Through comprehensive analytics, student success tools, financial education, default prevention and financial aid management, we are confident we can help all students, not just borrowers, become financially responsible adults. We are here to make it possible for more schools to launch brilliant futures.

- Inceptia offers schools an in-depth *Financial Aptitude Analysis* to determine the financial health of students and faculty.
- For students, Inceptia then develops a customized program which includes *Online Financial Education* and *Financial Education Seminars* that help them become financially responsible adults.
- For higher education professionals, Inceptia offers a *Personal Financial Management Certification* program that helps professionals effectively guide others on personal financial matters.