

Money 101:

The Importance Of Teaching Students To Manage Their Finances



Overview

A college degree undeniably opens the doors to opportunity and remains the best way to achieve the American Dream—study after study has shown the incredible boost in lifetime earnings, entrepreneurship, and even home ownership afforded by a diploma. However, the decision to pursue a higher education can also introduce challenges. The rising cost of education means many young adults will need to take on debt to finance their future. For those who do, it's imperative they understand their debt from the very beginning to avoid getting into trouble down the road. Waiting until after graduation to create a plan for repayment, as many do, is simply too late.

As is so often the case in life, what at first appears to be an issue can actually be an opportunity: in this situation, a chance to introduce young people to the idea of responsible borrowing. After all, the same skills that are necessary to plan, manage and repay the financing of a higher education are the very skills required to navigate life's financial milestones, such as buying a car or home, or starting a business. Early positive experiences with debt will translate to continued success later in life.

Ultimately, a populace that is better educated about finances, as well as more fiscally responsible, enjoys a higher standard of living and helps create a stronger, more economically-sound country. So rather than lament the impact of student loan debt, let's look at the realities of paying for college as an opportunity to give our students a complete education—by teaching them how to pay for one.

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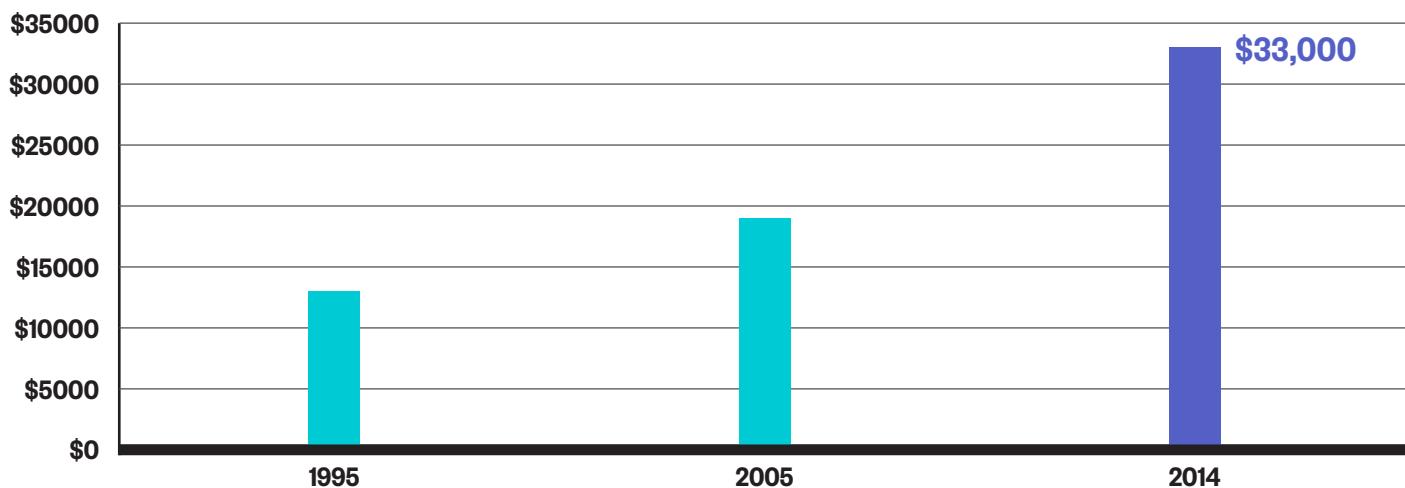
Student loans: as much a part of college as the degree, itself

Student debt is not a new phenomenon. Twenty years ago, the average debt at graduation was about \$13,000.¹ Ten years ago, it was approaching \$19,000.² And last year, seven out of ten graduates left school with debt,³ owing an average of \$33,000.⁴ By and large, financing some or all of the cost of a college education has been the way Americans have paid for higher education for a long time. And given the fact that the average cost of college has increased 25% over the last 10 years, while Pell grants have only increased slightly over \$1,000 in the same timeframe,⁵ it seems safe to say that students will continue to need to borrow in order to pursue their higher education goals in the future. So if this is the reality, shouldn't we find a way to help students better manage their debt? Students attend college specifically to learn new things in preparation for entering the "real world." Teaching them the skills to successfully plan for, manage, and repay the very loans they need to obtain their education just makes sense. And yet, it's an area with room for improvement.

"College graduates have to be really smart about their loans because it is so easy to get in trouble with student debt"⁶

LYNN O'SHAUGHNESSY, AUTHOR & CONTRIBUTOR, CBS MONEYWATCH

Average debt at graduation



Early education makes a difference, when it happens

While everyone agrees money management skills are important for today's youth to have, very few are stepping up to provide them. Currently only Missouri, Tennessee, Utah and Virginia require high school students take a stand-alone personal finance class to graduate.⁷ And while families could try to fill the void, that doesn't appear to be happening. Less than a quarter of current or former students report ever having conversations with family about how to repay student loans.⁸ Given that we're not formally teaching our children about managing debt, or apparently even talking to them about it, it's no surprise they find themselves unprepared when they arrive at college and need to start making decisions. According to a 2014 study by Citizens Financial Group, nearly three-quarters of students surveyed said they thought they lacked the financial acumen to manage their debt—and an even higher rate of former students 40 and under regret not doing a better job of planning for it.

"There is no question that we need better information, better loan counseling, outreach after people enter repayment to make sure that borrowers know their options," said Lauren Asher, president of the Institute for College Access & Success (TICAS), an education nonprofit.⁹

So where does that leave us? With a smart, motivated, highly educated cadre of young adults who feel unprepared to handle the significant liability they've incurred right at the beginning of their independent lives. It's as though society is saying to them as they cross the dais to receive their diploma, "Congratulations—and good luck. You're going to need it." Certainly we can do better.

Knowlege is power: Which is why Responsible Borrowing programs work

With almost 60 years of working with millions of student borrowers, ASA has uncovered best practices about how to help students plan for borrowing and repaying their loans responsibly. The result is SALT™, a Responsible Borrower program that delivers timely, neutral financial information, advice, tools and even one-on-one counseling to help students understand the ramifications of their loans while they're still making decisions about how much to borrow—and long before it's time to pay them back. It's a direction experts agree pays off.

 “[An] important aspect of minimizing student debt is an increased effort to educate our students, and their families, on matters of financial awareness,” according to Sandy Gholston, spokesman for Ferris State University, in Michigan.¹⁰

The SALT Campus Student Ambassador at Stonehill College in Massachusetts knows the importance of what she does and is glad to be able to help her classmates, “I always ask students if they have student loans and it’s surprising, but a lot of them don’t know... I’m the wake-up call.”¹¹ By helping students understand their loans, what it will take to repay them—and perhaps most importantly—that they’re not in it alone, SALT changes the relationship students have with their loans and puts them in charge.

Changing the relationship with debt changes the outcome

Students like that SALT is geared toward them. "I've tried other money management services... but I always felt a little bit intimidated in the sense they were geared more towards adults rather than students," says Sophie, Cornell University, Class of 2016. She also likes the ability to speak, or online chat, with trained advisors. "The human touch makes complicated financial jargon a lot easier to understand; if you have any issues, they help you through your problem step-by-step."¹² Sophie isn't alone in her regard for SALT. Erin, of Framingham State College says, "With a variety of information, articles, videos and tools, I found the [website] to be really helpful."¹³

Ashley, a recent graduate of Notre Dame de Namur University is a fan, as well. "SALT is convenient because it puts all of my loans in one place that I can access, to see when payments begin, what my interest rate is and what my options for repayment are."¹⁴

Institutions like SALT, as well. Edie Blakley, Director of Career Services at Clark College put it this way, "It is wonderful to see them making informed decisions about budgeting, credit and loan repayment and beginning to have hope for a future that includes taking care of debt and building assets." The Massachusetts Joint Committee on Higher Education's Subcommittee on Student Loan and Debt even went so far as to state, "...the Subcommittee suggests that the SALT program be utilized by all public colleges and universities."¹⁵ Strong praise, indeed.

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SOPHIE, CLASS OF 2016, CORNELL UNIVERSITY

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ASHLEY, CLASS OF 2012, NOTRE DAME DE NAMUR UNIVERSITY

The best reason to consider SALT?

Because it works

Since the goal of the SALT Responsible Borrower Program is to make students more financially astute and better at managing their loans, it makes sense to review its efficacy . And, fortunately, it delivers.

ACCORDING TO ASA SURVEYS OF STUDENTS USERS :

- 73% of students will continue to track expenditures and income
- 60% of students have a better understanding of trade-offs of financial decisions
- 49% of students have already taken meaningful steps to decrease expenditures
- 41% of students have taken steps to increase savings
- For 2011 cohort, 74% of participating schools saw positive change in CDR
- 87% of SALT borrowers are in good standing, compared to national average of 70%
- From 2009-2013, ASA beat national CDR by 54%
- Graduates in contact with ASA for advice throughout first two years of repayment were half as likely to default¹⁶

These results speak to an important truth: when students have a clear understanding of how their loans work, when repayment will be required, and how best to balance student debt with other responsibilities, they will be in a far stronger position throughout repayment—and, in fact, their entire adult life. And that is a legacy every college can cherish.



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SALT: A Responsible Borrower Program

After 50 years of working with over a million student borrowers, the nonprofit organization American Student Assistance® (ASA) created SALT™, a comprehensive approach to responsible borrowing designed to empower college students and alumni to confidently approach, manage, and pay back their student loans while gaining financial skills for life. As a leader in responsible borrowing, we've taken our knowledge of what works and rolled it into one powerful program. SALT incorporates the best practices ASA developed to keep more than 93% of the loans it manages in good standing—and puts them to work for your students.

CONTACT SALT  **877.290.6937**

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