

## Financial Success for Your Students

*How financial aid professionals fit into the picture*

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### What you will learn

- Why financial literacy is important to college students
- Why financial literacy is important in financial aid
- What financial literacy tools and resources are available

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*Financial literacy is the ability to read, analyze, manage, and communicate about the personal financial conditions affecting material well-being. It includes the ability to make financial choices, understand money and financial issues, plan for the future, and respond to life events.*

--Personal Finance and the Rush to Competence

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## Changing behaviors

- Skill v. behavior
  - skill: something that requires training and experience to do well
  - behavior: the way in which a person responds to a certain set of conditions
    - a reflection of one's values and interests

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## Skill or behavior?

- Developing a budgeting - Skill
- Tracking spending - Both
- Not using credit cards - Behavior
- Completing the FAFSA - Skill
- Saving money - Behavior
- Pulling credit report annually - Behavior
- Reading your credit report - Skill

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## Financial Literacy and College Students

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My take on how some people plan their financial futures...



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### An important issue

- Millions of Americans filed for bankruptcy in 2005\* (highest in history)
- Americans spend \$1.22 for every dollar they earn
- Average credit card debt per household is more than \$8,000

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### An important issue

- How Americans would handle a \$15K plus medical emergency
  - borrow
  - cash in investments
  - use a credit card

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## An important issue

- 66% of students graduated with debt in 2004 (46% in 1993)
- Average 2004 graduate was \$19,210 in debt (\$9,200 in 1993)
- In 2004, 65.5% of students failed Jump\$tart's money management test
- University administrators believe they lose more students to credit card debt than academic failure

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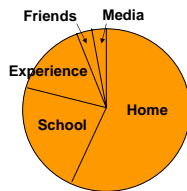
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## Where kids learn about money

- Home (58.5%)
- School, in class (19.5%)
- First-hand experience (17.6%)
- Friends (2.4%)
- Media (2.2%)



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## What parents say

- Visa survey of parents of high school students
  - 70% say children have no financial literacy training outside of home
  - 76% say schools should be required to teach money management skills

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## What are we doing about it?

- Congress created Financial Literacy and Education Commission (amendment to FCRA)—late 2003
- Several states enacting legislation requiring financial literacy in K-16 curricula
- Google search for “national financial literacy programs” resulted in over 3 million hits

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## Questions?



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## Financial Literacy and Financial Aid

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### Your role in financial literacy

- Students turn to financial aid to resolve money issues
- Helping students stay out of financial trouble improves retention rates
- Financial aid offices are increasingly responsible for managing default rates
  - students who leave school before graduating are more likely to default on student loans

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### Financial literacy campus-wide

- Financial aid offices involved in campus-wide financial aid efforts to increase:
  - graduation rates
  - student achievement/academic success

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### Getting in on the act

- What are you doing now?
- What are your financial literacy goals?
- What is your current capacity?
- What resources do you need?

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## Financial Literacy Tools and Resources

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- ### Online tools
- Mapping Your Future  
– [www.mapping-your-future.org](http://www.mapping-your-future.org)
  - Bankrate.com  
– [www.bankrate.com](http://www.bankrate.com)
  - CNNMoney.com  
– <http://money.cnn.com>
  - FinAid!  
– [www.finaid.org](http://www.finaid.org)
  - MyMoney.gov  
– [www.mymoney.gov](http://www.mymoney.gov)

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- ### Mapping Your Future
- Website in English and Spanish  
– [www.mapping-your-future.org](http://www.mapping-your-future.org)
  - Online Student Loan Counseling
  - *CareerShip*
  - Chat events
  - *Debt/Salary Wizard*
  - *Loan Wizard*
  - *10 Steps to Financial Fitness*

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## Bankrate.com

- Mortgage
- Home equity
- Auto
- CDs and investments
- Debt management
- College and personal finance

[www.bankrate.com/brm/calculators/calc\\_index.asp](http://www.bankrate.com/brm/calculators/calc_index.asp)

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## CNN Money

**MONEY 101** LESSON 2:  
Making a budget [Money 101 mainpage](#)

The age of the head of your household: [18-34 ▾]  
How many people live in your household: [1 ▾]  
How many of them are wage earners: [1 ▾]  
Do you own or rent the place where you live: [own ▾]  
Income: \$[30,000] per [year ▾]  
Type of report you want: [major categories only ▾]  
Analyze on: [yearly ▾] basis

[http://cgi.money.cnn.com/tools/instantbudget/instantbudget\\_101.jsp](http://cgi.money.cnn.com/tools/instantbudget/instantbudget_101.jsp)

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## Interest capitalization



### Cost of Interest Capitalization Calculator

Loan Balance: [10000 ▾]  
Interest Rate: [8.25% ▾]  
Deferment (Months): [1 ▾]  
Capitalization Frequency: [Quarterly ▾]  
Loan Term (Years): [10 ▾]  
Minimum Payment: [50 ▾]

[www.finaid.org/calculators/interestcap.shtml](http://www.finaid.org/calculators/interestcap.shtml)

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## Interest capitalization



The Smart Student Guide  
to Financial Aid

### Cost of Interest Capitalization Calculator

With the interest capitalization there are 120 payments of \$123.49, for a total payment of \$14,818.80 (including a total of \$4,750.52 in interest plus \$68.26 in interest accrued during the deferment period).

Thus the total amount paid with interest capitalization is \$14,818.80, or \$32.05 more than would have been paid without capitalization.

[www.finaid.org/calculators/interestcap.phtml](http://www.finaid.org/calculators/interestcap.phtml)

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## MyMoney.gov

- Credit report information
- Selecting credit cards
- Saving and investing
- Scholarships and grants
- Loan repayment
- Fellowships
- Financial aid information



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## NSLP financial literacy tools

- On-campus seminars
- Financial Counselor Program
- *Learning Links* webcasts
- *Newsbriefs, Dollars and Sense*
- Free brochures, handouts, posters
- Financial literacy consultations
- NSLP Financial Literacy Online

[www.nslp.org](http://www.nslp.org)

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A Student Portrait of Financial Success

## NSLP Financial Literacy Online

- [www.nslpflonline.org](http://www.nslpflonline.org)
- Free online learning center
- Courses in money management and student loan education



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## Now what?



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**More information**

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