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## 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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## 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

\* Administrative Office of the U.S. Courts

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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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## Some other “thing” of value ...



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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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## Where kids learn about money

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

Source: JumpStart 2004 survey 10

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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

Source: JumpStart 11

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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

12

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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

14

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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

15

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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?

16

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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)

18

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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*

19

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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)

20

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## CNN Money

**MONEY 101** LESSON 2: Making a budget Money 101 mainpage

The age of the head of your household: [19-34 ▾]

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)

21

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## Interest capitalization

**FinAid!** The Smart Student Guide to Financial Aid

**Cost of Interest Capitalization Calculator**

Loan Balance:

Interest Rate:

Deferment (Months):

Capitalization Frequency:

Loan Term (Years):

Minimum Payment:

**CALCULATE**

[www.finaid.org/calculators/interestcap.phtml](http://www.finaid.org/calculators/interestcap.phtml) 22

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## Interest capitalization

**FinAid!** 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 \$68.28 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) 23

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## MyMoney.gov

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



24

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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) 25

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## NSLP Financial Literacy Online

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



26

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## What you learned

- Why financial literacy is important to college students
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27

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## Now what?



28

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## More information

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29

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## More information

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