

# Nefe Digest

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## Extra Credit for the School of Life: Preparing Graduates for Financial Reality

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A Publication of



**H**ow would you feel if you spent upwards of \$50,000 for your child to go to college and then learned he or she was lacking the skills and tools to lead a financially successful life? Today, more than ever before, college graduates are entering the real world without sufficient preparation for common financial issues. The National Endowment for Financial Education® (NEFE®) is working to change that reality through

its CashCourse program, which will improve personal finance knowledge among young adults.

To get an idea of the current state, let's imagine a typical young adult who has recently entered the real world after college. He or she is more than \$10,000 in debt, regularly carries a credit card balance, does not follow a budget, and has no health insurance.

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# Extra Credit for the School of Life

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Think this image is too pessimistic? The statistics reflect otherwise.

- Nearly 64 percent of young people have debt with the total debt load averaging more than \$16,000.<sup>1</sup>
- Almost three out of four young adults carry balances on their credit cards.<sup>2</sup>
- In the Gallup Poll® survey for *USA Today* and NEFE, young adults commonly reported not following a budget.<sup>3</sup>
- Nearly a third of young people ages 19 to 29 are uninsured—often this happens because their low-wage, entry-level jobs do not offer health insurance. Unless they are enrolled in college full-time or can remain on a parent's health plan, they seldom can find affordable health insurance.<sup>4</sup>

This data suggest that many of today's recent graduates lack the financial savvy to manage money concerns when they enter the real world.

## Roots of the Problem

So, how did all these young people get so far off-course financially? The key appears to lie in a basic lack of knowledge about how to manage money. Students can enter college with strong academic backgrounds, but with weak or nonexistent financial knowledge or experience.

Future college students spend the majority of their time at home and school, but these institutions often do not approach the topic of financial education. Before they head to college, many young adults may never have talked to their parents or guardians about money management. Also, often a personal finance course is not part of school curricula because many states do not require it to be taught. Due to this lack of financial education, many young people arrive at their college



## Types of Students

CashCourse targets three types of students. The first type is one who realizes the problem and searches for tools to help. "After college, I know I'll need to learn how to save for retirement and family," one college student told NEFE staff during a focus group. "But I need help with where to start."

The second group of students may not even be aware that a problem exists. "I stick to the staple stuff that you need," one student remarked when describing his purchasing habits, "like food and beer." These students are expected to consult the Web site for answers during crises, when they need help quickly.

*"CashCourse offers a reliable resource to help young adults develop financial know-how and complete their education with confidence."*

— Ted Beck

or university unable to make financially wise decisions.

This deficiency of knowledge can lead to financially irresponsible or uninformed behavior, which can affect students long after they leave college. Perhaps the most harmful of these behaviors is the habit of living beyond the student's means. Over the past 15 years, the amount of credit card debt carried by 18-24 year olds has more than doubled<sup>5</sup>. Credit card usage may start in college as students receive multiple credit card offers and rely on cards to cover their school costs and other expenses. Once students graduate, continued poor habits can lead to debt and bankruptcy. Indeed,

today's indebted young people (ages 25-34) have the second highest bankruptcy rate in the United States.<sup>6</sup>

The situation is made worse by the fact that it is difficult for college students to find and evaluate sources of financial information for credibility. A recent Internet search on "financial information for college students" brought up nearly 5.5 million entries. The first search page was a confusing combination of commercial Web sites, nonprofit organization sites, press releases, worksheets, and articles. The typical college student or recent grad would look at this page and be overwhelmed by where to begin and which sources he or she can trust.



The third type wishes to improve their personal “bottom line” in their own way. The site can help these users learn to increase their salaries and invest wisely to accumulate wealth.

Also, while colleges and universities normally have a financial aid office, they often do not have an accessible or well-known center with financial information.

### Tailor-Made Solution

Noting the problem faced by today’s young adults, NEFE set out to contribute to the solution. The result is CashCourse, an online financial education resource for college students and recent grads.

The idea for NEFE’s CashCourse came out of a simple question: Was there a way that alumni associations could play a role in connecting students with financial literacy resources? Through consultations with directors from several Big Ten universities, the concept of a Web site was born. It was decided that the site would be offered as a link on participating institutions’

Web sites so that it would be easily accessible to students. Collaborating with colleges, universities, and alumni associations was important because students trusted these institutions and visited them on a regular basis for information.

NEFE conducted focus groups comprised of college students to determine what information potential users of the Web site would find most valuable. With participants’ concerns in mind, the Web site was designed and the content was written. There are four main categories on the site: *Financial Basics*, *Paying for College*, *College Life*, and *World of Work*. Each category contains short articles that present information in ways students can easily understand and apply to their lives.

Amy Bleakney, project manager for the program, describes CashCourse as a distinctive educational tool. Since NEFE has its own endowment, the site can offer unbiased content with no advertising and no connections to commercial entities, eliminating the concern that the program might be backed by the financial services industry. “Based on our research,” Bleakney said, “there are no other free, unaffiliated sites as comprehensive as ours. It’s one of a kind.”

### Benefits of the program include:

- It is free of charge to universities and students.
- The program has no affiliation to commercial interests.
- Signing up for the program is easy and efficient—participating schools enroll with NEFE and then add a link to existing Web pages.
- School’s branding can be integrated into the site through the school’s logo and color scheme.
- Promotional materials, including flyers, posters, and short articles for

mass e-mails or newsletters, are provided and can be customized (although the schools cover the printing costs).

To be eligible, the participating organization must be a U.S. institution of higher learning. Alumni associations related to the universities and colleges may find the site of particular value, but any college department, such as financial aid or student affairs offices, can be involved as well. The project Web link may be posted to an unlimited number of Internet pages so multiple campus departments can participate. On the project’s Web site, [www.cashcourse.org](http://www.cashcourse.org), there is also a notification form the general public can send to an academic institution they believe should be involved in the program.

“CashCourse offers a reliable resource to help young adults develop financial know-how and complete their education with confidence,” said Ted Beck, president and CEO of NEFE. “Through concerted attention to the needs of today’s college students, the program will help young adults gain extra credit of a different kind—the financial savvy necessary for the real world.”

If you would like to learn more or to implement the program on your campus, please contact Amy Bleakney at [abb@nefe.org](mailto:abb@nefe.org), (303) 224-3536, or visit [www.cashcourse.org](http://www.cashcourse.org).

<sup>1</sup> Analysis of credit reports of 3 million twenty-somethings, Experian analysis for *USA Today*, August 2001-2006.

<sup>2</sup> “Generation Broke,” Demos, October 2004, [www.demos.org/pub295.cfm](http://www.demos.org/pub295.cfm).

<sup>3</sup> “Young Adult’s Finances Poll,” Gallup Poll® for *USA Today*/NEFE, October-November, 2006, [www.nefe.org/researchandstrategy](http://www.nefe.org/researchandstrategy).

<sup>4</sup> “On their Own: Young Adults Living Without Health Insurance,” Kevin Quinn, Cathy Schoen, M.S., and Louisa Buatti, The Commonwealth Fund, May 2000.

<sup>5</sup> U.S. Department of Education and Demos, 2006, [www.demos.org](http://www.demos.org).

<sup>6</sup> “Generation Broke,” Demos, October 2004, [www.demos.org/pub295.cfm](http://www.demos.org/pub295.cfm).

# CashCourse In the Field

## Alumni Association Promotes Collaboration

Paula Bonner is president and CEO of the Wisconsin Alumni Association at the University of Wisconsin. She and her colleagues have supported CashCourse since its inception. "When we finally got to see how the Web site was coming together, people were just thrilled with it," Bonner stated. "There was no question that this would be used by our university."

The program is particularly significant because it integrates well with the goals of the university's alumni association. One of the association's main objectives is to keep graduates connected with resources that the university can provide. CashCourse is just such a resource. "This is a substantive, practical program that we can sponsor while gaining NEFE's expertise in content development. It's a win-win situation," said Bonner.

CashCourse has encouraged collaboration between leaders across the University of Wisconsin campus, from departments such as financial aid, information technology, and the Dean of Students' office. Its most important advantage, however, is its usefulness for students. "At the end of the day," Bonner explained, "we want this resource to be helpful for students. They've got to use it and benefit from it, which I'm very confident will be the case."

## Iowa Campus Supports Proactive Program

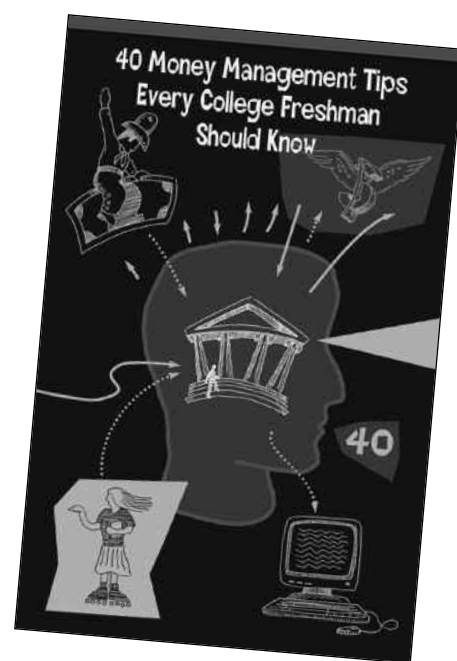
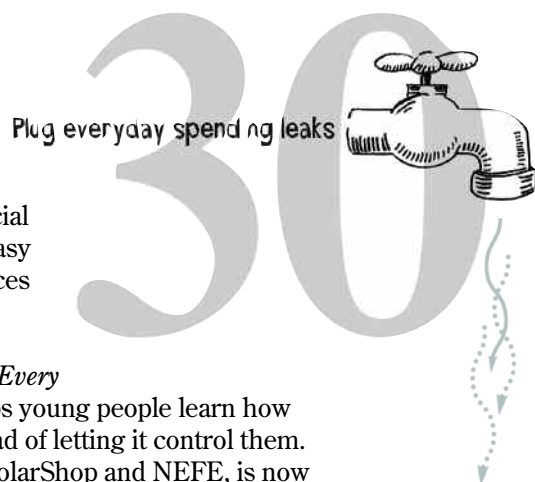
The Office of Student Life at the University of Iowa has a firm commitment to helping students manage their debt problems. They stand behind this commitment by offering free credit counseling on campus for ten hours each week.

Kristi Finger, the office's Assistant Director, notes the success of the program, but acknowledges that its approach is primarily reactive. "We wanted to develop proactive programs as well," she said. "We were looking for ways to help students avoid getting into trouble in the first place." For Finger's office, CashCourse was the answer. "We had a Web site, but I didn't have the time to update it. CashCourse enables me to avoid recreating the wheel in an area that's not my specialty."

Finger believes the CashCourse Web site will help students manage the transition to becoming salary earners and members of their communities. It will arm them with the knowledge they need to live the American dream. "We need to start somewhere," Finger noted. "Last year, the savings rate was negative for Americans. It doesn't have to be that way. CashCourse helps us give our students the education to make it different."

## Resource for Teens Now Available on *Smart About Money* Web site

The financial decisions young adults make during their college years might involve a few quarters or thousands of dollars. Once teens leave home, they begin taking their first steps toward financial independence and it is not always easy for them to know what the best choices are. In addition to the CashCourse program (see article on page 1), the booklet *40 Money Management Tips Every College Freshman Should Know* helps young people learn how to take control of their money instead of letting it control them. This valuable guide, created by ScholarShop and NEFE, is now available online at [www.smartaboutmoney.org/40moneytips](http://www.smartaboutmoney.org/40moneytips).



# NEFE Launches Corporate Web Site

The NEFE corporate Web site is offering a fresh face to the financial literacy community and general public. The site, [www.nefe.org](http://www.nefe.org), has been redesigned and restructured to better represent the various programs and resources that NEFE offers. While several areas on the Web site remain relatively unchanged, the following is a snapshot of some of the Web site's new features.

## Home page

The new home page provides users with quick and easy access to relevant information, materials, and resources. The items in the left-hand navigation offer users the opportunity to learn more about NEFE while the links in the center provide quick links to the NEFE activities and resources most relevant to visitors.

## NEFE News

Now it is even easier to keep up-to-date on what is happening at NEFE with two areas devoted to announcing the latest NEFE news. On the home page in the right-hand column, the *New at NEFE* section will highlight new programs, activities, and resources. Additionally, users can locate past *Digests*, read practical personal finance articles, and sign up to receive the *Digest* in the *NEFE News* section.

## Help for Consumers

Offering practical financial materials that can be accessed quickly by con-



sumers is vital. This section provides links to various resources within and outside of the NEFE site, such as the *Smart About Money* and *Project for Financial Independence* Web sites, and the Collaborative Programs section of the NEFE site. The Collaborative Programs area describes the multimedia resources that NEFE has created with various organizations, which serve audiences with unmet needs, including minority populations, youth, and people faced with health conditions.

## White Papers

In this section, users can read highlights or access full reports on current financial literacy topics of interest. The white papers, housed in the *Research and Strategy* section, are products of research studies, conferences, symposia, think tanks, roundtable discussions, and other activities that NEFE has sponsored.

## Public Policy

NEFE is present more frequently where financial literacy is being discussed and promoted in the public policy arena. This section highlights the increased role of NEFE in public policy.

## Grantmaking

In keeping with the newly revised grant guidelines announced in early 2006, the Grantmaking section provides information in user-friendly, intuitive chunks for potential grantees. Visitors can read about the grants programs that NEFE administers, as well as access information about NEFE's own grants program, such as the guidelines, eligibility, awarded NEFE grants, and frequently asked questions (FAQs).

## NEFE Digest Survey

Attached to this newsletter is a mail-in survey. The survey was created to help us evaluate how well the Digest is meeting reader's needs and wants. If you prefer to take the survey online, you can find it at [www.nefe.org/digestsurvey](http://www.nefe.org/digestsurvey). However, please complete only one survey, either the mail-in or the online version, so that duplication of responses is avoided.

## Holiday Closings

The NEFE offices will be closed on Monday, September 3, for Labor Day.



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All questions regarding *NEFE Digest* may be addressed to the Communications department, *Editor: Ayelet Drori*. NEFE is open Monday through Friday, from 8:30 a.m. to 5:00 p.m. Mountain Time. The main telephone number is (303) 741-6333; the fax number is (303) 220-0838. Visit the NEFE Web site at [www.nefe.org](http://www.nefe.org).

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