



moneythink

FINANCIAL NEED & OWNERSHIP:

Student Perspectives on Postsecondary Persistence





Moneythink works with young adults to help them navigate the financial decisions and challenges that they face in their everyday lives, focusing on College Readiness and Youth Employment. We work with existing institutions to reach young adults at key inflection points in their financial lives. We engage these young adults through a technology-enhanced financial mentorship experience that develops long-term behavioral change. Moneythink aims to restore the economic health of the United States by giving young people the tools to spend mindfully, save money, and use financial products safely.

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Acknowledgements

The authors would like to thank the numerous higher education professionals that reviewed draft versions of this paper and provided thoughtful input, as well as those who participated in informational interviews. We especially thank University of Illinois USFSCO Student Money Management Center, UCLA's Office of Financial Aid and Scholarships, UCLA's Financial Wellness Program, The Ohio State University Student Wellness Center, Dr. Rachel Dwyer, Joshua Sledge, Andrea Pellegrini, Dr. John Lynch, Bryan Ashton, Daniel Rogers, Indiana University Office of Financial Literacy, Indiana University Southeast, Indiana University-Purdue University Columbus, The University of Arkansas, Northwest Arkansas Community College, and the Center for Financial Services Innovation.

EXECUTIVE SUMMARY

INTRODUCTION

Higher education has long been acknowledged as one of the best ways to increase socio-economic mobility, yet low-income and first-generation students face significant barriers that make it challenging for them to persist to graduation. To help frame this problem, Moneythink conducted interviews with **90 students across 7 college campuses** from January to May 2016. The goal was to learn how financially insecure students (first-generation, working full-time, low-income, or students returning to school after a break) manage the financial challenges of pursuing higher education. We found that a combination of an internalized sense of ownership and a decreased amount of unmet need can equip students to navigate financial decisions successfully and ultimately decrease the risk of dropping out due to financial stress. We believe that there are opportunities for innovative interventions around key inflection points from university and high school administrators, parents, teachers, and counselors to help students prepare for and handle financial challenges as they arise at each stage of their postsecondary education journey, so as to maximize opportunities and avoid pitfalls.

OUR FINDINGS

The interviews revealed that many students are not adequately prepared for financial challenges in college, such as navigating the complexity of Free Application for Federal Student Aid (FAFSA) or their financial aid award letter, determining loan amounts, or understanding scholarship requirements. Students' financial vulnerability is driven by two main factors:



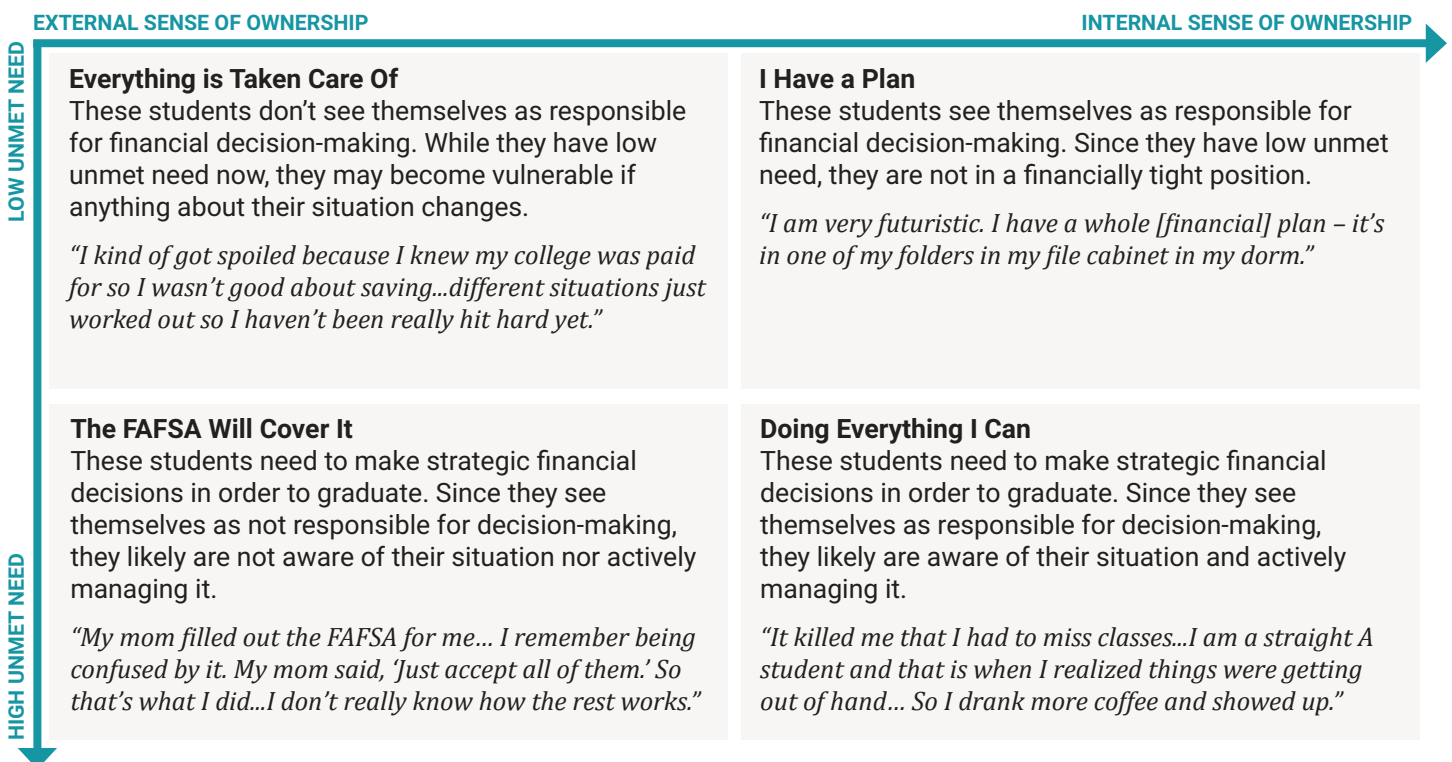
Unmet Need: Unmet need is the amount that is left to be paid after financial aid is awarded. Students with high levels of unmet need often have to work to cover their college costs or make other financial decisions that can affect their ability to complete a degree.



Sense of Ownership: Students tend to distribute financial "responsibilities" either to themselves (**Internal Sense of Ownership**) or to an external source/person such as their parents, scholarships, or "future self" who will pay back loans after graduation (**External Sense of Ownership**).

FOUR ARCHETYPES

We propose that Unmet Need and Sense of Ownership are the critical drivers of students' financial vulnerability. This



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MOVEMENT IN THE FRAMEWORK

The framework depicts how a student's mindset might look a given moment. It can be used to trace students' trajectory over time as they make decisions or are confronted with situations that impact their financial vulnerability. Below are some additional features of the framework:

- Although students enter college as a single archetype, **students can move fluidly across any of the framework's mindsets** throughout their college experience.
- **Students can graduate from any corner**, but it may be more challenging if they are not in the "I Have a Plan" group.
- Regardless of their position in the framework, **all students are equally likely to make uninformed financial decisions**.
- Even with support from parents or scholarships, **students at all levels of need can adopt a strong internal Sense of Ownership**.

INFLECTION POINTS

We observed that college students make an incalculable number of decisions that can affect their ability to complete a degree. They weigh some of these choices more carefully than others, but they underestimate how these seemingly small decisions can have cumulative effects on their likelihood of completing their degree.

We concluded that some of these important financial decisions include:

- **Housing:** *"She transferred to UCLA from community college. However, her financial aid doesn't cover all of her expenses. As a result, she was late on her housing payment one quarter, and by the time she was able to pay it, it was time to make the next housing payment. "They wanted me to pay the housing at once. They kept calling me. They were kinda like loan sharks."*
- **Loans:** *"I wish I had known how many loans I would have to take out—being about \$15,000 in debt my first year is pretty shocking. I actually thought I would get more financial aid, and it would cover tuition. At first, it seems like you are just getting money in your bank account from loan reimbursements, but then you realize you have to pay it all off."*
- **Scholarships:** *During the second semester of her sophomore year, she had to deal with a series of tragic personal events, and she ultimately lost her scholarship. Her GPA "failed drastically," slipping to 2.4 when the minimum was a 2.6. She expected to be put on probation but was shocked to find out that she was cut from the program immediately.*
- **Short-term and long-term shocks:** *His family immigrated to the United States from Ethiopia in 2000. He is paying for college through working 15-30 hours per week, as well as scholarships. Last year, he totaled his car and had to be treated in the hospital. With no car insurance, he was not reimbursed. To afford a new car, he took on many jobs over the summer working 70+ hours a week.*
- **Working:** *She works in retail, and it doesn't match up to her schedule well. She has finals coming up at the end of the month, and it is also one of the biggest sales of the year starting then. "So it does get stressful for sure. But I also don't want to turn down hours or time." Her manager puts it right at the limit of part time / full time so she could be working anywhere from 25 - 35 hours a week while taking five courses.*
- **Major and college choice:** *Throughout my first four years at college, I didn't have to pay for anything. You have scholarships, and they usually cover more than you need. It's not until you have financial trouble that you start to pay attention. I started caring last year because it hit me that switching my major to biological engineering meant I would need to be in college for five years but all my scholarships expire after four years. I started rushing to figure out my options and ended up taking out a \$30,000 loan.*

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CONCLUSION AND RECOMMENDATIONS

This research confirmed that low-income and first-generation students face significant financial barriers to success in higher education. The financial decisions that students face throughout their postsecondary education experience can drastically impact their lives for years to come.

Though universities currently support a number of programs to assist students in crisis, many are trying to make the shift towards proactive engagement with students, to ensure positive financial outcomes at these inflection points.