

A PILOT PROGRAM TO SYSTEMATICALLY DEVELOP
PERSONAL FINANCE COMPETENCIES
IN STUDENTS ENROLLED IN UNIVERSITY COLLEGE
AT THE UNIVERSITY OF ARIZONA

SUBMITTED BY

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OVERVIEW OF DEPARTMENTS SEEKING FUNDING

The University Teaching Center is an instructional support and development unit at the University of Arizona whose mission is to enhance instruction at the University of Arizona through a broad mix of learner-centered programs and services that improve the educational experience of students. University College is the academic home for “undecided” or “exploratory” students as well as all Pre-Nursing, Pre-Pharmacy and Interdisciplinary Studies majors at the University of Arizona.

ABSTRACT

This proposal is a request for funding for a pilot program to systematically develop personal finance competencies in freshmen students enrolled in University College at the University of Arizona. Today, college students are facing serious financial challenges that require them to gain critical knowledge of the fundamentals of personal finance and to develop the skills to handle their finances competently now and in the future. Currently, the University of Arizona does not have a systematic or formalized strategy for ensuring that large numbers of our students learn how to successfully address the multi-faceted financial challenges they face as they enter adulthood.

BACKGROUND AND STATEMENT OF STUDENT BENEFIT

Ask college graduates who are “sixty-something” where they got their education about personal finance. Few will say, “in college.” Sadly, that reality has not changed much in four decades. Today’s students are not systematically provided a formal opportunity in college to develop fundamental personal finance competencies. They are, like their parents and their grandparents, learning the basic strategies of personal finance through the “school of hard knocks” while in college and for many years beyond college.

Yet, today’s college graduates face financial challenges that far exceed those of previous generations. These daunting challenges are described in such books as *Generation Debt* by Anya Kamenetz and *Strapped: Why America’s 20-and 30-Somethings Can’t Get Ahead* by Tamara Draut. Several of the personal finance realities that face today’s college students are worsening as time passes. For example, today’s college students are coming of age at a time when the savings rate of Americans is a negative number—essentially, Americans are now, for the first time in history (beginning in 2006) spending more than they make. In addition, only 16.9% of Americans are now retiring with a pension. That number is likely to drop further based on current trends. Students are graduating with more debt (both in student loans and credit cards) than in any other time in history. Across all types of colleges in America, students are leaving college with an average of nearly \$25,000 of debt. Yet, studies show that very few students even know the interest rate on their loans or credit card(s). The number who pay the monthly balance on their credit cards continues to decline. Studies show that college students are dropping out of college at an escalating rate due to financial challenges. College costs have increased 375% since 1982-84 while the consumer price index has increased 95% in the same period. Students are also facing a world in which housing costs relative to income have dramatically increased. At the same time, company/employer benefits such as health care and retirement plans have dramatically declined. Today’s students also face the specter of 78 million baby-boomers, the largest cohort in American history, coming into retirement and drawing on a social security system that fewer numbers of younger workers (relative to retirees) will have to keep solvent. Prices of basic consumer goods in America (such as food, housing, medical care, and fuel) have

increased at alarming rates. Although these challenges are daunting for young Americans, most colleges and universities still do not provide a systematic program for helping their students to develop the personal finance competencies that will prepare them to constructively address these complex financial challenges. Preventing financial pitfalls and taking action to start out on the right financial footing are critical for young people to achieve financial independence in their lifetimes.

This proposal presents a systematic approach for the University of Arizona to begin to address this short-coming in its preparation of students for a successful financial life during and after college. The proposed two-year pilot program will impact a minimum of 1200 students during the pilot. The program results will provide evidence of the degree to which they acquire the knowledge and skills students must develop in the form of personal finance competencies to successfully begin their post-college lives with the tools needed to create financial independence by the traditional age of retirement (62-65). By applying the skills early and consistently, the students will also create an opportunity in which they could lower the traditional retirement age, not raise it as is the case currently for many Americans approaching retirement. It is critical for students to learn personal finance strategies early in order to maximize the benefits that are provided by the advantage of time for saving/investing and to avoid one of the greatest pitfalls to achieving financial security—acquisition of consumer debt. Through the program, they will be provided the tools to learn the personal finance fundamentals and the principles and strategies necessary to be more self-directing in creating financial security and more prepared to give back to society.

The target population for the program will be entering freshmen in University College, the college in which students enroll who have not declared a major. This freshman cohort reflects the ethnic, international, gender, and resident/non resident diversity of the UA. Currently, through University College, each Fall semester a thousand students take a course UNVR 197M entitled, “Success Starts Here.”

PROGRAM DESCRIPTION

During the first year of the project, we will develop online and in-class modules on personal finance competencies, presentation materials for instructors, engagement activities (e.g., interaction sets, personal finance journal, worksheets, simulation) for students, and a reliable and valid measurement tool of personal finance competencies. All of the materials will be developed, tested, and revised during the first year prior to their use with students in UNVR 197M in the second year.

During the second year of this pilot, the intent is to determine whether providing a tool such as a book that addresses fundamental personal finance strategies is sufficient for students to apply the strategies or if additional engagement is necessary to develop skills that will change behavior. Overall, knowledge and skill differences resulting from the three different approaches will be studied to determine which approach would most benefit students at the University of Arizona.

One third of the participating students (Cohort One) will constitute the control group. They will not engage in the program to learn personal finance strategies and to develop personal finance competencies through their course, but will be assessed only, to determine their knowledge and skills regarding personal finance. Cohort Two will be assigned a book *Money Matters: First Steps to Financial Freedom for College Students* for self-study. Cohort Three will be taught personal finance strategies and develop personal finance competencies through the book and through class engagement activities that will require them to actively apply the strategies through

developed and demonstrable skills. All three groups will be pre-tested for their basic knowledge about personal finance and their skills for applying that knowledge. All three groups will be post-tested. A comparison of the results from the three groups will provide insight as to which approach best achieves the desired learning outcomes in order to determine how to best provide a future on-going successful program for students in developing personal finance competencies.

The book that will be provided to the two experimental cohorts, *Money Matters: First Steps to Financial Freedom for College Students*, written by Dr. Terri Riffe, the director of the University Teaching Center at the University of Arizona, includes chapters on all aspects of developing fundamental understanding of basic financial principles including paying-yourself-first, living within one's means, developing a sensible spending plan, avoiding and/or managing debt, gaining basic knowledge about the more dangerous kinds of debt, developing a healthy FICO score, gaining insights about various kinds of insurance, understanding the fundamentals of taxes, exploring basic investment options, learning about actions that will protect one's assets, gaining clarity about why women must understand finances and gain greater competency than ever before, and setting goals early that will assure that students capitalize on their greatest asset: time. Dr. Riffe wrote the book for college students as a result of what she observed while teaching UNVR 197L for several years and realizing that students had little foundation in understanding basic personal finance principles and strategies. For two decades Dr. Riffe has taught seminars to first assist people in getting out of debt, then to invest successfully. Through that experience it has become clear that Americans are gaining their personal finance knowledge through the "school of hard knocks" and are disadvantaged seriously by gaining knowledge and skills much too late to prevent the pitfalls that have created a crisis in personal finances in America (greatest amount of debt, highest number of bankruptcies and foreclosures, lack of adequate preparation for retirement, etc.).

Cohort Two will be assigned the book as one of their required reading assignments for the class. For Cohort Three, class time will be devoted to learning personal finance strategies through class discussions, class assignments, and outside-of-class engagement activities for learning based on the book. The intent is to determine whether providing a tool such as a book that addresses fundamental personal finance strategies is sufficient for students to apply the strategies or if additional engagement is necessary to develop skills that will change behavior. Overall, knowledge and skill differences resulting from the three different approaches will be studied to determine which approach would most benefit students at the University of Arizona.

All instructors teaching the seminars for Cohort Three will receive training in teaching personal finance strategies. They also will be provided course presentation materials, engagement activities, and assessment and evaluation tools designed to provide evidence of learning outcomes.

FUNDS REQUESTED AND ITEMIZED BUDGET

The funds requested for the first year are for preparing materials and activities for both on-line and in-class, for developing and testing assessment instruments for evaluating personal finance competencies, and for preparing instructors to incorporate personal finance instruction into UNVR 197M, "Success Starts Here" classes. The second year funds will provide the fundamental teaching tool for the program, (*Money Matters*), providing teaching materials, and administering pre-and post-assessment instruments. The pre-and post-tests, other instructional materials for Cohort Three, and instructor training for Cohort Three will be provided by the University Teaching Center.

Design of pre-and post-assessment instruments	\$ 1500
Scoring of assessment instruments	1000
Developing on-line module	2500
Development of instructor training materials	in kind
Printing of instructor training materials	300
<i>Money Matters</i>	10000
Development of class materials	in kind
Printing of class materials	1200
Trainers	in kind
<u>Consulting</u>	<u>in kind</u>
Total requested	\$18,500

OUTCOMES ASSESSMENT

All three Cohorts will be given an initial assessment to determine their base of knowledge relative to personal financial competencies and to determine if there are any substantial differences between the Cohorts prior to the program. All three Cohorts will also be given a similar assessment following the course to determine the degree of change in skills, attitudes and knowledge in their personal financial competencies. Using this “quasi-experimental” research design enables us to discern how much learning has occurred for each of the three groups and parse out the amount of growth attributed to the use of the pre-test itself, the book alone, and the book with either on-line and/or in-class activities. Based on the findings of the outcomes assessment for this pilot project, the University College can better decide how to most economically and effectively develop the personal financial competencies of its incoming freshman to prepare them for the economic realities they will face upon graduation. Further exploration will be undertaken as well to determine how to expand the effort to provide personal finance competency development opportunities to all incoming freshmen.