Building College Students’ Financial Literacy

College is the first chance for many young adults to make significant financial decisions on their own. When young people learn and practice sound financial skills during their college years, they build a foundation for lifelong financial well being. College faculty and staff can draw from the resources of Iowa State University Extension to help students build money management skills that will start them on a path to financial success.

Why students’ financial skills matter

Credit usage is high
Credit card marketers target college students. A recent survey at Iowa State University found that the average student owned three credit cards, with an average total balance of $1,000. Most respondents said that they didn’t feel like they were spending real money when they used credit cards or student loan funds. But when it was time to repay the loan, 58 percent were unhappy about the size of their loans and 55 percent worried about whether they could make the payments.

Current financial literacy is low
In a test of high school seniors’ understanding of money, the average score was just 57 percent. Students scored better on items of fact; scores would have been even lower if the test had focused only on applying knowledge in real-life situations. Later research noted that states with the highest average student test scores also had the lowest rates of personal bankruptcy.

Credit Costs
Students often believe that they are managing credit well as long as they can make the minimum payments.

Consider a freshman who charges $1,000 on a credit card (at 18 percent interest), and who pays the $20 minimum payment each month.

This student will finish both bachelor’s and master’s degrees and still have two years to go before paying off that $1,000 freshman shopping spree. The total interest cost of $860 nearly equals the original expenditure.

Of course, minimum payments get much more costly if the student continues to charge on that card year after year.

Spending habits affect a lifetime
Most high school students have spending money, either from earnings or allowances. But with little need to pay for living expenses, many teens develop spending habits that become unrealistic when they must support themselves. Once young adults become accustomed to high-spending lifestyles it can be hard for them to develop new habits that contribute to long-term financial well being.

In a recent survey of students (16 to 22 years old), 40 percent said they probably would buy a pair of jeans (or something similar) they really wanted, even if they did not have the money to pay for it. More than one-fifth (22 percent) said they would pay for it with a credit card.
**Financial problems affect performance**

A growing body of research suggests that poor job attendance and performance may be linked more closely to financial distress than to demographics (age, gender, income, etc.). As colleges and universities prepare graduates to be effective workers, financial competency is an important element to consider. If financial stress affects employee productivity, it likely also affects students’ academic performance.

**Helping Students Build Financial Skills**

Financial education has been shown not only to enhance students’ knowledge levels, but also to have a lasting positive impact on their financial behaviors. Colleges/universities can team with ISU Extension to create dynamic and participatory educational opportunities that help students get the most from their college experience and start off on the right financial foot after graduation.

**ISU Extension can work with colleges through . . .**

**Presentations on personal finance in a variety of settings:**

- Extracurricular student groups;
- Academic courses for business or human service majors;
- Courses relevant to all students (e.g., freshman orientation, study skills, stress management);
- Senior seminars which prepare students to begin successful careers.

Topics for such presentations might include:

- Money Choices: Using What You Have to Get What You Want
- Credit . . . Bonus or Curse?
- Today’s Choice, Tomorrow’s Dollar: Time Value of Money
- Keys to Financial Security
- Consumer Privacy: Who’s Got Your Number?
Awareness-building using campus media
Web sites, table tents, campus radio announcements, newspaper articles, mailbox stuffers, posters, and displays can increase students' financial awareness.

Training selected students, staff, and volunteers
The “teachable moment” is a real factor in building financial skills; people become motivated to learn when they are faced with specific decisions or situations. Students, residence hall staff, student services staff, and others can be trained to offer on-the-spot financial guidance to students, either individually or in small groups.

To reach the extension resource management specialist nearest you, contact your county extension office. Working together, we can provide opportunities for students to build financial skills and start a lifetime of financial success.

For further information, you may want to read the following sources that were used in the preparation of this leaflet.


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