The Kids Are (Mostly) All Right

Insights on the Journey to Financial Adulthood

In 2008, a group of 2,098 freshman at the University of Arizona agreed to take part in a landmark research project. The Arizona Pathways to Life Success for University Students (APLUS) project has followed these Millennials over the past eight years to investigate how financial capability develops over time.

Now approaching 30 years old, the study subjects have (mostly) achieved adult milestones such as completing education, starting careers and leaving home. But their journey reveals deeper questions about how gender, student loan debt and mindset impact financial well-being.
All participants in the APLUS study have at least one thing in common: They were freshman at the University of Arizona in 2008, and they now range from 26 to 29 years old, placing them squarely in the middle of the Millennial generation.

This is the fifth time the APLUS study has collected data on participants since 2008. About 900 participants (43 percent of the original sample) responded to an online survey in this round (Wave 4), which took place in the spring/summer of 2016. The sociodemographic characteristics in Wave 4 match the original sample in Wave 1.

Researchers looked at sociodemographic characteristics to see how factors such as gender, race and family income affect financial capability.

### Family Socioeconomic Status (SES)

Socioeconomic status, commonly called SES, refers to the participant’s family background as reported at Wave 1 in 2008, not current status. Even if the participant now is in a different SES group, they remain part of their original SES group for the purpose of the study.

<table>
<thead>
<tr>
<th>SES Level</th>
<th>Annual family income reported in 2008</th>
<th>Percentage of APLUS participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher SES</td>
<td>Above $150,000</td>
<td>44 percent</td>
</tr>
<tr>
<td>Middle SES</td>
<td>Between $50,000-$150,000</td>
<td>24 percent</td>
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<tr>
<td>Lower SES</td>
<td>Below $50,000</td>
<td>32 percent</td>
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First-Generation College Students

When they started the study in 2008, 16 percent of participants reported they were the first in their family to attend college.
**APLUS Timeline**

APLUS participants came of age in an interesting time in American history. Their worldview has been altered dramatically by events ranging from the 9/11 terrorist attacks to the financial crisis of 2008, and an uncertain job market when they graduated from college a few years later.

APLUS data has been collected five times since 2008, including an unplanned survey in spring 2009 (Wave 1.5) to gather real-time information on how participants were impacted by the 2008 financial crisis.

**What Makes an “Adult”?**

APLUS researchers identified five indicators of adulthood. Although the order of these milestones varies, most APLUS participants have passed the first four indicators:

1. **Completing education**
   - 97% have earned a bachelor’s degree.

2. **Finding work**
   - 79% are employed full time.
   - 10% are employed part time, seeking full time.
   - 5% are self-employed.

3. **Leaving the parental home**
   - 86% live apart from their parents.

4. **Relationship formation**
   - 29% are married.
   - Another 35% have committed partners.

5. **Becoming a parent**
   - 10% have children, which is lower than the national average.

**Financial Capability Over Time**

While much research examines how young adults develop socially, psychologically and academically, the APLUS project is unique in that it is a longitudinal study emphasizing financial knowledge and skills.

**Objective financial knowledge** – APLUS participants answered 15 true/false questions to assess their knowledge of basic financial facts. For example: “The finance charge on your credit card statement is what you pay in order to use credit (true or false).”

**Subjective financial knowledge** – Participants also rated their own level of financial understanding and knowledge, measured on a scale from 1 (very low) to 5 (very high).
The good news: Researchers found few differences between sociodemographic groups in terms of their achievements, suggesting that — regardless of gender, race, family socioeconomic level, or first-generation college status — today’s educated young Americans can reach adult milestones.

However, there are differences in the extent to which certain groups thrive. For example, researchers found no difference in employment status for men and women, but women earn significantly less.

### No Big Diff

APLUS researchers found no significant differences in:

- **Bachelor’s degree attainment** — Whether or not they’ve earned a bachelor’s degree is not linked to gender, SES, race or first-gen status.
- **Residential status** — Living with parents, owning a home, having roommates or living alone is not linked to other sociodemographic factors.

### Gender

Men and women had relatively equal objective financial knowledge at the beginning of APLUS, but now in Wave 4, men scored higher than women in their real-world financial skills. Women are more likely to rely on family support. Men are more likely to investigate on their own before consulting family members for financial advice.

- **2/3 of study participants were women, 1/3 were men.**
- **45 percent of men earn $60,000 or more annually vs. 27 percent of women.**
- **By Wave 4, men scored higher than women on objective knowledge (61.4 percent vs. 59.4 percent), despite being equal in Wave 1.**

Men’s assessment of their own knowledge rose in Wave 4, while women’s self-assessed knowledge dropped.
“Financial self-efficacy” (one’s confidence in performing certain tasks such as paying bills) dropped for both men and women in Wave 4, but men still rated themselves higher than women rated themselves.

Women were more likely to take a second job compared to men.

Women were more likely to report receiving financial help from family.

Women were more likely than men to borrow money to cover expenses (called reactive financial coping) in Wave 2; they were less likely than men to borrow in Wave 3; and they are relatively equal with men in Wave 4. Men’s reactive financial coping behaviors have remained fairly consistent.

Men’s self-assessment of their own understanding of retirement accounts was 19 percent higher than women’s self-assessment.

On average, men consulted a greater variety of sources than women, and men expressed greater reliance on the sources they consulted.
To successfully pay off one’s loans, researchers found financial resources are important, but are not the only factor. While many participants said that navigating the complex loan repayment process was a major challenge, those who displayed better problem-solving behaviors were more likely to succeed.

Nearly 1/3 of participants had student loans to repay at Wave 4.

Repaying student loans was the highest financial priority reported by those who had them.

Ethnic minorities, those from lower-SES families and first-generation students were more likely to be carrying student loan debt, and were more negatively affected by it (e.g., more stressed and more pessimistic about repayment).

First-generation students reported greater pessimism about paying off loans than their peers.

Women said the complexity of the loan repayment process and a lack of knowledge about options are barriers to paying off their loans.

Women reported significantly more negative impacts from the loan repayment process, including that the experience was stressful, they were not managing it well, and that they were pessimistic about repayment.

Participants from lower-SES backgrounds said financial strain was a key barrier to repayment.

Participants who currently had student loan debt reported lower well-being than those who had paid off their loans or who had graduated without loans.
Although the APLUS researchers did not find significant differences in achieving adult milestones according to sociodemographic characteristics, they did identify areas where certain groups are falling behind their peers, including general well-being and diminished financial capability.

The data suggest that intangible factors — such as the ability to solve problems efficiently — are far more telling of a participant’s success than demographics. One group is struggling across the board: Women are far less confident about their financial knowledge than men; and unfortunately their objective financial knowledge compared to their male counterparts also is decreasing as they approach age 30. But why? Could it be that, once in the real world, social pressures, unequal pay and traditional gender roles make it harder for women to keep up, even though they once were on equal ground with men?

Participants from lower-SES families felt less control over their finances, less confident about their finances, and reported less healthy coping behaviors, despite being on par with their peers in the past.

First-generation college students performed better than their peers in objective financial knowledge, yet they reported feeling less confident and capable.

Unemployed participants reported the lowest levels of well-being.

All participants who were currently receiving financial help from family reported lower well-being — even if they came from higher-SES backgrounds.

**TAKEAWAYS**

Financial capability alone doesn’t translate into success with adult financial responsibilities. Mindset and approach to solving problems makes a difference.

- Parents play a financial support role for many young adults, and still rank among top sources for financial information.
- The complexity of the student loan repayment process can be a barrier to repayment, even for those who have financial resources.

**ABOUT THE APLUS STUDY**

The Arizona Pathways to Life Success for University Students (APLUS) project launched in the spring of 2008 with 2,098 University of Arizona freshmen. Researchers followed and surveyed the participants five times from 2008 to 2016. The principal investigators are Joyce Serido, Ph.D., University of Minnesota, and Soyeon Shim, Ph.D., University of Wisconsin-Madison. Report findings from each wave are available at http://aplushappiness.org.
NEFE at FinCon

NEFE’s game-themed booth was a hit at the 2017 FinCon Financial Bloggers Conference in Dallas, where NEFE once again sponsored a session track and the annual community service project. This year’s project benefitted those affected by Hurricane Harvey. FinCon attendees wrote encouraging notes and helped assemble care packages of cleaning supplies that were distributed through Trusted World (www.trustedworld.org), an organization that connects donations to people in need.

2017 Research Releases

Several NEFE-funded research projects wrapped up or hit important milestones in 2017. Read the full executive summaries at www.nefe.org/research.

**George Washington University**

Data from an international survey of 15-year-olds find that American teens face a unique challenge when it comes to funding their future retirement. The United States is the only country to have both low financial literacy and a social pension program (e.g., Social Security) that covers less expenses in retirement.

**University of Notre Dame**

Latinas have a huge appetite for financial education and a strong desire to save. Their savings could provide a critical safety net to America’s largest minority group.

**The New School**

Almost no one is safe from periods of lost income due to a health crisis, job loss or other life transitions in their working years; and lower-income Americans are especially vulnerable. Ninety-three percent of low-income men don’t even have a 401(k). And those who do often need that money long before retirement.
Annual NEFE-SABEW Reporting Workshop

NEFE, through its partnership with the Society of American Business Editors and Writers (SABEW), held its fifth annual personal finance reporting workshop on October 12 in New York. This event brings together journalists who work in consumer finance to share story ideas, talk about trending topics, identify emerging tools to help with their reporting, and more. The workshop is an extension of the now decade-long partnership that NEFE shares with SABEW. For more on the workshop, visit www.sabew.org and search “events.”

Beck Wins Jump$tart Award

NEFE President and CEO Ted Beck received the William E. Odom Visionary Leadership Award April 5 for his dedication to building a financially literate future for young Americans. Laura Levine, president and CEO of the Jump$tart Coalition for Personal Financial Literacy, presented the award. Beck was a member of the Jump$tart board of directors from 2005 through 2016, serving as chairman from 2011 to 2016.

Neiser Tapped as Next Avenue Influencer and CFPB Advisor

Next Avenue (www.nextavenue.org), public media’s first and only digital publication dedicated to covering issues for people 50 and older, named Brent Neiser, CFP®, NEFE’s senior director of strategic programs and alliances, one of its 50 influencers in aging for 2017. Neiser was selected for his work helping older Americans make sound financial decisions for their retirement.

In July, the Consumer Financial Protection Bureau (CFPB) (www.consumerfinance.gov) also appointed Neiser to its Consumer Advisory Board as one of six new consumer experts from outside the federal government.
New SAM Courses

Smart About Money added two new courses to its collection of self-guided, free resources in 2017. Check out all the courses, including Money Basics, at www.smartaboutmoney.org.

My Financial Well-Being Plan – Define your own financial well-being according to your personal values and circumstances

My Life Events and Transitions Plan – Manage a crisis now or prepare to face future challenges

More courses coming soon!

Reaching Out to Libraries

NEFE partnered with the Consumer Financial Protection Bureau (CFPB) Communities Financial Education Libraries Project to reach librarians through several events nationwide throughout 2017. Smart About Money created a suite of marketing materials, including posters, handouts and bookmarks to help promote financial literacy in libraries. Check them out at www.smartaboutmoney.org/librarians.

Financial Workshop Kits and COABE

In April, NEFE and Financial Workshop Kits (www.financial-workshopkits.org) sponsored the first financial literacy strand at the Coalition on Adult Basic Education (COABE) Conference. COABE is a network of nearly 15,000 educators, administrators, mentors and guides working to improve educational outcomes for underserved adults. NEFE believes that, in addition to language, mathematics and problem-solving skills, adult learners need personal finance education. NEFE plans to continue this sponsorship in 2018.

SAM at NightOut Baltimore

Smart About Money offered information about its free personal finance resources at Night Out Baltimore, held on the first Tuesday in August. The event is part of National Night Out, which started in 1984 and focuses on preventing crime through community activities.
CashCourse 2017 Highlights

New website: The new CashCourse website launched on July 5 with a modern look, more mobile responsiveness, and new levels of accessibility for individuals who use assistive technologies such as screen readers. More than 8,000 new users registered for CashCourse in September alone, averaging more than eight minutes on the site.

Iowa project: In spring 2017, Iowa State University, the University of Iowa and the University of Northern Iowa selected CashCourse to help provide required financial literacy training for all incoming first-year students. The program rolled out this fall, leading the way for other state university systems implementing financial literacy.

Student survey: A student feedback survey by CashCourse this spring found that 85 percent of student respondents found CashCourse to be either somewhat helpful or very helpful and informative. Also, 79 percent of students said they felt somewhat confident or very confident in their ability to manage their money after using CashCourse.

Teacher Stories on the HSFPP Blog

Check out the High School Financial Planning Program blog (www.hsfpp.org/blog) for timely information and stories of impact from real teachers who use HSFPP in their classrooms:

Many times students do not “get” the material that you teach until much later when it personally affects them. Just yesterday I ran into a former student who graduated in 2016.

As a mother to a new baby, she now understands why it is important to “pay yourself first” and set aside money for emergencies. She also understands that you need to take care of your needs before your wants and not take on too much debt.

She wanted me to talk to her significant other and help her explain this to him. She said everyone needs to take the NEFE course, then more young people would not get into financial trouble!

– Barbara Harmon
Army Instructor, Uniontown, Pa.

New Design and Spanish Translation for Beginner’s Guide

One of NEFE’s most popular resources has been updated and redesigned. Your Spending, Your Savings, Your Future: A Beginner’s Guide aims to help you get on track with your financial goals and make a better life for yourself and your family. Download the free PDF to get practical tips, hands-on worksheets and real-life stories from people who have been there themselves.

Visit www.smartaboutmoney.org, select the Spending and Borrowing topic, then Control Spending.

Also available in Spanish.
(También disponible en español.)
Happy 25th Birthday, NEFE!

In June 1992, the College for Financial Planning officially changed its name to the National Endowment for Financial Education.

HOLIDAY CLOSINGS
NEFE will be closed Dec. 25-27 for Christmas and Jan. 1 for New Year’s Day.

The mission of the National Endowment for Financial Education is to inspire empowered financial decision making for individuals and families through every stage of life.

American Association of Adult and Continuing Education 2017 Annual Conference . . . . Oct. 31-Nov. 3. Memphis
Consumer Financial Protection Bureau (CFPB) Consumer Advisory Board Meeting . . . . Nov. 2. Tampa, Fla.
National Association for Orientation, Training and Retention in Higher Education (NODA) Conference . . . . . . . . . . . . . . . . . . . . . . . Nov. 5-7. Louisville, Ky.
Financial Therapy Association (FTA) Conference . . . . . . . . . . . . . . . . . . . . . . . Nov. 13-15. San Diego
Association for Financial Counseling and Planning Education (AFCPE) Symposium . . . . Nov. 15-17. San Diego
Consumer Federation of America Financial Services Conference . . . . . . . . . . . . . . . . . . . Nov. 30-Dec. 1. Washington, D.C.

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All questions regarding NEFE Digest may be addressed to the Marketing and Communications department.
Editor: Cara Hopkins. NEFE is open Monday through Friday, from 8:30 a.m. to 5 p.m. Mountain Time. The main telephone number is 303-741-6333; the fax number is 303-220-0838.