

Nefe Digest

March/April 2010

Recession Cripples Students' Financial and Personal Lives

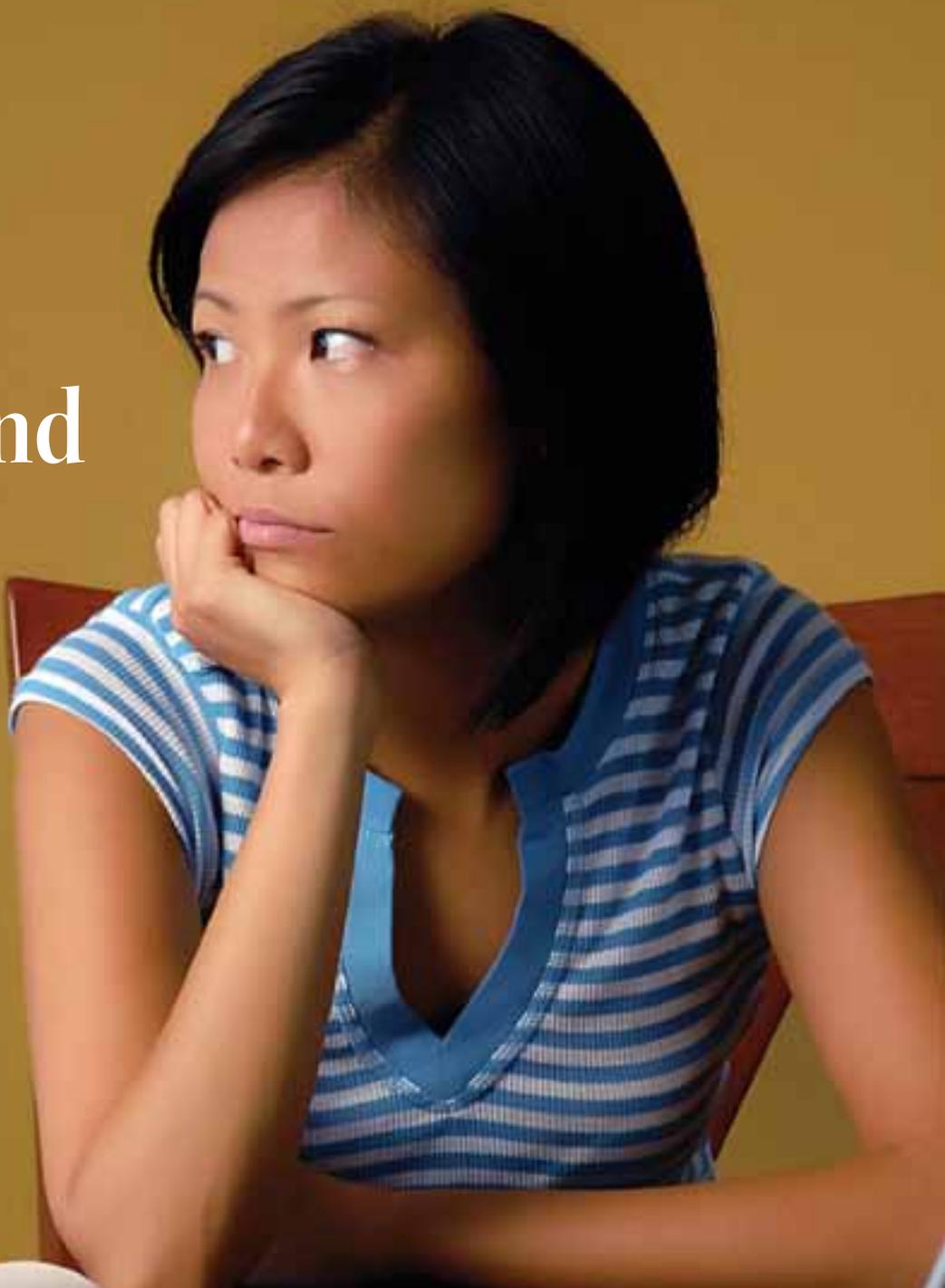
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**NATIONAL ENDOWMENT FOR
FINANCIAL EDUCATION**



For one student at The University of Arizona, college life is not turning out at all the way she'd planned. "I've been working ever since 9th grade and was hoping for a little slack off of work during college, but it's the opposite," she explains. "I have to work more, and the demands for staying on top of things are exhausting."

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Recession Cripples Students' Financial and Personal Lives

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She's not alone. In the wake of the economic crisis, her undergraduate peers echoed similar challenges in a recent survey: "I find myself constantly borrowing against tentative future earnings"; "Insurance on my car was dropped, and now I have a hard time getting to school"; "I'm so exhausted from working that I barely go to classes anymore."

A Unique Research Opportunity

Students shared these concerns and hundreds more like them in the most recent findings from Arizona Pathways to Life Success for University Students (APLUS), NEFE-funded research at The University of Arizona. The longitudinal study examines the development of young adults' attitudes and behaviors around money and has illuminated how financial education and other factors, such as parents and work experience, can help lay the groundwork for broad success later in life.

Building on data collected in 2008, this latest wave of research gave the researchers a unique opportunity to understand how the economic turmoil of the past two years has affected college students.

Lost Confidence, Well-Being, and Trust

More than 90 percent of the students surveyed said the recession had directly affected their own finances and that of their parents. Students' stories illustrated how sweeping that impact could be, not only in their academic lives but also in their personal lives.

Students reported:

- School tuition hikes not keeping up with scholarships
- Employers cutting hours and going out of business
- Reduced class options jeopardizing on-time graduation
- Dropping classes, leaving school, or postponing healthcare due to financial troubles
- Taking on more student and credit card debt and using one credit card to pay off another



Of course, those hardships bring consequences. The study found students' confidence in their understanding of finances slipping, while other measures revealed their financial knowledge actually on the rise. And perhaps most unsettling, students' well-being — from physical health to quality of relationships and trust in financial institutions — had dropped across the board compared to research just a year before.

A Call to Action

Drs. Soyeon Shim and Joyce Serido co-lead the APLUS project and note that when students used risky coping behaviors over budgeting and other normative coping mechanisms, they compounded the effects of the crisis on their lives.

Shim and Serido say the study demonstrates the need for initiatives ranging from boosting students' knowledge and confidence with back-to-basics "Money Management 101" to making formal and informal financial education a part of the college curriculum and university orientation.

"These results show how far we have yet to go to help students understand the dos and don'ts of personal finance and balance the future costs and benefits of the financial decisions they make today," Serido says.

NEFE President and CEO Ted Beck agrees, praising the research for illuminating opportunities for long-range impact. "We can't snap our fingers and fix this crisis," Beck says, "but by supporting this research, we can get a better understanding of the challenges we face and the kinds of financial education we can implement now, not only to mitigate damages today but also to better prepare future generations to weather economic challenges with their health and finances intact."

More to the Story: Some Students Affected More Than Others

Some of the most dramatic findings in the new APLUS data show greater negative impact among minorities and women compared to Caucasian and/or male peers.



Declines in self-confidence related to financial knowledge

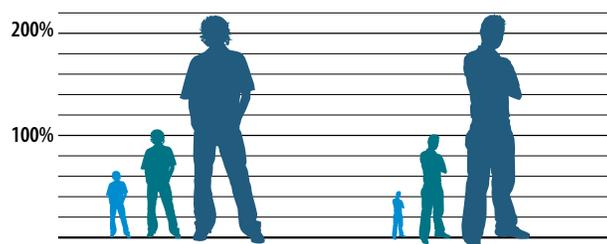
- 11 percent for men
- 22 percent for women

Decrease in Psychological Well-being

- 5 percent average in research sample
- 19 percent in African-American students

Decrease in Academic Well-being

- 3 percent average in research sample
- 11 percent in Native American students



Increase in Credit Card Debt

- 64 percent in Caucasian students
- 105 percent in Hispanic students
- 219 percent in African-American students

Increase in Education Loan Debt

- 45 percent in Caucasian students
- 102 percent in Hispanic students
- 219 percent in African-American students

Director of Grants and Research Retires

NEFE Highlights the Career of Marilyn Canfield

When Marilyn Canfield joined NEFE in 1999, the organization's grants program was in its infancy. On the eve of her retirement 11 years later, the NEFE grants program is known for its high-quality research in behavioral economics and contributions to the field through interactive salons and symposia.

"Mare did an incredible job of building NEFE's innovative thinking and grants program," says Ted Beck, president and CEO of NEFE. "She is highly respected within the academic community where she has represented NEFE exceptionally well."

Former NEFE President and CEO Dr. William Anthes agrees: "Mare is responsible for making NEFE's research and grant-making efforts what they are today."

NEFE Digest: How has the grants program evolved under your leadership?

Canfield: When we first started, the grants program focused mostly on content development. But around the fifth year of NEFE grant-making, we had a revelation: grants needs to be the research arm of NEFE, contributing not only to NEFE but also to the field.

Being embedded in the innovative thinking action area of NEFE, the grants program has positioned itself to be in contact with the latest research and to identify threads of ideas that, if nurtured, challenge us to let go of education behaviors that are not meeting the needs of the public we hope to help.

"Mare's strong analytical skills coupled with her curiosity have totally transformed the grants program at NEFE," says former NEFE board member Jackie Booth. "Her contributions are invaluable in raising the level of sophistication of the research NEFE has been involved with and the development of great partners with universities and individual researchers who can help us advance the knowledge in this field."

NEFE Digest: What are you most proud of?

Canfield: I've tried to challenge people to think differently about what it means to be financially literate and capable. I've pushed people to ask the right questions instead of just finding the answers. Being part of such a new field at NEFE, I've been fortunate to get to know some of the best researchers in the field, the people who really live and have a passion for it.

"In her work with the NEFE Board of Trustees, Mare has always brought innovative thinking to the forefront of not only the grants process from inquiry to fulfillment but also in guiding us to evaluate programs, seminars, institutes, think tanks, and salons with fresh eyes," says Booth.



NEFE Digest: How does your time at NEFE stand out compared to the rest of your career?

Canfield: NEFE is the only place I ever worked where I felt I was paid to think. Every day I walked into the office felt like I was putting on a white lab coat. It was like being in a "reality lab" every day, not knowing what discovery I'd get to make.

I'm really glad to be able to work with NEFE because we have the opportunity to nudge things forward and push thinking differently. We've started several ideas out there just because we've started a discussion with a critical mass of people and gotten the conversation going in ways it wouldn't have before.

NEFE Digest: What do you plan to do during retirement?

Canfield: The only matter I hope to give discipline to is to write every day. I have had several stories, essays, nonfiction and fiction books, and a play dancing in my head for years but have repressed them in the name of delayed gratification. I plan to end the delay.

Editor's note: When Canfield retired at the end of February, one of her retirement gifts from NEFE was a sweatshirt that read, "Careful, or you'll end up in my novel."

To learn more about the NEFE Grants program, visit www.nefe.org/grantmaking.



NEFE Webinar: Technology Facilitates Conversation and Extends Research

Have you ever finished a piece of research and wished you could grill the author on every little method, conclusion, and implication? On February 18, nearly 80 members of the financial literacy community were able to get “up close and virtual” with Arizona Pathways to Life Success in University Students (APLUS) researcher Dr. Joyce Serido through a NEFE-sponsored webinar.

Not only did the webinar allow Serido to elaborate on how the recession impacted college students and their feelings about their financial lives and futures, but also the event granted participants the opportunity to ask Serido questions live over the Internet.

- “What was the most troubling finding?”
- “What’s the best way to persuade school administrators to include financial education?”
- “Did you find the economic crisis made students more independent financially, or do they still rely on their families?”
- “Are there any benefits to experiencing the recession as a college student?”

Through this open communication, the webinar moved the conversation forward from research findings to implications of those findings on financial education.

To listen to the entire 45-minute event, visit www.nefe.org/researchandstrategy/aplusresearchonyoungadults.

CASHCOURSE ENROLLS ITS 400TH SCHOOL

CashCourse®, NEFE’s free financial literacy program for university students and recent graduates enrolled its 400th school on March 22. Florida Memorial University joined the hundreds of community colleges and universities across the country that benefit from the program. To learn more about CashCourse, visit www.CashCourse.org.

The mission of the National Endowment for Financial Education is to help Americans acquire the knowledge and skills necessary to take control of their financial destiny.

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All questions regarding *NEFE Digest* may be addressed to the Marketing and Communications department. Editor: Lauren Burke. 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.



1331 17th Street
Suite 1200
Denver, CO 80202

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