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STUDY FINDS COLLEGE GRADS CONFRONT ROCKY TRANSITION TO SELF-SUFFICIENCY

Diverse Challenges Impact Young Adults' Financial Well-Being

TUCSON, ARIZONA—The majority of young adults are struggling to achieve financial security in their transition from college to adulthood, according to the latest report from a longitudinal study. Now in its 6th year, *Arizona Pathways to Life Success for University Students (APLUS)*, an investigation at the University of Arizona that follows young adults from their college years to the workforce, is discovering how this time of passage affects financial attitudes, behaviors and overall well-being.

New findings from Wave 3.0 of APLUS, co-funded by the Citi Foundation and the National Endowment for Financial Education® (NEFE®), show that 50 percent of the more than 1,000 participants continue to rely on their family for financial support after finishing school—including nearly half (49 percent) of those who are employed full time. Researchers note that it's this financial instability that is interfering with young adults' ability to achieve financial goals such as paying off student debt, making major purchases, buying a home and saving.

"Taking on part-time jobs, borrowing for graduate school and living at home make sense in a tight labor market. But how long can parents fill the financial gap for their grown children before it impacts their own financial security? Our research suggests that young adults may not be the only ones postponing their goals for financial reasons," says Joyce Serido, principal investigator with APLUS.

In their struggle to achieve self-sufficiency, young adults are redefining expectations which were long thought of as traditional goals. Many participants (28 percent) reported that marriage and having children (27 percent) were not important life goals; 19 percent feel home ownership is unimportant and 16 percent rate living on their own as irrelevant.

"The APLUS survey offers powerful insights into the factors that shape financial attitudes and behavior as young people strive to meet the demands of adult life," says Daria Sheehan, senior program officer with the Citi Foundation. "These findings reinforce the importance of building sound money management skills early in life that translate into positive financial behaviors like achieving short and long-term financial goals, selecting appropriate financial products and making choices that lead to greater financial security and help people deal with life's financial challenges."

The Chronic Impact of Debt

Total outstanding student loan debt in America has surpassed the $1 trillion mark—outpacing credit card debt and auto loan debt[1]. And although those who have secured full-time work rate their financial life satisfaction higher compared to other study participants, debt among young adults remains a crushing obstacle. The APLUS study finds 17 percent of participants employed full time and 19 percent of part-time employed rate their financial well-being lower. But the dissatisfaction with the quality of financial life climbs to 31 percent for those who are unemployed. Also, debt is associated with 4 percent, 8 percent and 10 percent lower overall life satisfaction among those same groups respectively.

"We designed APLUS to study how financial attitudes and behaviors are affected by changing social and economic conditions," says Soyeon Shim, original principal investigator with APLUS. "But the force of the 2008 financial earthquake disrupted the financial lives of these young adults in ways that no one could have foreseen."

The Silver Lining of Cumulative Education

Reinforced through the new APLUS report is that financial education is a lifelong process. As personal and external circumstances change, individuals and families must continually adapt their financial knowledge, skills and behaviors to maintain high levels of capability.

"We know that an introduction to financial education, particularly in high school and even earlier, is critical. But what APLUS has reinforced is that this education needs to be embedded more in the financial decision making process," says Ted Beck president and CEO of the National Endowment for Financial Education. "That early education is like an inoculation, but you need to have booster shots along the way. As an industry we need to improve methods to provide financial education interventions continuously throughout one's life."

During Wave 3.0, APLUS researchers noted that participants could be classified into one of three distinct pathways to adulthood based on the level of responsible financial behaviors they possessed as an incoming freshman.

- **High-functioning** participants (12 percent) maintained consistently high levels of responsible financial behavior through all waves of the study;
- **Rebounding** participants (61 percent) started college with moderately responsible financial behaviors that had declined by year four but rebounded by Wave 3.0 two years later;
- **Struggling** participants (26 percent) started college with poor financial behaviors, which had further declined by year four; though their behaviors had improved two years on, they still were worse than their first year of college and significantly lower than all other participants.

Researchers also note that two financial behaviors improved steadily from APLUS Wave 1.0: paying bills on time (up 7 percent overall) and learning about finances (up 5 percent overall). Yet three behaviors that had previously fallen returned to Wave 1.0 levels: tracking expenses, saving and investing. And spending within ones budget has steadily declined.

"Our research shows that financial capability develops one decision at a time, as young adults think through financial choices, weigh costs and benefits, make decisions and learn from the experience," says Michael Staten, director of the Take Charge America Institute for Consumer Financial Education and Research. "That's why we believe integrating personal finance examples, early and often, into the K-12 school experience will help students develop critical life skills at far lower cost than if we leave financial savvy to chance."

Embracing Partners after Parents

As noted in previous APLUS findings, parents hold the greatest influence over their children when it comes to developing positive financial attitudes and behaviors—1.5 times more than continuing financial education and more than twice the influence of their children's friends. Yet with 80 percent of APLUS 3.0 participants now in committed relationships, parents have taken a back seat to romantic partners in terms of influencing financial behaviors. Additionally, financial professionals are gaining momentum with influence. Young adults report they now are just as likely to seek financial advice from professionals as from their parents.

APLUS Webinar on June 4, 2014

To learn more about the findings and experiences of these young adults, join us on Wednesday, June 4 at noon EDT for the webinar, "*Making their Way in a Post-Recession Economy*". Principal investigator Joyce Serido will facilitate a discussion with several of the study participants and take questions from attendees. Advance registration is required. Sign up at http://aplus.arizona.edu/webinar_wave3.html

About APLUS

The landmark study, *Arizona Pathways to Life Success for University Students (APLUS)*, examines financial attitudes and behaviors—and the forces that drive them—in youth ages 18 to 25. The University of Arizona launched APLUS in the spring of 2008, collecting information from more than 2,000 students whom researchers have followed and surveyed over the past several years. For more information, visit http://aplus.arizona.edu.

About the Citi Foundation

The Citi Foundation works to promote economic progress in communities around the world and focuses on initiatives that expand financial inclusion. We collaborate with best-in-class partners to create measurable economic improvements that strengthen low-income families and communities. Through a "More than Philanthropy" approach, Citi's business resources and human capital enhance our philanthropic investments and impact. For more information, visit www.citifoundation.com

About the National Endowment for Financial Education (NEFE)

NEFE is an independent nonprofit organization committed to inspiring empowered financial decision making for individuals and families through every stage of life. To learn more about NEFE and additional resources related to this study, visit www.nefe.org/APLUS.

1Federal Reserve Bank of New York, Quarterly Report on Household Debt and Credit (February 2014) www.newyorkfed.org/householdcredit/2013-Q4/HHDC_2013Q4.pdf

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