Undergraduate Student Financial Managers: Improving college students' ability to manage their debt and money

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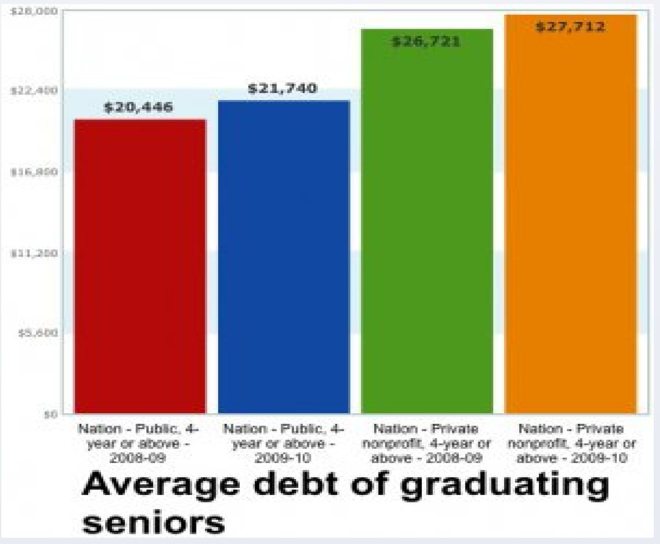
Abstract

Students are graduating with an average of $23,000 in debt. Through identifying current resources and implementing new ones students can become proficient financial managers.



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We interviewed several students; we gathered information from financial institutions, as well as, statistics and trends from higher education's departments across the country to get results. We found that there is a surplus of information out there that a minimal amount of people is aware of and actually utilize.

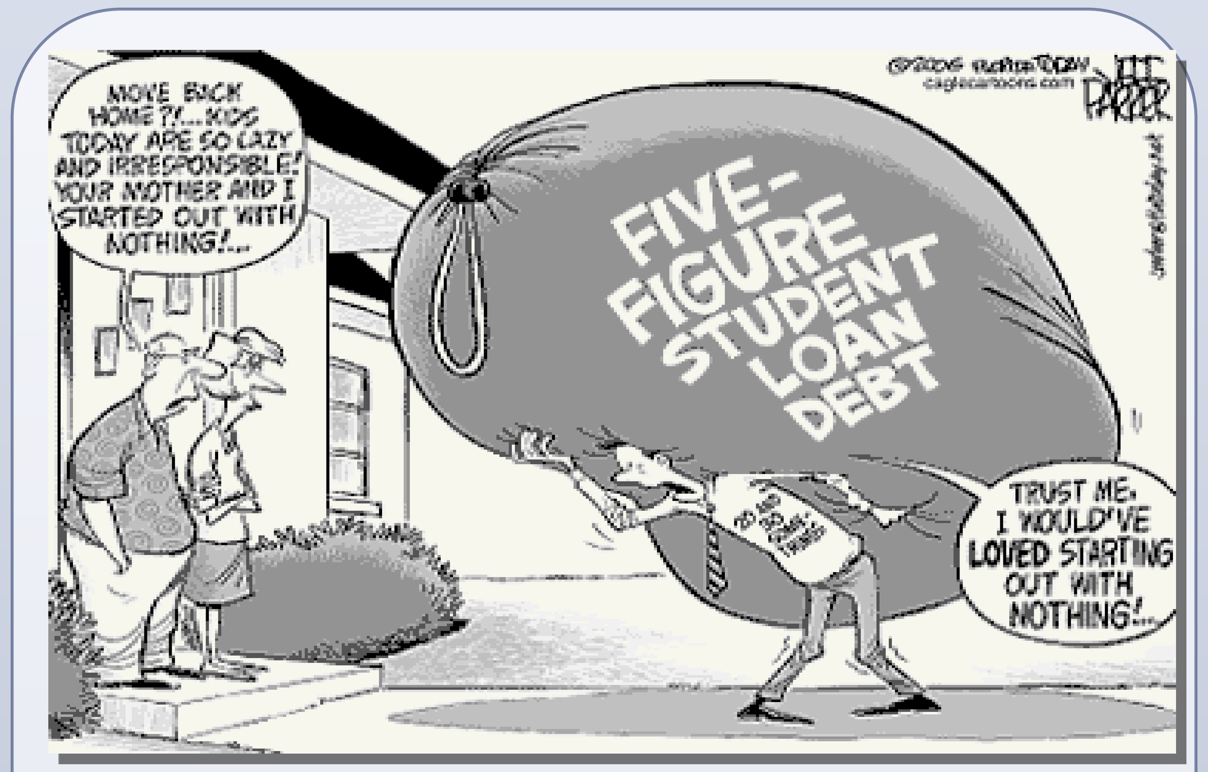
Websites and applications like Buxfer and Excel spreadsheets can help students by combining student discounts into an application that is student input based will help tremendously. We realized that there are many tools that are not just for students but everyone as a whole could use to control debt.

Problem Statement

The average credit card balance for undergraduate students is $3,173 (Sallie Mae, 2010). Similarly, students are borrowing more for their college education, an average of $23,000 for their bachelor's degree (Hinze-Pifer and Fry).

Regardless of the rising cost of higher education students are staying in school longer, turning four year degrees into five or six year degrees (National Center for Education Statistics). A poll by Twentysomething Inc also found that 85% of college seniors in 2010 were planning on returning home after graduation (Dickler). Our group will be focusing on undergraduate students financial management.

http://www.fatwallet.com/blog/what-to-do-when-money-fears-consume-you/



http://timothykingcade.com/wp-content/uploads/2012/05/Student-Debt-Cartoon36.gif

Literature Review

- ***Demographics of debt and financial literacy***

a) First generation and minority students are more likely to have debt than the general student population.

b) The higher percent of first generation and minority students with debt has been attributed to a lack of financial knowledge and experience.

c) Murphy (2005) examined the correlation between race and financial literacy of college students. She modeled a linear regression to data collected from a sample of 277 undergraduates, and found that 10.8% of the variability in financial knowledge scores was accounted for by variation in race.

- ***Effects on loan accessibility***

a) Borrowing accelerated the rise in the cost of college (Chakar).

b) Loans can give colleges an artificial sense of a family's ability to pay tuition.

c) Schools build the assumption that students will be able to borrow to pay; and as a result, universities change their model for setting prices.

- ***Focus of available resources***

a) Financial literacy problem broken down into three areas: prioritizing, budgeting, and respecting the value of money.

b) The ability to "stretch" a dollar is a skill, and as such must be cultivated prior to becoming a financially independent college student.

c) The Chatzky article suggests that financial literacy, and consequently student's ability to avoid debt, mostly depends on the financial values and skills parents teach their children.

Course of Action

Three areas that need to be addressed in order to lighten student's financial burden.

- *Accessibility to the best purchases*
- *Financial literacy*
- *Cost of a college education*

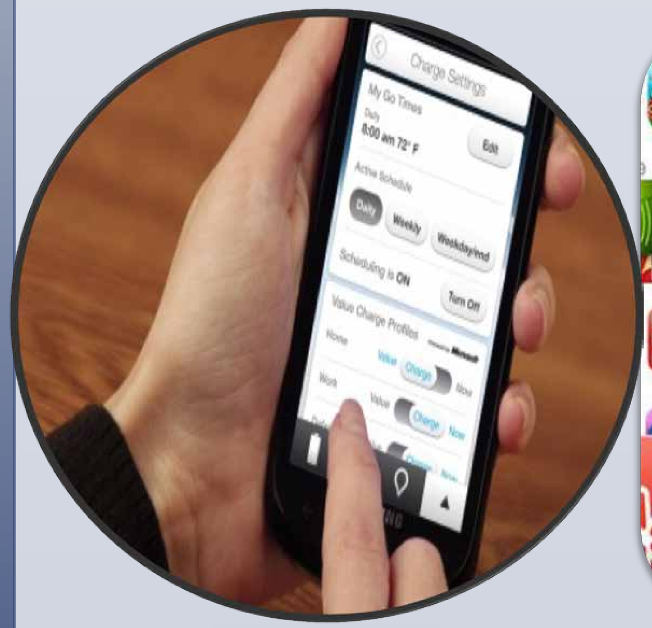
Our solution is to create an application that helps students identify nearby discounts offered expressly to students.

Discounts through a mobile application:

Six Sigma is exploring the possibility of creating a geospatial application that tells students where they can find student discounts, filtered by topic.

This proposed solution is based on the convergence of two fundamental needs college students desire in any financial application: timely service and real economic value. By mapping and providing directions to businesses offering student discounts, Six Sigma's application will provide real economic value to students in the form of targeted clearances. Users' accumulated savings will also be quantified within the application to convey its economic value, and create a feedback loop that encourages its continued use.

This proposed application takes a university's fragmented market for student discounts and turns it into a well-organized information system, allowing students to easily make the best possible spending decisions while in college.



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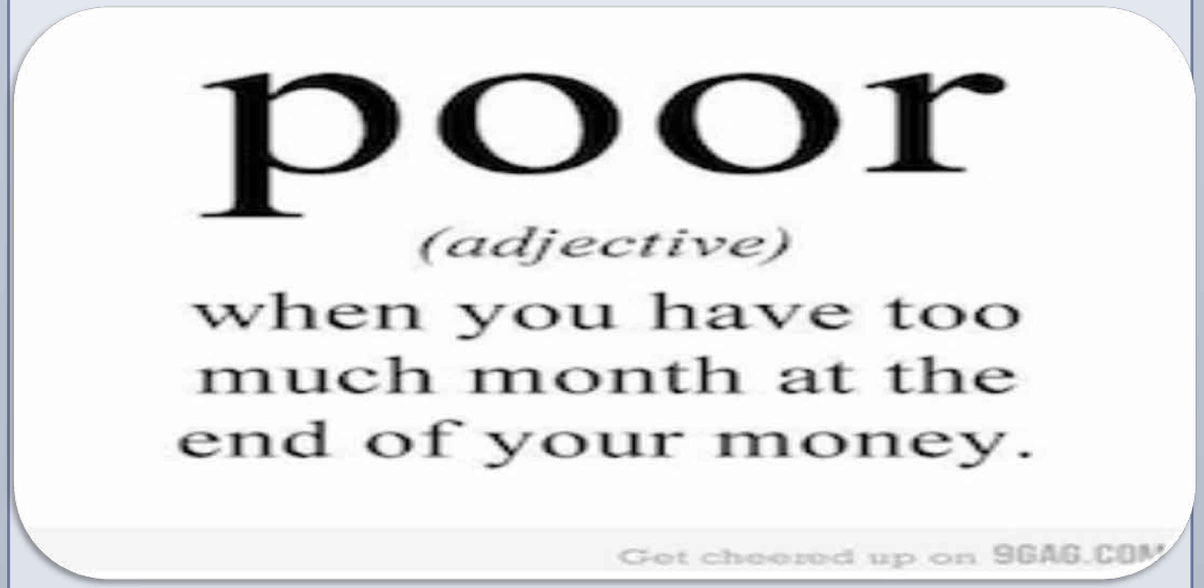
http://marketingonlineokc.com/services/mobile-application-development/

Summary of Conclusion

We have found that the average rise in tuition, graduation delays, and ironically, borrowing, has normalized excessive student debt in the U.S. In addition, we have found that college students' financial ineptness in the areas of prioritizing, budgeting, and respecting the value of their money also attributes to the waste and mismanagement of their day-to-day finances. The resources we have found to help college students lower their spending and debt can be categorized as follows: online banking tools, mobile apps, websites, and spreadsheet software programs. And the degree to which we instill them in students early is also the degree to which we may curb the current student financial crisis.



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