Money Matters on Campus - FAQ

According to *Money Matters on Campus* – a new study from EVERFI, sponsored by AIG – employers can expect significant challenges in the coming years as Gen Z transitions from college to the workforce.

Student loan debt is particularly concerning for the next generation of workers and greatly contributes to the financial pressure felt by college students, with more than half of student borrowers (51 percent) reporting they were worried about their debts. Only 65 percent of borrowers plan to pay off their loans on time and the same percentage plan to pay them off in full.

For younger students, their behavior can be explained to some degree by a lack of financial know-how. Only 11 percent of Gen Z students feel they have the information they need to repay their college loans, compared to 22 percent of students overall – revealing a gap in financial education on the topic of debt.

Students say they could reduce their stress by making a plan to pay off the loans (58 percent), developing a better understanding of their loan repayment options (53 percent) or by having a clearer picture of their total amount owed (50 percent).

AIG Retirement Services is here to help you understand the key findings outlined in the study that reveal a growing need for solutions that help Gen Z build a stronger financial future.

What are the study's other key findings?

As the study's researchers examined the tens of thousands of responses, five key findings emerged:

- College students are least prepared to manage money
- Credit card use and debt are high
- Planning is low and dropping
- Financial knowledge and education are low
- Stress is high, especially about finding a job after graduation

Are college students confident managing money?

Unfortunately, no. To gauge the students' confidence managing money, the study presented them with a variety of challenges associated with college and asked which they felt prepared to tackle. The challenges were:

- Managing money
- Managing time
- Finding resources
- Keeping up with coursework
- Staying organized

The findings reveal that managing money was the most difficult challenge – only 53 percent felt prepared to manage money. Comparatively, 62 percent felt prepared to keep up with coursework, 61 percent felt organized, 55 percent could find resources, and 55 percent were confident managing their time.

What does the study reveal about college students' credit card use?

The credit card habits of the current generation of college students are marked by increased use, riskier decision making and levels of debt that can impair long-term financial opportunities:

- Increasingly prevalent: The use of credit cards on college campuses has grown from 28 percent in 2012 to 46 percent today.
- Multiple credit cards: Nearly half of these students have balances on two or more credit cards (45 percent, up from 25 percent in 2012).
- Carrying balances: More than one in three students (35 percent) with credit cards have more than $1,000 in credit card debt—showing a significant uptick since the survey began in 2012 (25 percent). Further, only half said they would likely pay off their entire credit card bill next year, indicating that college students are deliberately keeping a balance on their card, while collecting expensive interest.
- Late payments: One in five already damaged their credit scores by paying bills late (22 percent), and, looking ahead, only 60 percent said it was likely they would pay credit card bills on time.

Are college students establishing good financial habits?

No. In fact, the research reveals a sharp decline in students who expect to adopt good financial habits over the next 12 months, with fewer members of Gen Z taking the following financial steps, compared to their Millennial predecessors:

- Following a budget (49 percent for Gen Z students surveyed this year, down from 76 percent for millennials surveyed in 2012).
- Paying their credit card bill on time (60 percent, down from 85 percent in 2012).
- Paying off their credit card bill in full (51 percent, down from 79 percent in 2012).

Furthermore, of the students who plan to take loans to pay their tuition bills, one in three confess that they don't plan to pay off their loans on time and in full. This is a dramatic spike from 2012 when only one in 10 college students said the same.

What did the study uncover about the respondents' financial knowledge?

The respondents struggled with basic financial questions about credit history, net worth, interest rates and student loans. In one question, students were asked about how their buying power would be impacted if their savings account earned 1 percent and inflation was 2 percent. Only 42 percent correctly stated that their buying power would decrease.

What does the study reveal about the students' stress points?

With college students feeling underprepared to handle their money matters, it's no surprise that financial stress is weighing heavily on their minds. They cited several significant financial worries, including whether they would have enough money to last the semester (52 percent), fear of tuition rising (59 percent) and the most prevalent worry – landing a job after graduation (68 percent).

What are the implications of these findings?

The study's findings reveal a variety of alarming trends:

- College students are ill-equipped to manage their finances and are making costly missteps that could threaten their future financial security.
- With college students feeling underprepared to handle their money matters – and in some cases already having significant credit card debt – financial stress is weighing heavily on their minds.
- Student loan debt is becoming a financial burden for young people, weighing them down and inhibiting their ability to save.
- Lack of confidence may diminish the students' ability to negotiate their appropriate value with potential employers.

What can we do to turn today's college students into responsible savers with adequate retirement income?

At AIG Retirement Services, we believe that by making finances personal, understandable and accessible, employees can gain greater confidence, which encourages them to plan, save and envision more for their retirement. We believe it is important to provide every generation with information tailored by life stage to address the decisions they are most likely facing, as well as personalized statements that offer a snapshot of how much income they'll need at retirement and steps they can take to improve their retirement readiness.

We offer a number of programs to help employers improve retirement outcomes for employees. FutureFIT University, a digital financial educational program for plan participants, addresses topics ranging from the fundamentals of saving and budgeting to more complex topics like retirement, taxes and 529 plans. A similar financial literacy program, FutureFIT Academy, is designed for a K-12 audience and available to select schools.

Further, we believe it is critical to provide employees with convenient access to onsite personal financial advisors. Personal finance can be intimidating and working with an advisor can help employees ask questions unique to them and help them build the confidence to get started and map out a plan. Our financial advisors are ready to help make sense of employees' financial picture and guide them through these important decisions including saving, investing and more.

We integrate robust data analytics into each element of our retirement plan experience--from helping employees assess their personal financial status to helping you better manage your plan and enhance plan heath.

Planning for the new longevity is also an important aspect of improving financial wellness. AIG's recent study called Plan for 100 reveals that while more people expect to live to 100, there is also increasing concern they won't have enough income to last their entire life. Another recent study revealed that individuals' retirement preparedness consistently increased with the length of their plan engagement.[1] This is further proof that getting employees to save for retirement as early as possible is important to their long-term financial success.

While living a long life was once reserved for a lucky few, today it's increasingly becoming the norm, thanks to medical advances and healthier lifestyles. It's time to embrace longevity. From our perspective, financial wellness means helping individuals manage their finances today and empowering them to achieve their long-term goals.

As we strive to build even greater momentum helping employees save for a more secure financial future, AIG Retirement Services is uniquely positioned to help employers deliver a robust financial wellness offering that not only helps their employees feel confident when making financial decisions, but can motivate them to take action for their future.

1. Source: Financial Finesse, 2018 Year in Review: A Closer Look, May 2019

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