Collegiate Financial Wellness: Understanding Stress and Worry

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Abstract

Data from a national study of college student financial wellness are analyzed to further understand factors associated with self-reported financial stress as well as associated adaptation processes and coping mechanisms. Previous research by Heckman, Lim, and Montalto (2014) is replicated and extended to examine additional stressors, adaptation levels, and coping mechanisms. Heterogeneity in financial stress associated with socioeconomic status and sources of funding for education expenses are examined, as well as roles of financial socialization and parental involvement as coping mechanisms. The largest predictor of financial stress among college students is not having enough money to participate in the same activities as peers. Also significant, but smaller in magnitude, are use of student loans or employment as primary sources of funding, expected student loan debt at graduation, current consumer debt, and regularly overspending. Consistent with previous research, self-efficacy and optimism are negatively associated with self-reported financial stress. College students reporting high reliance on parents for financial advice are more likely to report financial stress.

Introduction

Few topics receive more attention on our college campuses today than the financial wellness of students. Financial demands facing college students include not only paying the cost of tuition and living expenses, but also establishing financial behaviors and practices that will facilitate effective functioning. The co-occurrence of college attendance and the period of emerging adulthood (Arnett, 2000) or "adultescents" (Koslow, 2012, 2013; Tierney, 2004) fuels interest in financial demands and financial stress among the college-going population.

Many college students report that financial matters cause stress (Northern, O'Brien, & Goetz, 2010; Ross, Niebling, & Heckert, 1999). Previous research documents both the incidence of financial stress among and the impact of financial stress on college students with reported outcomes including reduced persistence (Joo, Durband, & Grable, 2008; Letkiewicz et al., 2014; Robb, Moody, & Abdel-Ghany, 2011), lower academic performance (Andrews & Wilding, 2004; Harding, 2011), as well as depression and anxiety (Andrews & Wilding, 2004). Research identifying and assessing actual financial stressors is more limited (Archuleta, Dale, & Spann, 2013; Heckman et al., 2014; Ross et al., 1999) and a literature stream on coping mechanisms is emerging (Britt et al., 2011; Brougham, Zail, Mendoza, & Miller, 2009; Heckman et al., 2014; Lim, Heckman, Letkiewicz, & Montalto, 2014). The current research contributes to our understanding of financial stressors and builds on Heckman et al. (2014) by replicating their analysis utilizing a dataset of undergraduate students at 51 colleges (both two- and four-year; public and private) across the United States. Extensions include examination of additional stressors, adaptation levels, and coping mechanisms enabled by the breadth of the dataset, with attention to important heterogeneity in the experience and impact of financial stress.

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Methods

The conceptual framework is based on the Roy Adaptation Model (Roy & Andrews, 2008). The college student is viewed as an adaptive system that manages financial stressors through adaptation processes and coping mechanisms. The empirical analyses use data from the 2014 National Student Financial Wellness Study which contains information on 18,792 undergraduate college students at four-year public (81%), four-year private (10%), and two-year public (9%) institutions. Only complete cases are retained for our analyses, resulting in a sample of 13,175 college students. Multivariate logistic regression is used to model the likelihood of self-reported financial stress. The dependent variable is equal to 1 for students who strongly agree or agree with the statement: "I feel stressed about by personal finances in general" (71% of the sample). Independent variables include measures of financial stressors, adaptation processes, and coping mechanisms. In the replication study, financial stressors include expected student loan debt at graduation, current debt, debt ignorance, and indicators of current financial wellbeing (i.e. overspending, late bill payment, and money relative to peers). Adaptation processes are proxied with demographic characteristics and variables capturing the student's experience and personal history, including sex, race/ethnicity, class rank, institution type, grade point average, on-campus living, and financial dependent status. Coping mechanisms include measures of self-efficacy and optimism.

The extended model adds measures of use of student loans and use of employment as primary sources of funding (financial stressors); first generation status, nontraditional student status, and parental income/socioeconomic status (adaptation level); and use of scholarships/grants and use of parents/guardians/family members as primary sources of funding, measures of financial education, financial socialization, and parental involvement (coping mechanisms). The financial education variable captures whether students attended personal finance classes or workshops while in high school or college. Financial socialization sums positive responses to six items capturing experiences prior to college attendance (i.e., parents were comfortable talking about money, parents told me what I needed to know about money management, parents were role models of sound financial management, parents encouraged me to save, parents encouraged me to open a bank account, parents encourage me to invest my money). Variables measuring parental involvement include co-residence with parents, and the extent to which students rely on parents/family members for financial advice (no reliance, low, moderate, or high).

Results

The replication study confirms findings of Heckman et al. (2014). Key stressors (with the exception of late bill payment) were positively associated with the likelihood of self-reported financial stress. Based on the relative size of the odds ratios, not having enough money to participate in activities with peers had the largest positive effect on the likelihood of self-reported financial stress. Other significant stressors included regularly overspending by using credit or borrowing, having debt or 'not knowing' if one had debt, and expecting to graduate with average or above average student loan debt. Several characteristics had effects consistent with an adaption process. Compared to relevant reference groups, being male, Black/African American, Asian, or enrolled more than four years reduced the likelihood of self-reported financial stress. Compared to undergraduate students at four-year public universities, undergraduate students enrolled in four-year private universities were less likely to self-report financial stress. Students reporting higher self-efficacy, optimism about their financial situation in the future, and confidence that they would be able to support themselves after graduation were significantly less likely to report financial stress.

Key financial stressors remained positively associated with the likelihood of self-reported financial stress in the extended model. With respect to funding sources, college students who identified parents/family (OR=0.909) or scholarships/grants (OR=0.879) as primary funding sources for education expenses were less likely to report financial stress. In contrast, those using student loans or using employment as primary funding sources for education expenses were more likely to report financial stress, though these odds ratios were just slightly larger than one. The large impact of not having enough money to participate in the same activities as peers on reported financial stress was confirmed in the extended model. With respect to adaptation level, nontraditional students compared to traditional age students were less likely to report financial stress. Compared to students with high socioeconomic status, students with low and middle socioeconomic status were more likely to report financial stress. Results related to self-efficacy and optimism were confirmed in the extended model. Financial socialization prior to college was negatively associated with financial stress. Students who were encouraged to have a bank account, to save and invest, whose parents talked to them about money and were role models of sound financial management were less likely to report financial stress. Finally, compared to students who make financial decisions on their own (i.e., do not rely on family members for financial advice), students who rely on family members for financial advice were more likely to report financial stress, and increasing levels of reliance increased the likelihood of reported stress. Refer to Table 1 for full results.

Discussion and Conclusions

Not having enough money to participate in the same activities as peers has the largest positive effect on reported financial stress, with an odds ratio (OR=4.213) more than twice the size of the next largest odds ratio (debt ignorance, OR=1.876). Clearly, student financial wellness is about much more than paying for college and managing student loan debt. Further exploration of this variable reveals that students who report not having enough money to participate in the same activities as their peers are more likely to be female (compared to male), Black, Hispanic, or of some other race (compared to White), to be studying at a two-year public institution (compared to a four-year public institution), and to have a GPA below 3.0. They are less likely to have completed a financial education course or workshop in college, or to live on campus, and are more likely to be first generation or nontraditional students, and of lower socioeconomic status. Exploration of financial stressors reveals that these students are more likely to regularly overspend, pay bills late, have debt, and use student loans as a primary funding source for educational expenses. These characteristics may suggest a type of conspicuous consumption motivated by FoMO – the fear of missing out. Further research should try to untangle this association in order to better understand if this fear is a cause or consequence of financial strain.

The result that students who rely on family members for financial advice are more likely to report financial stress, and that increasing levels of reliance increase the likelihood of financial stress may be a bit surprising since use of advice from a reliable source is often a good choice. What the reliance concept in our study may be picking up is “unintended dependency” or delayed financial independence. Concern has been expressed that parents of millennials are much more involved in their young adult children’s lives than previous generations. Well-meaning parents may be doing too much and in turn, depriving adult children of critical experiential learning. The absence of this experiential learning may result in young adults who feel unable to make financial decisions on their own, thus contributing to self-reported stress. Research to further understanding is warranted.

This study adds to our understanding of factors related to financial stress among college students by replicating one of the few studies focused on identifying key financial stressors. The replication utilizes a novel dataset on undergraduate student financial wellness that contains information from over 18,000 undergraduate students at 51 two-year and four-year (public and private) universities across the United States. Using the replication study as a baseline, extensions to the research include examination of how primary funding sources for educational expenses, financial socialization, and parental involvement moderate the experience and impact of financial stress. Heterogeneity in financial stress by parental income/socioeconomic status and other measures of adaptation processes are also analyzed.

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Table 1. Results from Logistic Analyses of Self-Reported Financial Stress, National Student Financial Wellness Study (n=13,175)

Variable	**Odds Ratio**
Financial Stressors	
Consistent with Heckman et al. (2014)	
Not having enough money to participate in same activities as peers	4.213
Regularly overspending	1.704
Having debt from any source	1.721
Not knowing if one has any debt	1.876
Expecting average student loan debt at graduation	1.327
Expecting above average student loan debt at graduation	1.768
Extended Model	
Student loans are a primary source of funding for education	1.071
Employment is a primary source of funding for education	1.023
Adaptation Level	
Consistent with Heckman et al. (2014)	
Sex: Male (vs Female)	0.674
Race: Black (vs White)	0.646
Institution Type: Four-year private (vs Four-year public)	0.835
Extended Model	
Nontraditional student	0.720
Low socioeconomic status (vs High SES)	1.325
Middle socioeconomic status (vs High SES)	1.234
Coping Mechanisms	
Consistent with Heckman et al. (2014)	

Manages personal finances well	0.454
Optimistic about future financial situation	0.407
Optimistic about ability to support self after graduation	0.636
Extended Model	
Financial socialization	0.946
Parents are a primary source of funding for education	0.909
Scholarships/grants are primary source of funding for education	0.879
Moderate reliance on family for financial advice (vs none)	1.548
High reliance on family for financial advice (vs none)	1.860

NOTE: Only statistically significant (p<.05) results reported