Helping Undergraduates Discover The Value Of A Dollar Through Self-Monitoring

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ABSTRACT

Many college undergraduates lack basic financial management knowledge and skills while bearing ever increasing debt burdens upon graduation. In order to encourage students to become aware of their spending patterns and weigh those patterns against personal values, a self-monitoring project was implemented as a class activity. The resulting effect on financial behavior was examined. Analysis of participants' self-reflection papers revealed that awareness of spending behaviors increased universally among participants, and a significant proportion of students spontaneously modified spending behaviors to more closely conform to personal values. Participants consistently reported the importance of a spending management tool in modifying spending behavior.

Keywords: Financial education, student finance, financial management, budgeting

INTRODUCTION

While money plays an important role in everyone's life and can contribute to a sense of security and happiness, an overemphasis on attainment of materialistic goals crowds out the pursuit of more substantive and more durable sources of happiness, such as family life and good health (Easterlin, 2003). Observers of the millennial generation depict their motivations for higher education as a means to affluence through better job attainment and the best way to increase income over the long-run (Dalton & Crosby, 2009). Expectations of higher income resulting from the college degree may be contributing to higher debt burdens. College graduates' debt levels have increased significantly over the past decade and this increase may have significant societal implications. Higher debt levels among recent graduates may result in less flexibility in the types of jobs they are able to accept. Additionally, decisions about marriage, family, and home purchase may be adversely affected, and students may lack the skills to effectively manage this debt (Boushey, 2005; Goetz, Mimura, Desai, & Cude, 2008). While difficult job markets may cause graduates to explore a broader range of career options, a common theme of available jobs during difficult economic times is lower than expected starting salary (Dalton & Crosby, 2009).

While tuition increases have contributed to the higher debt levels (Boushey, 2005), some of the increase is a result of changing spending patterns. A growing number of students report that they would have borrowed less if they had to do it again (Baum & O'Malley, 2003), suggesting that students would have spent less or increased income during college in order to avoid student loan debt had they been more aware of their spending behavior and the ramifications of that behavior on future debt burdens. Increased resources are available to complete degree requirements as discretionary spending and associated debt levels are restrained. This study examines how a financial self-monitoring and reflection intervention, delivered as a class project, increased awareness of discretionary spending patterns among students and how students' improved awareness of their spending patterns motivated spending behavior changes to better align with personal values.

COLLEGE STUDENTS AND FINANCIAL PRACTICES

Students' spending habits, and subsequent use of debt, are important issues for colleges and universities, particularly when considering the relationship between students' financial wellbeing and their overall wellness and likelihood to stay in school. Given young adults low levels of financial literacy (Mandell, 2004), they often make poor financial choices and are vulnerable to financial stress (Joo, Grable, & Bagwell, 2003). Past research suggests a strong link between students' level of financial stress and their overall wellness. For example, students' confidence about their finances has been found to be significantly and negatively associated with mental health needs in general (Hyun, Quinn, Madon, & Lustig, 2006).

Financial stress can lead to a decrease in academic performance (Pinto, Parente, & Palmer, 2001) and to students leaving school to work more hours to repay debts. Financial hardship has been identified as a strong predictor of college student attrition (Mohr, Eiche, & Sedlacek, 1998). Certain student groups are "financially at-risk" for acquiring high levels of debt, which hinders degree completion; these groups include low-income students, women and minorities, and first generation students (Baum & Saunders, 1998; Lyons, 2004). While males and females manage these stresses differently (Sax, 2009), overextended debtors, regardless of coping strategies used, can find themselves buried beneath an avalanche of debt that is difficult to get from underneath. Given students' low level of financial literacy, increasing levels of debt, and negative outcomes associated with financial stress, a cogent argument can be made that colleges and universities should provide financial tools and education to help students develop appropriate financial management skills. Common forums in which diverse issues relating to student life are covered include First Year Seminars and College Success Courses. Educators and administrators seeking to increase the probability of student success can encourage adoption of curricula that fosters the development of financial management skills and imparts sufficient knowledge to allow student to effectively discern the best course or action relative to student loans and cash flow management (Barefoot, 2009).

Intervention programs on college campuses address a wide array of developmental and academic issues. Unfortunately, relatively few financial behavior intervention programs have been implemented and researched on college campuses. However, other intervention programs, specifically those dealing with alcohol use, have been researched extensively and insight pertaining to financial behavior interventions can be extrapolated. Some of the most effective alcohol abuse intervention strategies assist the individual to become more aware of his or her own behavior and how this behavior may be at odds with current and future desired behavior (Larimer & Cronce, 2002; NIAAA, 2002). Consciousness-raising activities that increase self-awareness and lead to self-reevaluation, such as self-monitoring exercises, are commonly found in the literature on alcohol interventions, but are also associated with general behavior modification (Baumeister, Gailliot, DeWall, & Oaten, 2006; Bien, Miller, & Tonigan, 1993; Miller & Sanchez, 1993; Prochaska, DiClemente, & Norcross, 1992). Improving self-awareness can also be achieved through students journaling about particular activities or behaviors (Garvin, Alcorn, & Faulkner, 1990).

Using insight from other intervention literature, particularly practices of self-monitoring and reflection to aide consciousness raising, this study investigates the effects of regular and routine expenditure tracking and goal setting on awareness of spending behaviors, and how this awareness affects discretionary expenditures among college students. It is hypothesized that increased awareness of spending behaviors will result in the modification of spending behavior to be more consistent with participants' personal values and goals.

PROJECT METHODOLOGY

Students enrolled in a sophomore level course at a southeastern university covering topics including housing, consumer protection, consumer behavior, and financial management were recruited for this study during Fall 2007, Spring 2008, and Fall 2008 semesters. Across all semesters a uniform, three-month project was assigned to students to track all expenditures made by the student or made on the student's behalf. Tracking also included savings, debt payments, and charitable contributions. Income from all sources, including gift income and scholarships were also tracked. Students were required to use an online money management and tracking system (The Money Planner®) for recording, categorizing, and summarizing expenses and income. As part of the project students completed three reflection papers discussing whether their spending patterns were consistent with their personal values. Personal values in this project were self-determined and were not required to be articulated as part of the project. The reflection papers and a summary of their spending were turned in at the conclusion of each month. Students also completed other goal-setting and budgeting assignements associated with the project. Grading for the project was independent of how students spent their money and was based on quality of reflection papers and completion of assigned work.

A total of 170 students consented to participate in the study and turned in separate materials (duplicates of their classroom work with their names replaced by a code phrase) for this research project. No extra credit was offered for participation, rather participants were entered into a drawing for a $50 book store gift card. The sample represents 25% of the enrollment during those semesters. First, second, and third waves of the reflection papers were matched based on the code phrases written on the papers. A random drawing for a $50 bookstore gift card was used to entice participation.

Data Analysis

Qualitative data were collected from reflection papers on discretionary spending and personal values and entered into a coding sheet that identified problematic discretionary spending areas. Month 1 baseline data for each of these areas were coded dichotomously (problematic or non-problematic spending area) based on comments made in reflection papers. Months 2 or 3 follow-up data on spending areas that were identified as problematic were categorically coded (no change, increased spending, or reduced spending) based on comments made in reflection papers. Finally, data regarding each problematic spending behavior was aggregated into a single binary variable indicating whether the participant identified any discretionary spending behaviors as problematic as a result of the tracking exercise. A crosstab was used to test whether change in spending behavior was independent of identification of problematic discretionary spending behavior.

RESULTS

The three most common self-reported discretionary expenditure patterns that participants identified as being inconsistent with their personal values were relating to eating out, clothing, and alcohol. Slightly less than two-thirds of participants identified the amount of money spent on eating out as being inconsistent with their personal values. Slightly less than 16% identified spending on clothing as problematic and 12% stated their spending on alcohol was not consistent with their personal values. Follow-up data, based on participants' reflection papers, indicated the top three areas where problematic spending was reduced by the end of the project were alcohol use, eating out, and clothing, respectively. Thirteen of the 21 participants, or 62%, who indicated that spending on alcohol was not consistent with their personal values reported they reduced spending on alcohol. Slightly more than 54%, or 60 out of 110, of those identifying eating out as being an area of problematic spending reported they were able to reduce spending on eating out. Only one-third of participants who indicated spending on clothing was problematic modified their spending on clothing over the course of the project.

An assessment of the impact of the intervention on influencing discretionary spending as a whole, rather than in discrete categories, is presented in Table 1. Nearly 80 percent of the participants identified at least one spending behavior that was not consistent with their personal values as a result of the tracking exercise. More than 57 percent of participants who had identified spending inconsistent with their personal values indicated they were able to reduce their discretionary spending to a level that was more consistent with their personal values by the end of the three month project. In contrast, of the 35 participants who did not identify any inconsistencies in spending patterns and personal values, not one reported a reduction in discretionary spending.

Table 1: Change status of discretionary spending, N = 170

	Change in Spending			
Identified Problem	Increased	No Change	Decreased	χ^2
No problem identified	2	33	-	37.5***
Problem identified	4	53	78	

Note. *** = $p < .001$. Increased change in spending indicates an increase in problematic discretionary spending inconsistent with participant's values observed in the second and third months of the project, no change in spending indicates that that problematic discretionary spending did not improve nor digress over the course of the project, and decreased change in spending indicated that problematic discretionary overspending inconsistent with personal values was reduced.

Over the duration of the three-month project, 46% of all participants positively changed their spending behavior to more closely align with their personal values. Just over half of the sample reported not making any changes to their spending patterns. Just over one-third of these participants had initially reported that their spending behavior was consistent with their personal values. The remaining two-thirds of those who indicated no change in behavior appear to have been unable to modify their behavior over the relatively short period of time, even though they had identified it as inconsistent with their personal values. Less than 4 percent of the participants reported that their spending patterns had become more inconsistent with their personal values over the duration of the project. Participants routinely commented on the helpfulness of the web-based financial management tool and reported that it aided in the organization and analysis of their spending patterns and financial goals. Additional research using a larger random sample that examines both the qualitative and quantitative changes made by students after they become more aware of their spending behavior is necessary to further validate the results of this study.

CONCLUSION AND IMPLICATIONS

All of the participants in this project indicated increased awareness of their spending behavior and 57 percent of participants modified discretionary spending as they became aware of spending behaviors inconsistent with their personal values as a result of the intervention. The findings are consistent with the transtheoretical model of behavior change (Prochaska , DiClemente, & Norcross, 1992). The intervention strategy utilized in this study provides a tool to administrators that can be implemented relatively easily with little additional resources. This project is relatively content neutral, incorporates reflective writing, and may be suitable in a variety of courses.

Providing tools to students to manage their spending behavior during their transition into financial independence may help reduce maladaptive spending and associated debt burdens following graduation. These tools may also decrease student attrition associated with financial stress. Establishing the habit of spending money in a way that is consistent with one's values while in college will likely have long-term benefits, as most goals in life have a financial link. It is during college that many students develop the financial management practices that continue well into adulthood, and the type of practices implemented during these formative years will either promote or hinder their success later in life.

In an effort to encourage administrators' efforts to promote and teach financial management and literacy on college campuses, The President's Advisory Council on Financial Literacy recently released a number of recommendations, one of which is the creation of a financial literacy honor roll to include those colleges and universities that have implemented innovative and effective programming to increase students' financial knowledge and success. While recognition from external entities is desirable, the greatest reward for offering effective financial education comes from seeing students develop skills that will enable them to successfully manage their finances to create prosperity for themselves, their families, and their communities.

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AUTHOR INFORMATION

Lance Palmer has served as the Program Director of the Family Financial Planning program at UGA. He has degrees in accounting, business administration, and consumer sciences. His research explores the evaluation and expansion of financial education and planning and how individuals modify financial behaviors. He is currently working on a multi-institutional project to expand the availability of financial planning services to populations traditionally underserved by the financial planning profession.

Donna Leigh Bliss has over 20 years of clinical and administrative practice experience in the addictions and mental health field. She graduated magna cum laude with a BA in Psychology from the University of Maryland College Park in 1989 and received her MSW from the University of Maryland Baltimore School of Social Work in 1991. Dr. Bliss was a Pre-Doctoral Fellow in Maternal and Child Health during her doctoral studies at the University of Baltimore School of Social Work, where she received her PhD in 2005.

Joseph W. Goetz serves as the Program Director of the Family Financial Planning program at UGA. His educational background also includes two master's degrees from Texas Tech University in the areas of Personal Financial Planning and Psychology, as well as a Ph.D. in Consumer Economics and Financial Planning. His research interest include financial therapy, service-learning, and risk tolerance.

Diann Moorman has degrees in family policy, family resource management, and psychology from Iowa State University. Her research includes the scholarship of teaching and learning, social learning theory, and personal financial management. She is currently the lead instructor for UGA's Business Learning Community and the Family and Consumer Sciences Learning Community.

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NOTES