

Evaluation on the Effectiveness of College Financial Success Plan

1. Background

Previous studies found students are unaware or confused about how much student loans they are accumulating (Andruskaet al., 2014; Baum & O'Malley, 2003) and what their student loan payment will be when they graduate (SCFW, 2020). Also, many students fail to complete the FAFSA leaving huge amounts of Pell grant dollars unclaimed due to the lack of understanding (National College Attainment Network, 2022). To address the issues such as lack of understanding on costs for college and available financial resources, the College Financial Success Plan (CFSP) was developed to help reduce financial stress and anxiety and enhance students' financial well-being.

2. Conceptual background or theory

The conceptual background of this project is based on Sandra Huston's financial literacy framework (Huston, 2010). This framework shows that "A well-designed financial literacy instrument that adequately captures personal finance knowledge and application can provide insight into how well financial education improves the human capital needed to behave appropriately to enhance financial well-being." (Huston, 2010, p. 308).

3. Purpose

The purpose of the CFSP project is to help returning freshmen enrolled in the College of Business and College of Health & Human Sciences to determine a personal plan for paying the costs of obtaining their undergraduate degree and to measure the impact and success of this intervention. The expected outcome is increased college finance literacy and financial well-being among the participants.

4. Description of content and method

The pilot project was developed between an alumnus donor and peer-to-peer financial counseling program at a large Midwest public university. The donor provided funds to incentivize student participation in this study. Personal Financial Planning faculty acted as a Principal Investigator of the project, developing survey questionnaire and analyzing the data. The project launched in the spring 2020 and was implemented again in spring 2022.

At Phase 1, the College of Business and the College of Health & Human Sciences sent an email to returning freshmen with directions to complete a pre-assessment to determine their financial knowledge and financial concerns along with information about the CFSP process. Those who completed the pre-survey were invited to meet with a peer financial counselor.

At Phase 2, the CFSP process was implemented with a peer financial counselor. It includes 1) estimating students' monthly expenses and identifying the semester campus charges, 2) inputting resources available to them to cover those costs and then determining if there is a gap in funding, 3) reviewing student loan planning and education, and 4) providing a document reviewing the university's financial aid and scholarship processes. If the process indicates that students may need to borrow student loans, the peer financial counselor also reviewed a post-graduation budget scenario with a projected salary based on students' planned career path and their estimated debt repayment amount. After the session, students completed a post-assessment. Students received \$50 for fully participating in phases 1 and 2 and were asked to schedule a follow-up session.

At Phase 3, students engaged in a follow-up session to review their plan and any adjustments needed for the next semester. Upon conclusion of the follow-up session, student completed another post-assessment and were entered to win a \$500 scholarship.

5. Research methodology

5.1 Data and sample

The sample of the study is returning freshmen enrolled in College of Business and College of Health & Human Sciences in the spring semester of 2020 and 2022. In 2020 program, 61 respondents participated in the pre-survey and 20 respondents participated in CFSP session and completed the post-survey. Due to COVID-19, the follow-up session was not implemented in the spring 2020. In 2022, 35 respondents participated in the pre-survey, 9 respondents completed the post-survey 1 after the CFSP session, and 8 respondents completed the post-survey 2 after the follow-up session. Seven students participated in all three surveys in 2022. Due to the small number of samples, caution is needed when interpreting the results.

5.2 Variables

We collected detailed information on cost for college, resources to pay for college, expected earnings, planned borrowing amount, and other subjective measures. Variables of interest in this study can be categorized into 1) participants' evaluation of the CFSP program effectiveness and usefulness after the sessions, and 2) the changes in their before and after session reports on resource adequacy, student loan knowledge, financial satisfaction, stress, and anxiety.

5.3 Analysis

We conducted paired t-test to examine if there exist statistically significant changes before and after the CFSP session each year. Then we conducted two-sample t-test to examine if there exist statistically significant changes between 2020 results and 2022 results.

6. Results and discussion

6.1 Results

Overall, participants reported that the CFSP process and resources were extremely useful. Through the CFSP process, participants reported that they are likely to reduce the amount of student loan borrowing and know more about how much student loan debt they can afford. Also, they reported

that the sample budgets were useful. Participants in 2022 project agreed more that their knowledge on student loan affordability increased after the CFSP session but evaluated the sample budget less helpful compared to those in 2020 project.

Table 1. Participants evaluation on CFSP session.

	2020 (n=20)	2022 (n=9)
After the session, how likely you are to reduce the amount of student loans you borrow in the future (1=extremely unlikely ~ 7=extremely likely)	6.26	6.38
After the session, know more about how much student loan debt you can afford? (1=definitely not ~ 5=definitely yes)	<u>4.21</u>	<u>4.75</u>
How helpful the sample budget for while in college was (1=not helpful ~ 4=extremely helpful)	<u>3.90</u>	<u>3.56</u>
How helpful the sample budget for after college was (1=not helpful ~ 4=extremely helpful)	3.45	3.25
How useful the overall CFSP process and resources (1=extremely useless ~ 7=extremely useful)	6.70	6.67

Note: Statistically significant differences between 2020 results and 2022 results ($p < 0.05$) are underlined.

When examining changes between before and after the CFSP program, knowledge about student loans was increased and financial stress and financial anxiety were decreased after the CFSP session in 2020. Interestingly, in 2022, the significant change after the CFSP session was only observed in reduced financial anxiety. However, after the follow-up session in 2022, resource adequacy and student loan knowledge were significantly increased, and financial stress and financial anxiety were significantly lowered. This indicates that overall the CFSP program was significantly effective when accompanied with a follow-up session.

Table 2. Changes between before and after the CFSP program.

	2020 (n=20)		2022 (n=7)		
	Pre-survey	After CFSP session	Pre-survey	After CFSP session	After follow-up session
Resource adequacy for college cost (1~7)	3.85	3.83	<u>3.14</u>	4.57	<u>5.86</u>
Knowledge about student loans (1~5)	<u>2.45</u>	<u>3.00</u>	<u>2.86</u>	3.29	<u>3.86</u>
Financial satisfaction (1~10)	8.15	7.30	8.71	8.43	8.43
Financial stress (1~5)	<u>3.55</u>	<u>2.35</u>	<u>2.83</u>	2.33	<u>2.00</u>
Financial anxiety (1~7)	<u>3.21</u>	<u>2.14</u>	<u>2.65</u>	<u>1.73</u>	<u>1.53</u>

Note: Statistically significant differences between before and after the program ($p < 0.05$) are underlined.

6.2 Discussion

The findings from this pilot project provide insights for financial educators or counselors working at higher education and financial practitioners working with family with college age children. First of all, the hands-on experience with sample budgets and individual meetings with a financial counselor were found effective. There has been a debate over the effectiveness of traditional-type financial education and the CFSP project can be a great alternative or supplemental tool to improve college students' financial literacy and well-being. Secondly, it is notable that in our project the intervention was performed by a peer. This indicates that students can be trained to assist fellow students with this topic. Third, from the 2022 results, the CFSP program was more effective when accompanied with a follow-up session, providing insight on how the intervention should be implemented for better outcomes. Designing the intervention with multiple phases or at least giving some reflection time for participants makes the intervention more impactful.

While we found the CFSP project to be effective overall, there exist areas to be improved. For example, the helpfulness of sample budget was scored lower in 2022 project compared to 2020 project and the score was lower for after college compared to while in college. Also, recruitment became more challenging after the COVID-19 so collaboration across the campus is needed to facilitate participant recruitment. With more participants, researchers can examine in which group the CFSP intervention was more impactful. Once this pilot project is thoroughly reviewed and modified accordingly, the CFSP program can be expanded to other colleges and universities to improve students' financial literacy and well-being.