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TCID 2090: Intro to Tech Writing

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Financial Literacy at our University:

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The Need for a New Course Requirement

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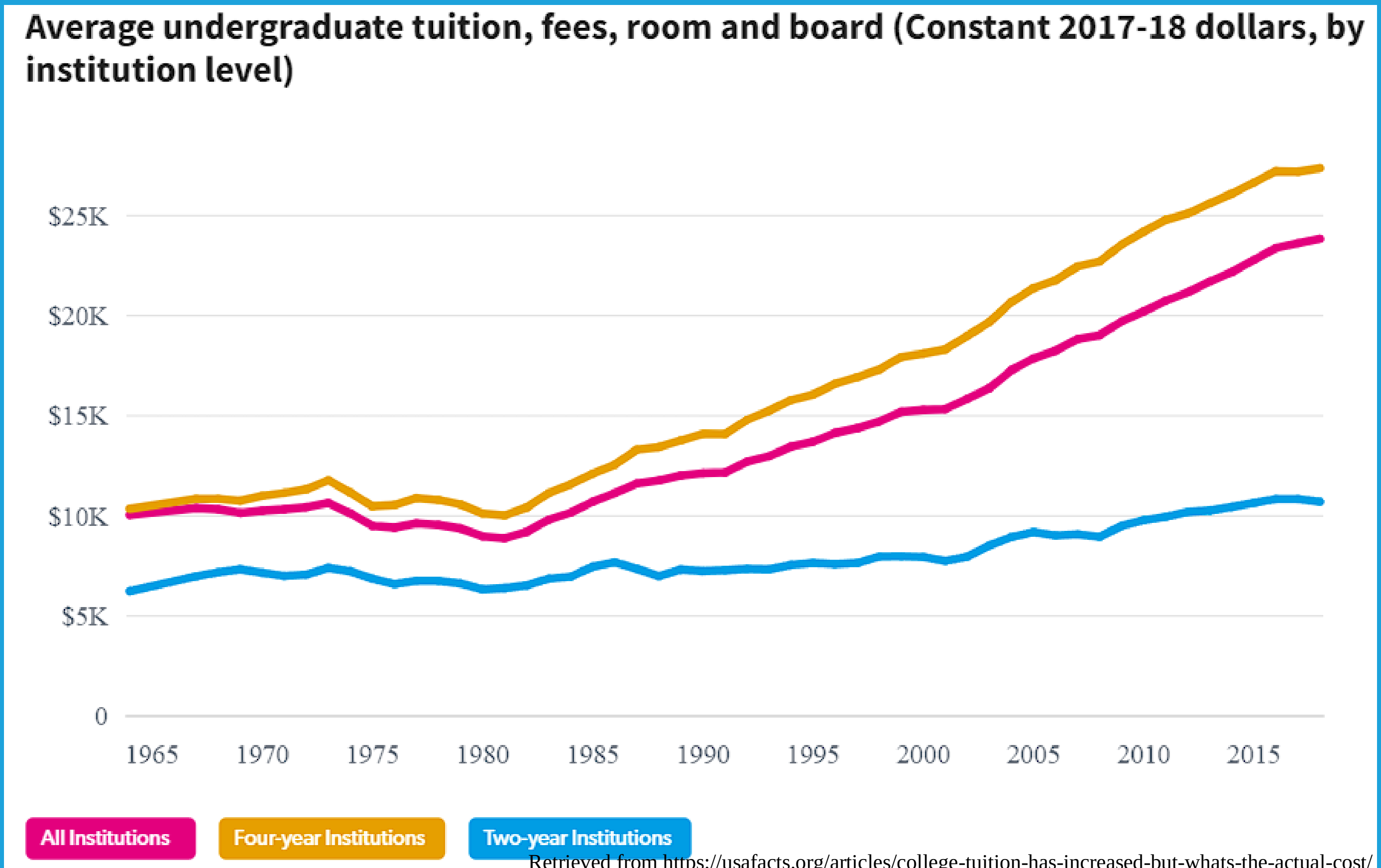
Introduction

This document will examine the need for a financial literacy course requirement in undergraduate programs. We will be looking at statistics involving upcoming and current students regarding their financial literacy, plan for tuition, and financial mistakes while attending. While looking at those, we will begin to understand how this course would improve the problem. The purpose of this report is to explore this new approach to assisting students with financial management and, as a result, enhance retention at UCCS caused by financial pressure dropouts. This option offers a mutual benefit to both the student and the university by increasing student retention. This report will also explore what will need to change to implement this into the course curriculum.

Background

The number of students that enrolled at UCCS in Fall 2021 was 11,735. From a financial aid perspective, 48% of undergraduate aid distribution is in loans based on Fall 2020. This means almost half the students attending UCCS take on loans to pay for schooling in hopes of getting a degree. The problem starts here. While there is no issue with taking a loan to pay for college, there is a problem when students don't use the loan correctly or abuse it. One of the six major mistakes that students make is abusing student loans. Unfortunately, as the costs for education have grown, students' financial burden has grown and is higher than ever. Tuition for public and private non-profit institutions has gone up 65% and 50%, respectively, since 2000. With these rising costs and taking on this financial burden, it has become imperative to manage your finances well. Without proper financial management skills, students do not know how to handle this financial pressure. Something else to think about is with the rising costs of tuition, more and more students will have to take out loans, there could be a rise from 48% of undergraduates to a much higher number.



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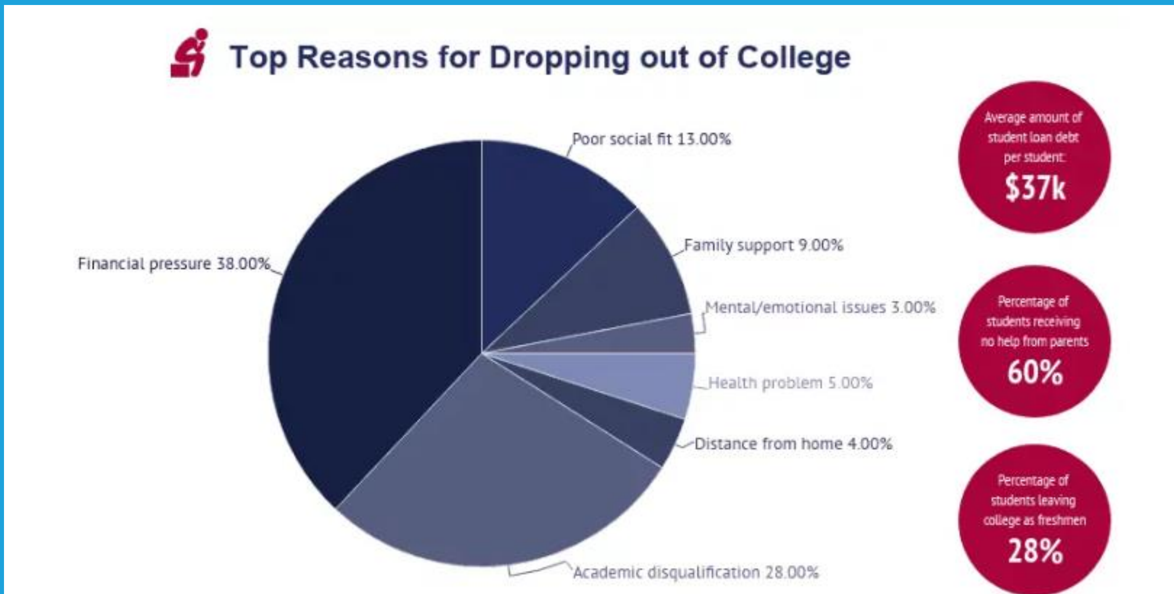

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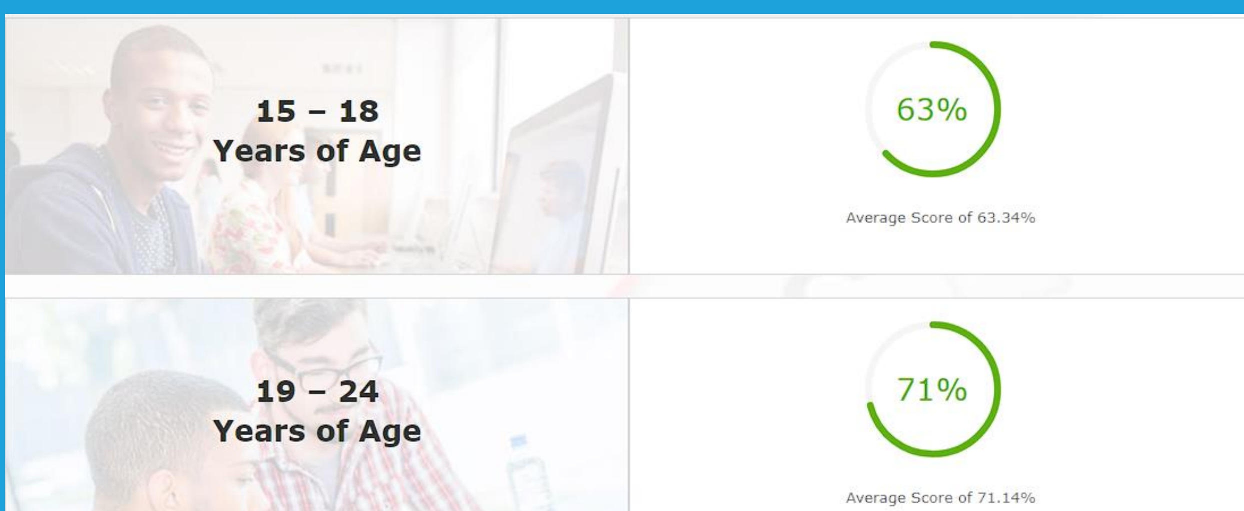
Keeping this in mind, when we look at why students don't finish college, the number one reason is financial pressure. Melanie Hanson says, "38% of college dropouts – the largest majority – said they left due to financial pressure." When you consider 11,735 students enrolled and of those that drop out, up to 38% drop out due to financial reasons, that is a big number and a huge revenue loss, amongst other failures, for the university. Based on the cost of education going up, this problem is likely to get worse as students become increasingly scared due to massive loans and taking on debt.

When looking at the reasons they may have financial troubles, there are a few things to consider. First, their financial literacy. Vince Shorb, CEO of National Financial Educators Council, says, "Results from this test (a financial literacy test) show that most youth today venture out into the real world unprepared for the financial realities they will face." Let's look at the financial literacy test scores; the average score was 63.34% for 15–18-year-olds and 71.14% for 19–24-year-olds. These are the students looking or attending college for their first semester. The second is the mistakes college students make. There are six major mistakes:

1. Not knowing where their money is going.
2. Not having a plan for their money.
3. Not determining wants vs. needs.
4. Succumbing to peer pressure
5. Abusing credit and ruining their credit score
6. Abusing student loans.



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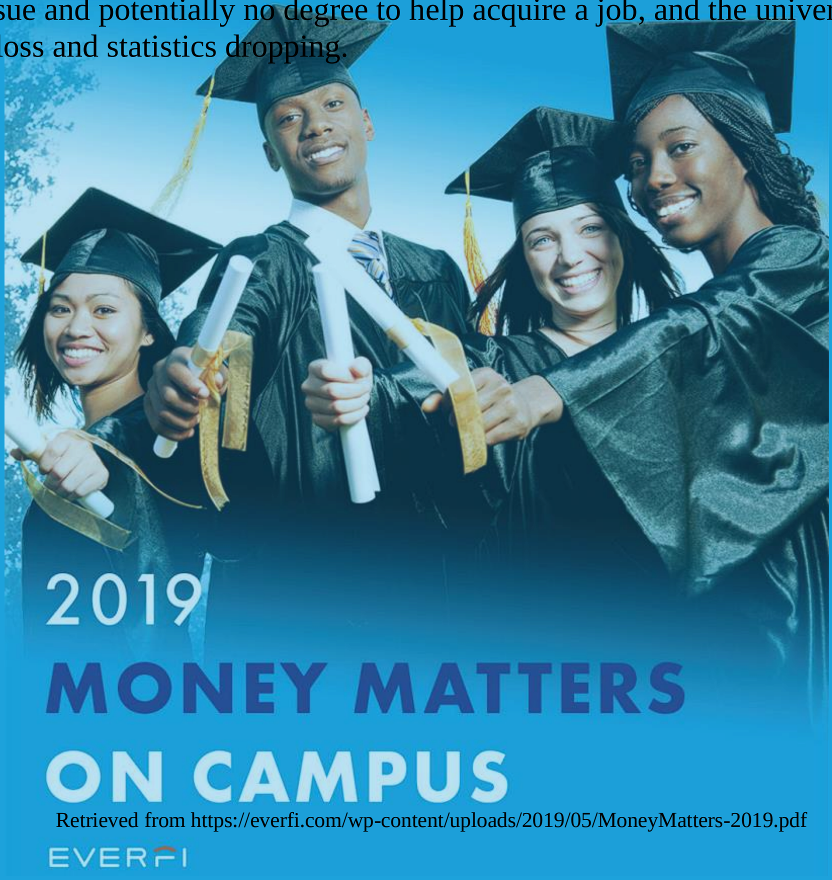
These mistakes are avoidable with a course that teaches students how important their credit is, how to handle loans responsibly, and how to take an in-depth look at their financial status. In 2019, EVERFI surveyed a nationally representative sample of 30,000 students from more than 440 institutions located in 45 states. They had some fascinating results. First, 53% reported that they were the least prepared to manage their money. Second, 36% already had $1,000 in credit card debt. Third, 60% of all students planned to take out loans to pay for college. Fourth, 35% of the sample reported taking a personal finance course in high school. And lastly, 68% said that finding a job after graduation from college produced a large amount of anxiety. When we look at these highlights of the report, we can better understand why students may struggle with managing their finances during college. Many students lack financial literacy. Some high schools have seen this and have begun a financial literacy bill for high school students. However, not all states have imposed this requirement. Therefore, it is essential to implement it at the college level. Including this course will ensure all students attending will have had a financial course in their history and will be more prepared to tackle the many challenges of college, including finances. The impact of finances does not stop there, it goes beyond the college level as well.

From CNBC, "First, if students default on loans and simply cannot find a way to pay back their student loans, taxpayers may be asked to pay for those loans, and it is important to take preventative measures and make sure that students acquire some basic knowledge and skills to better manage these loans." They go on further, "Second if financial literacy courses are not mandatory, only a small fraction of students may end up taking them. And it's obvious that all students need this financial education." We can also look further at student loan and debt statistics. Melanie Hanson also found, "15% of all American adults report they have outstanding undergraduate student debt; 7% report outstanding postgraduate student loans. Between 39% and 50% of indebted student, borrowers have loans from both undergraduate and postgraduate education." These numbers can be improved through new curriculum requirements. The ultimate problem is students do not possess the necessary financial tools to manage their money correctly. As a result, both the university and the student suffer greatly. The student suffers from this crippling debt issue and potentially no degree to help acquire a job, and the university suffers from the tuition loss and statistics dropping.



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Technical Background

The plan to improve the issue requires a personal finance course in the undergraduate degree program. This new finance course can replace an elective. By reviewing some undergraduate degree plans and looking at the B.S. Computer Science degree, there are 7 hours of free electives for which the course is available. Another degree, B.S. in Marketing, has five open electives in their model degree program. The study doesn't need to be anything more than one credit hour. Teachers will prepare and lecture on important personal finance topics such as loans (subsidized versus unsubsidized), credit, budgets, interest, and many more. This will enlighten students to be aware of their financial status. As a result, many students will feel more comfortable taking out loans and pursuing avenues to stay at college and finish their degrees.

Requirements and Criteria

This task is not quickly done. There are many things to consider. Since all students will be required to take the course, many teachers will teach the classes. Students may also require tutoring, so the math center may require more assistance to help students pass. Offices and classrooms will need to be allocated to the teachers and students to meet for the lecture. Final tests will also have to be worked into the schedule for the school.

The first thing is hiring the teachers. The salary paid to instructors will be around $75,000 as they will be a part of the College of Business and Administration. This number comes from the UCCS website involving employee data. There will also need to be multiple teachers offering the course at various times. The requirement to start the system will also have to begin the next semester and be optional to all currently enrolled. This will allow a smoother entrance to the course without cramming the class. Looking at the Fall Cohort (Fall 2021), there are 1430 first year and 1466 transfer cohorts. Combining those gives about 2900 students and putting 60 students per class over two semesters for freshman year yields 25 sessions per semester. Estimating each teacher could offer four sessions, a total of 6 teachers would be needed bringing payroll to $450,000 annually.

The second is the student tutors. Pay students $15.00 per hour for working at the math center to tutor this subject. The math center hours are from 8:30 AM to 7:00 PM from Monday to Friday and 11:00 AM to 3:00 PM on Sunday. This gives a total of 56 ½ hours to provide continuous coverage. At the wage, the annual estimate to spend on tutoring could range from $44,070 (1 tutor of constant coverage) - $88,140 (two tutors) or more, depending on how many tutors are paid. Two may be necessary given the number of students taking the course.

Third, offices and classrooms will be distributed. With 25 sessions per semester, a few classrooms will need to be assigned to teachers. They also will require office space to assist students on a more personal level. This may require some more minor courses to be combined to free classroom space, and teachers may also have to share office space.

Lastly, finals will need to be considered for the additional courses. With the addition of 25 sessions, the finals schedule could change drastically. Either way, this is something that must be addressed ahead of time. This will allow all students to attend finals properly.

With all that in mind, the estimated cost to implement this will roughly start at $500,000. The list I have should cover some essential items that need to be thought about. However, it is not all-inclusive. This initial investment will improve the problem and increase retention. In other words, the initial investment will pay itself.

One last thing to address is the expected return from the course. In 2019, the retention rate was 68.3%. Utilizing that on the current number of students of 11,735 yields 3,720 students potentially lost. Remembering 38% drop out due to financial reasons, 1,413 students would be leaving due to finances. Take the average freshman/sophomore tuition rate of $5,044 per semester (Fall 2020) and multiple it to get a total of $7,127,172 lost in tuition per year. That lost money could be recouped and redirected to students and research.

Discussion of Other Options

Another option to improve this problem could be to provide optional courses and undergraduate degrees. These could be a few to several week courses that build basic financial skills and improve already known financial skills. Even at a deficit cost to the university to hire someone to teach these courses, the dropout rate would drop sufficiently to recover these costs to the university.

Conclusions and Final Recommendations

In conclusion, I revealed a significant shortcoming in upcoming and current students at colleges, financial literacy. Students need financial skills, with upcoming students averaging 63.34% on a financial literacy test. This test shows the onset of financial problems when attending college. The majority of students plan to take on loans to pay tuition costs. While taking on loans, the financial burden may lead to dropping out, contributing to the high dropout rate due to financial pressure, 38%. When students take out these loans and don't have a degree to help them get hired, they may default, ultimately leaving the taxpayers to pay for the debt. Improvement to these numbers could be made by offering and requiring a personal finance course. With this requirement, many resources, such as teachers, classrooms, and tutors, will give students the proper knowledge. It is in the best interest of UCCS to provide these courses. The change is for the benefit of the students and the college. Students will benefit from UCCS taking a strong interest in their students' well-being and additional jobs. This change may not directly bring in students, but it will significantly impact retaining students, thus maintaining revenue from students. I thoroughly recommend implementing this course requirement for all students.

Thank you for taking the time to read this report. We look forward to hearing your thoughts on our recommendation. If you have any questions or concerns, please get in touch with me, Zachary Arnold, at **zarnold@uccs.edu**

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