Getting Emotional about Money:

The Psychological Impact of Debt and Tools to Help Your Students Cope

A Better Student Loan Experience.

collegeave.com

Julie Finn
Head of Campus Development - Southwest

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Agenda

- Debt and Emotion Defined
- The Psychological & Physical Impact of Debt
- Incorporating Emotion into your Counseling
  - The Value of an Education
  - Your Student's Money Story
  - Money Personality Types
  - Money and Action
- Resources

Debt and Emotion Defined

Debt Defined

debt

noun

1. **Sin, Trespass**. Forgive us our debts

2. Something owed**:** obligation
    1. unable to pay off his *debts*
    2. owe them a *debt* of gratitude
    3. a criminal's *debt* to society

3. A state of being under obligation to pay or repay someone or something in return for something received**:** a state of owing deeply in debt to creditors

Source: Merriam-Webster

Emotion Defined

emotion

noun

1. A conscious mental reaction (such as anger or fear) subjectively experienced as strong feeling usually directed toward a specific object and typically accompanied by physiological and behavioral changes in the body
2. A state of feeling
3. The affective aspect of consciousness: Feeling

Source: Merriam-Webster

Good debt vs. Bad debt

Ask Yourself: Will this debt pay me back more than what I put in?

Good Debt	Bad Debt
Mortgage	Credit card
School loan	Store credit card
Real estate loan	Auto loan
Business loan	

Source: https://www.bankrate.com/personal-finance/debt/good-debt-vs-bad-debt/

The Psychological & Physical Impact of Debt

The Emotional Effects of Debt

- Debt and Mental Health
- Denial
- Stress
- Anxiety
- Anger
- Depression

Source: The Emotional Effects of Debt https://www.debt.org/advice/emotional-effects/

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The Physical Effects of Debt

- Blood Pressure
- Heart Rate
- Immune System Functions
- Mood
- Memory
- Weight Gain or Loss
- Poorer Overall Health

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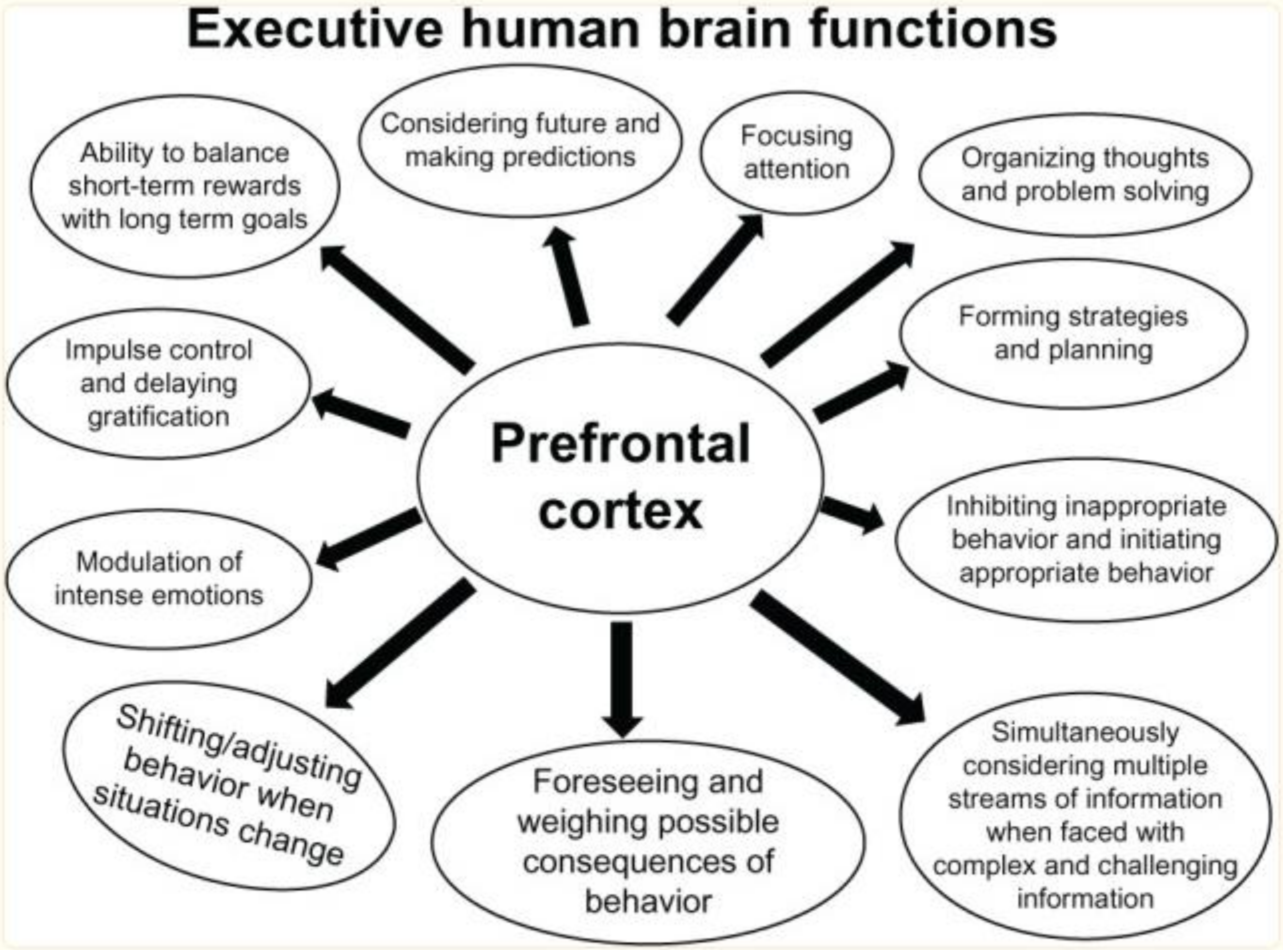
Money Stress Leads to:

- Low Self Esteem
- Impaired Cognitive Functioning
- Difficulty with learning and attentiveness
- Memory problems
- Diminished problem-solving abilities

This means students can't learn, remember, be attentive or solve problems as effectively when they're concerned about money.

Limbic System vs Prefrontal Cortex



https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3621648/

The Student Impact of Dropping Out

- A MagnifyMoney study of over 3,000 students found that 39 percent of those with loans would consider dropping out of school before graduation to avoid taking on more debt.
- The college dropout rate in America for undergraduate students is 40%. (College Atlas) (https://whattobecome.com/blog/college-dropout-rate/)
- Students experiencing financial stress often decide to drop out without considering what else they may lose:
  - Scholarships
  - Work-study
  - Subsidized room and board
  - Free public transit
  - Grace period for loan repayment
  - Higher earning power

Dropping Out: Impacts to the Institution

Low Graduation Rates = Lower Enrollment

- Low graduation rates have been linked to lower academic support, lower faculty support, and higher tuition rates.
- Prospective students should consider this.

College Dropouts = Reduced Alumni Donations and Rankings

- Alumni contributions are a strong indicator of receiving major donations and planned gifts.
- It is also a factor in the U.S. News and World Report’s school ranking.

The Psychological Impact of Debt

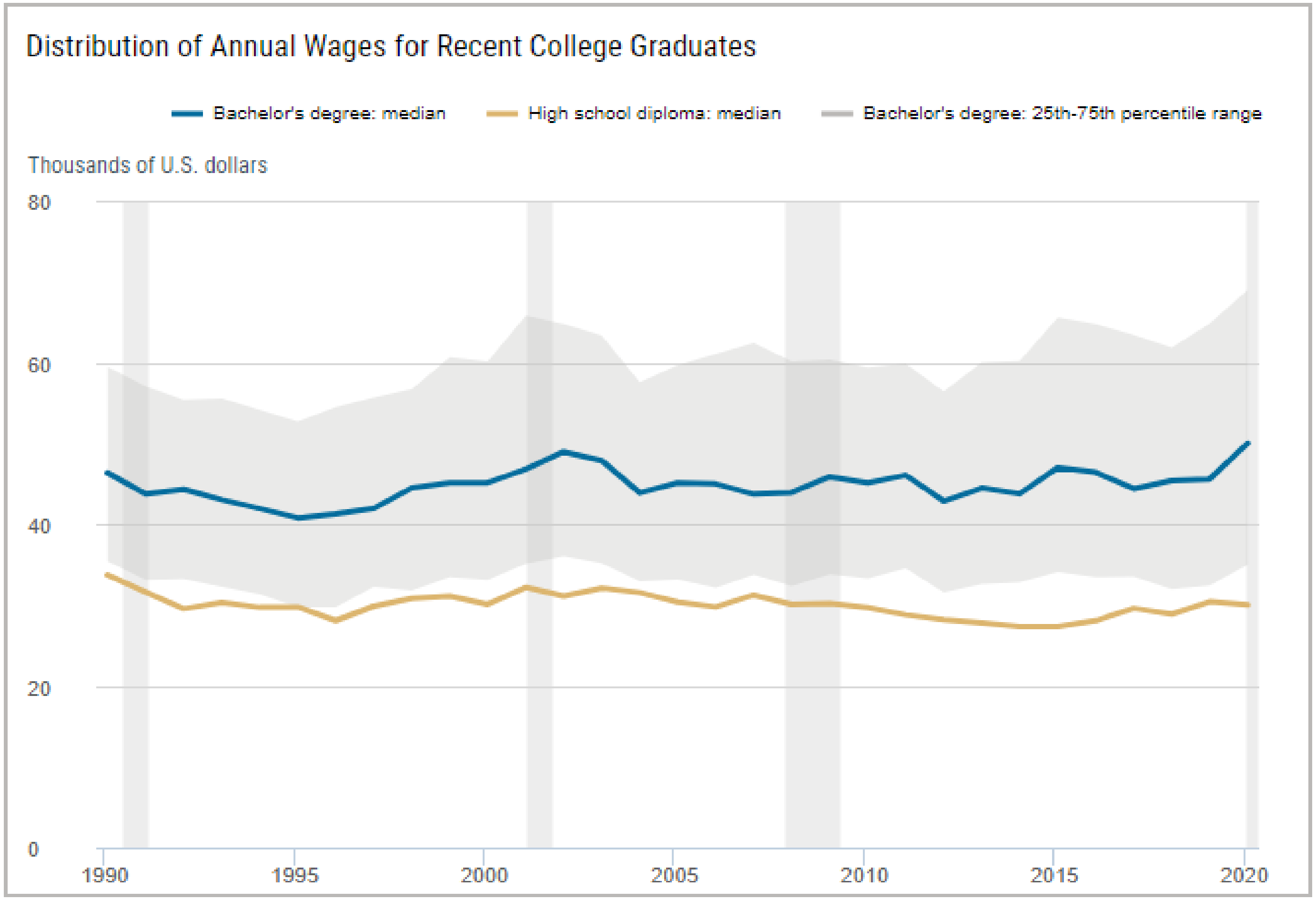
How can students truly focus on academics when they're so stressed about their finances?

Incorporating Emotion Into Counseling: The Value of an Education

The Value of An Education

- Good debt is an investment that will grow in value or generate long-term income
- Student loans can be an excellent investment in your future

The College Wage Premium Remains High



Sources: U.S. Census Bureau and U.S. Bureau of Labor Statistics, Current Population Survey, March Supplement (IPUMS); U.S. Bureau of Labor Statistics, Consumer Price Index.

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The Value of an Education

- A degree never expires
  - You are more valuable to companies and employers for a very long time

- It's worth your time and money – you learn how to:
  - Socialize
  - Stick with it even when you don't want to
  - Manage your time

- It's an investment in you
  - What do you want to get out of it?
  - You can study what you want

- It reaches beyond a career
  - Greater capacity to serve and give back to the community
  - You learn to think critically, analyze widely, and learn vast specific and general lessons
  - Financial education hones skills for budgeting

Education gives you the capacity and the ability to do more

Source: https://due.com/blog/the-value-of-an-education/

What Can You Do to Help Your Students?

Learn about your school's statistics and facts and be prepared to share them with your students

- Graduation Rate
- Employment Rate
- Average Starting Salary
- Default Rate

Know where your students can go for money if they have an emergency (does your school have an emergency loan or a food pantry?)

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Incorporating Emotion into Counseling: Your Students' Money Story

Finding Out Your Money Story is the First Step in Reshaping Your Finances

Money and Family/Upbringing

Your History

- What were your parent’s/family’s views about money?
- Was money discussed in your household?
- Do you remember your parents or family fighting about money? Discussing it openly?
- Were there any big financial events in your family, like a big raise or a job loss? How was that handled in your family?
- As an adult, have you noticed anything about how your family interacts with money? Do they save all of it, spend a lot, or talk about never having enough? Or do they seem to be fairly stable with money?

Money and Family/Upbringing

The Present

Then, ask yourself:

- Do I do anything with money that is similar to my parents or family? Do I think this is a positive or negative behavior?
- Do I discuss or think about money the way I've heard my family discussing it?
- What's different about how I manage, think about, or discuss money? Do I think this is a positive or negative difference?
- Would a different money story/background serve me better with money now?
- Does my relationship with money or my money story connect with my money values?
- If I had kids, what would I do the same or different when talking about money?

Money and Societal Pressures

Community

- How do your friends and acquaintances talk about money?
- Do they overspend, or express concern over covering the bills each month?
  - Choice of living arrangement while in school
  - Choice of dress, etc.
  - How do they prioritize wants vs. needs
- What are their views toward people with money?

Community impacts every aspect of your identity because, as people, we tend to emulate those who we interact with regularly.

Rewrite Your Money Story

1. Identify your money story
2. Understand where your money story comes from
3. Disprove your story
4. Disassociate your self-worth with your net worth
5. Choose a new story and act on it
6. Commit to small changes
7. Be willing to forgive yourself
8. Visualize your habits
9. Educate yourself

Source: https://money.usnews.com/money/personal-finance/saving-and-budgeting/articles/how-to-rewrite-your-money-story

Incorporating Emotion into Counseling: Money Personality Types

The 7 Money Personality Types

THE COMPULSIVE SAVER

-Saves money endlessly
-Views money as a source of security
-Frugal and financially responsible
-Bargain shopping expert
-Fear of irrational spending

THE COMPULSIVE SPENDER

-Often makes unnecessary purchases
-Spends when in emotional distress, or for immediate gratification
-Experiences buyer's remorse after big splurges

THE COMPULSIVE MONEYMAKER

-Believes life is better when you earn more
-Top priority is growing wealth, making more money
-Craves recognition for their financial success

THE INDIFFERENT-TO-MONEY

-Tends to be financially well-off
-Rarely thinks about money
-Feels money should not influence important decisions in life

THE SAVER-SPLURGER

-Shares combination of traits between Savers and Spenders
-Is smart with money for a certain amount of time, but may then give into spending impulses out of nowhere

THE GAMBLER

-Shares combination of traits between Spenders and Moneymakers
-Takes big risks with money
-Happy with financial wins, but deeply depressed over losses

THE WORRIER

-Constantly worried about losing money
-Lacks confidence in ability to achieve financial freedom
-Always in preparation mode

Source: Ken Hoda, expert on the psychology of money and contributor to CNBC Money

Incorporating Emotion into Counseling: Money and Action

Money and Action

Strategies to Help You Cope

- Take only cash with you
- Have a buddy (financial accountability partner)
- Have an exit strategy
- Participate in only so much as you can contribute
- Focus on the end (future)

Money and Action

Build a Budget

STEP 1
Go back and look at your last 3 months of spending

STEP 2
Separate your variable and fixed expenses

STEP 3
Stop spending on what does not bring you joy

STEP 4
Know that breaking even while in school is a win

Money and Action

Budgeting and Cashflow Planning Rules: During School

Fixed Spending

- Expenses that have to be paid
- “Have to”
- Can reduce fixed expenses through lifestyle changes

Variable Spending

- Money spent/saved when you leave the house
- “Want to”
- Can reduce variable spending by setting aside a set amount each month (allowance)

Money and Action

Paying Down Debt: 4 Methods

Snowball Method	• Minimum balance first • Get quick wins for positive reinforcement • Will pay a little more in interest over time
Avalanche Method	• Target the debt with the highest interest rate first • Pay less interest, less over all payments • Could take longer to pay off larger loans with high interest
Kiyosaki Method	• Created by Rich Dad, Poor Dad author Robert Kiyosaki • Pay debt with highest monthly payment first • Once paid, largest amount of cash available to pay off other debt
Emotional Method	• Least considered • Target the debt that causes you the most stress

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Money and Action

Budgeting and Cashflow Planning Rules: After School

Building Wealth	• Paying down debt (student loans) • "Should do" • First 25% of your take home pay
Fixed Spending	• Expenses that have to be paid • "Have to" • No more than 50% of your take home pay
Variable Spending	• Money spent/saved when you leave the house • "Want to" • No more than 25% of your take home pay

Rule of thumb: Savings should be 3-6 months of your living expenses, but also depends upon your career path and employability.

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Money and Action

Create a Financial Roadmap

- Make a Plan
- Set Realistic, Measurable Goals
- Assess/Adjust Your Goals Regularly
- Invest In Good Habits for the Future
- Focus on Progress, Not Perfection
- Expect the “Unexpected”
- Stay Balanced
- Net Worth

Money and Action

7 Ways to Shift Mindset about Debt

1. Recognize that you and your debt are not one and the same
2. Stop the secretiveness
3. Change your perspective
4. Expand your idea of wealth
5. Recognize what you CAN change
6. Make a plan – on paper
7. Stop blaming yourself

Source: https://www.harleytherapy.co.uk/counselling/10-ways-help-debt-problems.htm

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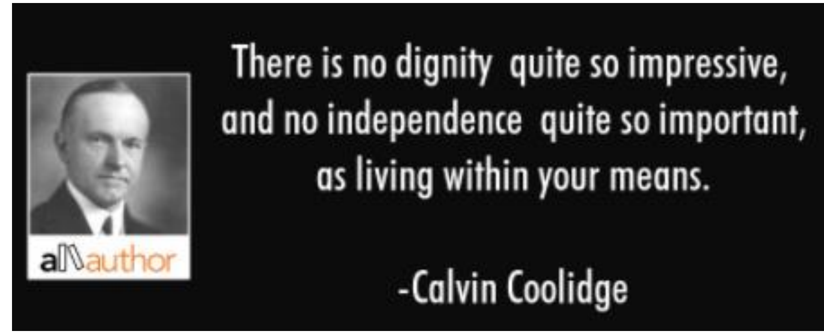
Money and Action



The Impact of Debt Resolution

Debt resolution affects the same emotional and physical responses as being in a debt crisis, quite literally turning negatives into positives.

- Sense of Relief
- Financial Freedom
- Sense of Accomplishment
- More Relaxed Sleep
- Ability to Focus
- Increased Credit Score
- Money to Save/Spend/Invest
- More Options

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Final Thoughts…

Money Is a Tool

Before you reach for your wallet or click on “Buy,” ask yourself:

- Is this going to make me feel fantastic in a way that it improves my well-being?
- Is this going to help me get the results that I’m aiming for?
- Is this going to help other people (including the people you’re purchasing from)?
- Wait 24-48 hours before making the purchase. If you wait you may not make the purchase

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Resources

Tools For Your Financial Toolbelt

A Generation Defined By The Pandemic

- https://www.insidehighered.com/news/2020/10/15/students-continue-be-stressed-about-college-their-futures

Good debt vs. bad debt: Why what you’ve been told is probably wrong – CNBC

- https://www.cnbc.com/2020/07/20/good-debt-vs-bad-debt-why-what-youve-been-told-is-probably-wrong.html#:~:text=%E2%80%9CGood%E2%80%9D%20debt%20is%20defined%20as,to%20improve%20your%20financial%20outcome

The Debt Stress Connection

- https://www.webmd.com/balance/features/the-debt-stress-connection#4

The Emotional Effects of Debt

- https://www.debt.org/advice/emotional-effects/

The Emotional Effects of Debt

- https://www.thesimpledollar.com/credit/manage-debt/the-emotional-effects-of-debt/

Tools For Your Financial Toolbelt

Emotion and Psychology of Debt

- http://instituteofwelfare.com/resources/Debt.pdf

7 Ways to Feel Better Despite Debt Problems

- https://www.harleytherapy.co.uk/counselling/10-ways-help-debt-problems.htm

7 Essential Money Questions Sure to Start a Conversation

- https://www.nytimes.com/2016/08/27/your-money/7-essential-money-questions-sure-to-start-a-conversation.html

Student loans take a mental toll on young people

- https://www.cnbc.com/2017/10/17/student-loans-take-a-mental-toll-on-young-people.html

Study: The Psychological Cost of Debt – The Ascent

- https://www.fool.com/the-ascent/research/study-psychological-cost-debt/

Tools For Your Financial Toolbelt

7 Money Personality Types

- https://www.cnbc.com/2021/04/28/7-money-personality-types-and-the-pitfalls-of-each.html

Strategies to Help You Cope

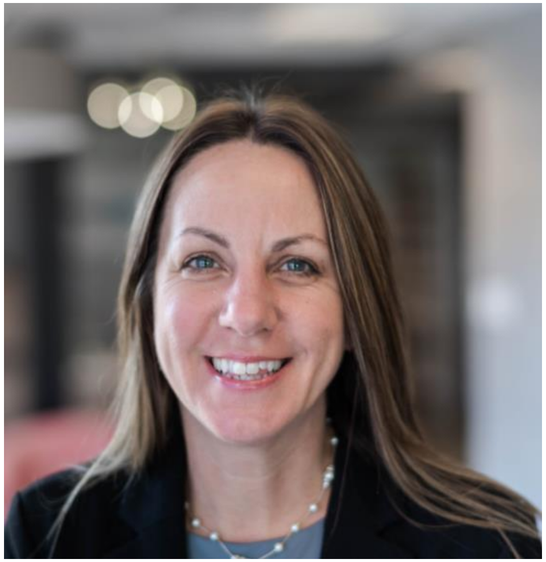
- https://www.forbes.com/sites/debtfreeguys/2019/03/31/what-you-need-to-overcome-peer-pressure-to-spend-money/?sh=102460dd6956

Tools For Your Financial Toolbelt

Your Money Story

- https://medium.com/@aishabeau/why-finding-out-your-money-story-is-the-first-step-in-reshaping-your-finances-c11810bb79cc
- (https://livewealthynow.com/blog/money-and-family-stories/)
- (https://www.forbes.com/sites/debtfreeguys/2019/03/31/what-you-need-to-overcome-peer-pressure-to-spend-money/?sh=102460dd6956)
- (https://money.usnews.com/money/personal-finance/saving-and-budgeting/articles/how-to-rewrite-your-money-story)

Contact Information



Say Hello!

If you have a question, suggestion, or just need a little more detail, you can contact us using any of the options below.

Julie Finn

Office: 217-491-7557

jfinn@collegeave.com

College Ave Website

https://www.collegeavestudentloans.com/

Campus/School Services

844-422-7501

schools@collegeave.com

Borrower Services

844-422-7502

studentloans@collegeave.com

For Help Servicing or Repaying a Loan

844-803-0736

collegeaveservicing.com

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