

Collegiate Case Study



Inside:

Financial aid system crams more costs onto collegians

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USA TODAY

The 'dark side' of age 25

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Loans, sacrifice often aren't enough

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Gannett News Service

Case Study Expert: Ginny Felstehausen

Texas Tech University

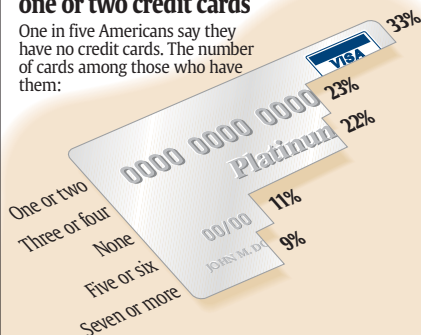
Case Study Expert: M.J. Alhabeeb

University of Massachusetts

USA TODAY Snapshots®

Most Americans have one or two credit cards

One in five Americans say they have no credit cards. The number of cards among those who have them:



Source: Gallup Poll of 1,025 adults April 6-8. Margin of error: ±3 percentage points.

By Marcy E. Mullins, USA TODAY

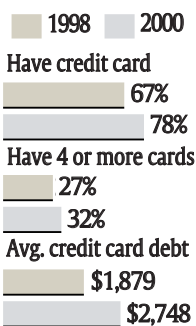
Money Matters for College Students

Money does matter! The ability to manage financial resources can make a difference in the quality of life and level of success that an individual achieves. Without it, there wouldn't be enough money to cover a growing list of needs and wants. It can result in feeling like a slave to debt and create insurmountable stress. Pursuing a college education requires making an investment in an education that is often difficult to repay. This case study provides students with an opportunity to analyze their current and future choices concerning managing money and debt.

Debt smothers young Americans

For many living in a world of easy credit, digging out of debt can become a way of life: 18- to 35-year-olds often live paycheck to

Undergraduates pile on credit cards and debt



Source: Nellie Mae

By Robert W. Ahrens, USA TODAY

paycheck, using credit for restaurant meals and high-tech toys. A new study says the average undergrad now owes \$2,748 on credit cards.



By Michael Schwarz, USA TODAY

By Christine Dugas
USA TODAY

Cover Story

As a freshman at the University of Houston in 1995, Jennifer Massey signed up for a credit card and got a free T-shirt. A year later, she had piled up about \$20,000 in debt on 14 credit cards.

Lesson learned: Mistie Medendorp racked up \$22,000 in student loans and credit card debt by the time she was 29. Now she only uses cash.

honeymoon in 1997 to find herself laid off from her job at a mortgage company in Atlanta. She was out of work for 4 months. She and her husband, Kevin, soon were trying to

Paige Hall, 34, returned from her

AS SEEN IN USA TODAY NEWS SECTION, TUESDAY, FEBRUARY 11, 2001, 1-2A

figure out how to pay \$18,200 in bills from their wedding, honeymoon and furnishings for their new home.

By the time Mistie Medendorp was 29, she had \$10,000 in credit card debt and \$12,000 in student loans.

Like no other generation, today's 18- to 35-year-olds have grown up with a culture of debt — a product of easy credit, a booming economy and expensive lifestyles.

They often live paycheck to paycheck and use credit cards and loans to finance restaurant meals, high-tech toys and new cars that they couldn't otherwise afford, according to market researchers, debt counselors and consumer advocates.

"Lenders are much more willing to take a risk on people under 25 than they were 15 years ago," says Nina Prikazsky, a vice president at student loan corporation Nellie Mae. "They will give out credit cards based on a college student's expected ability to repay the bills."

Young people are taking advantage of the offers. A study out today from Nellie Mae shows that the average credit card debt among undergraduate students increased by nearly \$1,000 in the past two years. On average, they owed \$2,748 last year, up from \$1,879 in 1998.

At a time when they could be setting aside money for a down payment on a home, many young people are mortgaging their financial future. Instead of getting a head start on saving for retirement, they are spending years digging themselves out of debt.

"I knew for a while that I had a problem. I wouldn't say I was living high on the hog, but when I wanted clothes, I'd buy a new outfit," says Medendorp, an Atlanta resident. "I'd go out to eat and charge it on my cards. There were a bunch of small expenses that added up and got out of control."

Massey, Hall and Medendorp each ended up seeking help from a local consumer credit counseling service. Hundreds of thousands more young people like them are turning to credit counseling or bankruptcy because they can no longer juggle their bills.

In 1999 alone, an estimated 461,000 Americans younger than 35 sought protection from their creditors in bankruptcy, up from about 380,000 in 1991, according to Harvard Law School professor Elizabeth Warren, principal researcher in a national survey of debtors who filed for bankruptcy.

At the Consumer Credit Counseling Service of Greater Denver, more than half of all the clients are 18 to 35 years old, says Darrin Sandoval, director of operations. On

average, they have 30% more debt than all other age groups, he says.

"By the time they begin to settle into a suburban lifestyle, they are barely able to meet their debt obligations," Sandoval says. "If there is a job loss, an unexpected medical expense or the birth of a child, they supplement their income with credit cards. Soon they are being financially crushed."

Debt heads

Unlike the baby boom generation -- raised by Depression-era parents -- young Americans today are often unfazed by the amount of debt they carry.

"This generation has lived through a time when everything was on the upswing," says J. Walker Smith, president of Yankelovich Partners, a market research firm. "There is no sense of worry about being over-leveraged. It all seems to work out."

Kevin Jackson, a 32-year-old software engineer in Denver, has about \$8,000 in credit card debt and a \$20,000 home-equity loan. He doesn't believe he has a debt problem, though his goal is to reduce his credit card balance to \$2,000.

"You learn to live with a certain amount of debt," he says. "It's a means to an end. There is something to be said for paying for everything and something to be said for enjoying life, as long as you do it responsibly."

Unfortunately, enjoying life can be expensive, especially for many young Americans who feel it is essential to have the latest high-tech products and services, such as a cellphone, pager, voice mail, a computer with a second phone line or a DSL connection, an Internet service provider and a Palm Pilot.

Jackson just bought a DVD player and a big-screen TV. "I try to control costs," he says. "I easily could have spent \$5,000 on the TV, but instead I paid \$2,000 and I got a one-year, no-interest deal."

Movies, TV shows and advertising only reinforce the idea that young people are entitled to have an affluent lifestyle. "We're encouraged to overspend," says Jason Anthony, 31, co-author of *Debt-free by 30*, a book he wrote with a friend after they found themselves drowning in debt.

"We all see shows like *Melrose Place* and *Beverly Hills 90210*. It creates tremendous pressure to keep up. I'm one of the few persons who think a recession will be good for my generation. Our expectations are so elevated. In the frenzy to keep up, we've gotten into financial trouble," he

Debt Case Study

says.

The perils of plastic

Consumers like Massey, who get bogged down in credit card debt before they even graduate from college, learn the hard way about managing money. Now 24 and married, Massey has a good job in marketing. She has cut up her credit cards and is gradually repaying her debts. However, there have been consequences: She had to explain to her boss that because she no longer has a credit card, she cannot travel for work if it involves renting a car or booking a hotel reservation on her own. She had to tell her husband about her debt problems before they were married.

"I lack confidence now," Massey says. "I'm hard on myself because of my mistakes. But I blame the credit card companies and the university for allowing them to promote the cards on campus without educating students about credit."

The percentage of undergraduate college students with a credit card jumped from 67% in 1998 to 78% last year, according to the Nellie Mae study. And many of them are filling their wallets with cards. Last year, 32% said they had four or more cards, up from 27% two years earlier.

Although graduate students have an even bigger appetite for credit, they are starting to show signs of restraint. Their average debt declined slightly from \$4,925 in 1998 to \$4,776 last year, Nellie Mae says.

Many young people will be saddled with credit card debts for years, experts say. Among all age groups, credit card holders younger than 35 are the least likely to pay their bills in full each month, according to Robert Manning, author of Credit Card Nation.

Though credit cards and uncontrolled spending are a combustible combination, many young people are pushed to the financial edge by the staggering cost of college. The average annual tuition at a four-year private university jumped to \$16,332 last year from \$7,207 in 1980, according to the College Board. Between 1991 and 2000, the average student loan burden among households under 35 increased nearly 142% to \$15,700, according to an exclusive analysis of the finances of 18- to 34-year-olds for USA TODAY by Claritas, a market research firm based in San Diego.

Those who choose to go on and get a graduate degree pay an even higher price. Another Nellie Mae study found that those who borrow for graduate work, and specifically those in expensive professional programs in law and medicine, are likely to have unusually high debt burdens that are not always offset by comparably high salaries.

Karen Mann didn't need a survey to come to that

Young carry debt burden

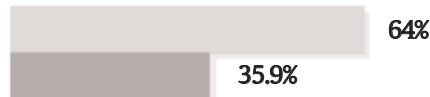
Many young Americans carry as much debt as older people but have much less income.

Under 35
35 to 50

Household mean income



Household with net worth less than \$25,000



Percentage of households with:

Credit cards



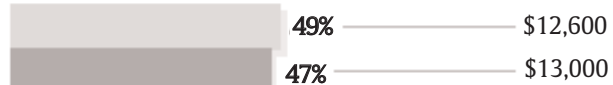
Student loans



Mortgages



Auto loans/leases



Second mortgages



Home improvement loans



Home equity credit lines



Data as of Sept. 2000

Source: Claritas Inc.

By Sam Ward, USA TODAY

conclusion. Her husband, Michael, is about to start his career as an orthopedic surgeon after racking up \$400,000 in loans during four years of undergraduate school, four years of medical school, one year in an MBA program and a 5-year residency program.

During his residency and a subsequent fellowship, payments and some of the interest on his student loans have been deferred. Soon they'll have to begin paying them off.

The interest payment alone is \$20,000 a year.

The Manns are not extravagant. "I've always saved, and I have a budget," says Karen, 31. "I'd love to buy a house, but there's no way. We haven't been able to afford kids yet. The loans are so awesome that you do get crazy."

Paying for everything with cash

The Manns are not alone in having to defer important goals because of heavy debt loads. Medendorp, a social worker in Decatur, Ga., lives on a budget and is diligently paying her bills with the help of a Consumer Credit Counseling Service debt-management plan. She pays for everything with cash. There are many things she'd like to do but can't afford, such as having laser eye surgery, going back to school and buying a home.

"When you get in a tar pit, forget about buying a home," author Anthony says. "Instead of saving for a down payment, you're making credit card payments."

At a time when the overall U.S. homeownership rate has risen to historic highs, young Americans are less likely than people their age 10 years ago to buy a home. The homeownership rate for heads of households younger than 35 has declined from 41.2% in 1982 to 39.7% in 1999,

according to the Census Bureau. And if they own a home, young people tend to make smaller down payments or borrow against what equity they have. As a result, the average amount of equity accumulated by homeowners younger than 35 has shrunk to about \$49,200 in 1999, from \$57,100 10 years earlier, according to a study from the Consumer Federation of America.

"For middle-income Americans, the most important form of private savings is home equity," says Stephen Brobeck, executive director of the Consumer Federation of America. "It's essential to have paid off a mortgage by retirement so that living expenses are lower and one has an asset that can be borrowed on or sold if necessary."

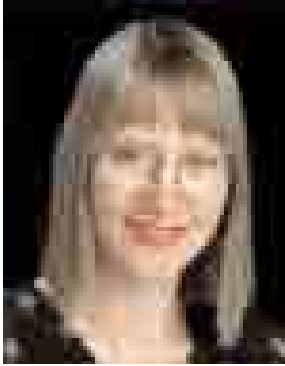
By almost every measure, young people are falling behind. Between 1995 and 1998, the median net worth of families rose for all age groups except for the under-35 group. Their median net worth declined from \$12,700 to \$9,000, according to the Federal Reserve.

That is not to say that young people today are slackers and deadbeats, as they have sometimes been characterized. Many work hard and often make good incomes. Although they may have a lot of debt, they also are very focused on saving and investing, especially through 401(k)-type retirement accounts. Jackson, for example, contributes the maximum to his 401(k) plan.

"They want to protect themselves against future uncertainty," Smith says. "They absolutely don't expect that Social Security will be around for them."

But it's hard to save money if you are head over heels in debt. Massey earns \$32,000 a year. With her husband, their annual income is more than \$100,000. "But we're still broke trying to pay our bills," she says.

Behind the Story: A Reporter's Notebook



Christine Dugas
Finance Reporter,
USA TODAY

As a personal finance reporter, I have been following the explosion in consumer debt for many years. I've seen how the easy availability of credit, and the intense competition among credit-card issuers for a place in consumers' wallets have created a climate in which many Americans are digging themselves deeper and deeper in debt. In 1991, the average credit card debt per U.S. household was \$3,223. A decade later it had climbed to \$8,562.

I'd always heard industry experts say that consumers are loyal to their first credit card. So I wasn't surprised to find that credit-card companies were targeting younger consumers. It would seem that credit should go to those who have a steady job and track record of paying their bills on time. Yet I found that college students and recent high school graduates with little or no income were routinely offered credit cards. In fact, companies set up booths on college campuses and at popular spring break destinations, encouraging students to sign up for a card in return for a free T-shirt.

I decided to investigate whether young people today were managing their debt or drowning in it. Unfortunately, it wasn't hard to find examples of 20-year-olds who have more debt than they can handle. I tried to write the story even handedly. I didn't want to paint today's young people as a generation of spend thrifts. Clearly, there are many reasons for the debt problems, including the high cost of college tuition and the general lack of financial education in public schools. It seemed important to create more awareness about the problem, before bankruptcy becomes the only option.

Christine Dugas is a personal finance reporter for USA TODAY. Her focus is on banking, insurance and retirement issues. Christine has won numerous awards for her reporting, including the New York State Associated Press Association Award for Business Writing and the Lincoln University Unity Award for Economic Coverage. Prior to coming to USA TODAY, Christine was a business reporter at New York Newsday for eight years. She is the author of *Fiscal Fitness: A Guide to Shaping Up Your Finances for the Rest of Your Life*. Earlier in her career, Christine taught high school English at American schools in Cali, Colombia and San Salvador, El Salvador. She has a master's degree from the University of Wisconsin.

AS SEEN IN USA TODAY LIFE SECTION, WEDNESDAY, OCTOBER, 24, 2001, 7D

Financial aid system crams more costs onto collegians

By Tracey Wong Briggs
USA TODAY

There's more financial aid available for college, but most of it isn't free.

In inflation-adjusted dollars, college financial aid has almost doubled in the past decade to a record \$74 billion last year. But two-thirds of that increase has been in loans rather than grants. And in the last decade, most of the growth in loans has come from unsubsidized loans, says the annual Trends in Student Aid survey released Tuesday by the College Board.

The survey charts a shift in the federal student financial aid system from a grant-based to a loan-based system in the past quarter-century, says College Board president Gaston Caperton.

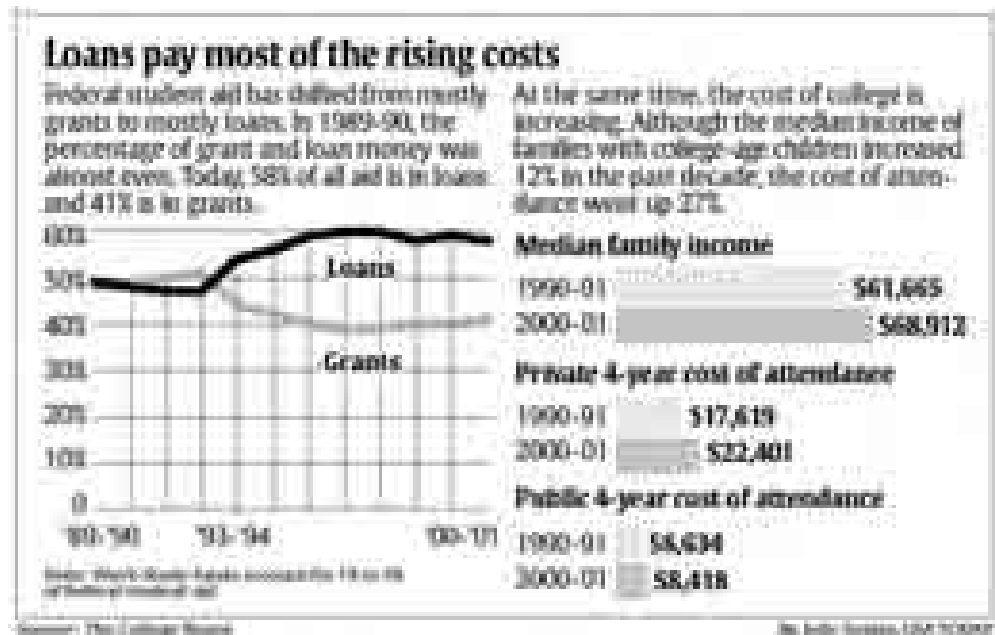
In 1980-81, grants accounted for almost 55% of financial aid, with about 41% in loans. By last year, the percentages had nearly reversed, with loans accounting for 58% and grants 41%.

The change has come about because the federal government, which provides most of student financial aid, has found that aid dollars go a lot further as loans than grants, says Dallas Martin, president of the National Association of Student Financial Aid Administrators.

"It simply means that students and parents are increasingly required to pay a greater portion of their higher-education expenses," Martin says. Students graduate with more debt, but they traditionally make more than non-college graduates and thus use their education to pay off the loans, he adds.

Although the federal government doesn't pay any interest on unsubsidized loans, it considers them financial aid because it guarantees the loans, which are offered at below-market rate, Martin says.

Unsubsidized, or "non-need," loans, in fact, fueled the growth in loans throughout the '90s. In the past six years,



the volume of federal Stafford subsidized, or "need-based," loans has held fairly steady in the \$18 billion to \$19 billion range when adjusted for inflation, while the volume of unsubsidized loans has gone up 50%, from \$9.9 billion to \$14.9 billion.

And those increases are likely to continue until Congress raises limits on subsidized loans, Martin says.

Although the percentage of students of all income levels going to college increased throughout the '90s, there is concern that the growing reliance on loans will leave the poorest students behind.

"Loans really serve people who can afford to go to college. For people for whom a loan is simply not practical, there are very few options at that point," says David Ward, president of the American Council on Education. "With all the changes in financial aid, we still have a poor representation of the lowest-income folks."

Ward and Martin are among those who will serve on a Blue Ribbon Student Financial Aid Panel that Caperton announced Tuesday. "Our goal is that no student be denied a college education because of a lack of financial aid," Caperton says.

AS SEEN IN USA TODAY LIFE SECTION, TUESDAY, SEPTEMBER, 11, 2001, 1D

The 'dark side' of age 25

School debt, slower economy, effects of divorce put young generation in a 'quarterlife crisis'

By Karen S. Peterson
USA TODAY

traumatic teens are behind you, romance is right around the corner, and wrinkles are far in the future. How bad can life be?

Have compassion for the wretched post-college student.

He or she is ripe for a "quarterlife crisis," which, observers say, hits somewhere around age 25. It's the latest life stage to be put under the microscope.

The twenty-something emerges from the cocoon of college owing megabucks, into an unstable, post-dot-com economy that won't provide a dream job. Eventually, he or she will probably marry, but who knows if it will last.

"I graduated when I was 21 with a political science degree," says Lisa Olen, 24, of Austin, Texas. "I thought because I was an honor student, everything would be fine and dandy, that I'd have this great job. But I could not get a job to save my life. And I believed if I wasn't a dot-com millionaire, I was over the hill at 20."

She started a Web site, Lifesmartsolutions.com, "to help other people around this age get through their life transitions." Now others don't have to ask the question she did: "Is anyone out there feeling the same way I am?"

Now, wait a minute. You're young and bright. The

"People assume that if you are in your 20s, you have your youth, and life is fabulous. We want to get the idea of the dark side of the 20s into the national discussion."

—Alexandra Robbins, *Quarterlife Crisis* co-author

Bad enough, say twentysomethings Abby Wilner and

Alexandra Robbins, who describe lost folk in *Quarterlife Crisis* (Tarcher/Putnam, \$14.95). They cite

dozens who think their plight is both different from previous generations and unacknowledged by skeptical baby boomers who mumble about self-absorbed navel gazing.

The book has spawned a Web site,



By Tim Dillon, USA TODAY

Crisis mode: Abby Wilner, left, and Alexandra Robbins have found that many twentysomethings have sought therapy.

Quarterlifecrisis.com, a growing batch of support groups, message boards, a bevy of media interviews that range from London to Singapore, and a phalanx of experts lining up to say this phenomenon is real.

"The twentysomethings feel they have been given short shrift," says Robbins, a freelance journalist whose fears after college made her feel like a freak. "People assume that if you are in your 20s, you have your youth and life is fabulous. We want to get the idea of the dark side of the 20s into the national discussion."

Debt Case Study

Critics say twentysomethings' fears are no different from those of earlier generations who left the womb of academia. But trend trackers say that is simply not true. They list facets of the dark side:

* Economic reverses. "The previous generation graduated from college as the economy was thriving," says Scott Weinberg of the Population Research Institute, a non-profit group that assesses developing trends. "Our population was robust and growing. There was long-term hope, and we were entering a new era of technology. This has really peaked in the last couple of years."

The dot-com bubble has burst, taking with it the era of "people who were slackers in school and became Internet CEOs," Robbins says. Wilner recently lost her job with a dot-com. "My quarterlife crisis is not quite over," she says. She hopes to make a career serving the needs of twentysomethings.

* College loans. The average student graduating from a four-year private institution owes \$15,000, and from a public school, \$12,500, according to the National Association of Student Financial Aid Administrators. Some who go on to graduate school in law or medicine can end up with a six-figure debt, virtually unheard of in their parents' generation, the authors say.

* Living in their parents' basement. Debt forces many to move back in with their folks. About 12 million adults 20 to 34 are now living at home, says American Demographics magazine. "It's almost expected," says Rosanne Garfield, 27, who is trying to start a support group in the Washington, D.C., area.

* Job hopping. The average person now holds 9.2 jobs between ages 18 and 34, says the Bureau of Labor Statistics. More than half of those jobs were held between ages 18 to 24. Earlier wisdom says "if you switched jobs too many times, you were looked upon as undependable or flighty," says Pamela Paul, an associate editor of American Demographics. "Now if you don't, you are seen as inflexible and stodgy. You won't take chances."

Uncertain twentysomethings feel free to turn on a dime. Dave Haffner, 27, of Arlington, Va., says "everyone takes these sorts of twists and turns." He was "recruited out of college into a high-stakes accounting firm." He found it "not all it is cracked up to be." Now he favors the science field.

While many more types of jobs have opened up in the field of technology, employers are fussier about whom they hire, says Carl Haub of the Population Reference Bureau, a non-profit demographic research organization. When Haub entered the labor force in the '70s, "you could major in English and then go to work for Exxon. They would hire you and then train you. That has changed.

Employers now expect you to come to your first job with experience."

* Fallout from parental divorce. In part as a reaction to the still-high divorce rate, twentysomethings are marrying later and cohabiting more.

The average age for first marriage in 2000 was 26.8 for men and 25.1 for women, up from 24.7 and 22 respectively in 1980, according to U.S. Census figures. Now it is common for couples who marry to live together before tying the knot.

"My parents' generation would not have considered living together, but they had rough divorces," Garfield says. "For me, it is just a no-brainer."

* Mental health glitches. There are no statistics to indicate that twentysomethings have more mental health problems than other generations. But Quarterlife's co-authors found many twentysomethings who have sought therapy.

Some experts are not surprised. While they are still college students, young twentysomethings increasingly show up in mental-health facilities, says Geraldine K. Piorkowski, a psychologist at the University of Illinois-Chicago. She says growing up in unstable families contributes to their anxiety as they leave the security of college to navigate on their own.

Girlfriends are e-mailing her about the quarterlife book, says Stacy Bilal, 26, of Herndon, Va. "So many of my friends actually suffer from the fears and frustrations they talk about. And nobody has addressed them."

Not all her peers have joined the parade, however. Clay Risen, 24, is the opinions editor for Flak, an online magazine. "There is nothing special about today's twentysomethings," he writes. "Young people have always spent time trying to figure out their place in the world. That's what life is all about. But Quarterlife Crisis only fuels a pernicious tendency in modern American society, the urge to treat every attitude, every opinion as a condition, a pathology or -- egad!-- a crisis, which in turn needs the attention of analysts, researchers and 'experts.' "

Stacy Humes-Schulz is the campus news editor for The Daily Pennsylvanian, an independent student newspaper of the University of Pennsylvania. She writes that the quarterlife crisis is a myth, the "product of the luxury of a simple life at elite private schools, Penn included. The real world that some of us have been sheltered from until now is filled with tough decisions. But to be blunt, suck it up. Deal with it. Fail, pick yourself up from the pavement and move on."

No wonder her generation feels a sense of crisis leaving

college, Garfield says. "We are taking longer to grow up. We have been really coddled a lot."

The twentysomethings themselves say they get lost among today's many options when they no longer have someone to map their way.

"In college, there is a learning environment, a path made for you, what classes to take to earn your degree," says Bilal, who is married. "When you get out, you have an entry-level job, and you have to figure out for yourself what steps to take. How am I going to get an apartment, pay my car loan and my student loan, and get along in the workforce?"

Many other twentysomethings say calling this time a "crisis" is a bit of a stretch. "If this is a crisis, it is helping me grow up," says Elana Cohen, 25, of New York.

"None of us is doomed," Haffner says. "This is not the worst crisis to be in. I might not have gone to college at all. I might have had a terminal illness. We are pretty darn lucky if we are able to read this book and relate to it."

But he also echoes the message of its co-authors. "That does not mean our problems are not worth talking about. This book has its place."

AS SEEN IN USA TODAY LIFE SECTION, MONDAY, MARCH 5, 2001, 8D

Loans, sacrifice often aren't enough

COLUMBUS, Ohio -- Thousands of poor students leave college each year; other low-income students struggle to stay in by attending part time, working, living in substandard housing and eating cheaply — and increasingly taking out large loans.

At Ohio State's main campus here, where the average undergraduate cost is \$13,250 a year, 45% of the 36,000 undergraduates drop out within six years of starting, financial aid director Tally Hart says. She says finances account for half the cases.

The school has improved retention by teaching incoming students more about financial aid. But La Krisha Hollmon, 19, is one they failed to keep.

Her father, a Korean War veteran, had died the spring she graduated from high school in Lima, Ohio, leaving her to support her ailing mother. Federal, state and private scholarships financed her freshman year. But to pay her mother's expenses, she sent home money meant for her own living expenses and earnings from a part-time job at Sears.

For her sophomore year, her aid was delayed after she filled out her application incorrectly. She was allowed to enroll for the fall quarter, but her part-time work at a credit-card call center limited her study time to the two-hour bus ride to and from work. Rather than get low grades, she dropped all of her classes just before final exams.

The financial aid situation was still unresolved when the

current winter quarter began, and the school wouldn't enroll her. She decided to withdraw and work full time at the call center for \$11.55 an hour until the fall. "I'm tired, I'm burnt out," says Hollmon, whose goal is law school and a criminal law practice. "I want to be a student and not work 20 to 40 hours a week."

A financial notch above the neediest is a group of students whose families earn too much to qualify for Pell and other grants, and who borrow or work to stay in school. Kevin Smith, 19, from Norwalk, Ohio, falls into that no man's land. His father, who delivers bread to grocery stores, and mother, a waitress, together earn about \$45,000 a year.

Smith is financing his sophomore year with \$3,500 in subsidized loans that he borrowed and \$6,000 in unsubsidized loans that his parents borrowed. His parents' payments for his freshman-year loan are \$100 a month. Since he is on a five-year track to get a teaching certificate, his parents eventually could face monthly payments of \$500.

Once he graduates, Smith wants to assume most of the debt, but his starting teacher's salary will be only about \$28,000. "I'm going for a job that I'm going to love to do, rather than a high-paying job," he says. "I don't know how that's going to work."

By Katherine Hutt Scott
Gannett News Service

For discussion

1. As a college student, what does money mean to you?
2. What does "being in debt" mean to you?
3. What are the long-term implications of "being in debt"?
4. Do you know what the starting salary is in your field of study? In other words, how much will you have to live on when you begin your professional career?
5. If you graduate from college with substantial debts, how do you plan to pay them off? What will be the biggest challenge you'll face tackling this problem?
6. Do you use a credit card(s)? If so, how many do you have and what is the current balance on each? What interest rate(s) are you being charged?
7. How do you feel about using a credit card to pay off your college debts? Is this wise?

Future implications

- What do you expect money to do for you in the future?
- Define "financial security" as it relates to you future.
- How long do you think it will take you to get on your feet financially?
- What are *your* financial priorities? (both short term –5 years & long term –10 years)

About The Expert



Ginny Felstehausen is a professor of Family and Consumer Sciences Education at Texas Tech University in Lubbock, Texas. She received her PhD in Continuing and Vocational Education from the University of Wisconsin-Madison.

Additional resources

The Red to Black Program at Texas Tech University
Free Financial Counseling for Students • www.r2b.ttu.edu

The Consumer Action Website 2002 Consumer Action Handbook

For more information, log on to <http://education.usatodaycollege.com>

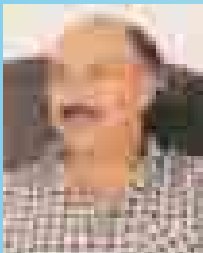
For discussion

1. Obtaining credit is a legal and practical way to expand one's income and consumption. Do you see any wrong with that? Discuss at least five advantages and five disadvantages of consumer credit.
2. The minimum payment is usually a small percentage (2-3%) of the amount owed on a credit card, and often it is a very comfortable way to keep one's credit status in good standing. Why wouldn't we take any credit we need and just keep paying the minimum payment forever?
3. If someone gets to the point where he cannot pay off his debt anymore, he/she can file for bankruptcy. Why wouldn't we then enjoy overspending since we can always depend on our great laws of Bankruptcy to save us? Discuss the financial and moral implications of filing for bankruptcy.
4. Credit is relatively easy to get, but paying it off gets increasingly harder over time. Do you think that your expected financial capacity after graduation would allow you to pay off all the accumulated debt, in addition to maintaining the desired standard of living? Explain why or why not.
5. Net worth is the difference between assets and liabilities. It serves as a good measurement for one's financial well-being. In the last few years the net worth of young individuals (under 35) has been declining. Can you explain why? Try to explore some remedies to turn the tide around in order to increase the net worth of the young.
6. Many experts say financing one's higher education by loans is a good "leverage." It means that when you borrow for your college education you actually invest in yourself for a higher return by using other people's money (OPM). Do you agree? Why or why not?

Future implications

- Which way makes you generally better off: to start paying off your student loan regularly and immediately as you get a job after graduation? Or, to put the plan aside to make room for payments on a new house, car and other needs. Discuss and assess both options.
- Many young people experience difficulties starting and maintaining a solid savings plan because they feel that both their income and the credit available are barely enough to pay for their needs. Should these people force themselves at least to invest in a good retirement account right at the start of their first job, and follow a forced-saving method such as increasing their payroll withheld income? Explain your answer. Discuss why saving is or is not important.

About The Expert



Dr. M.J. Alhabeeb is an Associate Professor in the Department of Resource Economics at the University of Massachusetts – Amherst. He has also been a professor in the Department of Consumer Studies. Previously, Dr. Alhabeeb taught and was a research assistant in the Department of Family and Consumer Economics at the University of Illinois, Urbana-Champaign. He has also been an instructor at the Oklahoma State University in the Department of Housing, Interior Design and Consumer Studies and the University of Baghdad. Dr. Alhabeeb earned his Ph.D. from the University of Illinois and his M.S. and B.S. from the Department of Economics in Baghdad, Iraq.

Additional resources

- ▶ Expressing America: A Critique of the Global Credit Card Society. (1995)
- ▶ Practical Money Skills for Life <http://www.practicalmoneyskills.com>

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