# Proposal to Establish the Institute for Financial Literacy


**Ancell School of Business**

**Western Connecticut State University**

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## A. Rationale for the Proposal

This proposal is for the establishment of the Institute for Financial Literacy in response to a mandate for student financial literacy training by the Board of Trustees. The Center will receive approximately 75% of its funding from Union Savings Bank with WCSU supplying the balance though in-kind and cash funding. The Center will have a part-time director, student peer advisors and will be housed in the Westside Campus Center. The goal of the Center is to promote financial fluency by teaching students to build a financial plan that includes consideration of assets and liabilities, current earning ability, access to borrowing and their expected expenses for day-to-day living and college. Evidence shows that most students fail to understand basic financial concepts and that many, as a result, are either directly forced from college or are unable to concentrate on their studies due to financial strain. The main activities of the proposed Center, teaching financial management skills and helping students to build a realistic budget, will rectify this deficiency, boosting retention and graduation rates, and indirectly increasing student learning.

Students across the country are increasingly stating that financial debt is their number one cause of stress on college campuses and according to a recent study, “84% want more education on financial management topics” (Sallie Mae, 2009). Between 1997 and 2007, average undergraduate student loan debt more than doubled from $9,250 to $20,098, with a 6% increase between 2006 and 2007 alone (Reed, 2008). In addition to education loans, the average college student currently graduates with more than $4,100 in credit card debt. (Sallie Mae, 2009). Credit card companies continue to actively market to college students as they know a college graduate will earn 80% more than a high school graduate and demonstrate a higher loyalty to the finance company that first extends them credit. College students average 4.6 credit cards with the average credit card debt for all college students (freshman to seniors) up from $1,475 in 2002 to $4,100 in 2008. That 92% of students report using a credit card to pay for their textbooks and general school supplies is not surprising, but that 30% are using credit cards to finance part or all of their tuition is alarming given that credit card interest rates are quadruple those of student loans and payments are not deferrable until after graduation.

Everyday college students are faced with making difficult personal financial decisions without having the resources, training or education available to help them make wise decisions. Increasingly, universities like WCSU have recognized that in order to truly fulfill their mission, they need to provide their students with the resources necessary to increase their personal financial literacy, understand how to use credit wisely, manage their debt and plan for their future so they can complete their education and start their journey towards a successful professional and personal life. The importance of financial literacy has been recognized by the Board of Trustees, who has required that each CSU campus provide financial literacy training for its students. The objective of this proposal is to assist WCSU's students in this goal by establishing the Institute for Financial Literacy at WCSU, which will include a Financial Education Counseling Center, Peer to Peer Workshop Programs, and an online web based self study program (http://www.cashcourse.org/home/) and financial planning resources (books and magazines).

## *The Institute of Financial Literacy Mission Statement*

> The mission of the Institute for Financial Literacy is to provide students with a comprehensive set of resources in order to increase their financial literacy, encourage using credit wisely, support their financial independence, assist students in financing their education at WCSU, start them down the road to achieving their long term personal financial goals and to become productive members of society.

## *The Institute of Financial Literacy Vision Statement*

> To create and continuously develop a comprehensive and interactive financial education program geared to meet the changing needs of the WCSU community.

### B. Strategic Planning Objectives

The Institute for Financial Literacy will help to directly achieve three aspects of the strategic plan; affordable costs, student focused environment, and location and indirectly support diversity. We argue that financial solvency is a precursor to any successful outcome at WCSU. Students who are unable to pay tuition and fees do not graduate.

**Goal 2 of the strategic plan aims at capitalizing on WCSU's location. The proposed Institute is encompassed specifically by Goal 2.1:**

> Enhance the teaching and learning environment for WCSU students and faculty by developing and drawing on relationships with prominent organizations and individuals in the region in areas spanning the arts, sciences, business, other professional programs and technology.

The Institute will be financed largely through a partnership with Union Savings Bank (USB). USB is a major sponsor of the Ives Concert Park Series and its CEO, John Kline, is a member of the Ancell School of Business Advisory Board and was most recently a panel member of the Ancell School's Economic Summit. Additionally, USB oversees and manages the investment account of the University Foundation. USB has no control over the content of the Center's workshops and materials and students will not be steered towards USB for financial products.

**Goal 3 encourages a diverse university community. The proposed Institute will indirectly help achieve Goal 3.1:**

Expand and enhance the diversity of our student body.

The students who add the most diversity to our student body, whether recent immigrants or from traditionally under-represented groups, are also the most likely to be financially needy. The Center, to the degree that it enables students to avoid or solve financial problems, is likely to disproportionately benefit these students.

**The proposed Institute will help achieve Goals 5 and 6:**

> Goal 5: Enriching and Supportive Student-focused Environment - Foster a holistic approach to intellectual and social growth and development that prepares students to be productive citizens of the state of Connecticut and the world by developing their knowledge, experience, and critical thinking and by fostering life-long learning characterized by intellectual curiosity, imagination, and creativity
>
> Goal 6: Affordability - Deliver outstanding value to students through effective management of the university and the provision of student financial assistance, thereby maintaining the affordability and access of a mid-sized public university while creating the quality experience of the best private institutions

The proposed Institute directly supports achievement of Goals 5 and 6. Improving student ability to make appropriate financial choices will allow them to remain enrolled free from the distractions entailed by ongoing personal financial crisis. No matter how reasonable WCSU's tuition remains, students who pay with a 27% interest credit card are not receiving an affordable education. By providing resources to help in financial decision-making we bolster our claim to being "student-centered." The Institute will help students to maintain financial solvency by educating them on the benefits of, and helping them to:

1. Take full advantage of low interest student loans
2. Reduce reliance on high interest/high fee credit cards
3. Budget for the semester and year so as to foresee and solve problems before they disrupt the educational process
4. Forego high cost life style items in favor of a timely graduation

C. Budget/Financial Projections

| Institute for Financial Literacy Budget Fiscal 2009-2013 | | | | | |
|---|---|---|---|---|---|
| | *2009-10** | *2010-11* | *2011-12* | *2012-13* | *2013-14* |
| Director | 7,500 | 15,000 | 15,000 | 15,000 | 15,000 |
| Student Peer-to-Peer Advisors | 6,750 | 13,500 | 13,500 | 13,500 | 13,500 |
| Books and magazines | 1,750 | 500 | 500 | 500 | 500 |
| Brochures | 1,500 | 3,000 | 3,000 | 3,000 | 3,000 |
| Speakers | 1,050 | 2,100 | 2,100 | 2,100 | 2,100 |
| Student Advisor Training | 3,500 | 1,750 | 1,750 | 1,750 | 1,750 |
| Telephone | 500 | 1,000 | 1,000 | 1,000 | 1,000 |
| Supplies, Postage & Misc. | 2,150 | 950 | 950 | 950 | 950 |
| Technology Resources | 5,000 | - | - | - | - |
| **Total budget per year** | $ 29,700 | $ 37,800 | $ 37,800 | $ 37,800 | $ 37,800 |
| USB Calendar 2010 | 17200 | 12,800 | | | |
| USB Calendar 2011 | | 15,000 | 15,000 | | |
| USB Calendar 2012 | | | 15,000 | | |
| USB Contribution | $ 17,200 | $ 27,800 | $ 30,000 | $ 30,000 | $ 30,000 |
| WCSU contribution | $ 12,500 | $ 10,000 | $ 7,800 | $ 7,800 | $ 7,800 |
| Total | $ 29,700 | $ 37,800 | $ 37,800 | $ 37,800 | $ 37,800 |
| Note: USB is contributing $30,000 per calendar year, of which $17,200 is needed in fiscal 09-10. This leaves $12,800 from calendar 2010 to be used in fiscal 10-11. After the first 2 semesters, the fiscal and calendar years match up @$30,000 each or $15,000 per term. | | | | | |
| **Director** | | | | | |
| Rate | $ 25.00 | $ 25.00 | $ 25.00 | $ 25.00 | $ 25.00 |
| Hours per week | 20 | 20 | 20 | 20 | 20 |
| Weeks per year | 15 | 30 | 30 | 30 | 30 |
| **Total per year** | $ 7,500 | $ 15,000 | $ 15,000 | $ 15,000 | $ 15,000 |
| **Student Peer-to-Peer Advisors** | | | | | |
| Rate | $ 10.00 | $ 10.00 | $ 10.00 | $ 10.00 | $ 10.00 |
| Hours per student leader per week | 11.25 | 11.25 | 11.25 | 11.25 | 11.25 |
| # of student leaders | 4 | 4 | 4 | 4 | 4 |
| Total hours per week* | 45 | 45 | 45 | 45 | 45 |
| Weeks per year | 15 | 30 | 30 | 30 | 30 |
| **Total per year** | $ 6,750 | $ 13,500 | $ 13,500 | $ 13,500 | $ 13,500 |
| *The center is expected to begin operations by 1/10 requiring 1/2 years resources for 09-10<br>**Average hours per advisor, actual hours will vary based on need for services. | | | | | |

| **2009-2010 Budget** | *Start-up* | *Operating* | *Total* |
|---|---|---|---|
| Director | - | 7,500 | 7,500 |
| Student Peer-to-Peer Advisors | - | 6,750 | 6,750 |

| | | | |
|---|---|---|---|
| Books and magazines | 1,500 | 250 | 1,750 |
| Brochures | - | 1,500 | 1,500 |
| Speakers | - | 1,050 | 1,050 |
| Student Advisor Training* | 3,500 | - | 3,500 |
| Telephone | - | 500 | 500 |
| Supplies, Postage & Misc. | 1,200 | 950 | 2,150 |
| Technology Resources | 5,000 | - | 5,000 |
| **Total budget for 2009-10** | $ 11,200 | $ 18,500 | $ 29,700 |
| * After start-up train 2 new advisors trained per year | | | |

D. Equipment Needs

The Institute will purchase three laptops computers for use by the Director and the peer mentors. Union Savings Bank is funding the purchase of these computers, as well as some software not available through University Computing (See Technology Resources in the start up cost section of the budget). Furniture will be provided by WCSU from existing stock as agreed with USB.

E. Staffing Needs

The Institute will be staffed by a Director and four peer-to-peer advisors, as captured in the Institute's budget. Union Savings Bank has agreed to fund the salary for the Director. WCSU and Union Savings Bank will share the cost of the peer-to-peer mentors. The director will work 300 hours per semester @ $25.00 per hours or a total of $7,500 per semester or $15,000 annually. Four student advisors are each expected to average 11.25 hours per week @ $10.00 per hour for 15 weeks per semester (actual hours will vary with need), for a total of $6,750 per semester and $13,500 per year. As per the budget (Item C), staffing costs will be $14,250 for the spring semester of fiscal 2009-2010 and $28,500 for each fiscal year, thereafter.

F. Special room, facility, transportation needs

The Institute's Director will occupy an office in the Division of Student Affairs on the third floor in the Westside Campus Center for three days a week. Peer-to-peer advisors will use the swing space in the Campus Center for training purposes and to consult with their fellow students.

G. Library Materials

The goal of the Institute is to build a small financial literacy collection based on the recommendations of the Director and the library list of the Smith College financial literacy program. In addition, the Institute plans to include books in the library that reflect the changes in financial behavior that are related to the financial crisis of the past eighteen months. The cost of the library is reflected in the Institute's budget.

H. Assessment

Assessment will be based on the National Endowment for Financial Education instruments which are available at no cost on their website for use by educational institutions. (See website http://www2.nefe.org/eval/manual_db.php) and will be conducted before and after a student's participation in the financial literacy program. This assessment procedure is practiced by other university programs, including that at Columbia University, and is based on the premise that one of the major goals of financial literacy programs is to impart knowledge to program participants since the general level of knowledge of financial information is uniformly low and to help students build financial planning skills.

SAMPLE (modified depending on the program presented)

PRE AND POST EVALUATION

Pre Evaluation

Institute for Financial Literacy

Western Connecticut State University

Pre Evaluation

**ID Number: __________** **Date: __________**

**Testing Knowledge**

Please circle your answer to each of the following statements.

| | | | |
|---|---|---|---|
| 1. | Goals should *only* be made for large, long-term plans such as homeownership, college tuition, or retirement. | True | False |
| 2. | When talking about needs and wants, a good example of a *need* is shelter. | True | False |
| 3. | Fixed expenses are set amounts that must be paid on a regular basis. | True | False |
| 4. | Net pay is after all of the taxes and other withholdings have been taken from gross pay. | True | False |
| 5. | The way interest, or the monthly finance charge is calculated is the same for all credit cards. | True | False |
| 6. | Compound interest is when only the amount of money deposited earns interest. | True | False |
| 7. | A commonly recommended emergency fund amount is approximately three to six months worth of expenses. | True | False |
| 8. | Generally credit card companies and other lenders only let a person borrow the amount of money that they will easily be able to repay. | True | False |
| 9. | Credit reports contain information about current credit accounts and loans as well as past accounts that are now closed. | True | False |
| 10. | A debt-to-income ratio of more than 20% may indicate that a person has too much consumer debt. | True | False |

**Building Skills**
Please circle the number that best describes your *confidence* to do the following:.

| Your Confidence to: | Not Confident | A little Confident | Somewhat Confident | Confident | Very Confident |
|---|---|---|---|---|---|
| 1. Write out a spending | 1 | 2 | 4 | 3 | 5 |
| 2. Keep track of spending | 1 | 2 | 4 | 3 | 5 |
| 3. Pay bills on time. | 1 | 2 | 4 | 3 | 5 |
| 4. Save money regularly. | 1 | 2 | 4 | 3 | 5 |
| 5. Spend less than you | 1 | 2 | 4 | 3 | 5 |

SAMPLE B—PRE AND POST EVALUATION

Pre Evaluation

Do you have a checking account?
____ Yes
____ No

Do you have a savings account?
____ Yes
____ No

How do you prefer to receive financial information? (Check all that apply)
____ Classroom instruction
____ Workshops/seminars
____ One-on-one financial counseling
____ Printed materials
____ Internet
____ Electronic materials such as CD-ROMs
____ Distance education
____ Other ________________________

What financial topics are you most interested in learning more about? (Check all that apply)
____ Budgeting
____ Debt Management
____ Savings and Investments
____ Homeownership
____ Retirement and Estate Planning
____ Consumer Protection and Identity Theft
____ Risk Management and Insurance
____ Taxation
____ Other__________________________

**Thank you for completing this evaluation.**
**We appreciate your help as we strive to improve our educational programs.**

**Institute for Financial Literacy**

**Western Connecticut State University**

Post Evaluation

**ID Number: __________** **Date: __________**

Please rate the instructor(s), materials, and the overall program by circling the appropriate number.

| | **Not Helpful** | **Somewhat Helpful** | **Helpful** | **Very Helpful** |
|---|---|---|---|---|
| Instructor(s) | 1 | 2 | 3 | 4 |
| Educational Materials | 1 | 2 | 3 | 4 |
| Overall Program | 1 | 2 | 3 | 4 |

**Testing Knowledge**
Please circle your answer to each of the following statements.

1. Goals should *only* be made for large, long-term plans such as homeownership, college tuition, or retirement. True False

2. When talking about needs and wants, a good example of a *need* is shelter. True False

3. Fixed expenses are set amounts that must be paid on a regular basis. True False

4. Net pay is after all of the taxes and other withholdings have been taken from gross pay. True False

5. The way interest, or the monthly finance charge is calculated is the same for all credit cards. True False

6. Compound interest is when only the amount of money deposited earns interest. True False

7. A commonly recommended emergency fund amount is approximately three to six months worth of expenses. True False

8. Generally credit card companies and other lenders only let a person borrow the amount of money that they will easily be able to repay. True False

9. Credit reports contain information about current credit accounts and loans as well as past accounts that are now closed. True False

10. A debt-to-income ratio of more than 20% may indicate that a person has True False

too much consumer debt.

SAMPLE —PRE AND POST EVALUATION

Post Evaluation

**Building Skills**
Please circle the number that best describes your *confidence* to do the following:

| **Your Confidence to:** | **Not Confident** | **A little Confident** | **Somewhat Confident** | **Confident** | **Very Confident** |
|---|---|---|---|---|---|
| 1. Write out a spending | 1 | 2 | 4 | 3 | 5 |
| 2. Keep track of spending and income. | 1 | 2 | 4 | 3 | 5 |
| 3. Pay bills on time. | 1 | 2 | 4 | 3 | 5 |
| 4. Save money regularly. | 1 | 2 | 4 | 3 | 5 |
| 5. Spend less than you | 1 | 2 | 4 | 3 | 5 |

**Taking Charge**
Please circle the number that best describes your answer.

| **As a result of this program, do you plan to:** | No | Maybe | Yes | Already doing this | Does not apply |
|---|---|---|---|---|---|
| 1. Write out a spending plan. | 1 | 2 | 3 | 4 | 5 |
| 2. Keep track of spending and income. | 1 | 2 | 3 | 4 | 5 |
| 3. Pay bills on time. | 1 | 2 | 3 | 4 | 5 |
| 4. Save money regularly. | 1 | 2 | 3 | 4 | 5 |
| 5. Spend less than you earn. | 1 | 2 | 3 | 4 | 5 |

What did you like the most about this program?

What did you like the least about this program?

How could this program be improved?

Would you recommend this program to others?
____Yes Who?_________________________________________
____No Why not?______________________________________

Comments or suggestions about the program:

**Thank you for completing this evaluation.**
**We appreciate your help as we strive to improve our educational programs.**