

# FINANCIAL LITERACY AND FIRST-GENERATION COLLEGE STUDENTS: Set for Success or Fated to Fail?

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## INTRODUCTION

Many factors affect the success of first-generation students and one of the most critical is financial literacy. Being financially literate means that a student has the ability to identify, understand, interpret and navigate financial aid options, principles and practices associated with responsible borrowing and debt management (Lee & Mueller, 2015).

Schools try to disseminate helpful information to students and parents about the steps involved in applying for financial aid as well as the implications of their decisions; however, it can be a lengthy and complicated process. To make matters more challenging, this population of students are statistically in greater need of resources and support. This creates a situation where financial aid is more of a necessity and therefore, any issue in obtaining it and/or borrowing too much can become a barrier for success.

## RESEARCH PROCESS

Demographic data about enrolled first-generation college students was requested from the Office of Institutional Research. In addition, a mixed method survey was sent to all enrolled students at JMU via bulk mail request. The survey asked that only first-generation students participate, and the questions pertained to prior financial literacy education, current knowledge and practices of financial literacy, financial aid usage, challenges and worries associated with financial aid and finances, awareness of resources at JMU, and recommendations for future financial literacy education. The demographic data and survey results examined the perceptions, experiences, and needs of first-generation college students in relation to financial literacy education.

## IMPLICATIONS

Increased financial literacy education can result in:

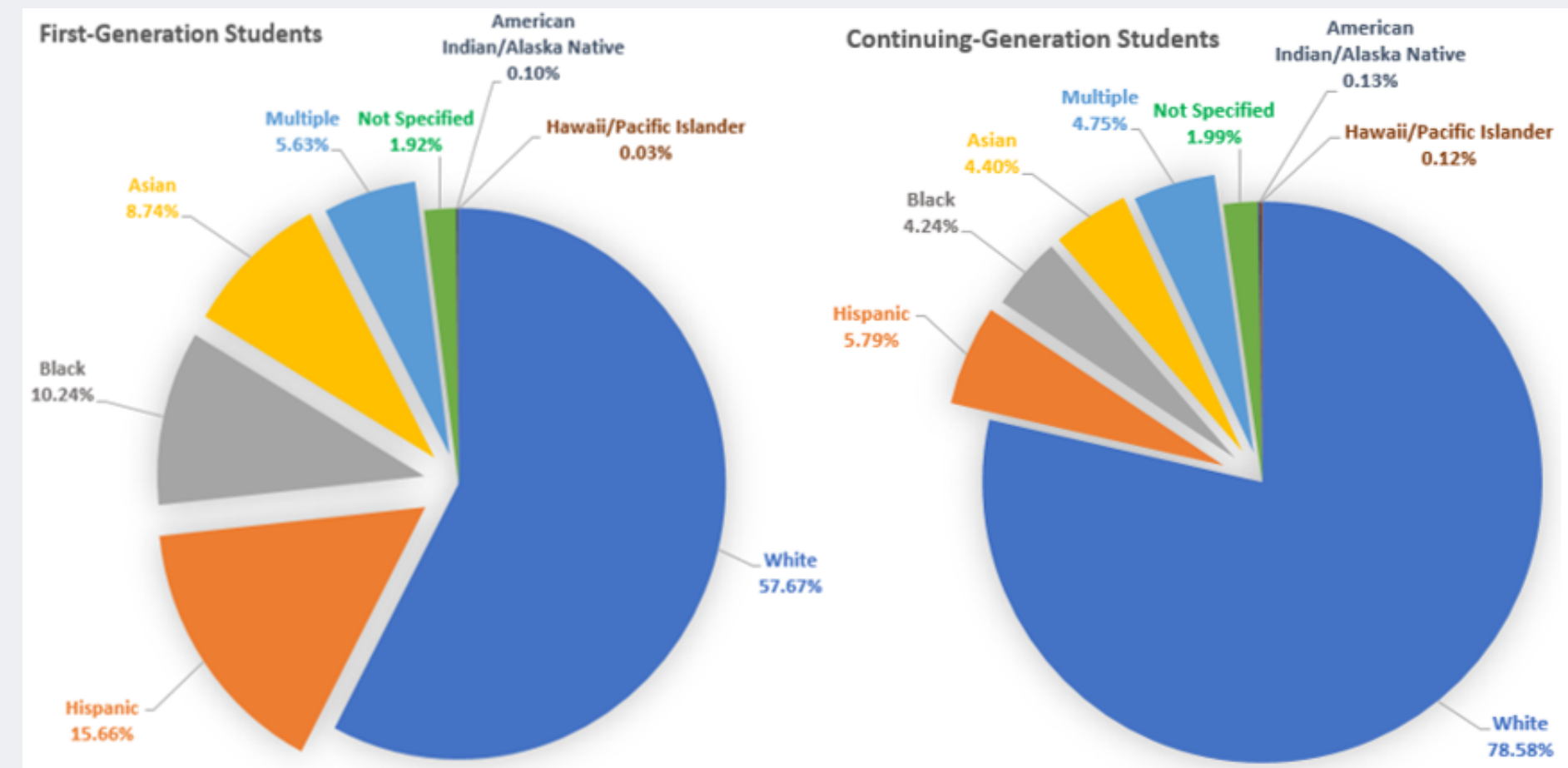
- Higher retention rates
- Possible increase in alumni donations because of having less loan debt after graduating
- Paying it forward to future students as a result of giving back, and begin closing the gap financial cannot cover.
- A more knowledgeable future generation since research indicates that family is the most significant source of financial knowledge for children (Porter & Uhlman, 2015).
- The ability to save for short and long-term goals.

## CONCLUSION

First-generation college students need extra support from their school, particularly in the areas of financial aid and financial literacy education. Increased understanding of financial aid and personal finances, including budgeting, savings and debt management is vital for making healthy financial decisions. In turn, these decisions have a direct link to and effect on student success. With tuition rates climbing at a disproportionate rate compared to the allotment of grant funding received and not enough scholarship money to make up the deficit, financial assistance and education is needed now more than ever before. This is a systemic issue and not an easy one to solve but we all have a responsibility to work towards dismantling the barriers that keep first-generation students from being able to thrive.

## FINDINGS

- JMU's demographics of a first-generation college student align with previous research. The Hispanic, Black, Asian and Multi-Race populations are proportionately higher for first-generation students than for their continuing-generation peers and conversely, the percentage of white students is considerably higher in the continuing-generation category. There are also proportionately more female first-generation students, more in-state residents, and more students older than the traditional 18-22 age range.



- First-generation college students utilize more need-based aid (grants, scholarships, and subsidized loans) but it is often not enough to cover their bill and/or living expenses. According to survey responses, the deficit is covered by taking on more work hours, living at home, and/or borrowing more loans.

- The top three areas creating difficulty for first-generation college students at JMU are:
  - Paying for College
  - Personal Struggles
  - Applying for Financial Aid

- Certain dates/deadlines associated with receipt of financial aid are presenting a challenge and the reasons stated for those challenges revolve around lack of understanding and communication.

- Less than half of survey responders received some form of financial literacy education prior to entering JMU and only a third of that group felt that it was enough to prepare them for college and beyond.

- 80% of survey responders said they knew of no resources at JMU for help with finances. However, most the 20% who did know of resources listed the financial aid office.

- 71% of survey responders indicated that if there was a financial literacy program available at JMU they would participate. Online tutorials were the most requested form of instruction and time was the response indicated most for students saying they would not participate.

