

An aerial photograph of the Chicago skyline at sunset. The sun is low on the horizon, casting a warm orange and yellow glow over the city. The sky is filled with soft, wispy clouds. The city's skyscrapers are silhouetted against the bright sky, with some buildings reflecting the golden light. The Lake Michigan is visible on the left side of the image, with a few small boats on the water. The overall scene is a dramatic and beautiful representation of a major city at dusk.

Financial wellbeing in a crisis: Student revisions of future expectation and financial satisfaction

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University Students

Survey's can be used to measure financial attitudes, practices and knowledge of university students to derive an understanding of financial wellness and stress and impacts on student success.

Financial wellbeing is a different construct to financial literacy, it includes current circumstances and expectations of the future

Has the financial wellbeing of students decreased in response to the 2020 pandemic? Which component was most affected?





University Students

Universities Australia survey is limited in questions asked but provides important insights:

- most domestic students are worried about their finances, with one-third indicating that expenses are greater than estimated incomes.
- Indigenous students are most likely to be worried about their finances (72%), followed by low SES students (63%), regional students (64%), and the remainder (58%).
- 25% of Indigenous students indicated they regularly went without food or necessities, followed by 19% of regional students, 18% of low SES students, and 15% of the remainder.
- 14% of international students also indicate they go without food or necessities.
- only 38% of domestic undergraduate students feel they are in control of their finances.
- most of the domestic undergraduate students are employed, and the share of students working more than 20 hours has increased since earlier surveys.

University Students

- Survey of 420 Griffith University students in 2019
- Funded by a GU New Researcher Grant
- Q's relate to personal money management, expectations about the future, money beliefs, knowledge of student debt, financial stress, work/study tradeoffs.
- Questions are drawn from various surveys, including that of **The Ohio State University's Study on Collegiate Financial Wellness**, that surveys 18,000+ students from 65 institutions. <https://cssl.osu.edu/research-projects/study-on-collegiate-financial-wellness>

2020:

- 216 respondents agreed to be contacted again in 2019
- Of the 216 contacted, 70 responses received in 2020



Literature

Consumer Financial Protection Bureau (CFPB), 2015

“a state of being wherein a person can fully meet current and ongoing financial obligations, can feel secure in their financial future, and is able to make choices that allow enjoyment of life.”

Individuals with different experiences can arrive at the same score, suggesting that no one factor is responsible for, or indicative of, an individual's financial wellbeing.

Universities Australia, 2018

Many university students have dire financial circumstances, making them very vulnerable to external financial shocks and uncertainties

West & Cull, 2020

Financial wellbeing should be high when students are optimistic, outweighing current financial stress

Zhou, 2020; Cardak, Martin & McAllister, 2019

Macroeconomic events have long lasting effects on financial attitudes and behaviours
e.g. Great Depression and GFC – people reduced risk tolerance and exited stock market



COVID19 in Australia

Forecasts of the future:

Unemployment: increased from 5.3% to 7.5% in July 2020

Economic Growth: GDP contracted 0.3% in the March quarter

Household saving: increased from 5.5% from 3.5%

Current financial circumstances

Whether the respondent's current financial circumstances have improved or worsened depends on whether they were recipients of Government stimulus measures or other financial support.

Griffith University Bursary's- The university provided an extra \$2m to student bursary's

JobKeeper- \$1500 a fortnight paid to businesses to pay and retain staff (March-September), need to have worked for the business >12 months. Revised down to \$1200 f/n >20hrs or \$750 f/n <20 hours, then steps down again in January

JobSeeker- social security payment for people looking for work, increased with an additional \$550 per fortnight from March to September, then \$250 per fortnight September to December

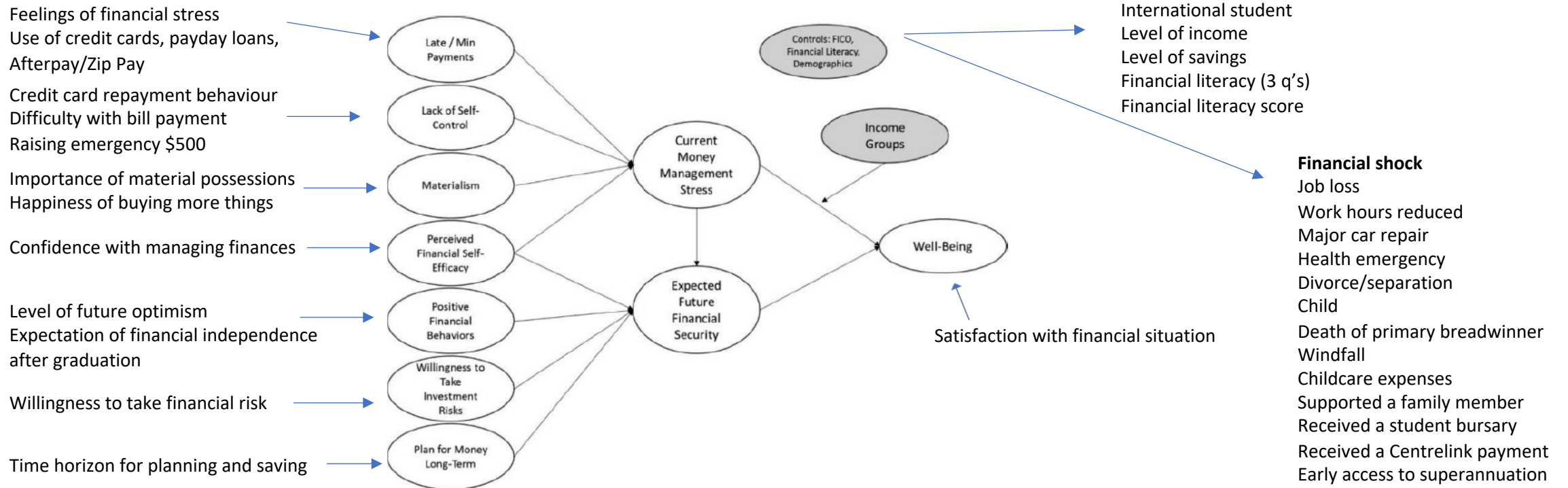
Early access to superannuation- two lots of \$10,000 able to be withdrawn from superannuation fund



Conceptual model

FIGURE 1

STUDY 1: POTENTIAL ANTECEDENTS AND CONSEQUENCES OF PERCEIVED FINANCIAL WELL-BEING



Netemeyer et al, 2018

$$FINSAT_i = \alpha_i + \beta_1 \text{CURRENT MONEY MANAGEMENT STRESS} + \beta_2 \text{EXPECTED FUTURE FINANCIAL SECURITY} + \beta_3 \text{FINANCIAL SHOCK} + \beta_4 \text{PERSONAL ATTRIBUTES} + \mu_i$$

Descriptive statistics

Sample characteristics

67% of respondents were female

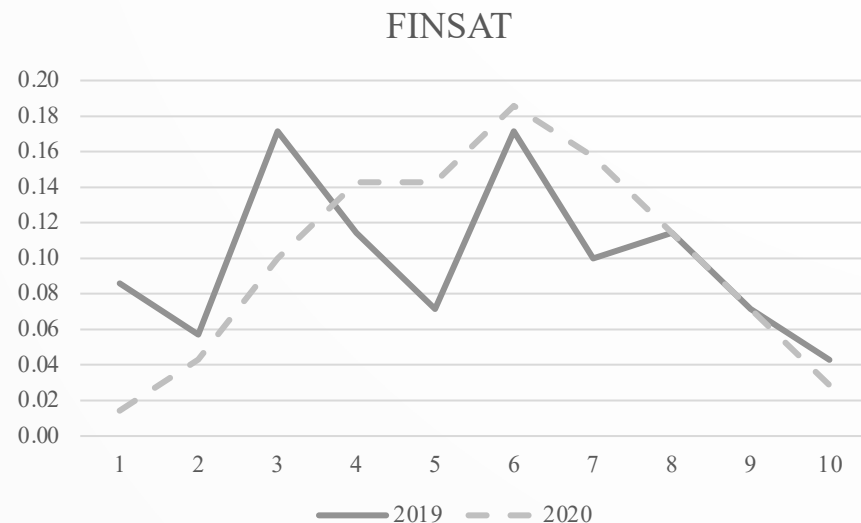
49% aged 23 or younger

39% earn < \$19,999 per year

50% had less than \$2,000 in savings





73% studying a Bachelors degree






29% answered all three Fin Lit q's correctly



CURRENT MONEY MANAGEMENT STRESS		2019	2020	
I feel stressed about my personal finances in general.	5- Describes me very well	0.30	0.21	▲
	6- Describes me completely	0.24	0.01	
Which of the following, if any, have you used in the past 12				
Credit Card	1- Yes	0.33	0.26	▼
Payday Loan/Cash Advance Loan	1- Yes	0.01	0.01	
Afterpay/Zip Pay	1- Yes	0.21	0.29	▲
When you get a credit card bill, do you usually:	3- Pay the full balance	0.03	0.16	▲
In a typical month, how difficult is it for you to cover your expenses and pay all your bills?	2- Rarely	0.29	0.40	▲
In a typical month, how difficult is it for you to come up with \$500 to cover emergency expenses?	4- Often	0.29	0.21	▼
	5- Always	0.24	0.21	
Some of the most important achievements in life include acquiring material possessions.	3- Describes me very little	0.34	0.49	▲
I'd be happier if I could afford to buy more things.	4- Somewhat describes me	0.24	0.36	▲
I am confident I can manage my finances.	5- Describes me very well	0.36	0.40	▲
	6- Describes me completely	0.23	0.29	▲

Descriptive statistics

EXPECTED FUTURE FINANCIAL SECURITY		2019	2020	
When I think about my financial situation, I am optimistic about the future.	4- Somewhat describes me	0.26	0.26	
	5- Describes me very well	0.20	0.26	
	6- Described me completely	0.19	0.16	
After graduation, I will be able to support myself financially.	4- Somewhat describes me	0.17	0.33	
	5- Describes me very well	0.26	0.23	
	6- Described me completely	0.27	0.26	
In planning for saving and spending, which of the time periods are most important?	2- The next year	0.14	0.26	
	3- The next few years	0.30	0.19	
Which of the following statements comes closest to describing the amount of financial risk that you are willing to take with your spare cash? That is, cash used for savings or investment.	1-I never have any spare	0.19	0.17	
	2- I am not willing to take any financial risks	0.34	0.44	

FINANCIAL SHOCK		2019	2020	
Lost a job.	1-Yes	0.31	0.37	
Had work hours and/or pay reduced or a business I or someone in my household owned had financial difficulty.	1-Yes	0.44	0.57	
Have you accessed a student bursary?	1-Yes	0.00	0.10	
Have you been eligible to receive financial support in a payment provided by Centrelink, i.e. Youth Allowance?	1-Yes	0.00	0.50	
Have you applied for early access to Superannuation?	1-Yes	0.00	0.09	

Results

Odds ratios for ordered logit regression

Current money management stress variables add more explanatory power than expected future financial security

CURRENT MONEY MANAGEMENT STRESS

Feeling financially stressed (0.833^{**})

Using a credit card (4.367^{**})

Using a payday loan (0.004^{***})

Good credit card behaviour (0.361^{**})

Having difficulty covering bills (0.596^{**})

EXPECTED FUTURE FINANCIAL SECURITY

Future optimism (1.906^{***})

PERSONAL ATTRIBUTES

Level of savings (1.216^{**})

Financial literacy question 1 (2.497^{**})

FINANCIAL SHOCK

Job loss (0.276^{**})

Reduced work hours (3.295^{**})

Receiving student bursary (0.112^{**})

Not significant

Gender

Government support

Early access to superannuation

Materialism

Confidence

Planning Horizon

Financial risk-taking

Year

Conclusions

- Results are not as expected
- Financial stress had declined in 2020 compared to 2019
- It is likely that government and university financial support, as well as reduced opportunities to spend money, have temporarily improved current financial circumstances
- Students do not seem to be factoring in prolonged economic consequences that will impact the job market. There is evidence of a shift to myopic behaviours.
- Having a savings buffer and at least a low level of financial literacy improves feelings of wellbeing/satisfaction



Future research

- How much do young adults know about economic cycles, and how good are they at interpreting trends of key indicators?
- Financial diaries might help to understand how people are managing financially as government support transitions to different phases
- The extent to which events that have adverse economic consequences improve emergency savings in households

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