



Resilience & Reinvention – Overcoming
Hardship and Challenges Together
Winter 2022 Conference



Getting Emotional About Money:

The psychological impact of debt and tools to help your students cope

Kelly Robson—University of Michigan

Deb Gossman—College Ave Student Loans

February 28, 2022

Agenda



- **Debt and Emotion Defined**
- **Different Views of Money Management**
- **The Psychological Impact of Debt**
- **Incorporating Emotion Into Your Counseling**
- **Quiz-Average American Debt**
- **Resources**



Debt & Emotion Defined

Debt Defined



Debt

Noun

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

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**



This is unrealistic for most people who aspire to own a home, automobile or start a small business. It is important to understand the difference between Good Debt and Bad Debt.

GOOD DEBT

Good debt typically has a lower interest rate, something you believe will grow in value over time (house, business, education), helps increase your credit history & is within your budget.



Mortgage/
House



Education



Business
Ownership



Investing/
Investment Loan

BAD DEBT

Bad debt is typically higher interest debt, not backed by a value increasing asset (automobile, credit cards), unplanned within your budget and can negatively impact your credit score.



Car Loan



Credit Cards



Store Credit



Cash Advance/
EZ Pay Loans

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



Your Students' Money Story

Different Views of Money Management



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

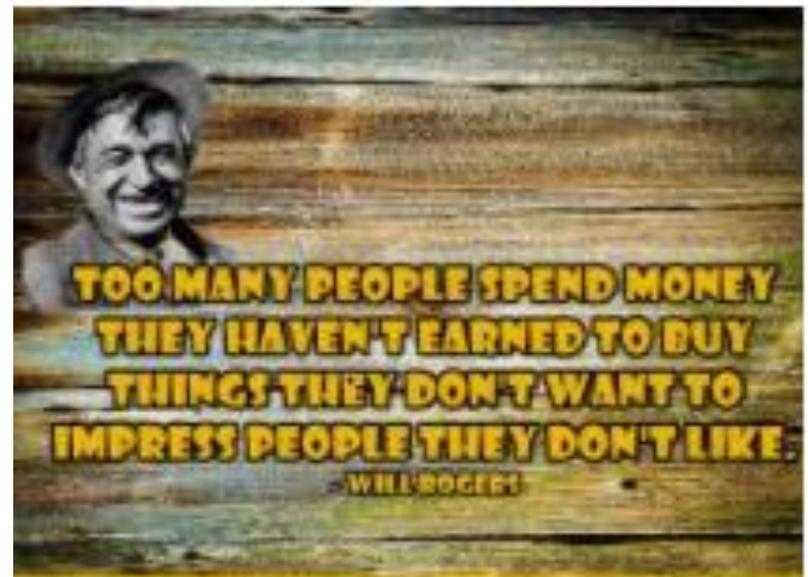
Money and Family/Upbringing

History

- What were your parent's/family's views about money?
- Was money discussed in your household?
- Did you experience financial hardships or live in fear of one coming?
- Did the adults in your life hide bad financial decisions or express worry about money?

All of these can lead to someone feeling anxious about money themselves.

Money and Societal Pressures



Money and Societal Pressures

Community

- How do your family and friends talk about money?
- Do they overspend, or express concern over covering the bills each month?
 - Choice of living arrangement while in school
 - Choice of activities, 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 we tend to emulate those who we interact with regularly.

Money and Action



Activity

- One of the few elements that you can control is your activities.
- Directly impacts your finances because it encompasses the actions you take with your money.
- The more you grow accustomed to managing money, the more comfortable you will be doing so.

Research shows the more you're stressed, the more you're inclined to make bad or rash decisions.

Money and Action



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 Money-makers
- 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



The Psychological Impact of Debt

The Psychological Impact of Debt

Money makes the world go round -- but it can also make your head spin!

Debt is a part of life!

Americans are very familiar with debt, which means they are also well acquainted with its effect on their mental health and well-being.

The Psychological Impact of Debt

- **Worrying about debt can bring on mental health issues or distress and compromised mental health can lead to erratic or irresponsible spending to self-soothe.**
- **High levels of debt stress can invoke a range of stress-related illnesses:**
 - **Ulcers, migraines, back pain, anxiety, depression and heart attacks.**
- **There is a link between a lack of perceived control and poor mental health.**
 - **People who do not feel in control experience more intense regrets and more intrusive thoughts about those regrets than people who feel more in control. (Grant Thornton)**

The Psychological Impact of Debt

- **Money is a leading source of stress for Americans.** ([American Psychological Association Survey](#))
- **Studies that show it's not how much money you owe that predicts depression and health problems. It's how much you worry about it.** (<https://www.webmd.com/balance/features/the-debt-stress-connection>)
- A March 2021 mental health survey of over 2,300 high debt student loan borrowers found that 1 in 14 respondents experienced suicidal ideation at some point during their repayment journey. (<https://www.studentloanplanner.com/mental-health-awareness-survey/>)



The Psychological Impact of Debt

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



The Psychological Impact of Debt

Money Stress Leads To:

- Low self-esteem
 - Impaired cognitive functioning
 - Difficulty with learning and attentiveness
 - Memory Problems
 - Diminished Problem-Solving Abilities
-
- That means students can't learn, remember, be attentive or solve problems as effectively when they're concerned about their water bill. (<https://www.debt.org/advice/emotional-effects/>)
 - 56% of students at four-year colleges drop out within six years of studying. (College Atlas) (<https://whattobecome.com/blog/college-dropout-rate/>)

The Psychological Impact of Debt

- **Almost a third of Americans who take out loans to pay for college don't get a degree.** *(The Hechinger Report)*
- **A 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.** *(Magnify Money)*

The Psychological Impact of Debt

The Student Impact of Dropping Out

- **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**

The Psychological Impact of Debt

The School Impact of Student Drop Out

Low Graduate Rates = Lower Enrollment

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

College Dropouts = Reduced Alumni Donations & Rankings

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



Incorporating Emotion Into Your Counseling

Incorporating Emotion Into Counseling



Empathic Listening



Questions To Ask Your Students

1. How do you feel about your financial situation?
2. What lessons about money did you learn from your parents/upbringing?
3. Do you feel a sense of peer pressure when it comes to money?
4. What does the word “money” conjure up for you?
5. Do you find it difficult to face financial challenges? Why?
6. What are the most important things in your life?
7. How do you feel about developing a plan for repaying your loans?

Incorporating Emotion Into Your Financial Plan

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

What Can Your Students Do to Cope?

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.**

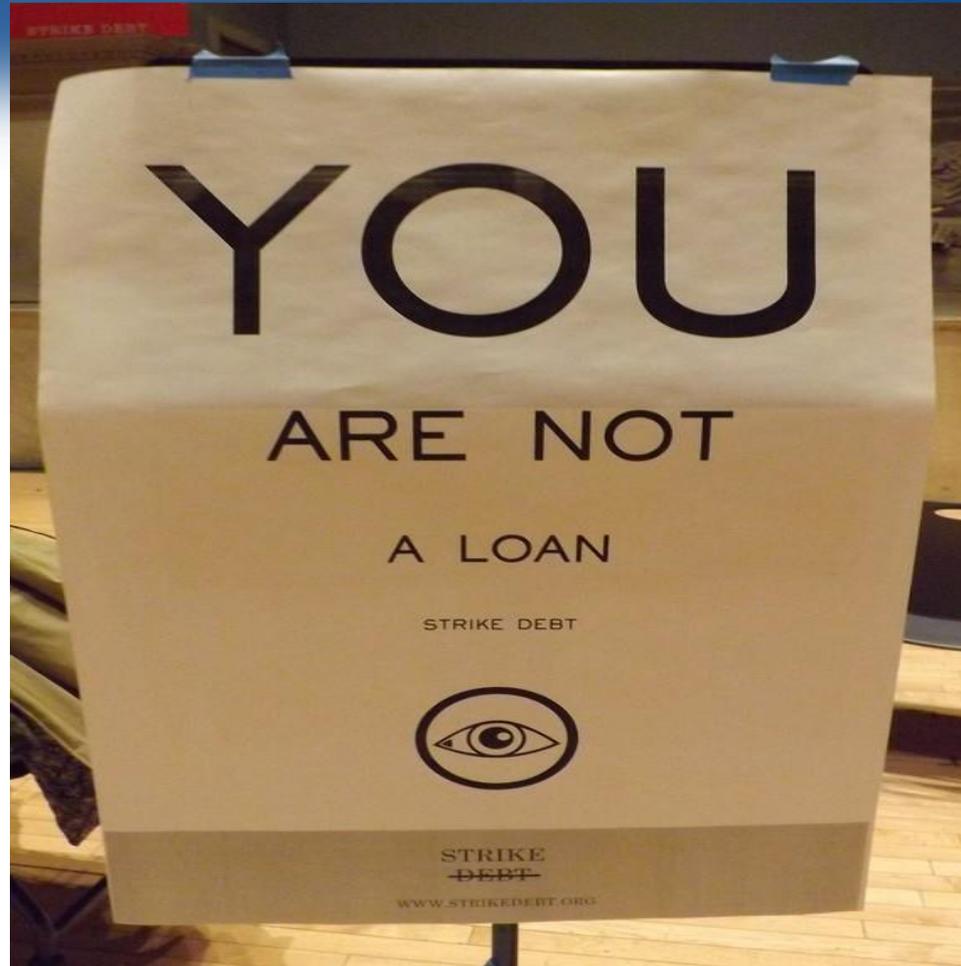
collegescorecard.ed.gov

The Value of an Education



- ***A degree never expires***
- **It's worth your time and money**
 - School teaches you how to:
 - » socialize
 - » how to stick with it even when you don't want to
 - » manage your time
 - » to think critically, analyze widely, & learn vast specific and general lessons
- **It's an investment in YOU**
- **It reaches beyond a career**
 - Increases your capacity to serve and give back to the community
 - Financial education hones skills for budgeting

An education gives you the capacity and the ability to do more





QUIZ

How Much Debt do Average Americans Have?

What percentage of Americans have a credit card account open in their name?

95%

<https://www.experian.com/blogs/ask-experian/how-many-people-have-credit-card-debt/>
Experian data from the third quarter (Q3) of 2020

How Much Debt do Average Americans Have?

What generation carries the most credit card debt?

Generation Z (18-23): \$1,963 (down 6% from 2019)*

Millennials (24-39): \$4,322 (down 11% from 2019)*

Generation X (40-55): \$7,155 (down 12% from 2019)

Baby Boomers (56-74): \$6,043 (down 12% from 2019)

Silent Generation (75+): \$3,770 (down 16% from 2019)

*Social media plays a role in buying choices according to CreditCards.com

[https://www.experian.com/blogs/ask-experian/how-many-people-have-credit-card-debtquarter \(Q3\) of 2020/](https://www.experian.com/blogs/ask-experian/how-many-people-have-credit-card-debtquarter (Q3) of 2020/)

Experian data from the third quarter

How Much Debt do Average Americans Have?



What is the average balance?

\$5,315

<https://www.experian.com/blogs/ask-experian/how-many-people-have-credit-card-debt/>
Experian data from the third quarter (Q3) of 2020

What is the average monthly credit card balance for a college student?

\$1,420

<https://www.creditrepair.com/blog/education/college-student-credit-card-debt>

How Much Debt do Average Americans Have?

What is the average monthly student loan payment?

\$393

Monthly student loan payments were halted as part of the pandemic relief measures but the pause will now end May 1, 2022.
(RTR is May 2, 2022)

Student Loan Debt



How much has student loan debt grown in America from 2009 to 2019?

113%

<https://www.mycreditsummit.com/american-consumer-debt-statistics/>

How Much Debt do Average Americans Have?

- The U.S. consumer debt balance grew to a record high of \$14.88 trillion amid the pandemic.

Total Overall Debt Growth				
	2010	2019	2020	2019-2020 Change
Total debt	\$11.32T	\$14.08T	\$14.88T	+\$800B (6%)

Source: Experian

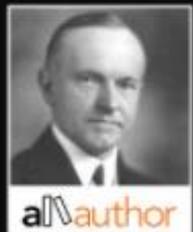
(<https://www.experian.com/blogs/ask-experian/research/consumer-debt-study/>)

- Millennials lead all generations in percent increase in debt. Their debt grew 58% from 2009 to 2019.
- 44.2 million Americans currently have student loan debt.
- Prior to the pandemic, 11.1% of student loans were 90 days or more delinquent or are in default.

<https://www.mycreditsummit.com/american-consumer-debt-statistics/>

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.



There is no dignity quite so impressive,
and no independence quite so important,
as living within your means.

-Calvin Coolidge

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

7 Ways to Shift Your 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**



Help Your Students Create a Roadmap

1. Make a Plan
2. Set Realistic, Measurable Goals
3. Assess/Adjust Your Goals Regularly
4. Invest In Good Habits for the Future
5. Focus on Progress, Not Perfection
6. Expect the “Unexpected”
7. Stay Balanced

PLAN



Final Thoughts...



Money Is a Tool



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

1. Is this going to make me feel fantastic in a way that it improves my well-being?
2. Is this going to help me get the results that I’m aiming for?
3. Is this going to help other people (including the people you’re purchasing from)?
4. Is it a **NEED** or a **WANT**?

Perhaps wait 24-48 hours before making the purchase to see if it an impulse buy or a well thought out purchase. Often times, if you wait you will not make the purchase.



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,t o%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/>

Emotion and Psychology of Debt

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

Tools For Your Financial Toolbelt

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/>

Real Simple: November 2021 (Article)

- Money: 3 Kinds of Financial Folks Everyone Should Know

Privileged Poor, book by author Anthony Abraham Jack



Contact Information

Deb Gossman

Head of Campus Development-Central States

College Ave Student Loans

317-626-5991

dgossman@collegeave.com

Kelly Robson

Loan Specialist

University of Michigan

734-763-4308

klrobson@umich.edu

This presentation is for informational purposes only. It is not intended to be, nor is it fully comprehensive. It does not constitute an offer.

The student loan industry is subject to constant change, and therefore this presentation should serve only as general, background information in summary form and does not purport to be complete.

You are encouraged to further study the subject matter and the factual circumstances specific to you or your institution. Estimates, examples, and forecasts are believed to be reasonable, however it is impossible to accurately forecast the outcome of future events, so while believed to be reasonable, actual results may vary from those contained in this presentation in a materially positive or materially negative manner. Nothing in this presentation constitutes or is designed to constitute financial, tax, accounting or legal advice.