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JUNIOR ACHIEVEMENT TEENS AND PERSONAL FINANCE SURVEY REVEALS...OPTIMISM?



By: Terri Williams - August 16, 2016

Count on teens to have a different perspective, even when the topics are the cost of college and student loan debt. The 2016 Junior Achievement Teens and Personal Finance Survey reveals that those between the ages of 13 and 17 are much more optimistic about their college future and how they will finance it.

This during a time when much of the conversation regarding the cost of college and student loan debt has reached a fever pitch of negativity: Recent research suggests the price of a four-year degree has increased so much that full-time students can no longer work their way through college, leading to a greater dependence on student loans. While some graduates land good jobs, many find a decline in job quality and wages.

The combination of high college costs, large student loans and low post-college wages has left many questioning the value of a degree. Some critics have even called for student loan debt to be forgiven.

But today's pre-college students don't share that pessimism, at least in the teens and personal finance survey. Below are some responses from the surveyed teens:

TEENS AND PERSONAL FINANCE: PAYING FOR HIGHER ED

40%	Expect scholarships and grants to cover most of their cost
21%	Expect financial aid help from their parents and families
17%	Plan to work to earn money for college
11%	Anticipate taking out student loans

When asked in the teens and personal finance survey, "How has the talk about student loan debt affected your thoughts on college?" responses were as follows:

60%	I will figure out a way to go to college without student loans
16%	I will go to community college, technical school instead
12%	I don't know/no opinion
8%	I will borrow as much as needed, regardless of cost
4%	I am less likely to go to college now

TEENS AND PERSONAL FINANCE: STUDENT LOAN RESPONSIBILITY

When asked, "If someone borrows more money for college than they are able to pay off, who should fix it?" teens responded:

65%	The borrower
11%	The government
7%	The college
5%	The lender

INCOME EXPECTATIONS BASED ON GENDER

When asked, "Do you think you will make more than \$35,000 per year in your first job?" more female than male teens agreed in 2016, compared to responses in 2014:

40% of males in 2016	vs.	44% of males in 2014
41% of females in 2016	vs.	35% of females in 2014

WHY ARE TEENS SO OPTIMISTIC?

One thing is clear from the teens and personal finance survey: young people understand the importance of obtaining a college degree. Joseph C. Burke, executive vice president of Development for Junior Achievement of Southeast Texas, tells GoodCall that educational attainment is critically important. "A recent study by Georgetown University found that 'out of the 11.6 million jobs created in the post-recession economy – since 2008 – 11.5 million went to people with at least some college education,' so it is imperative for young people to continue their education beyond high school including certifications, and two-year and four-year degrees to meet the needs of the 21st Century workplace."

Burke believes teens are more optimistic, with high aspirations. "The challenge is for young people to identify the path to a career that is rewarding and how to pay for this post-secondary education," he says.

WHY TEENS HAVE DIFFERENT VIEWS

Their views seem to be at odds with other generations regarding how to pay for college. Is this an issue of youthful ignorance, or are these teens more grounded in reality?

Dolph Janis, owner and founder of Clear Income Strategies Group in Charlotte, NC, believes these teens may not be as informed as older generations. "Too many times, teens view life as what they see on TV or what a friend tells them. For example, how many times has someone shared or posted something on social media that they found before actually seeing if it is true or not—and the same goes with financial views." On the other hand, Janis says people of every age tend to evaluate situations based on emotions rather than facts.

But is it possible that teens are both realistic and optimistic? Jakob Loescher, CFP, ChFC, CRPS, CRPC, AIF of Savant Capital Management in Rockford, IL thinks so. He says they've seen the impact of the recession on their parents and understand they will face stiff competition in the job market. "Generally, this has made most of Gen Z more financially conservative when compared to other generations like Gen X and more likely to take personal responsibility for these obligations," Loescher says. However,

he doesn't think teens fully understand the financial costs of pursuing a four-year degree at a traditional college or university.

It's a view shared by Kelley Long, CPA/PFS, in Chicago, IL. Long thinks that efforts to educate teens on finances are paying off. And, she believes that teens who have seen their own parents struggle with debt don't want to go down that path. "But I also think there's a little bit of altruism in there—while most of them think they can do college with no debt, if their parents haven't saved enough, they may not end up going to the college of their choice, or they may be forced to work while going to school," she says.

Even if they end up getting a student loan, Long says she is encouraged. "Teens are aware of the perils of student debt and even if they do end up needing to use it, hopefully less of them will find themselves confounded upon graduation with how it all happened."

HOW CAN TEENS PREPARE FINANCIALLY?

Teens who don't want to be saddled with student loan debt need to start planning for their college education now. Burke says there are a variety of options for financing college, including scholarships, financial aid, and college savings plans in addition to student loans. He recommends that high school students take classes in high school for college credit as another way to keep costs down.

But he believes the most important first step for teens and their parents is to determine the appropriate level of education to attain. Although students are typically told that a four-year degree is the only option, Burke disagrees. "For many careers, there are two-year programs and certifications with tremendous earning potential that do not require significant upfront costs," he says.

The second step, according to Burke, is to look at education as an investment. "What will it cost versus what is the payoff in terms of enhancing earning power?" He says Junior Achievement has an app, JA Build Your Future, to help students with this decision-making process. The app is available in the Google Play store and the Apple app store. "This tool helps students explore potential careers, and assess the level and cost of education required and compare them with the income ranges for those in the field, ultimately giving them an ROI rating," Burke explains.

Loescher agrees that teens should consider alternatives, adding, "As teens begin to discover the actual costs of traditional college, they may choose to pursue education opportunities from less historically traditional universities, like online degrees/credentials." Not only is this a more affordable option, but there is an added benefit. "It would fit in line with the tendencies of financially conservative Gen Zs, who also prefer to interact electronically with visual, audio, and instant information," Loescher concludes.

Dolph Janis, founder and owner of Clear Income Strategies Group, has been in the retirement services industry for more than 11 years, building a strong network of satisfied clients in Charlotte, N.C. and surrounding areas. Dolph's goal is to provide fulfillment for the visions, hopes and dreams from baby boomers to seniors by providing common sense solutions for their retirement needs.

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