

Financial Literacy and My College Decision

Part 1

It feels like yesterday that I walked into our community bank and asked the teller to withdraw \$5 so I could go to the convenience store. The teller replied, “Does your dad know about this?” I then went to my dad's office and sat through a court case with my dad as the judge and jury. At the time, I was mad I couldn't spend \$5 on a Pepsi. I just couldn't help but wonder why my dad wouldn't let me withdraw that tiny amount. Over the years, I have learned that \$5 here and there adds up to a substantial amount of money. Little did I know that I would be the next bank employee to ask a little kid, “Does your mom or dad know about this?”

As you can tell, my financial literacy lessons began early. As a 12-year member of 4-H, I learned financial literacy lessons at a very young age. I remember going to pig sales and trying to find a pig that was both a good price and a good pig. Looking back on this, I've come to see that this is exactly what choosing a college is about, minus the pig. Throughout my years in 4-H, I have watched kids buy expensive animals that proved to be a terrible return on investment. My parents realized that 4-H wasn't just about winning a ribbon; it was about raising a high-quality animal while learning the importance of financial decisions. It was my parents' decision to have me do 4-H, a decision that led me to learn basic financial skills. However, these skills compounded, just like interest, when I took the *Foundations in Personal Finance* course provided by Dave Ramsey. Through this course, I learned about several financial literacy categories. There were two categories, however, I learned the most from: “Life After High School” and “Investing and Retirement.”

In the section of “Life After High School,” there were several decisions that were presented as key elements of future success: Are you going to do any continuing education? Will you enter the workforce? Will you join the military? For me, the answer was college. After making this decision, I had to come up with a plan to pay for my education. There are two ideal

ways to pay for college, and a third that is sometimes needed but not preferred, which is loans.

The two I will be using are scholarships and money earned from high school and college jobs.

In the section on investing and retirement, I learned all about the stock market world. Dave Ramsey once said that if people invest \$100 per month from the time they're 17 to the age of 65, they would be a millionaire. After talking to my dad, we decided to open a brokerage account so I could start investing my money. Looking back, this is when I decided what I wanted my profession to be.

Part 2

I always knew I was going to go to college. At first it was to be a teacher, and then it was to be an accountant and financial planner. Although I always had planned to attend college, I never realized how high the costs of tuition and housing actually were. My parents were in the same spot. Graduating in the 1980s, when the average cost of attendance was \$10,231, they didn't realize the average cost of attendance had climbed to \$28,775, a 180% increase ("The Cost of College Over Time"). As a finance person, I've always said, "Let the numbers speak for themselves." There's no question; those numbers speak, and initially, I didn't like what they were saying. My first thought after seeing these numbers was, do I really need to go to college that badly? However, after looking at the average salary for accountants in Kansas, which is \$56,949, I understood that I would be making an investment for my future, and the decision to go to college would be one I wouldn't regret. However, that did not mean that I was ready to write a blank check for my degree, and I certainly wasn't willing to take on excessive student loans to do so. The numbers for student loans are, after all, shocking. *Forbes* reports, for instance, that

- \$1.75 trillion in total student loan debt (including federal and private loans) is currently owed;
- \$28,950 is owed per borrower on average;
- About 92% of all student debt is federal student loans; and
- 55% of students from public four-year institutions have student loans (Hahn).

It is younger people like me who most frequently carry student loan debt; however, “people carry their education debt well into middle-age and beyond. Borrowers ages 35 to 49 owe more than \$620 billion in student loans. This cohort has the highest number of borrowers who owe more than \$100,000 in loans.

Even retirees feel the pressure from student loans; there are 2.4 million borrowers aged 62 or older that owe \$98 billion in student loans” (Hahn).

The Dave Ramsey Personal Finance Course materials indicate that 44% of such people believe their debt from student loans will eventually be forgiven (Ramsey 174). It is true that “As of September 2021, 10,776 borrowers have successfully had their federal loans forgiven through the Public Service Loan Forgiveness (PSLF) program” (Hahn). However, “Nearly all PSLF forms (98%) were denied because the applicant did not meet requirements. The most common reason for denial was that the applicant had not completed 120 qualifying payments on their Direct loans” (Hahn). Banking on such forgiveness can hardly be called financial planning. These statistics not only made me start crunching numbers, but also made me want to share what I learned with my other classmates. Financial peace isn't like a basketball game where there can only be one winner; everyone can win. This course not only caused me to learn more about finances, but it also helped me solidify what my future majors would be, namely accounting and finance.

I had always wanted to attend Wichita State University. This all changed when I took the advice of my counselors and teachers and actually toured the campus. The campus vibe wasn't right for me. Perhaps my small-town roots were showing, but it was simply too urban. According to Wichita State University's website, the cost of attendance is \$28,910. If you are going to pay thousands of dollars for education, you'd better believe that you are going to enjoy your time there. I was unconvinced. After leaving Wichita's campus, it finally struck me: I've just thrown out my only idea for college. I quickly came up with two more colleges to look at: Southwestern College (a small private university in Winfield, Kansas) and Kansas State University.

When I contacted Southwestern, I was told I could get approximately \$20,000 in music and academic scholarships. Wow! My first thought was, how can I turn that down? After doing further research, I realized that, according to the Southwestern College website, it would cost \$58,750 to attend there full-time. This was over a 100% increase compared to Wichita State. However, I really wanted to get my degrees in accounting and finance and also be able to minor in music. Southwestern offered me both. It was in a small town, and it reflected my roots in the Methodist Church. After touring the college, I didn't really see myself there, but the idea of a music scholarship still had me thinking. I had begun playing piano for church back home, and I deeply valued this connection to music. I was torn. Less than two weeks later, Southwestern cut its music program. This ended up being a blessing in disguise, as the total cost of attendance at Southwest may have meant that I would be playing at any event that would hire me to pay for the cost of attendance.

I then began to explore Kansas State University, which has a cost of attendance of \$29,164 and is where one of my siblings attended school. I knew the campus well, so this time I started with the numbers, creating a cost-comparison chart using numbers provided by each of the institutions.

Colleges	WSU	SWC	KSU
Direct Costs			
Tuition & Fees	-\$10,360.00	-\$38,480.00	-\$11,876.00
Room & Board	-\$13,790.00	-\$11,356.00	-\$12,020.00
Indirect Costs			
Books & Supplies	-\$1,250.00	-\$1,000.00	-\$1,056.00
Transportation	-\$1,250.00	-\$1,852.00	-\$1,152.00
Other Personal Expenses	-\$2,202.00	-\$6,062.00	-\$3,060.00
Student Loans	\$5,500.00	\$5,500.00	\$5,500.00
Institution Scholarships	\$4,000.00	\$21,000.00	\$2,500.00
Local Scholarships	\$2,800.00	\$2,800.00	\$2,800.00

Total	-\$16,552.00	-\$29,450.00	-\$18,364.00

After touring K-State and looking at my cost-comparison spreadsheet, I decided K-State was the best option for me. They have great business and music programs and offer a more cost effective education in a smaller community. Following my decision, I decided to make a personal cash flow spreadsheet to calculate my total cost after four years of schooling.

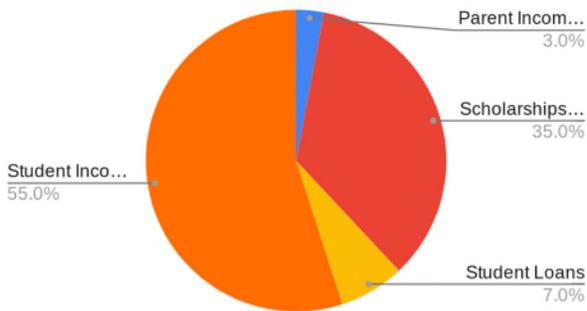
	2023-24	2024-25	2025-26	2026-27	2027-28	Total Loans
Beginning Balance	\$0	\$11,467	\$3,534	\$801	\$68	
Savings	\$9,500	\$0				
Checks	\$550					
Add'l Income During School	\$3,000	\$3,000	\$3,000	\$3,000		
Investments	\$750					
4-H Income	\$2,500					
Summer Employment	\$5,400	\$6,300	\$6,500	\$6,500		
Scholarships	\$15,000	\$8,000	\$6,000	\$6,000		
Student Loans			\$7,000	\$9,000		\$16,000
Total Cash	\$36,700	\$28,767	\$26,034	\$25,301		
Expenses						
Tuition	\$11,633	\$11,633	\$11,633	\$11,633		
Books	\$500	\$500	\$500	\$500		
Room	\$5,200	\$5,200	\$5,200	\$5,200		
Board	\$4,900	\$4,900	\$4,900	\$4,900		
Entertainment	\$3,000	\$3,000	\$3,000	\$3,000		
Total Expenses	\$25,233	\$25,233	\$25,233	\$25,233		
Ending Balance	\$11,467	\$3,534	\$801	\$68		

The cash flow depicted above is to be used as a guideline for how I will pay for college. In reality, any such plan must include flexibility. I may, for instance, have to pay for my car to be fixed. On the other hand, I may receive some scholarship money that I didn't expect to get. A big part of my income for college is scholarships. I got this number by taking the average of my siblings' scholarship money. By my predictions, I shouldn't need to rely on loans until year three.

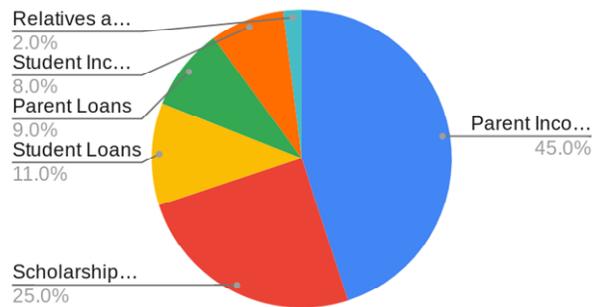
After completion of college, I should only have an approximate of \$16,000 in student loans. This is significantly less compared to the average of \$28,950 as stated above.

In the Dave Ramsey Personal Finance course, Dave Ramsey provides a pie chart showing the typical way students pay for college. I will attach that graph below along with my plan to pay for college.

My Plan



Typical Family's Plan



Most students attending college get most of their funding from their parents. I will be self-funding most of my college education. I also will have less in loans and no contribution from relatives. I will have a larger amount of scholarships as our community supports graduates more than the typical community. During my process of deciding my funding breakdown as shown above, I went to the Consumer Financial Protection Bureau website and compared my cost of education. I plan on working part time as a way to help fund my college. Part of this work will be providing piano lessons. If I can get four students and charge \$25/hr, I could earn approximately \$1,500 a semester. As of now, KSU offers a maximum of \$5,500 in unsubsidized loans at an interest rate of 4.99% and a loan fee rate at 1.057%. However, I should expect to see these rates increase as we are in an inflation crisis. During times like these, the federal government raises interest rates to try and slow inflation. It is reasonable to assume that student loans will increase as a result. The key is keeping the principal down to a manageable level. I am hoping by my junior year of school that these interest rates will be lower.

When I first decided I was going to attend college, I knew it was going to cost a substantial amount of money. However, after completing the Dave Ramsey course, I realized the true numbers, and they spoke volumes. Dave Ramsey's course has not just taught me how to manage my money when I am in college, but also in my time before and after completion of college, as well as how to make a budget to properly pay off debt, how to create an emergency fund, and how to save for retirement. But most importantly, he changed my attitude toward college and finances. Dave Ramsey says, "If you will do the things others won't do then some day you will have the life others won't have" (Ramsey).

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