Foundations for Success
University of Central Florida
Quality Enhancement Plan Concept Paper

Executive Summary

Description: Federal and state funding for higher education has declined in the last ten years, leading institutions of higher education to raise tuition and fees (Starobin, Hagedorn, Purnamasari, & Chen, 2013). These reductions, as well as a assortment of other variables, have created challenges for many students, even for some who have substantial financial support. This proposed QEP topic provides the structure for graduating a generation of students with financial knowledge that goes far beyond their student loans or accumulated debt: it is a comprehensive examination and enhancement of financial competencies for a lifetime.

Vision: Undergraduate students will be required to complete Financial Literacy Modules that explore both short-term and long-term fiscal planning. For example, the modules could cover financial planning, consumer purchasing, career planning, housing issues, budgeting/records/financial statements, insurance, tax planning, investments, real estate/alternative investments, financial services, and consumer credit, as well as retirement and estate planning and college savings (Gregg, 2014). Upon completing the modules, students will be more informed and better able to personally manage responsible short-term and long-term fiscal planning in their own lives.

Congruence with the university's mission and strategic plan: In congruence with UCF's strategic plan, the modules would help to produce "an Educated Citizenry that has knowledge, analytical and application abilities, and critical appreciation of [both] economical and mathematical" fluencies (UCF Strategic Plan, 2012). The endeavor would also serve UCF's primary goal to offer the best undergraduate education available in Florida—an education that helps to prepare our students not only academically but fiscally as well.

Foundation: In 2012, seven out of ten college seniors with loans had student loan debt approaching $30,000. In Florida alone, 51 percent of 2012 graduates were in debt, with the average student owing $22,873 (Reed & Conchrane, 2013). Politicians and institutions of higher education themselves receive a lot of criticism regarding the rising costs of attending college, yet many students are not financially well versed in how to navigate the complexities associated with financial aid applications, the process of taking out loans, and other ways to fund their education (Bidwell, 2013). We know that federal and state funding for higher education has declined in the last ten years, leading institutions of higher education to raise tuition and fees (Starobin, Hagedorn, Purnamasari, & Chen, 2013). But what is being done to equip our students with the knowledge that they need to succeed in these economic times?

Financial literacy can affect a student's academic and social success in many ways. Students who do not properly grasp the complexities of credit cards or student loans can find themselves in serious debt, causing them to lose focus on academics in order to deal with financial problems. Financial problems alone can be a reason for a student to drop out of school completely (Starobin, Hagedorn, Purnamasari, & Chen, 2013). Nationally, student loan debt is more than $1.1 trillion, and more than half of this debt is not being paid back. Many students default on their loans because they are not aware of the existence of flexible repayment plans (Bidwell, 2013).

Some colleges and universities are already acting on financial literacy needs for their students. In September 2012, Boston College implemented $uccessful Start, a financial literacy program relating to personal finance designed to prepare students through workshops led by Boston College employees, faculty members, and expert guest speakers.

Goals and Objectives

Given the preponderance of information and concern about financial literacy among college students and their parents, the University of Central Florida will provide students—and parents—with education and knowledge about debt management and the basics of financial investments.

These topics are intended to serve students not only during their preparation for college and while they are attending but also well beyond their college, as they earn, borrow, consume, and invest. Educational opportunities will be provided to allow students to manage their financial resources effectively throughout their lifetime.

Debt Management

The goal is to provide students with an overview of the advantages and disadvantages of debt commonly incurred by individuals (e.g., student loans, auto loans, credit cards, mortgages). Students will learn about what are considered to be appropriate levels of debt from a lender's perspective as well as how to properly use personal debt. The objective is to provide students with knowledge that will help them avoid inappropriate debt (e.g., credit cards, risky or excessive mortgage debt) and how to manage debt and savings as they progress through life.

A. Investment Basics

The goal is to expose students to major investment asset classes and their risks, including equity securities (stocks), fixed income securities (bonds), and real estate. Students will learn the characteristics of investment alternatives (i.e., individual securities versus mutual funds), the benefits of diversification, and basic allocation principles. The objective is to provide students with the skills that they need to make intelligent investment choices in their retirement savings plans and to how to save and invest throughout their lifetime.

B. Fiscal Tax Policy

Students will learn about the structure of U.S. federal income and estate tax policy, including recent changes in federal tax policy; the impact of U.S. tax policy on the economy; the relationship between the federal deficit and interest rates; how fiscal policies impact individual citizens and their personal finances, and the link between fiscal and social policy initiatives (e.g., home ownership) and tax laws.

C. National Health Care Policies

The goal of this module is to help students better understand the structure of the U.S. healthcare system; issues surrounding the current system of healthcare in the United States, including Medicare and Medicaid; recent government and employer actions taken to address healthcare issues and their impact on personal finances (including the Affordable Care Act and proposals to reform Medicare).

D. National Retirement and Savings Initiative Policies

The structure and background of Social Security and issues surrounding the current system will be explored as well as recent trends in national retirement policies, including various programs initiated by the government to encourage citizens to save money for their retirement and the college education of their children.

E. National Monetary Policy and the U.S. Banking System
The structure of the Federal Reserve and the U.S. banking system and the impact of policy changes on individuals and their finances will be investigated. By examining the structure of federal bankruptcy laws and recent issues impacting individual bankruptcy and the components of interest rates, students will be better prepared for making financial decisions.

F. National Consumer and Investor Protection Policies
This module presents an overview of government agencies responsible for consumer protection and existing policies and laws protecting consumers in their dealings with the financial services industry. This overview of regulatory agencies protecting investors and recent initiatives to protect investors and improve securities market regulations will build student competencies in this area.

G. State Government Policies
The structure of insurance regulation, state probate, property title, and healthcare directive laws for various states, including issues surrounding state laws versus federal laws, will be investigated. Students will be well versed in domestic policy issues impacting their individual finances, and will be knowledgeable how future policy changes would impact them as individual citizens. Students will be taught the financial skills necessary to manage their personal finances throughout their lifetime.

H. Financial Planning
Analyzing the process for making personal financial decisions is the goal of this module with emphasis on the following: develop personal financial goals in view of an individual's background and emotions related to money, debt, spending habits, risk taking, and so on; assess economic factors that influence financial planning; determine opportunity costs associated with personal financial decisions; identify strategies for achieving personal financial goals for different life situations; understand the financial aspects of marriage and divorce, including prenuptial agreements; understand basic time value of money (TVM) concepts used in personal finance, including present value and future value computations.

I. Consumer Purchasing
The expectation of completion of this module is that students will be able to assess the financial implications of consumer purchasing decisions; evaluate the alternatives in consumer purchasing decisions; implement strategies for effective purchasing and how to evaluate product pricing schemes; understand the economics of operating an automobile and how purchasing decisions (e.g., new versus used, buying versus leasing) impact the operating cost per mile; identify steps to take in resolving consumer problems; evaluate legal alternatives available to consumers; evaluate auto loan financing (e.g., 0 percent financing versus cash rebate) and the economics associated with prepaying for certain goods and services at a discount.

<u>Career and Estate Planning</u>

A. Career Planning
By describing the activities associated with career planning, students will learn to evaluate factors that influence employment opportunities; implement career search strategies; assess the financial and legal issues related to employment, including a financial assessment of benefits packages (i.e., insurance and retirement plans); analyze the techniques available for career growth and advancement; understand and evaluate pre-tax and after-tax employee benefits.

B. Housing
Evaluating housing and renting options is a serious decision affecting virtually all students and alumni. This module is meant to help them understand the process of buying and selling a house, including the

credit approval process and costs associated with home ownership; evaluate mortgage options, interest rate differentials, and understand risks associated with various mortgage products; recognize when refinancing is appropriate and understand the economics of refinancing.

C. Budgeting/Records/Financial Statements

The goal of this module is to facilitate students' development of personal financial statements and to understand how financial decisions impact net worth; create and implement a budget; calculate savings needed for achieving financial goals; understand the difference between fixed costs and variable costs and how they impact personal finances.

D. Insurance

By develop a risk-management plan using insurance, students better understand the implications of insurance coverage for homeowners and renters; identify important aspects of auto insurance and factors impacting premiums; understand various forms of health insurance, including coverage, exclusions, and procurement methods; explain the mechanics of disability and long-term care insurance and recommended levels of coverage; explain national issues surrounding healthcare and the Patient Protection and Affordable Care Act, Medicare, and Medicaid and how they impact individual decisions on healthcare; define life insurance and calculate life insurance requirements at various stages of the life cycle; distinguish among various insurance and annuity products and their costs and benefits.

E. Tax Planning

This module will help students to illuminate major aspects of individual income tax law, including recent fiscal policy changes as they impact the individual taxpayer; calculate taxable income and amounts due for federal taxes; identify tax planning opportunities and strategies, including tax rules related to investments; explain the difference between tax avoidance and tax evasion and ethical issues surrounding taxes.

F. Investments

In order to establish an investment program and personal asset allocation model at various stages of the life cycle, students must understand historical returns on various investments and related risks associated with these investments (and investor protections provided by law, e.g., SEC regulations); distinguish among common stocks, preferred stocks, fixed-income securities, and more speculative investments, including features of each; calculate returns on various securities; understand the mechanics and the pros and cons of investing in mutual funds and ETFs, including an assessment of a prospectus and mutual fund performance; develop a basic understanding of how to reduce risk through portfolio allocations and know the appropriate mix of securities (e.g., equity versus fixed income) based on the age and needs of the investor. As elements of this module, students will be able to:

i. Identify types of real estate investments and the benefits and risks associated with real estate and how these investments fit into a well-diversified portfolio (e.g., REITs). Gain exposure to other asset classes (e.g., commodities, options) and understand the benefits and risks associated with alternative investments. (Real Estate/Alternative Investments)

ii. Understand the banking system and various financial products available to individuals; identify sources of credit, including credit cards, and the pros and cons of various types of financing; calculate interest using various methods used by the industry; understand credit ratings and how to improve one's credit scores; discuss problems associated with debt and how to resolve excessive debt problems; demonstrate a knowledge of bankruptcy law and the related pros and cons of filing bankruptcy. Understand major aspects of consumer protection laws (e.g., Dodd Frank). (Financial Services and Consumer Credit)

iii. Develop a savings plan to provide for retirement; discuss various forms of retirement savings options, including IRAs, social security, and employer-sponsored plans (e.g., 401(k) plans); assess issues surrounding social security; identify methods available to save for a child's college education, including Section 529 plans; understand how to allocate portfolio investments between taxable, tax-deferred, and tax-free accounts. (Retirement Planning and College Savings)

iv. Demonstrate a knowledge of federal estate and gift tax law, and discuss national fiscal issues associated with estate taxes; understand the importance of wills, minor children guardian designations, trusts, and living wills and how they fit into a personal financial plan; identify estate planning techniques, including the use of trusts. (Estate Planning)

Student Learning Outcomes

As a result of the QEP's focus on financial literacy, students will be able to:

1. Understand how to manage debt;
2. Recognize the impact of national and state government policies on personal financial decisions;
3. Articulate a path for career planning that incorporates knowledge of financial practices; and
4. Develop competence in managing financial decisions.

Implementation and Scope/Assessment Methods

Suggested activities with attendant assessment methods might include:

A. Online financial literacy modules that can be delivered with current online orientation activities. Success of these modules can be measured via pre- and post-testing immediately before and after delivery.
B. A module specific to financial aid that would be required before students could confirm acceptance of financial aid. Students could then be asked whether and how this module impacted their decisions regarding financial aid.
C. A module focusing on financial aid designed for parents of college students. A separate assessment could be done regarding the impact of this module on parents' choices and their influence on their children's choices.
D. Workshops and information booths with information about private loans and credit cards. The information booths would be held in conjunction with information fairs and would include vendors from credit card companies, banks, credit unions, and other financial institutions. Workshops could be held throughout the year.
E. Faculty engagement in increasing financial literacy concepts in their classes. For example, Dr. Pavel Zemilansky is currently working with faculty members in the College of Engineering and Computer Science to integrate financial literacy concepts into a computer course. Possible other courses could include freshman English classes with the inclusion financial literacy topics or algebra classes with the incorporation concepts related to the time value of money.

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