**Improving the Quality and Accessibility of Financial Literacy Resources at the University of British Columbia**

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# Table of Contents

[Letter of Transmission 1](#_Toc98325320)

[Abstract 2](#_Toc98325321)

[Report - Introduction 3](#_Toc98325322)

[Defining Financial Literacy 3](#_Toc98325323)

[Background on Financial Literacy Education 3](#_Toc98325324)

[Common Financial Products 4](#_Toc98325325)

[Savings Products 4](#_Toc98325326)

[Credit Products 4](#_Toc98325327)

[Investment Products 4](#_Toc98325328)

[Purpose of this report 5](#_Toc98325329)

[Scope & Methods of Inquiry 5](#_Toc98325330)

[Report - Data 6](#_Toc98325331)

[Existing UBC & AMS Financial Literacy Resources 6](#_Toc98325332)

[UBC Online Resources 6](#_Toc98325333)

[AMS Online Resources 6](#_Toc98325334)

[UBC Advisory Resources 6](#_Toc98325335)

[Financial Literacy Education Best-Practices 6](#_Toc98325336)

[Review of Literature 6](#_Toc98325337)

[Comparison to Existing Resources 6](#_Toc98325338)

[Survey Results 6](#_Toc98325339)

[Self-Assessed Level of Financial Literacy 6](#_Toc98325340)

[Experience with Financial Literacy Resources 6](#_Toc98325341)

[Conclusion 7](#_Toc98325342)

[Summary of Findings 7](#_Toc98325343)

[Recommendations 7](#_Toc98325344)

# Letter of Transmittal

Present in final report

# Abstract

Present in Final Report

# Report - Introduction

## Defining Financial Literacy

Financial literacy describes one’s ability to make informed personal finance decisions. The set of activities comprising “personal finance” has changed over time, with more traditional definitions including budgeting, setting financial goals, and managing loans or debt. Investing has become increasingly relevant to personal finance and financial literacy as a result, meaning financial literacy is best described as the ability to “understand and effectively use various financial skills, including personal financial management, budgeting, and investing.” (Fernando, 2022).

## Background on Financial Literacy Education

Aspects of modern financial literacy, such as budgeting and debt management, are as old as debt itself, which first appeared over 5,000 years ago (Graeber, 2013). For most Canadians, financial literacy wasn’t explicitly mentioned until the mid-1990s, when many governments acknowledged the “broader economic implications of their citizens’ poor financial knowledge and decision-making on their national economies” (Canada, 2021). This newfound interest came as a response to a decade of record-high levels of personal debt, and “stagflation” of the 1980s (Garcia, 2007). *Visa*, *Mastercard*, *American Express*, and *Discover*, the descendants of “The Diner’s Club Card”, had given consumers access to more credit than at any other point in history (Garcia, 2007). The importance of financial literacy has been and will continue to be tied to the types of products marketed at consumers, their complexity, and the risk profile that these products present. It is from this perspective, that financial literacy is exactly as important as financial products are “risky, complicated, and well-marketed”, that we will evaluate the need for financial literacy at any particular point.

## Common Financial Products

Financial products can be broadly categorized into several buckets: Savings Products, Credit Products, and Investment Products.

### Savings Products

Savings products and services represent low-risk, low-return activities such as simple banking and budgeting tools. Savings products are seldom marketed and universally low-risk, meaning that they necessitate little financial literacy in isolation.

### Credit Products

Credit products include credit cards, loans, and mortgages. Fundamental to all types of credit is that they allow for access to borrowed money at the cost of interest payments (with the partial exception of credit cards). Credit products are riskier, more complicated, and better marketed than savings products. As such, credit products imply a greater need for financial literacy, a higher standard of that financial literacy, and a significant downside risk if these financial literacy requirements are not met.

### Investment Products

Investment products are the widest-ranging, fastest-growing, and most nebulous category of products. This category traditionally comprises stocks, bonds, and managed funds. Although investment products have always carried a higher risk-profile than most credit and all savings products, they have historically been adopted by an older, more financially experienced set of individuals. The past decade has seen the composition of investors and investment products change drastically. Investment products now include cryptocurrency and blockchain-based assets and are traded at a lower-cost by a younger set of individuals. Because of this complexity, investment products necessitate the most financial literacy and the greatest possibility of financial harm if financial literacy is not present.

## Purpose of this report

This report aims to determine if the University of British Columbia (UBC) provides adequate financial literacy resources and support to undergraduate students, and to provide recommendations in the event that existing resources are incomplete. Students who are poorly-equipped to responsibly manage their finances have an increased risk of failing to pay tuition, a greater chance of being financially distressed, and a reduced ability to evaluate career opportunities. The outlined recommendations are personally valuable to the undergraduate population, as well as economically incentivized to UBC.

## Scope & Methods of Inquiry

The following areas of inquiry are used to evaluate the quality of existing UBC financial literacy resources, and inform any recommendations:

1. What are the existing financial literacy resources provided by UBC?
2. Which of these existing resources are most effective, which are least effective?
3. What does the existing literature support as the most effective methods of financial education?
4. Do students feel uncertain about a given set of financial concepts in particular?
5. Which financial products are most commonly marketed to UBC students?

For areas of inquiry related to existing UBC financial literacy resources, data is collected from public-facing sources (web, etc.) and contact with relevant representatives. Inquiry about student opinions is collected from a survey of undergraduate students. All other data is collected from secondary-source research.

# Report - Data

## Existing UBC Financial Literacy Resources

### UBC Online Resources

UBC’s online financial literacy resources are provided by student services. The student services website covers the following topics with adequate detail:

* Financial support options
* Financial Planning
* Student Loans

Topics closely related to covering the cost of tuition are described with great detail (financial support options/student loans). Other financial literacy resources, such as financial planning, budgeting, and topics covering credit, and described in decreasing detail. Credit, despite underpinning the concept of student loans, is only served by a single pdf among an unsorted list of miscellaneous topics.

### UBC Advisory Resources

In addition to the static online resources, UBC student services holds a number of financial wellness workshops. These workshops cover topics, such as credit, with adequate detail, and appear to offer some coverage of concepts that aren’t well covered in the online materials. Finally, each student’s enrollment services advisor is available as a resource for financial literacy.

## Financial Literacy Education Best-Practices

### Review of Literature

Financial literacy education is complicated, multi-faceted process beginning at the elementary school level. There are a number of parties who share partial responsibility for providing financial literacy education, and students arrive as undergraduates from range of countries and cultures, each with a unique level of financial literacy. As a result, higher-education institutions shoulder a unique set of responsibilities in terms of financial literacy education.

A review of literature describing financial literacy education at the higher-education yields and exhaustive set of recommendations, and suggested responsibilities.

### Best Practices for Delivery of Financial Literacy Education

The following best-practices are a selection from the set of recommendations made by the U.S. Financial Literacy and Education Committee to higher-education institutions. (U.S. Treasury Department, 2019).

1. Provide Clear, Timely, and Customized Information to Inform Student Borrowing
2. Effectively Engaging Students in Financial Literacy Education
3. Preparing Students to Meet Financial Obligations Upon Graduation

These recommendations designate the responsibility of student-loan related financial literacy education, as well as general financial literacy education, to the higher-education institution. Additional recommendations made in the report focus on providing additional resources for managing student loans. All student loan considerations will be considered as a single recommendation for the sake of simplicity.

## Survey Results

Undergraduate students were voluntarily asked to complete a short survey about their own levels of financial literacy, experience with financial products, and familiarity with UBC’s existing financial literacy resources.

### Self-Assessed Level of Financial Literacy

Most students feel relatively comfortable with their level of financial literacy, as 60% of respondents indicate that they feel between “Somewhat uncomfortable” and “Somewhat comfortable” about their level of financial literacy. On either extreme, more students feel “Extremely uncomfortable” (15%) than “Extremely comfortable” (5%).

Students are slightly more pessimistic about their ability to manage their own money. As many students find it “Somewhat difficult” (30%) to manage their money as those that find it “Somewhat Easy” (20%) or “Extremely easy” (10%). A further 25% of students find managing their money “Neither easy nor difficult”. The

Students are most familiar with the terms “Credit” (100%), “Debt” (85%), “Stocks” (70%), and more familiar with “Cryptocurrency” (65%) than “Interest Rate(s)” (60%). Just over a third (7/20) students were familiar with “Bonds”, the lowest-risk security.

### Exposure to Financial Products

Advertisers seem to care about reaching students, as 60% of respondents note that they “Somewhat” (45%) or “Strongly” (15%) agree that they get “a lot” of ads for financial products. Whatever the catalyst, students have been increasing their exposure to investments. Almost every (85%) student has “become more interested in investing” in the past 12 months. All students learned about a new financial concept (100%) over the past 12 months, with YouTube serving as a source for 75% of students, followed by TikTok (35%), and Books (15%). Curiously, no students indicate that they learned about a financial concept from UBC resources in the past 12 months (0%).

### Sentiments towards Financial Literacy Education

Students feel strongly (71% average agreeance) that “No one taught me how to do my taxes”, and even more strongly (81% average agreeance) that they “had to learn about financial responsibilities” on their own. Finally, all students agree to some degree (> 50% agreeance) that educational institutions are responsible for teaching students some level of financial knowledge.

# Conclusion

## Summary of Findings

### Topics Covered by Existing Resources

Topics covered by online resources

* Student Loans
* Financial Support
* Financial Planning

Topics Covered by in-person workshops or individualized resources

* Credit basics

### Methods Employed by Existing Resources

After review of financial literacy education best practices, the following three primarily goals have been identified as relevant benchmarks for the methods that UBC employs. The following table describes UBC’s progress at implementing the core facets of each primary goal.

|  |  |  |
| --- | --- | --- |
| Clear, timely, customized Information to inform Borrowing | Engaging Students in Financial Literacy Education | Preparing Students to Meet Financial Obligations after Grad |
| Task Example | Met? | Task Example | Met?  | Task Example | Met? |
| Highlight Details and Distinctions by Aid Type | Y | Mandatory Financial Literacy course | N | Building a budget and Setting Repayment Goal | Y |
| Calculate Cost & Grants after Scholarships | Y | Use of Peer Educators | N | Assess Costs & Benefits of Grad Studies | N |
| Provide Actionable Next Steps | Y | Integration of Financial Literacy to Curricula | N |  |  |

## Recommendations

Based on the findings from primary and secondary sources, and in accordance with the stated goal of improving the quality of financial literacy education at UBC, please consider the following recommendations.

1. Ten hours of mandatory financial literacy coursework for 1st year undergraduate students
2. Five hours of mandatory financial literacy coursework per year for undergraduate students in years 2 – 4
3. Expansion of written financial literacy resources to include topics such as:
	1. Types of Investments
	2. Fundamentals of Investing
	3. Risks of Investing
	4. Evaluating an investment
4. Student-authored bi-weekly or monthly financial blogs
5. Development of standalone website to improve access and organization of new and existing financial literacy resources

# Appendix

# Works Cited