

CANADA MILLENNIUM SCHOLARSHIP FOUNDATION  
❖ RESEARCH SERIES ❖

# Student Financial Survey Baseline Results

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## BACKGROUND

EKOS Research Associates is conducting a groundbreaking, national study on the finances of post-secondary students. The study is designed to capture the expenses and income of students on a monthly basis, in order to profile the financial circumstances of Canadian students and the adequacy of available funding. This web-based Students' Financial Survey will provide accurate, quantifiable results for the first time on such issues as incidence and level of parental assistance, as well as level of debt from outstanding bank loans, personal lines of credit and credit cards. The study will also yield up-to-date information on student earnings and types of expenses incurred.

The survey features a panel of 1,524 post-secondary students from across the country, who are participating in a very brief monthly survey, either over the Internet or by telephone. Students were required to complete a longer baseline wave of the survey in order to participate in the study. The initial wave provides profile and historical details about students' status as a student and financial circumstances. The current findings are based on data derived from this baseline iteration of the survey. Participants will also report monthly income and expenses for the previous month throughout the school year, ending in May of 2002.

The following are findings on a few selected themes. It should be noted that these are preliminary results, that do not have the benefit of added information from follow-up waves this fall, nor has their been a detailed examination of outliers in the data set. The data, however, have been weighted to reflect the population in terms of proportions of post secondary students by province and by gender. Results are accurate to within +/-2.5 percentage points, 19 times out of 20.

The study is being commissioned by the Canada Millennium Scholarship Foundation - a private, not-for-profit Foundation whose primary responsibility is to manage a \$2.5 billion endowment given to it by the Government of Canada for the purpose of granting scholarships in order to improve access to education in Canada. The survey is part of a larger research program being undertaken by the Foundation in order to examine the contribution made by student financial assistance programs to making education accessible and determining ways in which access to post secondary education could be improved.

Overall, these results indicate that:

- Virtually all elements of students' financial picture are tied to age. Students' level of parental assistance decreases with age and their level of debt from all sources increases with age, suggesting an ever increasing demand on a shrinking pool of resources. While summer employment earnings also increase with age, there is a significant portion of older students that report no income for that period.
- Parental assistance, while strongly linked to age, does not suddenly drop off at the critical age of 22. There are some students under the age of 22 who are not reaping the benefits of parental assistance, and there are some students aged 22 or more who are. This has direct policy implications for student assistance programs that are currently based, in large part, on assumptions that all parents provide assistance for four years after secondary school.
- While students may have some opportunity to generate employment earnings across

the school year, it is generally assumed that the greatest window of opportunity to earn income, with which to support oneself during the school-year, comes during the summer months. First, just over one in ten students (and one in five over the age of 25) do not report any earnings at all for the summer. Second, the level of summer earnings reported is startlingly low, with a median of \$3,200 and a mean of \$3,500. With the rising cost of living, tuition, books and other necessities, it is virtually impossible to imagine how students can subsist on this level of income, without relying on either significant assistance, or generating significant debt.

- As such, it is therefore not surprising to see that students are, in fact, carrying significant debt loads from private sources. Most students have at least one, if not two or three credit cards. Balances on personal loans and/or lines of credit in the order of thousands of dollars are also not uncommon. In addition, as debt levels from one source increase so do debt levels from other sources, for many students. Although these are expensive sources of income to draw upon, given commercial interest rates, in light of reported earnings, there would seem to be little choice available to most students.

## PARENTAL ASSISTANCE

- Students participating in the survey were asked to report whether or not they would be receiving financial support from their parents towards their education for this school year. Just under half of students (46 per cent) indicated that they will be receiving financial assistance from their parents or other family members. This is highly related to age, however, with 64 per cent of students under 20 years of age reporting assistance, whereas only one in five over the age of 25 report the same.
- From a public policy perspective, it is interesting to note that half to a third of students age 22 or younger are not receiving parental assistance and a third of students over the age of 22 are receiving assistance. Canadian student assistance programs, on the other hand, effectively assume the presence of parental assistance for all students 22 or younger and a complete absence of assistance for students over the age of 22. This implies that current student assistance are short-changing large numbers of younger students while at the same time over-funding a smaller group of students of older students.<sup>1</sup>
- There is also a very slight increase in parental assistance by gender, with men being marginally more likely to receive assistance.

### Distribution of Students Receiving Parental Support by Age and Gender

<b>Sociodemographic Characteristic</b>	<b>Receiving Support (% of all students)</b>
Age (years)	
18-19	64
20-21	52
22-23	42
24-25	35
26 +	21
Gender	
Men	49
Women	43

- The amount of government loans from previous years reported by students, within individual age groupings, does not vary significantly depending on whether or not they are reporting parental assistance. This would support the incongruous picture of a more gradual withdrawal of parental assistance over time versus the starker decisions made by government assistance programs around age.

<sup>1</sup> All federal and provincial student aid programs make a distinction between “dependent” students - who are assumed to receive assistance from their parents, and “independent” students, who do not. The exact definition of who is dependent and who is independent can vary slightly across the country. In most of the country, one must be at least four years out of secondary school (effectively, aged 22 or more) to be considered independent. In Ontario it is five years (effectively, aged 23 or more). In Quebec, one is only independent after having completed at least 90 credits of a degree program (effectively unattainable before the age of 22). Exceptions are made in all jurisdictions for students who have spent significant periods of time full-time in the labour force.

## SUMMER EARNINGS

- Students were asked to report their summer earnings in the survey. Earnings were to be reported as net or take home pay, rather than gross. It should be noted, however, that very little income tax would be levied from these earnings based on the amounts, as well as the temporary nature of positions that most summer students typically command. One in ten students (11 per cent) earned no money in the summer. Of those earning a summer income, the largest group of students (30 per cent) earned between two and four thousand dollars during the summer of 2001. Considering only the students who reported any summer earnings at all, the median is surprisingly low at \$3,200, as is the average income at \$4,000<sup>2</sup>. In fact, the average earnings across all students, including those without any earning for the summer period, drops to \$3,500.

### Distribution of Students Earning a Summer Income by Income Level

<i>Income Level (\$)</i>	<i>Distribution (%)</i>
0	11
1 - 1,999	18
2,000 - 3,999	30
4,000 - 5,999	21
6,000 +	17
DK/NR	14
<b>Mean</b>	<b>\$4,000</b>
<b>Median</b>	<b>\$3,200</b>

- Among those reporting an income, the amount of summer income earned rises steadily with age level, with particularly steep rises from 19 to 20 years of age, and from 25 to 26 years of age. Note the large increase in average earnings for students over 25 years of age, from the first column to the second column. This is because one in five (20 per cent) students over the age of 25 reported no summer income at all (likely because of the need to attend year round academic semesters).
- By geographic region, the amount earned is highest in Alberta and lowest in Quebec and the Atlantic, reflecting merely the difference in age distribution across the country. Men earned more than women, reflecting gender wage gaps in the labour force at large.

<sup>2</sup> This average includes a number of students (22) reporting quite low earnings (under \$500) and a similarly small number reporting very high earnings (over \$10,000) for the summer period.

### Student Mean Summer Employment Income, According to Sociodemographic Characteristics

<b>Sociodemographic Characteristic</b>	<b>Mean of All (\$) Students</b>	<b>Mean of Students with (\$) Summer Earnings</b>
<i>Age (years)</i>		
18-19	2,400	2,600
20-21	3,400	3,700
22-23	3,800	4,200
24-25	4,100	4,600
26 +	4,400	5,700
<i>Region</i>		
BC	3,200	3,800
AB	4,300	4,500
Rest of prairies	3,600	3,900
Ontario	3,700	4,200
Quebec	3,100	3,600
Atlantic	3,100	3,700
<i>Gender</i>		
Men	3,800	4,300
Women	3,200	3,700

- Summer income was higher for students who did not receive support from their parents than those who did. This implies either that students feel compelled to earn more to make up for the fact they receive no support from their parents, or that parents feel compelled to make up for their children's shortfall in summer earnings.
- There is no clear link between income levels and the amount of parental (non-loan) gifts they receive. Nor are income levels related to the amount of government loans.

### Students' Mean Income Levels According to Financial Status

<i>Financial Characteristic</i>	<i>Mean (\$)³</i>
<i>Parental Support?</i>	
Yes	3,000
No	3,900**
<i>Gift from Parents (\$)</i>	
< \$500	2,700
\$500-\$999	2,700
\$1,000-\$2,499	3,500
\$2,500 and over	3,300
<i>Government Debt</i>	
< \$3,000	2,900
\$3,000-\$5,000	3,500
\$5,000 and over	3,300
<i>Credit Card Debt</i>	
< \$500	3,800
\$500-\$999	3,500
\$1,000-\$2,499	3,800
\$2,500 and over	4,700**
<i>Other Debt</i>	
< \$500	3,200
\$500-\$2,499	3,100
\$2,500 and over	4,500**

\*\*Significantly different from average earnings for other sub-groups



## CREDIT CARDS AND LINE OF CREDIT

- Students were asked to report both the number of credit cards and the amount of credit card debt they currently have. Two in three students have at least one credit card (65 per cent).

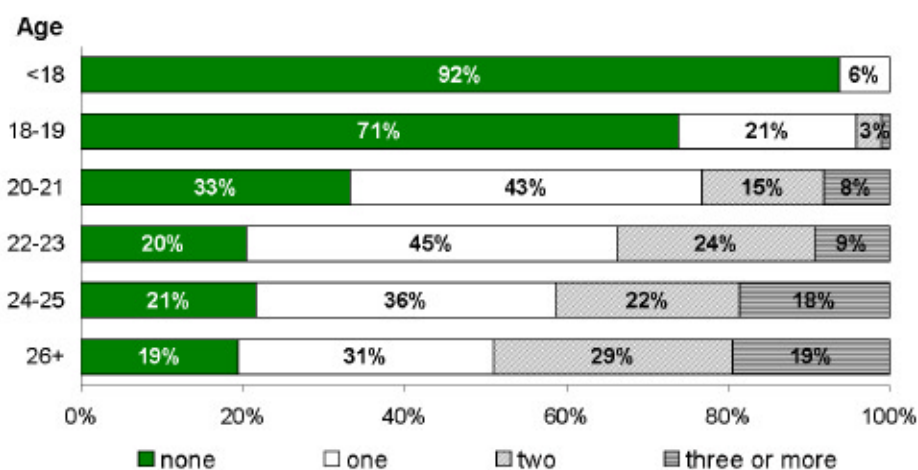
**Distribution of Students by Number of Credit Cards Owned**

<i>Number of Cards</i>	<i>Distribution (%)</i>
None	35
1	35
2	17
3	5
4+	5
DK/NR	3

- Credit card ownership and the number of cards owned increase dramatically with age. In fact, less than 30 per cent of students under 20 years of age own credit cards, whereas four in five students over the age of 21 own at least one credit card.

**Number of Credit Cards by Age**

Question: How many credit cards do you have



- Overall, 39 per cent of students report some level of credit card debt. Of the students carrying some debt, 24 per cent carry a balance of less than \$500, while 19 per cent carry more than \$2,500 in debt on their cards. The average debt level for students carrying a debt is \$1,500, with a median of \$900.

<sup>3</sup> Mean of all students, including those who did not report any summer employment income.

### Distribution of Students with Credit Card Debt by Debt Level

<i>Amount of Credit Card Debt</i>	<i>Distribution (%)</i>
Under \$500	24
\$500-\$999	27
\$1,000-\$2,499	29
\$2,500	19
DK/NR	1

- The amount of credit card debt held by a student is directly proportionate to the number of cards they hold. The average debt for one card is \$900. This raises to \$1,600 for two credit cards and over \$2,500 for three or more.
- Credit card debt is not associated with the incidence or amounts of either parental assistance or government student loans from previous years.
- The number of cards that students have, as well as the amount of credit card debt they hold are associated with the debt that they have in personal loans and line of credit. For those students carrying both sources of debt, one source of debt rises along with the other sources from private lending institutions. This may be, in part, a reflection of the way in which lenders do business, offering their own credit cards to clients initiating a personal loan. On the other hand, it may reflect the elevated financial need of some students, who are forced to tap any and all sources of income.
- With respect to personal loans or lines of credit, most students do not report a balance as of the end of August (77 per cent report no balance owing, three per cent report owing under \$1,000, eight per cent report owing between \$1,000 and \$5000 and 11 per cent report owing in excess of \$5,000).
- The balance owing on personal loans and lines of credit is strongly associated with age, with large jumps in the amount of debt load between the ages of 21 and 22 and again between 25 and 26.

### Average Balance Owing on Personal Loan/Line of Credit by Age of Student

<i>Age of Student</i>	<i>Balance on Personal Loan/ Line of Credit (Mean)</i>
Under 20	\$4,300
20-21	\$4,500
22-23	\$6,100
24-25	\$7,000
26 or older	\$12,000 <sup>4</sup>

- There is no association, within individual age groupings of students, between the balance owing on government student loans and personal loans/lines of credit.

<sup>4</sup> This average is somewhat inflated by the inclusion of a small number of students (18) reporting debt levels over \$60,000, with some well over \$100,000. These may include things like mortgages, for example.