

Making Ends Meet: The 2001-2001 Student Financial Survey — Key Findings

Despite an ongoing debate concerning the increasing financial pressures faced by students attending Canadian post-secondary institutions, very little is actually known about how much money students earn from the numerous sources available to them, nor what they choose to spend their money on. By gathering income and expenditure information from a sample of students each month during the 2001-2002 academic year, the survey provides both a general overview of how students make ends meet while also revealing a number of patterns behind their changing financial circumstances that correlate to specific demographic characteristics.

A. General findings Student finances change with age

Age has a consistent and significant overriding effect on a student's financial situation. In general, as students age, their family circumstances and lifestyles change, resulting in increased income and expenditures, as well as increased debt. Young students have lower educational costs, are more likely to live with their parents, and are more likely to receive financial support from their family. Older students' living arrangements become more expensive and they may get married and have dependents. These expenditures, though, can be offset by their earning higher employment wages and receiving more in terms of loans.

The average student can make ends meet due to summer earnings and debt financing

Examining all student income and expenditures, students are only able to balance their annual budgets by incurring debt and relying on summer earnings. During the academic year, students experience an average monthly budget shortfall of \$56, which they are able to manage by virtue of the \$1,600 surplus remaining from summer employment earnings. During the summer, nine in ten students are employed, earning on average a total of \$4,000.

Students aged 20-21 fall into financial turmoil

Need is a particular issue for the 20- to 21-year-old age group, which faces the largest monthly budgetary deficit, an average shortfall of \$142. This group experiences less support from parents or other family members than younger students, a level of support that is significantly less than that assumed by government student aid programs. Furthermore, 20- to 21-year-olds are not eligible for the kinds of public and private debt-based financing that older students have access to, nor do they typically command the same level of employment wages as older students. This situation is exacerbated when students move from the family home to live on their own, where their expenses are significantly increased. Perhaps more importantly, education costs also increase with the age of the student. This scenario is also reflected to some degree in the financial circumstances of students living with roommates (rather than with parents, alone or with a spouse).

Academic performance is not affected by student finances

The ways and means that students finance their post-secondary education do not appear to have a discernable impact on academic performance (as measured by students' grades in the current study). Methods of financing can, however, affect the speed of the completion of one's degree or diploma. In particular, heavy reliance on employment earnings reduces students' courseload, extending the duration of their studies. Students who work more than 10 hours per week are more likely to agree that they would complete their studies sooner if they did not have to work.

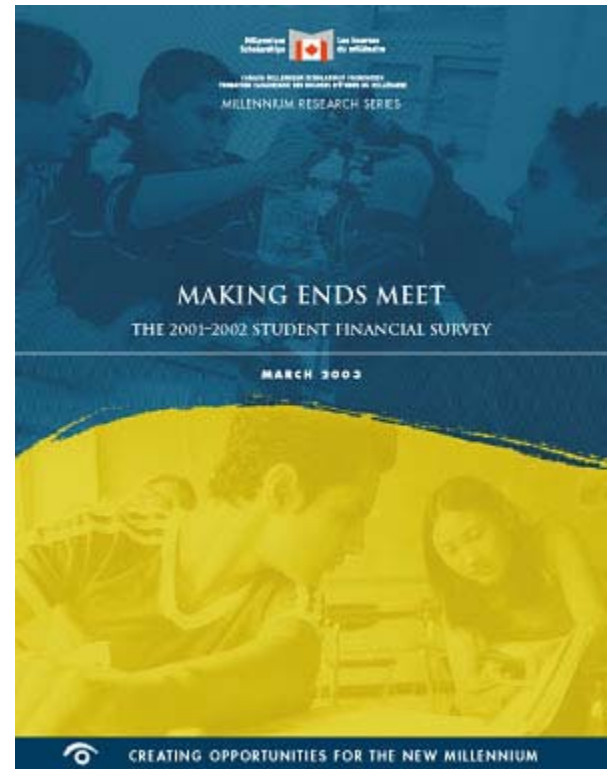
B. Income-related findings

No single source of income is sufficient to pay for post-secondary education related costs

Looking at the total pool of student income, students rely most upon employment (37%), followed by government loans (13%), parental contributions (11%), private loans (7%), government non-repayable aid (5%) and other grants (5%).

Employment fills funding shortfalls and reduces total student debt

Roughly two-thirds of students work during the school year, averaging 19 hours each week and \$6,000 in total earnings. Seventy-one per cent of students worked 20 hours per week or less. Part-time students, students lacking government or parental support, and those with financial commitments such as credit cards, cars or higher levels of debt are the most likely to be working during the school year. Employment does not affect the frequency of student debt, but does reduce the total amount of debt, particularly among older students earning more than \$500 per week. Students not employed during the school year draw almost double the income from government and private sources, but it is not enough to cover the shortfall, so they not only accumulate more debt, but



also experience severe financial pressure.

Students rely on loans from multiple sources, and those relying on private loans borrow as much each month as those borrowing government loans

For every \$1 students take in, \$0.21 is repayable. Forty-four per cent of students have government loans, 30% have private loans and 24% have loans from family members, with some overlap in between. Between 15 and 20% of students with government loans also incur debt from private or personal sources, usually older students at the end of their program and those living with a spouse or roommate.

Students who qualify for government support, particularly university students, must supplement this income with other sources

Eighteen per cent of total student income comes from government sources, including loans, grants, bursaries and scholarships. Non-repayable government support is not as widely accessible as government loans, with one in five students receiving such support; however, these funds are directed towards the students most reliant on student debt programs to finance their education. Neither the frequency nor the amount of support provided to students from the public student financial aid system differ between college and university students.

Students receiving family support are no better off from month to month but end up with less student debt

Sixteen per cent of total student support comes from the family, with parental contributions accounting for the lion's share at 11%, followed by other family or spousal contributions (3%) and family loans (2%). Sixty-nine per cent of students receive support from their parents, averaging \$187 per month, and another 11% of students also receive support from other family members, including spouses, adding another \$85 per month in support. Younger students are more likely to receive support from their families, but older students who continue to receive support get greater amounts, particularly from spouses. Students living with their parents tend to receive less money from them (\$127/mo.), although they benefit from the in-kind contribution of room and board, while students living alone receive the greatest amount of parental support (\$339/mo.).

Private sources of funding play a significant role in funding students' post-secondary studies

Private student loans and grants from non-government sources account for 12% of total student support, compared to 18% from government and 16% from families.

C. Expenditure-related findings:

Student aid assumptions about expenditures may be too low

Students average about \$1,200 each month in living costs and expenditures. This is approximately 20% higher than the current assumptions built into the need assessment formulas relied upon by government student aid programs.

Education is the greatest cost a student faces

The greatest cost faced by all students is tuition and education-related fees (24%), followed by accommodation (15%), transportation (12%), food (11%) and debt payments (8%).

Students must often make large tuition payments before income becomes available

Students are most likely to have a deficit in their personal budgets in September and January, the months in which tuition payments are due. November is also a tough month for students. Income from employment flows into students' pockets in a fairly even manner throughout the year, while students are provided with government loans and, to a lesser degree, parental support at more erratic times.

Living with parents minimizes student debt

Students who live with their parents have the lowest average monthly income and expenses, but also the lowest debts, averaging \$6,800 in government and private loans. Students living alone are burdened with the highest total debts, averaging \$20,900.

Students need computers

Computers have become a necessity for students as 60% say they own a computer and 93% have access to one at home. Two-thirds of student computer owners purchased their computer themselves, at an average cost of \$1,800.

Most students accumulate home electronics

Despite living a relatively meager existence in comparison to the general population, a majority of students own electronic devices such as televisions, stereos, VCRs and DVD players. As students age, they accumulate more of these assets, often with a greater value as well.

Students who need to own a car must work more to pay for it

The 41% of students who own vehicles are able to afford them through earnings, and not loans, and are generally in a decent financial position with no monthly deficit. Many students require vehicles for their employment. Taking into consideration the

transportation expenses that all students incur, car ownership adds roughly \$800 in financial burden throughout the school year.

D. Debt-related findings

Most students carry debt throughout their education

More than half of all students carry some form of private and/or public debt balance into the school year, averaging roughly \$12,000. Three in four students reported some type of government, private or other debt from either previous years or the current year. Average debt accumulation in a single year is \$5,600/year from both government and private sources.

Older students accumulate substantially large debts, and a large proportion of this debt is private

Eighty-nine per cent of students aged 26 or older have government debt, private debt, or both, with an average value of \$20,500. Sixty per cent of students in this age bracket have government debt averaging \$18,700, while 43% have private debt averaging \$13,300.

Students can manage credit cards

Two-thirds of students have at least one credit card, with an average balance of \$800 that remains constant throughout the school year. Students do not rely on credit cards as a primary way to meet their financial needs.