Student Financial Expectations and Spending Habits [2018]

Understanding student expectations of the cost of university, budgeting prevalence and efficacy, and overall financial habits
Understanding Students’ Financial Expectations and Spending Habits

With the recent release of reports such as the Financial Concerns of Students by Universities UK¹, it has become increasingly clear that a growing disparity exists between students’ expectations of the costs of higher education and its actual cost.

Seeking to understand students’ expectations, how expectations impact financial behaviours such as budgeting, and the overall financial habits of students, Blackbullion has teamed up with University of Surrey to produce this report on Student Financial Expectations and Spending Habits in 2018.

We set out to find out:

1. Understand students’ expectations.
2. How expectations impact financial behaviours such as budgeting.
3. The overall financial habits of students.

Survey Summary

Methodology

Working with University of Surrey Department of Student Services we conducted an online quantitative survey in April 2018, receiving 1,917 results from students on campus.

The breakdown of students who completed the survey, by year, is as follows:

- First year: 703 students
- Second year: 419 students
- Final year: 515 students
- Postgraduate, international & other: 169 students
- Students on placement: 111 students

Key findings

- 47% of students feel the overall cost of university is ‘higher than expected’, rising to 56% for second year students and 52% for final year
- 67% have no budget in place
- 16% owe money to parents
- 21% have financial obligations such as credit cards, personal bank loans, and pay-day loans
- 18% would contact university services for help if they ‘found themselves in financial difficulty’

Figures have been rounded to the nearest 1%
Results

Key findings from the student survey conducted at University of Surrey
Expectations of the overall cost of university

Of the nearly 2,000 students attending University of Surrey in 2018 who were surveyed, 47% felt the overall cost of university was higher than expected.

There was a high margin of difference through different years, with 38% of first year students finding the cost to be higher than expected, 56% in second year and 52% in final year.

“I don’t receive enough maintenance loan to cover the cost of living and have to work part time to cover it.”

First Year Student

This may suggest that, as students progress through university, they become more experienced and educated about the real costs of university. Yet, with over a quarter of students in first year and over half of students in both subsequent years finding university more expensive than anticipated, clearly more needs to be done to educate students about the cost of university before they arrive.
43% of students felt accommodation costs were higher than expected.

Over half (56%) of final year students stated accommodation was more expensive than they anticipated.

Costs associated with courses were felt to be higher than anticipated in 33% of students.

In final year students this fell to 32%, as averse to 35% in first year students.

23% felt the costs of transportation was higher than expected.

Rising to 27% in final year students and falling to 20% in first year.

Essentials like food and utilities were more expensive than envisioned for 21% of all students.
Budgeting habits of students

Across all years of study the percentage of students that created and stuck to a budget was systemically low. Only 32.6% of students stated they ‘created a budget and regularly checked how much they were spending’, meaning only 1 in 3 students had a budget in place. With only 1% of students being more likely to budget if they had a secondary source of income from a part-time job or personal savings.

“I already know how to budget, I just don’t really do it.”
First Year Student

Interestingly, of students that stated they would seek to improve their budgeting habits by contacting the university team, 3.4% were more likely to budget (across all years).

Yet, students who said this were almost equally likely (0.6% more) to have financial obligations as those that did not.

It appears that students are not well-equipped in budgeting skills and many of them do not budget regularly. Fortunately, a large proportion of students subsidise their student loans with jobs or parental support ensuring they do not leave university with many additional debts.

What sources of income do you rely on to meet your costs of living at university?

<table>
<thead>
<tr>
<th>Source of Income</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student loan</td>
<td>71.3%</td>
</tr>
<tr>
<td>Money from parents or relatives</td>
<td>62.6%</td>
</tr>
<tr>
<td>Personal savings</td>
<td>48.9%</td>
</tr>
<tr>
<td>A part-time job during term time</td>
<td>41.1%</td>
</tr>
<tr>
<td>A temporary job during holiday</td>
<td>32%</td>
</tr>
<tr>
<td>Grants/bursaries</td>
<td>24.4%</td>
</tr>
<tr>
<td>Government support/benefits</td>
<td>9.8%</td>
</tr>
<tr>
<td>Credit cards or other loans</td>
<td>9.7%</td>
</tr>
</tbody>
</table>

1917 people answered this question (with multiple choice)
Efficacy of student budgeting

While the data showed that, of students who budgeted, 5.9% more were able to save money, there were no other indicators to show they were financially better off for it.

For instance, students who budgeted were no less likely to get into debt than students that did not; and were almost equally likely to have financial obligations such as payday loans, credit cards, and personal bank loans.

It appears that—even when students create and stick to a budget—there is a lack of overall efficacy.
Why students fail to budget effectively

From the results we have observed some indicators to help understand why many students are unable to effectively budget.

81.5% of students do not use financial tools or apps to help manage their personal finances and, in students who actively follow a budget, this percentage remains constant.

This suggests that, of students who follow a budget, 4 in 5 may not be budgeting as effectively as they could be.

“I try to stick to a budget but often end up going outside of what I have allocated to spend.”

First Year Student

Moreover, only 18.4% of students said they would contact University Financial Services if “they found themselves in financial difficulty”. Whereas 20.2% would sell personal possessions, 18.7% would request an overdraft, and 17.1% would opt to take part in “research trials”.

Ultimately more students need to understand the importance of budgeting and should be provided with tools, advice and apps to help them do it more effectively.

Furthermore, clearer understanding of where students should go to for financial support before taking part in research trials or accruing debt is needed.

If you were to find yourself in financial difficulty, what would you do to help your situation?

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>71.4%</td>
<td>Ask your parents for financial help</td>
</tr>
<tr>
<td>57%</td>
<td>Look for a part-time job</td>
</tr>
<tr>
<td>20.2%</td>
<td>Sell any personal possessions</td>
</tr>
<tr>
<td>18.7%</td>
<td>Request an overdraft from your bank</td>
</tr>
<tr>
<td>18.4%</td>
<td>Contact The University Student Money Team for help</td>
</tr>
<tr>
<td>17.1%</td>
<td>Take part in paid surveys/research trials</td>
</tr>
<tr>
<td>9.7%</td>
<td>Borrow money from friends</td>
</tr>
<tr>
<td>6.9%</td>
<td>Get a loan</td>
</tr>
<tr>
<td>3.9%</td>
<td>Apply for a credit card</td>
</tr>
</tbody>
</table>

1917 people answered this question (with multiple choice)
The importance of proactiveness

The survey also highlighted one of the major problems facing student money services at present; students seeking financial help as a last resort, instead of financial advice to prevent the need for last resorts.

Here we see that 28.5% would not ask their parents for financial advice, but would ask for financial help, and 11.3% would not ask university teams for financial advice, but would come to them for financial help.

Moreover, this behaviour does not significantly improve as students go through university. In final year students, 7% would ask their university team for financial advice, but 17% would ask for financial help. In first year this is 9% and 19%, respectively.

This indicates that the margin of difference between asking for advice and help is maintained throughout the student experience and the overall percentage of students seeking financial advice and help drops overtime.

Overall, this data highlights one of the main flaws in reactive support structures, where universities are generally unable to educate or support a student before they run out of money, or get into debt.

Evidently, engaging in a proactive approach to student support should be high on every university’s agenda.

Students need to be better educated and given the confidence and prompting to seek financial guidance as much (if not more) than financial help. This process also needs to become embedded in student services and onboarding to ensure that - over time - the margin of difference between asking for advice and help begins to decrease.
Recommended next steps

With a view to the above analysis, there are several areas Blackbullion recommends universities focus on, as well as some next steps they could take:

- **Focus on more effectively educating prospective students on the cost of university before arrival** to decrease the disparity between expectation of cost vs actual.
- **Embed financial advice in student services and onboarding** to decrease the margin of difference between students asking for advice and help.
- **Provide more robust education on budgeting, including tools and apps** to increase its efficacy.
- **Take a proactive approach to student financial support and prompt students to seek financial advice** as much (if not more) than financial support.
- **Examine where and how in the student journey universities can talk about money** day to day with students, to the point where they notice, learn, and take action.
In recent years universities have faced the challenge of making the value of their offer to students clear against the backdrop of tuition fees and their impact.

Understandably a lot of resource has been spent helping students to understand “changing” fees and what that means for them. Doubtlessly, this will continue to be a point of focus in the coming years.

However it is sufficiently evident that universities need to place equal focus on discussing and helping students overcome the real financial challenge they face today: managing to live well day to day so money crises don’t impact on physical or mental wellbeing and - ultimately - the ability to stay the course while attaining a good outcome to their studies.
About

University of Surrey

The University of Surrey is a leading university located within the county town of Guildford, Surrey in the South East of England, UK.

There are over 15,000 students at Surrey studying in one of the three faculties consisting of 22 schools and departments; Arts & Social Sciences, Engineering and Physical Sciences, Health & Medical Sciences.

Blackbullion

Blackbullion is an award winning edtech company on a mission to make the world money smart.

With clients in 3 countries, Blackbullion is deployed across multiple student service departments to maximise student success through enhancing retention, recruitment and diversity initiatives. It is our goal to ensure engaging and effective financial education is embedded at every point where people and money intersect on campus.