

# Getting Emotional About Money

*The psychological impact of debt and tools to help you cope*

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# Agenda

- Debt and Emotion Defined
- Different Views of Money Management
- The Psychological Impact of Debt
- Incorporating Emotion Into Your Financial Plan
- Resources

# The Basics

# Debt Defined

Debt

Noun

- **Sin, Trespass.** Forgive us our debts
- Something owed: obligation unable to pay off his *debts*, owe them a *debt* of gratitude, a criminal's *debt* to society
- A state of being under obligation to pay or repay someone or something in return for something received: a state of owing deeply in *debt* to creditors

Merriam-Webster

# Emotion Defined

## Emotion

### Noun

- A conscious mental reaction (such as anger or fear) subjectively experienced as strong feeling usually directed toward a specific object and typically accompanied by physiological and behavioral changes in the body
- A state of feeling
- The affective aspect of consciousness : **Feeling**

Merriam-Webster

This is unrealistic for most people who aspire to own a home, automobile or start a small business. It is important to understand the difference between Good Debt and Bad Debt.

## GOOD DEBT

Good debt typically has a lower interest rate, something you believe will grow in value over time (house, business, education), helps increase your credit history & is within your budget.



Mortgage/  
House



Education



Business  
Ownership



Investing/  
Investment Loan

## BAD DEBT

Bad debt is typically higher interest debt, not backed by a value increasing asset (automobile, credit cards), unplanned within your budget and can negatively impact your credit score.



Car Loan



Credit Cards



Store Credit



Cash Advance/  
EZ Pay Loans

**Ask Yourself: Will this debt pay me back more than what I put in?**

<https://www.bedelfinancial.com/good-vs-bad-debt>

# Your Money Story

## Different Views on Money Management

# Your Money Story

## Finding Out Your Money Story Is The First Step in Reshaping Your Finances

<https://medium.com/@aishabeau/why-finding-out-your-money-story-is-the-first-step-in-reshaping-your-finances-c11810bb79cc>



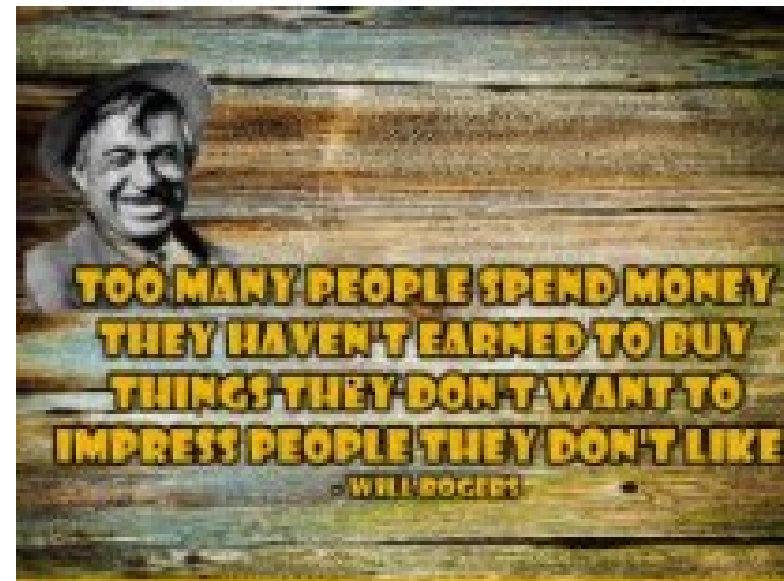
# Money and Family/Upbringing

## History

- What were your parent's/family's views about money?
- Was money discussed in your household?
- Did you experience financial hardships or live in fear of one coming?
- Did the adults in your life hide bad financial decisions or express worry about money?

All of these can lead to someone feeling anxious about money themselves.

# Money and Societal Pressures



# Money and Societal Pressures

## Community

- How do your family and friends talk about money?
- Do they overspend, or express concern over covering the bills each month?
  - Choice of living arrangement while in school
  - Choice of activities, dress, etc.
  - How do they prioritize wants vs. needs
- What are their views toward people with money?

Community impacts every aspect of your identity because, as people, we tend to emulate those who we interact with regularly.

# Money and Action

## Activity

- One of the few elements that you can control.
- Directly impacts your finances because it encompasses the actions you take with your money.
- The more you grow accustomed to managing money, the more comfortable you will be doing so.

Research shows the more you're stressed, the more you're inclined to make bad decisions.

# The Psychological Impact of Debt

# The Psychological Impact of Debt

Money makes the world go round -- but it can also make your head spin!

Debt is a part of life!

Americans are very familiar with debt, which means they are also well acquainted with its effect on their mental health and well-being.

*[\(Study: The Psychological Cost of Debt, The Ascent\)](#)*

# The Psychological Impact of Debt

- Worrying about debt can bring on mental health issues or distress and compromised mental health can lead to erratic or irresponsible spending to self-soothe.
- High levels of debt stress can invoke a range of stress-related illnesses:
  - Ulcers, migraines, back pain, anxiety, depression and heart attacks.
- There is a link between a lack of perceived control and poor mental health.
  - People who do not feel in control experience more intense regrets and more intrusive thoughts about those regrets than people who feel more in control. ([Grant Thornton](#))

# The Psychological Impact of Debt

- Money is a leading source of stress for Americans. [American Psychological Association Survey](#)
- Studies that show it's not how much money you owe that predicts depression and health problems. It's how much you worry about it.“  
<https://www.webmd.com/balance/features/the-debt-stress-connection>
- A March 2021 mental health survey of over 2,300 high debt student loan borrowers found that 1 in 14 respondents experienced suicidal ideation at some point during their repayment journey.  
<https://www.studentloanplanner.com/mental-health-awareness->





# The Psychological Impact of Debt

How can you truly focus on academics when you're so stressed about your finances?



# The Psychological Impact of Debt

## Money Stress Leads To:

- Low self-esteem
  - Impaired cognitive functioning
  - Difficulty with learning and attentiveness
  - Memory Problems
  - Diminished Problem-Solving Abilities
- That means you can't learn, remember, be attentive or solve problems as effectively when you're concerned about your water bill. (<https://www.debt.org/advice/emotional-effects/>)
  - 56% of students at four-year colleges drop out within six years of studying. (College Atlas) (<https://whattobecome.com/blog/college-dropout-rate/>)
  - A [MagnifyMoney](#) study of over 3,000 students found that 39 percent of those with loans would consider dropping out of school before graduation to avoid taking on more debt.

# The Psychological Impact of Debt

## The Student Impact of Dropping Out

- Students experiencing financial stress often decide to drop out without considering what else they may lose:
  - Scholarships
  - Work-study
  - Subsidized room and board
  - Free public transit
  - Grace period for loan repayment
  - Higher earning power

# The Psychological Impact of Debt

## The School Impact of Student Drop Out

### Low Graduate Rates = Lower Enrollment

- Low graduation rates have been linked to lower academic support, lower faculty support, and higher tuition rates. Prospective students consider this.

### College Dropouts = Reduced Alumni Donations and Rankings

- Alumni contributions are a strong indicator of receiving major donors and planned gifts. It is also a factor in the U.S. News and World Report's school ranking.

# The Reality of COVID

The US Government provided help for student loan borrowers struggling during the COVID-19 pandemic.

- The CARES Act, signed into law on March 27, 2020, helped most federal student loan borrowers by temporarily pausing payments and involuntary collections on federally held student.
- Relief will continue for most federal student loan borrowers through Sept. 30, 2021.
- Borrowers with student loans held by the federal government have not been required to make payments on those loans, nor did interest accrue on them, per the administrative forbearance.
- Collection activities such as wage garnishment and the reduction of tax refunds were prohibited.

(<https://www.usnews.com/education/blogs/student-loan-ranger/articles/update-on-coronavirus-relief-for-student-loan-borrowers>)

# The Reality of COVID

Top challenges most students identified they were dealing with during the fall 2020 semester.

- Stress
- Anxiety
- Loneliness

These issues outweighed stressors such as struggling financially or managing academic workload.

(<https://www.insidehighered.com/news/2020/10/15/students-continue-be-stressed-about-college-their-futures>)

# Incorporating Emotion Into Your Financial Plan

# Incorporating Emotion Into Your Financial Plan

## Questions To Ask Yourself

1. How do I feel about my financial situation?
2. What lessons about money did I learn from my parents/upbringing?
3. Do I feel a sense of peer pressure when it comes to money?
4. What does the word “money” conjure up for me?
5. Do I find it difficult to face financial challenges? Why?
6. What are the most important things my life?
7. How do I feel about developing a plan for repaying your loans?



# Incorporating Emotion Into Your Financial Plan

Good debt is an investment that will grow in value or generate long-term income

The good thing is that student loans can be an excellent investment in your future

# What Can You Do to Cope?

**Learn about your school's statistics and facts**

Graduation Rate

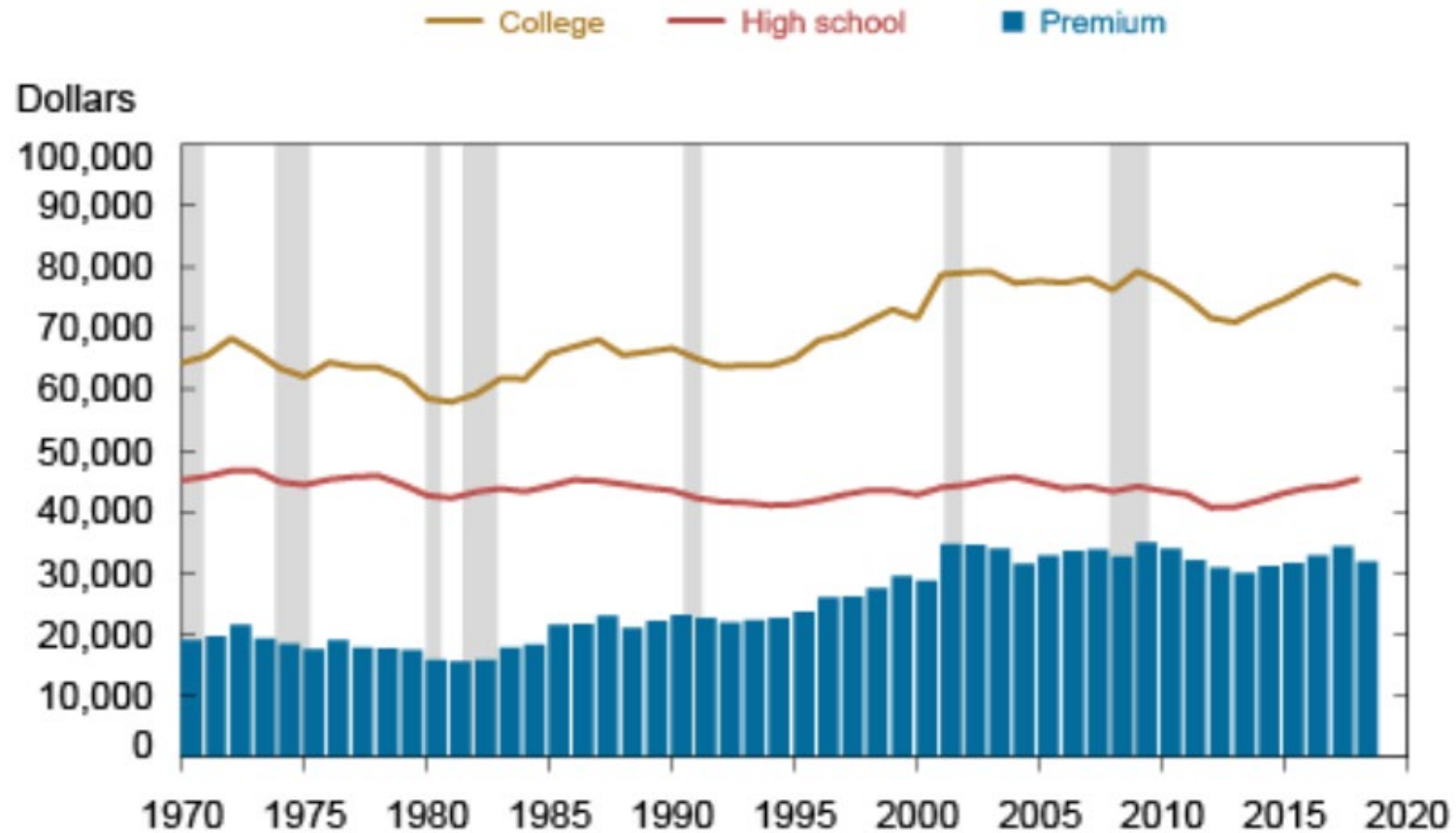
Employment Rate

Average Starting Salary

Default Rate

Know where to go for money if you have an emergency (does your school have an emergency loan fund?)

# The College Wage Premium Remains Substantial



Sources: U.S. Census Bureau and U.S. Bureau of Labor Statistics, Current Population Survey, March Supplement; U.S. Bureau of Labor Statistics, Consumer Price Index.

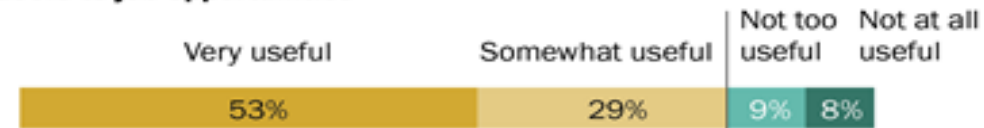
Notes: Dollar figures are expressed in constant 2018 dollars. Shaded areas represent periods designated as recessions by the the NBER.

# Most two-year and four-year college graduates think their experience was broadly useful

## Most two-year and four-year college graduates think their experience was broadly useful

*% of adults with a two-year or four-year degree saying their education was \_\_\_\_\_ for ...*

### Opening doors to job opportunities



### Helping them develop specific skills and knowledge that could be used in the workplace

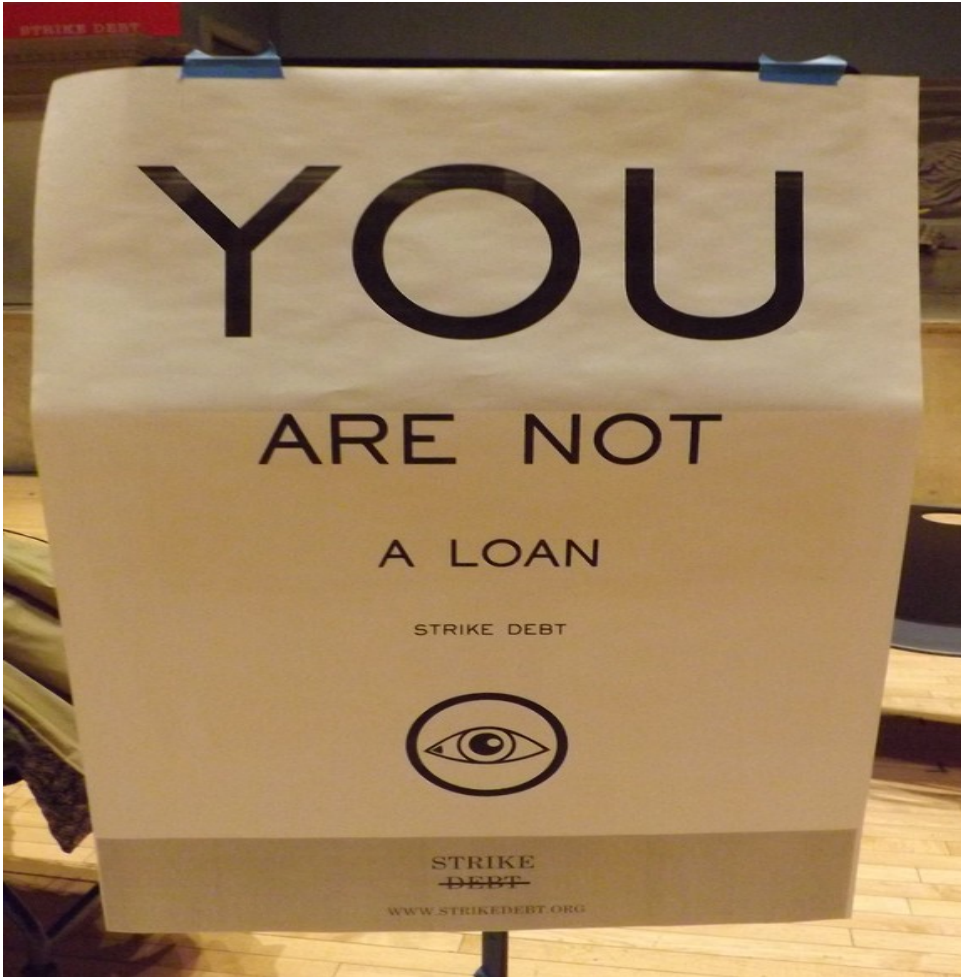


### Helping them grow personally and intellectually



Note: "Don't know/Refused" responses not shown.  
Source: Survey of U.S. adults conducted May 25-June 29, 2016.  
"The State of American Jobs"

PEW RESEARCH CENTER



# Quiz

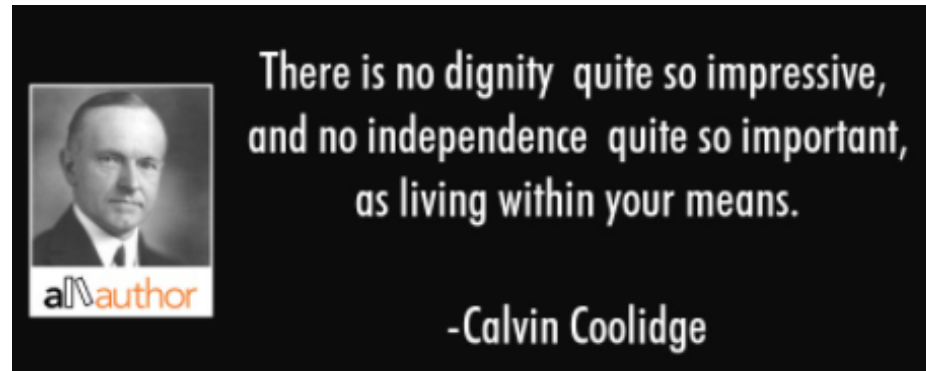
# How Much Debt Do Average Americans Have?

- The U.S. consumer debt balance grew to a record high of \$14.88 trillion, (<https://www.experian.com/blogs/ask-experian/research/consumer-debt-study/>)
- Student loan debt has grown the fastest in America over the last decade. From 2009 to 2019, student loan debt increased by 113%.
- 44.2 million Americans currently have student loan debt.
- 2.8 million Americans have student loans which are currently in forbearance.
- Millennials lead all generations in percent increase in debt. Millennials saw their debt grow 58% from 2009 to 2019.
- Despite rising debt, delinquent accounts (accounts between 30-180 days past due) have decreased by 45.66% since 2009.

<https://www.mycreditsummit.com/american-consumer-debt-statistics/>

# The Impact of Debt Resolution

Debt resolution affects the same emotional and physical responses as being in a debt crisis, quite literally turning negatives into positives.



- Sense of Relief
- Financial Freedom
- Sense of Accomplishment
- More Relaxed Sleep
- Ability to Focus
- Increased Credit Score
- Money to Save/Spend/Invest
- More Options



# 7 Ways to Shift Your Mindset about Debt

1. Recognize that you and your debt are not one and the same
2. Stop the secretiveness
3. Change your perspective
4. Expand your idea of wealth
5. Recognize what you CAN change
6. Make a plan - on paper
7. Stop blaming yourself



<https://www.harleytherapy.co.uk/counselling/10-ways-help-debt-problems.htm>

# Help Create a Roadmap

1. Make a Plan
2. Set Realistic, Measurable Goals
3. Assess/Adjust Your Goals Regularly
4. Invest In Good Habits for the Future
5. Focus on Progress, Not Perfection
6. Expect the “Unexpected”
7. Stay Balanced
8. Net Worth

# Final Thoughts...

## Money Is a Tool

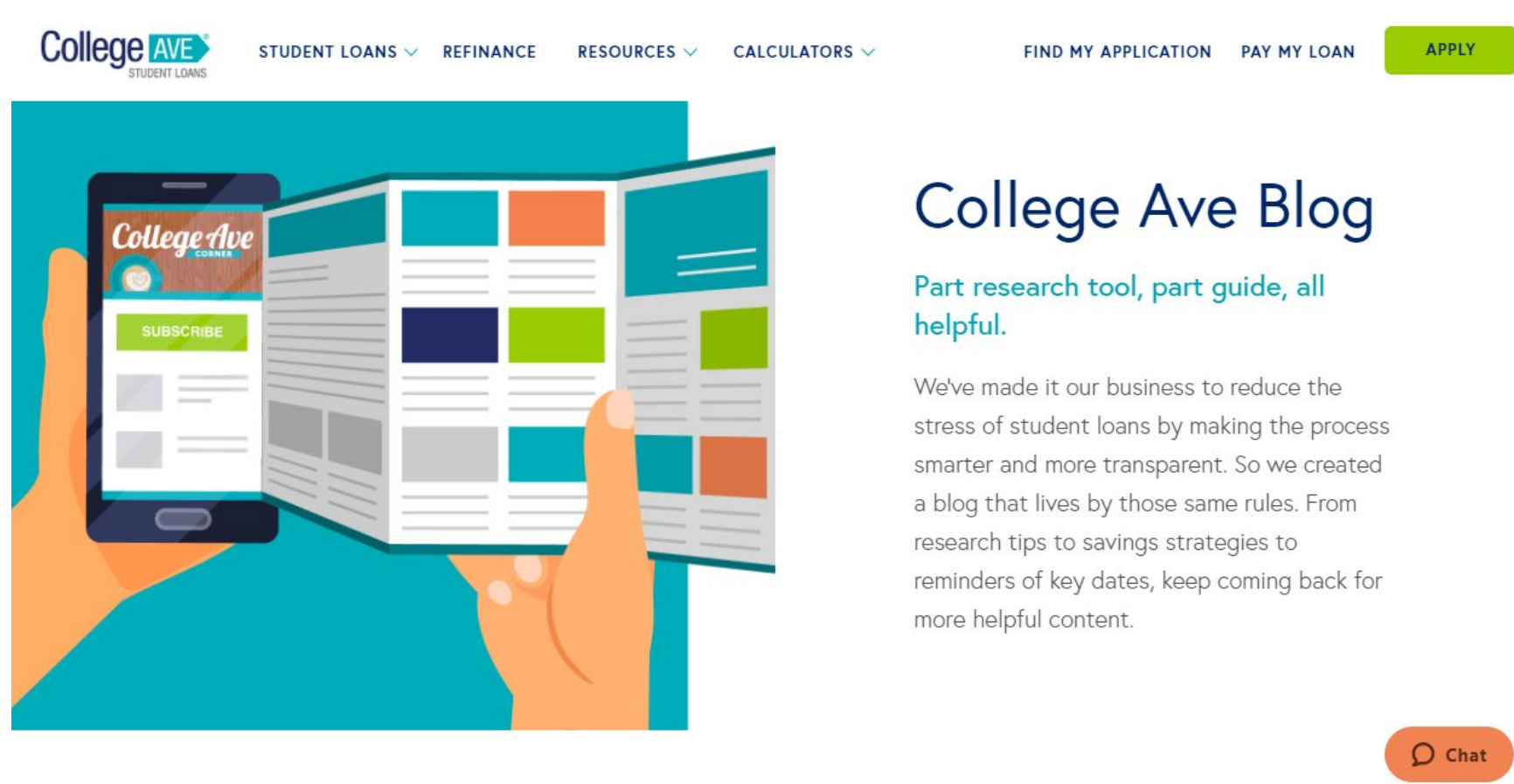
Before you reach for your wallet or click on “Buy,” ask yourself:

1. Is this going to make me feel fantastic in a way that it improves my well-being?
2. Is this going to help me get the results that I’m aiming for?
3. Is this going to help other people (including the people you’re purchasing from)?

Forbes

# Resources

# Tools For Your Financial Toolbelt



## College Ave Blog

Part research tool, part guide, all helpful.

We've made it our business to reduce the stress of student loans by making the process smarter and more transparent. So we created a blog that lives by those same rules. From research tips to savings strategies to reminders of key dates, keep coming back for more helpful content.

# Tools For Your Financial Toolbelt

## A Generation Defined By The Pandemic

- <https://www.insidehighered.com/news/2020/10/15/students-continue-be-stressed-about-college-their-futures>
- Good debt vs. bad debt: Why what you've been told is probably wrong – CNBC
- <https://www.cnbc.com/2020/07/20/good-debt-vs-bad-debt-why-what-youve-been-told-is-probably-wrong.html#:~:text=%E2%80%9CGood%E2%80%9D%20debt%20is%20defined%20as,to%20improve%20your%20financial%20outcome>

## The Debt Stress Connection

- <https://www.webmd.com/balance/features/the-debt-stress-connection#4>

## The Emotional Effects of Debt

- <https://www.debt.org/advice/emotional-effects/>

## The Emotional Effects of Debt

- <https://www.thesimpledollar.com/credit/manage-debt/the-emotional-effects-of-debt/>

# Tools For Your Financial Toolbelt

Emotion and Psychology of Debt

- <http://instituteofwelfare.com/resources/Debt.pdf>

7 Ways to Feel Better Despite Debt Problems

- <https://www.harleytherapy.co.uk/counselling/10-ways-help-debt-problems.htm>

7 Essential Money Questions Sure to Start a Conversation

- <https://www.nytimes.com/2016/08/27/your-money/7-essential-money-questions-sure-to-start-a-conversation.html>

Student loans take a mental toll on young people

- <https://www.cnbc.com/2017/10/17/student-loans-take-a-mental-toll-on-young-people.html>

Study: The Psychological Cost of Debt – The Ascent

- <https://www.fool.com/the-ascent/research/study-psychological-cost-debt/>

# Contact Information



## Say Hello!

If you have a question, suggestion, or just need a little more detail, you can contact us using any of the options below.

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### Campus/School Services

844-422-7501

[schools@collegeave.com](mailto:schools@collegeave.com)

### College Ave Website

[www.collegeavestudentloans.com/](http://www.collegeavestudentloans.com/)

[www.collegeave.com/aacp](http://www.collegeave.com/aacp)

### Borrower Services

844-422-7502

[studentloans@collegeave.com](mailto:studentloans@collegeave.com)

### For Help Servicing or Repaying a Loan

844-803-0736

[collegeaveservicing.com](http://collegeaveservicing.com)

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