

College and Crippling Debt: The Growing Need for Financial Wisdom

Derek Melleby

A few years ago, I was driving a recent college graduate to lunch to celebrate his completion of college. He had a very difficult four years of college and he was excited for the next chapter of his life story. I asked him if he was graduating with much debt. "I'm one of the lucky ones," he responded. "I'm only graduating with \$50,000 of debt from student loans. Many of my friends have a lot more debt than me!"

What? I almost drove the car off the road. \$50,000! I knew the degree he had earned, I knew of his plans for graduate school, and I couldn't imagine being 22 years old, carrying that much debt. And he is one of the lucky ones?

This conversation was eye opening. First of all, it made me more attentive to the reality of debt most college students face. To my surprise, many of the students I have talked with since that memorable car ride are unaware of the crippling burden that debt can bring. A college degree can increase earning potential, to be sure, but not enough students and parents are talking about what kind of debt is *good* debt. Certainly, college is about much more than getting a degree to get a job and there is good reason to be concerned about the commodification of learning. We do need to be careful about how we measure the economic value of an education. But students and parents need to be practical and wise as well, asking: "Is this particular degree worth the cost?"

Secondly, the conversation with the young graduate open my eyes to the need for helpful resources for students and parents as they think through financial concerns related to college. As I surveyed the vast landscape of books available, a book by Steve Miller stuck out the most. *Enjoy Your Money! How to Make It, Save It, and Give It Away* is creative and engaging. It communicates deeper truths about money and spending through stories. Steve is an educator, investor, entrepreneur, and speaker who is known for drawing practical wisdom from serious research and communicating it in accessible, unforgettable ways. What follows is an interview with Steve about his important book and the financial challenges that many students and parents face:

Melleby: What motivated you to write this book?

Steve: My first wife died of cancer in her 30's, leaving me with four boys to raise. Later, I married Cherie, who was raising three boys on her own. So we're trying to help these seven boys, ages 16 to 28, to be successful in life. I like to research and write on issues that I'm personally struggling with. If we fail to transition them to successful independence, we're sunk! How's that for motivation?

Melleby: What are some of the biggest issues college students (and parents) face when it comes to finances?

Steve: Our sons are very different from one another – different strengths, different weaknesses, different personalities. Because of these differences, they all relate to money differently. Some tend to save, but lack generosity. Others tend to be generous, but lack the discipline to save a penny for tomorrow. Living among diverse kids helps me to realize that there are many issues and that cookie-cutter formulas for financial success don't help everyone.

Knowing that people differ so much led me to write the book as a story of four diverse students who meet in "In School Suspension." They find that they have something in common – their parents are hopeless with their money and it hurts their families. The students, desperate to do better, do lunch with an eccentric teacher once a week to discuss

personal finance. Rather than tell them what to do, the wise teacher tells stories of successful people and lets the students draw out principles and have wide-open discussions about how to apply them. The discussions help to bring out the different ways that different people might apply the same principles.

So back to your question about the “biggest issues.” Sure, I could mention the obvious issues people face, like overspending, misuse of credit cards, enslavement to materialism and personal debt. But I’d suggest that the main problem is that although young people today have access to knowledge, they lack wisdom. They desperately need to understand basic principles of finance and to think through how they apply to their individual situation.

Example: high school graduates know something about History and Math and English, but they know nothing about—and have absolutely no vision for—their incredible potential to build up wealth during their teen years, while their parents provide free food, clothing and housing. And concerning the potential of investing for the future (I call it “the power of early”), I’ve yet to meet a high school senior who knows something as simple as the “Laws of 10’s and 7’s.” Money invested at 10% interest doubles every 7 years. Money invested at 7% interest doubles every 10 years. It’s one of the easiest methods to grasp the power of multiplying your money and to motivate people to start saving early.

Every young person ought to know how Warren Buffett saved up today’s equivalent (taking inflation into account) of \$47,000 by high school graduation, doing jobs that anybody could do: paper routes, finding and selling golf balls, caddying, etc. Students don’t know the details of how Benjamin Franklin rose from having nothing to retiring in his early 40’s, so that he could devote full time to his experiments, community improvements, and founding a pretty cool country. (e.g., Franklin developed his skills, worked hard, learned insatiably, and lived frugally.)

Melleby: What mistakes do college students and parents often make when it comes to finances?

Steve: First, they forget to serve. Today, as I write, I’m assisting with my 104-year-old granny. What could be more important? It’s a delight! Students could help a fellow student who needs a tutor. Volunteer at church. Many excellent psychological studies tell us that people who make others happy find happiness themselves. Not only that, but serving at home, at church, at school and in the community gives you valuable relationships that you’ll need later in life. I hear it in seminar after seminar and read it in book after book: it’s all about relationships. People connect you with jobs. People recommend you for jobs. Good people skills make you successful at work. By serving, you build those relationships.

Second, they listen to bad advice. As Mark Twain once said, “It’s not so much what people don’t know that hurts them, it’s what they do know that ain’t so.” During the tech stock bubble, many advisors just knew that tech stocks would keep going up. They were wrong. During the housing bubble, many advisors just knew that the prices of houses would keep going up (after all, they aren’t making any more land!). Wrong again. Solomon warned us that “the fool believes everything he hears.” Consult an abundance of wise counselors about money decisions.

Melleby: What is one small thing that college students could do with their finances that would really make a big difference?

Steve: One financial counselor said that what distinguished him from many others is that “I never stopped learning.” As Solomon advised, “The discerning heart seeks knowledge....” Read a little each week about personal finance and careers. Get to know your guidance counselor at school. Come up with lists of questions to ask your parents about finances and work and life. Read a chapter a week in a solid, financial book. Read a bit from Proverbs each

day (I still do). Listen to lectures by sharp, well-respected success gurus while you're running or doing the treadmill (I read on a stationary bike.) Do it for a year and you'll look back with amazement at how dumb you were a year ago. Never stop learning!

Melleby: What makes your book unique compared to other books on the same subject?

Steve: Although it's well researched and documented (which I don't see in a lot of money books), I wrote it as an entertaining story. That's why one film producer called it "the money book for people who hate money books." It's multi-cultural, multi-generational, and encourages giving as well as getting. It's also good for regular folks who may not make a lot of money. I've worked in churches, not-for-profits, and missions for most of my career, so I know what it's like to struggle to get ahead, especially when life throws you a curve ball or two.

Steve's interview reminds us of three important things to keep in mind when approaching finances:

First, helping teens to be better stewards of finances is not a matter of knowledge, but wisdom. Know your teens' strengths and weaknesses. Look for teachable moments to point out principles of good stewardship. Be willing to be open and honest with your family about your own struggles. Discussing finances and stewardship should be a top priority for youth groups. Are we providing enough opportunities for teens to grow in wisdom about money or are they too easily being ensnared by the pressures of materialism?

Second, being more intentional about finances should push us to be other's center, not self-centered. I appreciated Steve's emphasis on service. Often we think about being good stewards with our finances as a way to be more financially secure, personally. In his award-winning book, *The Call*, Os Guinness reminds readers of the biblical principle "ours for others." Every thing we have should be received as a gift from God (especially financial resources) and should be understood as ours for the benefit of others. The primary reason for taking better care of our finances is that it will give us more to love our neighbors with.

Third, we should never stop learning! It's very easy to become complacent. Jesus calls us to be life long learners. Steve stresses the importance of being intentional with our finances, but also with our relationship with God. Read. Pray. Pursue wise counsel. The burden and stress of financial debt goes much deeper than a bank account. The mounting pressure of making ends meet can quickly lead to more significant relational and spiritual issues. It's never too early or too late to talk to your teens about finances. This is especially true for students heading off to college.

For more information about Steve's book *Enjoy Your Money!* visit www.EnjoyYourMoney.org.

Derek Melleby is the Director of the College Transition Initiative, author of Make College Count: A Faithful Guide to Life and Learning (Baker Books, 2011) and co-author of The Outrageous Idea of Academic Faithfulness: A Guide for Students (Brazos Press, 2007).



For more information about the College Transition Initiative visit:
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