

Money Life Hacks: Optimizing Your Budget

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## Money Life Hacks: Optimizing Your Budget

### **[Problem Statement]**

Our problem is simple yet affects so many people: how does one balance their money while attending college or just overall stay on a budget? I don't think there is one single student that hasn't been affected by the problem of balancing money while attending college. You all probably know what optimizing your storage space on your devices is and have even done it at some point but what about optimizing your spending? Our problem focuses on why young people seem to have a hard time balancing money while in school or just in overall life. Especially when you are living on your own for the first time away from home and no longer have the guidance of parents/guardians to monitor your every move, making sure you know exactly where your money is going and prioritizing your spending is key. That means starting a budget, which is where we come in. We want to be the solution to this problem. A budget is really just a tool you use to meet your financial goals, says Betsy Mayotte, director of consumer outreach and compliance for [American Student Assistance](#), a nonprofit organization that provides financial education to college students. Your goals can be everything from having enough to pay for food to saving up for a spring break getaway. Budgeting sounds tedious, but it doesn't have to be. The best budget—and one you are most likely to stick to—is simple and easy to execute, says Mayotte. This problem has many different aspects and logistics to it but with our help we can make managing money easy.

### **[Market Analysis]**

As mentioned in the problem statement, our goal is mainly directed towards helping young people in college or millennials. Whether you're in high school preparing to enter college, already in college or graduated from college and in the work field, budgeting your finances is

crucial to sustaining a happy and stress free life. Now obviously this application is open to anybody of any age who wants to work on their budgeting, but our idea was sprouted from thinking of the problems young college students have most.

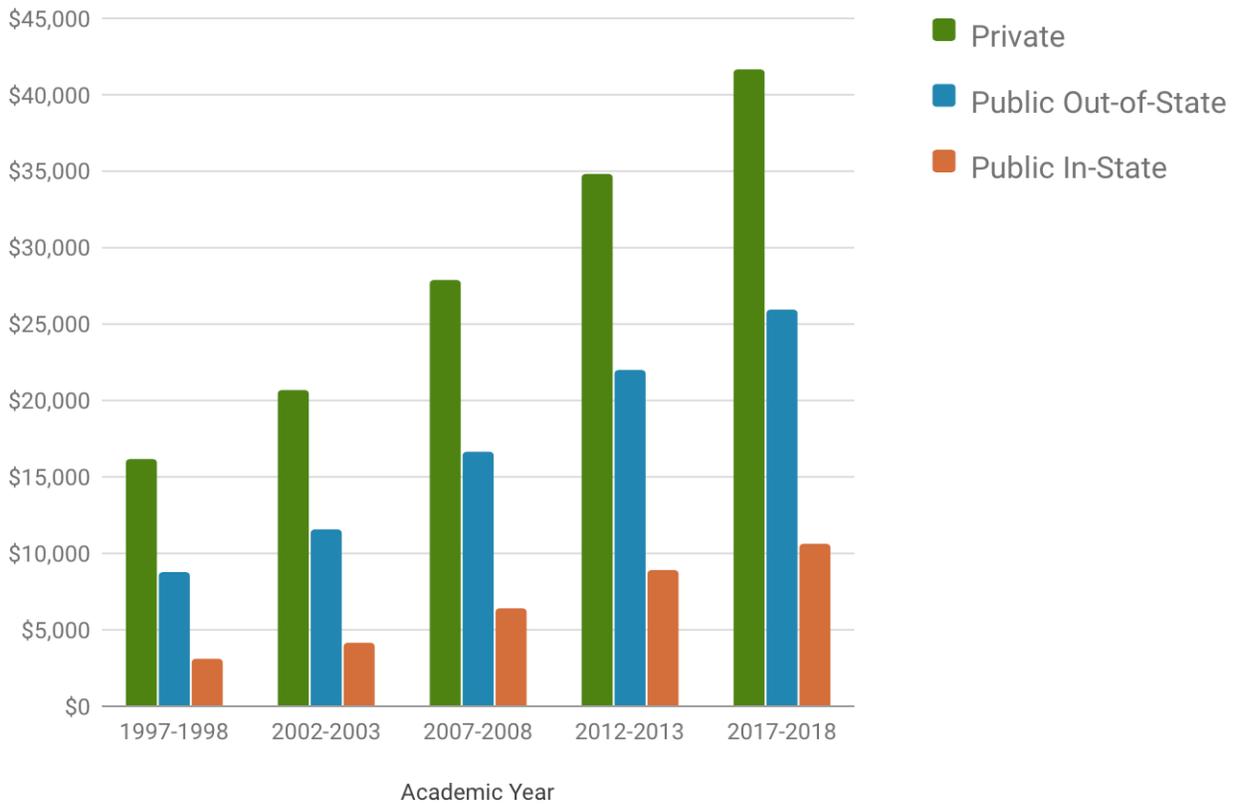
Now the fact of the matter is, most college students are tight on money. So why is it so normalized for students to be broke? In its most recent survey of college pricing, the College Board reports that a moderate college budget for an in-state public college for the 2017–2018 academic year averaged \$25,290. A moderate budget at a private college averaged \$50,900. College gets more expensive each year. In addition to high tuition prices, paying for housing, food, transportation, books and other school-related fees can add thousands of dollars to college expenses. And now with these rise in tuition costs comes the rise of student debt. More likely, the hypothetical child pays the tuition bill themselves, as the rising cost of higher education has led Americans to struggle with a collective \$1.48 trillion in student loan debt, according to the Federal Reserve. It was scary news when the outstanding student loan debt surpassed credit card debt with Americans owing over \$1.48 trillion in student loan debt, spread out among about 44 million borrowers. That's about \$620 billion more than the total U.S. credit card debt. And this shocking statistic keeps climbing, with no sign of slowing down: In 2012, 71 percent of graduates from four-year colleges carried debt, with students at public schools owing an average of \$25,550 and those with degrees from private colleges owing an average of \$32,300, Student Loan Hero reports. And the average student loan debt for Class of 2016 graduates was \$37,172, up six percent from the previous year.

The charts below show 20 years of tuition changes, as reported to U.S. News by the 300 ranked National Universities included in the recently released 2018 Best Colleges rankings. Tuition is displayed by the academic year, which typically runs from August through June.

Dollar amounts in these charts have not been adjusted for inflation. However, tuition and fees at four-year National Universities are significantly outpacing inflation. The total consumer price index inflation increased by 52.7 percent from August 1997 to August 2017, according to the U.S. Bureau of Labor Statistics.

### Tuition Growth at National Universities

Average tuition and fees at ranked schools between 1997 and 2017



Just to put into perspective how this effects our target audience, being college students, here are some facts over the past 20 years: The average tuition and fees at private National Universities have jumped 157 percent. Out-of-state tuition and fees at public National Universities have risen 194 percent. In-state tuition and fees at public National Universities have

grown the most, increasing 237 percent. Now does it makes sense why college students are the target for this problem?

### **[Global implications]**

According to [Student Loan Hero](#), it's obvious on an individual level the limiting effects of student loan debt. Mostly because those with debts have the financial obligation of making monthly student loan payments. Essentially, when 44 million Americans are putting a big chunk of their monthly income towards their student debts, they aren't spending on other economy-boosting goods or services. They'll also have less money to save, invest, or even start a business. Here are three main ways student loans can indirectly limit or slow economic growth in the U.S:

- 1) Student loan debt stifles spending: Many student loan borrowers choose to spend less. Or, they can't afford to spend on items they otherwise feel ready to buy. For example, nearly half of student loan borrowers have put off buying a car because of their student loan debt, according to a Student Loan Hero [survey](#) from last year.
- 2) Student debt slows the housing market: Student loans definitely hold back borrowers who would otherwise be saving for or purchasing a home.
- 3) Student debt holds back new businesses: Another important growth factor in the American economy is the growth of new businesses. Overall, more student debt means fewer new businesses, according to a [report from the Federal Reserve Bank of Philadelphia](#).

Overall, according to this Student Loan Hero report, student debt is a tool that helps more Americans access a college education. And with a higher education attainment comes a windfall of benefits for individuals and the economy. "The main macroeconomic impact of student loans, particularly over the longer run, is via the boost to output and productivity from a more educated workforce," the White House said in its [2016 report Investing in Higher Education](#).

### **[Diversity implications]**

There are different needs that different, diverse populations have related to our problem, and it is/can be handled in a multitude of different ways. Though our target audience is young people/college students just starting out, the problem of budgeting money and keeping track of spending can go as far back to what is taught in high school. Some students have the privilege to have specialized classes offered to help them learn how to budget their money, and some do not. Some students/young people learn how to handle their money at a young age due to a multitude of factors, and some do not.

For example, Joshua Green, a freshman at Clark Atlanta University, learned how to budget his money early during his college career, according to an article by Eleanor Lee Yates. According to Yates, many students have more of a challenge than Green did, in part because of easy access to banking services. Yates also mentioned that students at the University of Michigan participate in a financial literacy program during orientation their freshman year. This type of program, however, is not widely taught. Each person that embarks on their journey as a young adult, whether that be through getting a job right out of high school or going straight into college, comes from different and diverse populations and those needs need to be catered to when thinking of a solution to the problem of budgeting money. They might not have the funds or resources to access to programs like this at a young age, and that is a key factor to take into account.

Since each person comes from a different background, there would need to be an agreement of universal needs of each diverse population. For example, young

people that need to start budgeting their money and keep track of their spending would need to all have direct access to their banking accounts and would have a need to see all of their bills and upcoming payments laid out in one connected place. Ideally, they would all need access

to all of this information for free without the cost of an in-person financial advisor, and would need a simple, easy to learn and navigate application that encompasses all aspects of budgeting money and keeping track of spending.

### **[Competition]**

There are quite a few competitors on the market that are appealing to our target audience and are developing or have already developed solutions to our problem. Websites like NerdWallet are specifically designed to function as personal financial advisors for anyone and everyone that wants to improve their finances, and Lauren Schwan, a personal finance writer for NerdWallet, is passionate about helping students manage their money quickly and easily, stating that you don't have to go through a grueling process and that budgeting apps and online banking can make the process more manageable.

Aside from websites, there are many applications on the market that are tackling our problem head on. Applications like Mint and LearnVest connect directly to your bank account and update your spending automatically. Apps like this are good for college students because, according to Content Marketing Specialist Will Erstad, the user spends less time entering every purchase and allows them to focus on what areas they can cut back on. Apps like Check function as a bill and payment tracker rather than a budgeting app and even act as a medium that you can directly pay your bills on. Slice is an application that keeps track of every online purchase you make and stores your entire purchase history so you can take it and upload it to a separate budgeting app, and Left to Spend lets you set up a spending allowance and then subtracts money from what you spend. Other industries like different banking sectors also offer budgeting resources and provide spending reports and money maps to help students track their spending and make lists of income and expenses.

Each competition that I have described all have common strengths. They are all very strong and popular in the particular issue that they solve. Mint, for example, is the #24 personal finance application that is available on the App Store. Applications and solutions to our problem that are already on the market have a solid foundation and reputation that makes them desirable to potential users/customers.

However, since each solution is separate and does not fulfill all of the needs of our target audience in one cohesive application, I would consider that a weakness. The problem we are trying to solve encompasses every aspect of each individual application mentioned. Though there is quite a bit of competition out there of different companies resolving our problem, they are not solving each problem young people, college students in particular, face when learning to budget and spend their money wisely in one cohesive application or solution. They are specialized in the one or two specific things they are designed to do, and that's it. That's where we would come in

### **[Potential Solutions]**

It's hard for young people to effectively save money while attending school as a full-time student. However, it doesn't have to be hard as long as you're willing to discipline yourself and stick with a budget that makes saving money easier for you. We're looking for a solution to help students and young adults keep track of what they're spending their money on and learn how to budget more effectively and efficiently.

Our initial idea for this is to create a financial application that links with your bank account and makes the process of budgeting easier for the user. We would ideally only need to have access what they're spending their money so that the app can show them where exactly it lines up with their budget to make things more transparent. If some users don't feel comfortable sharing any bank info they could have the option to manually enter what they're spending their

money on as they go about their day; this will be an option if you need to submit a cash entry into your spending log. With the link to a bank account though, the user would be able to see if they're over their budget or if they're in line with it much more easily.

In addition to budgeting capabilities, users could also submit their subscription service account info (Netflix, Hulu, Spotify) to keep track of them. With the numerous amount of streaming services that are currently available, it's easy to subscribe and pay monthly for a service that you don't end up using as frequently as you thought you would've. This will help users see how much use they're getting out of the services they're subscribed to and help them decide if there is one they need to cancel in order to save money.

The user can also turn on notification alerts to help them even more with budgeting. They can turn on notifications for going over budget, upcoming bill payment reminders, or if they're under budget and have saved money effectively. It's important to have a goal set with your budget and you can meet those goals if you're conscious with how often you're swiping your card, especially at school. It's extremely easy to swipe your card at the vending machine a few times a day for something that costs under two dollars. With the use of notification alerts this would ideally help the user be much more aware of what they're spending their money on and save it for the things they really need. The user can set a specific dollar amount that if passed, will send a notification to the user saying they spent too much money on food or luxuries throughout the day.

Lastly, we think it could be very beneficial to the user to have a calendar set up with payment deadlines for any bills that they have. Making sure you have all your bills paid is essential to budgeting and it can be hard when you're a full-time student living on your own. The

user would be able enter the date when they need to pay their bills by and set notification reminders for any specific bill that they find important to keep up with.

### **[Marketing Strategies]**

Our target audience are college students and we want this to appeal to them as an app that will legitimately help them learn how to save money. Any college student would benefit from an app that helped them budget and be aware of where exactly their money is going. We all use social media frequently, especially students, so marketing, creating content and ads on larger social media platforms would be the most beneficial. Aside from social media we can also distribute physical ads or pamphlets at colleges to increase attention from students.

According to [Sprout Social](#), 59% of Instagram's users are within the age range of 18 -29 and for Facebook, 88% of its users are within that age range as well so a large number of our target audience can be reached via social media. Since most college students use Facebook and Instagram it would be ideal to create a page on both platforms. An Instagram and Facebook page could be created for promotional purposes, occasional sponsored ads and we could even share budgeting advice that's legitimately beneficial to students. The idea is to give students an app that they'll actually learn and benefit from. A sponsored ad with useful budgeting advice, eye-catching content, could potentially draw attention from students. If we were able to get ahold of someone who had used and benefited from the app we could get a video of them with a testimonial from them about their experience with the app and make a post about it on the Instagram or Facebook page. The person could explain how much money they saved using the app and what they were able to do with the amount of money that they saved. We could also make posts on Facebook that share budgeting advice or tips that we've personally found useful

and then follow it with, “If you want to learn more about how you can save money and make budgeting easier as a full-time student download our app!”

Along with creating a social media presence, such as on Instagram, we could even create flyer ads and post them around college campuses in nearby areas to increase awareness about the app. Pamphlets with info about the app could also be made and distributed among campuses or libraries. The pamphlet could contain useful budgeting advice and tips and be passed out or given to local universities or community colleges.

### **[Limitations]**

There are a few technical or human issues that would prevent our solutions from being successful. For example, our solutions would primarily need access to users banking accounts, and that could lead to potential privacy violations if done incorrectly. Our solutions would ideally need access to certain user accounts so that they could pay their bills directly through it, and that may lead to unforeseen technical issues in the future. This application would ideally be very sophisticated, innovative and intuitive to the current marketplace, and would need specialized code or developmental skills that may not yet be universally available or known. Certain aspects that we would include in our solutions may not be compatible with one another.

User error would also need to be taken into account. This application would need to be very user friendly, marketed as simple to use for those who have never budgeted money or used a banking application before, yet refined and functional enough to meet the needs of each user and do everything and more than it is supposed to, which, if executed incorrectly, could lead to both human and technical error. Our solution, if a phone application, would need to be available across all platforms (iOS, Android, Google Store, etc.) so it is universally accessible to everyone.

If there is a technical issue making it unavailable on certain platforms, that could wipe out a potentially huge part of our target market.

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