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2016

U.S. Bank Student and Personal Finance Study

Second annual U.S. Bank Student and Personal Finance Study finds parents still the go-to resource

Introduction

The second annual U.S. Bank Student and Personal Finance Study examines the attitudes and philosophies on financial education among high school and undergraduate college students ages 18 to 30 years old.

This report analyzes findings from a nationally-representative sample of 1,615 high school seniors and undergraduates to assess their financial literacy, concerns and goals in comparison to their parents.

Study results have been consistent over the past two years, with students expressing confidence with the basics but lacking adequate knowledge around topics like saving for retirement, investing, and credit.

By assessing the areas where students' financial education is falling short, U.S. Bank can help equip students – and the parents they turn to – with the knowledge needed to achieve financial confidence, independence and success.

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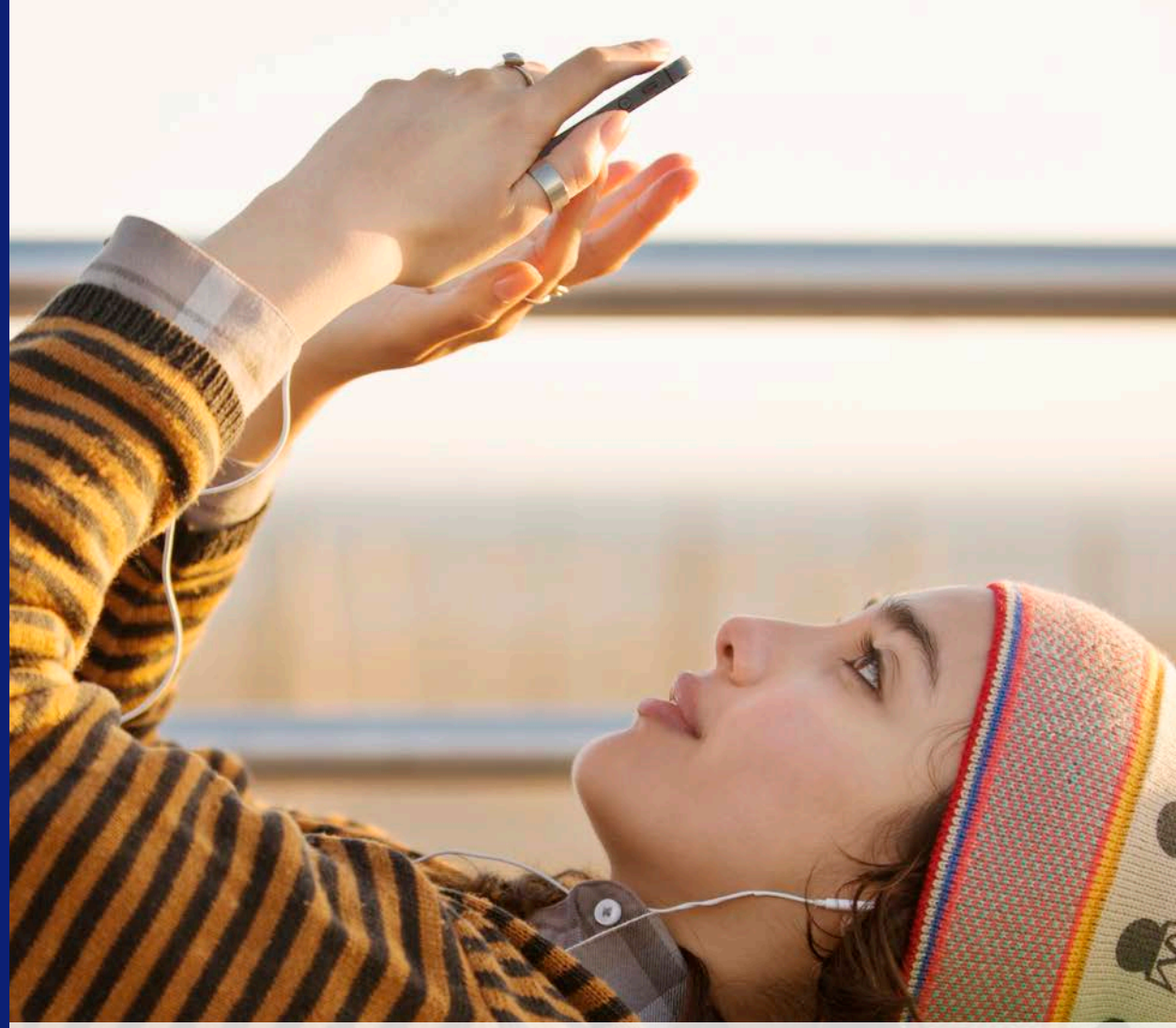
Students Feel Knowledgeable about Basic Savings, but Need More Guidance on Investing for the Future

Most students report feeling knowledgeable about the basics of savings and checking accounts, but are less confident about topics like retirement and investing. This mirrors the 2016 U.S. Bank Parent Survey, which found that parents shy away from teaching more complicated topics like investing and saving for retirement to their children, potentially contributing to this knowledge gap among students.

"Retirement can seem like a lifetime away as a student, but in reality you should be ready to start contributing to a savings plan right after graduation when starting your first job. The longer you wait to start saving for retirement, the harder it gets. College is the right time to start learning about investing, 401(k)s, employer match programs and more."

– Robyn Gilson, customer experience director and the U.S. Bank Coach for financial education. Learn more about how and when to save for retirement at U.S. Bank Financial Genius.



42% of students feel knowledgeable about savings and checking accounts

39% of students feel knowledgeable about saving money

26% of students feel knowledgeable about account overdrafts

15% of students feel knowledgeable about investing money

11% of students feel knowledgeable about retirement savings

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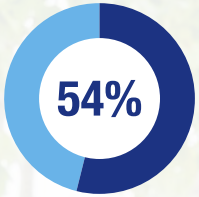
Students Could Benefit from a Better Understanding of Credit Scores

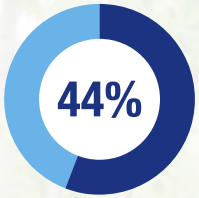
When it comes to understanding credit scores, students are struggling to navigate many myths and misperceptions. Many students, for example, mistakenly believe that their debit card activity or checking account balance impacts credit score. Overall, less than half of the students in the study (46%) report having checked their credit score.

"Debunking these myths and teaching credit basics is the first step toward instilling good habits. College is a good time to get your first credit card because establishing a strong credit history can set you up to get a loan for a major purchase – like a car – on your own once you start working, instead of relying on a parent to co-sign. We recommend using your credit card responsibly by paying for bills and everyday expenses – without overspending – and then paying off the balance in full on time each month."

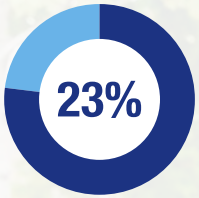
*– Robyn Gilson, customer experience director and the U.S. Bank Coach for financial education. Learn how to use credit responsibly at **U.S. Bank Financial Genius.***



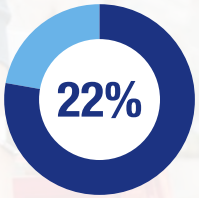
incorrectly believe having too many credit cards can negatively impact credit score



incorrectly believe using checks and debit cards helps to build credit



incorrectly believe a student co-signer will not be on the hook to pay off the loan if they are not able



incorrectly believe once a delinquent loan, credit card balance or bill is paid off it is removed from the credit report

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Most Students ‘Barely Keeping Up’ or ‘Managing’ Finances, with Gender Playing a Role in Financial Comfort Levels

60% of students say they are barely keeping up or are just managing their day-to-day finances, a slight improvement from the 2015 figure of 67%.

When it comes to personal finance and confidence, male students seem to be more comfortable. They feel extremely prepared to meet their financial goals and are more likely than females to describe themselves as ‘savers.’ Female students more often describe themselves as ‘spenders,’ feeling ‘not at all prepared’ to meet their financial goals. They tend to keep money in savings accounts, but are less likely to explore other options like investments than their male counterparts.

Despite this dip in financial confidence, however, female students outperformed males on various topics like credit and saving for retirement.

Most Students Today “Barely Keeping Up” or “Managing” Day-to-Day Finances

17% barely keeping up

43% managing

7% prepared for unexpected expenses

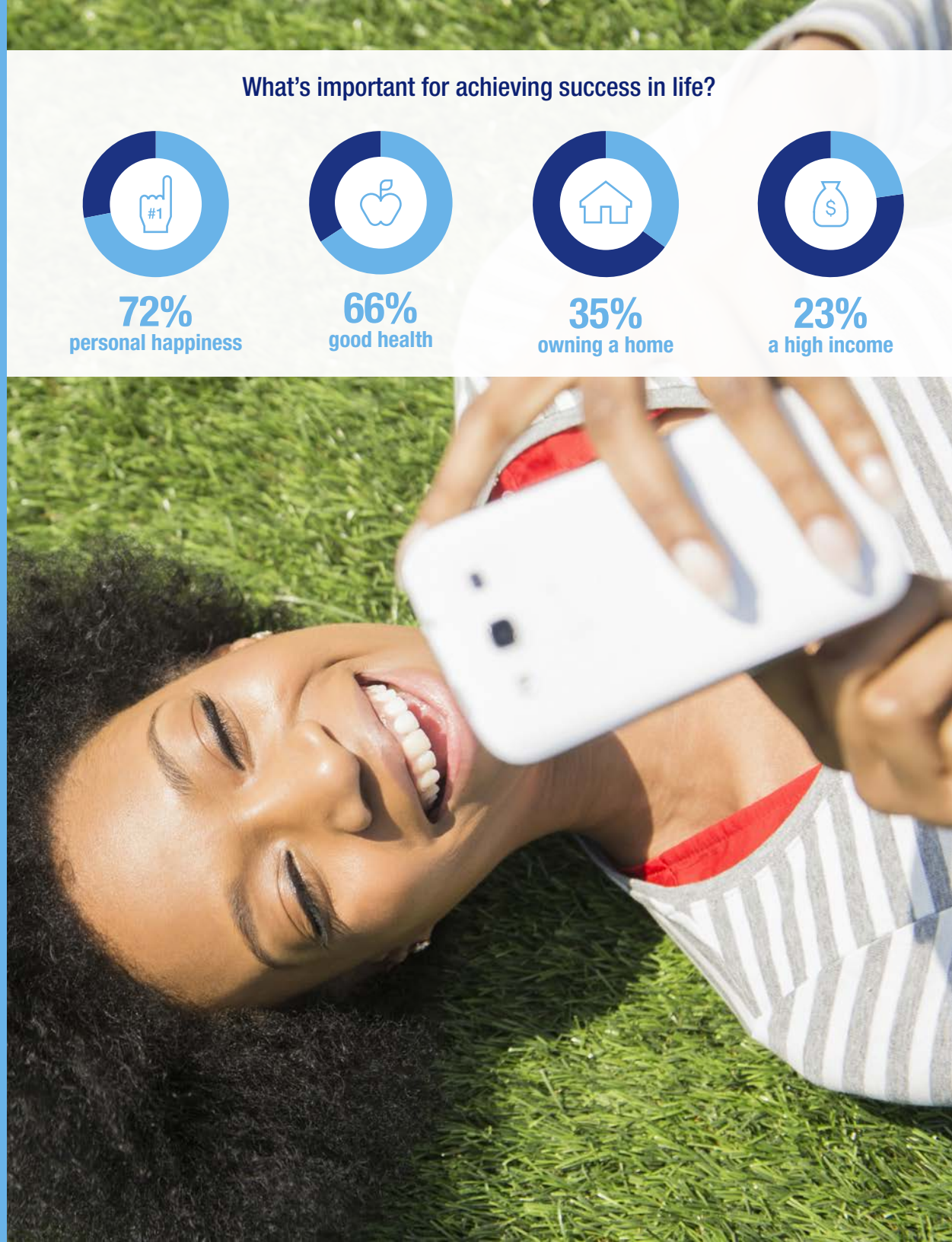
28% comfortable

2% no financial worries

Among Students, Money not the Main Measure of Success

The way students today measure success illustrates a shift away from the material (for example, home ownership) toward a stronger focus on life's intangibles. Most students cite personal happiness (72%) and health (66%) as very important measures of success in life, while home ownership (35%) and high income (23%) are considered less important.

As students gear up to enter the workforce, they may be underestimating the amount of money they could be making. Students on average expect to earn $42,043 as their starting salary, which is lower than the actual average of $50,219, according to data from the National Association of Colleges and Employers.



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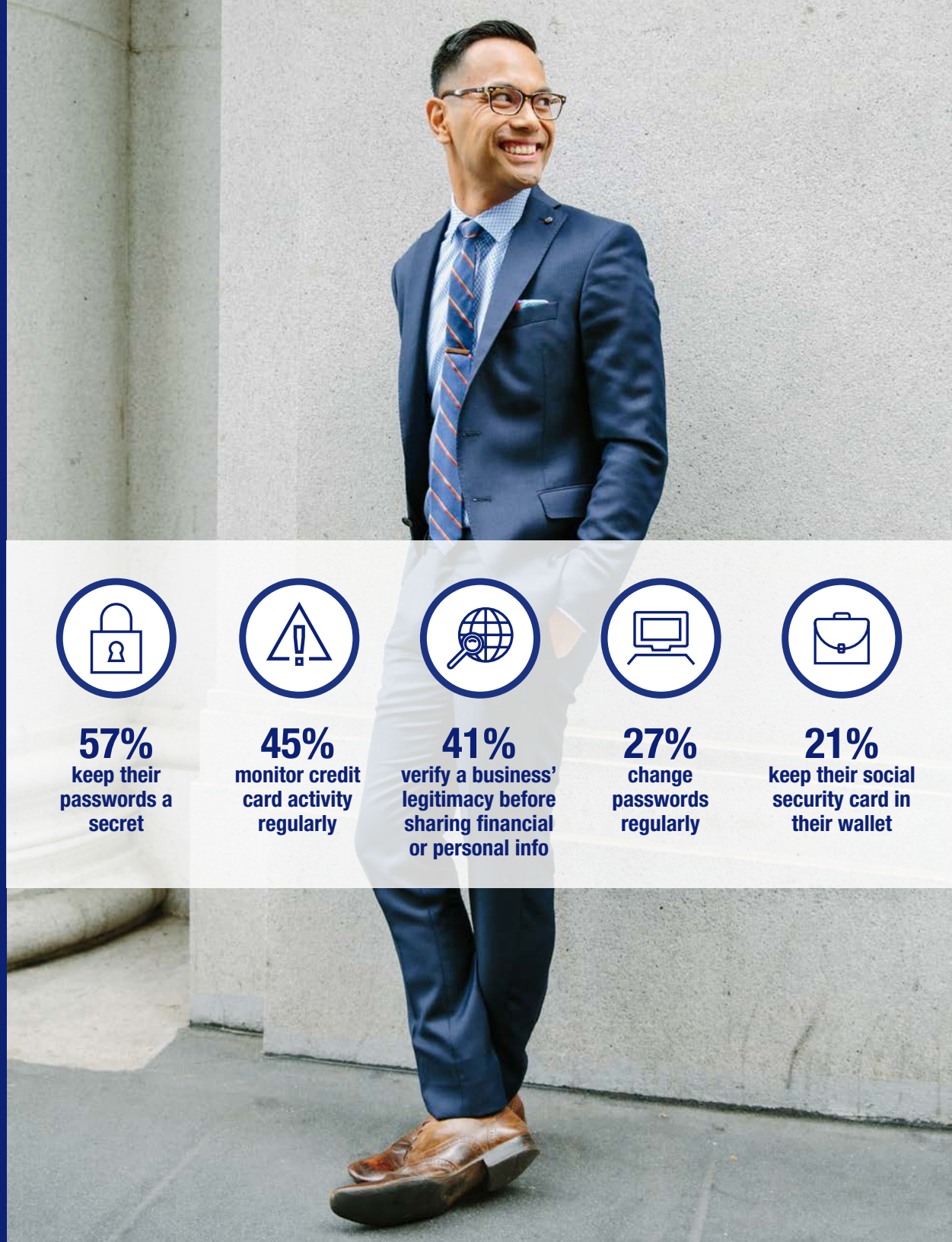
When it Comes to Identity Protection, Students Are Doing the Bare Minimum

For such a hyper-connected, tech-savvy demographic, students are not doing the best job in protecting their identity and financial information. Though 57% say they keep their passwords a secret, 22% use passwords that are easy to remember (i.e., a birthday) and only 27% change them regularly. When it comes to email safety, 53% say they delete suspicious emails without opening them, but an alarming 61% will send payment information via email without thinking twice.

Only 45% of students monitor their credit card account activity regularly, and just 41% verify a business' legitimacy before sharing financial or personal information with them. Another risky behavior? 21% of students even keep their social security card in their wallet.

"In today's digitized society, 'losing your wallet' takes on a new meaning. The best way to keep your money in your pocket is to keep a close eye on your account transactions. To make it easy, many banks offer texts or emails that alert you whenever a transaction goes through your account."

– Robyn Gilson, customer experience director and the U.S. Bank Coach for financial education. Learn how to protect your identity at ***U.S. Bank Financial Genius.***



Parents May Think They're Teaching Their Kids, But Students Could Use More Education

As with last year's study, our results show that students turn to their parents first for their financial questions and for guidance on personal financial topics. However, while parents are comfortable teaching their kids the basics, such as piggy-bank saving and budgeting, many stop short in providing lessons around more complex concepts like credit and investing.

And while there's no doubt that parents are a coveted resource for students who are starting to navigate the ins and outs of personal finance, there is a disconnect about how far these lessons go. Students generally give themselves a "C" grade when it comes to money management, while parents give them a "B," saying they are generally satisfied with what their children are doing with their money. And though 40% of parents say they teach their kids specifically how to manage money, only 18% of students say their parents do so.

parents who say they taught their kids specifically how to manage money

students who say their parents taught them specifically how to manage money

Conclusion and Methodology

According to the second annual U.S. Bank Student and Personal Finance study, students are getting by when it comes to managing their money, but need more help and education on topics like credit scores, investing and saving for retirement. Students continue to look to their parents as the number one resource for financial matters, and two-thirds of parents say they turn to outside sources – like bank websites – to help teach their kids about finances.

U.S. Bank is breaking through with relatable advice, tools and resources for students and parents on Student Union. Geared to 18- through 24-years-olds who are finishing high school or are in college, U.S. Bank offers scholarship opportunities to students who complete online lessons about personal finance.

Through our national efforts, we are committed to breaking the cycle and getting more students and parents talking about money.

About the Parent Financial Education Survey

The 2016 U.S. Bank Student and Personal Finance Study was an online, quantitative survey of 1,615 high school seniors and undergraduate students (18- to 30 years old), conducted in May 2016.

About U.S. Bank

Minneapolis-based U.S. Bancorp (NYSE: USB), with $438 billion in assets as of June 30, 2016, is the parent company of U.S. Bank National Association, the fifth largest commercial bank in the United States. The Company operates 3,122 banking offices in 25 states and 4,923 ATMs and provides a comprehensive line of banking, investment, mortgage, trust and payment services products to consumers, businesses and institutions. Visit U.S. Bancorp on the web at www.usbank.com.

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