

'It's a big stress': how to deal with student debt that keeps piling up

Post-secondary students can keep student debt — and the stress of it — under control

By Jacqueline Hansen, CBC News Posted: Sep 19, 2017 5:00 AM ET Last Updated: Sep 19, 2017 5:00 AM ET



First-year university students, Tennessee Joseph and Malini Khotsiphom, do what they can to keep their day-to-day costs low. (Jacqueline Hansen/CBC)

At Ryerson University in the heart of Toronto, one of Canada's most expensive cities to live in, it's no surprise that money — and lack of it — is top of mind for many students.

"It's a big stress," says third-year marketing student Adnan Saffie, who is financing his degree with student loans.

He's not alone. According to Statistics Canada, about half of Canadian post-secondary students owe money on government or non-government loans — such as family and bank loans — when they graduate.

For those who toss their cap but take debt out the door with them, the average amount owing ranges from \$14,900 for college graduates to just over \$26,000 for both bachelor and master's graduates, and \$41,100 for doctorate graduates.



Third-year university student Adnan Saffie says a big question on students' minds is how they will pay back their loans. (Jacqueline Hansen/CBC)

"They're stressed out and they have good reason to be," says Jodi Letkiewicz, an assistant professor at York University in Toronto who has done extensive research on students' and young people's finances — including their debt.

Letkiewicz says that severe finance-related stress can, in some cases, even cause students to drop out.

"Which is almost the worst thing you can do," Letkiewicz says. "Because you don't get a degree, and so you don't have the payoff to help pay off the debt."

Some students just give up

Personal finance expert and financial planner Shannon Lee Simmons says she sees clients who may have finished their schooling but gave up trying to budget along the way and racked up debt.

"It's easy to give up when it feels hopeless," Simmons says. "That is a huge piece of trying to manage the damage while you're in school is not giving up hope."

To avoid those worst-case scenarios, Simmons suggests students create a realistic financial plan each year that includes a list of all the money or credit available to them and their expenses.

"It sounds so obvious, but it often doesn't actually happen," Simmons says.

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Then, Simmons recommends that students only move the amount of money necessary each month into their chequing account from loans or lines of credit to prevent overspending.

"If there's lots of money in your chequing account it can feel like there's a neverending supply, and then all of a sudden it's gone. So only ever bring into your chequing account what you need," Simmons says.

A lack of basic financial literacy

Second-year philosophy major Hanna Isakow says being engaged in budgeting for the first time has been eye-opening for her.

"There's this constant level of awareness with it," says Isakow, who is not only thinking about paying for her current degree at Ryerson, but is also looking ahead to law school.



Second-year university student Hanna Isakow says she and her parents saved up to cover her school expenses so she wouldn't have to borrow money, but she says that budgeting is still stressful. (Jacqueline Hansen/CBC)

When making spending decisions Isakow says, "I have to question, how badly do I want to do this now? So it kind of stresses you out, because you want to be doing what all your friends are doing."

In Letkiewicz's research, she finds that many students are missing basic financial literacy.

"They haven't necessarily been raised to pay attention to this. It's the first time they're being presented with this responsibility, and they maybe don't have those skills yet," Letkiewicz says.

Letkiewicz uses a quiz also used by the Organization for Economic Co-operation and Development to gauge young people's understanding of financial topics from compound interest to inflation — the basics that can also help students understand their financial decisions.

But Letkiewicz says it's about more than just understanding the concepts.

"We talk about financial literacy a lot, but we tend to think all it means is having the knowledge, and it's really about having knowledge, capabilities and confidence. Because it's one thing to have all the information, it's another thing to use it and to use it confidently," Letkiewicz says.

Malini Khotsiphom and Tennesha Joseph are in their first year of university and weighing the value of potential school-related costs. Both students commute from their parents' homes — as much as an hour each way — to save money, but they're reconsidering.

"We don't know if it's worth it or not," Khotsiphom says. "I'm going to be in debt anyway."

Even without the cost of residence or rent, other expenses are already starting to add up.

"I just had to spend \$200 on my books," Joseph says. "It's very difficult. It's just one semester, and I still have to worry about next semester. So it's really stressful."

Joseph and Khotsiphom work part-time retail jobs to pay for day-to-day expenses, but agree that even buying food on campus is a financial stressor.

"I've gotten to a point where I'm only spending \$5 a day, hopefully," Khotsiphom says. "Even that's a lot. Because it adds up."

Give yourself a break

But personal finance expert Simmons warns students not to be too hard on themselves.

"There's something to be said for the level of anxiety that frugal mindset creates. That actually can exacerbate a problem," Simmons says.

She cautions that being too strict on your budget can be akin to eating an all-lettuce diet.

"Eventually you see a pizza and you want to binge because you're like, screw this. I've been so deprived for so long."

While creating a financial plan is important, Simmons stresses that it must be sustainable.

"If you make a budget that's unrealistic and unsustainable, then you're going to set yourself up for failure. And then you're going to feel like a failure, and then you're probably going to give up. So I'd say, be realistic."

For students who will inevitably take on some level of debt, Letkiewicz urges them to be strategic about the programs they choose, to make sure there is a job — and way to pay off any loans — once school is out.

"We need to look at higher education as an investment," Letkiewicz says. "That means that you have accurate expectations of the cost and the benefits."