Part 2 of 3

# The Elephant At The Dinner Table:

## Family Conversations And Conflict Surrounding Student Loans

**Student loan debt: The multigenerational effects on relationships and retirement** is a 3-part research series sponsored by TIAA and conducted by the MIT AgeLab. Part 2 focuses on how student loan debt affects family relationships.

## Background

Currently, over 44 million people in the United States have student loans for themselves or a family member,[1] with over 20% of the total balance of student loans being held by Americans aged 50 and older.[2] Despite the growing numbers of individuals and families across the age spectrum carrying education debt, there is little research examining how student loans interact with family dynamics. The burden of student loans requires borrowers of different ages to relate to, and rely on, family members in new and more financially complex ways.[3,4] As student loan debt places new financial constraints on individuals and families, it is imperative to consider the near-term and longer-term ramifications of these dynamics.[5,6]

To begin to understand the influence of student loans on family dynamics, the MIT AgeLab conducted a series of focus groups followed by a national survey of student loan borrowers of all ages who had loans for their own and/or their child or grandchild's education. This study examines how student loans emerge within family relationships and presents actionable implications for borrowers to address friction within families due to student loans.

## Before taking on student loans

### Borrowers with debt for their own education saw student loans as their only option.

While borrowers in the national sample took out student loans for a variety of education levels and circumstances, the majority of borrowers (67%) reported taking out loans because it felt like the only option at the time to fund their education. Slightly fewer respondents reported that loans felt like the best option (45%). There were slight gender differences among the borrowers in the national sample: Women (70%) were slightly more likely than men (61%) to say that loans felt like the only option, while men (50%) were more likely than women (42%) to report that loans felt like the best option.

When borrowers were asked how they decided the amount to take out in student loans, women (50%) were more likely than men (38%) to report that they took out all that was offered to them, whereas men (57%) were more likely than women (48%) to report taking out 'only what I thought I needed' for educational costs. Across the entire sample of borrowers with loans for their education, very few borrowers (7%) reported doing their own research before deciding how much to take out in student loans.

**Implication:** Many borrowers, especially women, felt that student loans were the only means available to fund their higher education. While this may be the case for many, it is important for borrowers to do their own research to understand the full spectrum of options available to them and to ensure they are taking on an appropriate level of debt commensurate with their future plans.

### Divorce played a role in how borrowers made decisions around student loans.

When asked about their motivations for taking out loans, borrowers in the national sample who reported that their parents were separated or divorced at the time of the loan decision (73%) were more likely than others (65%) to report feeling like loans were their only option to fund their education. Similarly, borrowers with a single parent at the time of loan accrual (82%) were more likely than others (65%) to report taking out loans for themselves because they felt it was the only option at the time.

**"It really wasn't a decision for me. I knew out of high school I was going to need financial aid. I wasn't on a scholarship. I was coming from a single-parent household. I just had to do what I had to do."**

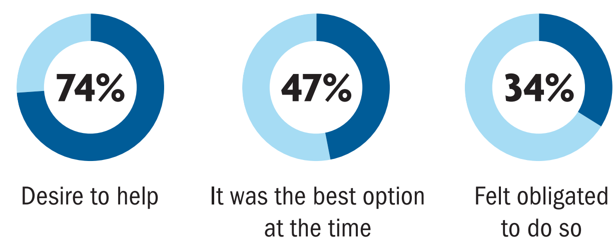
—Male focus group participant

### Borrowers with debt for a child or grandchild's education were primarily motivated by their desire to help.

In the national survey, when borrowers were asked why they decided to contribute to their child or grandchild's education via student loans, 74% reported they did so out of a 'desire to help'. Less than half (47%) reported feeling like it was the best option at the time, while over a third of borrowers (34%) said they felt obligated to do so. A quarter of all borrowers with loans for a child or grandchild's education (24%) reported both a desire to help and that taking out loans felt like an obligation.

**Figure 1: Reasons for contributing to a child or grandchild's education**

Top reasons




When parents and grandparents were asked how they made the decision of how much to take out in student loans, the majority reported taking out only what they thought they needed (61%), while 22% reported doing their own research. Borrowers who reported doing their own research overwhelmingly reported 'researching the type of loan repayment plan that would make the most financial sense to me' (90%), as compared to 21% who reported researching the type of job their child or grandchild would be qualified for in the future, and 12% who researched their child or grandchild's future earning potential.

Among borrowers with both loans for their own education and those with loans for a child or grandchild's education, the vast majority did not seek the help of a financial professional when making the decision of how to fund higher education. Only 8% of parents and grandparents and 3% of student borrowers utilized the services and advice of financial professionals.

**Implication:** Most financial decisions are interwoven with life events and relationships. To best advise borrowers on how to balance loan repayment with other financial obligations, it is crucial to understand the context in which borrowers make decisions to accrue and/or repay student loans.

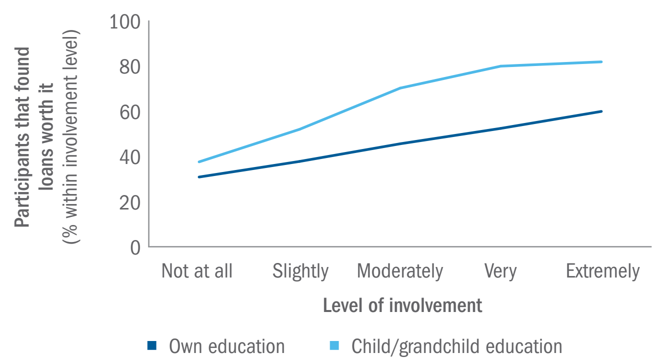
### Level of involvement in the decision-making process varied, but in general, borrowers themselves were the primary decision-makers.

The majority of borrowers (72%) were "extremely involved" or "very involved" in the decision-making process about paying for their own college. These borrowers also reported being the primary decision-makers (82%) in how to pay for their own higher education. Men (85%) were slightly more likely than women in the sample (80%) to report being the primary decision-makers in the choice about how to fund their own education.

When it came to borrowers with loans for a child or grandchild's education, slightly less than half (48%) were "extremely involved" in the decision-making process while another 35% reported being "very involved". When these borrowers were asked who the primary decision-maker was in funding their child or grandchild's education, over half (55%) said they were the primary decision-maker while just over one-third (36%) said they made the decision equally with their child or grandchild.

While many borrowers reported being involved in the loan decision in some way, those who reported being more involved in the decision were more likely to report currently feeling that the loans they took out were worth it.

**Figure 2: Level of involvement in decision-making process**




### Before taking on student loans, borrowers and their families were not particularly knowledgeable about student loans.

While many borrowers reported being very involved in the decision-making process and, in many cases, reported being the primary decision-maker to take on loans, only 6% of borrowers considered themselves to have been "extremely knowledgeable" and 4% of borrowers considered their immediate families to have been "extremely knowledgeable" about student loans before taking on education debt. To further illustrate this knowledge gap, 24% of borrowers considered themselves to have been "not at all knowledgeable" about student loans before accruing debt and 32% of borrowers considered their immediate families to have been "not at all knowledgeable" about student loans.

**"I was 17 when I signed all the paperwork. I didn't know what the heck was going on."**

—Female focus group participant

**"I was young and the terminology utilized in the agreements was beyond my comprehension."**

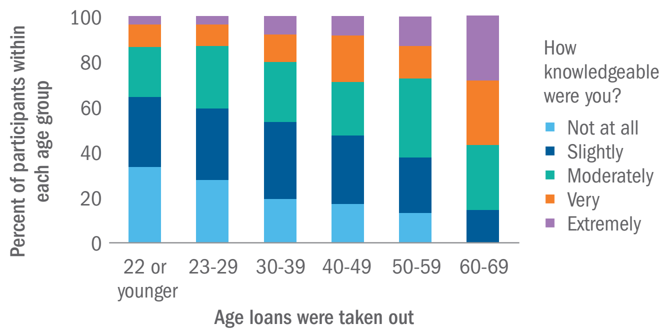
—Female national survey participant

**"You don't have a firm grasp on what you're doing. You sign up for things, and the process happens so quickly, and there's so much going on. You don't necessarily understand where the money is coming from, where these grants are, what you have to pay back, what you don't."**

—Male focus group participant

Age of debt accrual appeared to be a strong factor associated with student loan debt knowledge. In the national sample, borrowers who took out student loans for themselves at an older age generally reported being more knowledgeable about student loans compared to younger borrowers. For example, more than half (57%) of borrowers who took out loans for their own education between ages 60-69 reported being "extremely knowledgeable" or "very knowledgeable" about student loans compared to less than one-third of borrowers who took out loans at younger ages.

**Figure 3: Knowledge about loans by age**



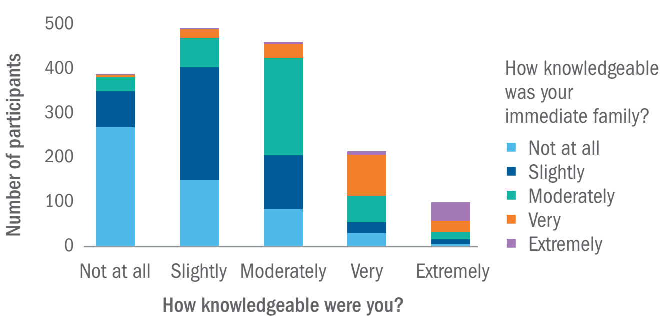

**Implication:** The student loan knowledge gap is multigenerational. This study found that while borrowers who took on loans at age 22 or younger tended to be the least knowledgeable of all age groups, they were not the only ones lacking information. In fact, a minority of borrowers who took out student loans under the age of 60 felt they were informed when navigating the complexities of paying for higher education. Financial education programs and discussions should consider this knowledge gap and target not only borrowers in their 20s and 30s, but across the age spectrum.

### Most borrowers were self-taught about personal finance.

The majority of participants reported being self-taught about managing personal finances (74%), though some participants also reported learning from parents (38%), online resources (21%) or financial advisors (15%). When asked about who or where they received advice regarding student loans, borrowers most commonly reported consulting the internet (41%). Many participants also reported seeking advice from family members (28%).

Although family was one of the more common sources of financial advice, the majority of borrowers reported that their immediate family was not knowledgeable about student loans. Further, most borrowers reported similar levels of knowledge as their family members with regard to student loans. For example, borrowers who reported being "slightly" knowledgeable about student loans were most likely to report their immediate family also being only "slightly" knowledgeable.

**Figure 4: Knowledge about loans**




## During the loan repayment process

### Finances are often a taboo, tense, or nonexistent topic of family conversation.

Many borrowers reported that they did not discuss finances—including student loans—within their family. In fact, 40% of borrowers with loans for themselves and 36% of borrowers with loans for a child or grandchild reported never speaking with their family about their student loans. For some of these borrowers, finances may be a taboo or tense topic of family conversation.

**"My parents never talked to me about money or saving, and only offered advice when they felt I'd done something wrong."**

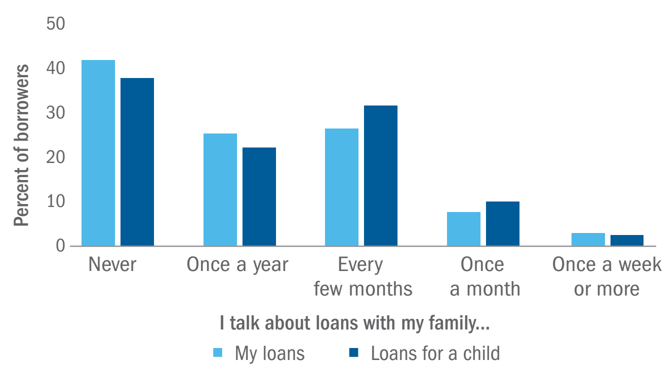
—Female national survey participant

**"In my family, loans don't come up. But when they do, it's always really negative."**

—Male focus group participant

With relatively little family communication about student loans and general finances, over half of borrowers with loans for themselves (51%) and one-third of borrowers with loans for a child or grandchild (31%) reported their family knew "nothing" or "very little" about their student loans.

**Figure 5: Talking about loans with family**



When borrowers did communicate with family members about student loans, they generally reported several predominant styles of communication. Based on the conversations in the focus groups, family communication styles could be described by the directness and frequency of family communication about loans. For instance, some borrowers spoke with family members about loans directly yet infrequently, whereas others had more frequent yet less direct conversations with family members about loans. Still others had direct and frequent conversations or indirect and less frequent communication. Ultimately, for borrowers with loans for themselves and/or a child, when conversations with family members about loans were described as direct, the nature of family conversations about student loans were often described as negative.

**"Family members question the value or worth of my taking out loans for my education, especially when they learned of my financial struggle."**

—Female national survey participant

**Implication:** Understanding how borrowers typically discuss finances within their families can uncover what type of communication style they are likely to have for talking about student loans. This can help borrowers leverage their family's unique communication style to speak proactively about student loan repayment.

**Women were less comfortable discussing financial topics with family and professionals.**

Women were less likely than men to feel comfortable discussing student loans and general finances with family members and financial professionals. Women described a lack of transparency in family financial conversations, comparisons of success with their siblings, and a fear of burdening their parents, each of which could be addressed to help make family conversations about student loans more comfortable.

**"It's just a subject that we don't touch. I think I purposely don't want to bring that up to my parents, because I know a lot of it isn't necessarily their fault."**

—Female focus group participant

Clear gender differences existed in regard to financial communication. Men (68%) were significantly more likely than women (35%) to correctly answer a series of financial literacy questions, and were more likely than women at the one week follow-up to have carried out positive financial actions; women were more likely to report that they *planned* to carry out these same actions. These financial actions included changing the logistics of how student loans are paid, creating or maintaining a budget, setting up or contributing to retirement, exploring company HR benefits, and speaking with a non-profit or advocacy organization.

**Implication:** Women may benefit from spaces and opportunities to engage, learn, and communicate openly about student loans and general finances.

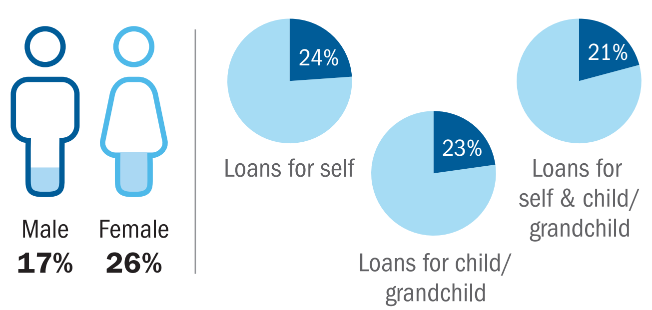
### Student loans are sometimes associated with family conflict.

When borrowers were asked how student loans had impacted their relationships with family members, the majority reported that student loans had not impacted their family relationships. However, when borrowers said that student loans had impacted their family relationships, it was most often in negative ways. In fact, nearly one-quarter of all borrowers (23%) reported that student loans had imposed some type of conflict within their family. Borrowers' loan-related family conflict was often tied to resentment, unclear expectations, and isolation. Reports of family conflict were consistent across ages of borrowers and regardless of whether the loans were for themself or a child. However, women (26%) were more likely than men (17%) to report some type of loan-related conflict within their families.

**"I feel frustrated that my family didn't have a college fund for me."**

—Female national survey participant

**Figure 6: Borrowers who have experienced loan-related family conflict**




**"My siblings have received assistance from my family in repayment but I have not."**

—Female national survey participant

**"I felt very angry and resentful, because I didn't really understand how come I'm the only one who really had to pay for school, and why wasn't there enough for me."**

—Female focus group participant

### Resentment

Among borrowers with loans for themselves, loan-related family conflict was often tied to resentment. Often, borrowers expressed resentment toward siblings for receiving more financial assistance from parents. Others expressed resentment toward parents for stressing the importance of college without preparing their children for the realities of carrying debt.

Many parents expressed resentment about having the unanticipated expense of loan repayments for children. For those with loans for their own education and a child's education, some expressed resentment about the ways in which incurring loans for a child had exacerbated their own financial constraints imposed by the loans.

**"I figured my child would get a job in her degree field to pay for the loans. At present she doesn't make enough money to pay loans and live."**

—Female national survey participant

## Unclear expectations

Reflecting on the time at which they took on student loans for themselves, many borrowers described not truly understanding the month- to-month ramifications of taking on loans. The largest percentage of borrowers in this category expressed initial confusion about interest and payment terms, as well as an early lack of information or calculation of monthly costs of loan repayment.

**“As an 18-year-old kid you are given such overwhelming information, but don’t really comprehend all the interest rates and financial terms.”**

—Female national survey participant

**“I did not understand that taking on so much debt would be a mistake and had no idea how much I would owe or what it would ultimately cost.”**

—Female national survey participant

**Implication:** Borrowers need help calculating what their monthly payments will be before taking out loans and balancing that with potential future earnings after college. These discussions should include all relevant family members so that expectations are aligned to avoid future conflict.

Many borrowers justified taking on loans for their own education with the hope that they would have high salaries and early career success. In retrospect, however, many borrowers said that they were too young to make the decision to take on student loans and wished they better understood the long-term implications of taking on student loans.

The majority of borrowers, including 79% of borrowers with loans for themselves and 86% of borrowers with loans for a child, said that their current payment contributions toward the loans were clear from the outset. However, when borrowers had unclear expectations of how the loans would be repaid and who would be repaying them, the ambiguity led to family conflict.

Sometimes borrowers with loans for themselves expressed resentment toward their parents for incurring loans on their behalf and expecting to be repaid without communicating these expectations to their child.
In other cases, borrowers were upset when parents retracted earlier offers or promises to repay loans for their children.

Parents with loans for a child expressed similarly unclear expectations. Many parents were unexpectedly repaying loans (for an indefinite period of time) because their child was struggling financially. Often children had diverged from expectations in earning potential and overall financial wellness.

### Isolation

Some borrowers who had experienced loan-related conflict explained that family conflicts about the loans were rooted in isolation. For instance, some borrowers with loans for themselves felt that they needed to hide their loans from family members. As a result, many borrowers were repaying their loans in relative isolation with little perceived support from family.

**“I can’t be honest with my family about my loans—I have to hide that information from them.”**

—Female national survey participant

**“I think for my parents, it just brings up a lot of guilt in them. I don’t talk about the loans with them; I just handle it on my own.”**

—Female focus group participant

Isolation may be an especially difficult type of conflict to overcome. A majority of borrowers in this study reported never or rarely discussing student loans or general finances with their families. The increased complexity of paying for higher education means that communication is essential to preserve positive family dynamics in the face of student loans.

**Implication:** Borrowers need help identifying conversation-starters with family members about student loans, particularly if family financial conversations are taboo.

## Financial repercussions of student loans within families

### Carrying student loans impacted how borrowers perceived their ability to support other family members now and in the future.

Just under half (48%) of borrowers in the national sample reported currently providing care to a family member (e.g., children, grandparents, siblings, etc.) while 60% reported currently providing some level of financial support for a family member. For some borrowers, repaying loans meant that they felt less able to offer support in other financial domains of their loved ones’ lives.

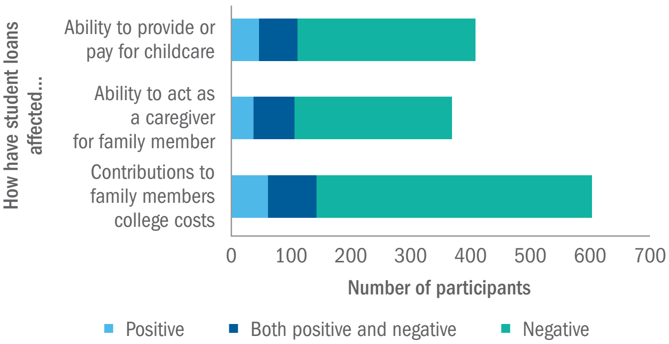
Among borrowers with loans for their own education and borrowers with loans for the education of a child or grandchild, 21% with children reported that student loans had a negative effect on their ability to provide or pay for childcare. More than one quarter (28%) reported that student loans had a negative impact on the amount they were able to contribute to college costs for other family members, and 16% said that student loans have affected their ability to act as a caregiver for aging and/or disabled family members. For many, student loan payments competed with other family financial commitments that borrowers needed to decide how to prioritize.

While some borrowers did report positive effects of student loans, negative impacts were reported with much greater frequency.

**“About 15 years ago, I put my student loan payments on hold for a year, so I could give some money to my aging parents. I was upset I had to do it, and of course, it made my repayment period longer.”**

—Male national survey participant

**Figure 7: Effects of student loans**




**Implication:** Student loans impact more than just the borrower. Family members of all ages may be impacted by the borrower's ability to provide both physical and financial support. Borrowers need help assessing family situations and responsibilities in order to craft effective plans that address their overall roles, responsibilities, and financial priorities.

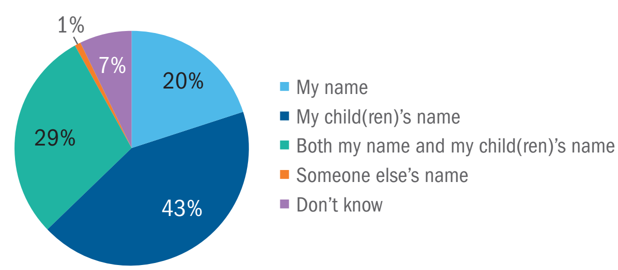
## Despite carrying their own student loans, parents felt it was important that their children receive a higher education.

Despite the negative personal and familial impacts borrowers in the study experienced, parents with children under age 18 said it was "extremely important" (40%) or "very important" (32%) that their children go to college in the future. Only 10% of the sample said college was "not at all important" or "slightly important." Funding children's higher education was also top of mind for many parents. When asked how much they have thought about funding their child's college education, approximately half of the national sample (49%) reported that they had thought about it "very much." Parents with children under 18 also valued early conversations about the costs of higher education, with 45% stating that the best time to discuss college costs with their children would be "as early as possible in childhood."

## Most parents want their children to take on at least some financial responsibility if they need student loans in the future.

When borrowers with children under the age of 18 were asked "If your child(ren) needed loans for their college education, whose name would you prefer the loans be in," just under half of the sample (43%) said they would want the loans to be in their child's name. Just over a quarter of the sample of parents said they would want the loans to be in both their name and their child's name (29%), while an even smaller percentage (20%) indicated wanting to have loans solely in their own name for their child's education.

**Figure 8: Who's name should loans be under for your child's education in the future?**




Similarly, when parents with children under the age of 18 were asked who they would want to take financial responsibility for student loans if their child needed to take them out to fund their education, parents most often said they would want their children to pay (41%).

Approximately one-third of parents reported wanting both themselves and their children to share financial responsibility (34%), while an even smaller percent wanted to take sole financial responsibility for loans for their child's education (21%).

**Implication:** Many parent borrowers want their children to take on financial responsibility for student loans in the future. It is important for parents to communicate these expectations early to children so families can financially plan for the future.

## Improving student loan debt management

### Early financial education for students and their families is needed.

Many borrowers and their family members in this study revealed that they were not very knowledgeable about the process, details, or implications of student loans when they were deciding how to best fund their own or a family member's higher education. These low levels of knowledge were apparent across age groups. Borrowers who reported higher levels of knowledge of student loans were more likely to report their family members also having similar knowledge levels. For many borrowers, student loans seemed like the only option available at the time, which could help to explain why many borrowers described not putting a great deal of thought into the decision to accrue loans. Additionally, many borrowers were making this important financial decision in relative isolation, without the support of family or financial professionals. This knowledge gap highlights the need for greater education for borrowers and their families early on about the student loan process. Borrowers need educational and support services to help them mediate with their families and make difficult yet significant financial decisions about funding higher education.

### Create opportunities for more frequent yet tailored conversations with families.

Finances are often a difficult topic to discuss within families. This study found that a lack of financial discussions within families often results in family conflict. The three key areas of family conflict include resentment, unclear expectations, and isolation, all of which can be traced to an absence of meaningful family communication around paying for higher education. This research also found that these conversations may be even more difficult for women borrowers, who generally felt less comfortable discussing financial topics, including student loans, with family members and financial professionals.

Borrowers may benefit from catalysts to spark family communication about the costs of higher education and create tailored financial plans that all family members understand and expect. Programs and resources to support borrowers should start with the understanding that no two situations are exactly the same with regards to student loans; family dynamics, financial health, and competing financial priorities are often at play.

### Early financial planning can combat the multigenerational nature of loans.

The majority of borrowers with young children in this study expressed the importance of their children receiving higher education. Despite reporting negative impacts of student loans, many parents with young children still view college as a valuable investment. Many parents reported already putting a great deal of thought into their children's future education and many preferred that their children incur some or all their college costs in the future. Notably, many parents wanted to discuss funding future education as early as possible with their children. Despite the desire to have conversations with family members about funding education, it was common for borrowers to report having few-and-far- between family conversations about student loans. Without adequate tools and resources to help families and students plan for the increasing cost of education, student loan debt will likely continue to persist as a serious social and financial issue for families and even carry across generations. Advice and coaching are key to helping people navigate competing financial demands. Individuals who engage with qualified financial professionals are generally better equipped to make decisions about paying for education for themselves or a loved one without sacrificing their future financial security.

## Learn more

Read about how student loan debt also affects family retirement planning and romantic relationships in Parts 1 and 3:

**Part 1:** Repay Now Or Save For Later: The Balancing Act Of Repaying Student Loans and Saving For Retirement

**Part 3:** ‘Til Debt Do Us Part: Student Loan Debt and Romantic Relationships

## About the MIT AgeLab

The MIT AgeLab was created in 1999 to invent new ideas and creatively translate technologies into practical solutions that improve the quality of life of older adults and those who care for them. The AgeLab applies consumer-centered systems thinking to understand the challenges and opportunities of longevity and emerging generational lifestyles to catalyze innovation across business markets.

### Methodology

The MIT AgeLab conducted a two-part mixed methods study between February 2018 and April 2019. The first part consisted of small, in-person focus groups with 88 participants, in conjunction with pre-group and follow-up online questionnaires. The second part of the study involved a larger online national survey of 1874 participants. In both parts of the study, participants ranged in age from 25-75. For this analysis, a subset of the national survey sample was used (N=1669) consisting of borrowers who were contributing to student loan payments for their own and/or a child or grandchild’s higher education.

Note: Unless otherwise noted, statistics included in the text were derived from national survey data, while participant quotes were derived from focus groups.

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[6] Hagestad, G. O. (2018). Interdependent Lives and Relationships in Changing Times: A Life-Course View of Families and Aging. *Lives in Time and Place and Invitation to the Life Course*, 135-159.



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