

Navigating Decisions on Degrees, Debt, and Employment Prospects

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Abstract

This article uses a reality-based scenario to illustrate pertinent considerations when making decisions about college, costs of pursuing a degree, and financing options. There is a need to educate students and parents about ways to evaluate the costs of a degree, expected salary from a chosen profession, and student loans that are often used to finance a college education. Resources like the financial aid toolkit can be used to train financial educators so they are prepared to help students and parents make wise choices on the path to realizing the dream of a college degree.

Keywords: student loans, financing college education, evaluating college costs

Introduction

In a recent conversation on a plane, a young lady, Sarah, was sharing her interest in pursuing a degree in school counseling. She works for a public school district in a large metropolitan city. The cost to pursue that degree at the local prestigious college's affiliate campus is \$45,000, according to Sarah. If she takes courses at that prestigious college's main campus, she would have to pay \$20,000 more. An important consideration for Sarah is to determine whether the specific degree in counseling at this institution is worth its cost. The underlying assumption here is the need for student loans because Sarah indicated the only way she can afford to live in this particular city is to have two roommates, and the necessary transportation for her current job already includes a subway as well as a bus ride.

Sarah's concerns resemble similar decisions made by millions of families that can have long-term consequences. Acquiring a college degree is part of the American dream, but students and their families must decide how best to pay for this expensive endeavor. The need for tools to guide these decisions gave rise to the Financial Aid Toolkit. A review of the literature revealed several organizations had the toolkit linked to their sites, but there appears to be a lack of research on the practical application of the toolkit. The purpose of this article is to discuss how parts of the toolkit can be used to evaluate options for financing a college education as well as researching careers suitable for the education sought. Although it does not represent a research study, it fills a gap in the literature, by providing a case study to illustrate the toolkit's application. As a result, Sarah's scenario or case will be used to demonstrate how the Financial Aid Toolkit can be applied and used by financial educators to help students as they make decisions about the cost of college with knowledge of salary expectations for their future career.

Financial Aid Toolkit

The Financial Aid Toolkit was developed by the Office of Federal Student Aid in the U.S. Department of Education. The Office of Federal Student Aid "is the largest provider of student financial aid in the nation" (Federal Student Aid, n.d.). The office is responsible for distributing more than \$120 billion in aid for more than 13 million students each year. The office's Web site contains material about different types of financial aid, Free Application for Federal Student Aid (FAFSA), outreach, and training opportunities. Users are granted access to resources such as fact sheets, videos, and PowerPoint presentations to help students learn about the process of applying for and receiving financial aid.

It is important to note that information on the site specifically states that it "is not written with students and parents in mind" (Federal Student Aid, n.d.). The audience for these resources includes anyone who advises students looking to obtain funding for college including but not

limited to high school counselors, mentors from college access organizations, and financial educators.

The costs of a college degree

Sarah loves children and wants to be a school counselor, which requires a specific degree, so its value is linked to her desire to serve youth. There appears to be agreement that a college education is valuable but not as much understanding about what is driving the costs of college so high. The cost for the school counseling degree Sarah wants, according to her, can range from \$45,000 to \$65,000. The College Board reports that from 2012 to 2013 and from 2017 to 2018, average in-state tuition and fees at public 4-year institutions increased by 20 percent or more in eight states (Ipsos Public Affairs, 2017). The Institute of College Access and Success (TICAS) reports “the affordability gap is widest in D.C., Mississippi, Idaho, and Utah” (TICAS, 2017). Sarah lives in Washington, D.C. Rising college costs are making the American dream of a college degree more difficult to realize. Quite often, many students receive the tuition bill without having known what it would cost them before they enroll. Students should do their research and go on the institution’s web site to look for information regarding fees. Sarah did her research, and she knows how much it will cost to attend the college of her choice. The Financial Aid Toolkit provides a link to the college scorecard (U.S. Department of Education, n.d.) that provides valuable information that allows users to compare costs between colleges. Although Sarah and other students can’t control the cost of college, they can control which college they select. The college that Sarah is interested in is a private institution with a prestigious reputation. Popular lists like U.S. News and World Report’s college rankings receive a lot of attention, and studies indicate that many consumers rely on this report and others like it (Espinoosa, Crandall, & Tukibayeva, 2014; The History of College Rankings, 2016). But selecting a college based on rankings without realistic consideration for costs is not wise.

Weighing college costs against future salary expectations

However, that value must be viewed considering the degree that is acquired and balanced with the cost of the college selected to pursue that education. The career search tool on the Financial Aid Toolkit Web site allows users to search salaries for careers by profession or industry (Federal Student Aid, n.d.). Based on results from Sarah’s chosen profession of school counseling, using the career search tool, the yearly income for a school counselor is \$55,410. Users should take note that the salary could be higher or lower, depending on where a person lives. The site also confirms Sarah’s claims that a master’s degree is usually required for this profession. Considering the information gathered so far, Sarah must determine if the \$55,410 salary is worth the \$45,000 price tag on the education required to be a school counselor.

Options for lowering college costs

Since the selection of college is controllable, then Sarah should be encouraged to consider the following options to lower costs further:

- For many public colleges, the same tuition is paid for 9 semester hours, which is considered full-time for graduate study, as well as any excess hours; in other words, if tuition is \$4,000 for 9 hours, then the same amount is charged for 15 hours. If the institution uses something other than semester hours (such as quarter hours), then students should be aware of the equivalent hours necessary for full-time study.
- The cost of undergraduate or graduate education can be offset with tuition reimbursement on jobs that offer the benefit. Students should be aware of any tuition reimbursement limits and restrictions on types of courses imposed by the employer.
- Students should research any available scholarships or aid that would reduce costs on the school, state, and federal levels. This advice was available on a brochure for graduate students available on the Financial Aid Toolkit Web site (Financial aid for graduate or professional students, n.d.). Other sources for additional funding were also provided in the brochure.
- If full-time graduate study is possible, students might consider obtaining an assistantship, which usually covers the cost of tuition.
- Public universities usually have lower tuition than private institutions.

Sarah should also understand the overall cost of her education will increase if she uses student loans to finance it. This option is likely, especially for a graduate degree, which is required for school counselors.

Considerations when using loans to finance the costs of college

Approximately 62 percent of federal student aid in 2016 through 2017 was in the form of loans, with an average of \$4,620 for undergraduates and \$17,710 for graduate students (Baum, Ma, Pender, & Welch, 2017). Therefore, student loans account for most of the student aid awarded by the Department of Education. Several factors have influenced the amount of student loan borrowing including but not limited to, higher loan limits, elimination of limits on PLUS loans, expansions of loan eligibility to online programs, and rising costs (Looney & Yannelis, 2018). “By 2014, the share of student borrowers with balances over \$50,000 had reached 17 percent” (Looney & Yannelis, 2018).

As with college selection, which influences costs, the amount of student loans acquired can and should be controlled by the borrower. A financial educator can tell Sarah that:

- All student loans are not created equal. Student loans acquired through the federal government usually offer a grace period for repayment after graduation to give students time to secure employment. If student loans are acquired elsewhere, students should be very clear about the terms.
- Refunds of student loans acquired through the federal government can be sent back to the federal government, so the balance owed is reduced.
- If a student has a student loan from the federal government, they should be aware of whether the loan is subsidized or unsubsidized. Interest on unsubsidized loans accrues until the student completes his or her college education.
- Student loans are generally not dismissed through bankruptcy.
- Some employers offer student loan forgiveness as a recruiting tool or part of a benefits package.

The Financial Aid Toolkit provides valuable checklists regarding what borrowers should be aware of before leaving graduate school, after leaving graduate school, and when repayment of loans is scheduled to begin (Federal Student Aid, 2017). The lists explain that if Sarah chooses student loans, as a borrower, she will be required to complete exit counseling, that a budget will help her determine how much of her income can be paid toward her loan monthly, and that a portion of the interest paid on student loans can reduce her federal income tax liability.

The role of financial educators in assisting with college decision-making

The Financial Aid Toolkit is a valuable resource for financial educators in their efforts to help consumers with decisions related to college and finances. Research even suggests that students may need assistance with understanding and being aware of their student loan indebtedness. Results from an Iowa State study indicate, that although most students knew they owed student loans, one-eighth of students reported no student debt although they had a loan; more than a quarter of students underestimated their debt by less than \$10,000; and nearly one-tenth underestimated the amount they owed by more than \$1,000 (Andruska, Hogarth, Fletcher, Forbes, & Wohlgemuth, 2014). In a 7-question student loan quiz of 1,000 students and parents, 9 out of 10 people failed, answering fewer than 50 percent of the questions correctly, and 63 percent could only get one or two questions right (Business Wire, 2018). It is somewhat of a dichotomy that loans are being acquired for education despite how poorly educated many people are about large amounts of debt they will have to repay (Smith, 2018).

That dichotomy and the Federal Trade Commission's crackdown on student loan scams also indicate a need in the community to help families with decisions related to college and student loans (Federal Trade Commission, 2017). In response to this need, the Federal Student Aid (FSA) office of the Department of Education developed the Financial Aid Toolkit. In the hands of financial educators, this toolkit can serve as an effective resource for helping students and

parents gain the knowledge necessary to make wise decisions about selecting a college and evaluating options to pay for it.

Conclusion

There is no one right path to good decisions about college and how to pay for it. The goal is for parents and students to make decisions that are right for them. Selecting a college and a major is not like buying a cell phone. Many consumers buy the latest and greatest in technology while ignoring functionality and options that yield the greatest level of utility for the buyer's lifestyle and wallet. Therefore, to make a good decision about college, students should consider aspects beyond media hype and a beautiful campus that is well-known. Students should make decisions with a strong awareness about the salary range for their chosen profession, required courses for their major, and the specific dollar amounts that their education will cost them every semester as well as the terms of any financing that may be necessary to pay tuition and fees.

Sarah has a lot to consider in choosing a college at which she can pursue a degree in counseling. She may not have reached a final decision but based on the data she has carefully gathered, she knows her options. As a result, she's in a good position to make choices that will help her reach her dream of achieving the degree necessary to become a school counselor at an affordable institution without incurring any excessive debt. Based on the illustration of how portions of the toolkit could be used to help Sarah make decisions about graduate school, we hope financial educators will be encouraged to use it. The Federal Student Aid Web site includes links to train-the-trainer webinars, training materials, and an arsenal of resources to prepare financial educators as they help students make smart decisions that will lead to the achievement of a college degree.

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