2018

College or Career?

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Available at: https://digitalcommons.linfield.edu/linfield_magazine/vol15/iss1/5

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As would-be students weigh one of the most important decisions of their lives, society in general and higher education in particular are sending mixed messages about affordability.

*Editor’s note:* Affordability. It’s the elephant in the room during every conversation about higher education these days. Ideas from free public universities (New York) to free community college (Oregon and Tennessee) are being debated widely. Politicians regularly question the value of degrees in the liberal arts, and media coverage about rising student debt is commonplace.

So we decided to talk about it. Not only that, but to hire a veteran business and finance reporter to make sense of it for Linfield Magazine readers. Donna Freedman spent 18 years as a staff writer at newspapers including the Chicago Tribune and the Anchorage Daily News. She has worked at MSN Money and Money Talks News, and remains a personal finance columnist and freelance writer from her home in Alaska.

The elephant in the room: It’s there and it’s big. Let’s step up and take a close look.

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s a high-school senior, Brian Gerritz ’98 had two acceptable schools and one “long shot” college in mind. The middle of three sons being raised by a single mom, he figured the dream school was unattainable – until the Linfield Col-
lege financial aid package arrived.

Suddenly the long shot was “within reach,” recalls Gerritz, a math major. A mix of work-study, Pell grants and hustling hard every summer let him finish with $27,000 worth of loans – about a year’s starting salary back then.

When it comes to paying for higher education, sticker shock is real. Universities and colleges work with families to bring down the net cost of a degree, but the average student in this country still graduates with a loan balance of about $30,000. (Average student debt for Linfield students is $34,244.)

In terms of lifetime income, college debt is good debt. According to the U.S. Bureau of Labor Statistics, the median weekly salary for bachelor’s degree holders in 2017 was $30,000. (Average student debt for Linfield students is $34,244.)

The numbers don’t bear this out. College grads in the 25-to-34 age bracket have an unemployment rate of 2.9 percent (about four percentage points below those with only a high school diploma). As noted above, college graduates earn better salaries – to the tune of $1 million more throughout their careers.

That’s the long view, though. In the short term, it’s easy to buy into the media hype and apply only to the least expensive schools. However, private institutions may be more affordable than you think.

Nine out of 10 freshmen at private colleges receive some kind of institutional grant, according to a 2017 study from the National Association of College and University Finan-

College costs: the sticker price

The College Board’s “Trends in College Pricing, 2017” reveals average published charges (tuition, fees, and room and board) to be:

- $30,770 for public institutions
- $38,420 for out-of-state students at public institutions
- $46,950 at private, nonprofit institutions

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Why is financial aid so complicated?

Most aid is based on income, rather than academics or athletics. But it plays out differently for every student because each situation is unique.

Think of the college as an airline: It’s likely no two people pay the same price to get on the plane. Two students with similar economic backdrops might be offered entirely different aid packages depending on variables like special abilities or test scores. Another student might get a price break because a sibling attends the same college, or because of first-generation status or a particularly compelling essay.

As a high-school senior, Anareli Cruz ’09 realized that she might wind up owing “more money than my par-
ents made in that year.” And she did: Cruz borrowed about $65,000 for a Linfield bachelor’s degree in Spanish and sociology and a Lewis & Clark master’s degree in student affairs administration. Now the associate director of finan-
cial aid at Linfield, her expertise is more than theoretical: She’s still paying off the loans.

Yet as a first-gen student who had to help support her family while still in high school, Cruz appreciates how far she’s come: “I’ve done things in my life that I never imagined I could do.”

At age 32, she out-earns her immigrant parents – but her professional job means more than just a good salary. When she’s sick, she has health insurance and paid time off to go to the doctor. Cruz contributes to a retirement plan to build security and wealth. All this is possible despite the fact that she’s still paying off student loans.

"A college degree is a piece of paper that will open doors to so many opportunities," she says, "and the college experience teaches us how to thrive and grow in those opportunities."
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s a high-school senior, Brian Gerritz ’98 had two acceptable schools and one “long shot” college in mind. The middle of three sons being raised by a single mom, he figured the dream school was unachievable—until the Linfield College financial aid package arrived.

Suddenly the long shot was “within reach,” recalls Gerritz, a math major. A mix of work-study, Pell grants and hustling hard every summer let him finish with $27,000 worth of loans—about a year’s starting salary back then.

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In terms of lifetime income, college debt is good debt. According to the U.S. Bureau of Labor Statistics, the median weekly salary for bachelor’s degree holders is $1,173; for those with high school diplomas, it’s $712.

The numbers don’t bear this out. College grads in the 25-to-34 age bracket have an unemployment rate of 2.9 percent (about four percentage points below those with only a high school diploma). As noted above, college graduates earn better salaries—to the tune of $1 million more throughout their careers.

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Almost every Linfield freshman received some institutional aid in 2016-17.

“It can actually be cheaper to go to a high-cost school because of all the financial aid. The big-name schools are the ones most likely to give you more help,” says Sandy Baum, a senior fellow in the Education Policy program at the Urban Institute and professor emerita of economics at Skidmore College in Saratoga Springs, N.Y.

In fact, the average net tuition and fee price at private colleges has gone down slightly in the past decade. That’s because average grant aid and tax benefits have been larger than the increase in schools’ published prices.

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“A college degree is a piece of paper that will open doors to so many opportunities,” she says, “and the college experience teaches us how to thrive and grow in those opportunities.”
Ask questions, and keep looking

Some super-motivated students earn enough scholarships and grants to pay for all four years. With luck, that will be your student — but it won’t be every student. High school seniors should apply to schools with the best fit, regardless of price, because financial aid might make it possible. (A simple way to do that is to use the Common Application website, commonapp.org, which has more than 750 member colleges.) As acceptance letters arrive, compare financial aid packages. Remember that the initial offer is just that: an offer. If you feel it has too many loans, ask about options like institutional grants and scholarships.

“Negotiation happens all the time. It’s pretty common,” says Ken Redd, NACUBO’s senior director for research and policy analysis. Admissions personnel do have some wiggle room, he says, and might adjust an offer. Schools also have limits. So if the answer is “sorry, no,” then ask for help finding non-loan-based aid sources: private scholarships, grants from community groups and the like.

Gabrielle Zeman ’17 applied to two private colleges and one public university (which offered less aid than the colleges). A first-gen student whose father emigrated from the Czech Republic, she decided on Linfield even though it cost more: “I wanted a school that saw value in social sciences as well as hard sciences,” she says. She paid a few thousand dollars per year over and above financial aid, which included a work-study job and $70,000 worth of loans. Finding the right fit at Linfield made it worth the out-of-pocket cost and the debt.

“I figured I would have to borrow no matter what,” says Zeman, who graduated with a dual major of anthropology and psychology and will apply to medical school next year.

The truth about loans

The reluctance to borrow money is understandable. Yet if it’s possible to get an excellent education by taking on a reasonable amount of debt, the higher earnings later on will more than make up for the initial investment. Borrowing in and of itself isn’t a bad thing, Baum notes. It’s common to finance an automobile, which now costs an average of $36,115 and begins to depreciate the instant you drive away from the dealership.

It takes the average borrower about a dozen years to reach the break-even point on higher-ed loans, according to The College Board. That is, the borrower will have earned enough to pay for the education and make up for being out of the workforce during college. This study is based on students who graduate in four years and pay 4.3 percent interest for a decade. Ninety percent of Linfield graduates finish in eight semesters or less.

Do majors matter?

A popular online meme features two pictures: One is a stereotypical slacker dude lamenting that he “spent $60,000 on a worthless degree and no one will hire me,” and the other is a clean-cut young man smilingly announcing that “I spent $6,000 at a trade school and make $85,000 a year.” Obviously, every person who goes to trade school won’t automatically pull in the big bucks. And contrary to the meme, earning a non-occupation-specific degree — literature or philosophy vs. engineering or teaching — doesn’t mean you’ll struggle financially for the rest of your life. Leaders of companies like American Express, General Dynamics, Frontier Communications and Priceline have degrees in subjects like history, liberal arts and government, yet still become CEOs.
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In an interview on the “Power of Liberal Arts” YouTube channel, Jeﬀrey Boyd of Princeton says his liberal arts background was a big part of his success: “You have a broad understanding not just of how businesses work but how people work.”

In addition, as technology changes the face of work, training for a clearly deﬁned occupation isn’t always a sure thing. According to the U.S. Bureau of Labor Statistics, the average worker will hold at least 11 jobs during their career.

“If you get very speciﬁc education for a job, what are you going to do if that job doesn’t exist anymore?” says Bauman. “Having an education that allows you to learn successfully and independently over your lifetime, and that allows you to be ﬂexible, to solve problems – that’s going to allow you to get good jobs along the way, as opposed to having very narrow training for one occupation.”

Gerritz co-founded a construction company nine years after graduating, today it’s a multi-million-dollar business. A big part of his success was Linﬁeld’s emphasis on critical thinking and community participation.

“You (felt) like you had a living impact on the community,” says Gerritz. In his case that meant Greek life, the college baseball team and student government (he was student body president).

That’s why he counsels young people about the value of a wide-ranging education: “It is the most important investment you’re ever going to make.”

More than a vocation

Not that it’s only about money. Gerritz suggests that high school seniors ask themselves, “Where am I going to go to get good jobs along the way, as opposed to having very narrow training for one occupation.”

“A college education’s beneﬁts can be measured in both ﬁnancial and non-ﬁnancial terms. Financial beneﬁts are usually measured as the difference between incomes earned by college graduates and those who do not have college degrees. Studies of this difference consistently show that on average college graduates earn much more over their lifetimes than people without college degrees. This suggests that the ﬁnancial beneﬁts of a college education are quite valuable. Non-ﬁnancial beneﬁts of a college education accrue as students develop the critical thinking skills necessary to evaluate complex arguments and defend their thoughts. These beneﬁts are hard to measure. But there are distinctive, and noticeably expensive, characteristics of private colleges that help to produce them. They include a residential community that fosters peer learning, productive student-faculty interaction, a curriculum centered on the liberal arts that offers a selection of majors focused on pre-professional preparation, and an active co-curricular environment that includes things like service learning activities, clubs and athletics.”

Are private colleges affordable? Based on a comparison of the average attendance cost and the ﬁnancial beneﬁts, the answer to that question is likely to be yes. This conclusion is strengthened if students and parents also value a private education’s non-ﬁnancial beneﬁts.

There are, however, at least two reasons to be concerned about private colleges’ affordability. First, even though increases in the average attendance cost did not outpace the growth of income over the last two decades, the realized income gains have been unevenly distributed. Some households have seen income rise faster than the average, but many have seen it rise by much less. This means that for an increasing number of households, a private college education has probably become less affordable. Combine this with increases in the number of high school graduates and government policies that often discriminate against private higher education, and the result is that many private colleges are under great pressure to reduce their average attendance cost.

A second reason for concern about affordability is that purchasing a college education is increasingly viewed in vocational terms as a market transaction necessary only for gainful employment. As a result, the distinctive characteristics of private colleges that are so necessary to generate many of its non-ﬁnancial beneﬁts are often seen as frills. This view can make a private college education seem less affordable even at a lower average attendance cost.

The challenge for most private colleges, including Linﬁeld, is to remain affordable by controlling the average attendance cost and ﬁnding innovative ways to provide ﬁnancial and non-ﬁnancial beneﬁts that students value.

“Linﬁeld changed my life. It really lit that ﬁre in me, educating me for good social justice,” Cruz says. “What I learned here gave me the foundation for what I do now.”

Donna Freedman is a personal ﬁnance columnist and writer in Anchorage, Alaska.

Maximizing non-loan options

College is expensive, but schools are ready to work with families. Students who are motivated to look for addition- al non-loan aid sources before and during school may further reduce the amount paid out of pocket. Some reputable options:

• Salmae
salmae.com/college-planning/tools/scholarship-search

• BigFuture
bigfuture.collegeboard.org/scholarship-search

• Peterson’s
petersons.com/college-search/scholarship-search

• Finaid
NACUBO called “The Value of Higher Education” shows that people with degrees are healthier overall and have longer lifespans. They’re more likely to vote, to volunteer for marginalized students; now she volunteers for efforts that help to produce them. They include a residential community that fosters peer learning, productive student-faculty interaction, a curriculum centered on the liberal arts that offers a selection of majors focused on pre-professional preparation, and an active co-curricular environment that includes things like service learning activities, clubs and athletics. Are private colleges affordable? Based on a comparison of the average attendance cost and the financial beneﬁts, the answer to that question is likely to be yes. This conclusion is strengthened if students and parents also value a private education’s non-ﬁnancial beneﬁts.

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Over the last 20 years, the average published sticker price for tuition and fees, and room and board at private, non-proﬁt colleges like Linﬁeld increased by 59 percent while U.S. per capita personal disposable income grew by 32 percent. Since the tuition sticker price rose by more than income, you might conclude that a private college education has become less affordable.

But that conclusion could be wrong. To gauge affordability, we must think beyond the sticker price by properly measuring the cost students actually pay and compare that to the beneﬁts of a college education. In economic terms, a college education is more affordable the larger are its beneﬁts relative to its cost.

Thanks to ﬁnancial aid, a majority of students at private colleges pay less than the sticker price. Let’s call the amount they do pay the average attendance cost. It is calculated as the sticker price minus the ﬁnancial aid grants and tax beneﬁts families receive to help them pay for college. Over the last two decades, the average attendance cost at private colleges rose by 29 percent. This increase in average attendance cost is a bit less than the 32 percent increase in income over that period, suggesting that a private college education may be more affordable today than it was 20 years ago. Remember though, to reach this conclusion we must compare the average attendance cost to the education’s beneﬁts.

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