

## “College Or No College – A Dilemma”

By Tommy Williams, CFP®

Is a college degree really necessary? The answer may seem obvious, but there's room for debate.



Tommy Williams

At the University of Baltimore 2016 Midyear Commencement, Federal Reserve Chair Janet Yellen shared her thoughts about the importance of college:

*“[We] are quite certain that a college diploma... is a key to economic success. Those with a college degree are more likely to find a job, keep a job, have higher job satisfaction, and earn a higher salary. The advantage in earnings is large. College grads' annual earnings last year were, on average, 70 percent higher than those with*

*only a high school diploma. Back in 1980, the difference was only 20 percent. The gap in earnings is significant only a few years after graduation – almost \$18,000 a year, according to some recent data.”*

There appears to be significant benefits to attending college. However, Aon Hewitt recently suggested there also may be some drawbacks, especially for students who borrow to pay for their degrees. Aon's survey of 2,000 U.S. workers found 44 percent of Millennials, 26 percent of Gen X, and 13 percent of Baby Boomers are repaying student loans which, *“...can have a long-term impact on workers' financial future.”*

The survey found just 71 percent of workers with student loans were participating in employer-provided retirement plans as compared to 77 percent of workers without student loans.

The issue of student loan debt has become a hot topic in recent years, and many feel passionately that a resolution is needed, and fast. In a recent Forbes article, higher education contributing writer Scott DeRue expressed the struggle that so many Americans are facing,

*“Student loans aren't forgiven like credit card debt. And relief when things go bad for borrowers is hard to come by. Declare personal bankruptcy, and the clock keeps ticking on student loans. When you can't make the payments, the penalties and interest mount up. It is not uncommon to hear stories about people who went into default and now owe far more than they borrowed many years after getting a degree. The official default rate is 11.3%, but the real rate is more than 20%, according to a White House report issued in 2016.”*

With tuition being a deterrent, many are simply settling for jobs

that don't require a college degree. In his article, DeRue laid out his ideas for re-thinking tuition:

Use technology more efficiently. *"The National Center for Academic Transformation, for example, redesigned courses for more than 200 college campuses, lowering costs by 37%. Regional and community schools can now adopt free or low-cost online courses from schools such as Stanford, Harvard and the University of Michigan."*

Make the content free. *"First...the basic knowledge [should be] widely accessible for consumption, either free or heavily subsidized. [Second]...[separate] marketable academic credentials from the whole degree, just as iTunes enabled us to buy individual songs rather than the whole album. [Last is]...an enhanced residential experience. [Colleges] must innovate and invest in the student experience."*

Create new revenue streams to compensate for cuts. *"In addition to expanding the reach of education, universities*

*need to think about how they can best generate returns from invention and form new types of public-private partnerships."*

I'm no expert in the costs of higher education; but, like me, you may have faced tuition expenses for yourself or your children. Or, perhaps it's just on the horizon. Regardless, DeRue may just be onto something.

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. The economic forecasts set forth in the presentation may not develop as predicted and there can be no guarantee that strategies promoted will be successful. This material was prepared in part by Peak Advisor Alliance.

Visit us at [www.williamsfa.com](http://www.williamsfa.com). Tommy Williams is a CERTIFIED FINANCIAL PLANNER™ Professional with Williams Financial Advisors, LLC. Securities offered through LPL Financial, Member FINRA/SIPC. Investment advice offered through RFG Advisory Group, a registered investment advisor. RFG Advisory Group, Williams Financial Advisors, LLC, and Peak Advisor Alliance are separate entities from LPL Financial. Branch office is located at 6425 Youree Drive, Suite 180, Shreveport, LA 71105.