

## “How Do Students Select A College?”

By Tommy Williams, CFP®

Trade tensions escalated recently as the United States and China staked new positions in an evolving relationship regarding trade imbalances. It was the latest round of posturing in what has the potential to become a trade war between the world’s largest economies. Barron’s explained:



Tommy Williams

*“The trade battle has escalated since President Trump announced steel tariffs in March. China retaliated to those tariffs with its own duties, and the resulting back and forth resulted in announced tariffs on \$50 billion worth of goods on both sides. Late on Thursday, Trump also directed the*

*U.S. trade representative to identify \$100 billion more in potential tariffs on Chinese goods.”*

It was unwelcome news in financial markets where one-upmanship created uncertainty and unnerved investors. Distress in stock and bond markets may have been worsened by analysts’ warnings about worst-case scenarios, including the possibility of China reducing its \$1.2 trillion position in U.S. Treasuries and diversifying its foreign exchange reserves into other nation’s currencies, according to Financial Times.

American manufacturing businesses have concerns about supply chain and other issues that may be created by tariffs, reported Forbes. In addition, farmers are bracing for the impact of a potential trade war. The New York Times wrote:

*“China’s aggressive response to Mr. Trump’s tariffs is aimed squarely at products produced in the American heartland,*

*a region that helped send him to the White House. A trade war with China could be particularly devastating to rural economies, especially for pig farmers and soybean and corn growers. Nearly two-thirds of United States soybean exports go to China.”*

Major U.S. indices finished lower last week for the third time in four weeks. The Dow Jones Industrial Average was down 10.1 percent from its January closing high. Technically, that puts the Dow in correction territory. Thankfully, a somewhat soothing speech this week by China’s President Xi Jinping seemed to ease tensions a bit.

On a topic similarly close to your heart, have you ever wondered how students select colleges? Economic theory suggests, *“Models of college choice typically assume that high school students are fully informed and choose to apply to and eventually attend a school that maximizes their expected, present discounted value of*

*future wages less the costs associated with college attendance.”*

It’s a good theory, if you’re an economist who believes people act in perfectly rational ways. Of course, there aren’t many high school students (or parents) who can explain the present discounted value of something, much less use it as a tool to choose a college.

The filters on college search tools include criteria that may be more relevant to the decision. College Board’s BigFuture online interactive guide asks students to consider their test scores – as well as a college or university’s geography, size, type, cost, diversity, and support services – among other factors.

Those other factors include college sports. As it turns out, the success of a school’s sports teams plays a significant role in the college selection process for some students. The Journal of Sports Economics published *‘Understanding College Application Decisions: Why College Sports Success Matters.’* It’s

the work of economists at the University Of Chicago (UC) who found:

*“A school that is invited to the NCAA basketball tournament can on average expect an increase in sent SAT scores in the range of 2 percent to 11 percent the following year depending on how far the team advances in the tournament. The top 20 football teams also can expect increases of between 2 percent and 12 percent the following year.”*

Having a sports team make it to the Final Four is roughly equivalent to a college adjusting tuition or financial aid by 6 percent to 32 percent or moving halfway up the list on the U.S. News College Rankings, according to UC researchers.

However, we all know the truth. The true college decision is more likely to be a function of where a certain boy or girl of interest is enrolled, or plans to enroll.

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