

College is Coming – Have You Started Saving Yet?

How times change! In 1940, half of Americans finished their education in eighth grade. College degrees were relatively rare. Just 6 percent of men and 4 percent of women had one.¹

During the past 80 years, college has become far more popular. As interest in higher education grew, America's network of colleges and universities expanded. *Oxford Bibliography* described it as:²

“A radically pluralistic system of public, private, and for-profit two- and four-year training institutes and colleges and professional and graduate schools, the American system is generally regarded as the best in the world. A by-product of the American commitment to liberty...Consisting of 4,700 institutions that enroll upward of 20 million students from the United States and abroad...”

Despite the number of colleges and universities, demand has consistently driven education costs higher. In 1940, tuition at University of Pennsylvania's Wharton School set students back about \$400 per year. Once room and board, books, and fees were added, costs rose to \$985 (\$16,900 when adjusted for inflation to 2016).^{3, 4}

Is college worth it?

To the dismay of many, college costs have risen far faster than inflation. In 2016, *College Board* reported the average cost for undergraduate tuition, fees, and room and board was about:⁵

- \$11,580 for in-district public two-year colleges and universities
- \$20,090 for in-state public four-year colleges and universities
- \$35,370 for out-of-state public four-year colleges and universities
- \$45,370 for private non-profit four-year colleges and universities

Of course, the amount students actually pay varies by institution. Ten percent of full-time students attend colleges or universities that charge less than \$12,000 a year and 7 percent enroll in schools with tuition of \$51,000 or more.⁵

Imagine having three or more children who are close in age and all want to attend college. Even parents with significant wealth may find it challenging to pay multiple tuitions in a single year. It's not a surprise the potential cost of college is overwhelming for many parents, and it begs the question: Is the cost of college really worth it?

The simple answer is yes. The *Bureau of Labor Statistics* reported, “Few things affect people's earnings power more than their level of education. In general, more education means more dollars earned.” In 2014, income varied significantly by educational achievement. Americans with:⁶

- Less than a high school education earned about \$25,000 per year
- A high school education earned about \$35,000 per year

- Some college earned about \$40,000 per year
- A bachelor's degree or higher earned about \$62,000 per year

When you do the math, the difference in lifetime earnings for a person with a high school diploma and a person with a bachelor's degree is more than \$1 million.

Take one bite at a time

In the 1970s, U.S. Army General Creighton W. Abrams said, "When eating an elephant, take one bite at a time." It's good advice anytime you confront a difficult task that seems insurmountable.⁷ When it comes to college, taking one bite at a time may mean:

- Setting aside a few dollars each week or month in a tax-advantaged account earmarked for tuition
- Contributing some of a student's summer earnings to a college account
- Asking grandparents, relatives, and friends to give to the college fund at birthdays and holidays, in lieu of gifts
- Learning about and applying for local and national scholarships and grants
- Completing the Free Application for Federal Student Aid (FAFSA) to qualify for grants, loans, and work-study
- Applying to less expensive colleges and universities
- Applying to smaller private colleges and universities that may offer more aid to attract good students
- Joining a military or community service program that helps pay for college (e.g., ROTC, AmeriCorps, Peace Corps)
- Learning through interactive online courses that may be offered for free by some of the world's best colleges and universities

The bad news is college is expensive. The good news is there are a lot of ways to pay for it. If you would like to learn more about saving and paying for college, please contact our office.

— JMS Team

Sources:

¹ <https://nces.ed.gov/pubs93/93442.pdf> (Page 7)

² <http://www.oxfordbibliographies.com/view/document/obo-9780199756810/obo-9780199756810-0057.xml>

³ <http://www.archives.upenn.edu/histy/features/tuition/1940.html>

⁴ Federal Reserve Bank of Minneapolis CPI Calculator app: <https://www.minneapolisfed.org/community/teaching-aids/cpi-calculator-information> (Click on App information) (or go to https://s3-us-west-2.amazonaws.com/peakcontent/Peak+Documents/Oct_2017_CPI_Calculator-Footer_4.pdf)

⁵ https://trends.collegeboard.org/sites/default/files/2016-trends-college-pricing-web_1.pdf (Page 9, Table 1A)

⁶ <https://www.bls.gov/opub/ted/2015/more-education-still-means-more-pay-in-2014.htm>

⁷ <https://www.brainyquote.com/quotes/quotes/c/creightona207381.html>

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