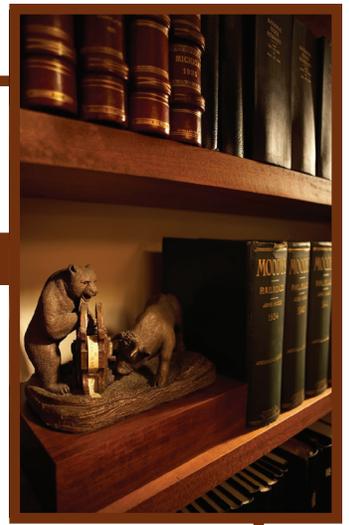


# *The* INVESTMENT LETTER

Volume 87, No. 8

August 2016



## How to Value an Education

**I**nvesting in education is a decision that requires careful valuation and planning. We often hear, whether through the media or peers, that advanced education is needed for certain jobs. To be sure, this is not always the case and we have worked with individuals who are quite successful without any formal education after high school. For some jobs, however, advanced education is required – for example, doctors, lawyers, and dentists (to name a few). While the return on investment will depend on the specific degree, one fact remains true: receiving an advanced education is a major financial decision. We believe, like with all major financial decisions, that a proper plan should be in place.

### **Work Backwards: Decide What Type of Job You Want First**

The first step when deciding on whether to attend a post-secondary school should be to decide what type of job you would like after graduation, and work backwards. This task can involve a lot of honest introspection and should take into consideration job satisfaction, lifestyle, and income. If a job pays well, but you find little job satisfaction in the daily tasks, it might not be the right career path. Similarly, if a job pays well, but requires you to work 100 hours/week, you would want to take both factors into consideration. There is no magic formula, and it might turn out that your values change over time, but giving an honest assessment of your career plans is a necessary first step.

### **I Still Want to Attend: Now What?**

After this introspection, the next step is to

research different programs. Every program offers something different: location, content, lifestyle, and career prospects. This, too, will be highly dependent on the individual, but will dictate where the next few years of your life will occur. It might not be the best idea to attend a school in New York City, where the cost of living is sky-high, that offers little career prospects versus a more regional, affordable school with better career prospects. Here, the choice seems like a no-brainer, but that decision can be more difficult with schools more closely aligned. If possible, visit your top two or three schools to get an idea of what the program is like.

### **How Will I Pay?**

Advanced education can be very costly – some programs cost over \$60,000 per year in tuition alone. When deciding on a school, see if you qualify for any scholarships or grants. Many times, students can apply for grants that are not advertised well, and you don't want to lose out on these funds. Even if you do not secure a scholarship prior to attending, look into the program's criteria for achieving a scholarship after a semester or a year. These policies can not only significantly reduce the cost of attendance, but also act as a great incentive to excel in the classroom.

If neither scholarships nor grants apply, government and private loans are typically available. Before taking out the loan, calculate the monthly payments that will take place after graduation. On a loan of \$150,000, you can

**INVESTMENT COUNSEL INC.**

*Established 1929*

expect to pay over \$1,500/month if you are on a 10-year repayment plan. This number can become quite high and illustrates why proper due diligence must be taken prior to taking out such a large loan.

### Repaying the Loan

Now, you've graduated – congratulations! Most loan providers will allow a 6-month forbearance for graduates to “get on their feet” before payments start. It is important to incorporate into your budget, at the very minimum, the amount due on the loans. It is even more important not to miss any payments, as the loan providers can, and will, report any late payments to credit agencies.

At this stage, we recommend closely examining your income versus expenses – calculate the maximum payment you can make without reducing your necessary lifestyle. Unlike other types of loans, early repayment is not penalized and certainly encouraged. The graduate will also benefit by early repayment, as almost half of the monthly payment tends to go to directly toward interest in the early years of repayment.

### How We Can Help

When someone decides to enter into advanced education, they are investing their time and resources into bettering themselves. This decision can also involve large financial resources and should be properly viewed as an investment in and of itself. Whether that decision is a good investment largely depends on the individual and his or her career path, but, even in light of high price tags, advanced careers can offer tremendous career growth.

Over the past 85 years, Investment Counsel has advised hundreds of families on almost any kind of issue, including the topic of managing the transition from graduation to a successful career. We have also worked with families who set-up trusts for their children to help defray the costs of education and create portfolios aligned with the goals of paying for an advanced degree. Investment Counsel has also assisted its clients in setting up 529 College Savings Plans, which can be another great way for parents to assist with the cost of education. We welcome any of our

clients to consult us regarding a family member, or acquaintance, who is considering an advanced degree, is currently enrolled in an advanced degree program, or has recently graduated from an advanced degree program. ■

## INVESTMENT COUNSEL NEWS

### *Inside the Office*



*Investment Counsel welcomes Scott Milligan, who will be working as a Portfolio Manager. Scott has a law degree from Michigan State*

*University College of Law and is currently pursuing his MBA from University of Chicago Booth School of Business. Scott joins us with experience within the legal field and, most recently, the Chicago Cubs. Please join us in welcoming Scott!*

### *Outside the Office*



*Scott and his dog, Tucker, are enjoying a beautiful summer in Chicago. They have visited many dog parks (and beaches) in the area, and Tucker has a blast walking the shores of Lake Michigan.*