

## College students: Don't limit dreams with debt

**Huge school loans can hinder future growth. Think about potential income before signing the dotted line.**

*By Kathleen Connell*

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A college education has long been viewed as a ticket to a better quality of life. It is probably the most important decision a student will make and it may have the highest rate of return in achieving life goals. Unfortunately, some students do not think clearly about this decision, buying the "hot" college brand and assuming large amounts of debt. By overinvesting, they destroy their chances for a brighter future.

"Excessive student debt, often made without an explicit decision on its impact on future life choices, not only restricts traditional career choices but the basic ability of young people to take risks – requiring them to defer their dreams," says Robert Shireman, executive director for the nonprofit Project on Student Debt.

Carmen Berkeley, a 23-year-old who graduated from the University of Pittsburgh last year, assumed a huge financial burden to attend a public university as an out-of-state student.

"My life is definitely impacted by my \$80,000 college debt from the University of Pittsburgh," she says. "I really want to go to law school, but can't unless I get a scholarship. Though I believe my college education was a good investment, I doubt I will ever own a car or a house."

The nonprofit US Student Association, where she serves as president, contributes a \$200 monthly stipend to assist in retiring her loans. Once she completes 10 years of public service, Ms. Berkeley will also qualify for loan forgiveness under the 2007 Higher Education Act for a portion of her outstanding federal loans. Even with the stipend and loan forgiveness, it will take her more than 20 years to repay her debt.

Berkeley did not consider future income before assuming her loans, although she anticipated always working in the nonprofit or public sector. Her choices confirm a recent survey by student-loan provider Sallie Mae that post-graduate income was not a factor for 70 percent of students and parents in determining how much to borrow to finance a college degree.

So after the glossy college brochures arrive in the mail and the visits to leafy college campuses are over, students need to ask themselves: Can I afford this school without excessive borrowing? How long will it take to pay off that wonderful four-year experience at the campus of my dreams?

Students, remember: You will be deferring other dreams for a cool car, well-furnished pad, weekend ski trips, summer beach vacations, and the latest tech toys.

According to the Project on Student Debt, the average 2006 graduate carried \$21,100 in loans. But student debt has a disproportionate effect on middle-class families. Families with incomes between \$50,000 and \$100,000 will borrow nearly \$5,000 a year to pay for college. Those that make less than \$50,000 will borrow on average \$3,900, and families that earn over \$100,000 will borrow \$3,710.

To begin paying off those loans, graduates of the class of 2008 will receive an average salary of \$36,400 according to the National Association of Colleges and Employers. Sounds great, until those graduates have to pay taxes, bringing net income to \$27,500 or approximately, \$2,300 a month. According to federal tables, they can expect to spend \$1,800 to \$2,000 a month for rent, utilities, out-of-pocket healthcare, car payments, gasoline, insurance and, entertainment. The remaining \$300 to \$500 a month may seem comfortable enough for the \$230 a month needed to repay a \$20,000 student loan at 6.8 percent over a 10-year period.

But repaying college tuition is only one part of the debt equation.

"Social debt is another concern as students face the pressure of keeping up with other students, hanging with the right crowd," says Sharon Fries-Britt, an English professor at the University of Maryland. "Credit cards are being overextended, and students are indebting their future, limiting their life choices."

For students who don't want to have daunting repayment obligations, consider these ideas:

- Know the average amount of debt that students carry at each of your potential colleges. Check [economicdiversity.org](http://economicdiversity.org) for more information.
- Use the 2009 US News college ranking table that values schools based on debt load ([usnews.com/sections/rankings/index.html](http://usnews.com/sections/rankings/index.html)).
- Remember, you may not qualify for a grant based on need if your family's income exceeds \$100,000, so don't assume a grant unless you are certain you qualify.
- If short on funds, choose a cheaper route. Live at home for two years, attend a community college, and transfer to a state university.
- Check out your likely starting salary at [naceweb.org](http://naceweb.org) – don't plan to borrow more than your first year's income.
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