

Financially Speaking

With Trisha Arndt, CFP®

The Value of Education

About a year and half ago I contacted the Verona High School to find a student to help me out in the office on a part time basis. To my good fortune the process yielded me Jaclyn Tracy.

Jaclyn has far exceeded the expectations that I had set for an intern of her age. She is bright, personable and incredibly reliable. With the busy year that I have had, both personally and professionally, I can truly say that I don't know what I would have done without her.

Unfortunately, Jaclyn is about to leave me.

In a couple of weeks Jaclyn is starting college at UW Madison. While selfishly I hate to see her go, I realize the value that education will have for her future, perhaps even more than she does.

Every new parent at some point realizes why their own parents complained about money. Kids are expensive, there is no doubt about it. Being the mother of two, I can vouch for the impact on the pocket book. Yet the cost of daycare, diapers and formula pales in comparison to the big bill coming up.

Just for giggles (ok, maybe giggle is a poor choice of word here) I recently ran a college cost estimator for my two boys, ages 3 and 3 months. If they each attend UW-Madison for four years and college costs increase at a rate of 6% per year it could cost over \$300,000 for them both to get bachelors degrees. Seriously.

If college is so expensive why is it that virtually every parent I meet with says that their child will be going on to school?

Because in this day and age a college degree is literally required to be considered for even an entry level job at many firms. While it is still possible to make a living without a degree the entire professional landscape has changed over the last few decades.

Many economists talk about how the United States has shifted from a manufacturing to a service economy. What that means for our young workforce is that a larger and larger percentage of the better paying jobs out there are white collar. Our parents may have worked for 30 years in a plant, raised their kids and retired comfortably on a company pension but chances are that our children will not be able to do so. It is still possible to make a good living in the skilled trades but those jobs are harder and harder to come by. So unless your child is seven feet tall and can palm a basketball chances are that you will be encouraging some sort of post high school education.

While the price of school is daunting, there are a number of ways to help offset the cost. There are scholarships, grants, work study programs and subsidized loans in addition to several federal government tax incentive programs that you may qualify for. Depending on the student's background, involvement and educational achievement it is possible to defray a decent amount of the costs utilizing these programs, however the net bill is still likely to be significant.

Rather than an expense, I encourage parents and young people to look at the cost of school as an investment in their future. It is an investment that has the potential to truly pay off in terms of lifetime income.

The 2006 U.S. Census Bureau survey published in March of this year compared lifetime earnings of full-time, year-round workers throughout the country. From age 25 to 64 a worker with a high school degree earned an average of \$1,531,400. An associate's degree upped that number to \$1,920,680. A bachelor's degree took the average to \$2,742,160 – a full \$1,200,000 increase over those with no post high school degree (and college for those individuals likely cost less than \$20,000 in total). Further education amplifies the income difference even more.

So, while I will miss Jaclyn being here everyday, I'm happy for her that she is making the choices that she is. I'm sure she won't ever regret it.

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