College Debt Piles Up As Jobs are Hard to Come By

July 6, 2012 - Student loan debt has reached alarming levels. Last year it surpassed the $1 trillion mark. It is the largest single segment of consumer debt excluding home mortgages. And it is the fastest growing form of consumer debt. In years gone by, that debt may have been a good investment. But that's not always the case today. Before anyone borrows money to go to school, they really need to think about their goals objectives. If you want to be a doctor or an engineer, that's one thing. But if you are simply trying to add some beef to your resume, you may actually be better off with other options.

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You have probably heard the numbers on the unemployment rate for college graduates. Right now it hovers at 4.9% for those with a Bachelors degree. That's well below the current national average of 8.2%. But that number doesn't tell the full story.

For recent college graduates, the actual unemployment rate is significantly higher. In fact, it is higher than the overall unemployment rate. 8.5% of recent graduates are unemployed. That's actually higher than for those with just a high school diploma.

To be sure, not all degrees are created equal. Those in the sciences and engineering are a lot more valuable than say a degree in physical education. Degrees are also valued based on the institution that awards them.

Over time, the value of a college education is probably still there for most people. But that doesn't mean that it is there for everyone. Or that a degree is as valuable as it used to be. Even college grads have seen their income shrink by 5%

since the beginning of the recession.

By contrast, college tuition and fees have risen dramatically. Between 2000 and 2010, that increase averaged 92%. That at a time when inflation was at near historic lows.

There is absolutely no doubt that a college degree will benefit many people. But before you borrow to go to school, you or your child really need to sit down, determine the goals of your education and have a plan in place to achieve those goals. Not doing so could mean that you borrow $100,000 or more for an education only to have to move back in with your parents when you are done. Here are some numbers to keep in mind.

In 2011, only 2.5% of those who had a doctoral or professional degree were unemployed. Bachelors and Masters Degree graduates had unemployment rates of 4.9% and 3.6% respectively. Contrast these statistics with those of people who didn't complete high school and the difference is glaring. Those without a high school diploma had an unemployment rate that exceeded 14%.

But again, that isn't the entire story. Those who hadn't graduated high school had a median income of $23,542 per year. Those with a Bachelors degree had a median income more than twice as high; just over $53,000 per year.

Prospective students need to keep certain things in mind. First, if you don't know what you want to do, then you are probably better off starting out in a community college. These institutions are far less costly that four year schools. By going this route, you can keep your bills low in the beginning and get some direction.

Second, nobody cares where you started school. They only care where you graduated from. When you finally get your degree from Yale or the University of Colorado, it doesn't say that you only did two years there. This fact alone makes the idea of going to community college for the first half of your undergraduate studies even more enticing.

Third, if you are working your way through school, going to community college may be your best choice for another reason. If you get an associate degree after two years of school, you will probably see an increase in income and reduction in the chances that you will find yourself unemployed. People with associate degrees have a median income that is more than $7,000 per year higher than for those with a high school diploma. And their unemployment rate is only 6.8%; much lower than the national average.

And finally, if you do borrow money for school, don't borrow more than you have to. If you can afford your room and board, then don't borrow the money for it. If you can afford your books, don't borrow that money. You'll be much better off if you forgo the big screen TV and nice stereo until you are out of school.

If you are the parent of a student and looking at student loan options, you do need to know that the federal loan programs under FAFSA typically award more borrowing power than you will need. Make sure that you call your child's school and find out exactly what will be required. And again, if you are planning on paying a portion of the bill directly, then don't borrow money simply because it is offered to you or your child.

byJim Malmberg
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