

The Economic Value of a College Degree

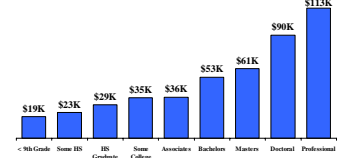
\$1 Million ... And More

www.asu.edu/asu101

ASU 101
THE ASU EXPERIENCE

On average, the **more education** you complete, the **more money** you earn.

Average Annual Income by Educational Attainment for Persons over Age 25 (2002)



Source: US Census Bureau, Current Population Survey, March 2003 Demographic Supplement

ASU 101

© 2007 Arizona State University

The Value of a College Education

- Bachelor's degree holders earn on average 75% more than high school graduates.
- This adds up to about **\$1 million** over a lifetime.

Source: US Census Bureau, Current Population Survey, March 2003 Demographic Supplement

ASU 101

© 2007 Arizona State University

The Value of a College Education

A college degree also has many non-monetary benefits that lead to a higher quality of life.

- Longer life expectancy and better health
 - Women with college degrees live on average **4 years longer** than women with high school degrees.
- Greater participation in community and volunteer activities
 - College grads are active in their communities **50% more** than those with only a high school degree.

Source: "Why College? Private Correlates of Educational Attainment" Postsecondary Education Opportunity, March 1999

ASU 101

© 2007 Arizona State University

The Value of a College Education

- Better academic performance for college graduates' children
 - Children of college grads score higher on national tests of math, reading, and writing skills.
- Greater awareness of current events and government
 - College graduates are more likely to read the newspaper at least once a week.
- Much greater participation in arts and leisure activities
 - College grads are more than **50% more likely** to go to the movies at least once per year.

Source: "Why College? Private Correlates of Educational Attainment" Postsecondary Education Opportunity, March 1999

ASU 101

© 2007 Arizona State University

The Value of a College Education is Increasing

- For full-time male workers between the ages of 35 and 44, the earnings premium associated with having a bachelor's degree versus a high school diploma has risen from 38% in 1980-84 to 94% percent in 2000-03.

The bottom line: a college degree has a greater impact on earnings today than ever before.

ASU 101

© 2007 Arizona State University

Investing in Education

If we look at a college degree as an investment, we see it has a greater return than the stock market.

- Annual net return on college – 12% per year, over and above inflation.
- Annual net return on stocks – 7% per year, on average.

ASU 101

© 2007 Arizona State University

Education and Careers

In times of rapid technological progress (like now!), workers with critical thinking skills adapt to innovations far better than those without such skills.

In college, you'll develop the critical thinking and continuous learning skills required in the modern workplace.

Plus, college graduates have lower unemployment, steadier employment, and much better opportunities for advancing their careers.

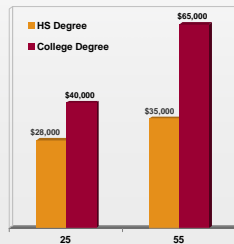
ASU 101

© 2007 Arizona State University

Education and Careers

A high school graduate can expect to earn \$28,000 by age 25, but earns on average only \$35,000 by age 55, if still employed.

A college graduate earns \$40,000 at age 25 and \$65,000 by age 55.



ASU 101

© 2007 Arizona State University

Lifetime Value

Careers that require a college degree are far more likely to have benefits such as **health insurance, retirement plans, and paid vacations**. Adding these to salary, it is easy to imagine a college degree worth several million dollars over your lifetime.

ASU 101

© 2007 Arizona State University

Lifetime Value

- A standard health plan costs more than a \$1,000 a month for a family of 4. An employer provided plan usually costs a small fraction of this, saving as much as \$10,000 per year. Over 25 years, this **saves \$250,000!**
- A college grad with the normal salary progression contributing 5% of their income a year into a pension plan with an employer match will accumulate **\$849,000 by age 62** at the average growth rate for stocks.
- A high school grad who contributes 5% of their income without an employer match will accumulate **\$171,000 by age 62**.

ASU 101

© 2007 Arizona State University

Lifetime Value

- Attending classes diligently and alertly is a key to college success, no matter how boring your professor may be.
- You should spend 15 hours per week in a classroom for 30 weeks each of your 4 years at ASU, leading to a degree.
- **This is \$1,111 of lifetime value per hour spent in the classroom.**

ASU 101

© 2007 Arizona State University

Lifetime Value

Studying = \$555/hour

- Studying an average of three hours per credit hour per week instead of one hour is quite often the difference between passing and failing.
- The extra hours studying can be worth \$555 prorated per extra hour.

ASU 101

© 2007 Arizona State University

The College Experience

Before hitting the snooze button and skipping class, **consider the value of that class to you.**

Before deciding to replace three hours of studying with three hours of partying, **consider the value of those study hours** to you. Do your socializing after you complete your studying.

ASU 101

© 2007 Arizona State University

The College Experience

Before agreeing to work an extra 10 hours per week for extra spending money and replacing 10 hours of studying, **compare the hourly pay of the job with the lifetime value of studying.**

$\$8/\text{hour} \times 10\text{ hours} = \80
-----or-----
 $\$555/\text{hour} \times 10\text{ hours} = \$5,550$

ASU 101

© 2007 Arizona State University

The Economic Value of a College Degree

\$1 Million ... And More

ASU 101

© 2007 Arizona State University