Step 3: Determine Your ROI

We covered the ROI for specific schools in Step 2, but it's also critical to calculate your own personal *Return on Investment* (ROI). As you learned in the Step 3 video, many students fail to take this step when planning for college. It will help you evaluate whether these 'Big Picture' numbers — especially the debt incurred — make sense.

"I ruined my life by going to college." The goal of this course is to keep you from making the same mistakes Jackie made. She owed **$128,000** when she graduated, made **$1,200** payments each month for 5 years, and due to additional interest and fees, she now owes **$152,000!**

Determining your ROI — *working the numbers* — *before* you take out your first loan could prevent this major problem from happening to you!

Here are four simple steps to determine whether *your* numbers will work:

- **What's the total cost of college?** — Schools are now required to provide *net price calculators* which identify the total cost of attending that school, but many students fail to use them. These sources —Net Price Center, College Raptor, or CollegeData — are designed to help calculate the annual cost of college, including tuition, fees, and room and board, as well as estimating costs after grants and scholarships. You've already identified these numbers in Step 2. Reviewing estimated costs both *before* and *after* grants and scholarships can have a huge impact on your ultimate choice.

⚠ **Caution:** Many schools include access to student loans in their financial aid numbers and sales materials. Dig a little deeper to find out if it's truly free money, or simply the ability to incur more debt. Also, watch out for criteria your school may use to disqualify students for financial aid. See Federal Aid Disqualifiers.

- **How much will you need to borrow?** — With the average graduate leaving college saddled with more than $37,000 in student loan debt, and thousands of borrowers struggling to repay well over **$100,000**, determining the estimated total debt is a critical step. Subtract family contributions and money saved to determine how much you'll need to borrow. Keep in mind that switching majors, taking too long to graduate, staying in school to raise a low grade point average (GPA), etc., can trigger thousands of dollars of excess debt.

  Example: Rubio was the first in is family to attend college. He was actively recruited by a local private college promising access to grants and scholarship for minorities. They didn't begin to cover all of his expenses, so he graduated with **$78,000** in student loan debt, but because he

couldn't find a job in his field, his loans have escalated to more than **$115,000**, with payments over **$1,250/month**. He states that if he'd calculated how much he'd need to borrow ahead of time, he could have saved thousands by making very different choices.

- **How much will you earn?** — This is an essential factor. Consider overall job prospects at the time of graduation, current earnings in high-demand fields (and whether yours is one of them), and whether your major will pay off. For example, as we've seen in recent years, new grads in the STEM fields make roughly **33%** more than those with degrees in the arts, humanities, or liberal arts fields.

- **Is it enough to repay student loan debt?** — To calculate an estimated monthly student loan payment, go to FinAid Loan Calculator or Repayment Estimator, and to Bankrate to determine what your cost of living will be.

- **What will you do if the numbers don't work?** — Now is the time to re-evaluate the decisions you made in Steps 1 and 2 for ways to reduce the cost of college. You'll also find additional strategies to slash costs even more in Step 4.

Example: Bonita proudly graduated with a degree in art history, and **$120,000** in multiple student loans. After months of looking for work, she was happy to find an entry-level position at a museum in Boston. Her monthly net take-home pay is **$2,800**, but with student loan payments of nearly **$1,100/month**, and after her car payment, health insurance, cell phone, and other incidentals, she only has **$440/month** to live on. She, like so many Millennials, was forced to move back home to live with her single mother. In her case, the numbers just did't work, but she failed to calculate them until it was too late.

Bankrate's ROI of your degree site will help calculate the overall ROI of your degree, but remember, determining whether *you'll* make enough to comfortably repay your student loan debt — and earn significantly more for the time and resources invested in higher education based on the decisions you make throughout the CAP System — is your *real* ROI.