

## **Student debt not the only option**

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Today, a typical post-secondary student in Canada will study longer, live larger and pay far more for the privilege than ever before.

In just the last four years alone, the annual cost of tuition for a Canadian undergraduate degree has grown by an average of 3.8%, according to Statistics Canada, or about double the rate of inflation. Go back even further, to the mid-1970s, and the price difference becomes shockingly stark. Even when adjusted for inflation, Baby Boomers paid 58% less for an average year of university than their kids.

The value of a four-year degree, meanwhile, has gone down in some eyes; meaning the need to spend even more on graduate school or other advanced training must now be a part of the cost equation.

But as educational overhead has grown, various tips, tricks and strategies for dealing with them have also evolved apace.

“When I first went to school in the 1970s, we weren’t worried at any point because we weren’t overwhelmed, we weren’t high in debt,” recalled Jeannine Mitchell. “It just wasn’t an issue, you could pay off your student debt in a summer.”

After deciding to return to University in the mid-1990s, the founding publisher of the Student Finance 101 Society group of blogs quickly found attitudes towards paying for school had changed.

“I found students were much more concerned about debt,” she said. “A lot of students who now start their education expecting tuition to be at one price, thinking it would go up perhaps with inflation, but then at the end of their four or five years it ends up costing double or triple or more.”

More than half of all Canadians in their first year of post-secondary education (54%) worry about having enough money for school while one third of them (33%) expect to have “significant debt” by the time they graduate, according to the results of a poll released by the Royal Bank of Canada earlier this month.

Modern smartphone apps to manage expenses, plan out groceries or find cheap books and gas can help, argues Tom Hanger, but so can the time-tested strategy

of basic financial responsibility.

“My parents were really good with teaching me those things when I was younger, but a lot of my friends are just pretty garbage with their money,” said the fourth-year University of Calgary commerce student in an interview from his parents’ home in North Vancouver.

“When you’re a student, everybody is poor, everybody is kind of struggling, so a lot of people don’t really think ahead and it isn’t until they really need to that they think about [budgeting].”

Compounding matters, many students these days want to live a lifestyle well above the starving student stereotype. And they tend to want the gadgets to match.

“There are lots of kids who use their computer only to take notes, yet they get a MacBook Pro,” said Mr. Hanger.

“It is one of those things where they buy whatever they think they deserve, not what they really need.”

That was not the case for the previous generation.

“There was a cultural understanding, certainly back in the 70s and 80s and right into the 90s where you had student living; you ate Kraft Dinner and made your bookshelves out of bricks and boards,” said Ms. Mitchell.

“It is interesting to ask why that has changed, but it certainly has changed.”

No shortage of explanations exist for why modern students are living larger, from a growing sense of entitlement to a subconscious fear that they will not get to enjoy the luxuries of their parents generation. “So they’re just grabbing what they can while they can,” Ms. Mitchell said.

Whether there is any truth behind such assertions aside, the more pressing issue is what can be done to help cash-strapped kids loosen their belts. There, again, is no shortage of options available.

By far the most helpful, argues Mr. Hanger, is getting into budgeting and savings mode right away and staying there.

“If you start [saving] earlier, you have all those years of compounding working for you,” he said.

“If you can start when you’re 13 that is awesome and if you start when you’re 20 that is fine too but just don’t start when you’re 35.”

Putting away some cash every month, even if just \$10 or \$20 at a time, can go a long way towards achieving financial security earlier and paying down student debt faster, Mr. Hanger argues. That is slowing beginning to happen, notes Ms. Mitchell, as the case study of the debt-ridden Canadian university student becomes more commonly known.

“On the spectrum of awareness, 12 years ago I was seeing students worried in their third or fourth year,” she said.

“But now on that spectrum they are actually starting to worry earlier on, in first or second year because they are more and more aware of the high numbers involved.”

Simple things like knowing which textbooks need to be purchased new, which can be bought used and which can simply be checked out of a library for free is a good start, Mr. Hanger says, as is buying groceries to make meals at home in lieu of a costly university meal plan.

Indeed, living the student life on the cheap is hardly something that requires professional help.

“I think they can wrap their heads around this stuff on their own,” said Gena Katz, executive director of advisory firm Ernst & Young. “I don’t think they necessarily need a financial planner.”

Skyrocketing tuition rates and the increasing need for graduate-level credentials have forced parents to begin saving for their children earlier in the last 10 years or so, she said. Even parents with children as young as two should waste no time preparing to pay for their toddler’s future.

“If you talk about a two-year-old right now going for a four-year undergraduate degree and a three-year law degree in Canada in maybe 16 years, that is going to be about \$260,000,” Ms. Katz said.

“And I am only talking about 3% inflation.”