

Shields: Make a rational investment in higher education

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(Photo: John T. Greilick / The Detroit News)

As college students in Michigan begin making their way to their chosen institution, they are filled with anticipation and high hopes for a successful year. They are also filled with high hopes that their institutional choice is the right one. It is a high-stakes choice, in that one year of college can cost as much as a new automobile.

How do students choose a college? For many, the decision is emotional. The student visualizes herself taking classes, enjoying the rock climbing wall in the gym, or selecting a dinner from a wide array of choices in the food court. On Saturday, there's the big football game. And she anticipates meeting hundreds of new friends.

Colleges all compete against one another to attract the most outstanding students. Sometimes, this competition is about academics; prestige is an important driver of student choice. It can also be about the overall quality of life at the college, including luxurious dorms and extensive recreational facilities. This competition for students affects all colleges. Some colleges have chosen to make significant investment in quality of life amenities, and have been rewarded with continually growing student demand. Other colleges are almost forced to follow suit, or risk going out of business.

Historically, colleges faced natural limits on investing in these amenities because budgets have to be balanced. But with the introduction of ever-expanding student loan availability, students can borrow tens of thousands of dollars, without repayment until after graduation. This reduces the students' resistance to ever-increasing tuition, meaning that colleges will charge more and spend more, in an attempt to attract more great students. These students will then have to begin repaying their loans in four to five years, but for a twenty-year-old, five years from now is a very long time. The easy availability of student loans is fueling the spiraling cost of tuition.

This does not mean that investing in higher education is a bad idea. It means that, like all investments, it should be made rationally. What will be the student's return on investment from her college expenditure? What does the student want from her college education? Is she primarily interested in a program with a well-defined career track, or one focusing on personal development but without promise of such a career track? Will money be an issue, or does the student have adequate funds to fully support her college plans?

One approach is to identify colleges that can provide the returns that the student wants, and then address the affordability issue. A college education is an investment in that, when it is done, the student has developed human capital that should be useful in their personal and professional lives. Students should evaluate the personal fulfillment, flexibility and career advantages that the college offers.

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