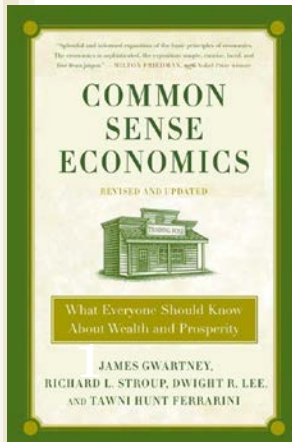


# MODULE I: SMART CHOICES FOR EARNING MORE INCOME



## Common Sense Economics ~ What Everyone Should Know About Wealth and Prosperity

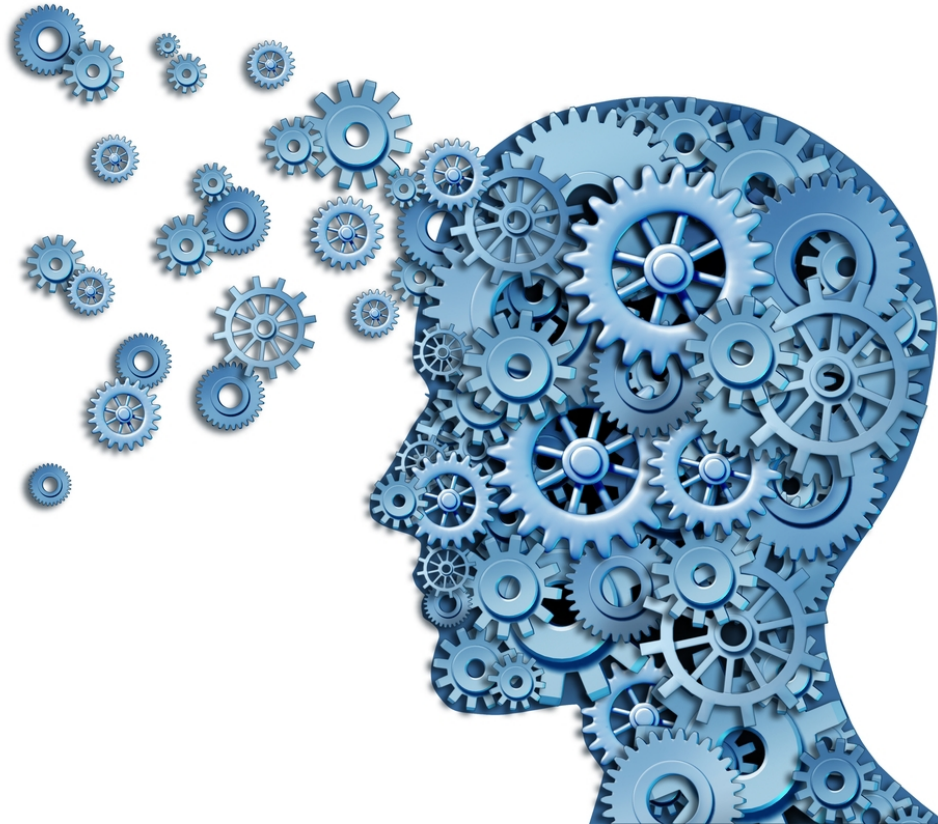
<http://CommonSenseEconomics.com/>



Turn on the learning light!

# INVESTMENT IN HUMAN CAPITAL

- Read: [Invest in Education](#) by Scott Niederjohn
- Watch: [Is college worth the cost?](#)



# INVESTMENT IN HUMAN CAPITAL

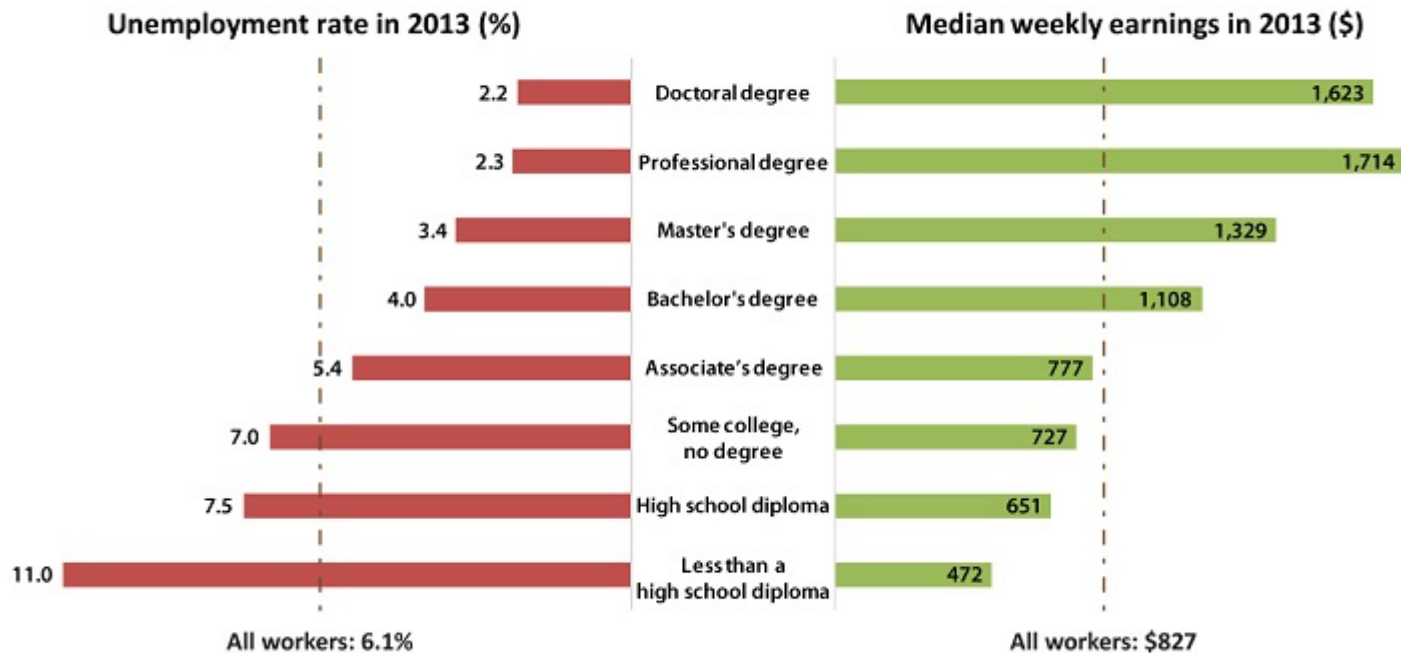
- Education and human capital
  - Human Capital: the knowledge, skills, health, and values that individuals possess.
  - Increase through formal and informal education
  - Leads to an increase in productivity and income
  - Like all investments, it involves a tradeoff



# INVESTMENT IN HUMAN CAPITAL

## ○ Education and Earnings

### Earnings and unemployment rates by educational attainment



Note: Data are for persons age 25 and over. Earnings are for full-time wage and salary workers.  
Source: Current Population Survey, U.S. Bureau of Labor Statistics, U.S. Department of Labor



# INVESTMENT IN HUMAN CAPITAL

- Calculating the Returns to Education: Find Total Earnings

	High School	Bachelor's Degree	Master's Degree
2013 Median Yearly Earnings	\$33,852	\$57,616	\$69,108
Years in Career	47	43	41
Total Earnings (lifetime)			
Difference over career (from High School)			



# INVESTMENT IN HUMAN CAPITAL

- Calculating the Returns to Education: Find Lifetime Difference From High School

	High School	Bachelor's Degree	Master's Degree
2013 Median Yearly Earnings	\$33,852	\$57,616	\$69,108
Years in Career	47	43	41
Total Earnings (lifetime)	\$1,117,116	\$2,477,478	\$2,833,428
Difference over career (from High School)			



# INVESTMENT IN HUMAN CAPITAL

## ○ Calculating the Returns to Education

	High School	Bachelor's Degree	Master's Degree
2013 Median Yearly Earnings	\$33,852	\$57,616	\$69,108
Years in Career	47	43	41
Total Earnings (lifetime)	\$1,117,116	\$2,477,478	\$2,833,428
Difference over career (from High School)		\$1,360,362	\$1,716,312



# INVESTMENT IN HUMAN CAPITAL

## Should everyone attend college?

- A college degree tends to increase earnings, but it is not necessarily for everyone.
- If you were a poor student in high school, you will likely be a poor student in college.
- Starting college only to quit without a degree is costly, both in money and the opportunity cost of your time.
- There are alternatives:
  - Trade or apprenticeship programs
  - Military service
  - Entrepreneurship





# EDUCATIONAL CHOICES

- Read: [Choosing a College: Does It Pay to Go to an Elite University?](#) by James Gwartney, Richard Stroup, Russell Sobel, and David Macpherson
- Watch: [Fed Student Aid- Overview of Financial Aid](#)





# EDUCATIONAL CHOICES

## Types of Educational Institutions

### ○ Public

- Operated by state or local governments
- Usually less expensive than private institutions
- Price may vary for in and out of state residents



### ○ Private

- Operated by foundations, religious organizations or for-profit firms
- Usually more expensive than public institutions
- Price same for in or out of state residents



# EDUCATIONAL CHOICES



## Types of Educational Institutions

- Four-year colleges and universities
  - Earn bachelor's degree after four or more years of study
  - May also offer master's or doctoral degrees
  - Universities are usually larger than colleges and may focus on scholarly research
- Two-year colleges
  - Sometimes called community colleges or junior colleges
  - Many four year colleges and universities have articulation agreements to continue towards a bachelor's degree
  - Costs are lower than four-year institutions





# EDUCATIONAL CHOICES

## Career Schools

- Technical, vocational, or trade schools
- Public, private or for-profit
- Classes and hands-on experience
- Areas of study include health care, electronics, welding, cosmetology
- May earn diploma or certificate
- May prepare for a licensing exam or to begin work as an apprentice or journeyman in a skilled trade



# EDUCATIONAL CHOICES

Should you attend an elite university?

- Elite schools tend to be very expensive, unless you have scholarships or other funding.
- Evidence suggests that students who go to elite schools would have similar earnings if they had gone to less selective, less expensive schools.
- This is not true for minorities; they benefit more from attending elite schools, possibly because of the connections such schools provide.



# EDUCATIONAL CHOICES

## Financial Aid Process

- Free Application for Federal Student Aid (FAFSA)
  - [fafsa.ed.gov](http://fafsa.ed.gov)
- Net Price Calculator
  - Examples
    - <https://college.harvard.edu/financial-aid/net-price-calculator>
    - <http://www.finaid.umich.edu/TopNav/Resources/NetPrice.aspx>
    - <http://finaid.williams.edu/financial-aid-calculator/>



# EDUCATIONAL CHOICES

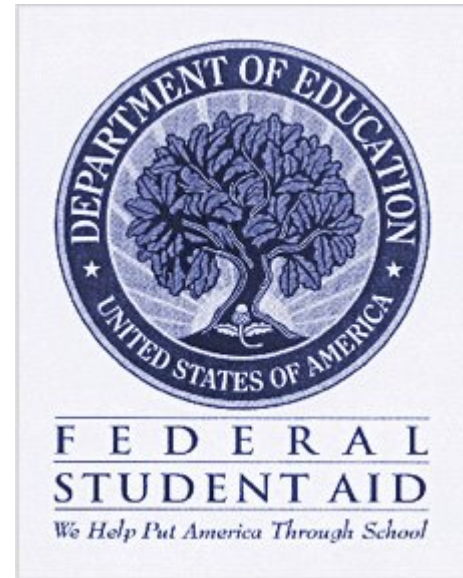
## Grants and loans

### ○ Federal Pell Grant

- Based on FAFSA results
- Requires high level of financial need

### ○ Federal Stafford Loan

- Low interest rate
- Flexible repayment options
- Subsidized (government pays interest while in school)
  - Based upon income
- Unsubsidized (borrower pays interest while in school)
  - Not based upon income



# EDUCATIONAL CHOICES

## Researching Higher Education

○ National Center for Education Statistics website:  
<http://nces.ed.gov/collegenavigator/>

- Tuition and fees
- Net price
- Enrollment
- Financial aid
- Admissions
- Retention
- Graduation rates
- Majors
- And much more





# EDUCATIONAL CHOICES

## Choosing the Right Major

- Consider your strengths and interests, along with the job market for your intended major
- Particularly important when taking on student loan debt
- Starting salary data by major available from National Association of Colleges and Employers
  - <http://www.naceweb.org/salary-survey-data>



# CAREER CHOICES

- Read: [Career Planning for a Satisfying Job](#) by Scott Niederjohn



# CAREER CHOICES

## Career Planning

- Bureau of Labor Statistics' Occupational Outlook Handbook:  
<http://www.bls.gov/ooh/>
  - Careers in demand today
  - Careers in demand in future
  - Human capital required for careers
  - Wages associated with career



# CAREER CHOICES

## Assessing Your Comparative Advantage

- What are you best at?
- Many online tools such as <http://mappingyourfuture.org/planyourcareer/careership/>
  - Assess interests and aptitudes
  - Match with careers
  - Career description and tasks and the education and skills required



# CAREER CHOICES

## Entrepreneurs

- An entrepreneur is one who innovates and takes risks in developing a product or business.
- Frequently independent, confident, hard working, well organized, self-starters
  - Costs: long hours, many businesses fail, lack security of firm
  - Benefits: own boss, potential for large earnings, set own schedule
- Even if one does not own a business, it is important to think like an entrepreneur.



# CAREER CHOICES

## Starting A Business

- Need unique idea
- Assess competitive environment
- Assure demand for the product
- Utilize resources from U.S. Small Business Administration

