



Janney Montgomery Scott LLC

The McNamara Investment Group

Dennis G. McNamara, Executive Vice President

Ryan P. McNamara, Financial Advisor

Daniel Wolfgang, FA

Haleigh Miller, RPCA

724-743-3301

TheMcNamaraInvestmentGroup@janney.com

www.mcnamarainvestmentgroup.com



INVESTOR
EDUCATION

What's Happening in the World of Higher Education?

A 2023 survey revealed a notable shift in public opinion over the past decade about the value of a college degree: 56% of Americans think a four-year college degree isn't worth the cost due to students graduating with significant debt and a lack of specific job skills vs. 42% who believe college is worth it. The survey numbers have almost reversed from ten years ago, while college enrollment has declined by about 15% over the same period.¹⁻²

A big reason many Americans are foregoing college is the cost. For the 2022-2023 year (most recent data available), the average one-year cost for tuition, fees, room, and board was \$23,250 for in-state students at a four-year public college, \$40,550 for out-of-state students, and \$53,430 at a four-year private college.³ But many schools, especially "elite" private colleges, cost substantially more, with some over the \$80,000 mark.⁴

Causes and consequences

Public misgivings about college intensified during the pandemic, when academic instruction moved online, and students had to pay large tuition bills despite missing out on the positive aspects of campus life. During the 2022-2023 school year, 62% of high school graduates enrolled in college, down from 66.2% in 2019-2020.⁵

Sky-high costs and growing skepticism are not the only factors playing into enrollment declines. A hot job market and higher earnings for less-educated workers has made it easier for high school graduates to justify skipping college and head straight into the workforce. At the same time, alternative forms of job training, such as apprenticeships and certificate programs, have become more prevalent and are increasingly seen as viable educational paths toward a good job.⁶

There has been a surge of interest in public colleges, particularly state flagship universities, many of which offer robust academic and student life opportunities comparable to their private counterparts at a lower cost. Conversely, lower student enrollment is putting financial pressure on many small schools and forcing some to close their doors.⁷

FAFSA changes coming soon

The Free Application for Federal Student Aid (FAFSA) typically opens every year on October 1 for high school seniors planning to attend college in the following year and for returning college students. However, due to an extensive redesign of the FAFSA, the filing season for the 2024-2025 school year will be delayed until December.

The simplified FAFSA will have fewer questions — 46 compared to 108 previously — and the direct transfer of financial information from the IRS to the FAFSA will now be mandatory. A new student aid index (SAI) will replace the current expected family contribution (EFC) terminology, and a raft of changes to the formula could impact the amount of need-based aid offered to students.

For example, the simplified FAFSA will expand Pell Grants to more low-income students and will link eligibility to family size and the federal poverty level. The income protection allowance for parents will increase by 20%, and the income protection allowance for most students will increase by 35%, which will shield more income from the needs analysis formula.



Sky-high costs and growing skepticism are not the only factors playing into enrollment declines.

The new FAFSA will no longer provide an advantage to parents with multiple children in college at the same time. The current FAFSA divides the EFC by the number of children in college, but the new FAFSA does not. This could decrease aid eligibility significantly for middle- and high-income students.

Cash support and other money paid on a student's behalf by grandparents or other relatives will not need to be reported on the new FAFSA, so they can help with college expenses without affecting the student's eligibility for financial aid based on the FAFSA. (Grandparent gifts will likely continue to be counted by the CSS Profile, an additional aid application typically used by private colleges when distributing their own institutional aid.)

The specter of student loans

Even with a discount on the sticker price, many students need to take out federal, and sometimes private, loans to cover college expenses. About 54% of the class of 2021 graduated with student debt averaging \$29,100.⁸

Interest rates on federal student loans are based on the rate for the 10-year U.S. Treasury note and reset each year. For the 2023-2024 school year, rates have increased again and are now the highest in a decade.

In August 2022, an executive order cancelled up to \$10,000 in federal student loans (\$20,000 for Pell Grant recipients) for borrowers with incomes below certain limits, but the order was struck down by the U.S. Supreme Court in June 2023.⁹

Nine repayment pauses have been in effect since the pandemic began in March 2020, but payments will soon start again in October — a sobering reality for millions of borrowers after three-and-a-half years of reprieve.

Will college pay off?

Many people go to college because they want to pursue a lucrative career and/or qualify for a specific occupation that requires a bachelor's degree or higher. One smart approach is to treat college choices like any other business decision — by considering the potential return on investment (ROI).

A Georgetown University analysis of public data from the U.S. Department of Education's College Scorecard found wide disparity in lifetime earnings among college graduates. The average difference between a high school and college graduate's lifetime wages is about \$1 million, but the difference between the lowest- and the highest-paying majors is \$3.4 million. Degrees in science, technology, engineering, and mathematics (STEM) had the highest ROI, followed by business and health majors.¹⁰

Whether a student aspires to be an engineer or a teacher, it's important to take a hard look at earning potential when assessing the value of any academic program. Students who plan to enter lower-paying fields may fare better if they can keep their costs down and hold borrowing to a minimum.

Tips for managing costs

To help avoid overborrowing, here are some ways for students to reduce college costs: pick a college with a lower net price (use the net price calculator on every college's website); focus on in-state colleges and/or attend community college for one or two years and then transfer to a four-year college; aggressively seek out need-based and merit aid; live at home or become a resident assistant to get free housing; work part time throughout college and budget earnings wisely; and if possible, use college credits earned in high school to graduate from college early.

1-2, 5-6) *The Wall Street Journal*, March 31, 2023, and March 29, 2023

3, 8) The College Board, 2022

4) Harvard University, 2023; Stanford University, 2023

7) CNBC, June 17, 2023

9) *The New York Times*, June 30, 2023

10) Georgetown University, 2015 (most current data)

Janney Montgomery Scott LLC Financial Advisors are available to discuss all considerations and risks involved with various products and strategies presented. We will be happy to provide a prospectus, when available, and other information upon request. Janney Montgomery Scott LLC, its affiliates, and its employees are not in the business of providing tax, regulatory, accounting, or legal advice. These materials and any tax-related statements are not intended or written to be used, and cannot be used or relied upon, by any taxpayer for the purpose of avoiding tax penalties. Any such taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

Janney Montgomery Scott LLC is a member of the New York Stock Exchange, Financial Industry Regulatory Authority and the Securities Investor Protection Corporation.

For more information about Janney, please see Janney's Relationship Summary (Form CRS) on www.janney.com/crs which details all material facts about the scope and terms of our relationship with you and any potential conflicts of interest.