COLLEGE EDUCATION AND A COMFORTABLE RETIREMENT

Frank Smith, Colorado State University, College of business, Department of Finance, U.S.A.
Ajay Aggarwal, University of North Texas, School of Business, Department of Management, U.S.A.

dx.doi.org/10.18374/JABE-24-1.9

ABSTRACT

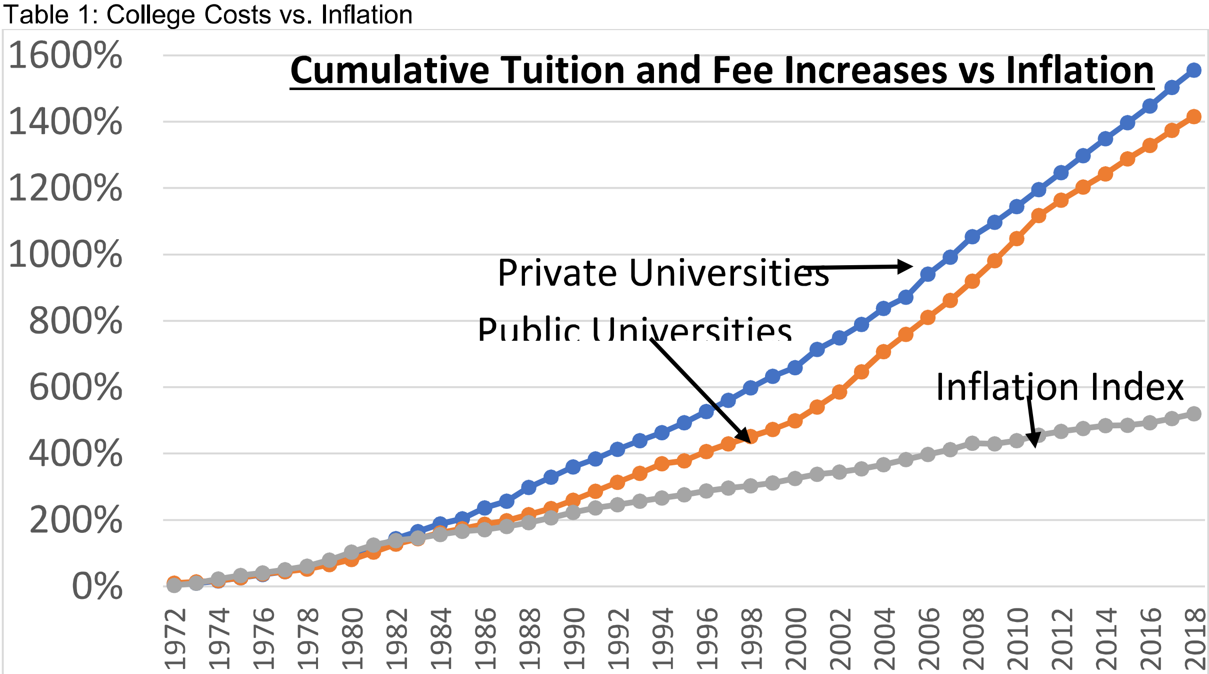
College graduates are taking on exorbitant levels of debt to attend college. Their debt burden lingers on for long time periods and threatens to stunt their retirement nest-egg development. The authors compute the impact of debt on millennial nest-eggs and determine the starting salary boost needed to restore the nest-eggs for different debt levels. Additionally, individual majors are analyzed for their potential to reach an adequate retirement level of wealth as are non-college career fields.

***Keywords**: Retirement, Cost of College education, College major, Nest egg, Comfortable retirement, Non-college career retirement.*

1. INTRODUCTION

Over the last 30 years, the cost of attending a four-year college in the United States has risen rapidly, outpacing inflation by a dramatic margin, as seen in Table 1

Table 1: College Costs vs. Inflation



According to (Song J., 2019), the average yearly cost for 2017-18 was $20,770 for in-state public colleges and $46,950 for private colleges. (Statista, 2020) reports that 35.4% of Americans have college degrees. To help pay for college, Miller B., et. Al., (2019) report that $1.5 trillion in federal student loan debt has been accumulated by 43 million adult Americans, giving an average debt load of $ 34,844 per person, raising the question if the value proposition of college is worth the underlying cost.

Using U.S. government data and a lifetime earnings model developed by Smith and Aggarwal, (2017), this paper breaks down the additional funds needed over a lifetime made by an “average” college graduate to