



The Fiscal Bluff

Charles Caramello
University of Maryland

*Council of Graduate Schools
December 5, 2012*



Contents

- I. Contexts and Drivers
- II. Funding Graduate Education
- III. Financial Literacy
- IV. Some Good News



The background is a complex collage of green-tinted financial imagery. It features several US dollar bills, including a \$100 bill and a \$5 bill, scattered across the frame. A large, 3D, metallic dollar sign (\$) is the central focus, appearing to float above the other elements. In the lower-left quadrant, there is a semi-transparent table of financial data with columns of numbers. The overall aesthetic is professional and data-driven.

I. Contexts and Drivers



Appropriations and Enrollments

- **Reduced state funding for public higher education:** states are spending 20 percent less in inflation-adjusted dollars on higher education than a decade ago.
- 7.6 percent decline in state appropriations for higher education in FY 11-12 -- largest annual decline in half a century.
- After five-year drop, funding levels lower in 29 states than in 2006-07.
- **Increasing enrollment rates in public colleges and universities:** full-time enrollment up by one-third over past decade (since 2000).
- In FY 11-12, almost 60 percent of Americans aged 18 to 24 enrolled in higher education.
- **Declining appropriations + expanding enrollments = average per capita funding for full-time students dropped 23 percent over past decade after rising modestly during the 1980s and 1990s.**





Emerging Cultural Patterns

- 1** More students enter GS to defer job market and increase marketability.
- 2** More parents finance graduate students because more students going straight from UG to GS.
- 3** More tax payers feel entitled to access to public higher education.
- 4** More leaders outside and inside higher education call attention to ethical responsibility of institutions to students.





Financial Aid Conversations

- 1** Not only financial and not always rational
- 2** Involves psychological dimensions and emotional investments
- 3** Requires managing expectations
- 4** Demands financial literacy



The background is a complex collage of green-tinted images. On the left, a large, 3D-rendered dollar sign (\$) is prominent. The background is filled with various elements: US dollar bills (including \$100 and \$50 bills), a financial data table with columns of numbers, and faint dollar signs scattered throughout. The overall theme is finance and education.

II. Funding Graduate Education



FINANCIAL BENEFITS OF GRADUATE EDUCATION



EDUCATION AND TRAINING PAY

UNEMPLOYMENT RATE IN 2011

15% 10% 5% 0

MEAN EARNINGS IN 2010

0 20 40 60 80 100 120 140 160

Note: Earnings for year-round full-time workers 25 years and over; unemployment rate for those 25 and over

Source: Bureau of the Census; Bureau of Labor Statistics

http://www.census.gov/hhes/www/cpstables/032010/perinc/new03_011.htm

2.4

PROFESSIONAL
DEGREE

\$143,163

2.5

DOCTORATE
DEGREE

\$115,530

3.6

MASTER'S
DEGREE

\$84,423

4.9

BACHELOR'S
DEGREE

\$69,638

6.7

ASSOCIATE
DEGREE

\$49,275

8.7

SOME COLLEGE,
NO DEGREE

\$46,567

9.4

HIGH SCHOOL
GRADUATE

\$40,900

14.1

LESS THAN
HIGH SCHOOL

\$30,850



Estimated Lifetime Earnings by Degree





Traditional Funding Sources

- A** Fellowships
- B** Assistantships
- C** Employment salary or other income
- D** Employer or other third party support
- E** Miscellaneous: Savings, Parents, Spouses, Loans, etc.





STUDENT LOANS AND LOAN ISSUES





A Fiscal Cliff for Students?

- More Students assuming debt, amount of debt carried is higher (CGS).
- Student loans are now second only to home mortgages as the biggest debt Americans are holding.
- Overall total for outstanding education loans approximately \$763.4 billion in 2009. Total of \$833 billion in June 2010.
- Over \$100 billion in federal education loans and \$10 billion in private student loans originated each year.
- Federal student loan defaults rose sharply last year, especially but not only at for-profit colleges and universities.





Rise in Student Loan Defaults

Student Loan Defaults Rising

Of the 3.6 million borrowers who began repaying students loans in fiscal year 2009, 8.8% defaulted within two years.

FOR-PROFIT



PUBLIC



NOT-FOR-PROFIT



Source: U.S. Department of Education
The New York Times





Graduate Education Debt in 2008

	Graduate Education Debt	
Graduate & Professional Degree Programs	Percent Borrowing	Cumulative Debt
Master's Degree	55.2%	\$31,031
Doctoral Degree	45.8%	\$57,860
Professional Degree	86.2%	\$87,308
Total	56.4%	\$40,297





Two Potential Options

1. Grad PLUS Loans

- Direct federal loans for graduate students
- Federally guaranteed and conditions set by government
- Interest rate of 7.9%
- Temptation to borrow because of good conditions and rate
- Unlike PLUS Loans for undergraduates, payment not deferred

2. Advantage Group Advice

- “ ‘Stop wasting your money on student loan payments,’ says the Advantage Group Web site. . . . Changes introduced by the Obama administration could allow a graduate making \$70,000 a year to reduce monthly payments to \$448 a month and ‘have over \$100,000 of debt forgiven,’ the Advantage Group says. Terry DeMuth, chairman . . . , said the firm was simply trying to help its clients benefit from the program.” (*New York Times*, October 16, 2012)





III. FINANCIAL LITERACY



THE
GRADUATE SCHOOL



Financial Literacy

What is it?

The ability to understand personal financial opportunities and liabilities in order to enable informed consumer decisions about finances. To be financially literate, one needs to understand:

1. The general economy
2. Money management and budgeting
3. Investment and risk

Who needs it?

Domestic graduate students are funding an increasingly greater percentage of their degrees with private and public loans WHILE entering graduate school with increasingly larger accumulated debt from undergraduate loans.

International graduate students are not eligible for most federal and state loans, may underestimate living costs and exhaust private funding after first year, and may lack understanding of U.S. employment and tax codes.





Some Current Initiatives

- Campus financial literacy websites with generic and/or custom information, developed in-house and/or purchased from outside vendor.
- Campus and/or other web portals for interactive online budgeting and planning.
- Mandatory life skills classes, generally for undergraduates.
- Available or mandatory counseling for graduate students who pass a “tipping point” of 8% of predicted income earmarked for loan repayment.





EXAMPLES OF CAMPUS WEBSITES





STUDENT SERVICES

Academic Services

Financial Services

Financial Aid

Student Employment

My Bill

Tuition and Fees

Payment Options and Financing

Financial Literacy

SALT

▶ **Successful Start**

Budgeting

Saving

Credit

Past Workshops

Peer Money Mentors

Additional Resources

e-Newsletter

Medical Insurance

Forms

Student Services A-Z

Contact Us

Video Tutorials

e-Newsletter

Search Student Services

Eagle One Card

Parking

Scanning Services

Student Employment

Alumni

Faculty & Staff

Department Administrators

Parents

[bc home](#) > [offices](#) > [student services](#) > [financial](#) > [financial literacy](#) > [sucstart](#)

BC'S FINANCIAL LITERACY PROGRAM

NEW! \$uccessful Start was recently featured in the September issue of the [Office of Graduate Student Life newsletter](#). Read how we can help you make wise financial decisions!



\$uccessful Start is now a member of MyBC!

To join, visit <https://orgsync.com/join/52349/boston-college-uccessful-start> and select "Boston College" from the drop down menu.

SUCCESSFUL START FALL 2012 WORKSHOPS

Thursday, December 6th, 3:15-4:15, Gasson Hall 204

Student Loan Repayment

Learn about different options for paying back your student loans!

Presented by Kathy Rosa, Associate Director, Student Receivables, Student Services.

FINANCIAL FACTS

Did you know:

- Your morning latte is costing you big. If you're purchasing a medium latte every week day, you could be spending \$780 in a year! That's assuming you are only purchasing a plain \$3 latte; imagine how much more you're spending if you're buying a "fancy" drink or buying multiple coffee drinks each day.
- Eating out every week may be the reason you're blowing through your budget. If you go out to eat once a week and spend \$25 each time, you're spending an extra \$1,300 in a year! That could be a down payment on a car!
- Your regular vending machine purchases could be eating through your savings. If you're spending \$2 per week day on vending machine snacks, you are spending an extra \$520 per year! You could use that money to buy a plane ticket for Spring Break.

Need help getting your food spending under control? Check out these helpful articles:

- [Eating Well: 25 Tricks to Save Money on Food and Still Eat Well](#)
- [Huffington Post: 10 Ways to Save Money Eating Out](#)
- [20 Something Finance: How to Eat at Restaurants for Cheap](#)
- [MSN Money: How to Cut Your Food Budget in Half](#)

Download a printable version of the [\\$uccessful Start Brochure](#) (PDF).

Mission Statement:

The goal of the \$uccessful Start program is to ensure that Boston College's students are financially literate for their lifetime by offering a series of workshops and seminars, led by Boston College employees and expert guest speakers, related to all aspects of personal financial management.

Welcome >> About >> Administration >> Administrative Offices >> Division of Student Affairs >> **Student Financial Dollars and Sense**

Student Financial Dollars and Sense

- About Us
- Programs
- FAQ
- Additional Resources
- Financial Literacy Quiz



WELCOME

Financial literacy is an essential life skill—right now and in the future. Furthering your financial literacy begins right here, with a site dedicated to providing you with the critical information you need to keep you informed and to remain a responsible consumer... [<more >](#)



Kafui Kouakou, Chairperson of the University Student Senate

Greetings!

Welcome to the City University of New York's Financial Literacy website!

I think we should all be very excited about the innovative resources this

forum provides for CUNY students and the entire CUNY community.

[<read more>](#)

LINKS

- Admissions
- Financial Aid

An Initiative of the CUNY Office of Student Affairs

WHAT'S HAPPENING

FEDERAL GOVERNMENT FINANCIAL AWARENESS COUNSELING TOOL

Learn financial management basics, get current loan debt and history, future debt estimates and more with step-by-step interactive tutorials. Contact your campus financial aid counselor for assistance. [>>](#)

FINANCIAL LITERACY WORKSHOP SERIES

Free Workshop on Budgeting, Credit and Savings sponsored by the Hispanic Federation [>>](#)

FREE TAX PREPARATION SERVICES

The Single Stop Community College Initiative provides free, on-site tax preparation services during tax season (January - April) [>>](#)

CREDIT ABUSE PUBLICIZED IN STUDENTS' MOVIE PSA

Three budding filmmakers from LaGuardia Community College launch a public service announcement about credit card abuse that is gracing movie screens around the city [>>](#)

TIPS FROM A CUNY FINANCIAL AID EXPERT

Alice Murphey, CUNY's director of financial aid management, has been helping students with financial aid issues for more than 30 years. Her advice is published in the New York Daily News. [>>](#)

EVENTS

FINANCIAL SUCCESS STORIES

Learn how these students conquered their financial aid challenges. Select a video or visit the [College Sense website](#) to find out more!

Borrowing Smart for College



Playlist **Financial Literacy (7 videos)**

RELEVANT ARTICLES

- Carrns, A. "A Comparison of Student Checking Accounts," *The New York Times*, August 29, 2011

CashCourse

Define your finances. Define your future.

UCLA *Financial Aid Office*

[Main](#) [Who We Are](#) [Clue Us In](#) [eLearning](#) [Video](#) [Budget Wizard](#) [FAQS](#) [Back to FAO](#)

 [Ask An Expert](#) ▾

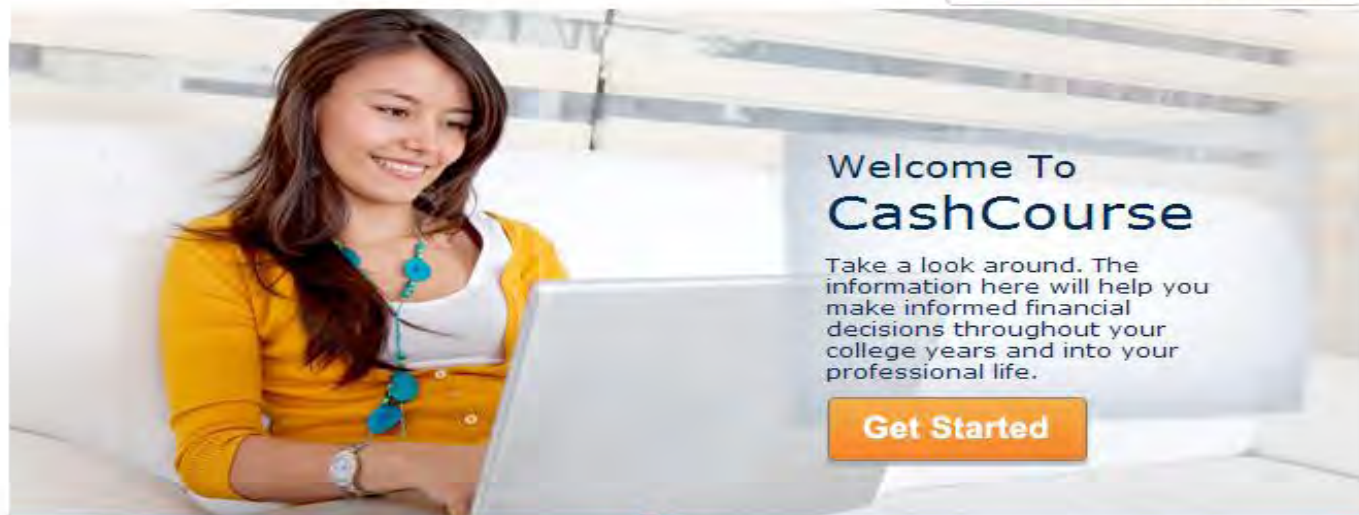
Financial Basics

[Budgeting & Financial Planning](#)
[Overspending](#)
[Banking Your Money](#)
[Dealing with Credit Cards](#)
[Protecting Your Credit](#)
[Preventing Identity Theft](#)
[Avoiding Quick Financial Fixes](#)
[Setting Financial Goals](#)
[Saving Money](#)
[Investing Your Money](#)
[Planning for Retirement](#)

Paying for College

[College Life](#)

[World of Work](#)



Welcome To CashCourse

Take a look around. The information here will help you make informed financial decisions throughout your college years and into your professional life.

[Get Started](#)

What budget killer can pose the greatest threat to your wallet?

[Take The Quiz](#)

What you need to know:

[How to make a budget](#)
[Eating healthy on a budget](#)
[Understanding paycheck deductions](#)



Take CashCourse to Go and receive tips to your phone.

[Join Now](#)

Resources



[Budget Wizard](#)



[Financial Calculator](#)



[Worksheets](#)



[Quizzes](#)



Videos

[How To Be Credit Savvy](#)



[See All »](#)



Tips

[10 tips for protecting personal information](#)

[25 tips to stretch your dollars](#)

[40 money management tips](#)

[See All »](#)

Home / LSA Students / Sophomore Initiative / Events /

Students Promoting Financial Literacy workshop

Nov
29
2012

Host Department: students
Date: 11/29/2012
Time: 06:00 PM - 08:00 PM



Add to Cal

Location: 3460 Mason Hall ([Show map](#))

Description:

Are you paying for school with loans? Do you plan to take out loans for graduate school? Are you interested in learning more about loans and debt?

The student organization **Students Promoting Financial Literacy** is hosting a free workshop to educate students about loans and debt on **Thursday, November 29th 6-8pm** at 3460 Mason Hall. Kristin Bhaumik, the Assistant Director of Special Programs for the Office of Financial Aid, will lead the workshop. Also, there will be free pizza at the event.

RSVP to studentspromotingfinanciallit@gmail.com by **Tuesday, November 27th**. We hope that you can come!

LSA STUDENTS

- Scholarships
- Academics & Requirements
- Academic Advising
- Transfer Information
- Study Abroad
- International Internship Program
- Internships
- Michigan Learning Communities
- Course Guide
- Graduation
- For Graduate Students
- Your Student Experience
- Sophomore Initiative
- Welcome Letter
- Soph Initiative Courses
- Your Sophomore Experience
- Internships
- Experiential Opportunities
- Other U-M Resources
- Events



SOME UMD INITIATIVES




Office of Student Financial Aid


[Return to Financial Aid Site](#)
[Financial Literacy](#)
[Financing College](#)
[Budgeting](#)
[Credit](#)
[Safety](#)
[Long Term Financial Planning](#)
[Resources](#)
[Contact Us](#)


Financial Literacy


It is important to be an educated consumer in order to make the most of what we have. This site will discuss basic skills you need to be financially literate as you make important financial decisions with your budgeting, borrowing, maintenance of credit, spending, saving and investing. While preparing you to be a Financial Wizard is beyond the scope of this website, it is our hope that you will be encouraged to continue your journey to financial competency.


Before we proceed, a word about organization and navigation. This website includes several topics. Though each topic can be viewed independently and in any order, it is recommended that you start at the beginning and follow the navigation links at the bottom of each page to ensure that each topic and page is covered.

As you navigate through the site you will see several videos which can be identified with the  symbol. Links to the videos are also available by visiting Videos to View.

We also offer several short online courses in the Resources section. Clicking on  will display answers to the previous questions.

To start off, please answer the following questions:

 [Who is Ben Bernanke?](#)

 [What is net worth?](#)

Disclaimer: This site should not be considered authoritative financial advice. Your circumstances are unique and you may want to consult a financial advisor.



Back



Next

MYMONEY.GOV

MyMoney.gov - primary U.S. Government website for financial literacy and educational programs.

- Home
- About OSFA
- Financial Literacy
- What Types Of Aid Are Available?
- How Do I Apply For Aid?
- Estimate Your Financial Aid
- Financial Aid Notification
- Cost of Attendance
- Appeals
- Special Enrollment
- Printable Forms
- Policies and Procedures
- Contact Us
- Financial Aid Calendar
- Site Map



- PROSPECTIVE STUDENTS
- CURRENT STUDENTS
- GRADUATE STUDENTS
- INTERNATIONAL STUDENTS
- PARENTS & FAMILY

Information for Graduate Students

Welcome to the Office of Student Financial Aid. Whether you are a prospective student or currently a student, this is where you can find the information you need to finance your graduate degree.

Students enrolled in a graduate program may be eligible for a Federal Direct Loan to finance part of their education. Eligibility is awarded based on the program cost minus any amounts of company sponsorship, tuition remission, etc. received. If the program costs are not met, student can receive up to \$20,500 in Direct Loans.

Below are answers to questions you may encounter as you apply for aid at the University of Maryland:

1. [How much does it cost to attend UMD?](#)
2. [How do I find out about graduate assistantships?](#)
3. [Is there scholarship or fellowship money that I can apply for?](#)
4. [How is financial aid awarded?](#)

Graduate Loan Information

The Department of Education is the lender for all Direct Loans at the University of Maryland. However you may research our list of [recommended Alternative Student Loan lenders](#).



<http://www.financialaid.umd.edu/osfa/for>

If unable to view this video, please visit <http://umd.financialaidtv.com/cms/508/playlist/1772>

MBA and EMBA Students

Financial aid for EMBA participants differs from the traditional student and the process will vary depending on your program start date. If you are interested in obtaining student loans, select the appropriate start of your program start below.

- [Fall-Start](#)
- [Spring-Start](#)

Additional information for MBA and EMBA students can be found at www.financialaid.umd.edu/mba/faq.php.

International Students

While not eligible to receive Federal Financial Aid, there are still [financing options](#) available to you.

Contact Us

If you have [questions](#) or need additional information, please [contact us](#).



BSOS: Test Your Financial Savvy

13 Q & A on borrowing and repayment, big-ticket buying, investing, e.g.,

•If you have a credit card on which you're carrying a \$2,500 balance, and the interest rate is 15%, how long would it take you to pay off if you 1) never made another charge and 2) paid only the minimum monthly payment of the greater of 2.5% of the balance or \$10?

- A. 2 years
- B. 5 years
- C. 17 years
- D. 28 years

•During winter break, you worked a short-term job and earned \$1,000. You'd like to invest the money until the end of the school year in order to fund a summer travel experience. In the short term, which of the following is your best investment option?

- A. Stocks
- B. U.S. Treasury Bills
- C. CDs





BSOS: Taking Charge of Your Finances:

PowerPoint Presentation

- Setting Financial Goals
- Creating a Budget
- Tracking Your Spending
- Savings – Pay Yourself First!
- Understanding Credit
- Credit Reports
- Building a Credit Report
- How Long Does Information Stay on a Credit Report
- Building a Credit Score
- Credit Scores
- Credit Scoring
- Monitoring Your Credit
- Student Credit card Rates
- Debit Cards
- Financial Background Investigation Questions
- Identity Theft
- Useful Information



THE
GRADUATE SCHOOL



Graduate School Tax Assistance Program

- Annual program to assist international graduate assistants with preparation of tax documents

Spring 2012

- Core of retired volunteers served 382 students in person
- Provided 949 FREE students on line tax preparation service
- 760 students received an average refund of \$693



The background is a complex collage of green-tinted financial imagery. It features several US dollar bills, including a \$100 bill on the left and a \$5 bill on the right. A large, 3D, metallic dollar sign is the central focus. In the lower-left quadrant, there is a semi-transparent table of financial data. The text 'IV. Some Good News' is overlaid in white on the right side of the image.

IV. Some Good News

25	1009.76					
25	520.49					
27	11753	27.57				
27	55486	23.44	38.72			
27	15971	16.14	14.72	21.83		
27	102104	7.89	903.70	8.83		
27	54307	58.71	153.20	23.83	31.83	
27	69416	20.49	253.8	41.20	37.58	
27	52414	32.88	831	24.08	21.67	
27	29	25	17	1834	23.29	21.50
27				66622	14.27	13.05
27	10001	25.00	2243	212.34	36	
27	225	32.51	31.68	23.82		
27	26	41	24.77	24.57		
27	26	28332	49320.50			
27	37	45.04	42.89			
27			0.85			



CGS/TIAA-CREF Initiative

- Cooperative project between CGS and TIAA-CREF to enhance the financial literacy of graduate and undergraduate students (announced November 27, 2012).
- Awards to colleges and universities to develop innovative financial literacy programs that can be tailored to students with a range of financial circumstances and educational goals.
- Designed to spark university collaborations for honing student financial skills at a time of declining public funding for education and rising student debt.
- To ensure sustainability, institutions must embed financial literacy programs for graduate students within *Preparing Future Faculty* or similar career development programs.
- CGS will announce a request for proposals to its member institutions in January 2013.





Not a Housing Bubble

“Student loans are not the next housing bubble because there are many ways available to repay a student loan and because a graduate degree cannot be foreclosed on and seized.”

Sarah Bauder

*Assistant Vice President for Enrollment Services Operations and
Director of the Office of Student Financial Aid*





Question and Answer