

Education pays, but you have to pay first

Your financing options are somewhat limited

By Shari Held

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Do you want to enhance your job security, become a more valuable employee and earn more money?

For Paige Piper, and thousands of others, one way to accomplish all those goals is by heading back to the classroom and hitting the books—getting that graduate or second degree, or advanced training.

"More money and greater opportunities. That's definitely what I hope to gain. Otherwise I wouldn't be doing it," said Piper, who is working toward her MBA at Butler University while working full time as a controller for F.C. Tucker Co. Inc.

She's not alone: Two-thirds of students getting their MBAs are doing so while working full time, according to Peterson's Guides' "MBA Programs 2002."

Advanced degrees and training can definitely mean more money over the course of your career. The Census Bureau reports that full-time workers with master's degrees earned, on average, more than \$12,000 more in 1998 than their peers with bachelor's degrees.

But the up-front cost can be hefty. For example, cost per credit hour can range from \$300 to \$500 or more.

So what financing options are available to you?

For many people in the work force, it's a no-brainer. They are the lucky ones whose companies either sponsor their education and pay their fees up front, or they get reimbursed once they meet company requirements. Be sure to check with your current employer to find out what the policy is, or if there is no formal policy, ask if they would be willing to foot the bill or a portion of it.

While there are no statistics on how many companies sponsor or reimburse employees, a 2002 Bureau of National Affairs survey of unionized employers reported that 65 percent of those who responded offered some form of tuition reimbursement.

"Continuous education and training are extremely important and vital to the



IBJ Illustration/Brad Turner

long-term survival of companies," said Brian Burton, vice president of the Indiana Manufacturer's Association. "They have found that they need to offer more education to be competitive and attract the right talent."

Bill Rieber, director of Butler's MBA program, reports that their 2001 survey given to graduating Butler MBA students showed that 50 percent were reimbursed totally by their employers, 35 percent received partial reimbursement and only 15 percent received no reimbursement whatsoever.

Piper is one of the 15 percent. She is paying for her MBA entirely out of her own pocket. She looked at several

options to finance her education, including scholarships.

Scholarships and grants aren't as readily available for graduate/part-time students, but searching for them can reap big dividends. Your school department, financial aid office and alumni association are the places to begin. There are numerous online scholarship searches, and local organizations and professional associations also routinely award scholarships to people matching their criteria.

Don't count on one, though. Piper eventually gave up her search and began investigating federal and private loans.

Pursuing a loan

The first step for any type of federal, state or bank loan is to complete the Free Application for Federal Student Aid, considered the mother of all financial-aid documents. Students going for a second degree or to graduate school will find limited assistance at the state and federal levels. "There's just no creative source of funding for MBA programs or graduate school," said David Perlini, executive director for the State Student Assistance Commission of Indiana.

"Loans, primarily federal loans, are probably the most often used source of funding," said Stan Jones, commissioner of the Indiana Commission for Higher Education. This is especially true for students returning to school while working, because while they may not qualify for other types of aid, they will most likely qualify for a Stafford loan.

The advantage of a Stafford loan is that

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you don't have to pay on the principal until after graduation, and the interest rate is low (below 5 percent as of July 1). There are stipulations: You must be enrolled in a degree program and attend school on at least a part-time basis as defined by your school.

Private loans usually have a higher interest rate, but they often offer more flexibility—you may not be required to be in a degree program or take a required amount of credit hours per semester. Your credit history will be scrutinized, so make sure it's in good shape. You might want to pay off credit card debt and other loans before applying for a private education loan.

With all loans, you'll want to consider if you'll ever recoup the costs of borrowing through increased earnings. Not all advanced degrees offer compensation as lucrative as the MBA. And consider this—even if you don't complete your education, you still have to repay the loan.

Piper considered both private and federal loans and decided against borrowing. "Why pay interest if I don't need to?"

She developed her own creative strategy for funding her education. She used her savings to purchase certificates of deposit, with maturation dates that matched her tuition payments, ensuring the money was available to her when she needed it. She has not yet borrowed money and is not planning to if she can help it. So far her education is financed through 2003, but in 2004 she will have to determine whether she can continue to pay out-of-pocket or if she needs to borrow money.

Think twice about these

There are other options. One is to withdraw funds from a traditional (not a Roth) IRA account. While you don't have to pay the 10-percent penalty if you use the cash to finance your education, you will have to pay income taxes on it and you may regret it later—you can't get a scholarship to fund your retirement.

You could also take out a second mortgage on your home. It's not generally considered a great idea, according to one local financial adviser, but if the only thing standing between you and a promotion (with lucrative dollars attached) is an MBA or other degree, it might be worth considering.

Financing your education with credit card debt is almost never a good idea, but if you get in a bind with only a class or two to go, it could be your salvation. Again, make sure you're going to recoup what you pay out, including the interest. •

Find it online

These Web sites have helpful information about financing your education:

- www.gradview.com/finaid/: Financial aid for graduate school
- www.gradloans.com/: GradLoans, The Student Loan Network—Everything you need to know about loans for grad school including FAFSA, MBA and private loans.
- www.petersons.com/: Peterson's—Paying for business school, selecting the best private loan, scholarships, paying for your MBA and more.
- www.finaid.org/: Finaid, the Smart-Student Guide to Financial Aid
- www.fafsa.ed.gov/: FAFSA online form
- www.gocollege.com/: The Collegiate Websource—largest scholarship

database in the country.

- www.fdncenter.org/: The Foundation Center—Links to private and community foundations and corporate grants.

Local resources:

- www.in.gov/saac/estudent/: State Student Assistance Commission
- www.iupui.edu/~finaid/: IUPUI Financial Aid Office
- www.butler.edu/admissions/adm_invest.asp: Butler financial aid information
- www.utdubuy.edu/capply/: University of Indianapolis financial aid information
- <http://icpac.indiana.edu/>: The Indiana Career and Postsecondary Advancement Center