



5E

NAVIGATOR

FEDERAL RESERVE BANK OF RICHMOND

Higher Education

Are you ready for the next frontier?

Inside:

- Constellations to guide your decision
- Preparing for your deep space voyage

ALSO INSIDE: Avoiding the black hole of noncompletion

THREE, TWO, ONE, IGNITION AND LIFTOFF: LAUNCH INTO THE HIGHER EDUCATION DECISION

Put on your space suit as we navigate the next frontier. In this space exploring edition of *5E Navigator*, our mission is to analyze a major financial decision on the order of the Big Bang – what path to pursue after high school. Inside, you'll find information on education options and their potential returns, and tips on how to prepare for the path you choose.

Begin by charting your *Flight Path* to enter orbit around several education options so that you can study their costs and benefits. Be careful to avoid any *Asteroid Fields* that can knock you off course. Use the *Constellations* to adjust your heading. Fire your thrusters as you pass the *Black Hole of Noncompletion*, which can leave you with much of the cost of your journey but few of the benefits. Then, dock with the *Space Station* to restock your supplies and make final preparations for your voyage into deep space. This is mission control, signing off.



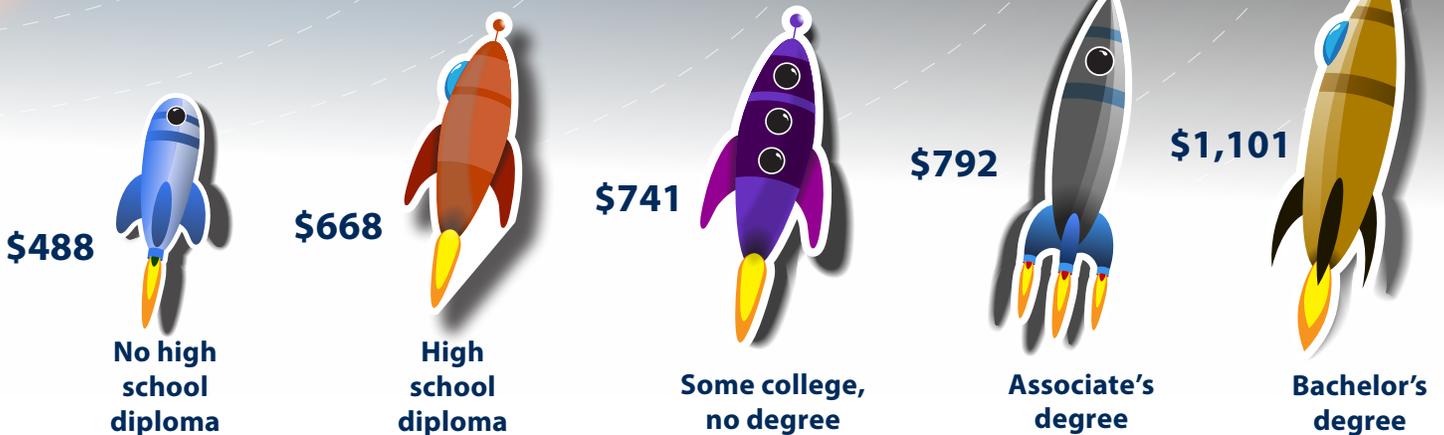
FLIGHT PATH: CHARTING YOUR EDUCATION OPTIONS

Before you lift off, here are a few things to consider when choosing your flight path. A higher degree typically results in higher earnings and a lower likelihood of unemployment. However, it also requires more time to complete and is often more expensive.

Unemployment Rate



Weekly Median Earnings



ASTEROID FIELD: CELESTIAL CAVEATS TO CONSIDER

When it comes to estimating your particular payoffs from education, **you** are at the center of the universe. Your potential gain from additional education depends on lots of factors, including whether you complete a degree, your particular skills and training, and the supply and demand for workers in the job market you choose. Avoid unexpected asteroids by evaluating how your income might compare to the median income for your selected job. Use the constellations to guide you.

Area of Study

What college majors and jobs match my interests? To what extent will my major affect my future income and employment potential?

Entry-Level Education

What are the entry-level requirements for jobs in my interest area? How similar will I be to the average person in my chosen job in terms of level of education and skills?

Preparedness

How prepared am I to pursue a college education? How will my level of preparedness affect my chances of completing a degree program and my job prospects?

Job Market

What are the chances that I will get a particular job? What are future pay and job openings likely to be?

Ongoing Training

How quickly will I be able to progress in my chosen field? What education and skills beyond those needed for entry level will I need to move forward?

CONSTELLATIONS: ALIGNING THE STARS FOR YOUR STELLAR FUTURE

How can I identify my interests?

To determine your work-related interests, consider taking a short interest assessment from the Virginia Education Wizard at vawizard.org.

Which education path is right for me?

Begin by researching the level of training or degree that is required for your preferred job. Then, consider how much time and money you are willing to invest in education given the potential payoffs. Explore your post-secondary education options and plan for your future at investinwhatsnext.org

What careers relate to my interests?

Once you've identified your interests, use the Bureau of Labor Statistics Occupational Outlook Handbook at bls.gov/ooh to explore possible jobs in detail, including the education requirements and outlook for each job.

Which major should I choose to study?

Align your major with your interests and what employers are looking for in your preferred job. Try to coordinate your major with your strengths as a student and the subjects in which you perform well.

Where can I search for school options?

Visit College Navigator at nces.ed.gov/collegenavigator provided by the National Center for Education Statistics for in-depth profiles of schools searchable by the education path you choose.

To see how an individual school compares to others, try the U.S. Department of Education's College Scorecard at collegecost.ed.gov/scorecard.

THE BLACK HOLE OF NONCOMPLETION: CAUSES AND CONSEQUENCES OF DROPPING OUT

The payoffs from higher education depend on finishing your degree. Without finishing, you could get sucked into the black hole of noncompletion. A recent study showed that over a third of students pursuing a bachelor's degree failed to get any degree within six years of high school graduation. That number climbs to more than half for students pursuing an associate's degree.

Completing some college provides only a slight increase in earning potential compared to high school graduates. Moreover, recent noncompleters who have student loans drop out of school with average debt burdens of more than \$10,000. Academic unpreparedness, the competing demands of school, work and family, and cost are commonly cited reasons for noncompletion.

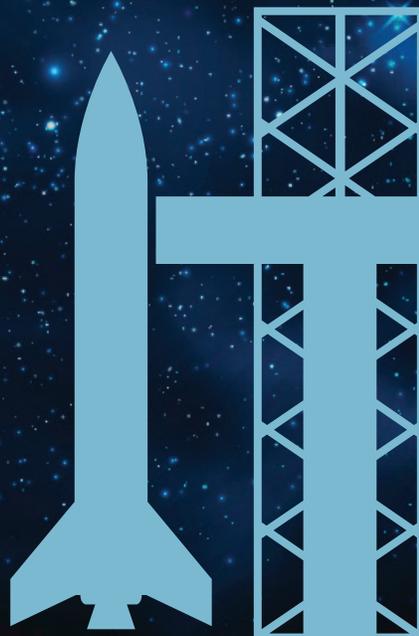
Data Source: Avery, Christopher, and Sarah Turner. "Student Loans: Do College Students Borrow Too Much — Or Not Enough?" *Journal of Economic Perspectives*, Winter 2012, vol. 26, no. 1, pp. 165-192.

SPACE STATION: PREPARATION FOR THE VOYAGE ONWARD

Preparedness for higher education is critical to success in school and completion of a degree. Dock your ship at the space station and load up supplies to increase your level of preparedness for your voyage into deep space.

1. If you're in high school, meet with your guidance counselor as early as possible to set a plan for your future.
2. Work to improve your grades as much as possible. Your GPA is a strong indicator of how well you're prepared for future education.
3. Consider taking some advanced courses in high school to get a glimpse of what college-level coursework entails.
4. If you're considering working to help pay for your education, weigh the costs and benefits of working while in school against financing your education.
5. If you're unsure if college is right for you and want more time to explore your interests, consider community college as a relatively low cost option.

For more preparation tips, visit studentaid.gov/prepare-for-college.



ORBITING SATELLITES: THE FEDERAL RESERVE AND HIGHER EDUCATION

Higher education is an option that can provide greater job security and earning potential to those who complete it. However, earning a degree does not guarantee these returns and enrolling in college carries the risk of noncompletion. The benefits of postsecondary education depend on a number of factors including job market conditions and personal skills. Through its financial education efforts, the Fed provides information that enables individuals to make informed choices about major financial decisions such as pursuing higher education.

For more information, visit:

www.investinwhatsnext.org
www.majorfinancialdecisions.org
www.richmondfed.org/education
www.federalreserveeducation.org

MISSION

5E Navigator provides reliable information and tools to help people make informed choices about important personal financial decisions. The information in *5E Navigator* is collected and developed by the Economic Education team at the Federal Reserve Bank of Richmond to serve as a topical financial education resource for financial literacy practitioners, educators and the public.

www.richmondfed.org/publications

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