

# PREFACE

## WHY THIS BOOK?

Families everywhere are falling behind as the cost of living rises faster than take-home pay. The job market for those with only a high school degree keeps shrinking, while the price tag for a college education keeps growing. In the last few years, I've met countless would-be college students who have no idea if it's even possible to earn a degree on their budgets. I've also met dozens of graduates with frighteningly high debt loads. Their stories are variations on a common theme: "I wish I had known what I was getting myself into. Why didn't anyone explain this stuff to me?"

There are a bazillion books out there for midcareer men and women on making money, getting ahead, planning for retirement, and all the rest. But who is writing to *you* about the largest expense you've ever faced? How you pay for college will have massive, enduring consequences, yet so many students go into it blind. It doesn't help that the process is anything but straightforward, with complicated forms to complete, deadlines to keep track of, contradictory advice about where to find money, and students paying vastly different prices to attend the same school.

I wrote this book to help you cut through the fog and become a savvy, informed customer. That's how you'll get the most value for your dollar.

*Beating the College Debt Trap* is for any college student, whether

- attending full-time or part-time
- living on campus or off campus or taking classes online
- eighteen to twenty-three years old or older
- working while going to school or not

- enrolled in a four-year academic program, learning a skilled trade, or earning an associate's degree

“College” does not have to mean “four-year college.” If you know you need additional training to succeed in the workforce—a certificate program, a trade school, a two-year college, something—but aren’t sure how you’ll pay for it, this book is for you. If you want to understand what the nice person in the financial aid office is talking about *before* you sign the papers, this book is for you.

*Beating the College Debt Trap* is for anyone who wants to get the training they need to get a degree without going broke. You don’t have to be stuck in neutral because your parents aren’t rich. You don’t have to take on a mountain of debt just to have a shot at a decent future. You don’t have to spend the rest of your life in a dead-end job. Join me, and let’s beat the college debt trap.

# INTRODUCTION

## TAKE OWNERSHIP OF YOUR FINANCIAL FUTURE

Emily did everything right. She finished high school with a 3.6 GPA, was active in youth group, and applied to colleges on time. She was accepted into three good schools, including her top choice. Her family isn't what you'd call "rich," but they didn't qualify for government subsidized loans either. The good news is that Emily was awarded a scholarship to play in the college's orchestra and was approved for ten hours per week of work-study.

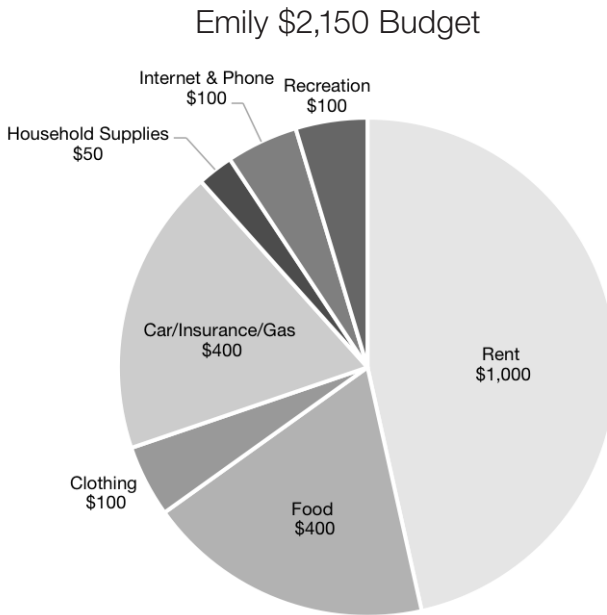
Emily's college was a ten-minute drive from her Uncle Chris and Aunt Jennifer's home. They offered her a room in their house, but Emily wanted to experience living on campus. She's glad she did, because she made some amazing friends.

But when it all got added up — tuition, fees, room, board, textbooks, and supplies — Emily's family didn't always have enough, so she ended up taking out about \$5,000 in loans each year. Emily was initially nervous, but the financial aid office made everything easy.

A few months after graduating, she landed a full-time job in the city. She was super-excited! Her starting salary would be \$40,000. Not as much as she had hoped for, but a typical starting figure for someone with her degree that year. After payroll deductions and tithing, she'd be taking home about \$2,150 per month.<sup>1</sup>

But then Emily began to think about how far that money would go. Her job would be too far from her parents' house, so she'd need a place to live. Maybe with a roommate she could keep her share of the rent and utilities under \$1,000 per month. She estimated \$400 per month toward her car expenses (insurance, gas, and oil changes or whatever).

Maybe another \$400 for food, \$100 for clothes, \$50 for household supplies or personal items, and \$100 for phone and Internet charges.



That left only \$100 per month for going out with her friends. What about a bed and some other furniture? What about the traveling she hoped to do next summer? And what about catching a flight that fall to Megan's wedding in Chicago?

The arrival of the mail interrupted her thoughts. *Oh no. It's something about my student loans.* Scanning to the bottom, Emily's eyes grew big, and her heart sank. Her minimum payment was \$250 per month—every month for the next ten years.

She started to panic.

## College: Important, But Expensive

You're probably being told that a college degree has never been more important than it is today. So you want to go—or at least your parents are telling you to go. You don't want to be out in the cold,

looking for a decent paying job when everyone else has a college degree. But how on earth are you going to pay for it?

Perhaps you're already feeling the squeeze of student loans. You've taken out \$20,000, \$40,000, maybe more. A former student of mine graduated with \$80,000 in debt and then took on extra loans to pursue graduate school. Another has ten different loans totaling \$90,000. His minimum monthly payment is \$1,045.

It's triple jeopardy these days: College is more important than ever, less affordable than ever, and graduates have more debt than ever.

What's at stake here? Nothing less than the rest of your life. Going to college is the most expensive decision you've ever made. The consequences of how you pay for it will be with you into your twenties, thirties, and beyond. Will you be able to take that dream job you'd love to have but that doesn't pay well? Buy a house someday? Get married? Start having kids? Stay home with your kids? Start a business? Leave for the mission field? *Today* you either set yourself up for success or failure. Freedom or bondage. Peace or stress. You decide.

Most people borrow money to pay for college. Some borrow gobs of it. Seven out of ten college students graduated in 2014 with an average debt of \$33,000, a figure that has almost doubled in the last twenty years, even after adjusting for inflation.<sup>2</sup> More than one in three student credit card holders rack up additional debt by not paying their monthly balances in full.<sup>3</sup>

I know. It'd be super-easy to throw your hands in the air and say, "What choice do I have? I have to go to college. Sure, some people have rich parents who can afford to pay it all. But I don't. My parents are maxed out. Tuition is expensive. Room and board are expensive.

Books are way too expensive. I need my car on campus, and gas is expensive. Of course I'll need to borrow a ton of money. Isn't that normal? My high school guidance counselor, the nice lady at the financial aid office, *everyone* has assured me that I'll be OK. When I get out, I'll be making good money, and I'll be able to pay it all off."

**It's triple jeopardy these days: College is more important than ever, less affordable than ever, and graduates have more debt than ever.**

## A Better Way to Do College

A better way to do college begins with taking full responsibility for your financial decisions—past, present, and future. This may be obvious to you. You already know that paying for college isn't your parents' problem or the government's problem. It's yours, baby. But even if Mom, Dad, Grandpa, and Grandma are helping you—a little or a lot—it's still crucial that you own it—that you examine how much things cost, that you make careful, informed decisions because this is *your* life we're talking about. And it's the season to wean yourself from their financial provision.

If your parents specify how much they can afford to spend on your college experience, respect it. Don't ask for more; thank them for being willing to help you at all. And please don't ask *them* to take out a loan when their golden years are just around the corner. What if they get sick and have to stop working? Before asking them to risk their financial future, ask yourself if you've considered all the ways you can either spend less or earn more.

By the time we're done, you'll know how to make a budget and how to keep track of where your money is going. You'll know how to spend less of it and make more of it. Yes, college can be expensive, but diligence leads to wealth (Proverbs 10:4), and hard work leads to independence (1 Thessalonians 4:11–12). Students who contribute to the expense of college appreciate it more. They take school more seriously and become more financially responsible, which prepares them for life after college.

Perhaps you're thinking, *It's not my fault that college is out-of-control expensive!* No, it's not. But there are lots of things in life that aren't fair. Successful people recognize reality for what it is and find a way to make the best of difficult situations. They don't shift the blame, make excuses, or expect someone else to do what they should do for themselves.

## Debt Is Bondage

Though many students now take out loads of loans to pay for college, this strategy lacks historical precedence, and we've yet to see the societal repercussions. For example, what would have happened if Emily couldn't find a \$40,000-per-year job when she graduated? A May 2013 survey from McKinsey & Company reported that more than four in ten graduates described their employment as a job that doesn't require a four-year degree.<sup>4</sup> Yet they must still repay their student loans.

The wisdom of Solomon offers this nugget: "The rich rule over the poor, and the borrower is slave to the lender" (Proverbs 22:7). When you accept a loan, it feels like you're getting free money. You're allowed to enjoy things today on the promise that you'll be able to pay for them tomorrow. But what if you can't? It's wicked to borrow and not repay (Psalm 37:21; Romans 13:7).

It's also stupid, because the banks end up sticking you with late fees on top of the interest. So it ends up costing a fortune. For example, the \$5,000 Emily took out in loans each year did not come to \$20,000 after four years. It was more like \$23,000. That's because interest was accruing each year. And if she fails to make on-time payments, late fees will jack up the balance even higher.

When faced with the high cost of college and a lack of money, it's easy to conclude that student loans are the most logical option—perhaps the only option. But there are downsides to taking on debt, especially at the beginning, when your major, job prospects, and graduation date can (and often do) change. Some loans pay the interest for you while you're in school, but *all* of them require repayment with interest after graduation.<sup>5</sup> *All* of them limit your freedom to pursue your dreams. And *all* of them can lead to unbelievable stress. Six out of ten current students and recent graduates worry they won't be able to pay off their loans before their thirtieth birthday.<sup>6</sup> Is that how you imagined life after college?

## The Dangers of Student Loan Debt

Some Christians think debt is never permissible, because of verses like Romans 13:8 (“Owe no one anything,” ESV). If that’s your conviction, it’s best not to violate your conscience (see Romans 14:23). But other verses encourage lending (Psalms 37:21, 26; 112:5), so an absolute prohibition may go too far. If we consider Romans 13 in its context, we read:

Give to everyone what you owe them: If you owe taxes, pay taxes; if revenue, then revenue; if respect, then respect; if honor, then honor.

Let no debt remain outstanding, except the continuing debt to love one another, for whoever loves others has fulfilled the law.

*Romans 13:7–8*

The implication is, “Pay everyone what you owe them—taxes, revenue, respect, and honor. Pay your bills faithfully. If you take out a loan, make all your payments on time and in full. Honor your financial commitments. Display integrity.”

Even if debt is permissible, it always involves a measure of risk because none of us know what our futures hold. How quickly you’ll get a job, how much you’ll be earning—these aren’t things you can be certain about. Plus, once you factor in the interest, you’ll have to pay back more than what you borrowed. Sometimes much more. So don’t take out a loan except as a last resort, and only after you’ve considered the ramifications. If you make the choice to borrow, at least go in with your eyes wide open.



### ***A Word to Nonreligious Readers***

*The Bible informs my perspective on the value of responsibility, hard work, personal integrity, and the dangers of debt. But although I'm writing as a Christian, this isn't a densely religious book. The topics discussed — why college is expensive, how to pay for it, how to earn more money as a student, how to set yourself up for success — are issues that affect you regardless of whether or not you share my religious beliefs.*

Some people distinguish between “bad debt” and “good debt.” Racking up credit card bills by staying at a five-star hotel in Hawaii for a month is considered bad debt. You didn't *need* a monthlong vacation, and it's not as if it got you something that can rise in value over time, like a house. By the same logic, student loan debt is considered to be good because college graduates generally earn more than noncollege graduates over the course of a lifetime. That's true in general, but this approach is too simplistic, for several reasons:

1. Once you start taking out student loans because, “Hey, I don't want to end up flipping burgers for the rest of my life,” there's no telling how much debt you'll accumulate. Why? Because it's easier to spend Other People's Money (Uncle Sam's and the bank's, in this case) than it is to part with our own. While writing this chapter, I've been chatting with a few former students on Facebook. They all say the same thing: “I had no idea how much debt I was generating until I got out of school!” But there's no reason not to keep track of this number (see Trap 5). And actually, it's possible to get a decent education *without* taking on a mountain of debt. I'll show you how (see Trap 3).

2. Forty-four percent of people who pursue a four-year college degree don't graduate in six years, if ever.<sup>7</sup> Read that sentence again, slowly. If you're not academically motivated, have barely graduated from high school, and were only accepted to college because your heart was beating, you're considered a “high retention risk” in the

higher education world. Don't fall for the lie that a traditional four-year college experience is right for everyone. In Trap 1, I'll give you some other options. There are plenty of honorable, high-paying professions that are best pursued with alternative (and less expensive) forms of training, such as getting an associate degree, going to a trade school, or doing an apprenticeship.

3. Many students today change their majors at least once and as a result take more than four years to graduate. An extra year or two of college adds to their total price tag. Consider that tuition, room, and board all get more expensive every year. In Traps 3 and 4, I'll offer a few ideas to help you graduate faster.

4. You can't cash out your college education to pay off your loans. Think about it. If you finance a house but after a while life happens and you can't afford the payments, you can at least sell the house and recover whatever a buyer is willing to pay for it. But you can't sell back your college degree, even if you paid \$100,000 for it. No one can buy that cool English Lit class you took. At best, you can sell back your books—at a loss.

### ***Used College Education — 50 Percent Off!***

#### **Craigslist Ad**

Chance of a lifetime! This degree cost me \$100,000, but I'm selling it for only \$50,000! My loss is your gain. The \$50K gets you every class I took. Contact me soon, and we'll work something out on my old books too.

e-mail: [RegretfulStudent@sadlife.com](mailto:RegretfulStudent@sadlife.com)

5. If at some point you can't make your student loan payments, you have little to no bankruptcy protection. Your lenders can come after you for the money you borrowed, the interest accrued, and even the cost to find you. If you have a job, they can garnish your wages. If you have a tax refund, they can grab that. Your credit rating will be

trashed. And if you're still in debt when it comes time to collect on your Social Security benefits (assuming there's anything left by then), the feds can snatch some of that too. They can chase you to the grave.

I don't mean to scare you, but we live in a culture that has grown dangerously comfortable with borrowing money. As of May 2011, Americans owed \$2.43 trillion and saved a piddly 1.2 percent of their income. There were more than one million bankruptcy filings in 2013.<sup>8</sup> Younger adults (ages twenty-five to thirty-four) have the second highest rate of bankruptcy, right behind thirty-five to forty-four-year-olds. One out of four adults admits to not paying his or her bills on time. And nearly one in five Americans aged eighteen to twenty-four considers himself or herself to be in "debt hardship."<sup>9</sup>

Think about the totality of your life *before* taking out student loans. Aside from limiting the pursuit of your dreams, as well as the stress that debt tends to cause, bringing a high debt load into a marriage can lead to arguments about money, which are a top trigger for divorce. If you would like to qualify for a home mortgage someday or start a family and maybe work part-time or stay home with your kids, think about how debt might interfere.

## The Cost of College Is Confusing

We all know college used to be much cheaper. But the problem is not just that college is expensive. It's that the process of figuring out what it's going to cost is beyond confusing. You never know what a college is actually going to cost *you* until after you've applied and received a financial aid offer. It all depends on the grants, scholarships, and tuition discounts you get for singing in the choir, playing on the tennis team, maintaining a certain GPA, or whatever.

You can better estimate your expenses and total debt load through graduation once you know what it will cost for that first year. But I'm going to show you a few websites that will help you *predict in advance* how much financial aid a college *should* give you, based on what they've given in the past to students like you.

And apart from the financial aid craziness, the cost of your college education will depend on what you decide is essential to the experience.

## The Essential and the Peripheral

When I went to college, the food was terrible and the beds were hard. We joked about it and complained about it, but mainly we just dealt with it. It wasn't why we were there. Today? Competing for students has become bigger business, which is why you're getting more advertisements from colleges than I ever got, which was way more than what your parents got. (Don't worry. The marketing expense for those glossy brochures and professionally produced DVDs has been added to your tuition.)

How do colleges try to win your heart? One way is to have state-of-the-art amenities. Not just up-to-date classrooms, laboratories, libraries, and academic resources—though they certainly help and actually matter. We're talking gourmet food, sushi bars, rock-climbing walls, first-class fitness centers, and classy apartment-style housing. Don't have time to wash your clothes? Some colleges even boast a laundry and dry-cleaning service to help with that. Of course, these niceties make the college experience more enjoyable. But someone *is* paying for it, and it's either the government, rich donors, or you (hint: look at the “fees” line on your bill).

Considering the price of college, and your budget, be realistic about what's essential and what's peripheral. I've known students who were horrified at the thought of moving home with their parents and commuting to campus in order to save money. But think about it: Emily would have avoided debt entirely by living with her Uncle Chris and Aunt Jennifer. Living on campus is great, but room and board can run more than twice what it would cost to live with relatives, which *is*—believe it or not—what most students do.<sup>10</sup> You'll have to pay back every penny, plus all the interest, when you graduate. And if you're covering both tuition *and* living costs with loans, you're probably maxing out on federal loans and diving into private loans. Private loans have higher interest rates, which translates into higher monthly payments after you graduate—and your bill can go up from one month to another because the interest rates are often variable. For these and other reasons we'll discuss, it's best to avoid private loans entirely.

## It Will Take Commitment

Going to college without racking up a huge bill is not easy. It'll require you to take some bold steps that go against the flow. Not going broke is about paying for things with cash whenever possible and minimizing expenses. It'll require *delaying gratification*—saying no to something good today so you can say yes to something better tomorrow, such as being free to pursue your dreams after graduation.

What is so dangerous about debt is that it promotes *instant gratification*. You can have it now! But think about it. Why is it so easy to borrow money—either by credit card or by student loans? Because the folks lending you the money are making a handsome profit on you. Sometimes it works out. Students graduate, move into high-paying jobs, and pay off their debts without major difficulty; others aren't so fortunate.

I am convinced there *is* a better way. Stay with me, because what I have to say in this book may surprise you. It will definitely empower you. You don't have to take on a mountain of debt just to have a shot at a decent future. You *can* go to college without mortgaging your future. Plenty of people are doing it, even today, and you can join them.