

HOW TO GRADUATE UNIVERSITY WITHOUT A BOATLOAD OF DEBT

A WHITEPAPER FOR STUDENTS BY SA CAPITAL



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For What Really Matters



It's Tough To Be A Millennial These Days

Young professionals are facing a number of challenges: a poor job market, rising home prices, unaffordable child care and of course, rising tuition and student debt. The facts speak for themselves: the average Canadian student graduated with \$27,000 in debt, according to the 2015 Graduating Student Survey by the Canadian University Survey Consortium. What are the consequences of too much student debt? Too much student debt can cause you to put off life milestones like getting married, buying your first home and starting a family, not to mention the mental and emotional stress that debt can put on you.

The good news is you don't have to graduate up to your ears in debt. There are things you can do to pay down your debt while you're still in university – or avoid debt all together. By looking at your education as an investment, you can make smart spending decisions that will benefit your finances in the long run.

University for a lot of students means freedom. While you may be free from your parents, you're not financially independent from them yet. Attending university comes with a lot of expenses.

Education Expenses For Students To Budget For

- Tuition and Fees
- Books, Supplies, etc.
- Room and Board
- Meals
- Entertainment
- Transportation



Tuition and fees is the most costly expense for students. The average student spends \$6,100 per year on a Bachelor's Degree Program, according to [OntarioColleges.ca](https://www.ontariocolleges.ca). The costs for a specialized program or masters can be two or three times that, or more. To save on tuition, take your time to research universities and colleges. You may be able to find one with a good reputation that offers more affordable tuition and fees.

Room and board is another costly expense for students. Instead of living the high life on your own in an upscale downtown condo, consider getting roommates. Student housing tends to be expensive, so instead of living on campus, consider living nearby (but within walking distance, so you won't have to incur added travel expenses). Or you can avoid room and board altogether by living at home with other family members. You may not be able to enjoy the "college experience" as much as you want but your cheque book will thank you for it. You'll be able to save more of your money and put it towards repaying your student debt while you're still in school.

You don't want to spend your entire semester in your dorm room. While there's nothing wrong with experiencing the "college life," if you're not careful your lifestyle can add to your debt load. **Take the time to create a budget.** You can create a budget in Excel, using your smartphone or whatever works best for you. Figure out how much you can afford to spend on expenses, including rent, food and entertainment. Your budget isn't set in stone. Track your spending and see if you're going over budget (food and entertainment are two of the easiest categories to blow your budget).

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A lot of people associate budgets with not having fun, but that simply isn't true. You can still have fun – as long as you budget for it. There's nothing wrong with enjoying a night out with your friends, as long as you're not spending your money on food and drinks for everyone else. You should also be conscious of not going out too often, as regular outings can drain your funds relatively quickly. Look for ways to save on the activities you enjoy. Instead of joining an expensive gym, consider joining the gym on campus. It may be free or at a reduced rate. If you enjoy going to the movies, go on Tuesdays when it's less expensive. It's all about being smart with your spending.

These are just some of the expenses faced by students. We'll discuss books, meals and transportation in more details below, including ways to save.

Looking At Your Education As An Investment

What is the most valuable asset you own? Your car? Your stereo system? Your golf clubs? You may be surprised, but it's actually your ability to earn income over your life – your human capital. If you're like most people, you'll make about \$1 million over your working life.

Education is a major investment in terms of both time and money. When you invest in education, you're expecting to increase your human capital (i.e. your earning potential). It's important to recognize there are two types of costs for education: direct and indirect costs. The direct cost are easier to recognize – tuition and fees, books and school supplies, room and board, meals, entertainment, transportation and financial aid.

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Indirect costs are the less obvious costs. The main indirect cost is your opportunity cost. In other words, what are you giving up by taking a certain course of action? As the saying goes, “time is money.” For education, the opportunity cost is the time spent and the money you've giving up by attending higher learning. (Hopefully this may pay off though, as you'll be earning more in the long run if done right.)

After you wear the cap and gown, you're hoping to increase your human capital, but that's not always the case. For baby boomers, the decision of going to university was a lot

simpler. If you wanted to land a decent job, university was a must. However, that's no longer the case today. Decent full-time jobs are in short supply. Millennials are forced to take contract or temporary work, which makes it hard to reach major financial milestones like paying down student debt, getting married, starting a family and buying a home.

To avoid finding yourself underemployed – or worse, unemployed – do your research ahead of time to make sure you're choosing a career you'll enjoy and that's in-demand. Interview someone already in the field you want to pursue to make sure you'll like it. Also, do some research and find out if there's enough jobs in your field now, but more specifically, what the demand might be in your area of study by the time you graduate from school. Each year Canadian Business publishes the top jobs in demand. That's a good starting point for to see if you find any careers that interest you.

Avoiding Student Debt



Buying Used Textbooks

Besides tuition, **textbooks are a costly expense for students.** You could easily end up spending \$1,000 or more on textbooks each semester. Instead of buying your textbooks brand-new, head to your university's used book room or even an off-campus used book store. These places can usually save you quite a bit of money (just make sure you're buying the most up to date edition). Once the semester is over, don't forget to sell your textbooks. If you're lucky you might break even or earn a small profit.



Part Time Jobs

If your course load isn't too heavy, **consider working a part-time job during the school year.** Not only can you help pay for your schooling, you can gain practical job experience. By working 20 to 25 hours a week, you can earn a decent paycheque and use it toward repaying your student debt – or avoiding student debt in the first place. Some employers even offer tuition reimbursements. Try to get a job on campus. Not only do those jobs tend to pay better, the location is convenient.



Summer Work

Instead of taking the summer off, why not **earn some money and gain practical job experience in your field?** Many universities have career centres that help place you in paid internships in your field of study. With relevant job experience, you'll be that much more employable when you graduate.

Avoiding Student Debt



Tutoring

Tutoring is the perfect way to earn some decent money from your book smarts and make new friends. Find out if your university hires students for tutoring or start your own tutoring service that works with your schedule.



Living Frugally

It's not hard to get into consumer debt when you're in university. Universities don't make it any easier. During frosh week, there are credit card kiosks everywhere. A credit card can be a helpful way to build a credit history, but if you're not careful you can end up to your ears in debt. If you decide to take out a credit card, use it responsibly. **Only spend what you can afford to pay off in full once your statement comes due and never carry a balance.**

You may have heard the saying "living like a student." Try to live frugally while you're in university. Eliminate wasteful spending like eating out at every meal and Starbucks coffee twice a day. Try to pack your lunch whenever possible and carry coffee in a Thermos. If you're within commuting distance, try to cycle or take transit to school instead of owning a car. **The savings will add up big time.**

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Financial Assistance

Scholarships, Bursaries, Grants and Loans



Government Assistance

Attending post-secondary education can be expensive. Luckily you're not alone in this financial endeavour. The government is willing to lend a helping hand. **Financial assistance comes in many different forms:** scholarships, bursaries, grants and loans, to name a few.

Scholarships, bursaries and grants are essentially “free money” – they don't need to be repaid. Many students assume they have to have straight A's to get a scholarship, when that couldn't be further from the truth. Keep your eyes out for scholarship opportunities throughout the year.

Student loans on the other hand do need to be paid back, often with interest, when you graduate. In Ontario, the student loan offered by the government is called OSAP (Ontario Student Assistance Program).

You can learn more about government assistance here: ontariocolleges.ca/colleges/paying-for-college



Private Loans

If your parents earn too much for you to qualify for a student loan from the province, you may have to apply for a private loan. **Many financial institutions offer private student loans at slightly higher interest rates.** With private loans similar to government loans, you'll be expected to make monthly payments upon graduation.

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Ontario's New "Free Tuition" Program

Major changes are being made to OSAP for the 2017-2018 school year. The government is offering students the Ontario Student Grant to help pay for their education. This will mean tuition is essentially free for most low to mid income families in Ontario. Full-time students with a combined household income under \$50,000 will get free tuition.

But it's not free for everyone. If your parent(s) earn more than that, unfortunately, you're out of luck and you will have to find other means to pay for your education like student loans.

Paying Back Your Student Debt

Previously students were under a lot of pressure to land a full-time job after graduation to avoid racking up a lot of student debt. No longer. Under the new Liberal plan, students won't have to start repaying their student loan until they're earning at least \$25,000 a year. Interest won't start to accrue either. That means you can take your time finding the right job without feeling rushed to take on the first job that you come across.



When you do start to pay back your student loan, try to pay more than the minimum.

Do this by paying yourself first. Have the money automatically taken off your paycheque and put towards your student debt before you're tempted to spend it. Also aim to pay more than the minimum. Similar to the minimum payment on your credit card, it can take you years to pay off your student debt – and cost you thousand in interest – if you just pay that amount. By aggressively paying down your student debt, you'll be debt-free sooner and be able to start saving toward your next goal like homeownership.



Top 5 Tips for Repaying Your Student Debt

I hope you've learned plenty about saving money on post-secondary education. Here's a brief recap of some of the key lessons we discussed in this whitepaper.

1. Live Frugally

Continue living like a student after graduation (you don't have to buy a car or house right away).

2. Create a budget and track your spending

This will help to cut back on daily living expenses like those daily trips to Starbucks.

3. Land a Well-Paying Full-Time Job Straight Out of University

Attend job fairs and start looking for a job at least 6 months before graduation.

4. Pay Yourself First and Pay More Than the Minimum

Set up automatic withdrawals, so you're not tempted to spend. By paying more than the minimum, not only will you be debt-free sooner, you'll save hundreds in interest.

5. Know the Terms of Your Student Loan

Although you have a 6-month grace period to start repayment, interest will start accruing right away. Choose wisely between a fixed and floating interest rate.



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