

Is Tertiary Education Still a Worthwhile Investment?

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With the cost of tertiary education rising each year and questionable career prospects awaiting graduates, some people are wondering if investing in tertiary education is still worth it. If you took all of the money you would spend on tertiary education and invested it, would you come out ahead? Given most countries are going through economic downturns, expensive education and high unemployment rates, most families face the dilemma of what is the best path to ensure a successful and stable future for their children. News every day is filled with success stories of people that did not even attend tertiary institutions adding to the confusion already facing families. Hence the question, is tertiary education still a good investment for most students and their families?

The value of a college degree can be hard to quantify. This is because, besides the tangible value of one's future income, there are many intangible benefits. These include benefits such as learning independence, improved social skills, and general skills such as working with teams, developing good working habits and much more. However, because those skills do not have a dollar value, one needs to examine what can be quantifiable.

In a study done in America by PayScale (2015) a popular career website, it was found out that the return on investment (ROI) for a college degree is a compelling investment. The two universities with the best ROI, Brigham Young University (BYU) and Georgia Institute of Technology (Georgia Tech) offer an average 12.5% annual return on investment on a typical four-year, in-state tuition cost of \$77,300 and \$86,700, respectively.

The study also looked at the total income graduates can expect rather than just the percent return. It was found out that the top schools for 20-year net ROI (career income fewer college costs) put Harvey Mudd College in first place with an expected ROI of \$985,300. In second place was the California Institute of Technology (Cal Tech) with an expected 20-year net return of \$901,400. The median annualized ROI for all schools was found out to be around 6% for public schools and 4% for private schools.

In comparison, it is important to now look at how those same dollars invested would have compared to financial investments. In a study by Bankrate.com (2018) it was found out that the safest investment in general for most retail investors is a United States Treasury Bond and because these investments are so safe, the return paid by the U.S. government is very low. Over the last 20 years, this would have resulted in a 2.5% ROI. When compared to the average college degree, an education would fare much better, yielding about double. Other investments that fared similarly to a college degree are investments in Ford (F) with a 4.9% ROI, Bank of America (BAC) with a 5.3% ROI and gold with a 6% ROI.

On the other hand, some good investments were found out to beat a college degree investment numerous times over. An investment in Apple (AAPL) stock in 1995 returned on average 24.8% over the last 20 years, while Microsoft (MSFT) returned 15.2%.

Given the aforementioned study's findings, experts point out that there is no proven path with regards to getting a higher ROI. An individual still has the liberty to choose whether they want tertiary education or forgo it and invest that money. It is still up to the individual to make a success story out of their choice.

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