FinStart

## How to decide if student debt is worth it?

Student debt means borrowing to invest in yourself. People finance education partly with debt because they believe that with a diploma, certificate, or degree they'll be able to earn more money than without it (and perhaps have a job that interests them more). But there's a cost to borrow, even when it's government student debt.

Money is not everything when you make this decision, though it's easier to compare things that you can quantify. Here's an example of how you can think about this. The more research you do on salaries by diploma / degree in the profession you're choosing, the more accurate your comparison will be.

<table>
<tr><th>What could your monetary gain be?</th><th>What's the cost?</th></tr>
<tr><td>That'll depend on the degree you choose – not all degrees have the same value in the employment market. Statistics Canada, a government agency, has some average numbers from the 2016 Census.
<ul>
<li>Men earn:
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<li>20% more with a college diploma than only high school</li>
<li>30% more with an apprenticeship certificate than only high school</li>
<li>20% more with a bachelor's degree than only college.</li>
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<li>Women earn:
<ul>
<li>12% more with a college degree than only high school</li>
<li>40% more with a bachelor's degree than only college</li>
<li>In the professions that tend to be chosen by women, on average, apprenticeship certificates do not appear to lead to higher salaries than a high school diploma.</li>
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Those statistics in dollars mean that, eventually, on average, a college diploma is worth around $12,000 in annual salary for men, and $5,000 for women (before tax).<br><br>
'On average' and 'based on past Census data' does not mean that this will be the case of your profession, that these averages will hold in the future when you graduate, or that you could see such increases in earnings right after you graduate. But it's something to keep in mind.</td>
<td>Here's an example (as of July 2019):
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<li>Let's say you borrow $20,000 while at college / university (according to MacLean's, the average student debt in Canada is $24,000)</li>
<li>After graduating, you take 114 months to repay it (the average in Ontario according the government).</li>
<li>With the current 6% interest rate on student debt in Ontario, your monthly payment would be $260, or $3,120 per year. Each year, you'd also get a $351 tax credit (the value of this credit to you may change, depending on your taxable income).</li>
<li>Over the 114 months, you'll pay $26,305 (260 times 114 months, less 351*9.5 years). $20,000 is your principal repayment, and $6,305 interest (your cost of debt).</li>
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We used this calculator for Ontario government loans. Use the one appropriate for your province.<br>
https://osap.gov.on.ca/AidEstimator1920Web/enterapp/debt_calculator.xhtml#quesArea</td></tr>
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