

# Myth Buster

## Tuition and Student Debt

### POST-SECONDARY EDUCATION: OUR TIME TO ACT

Over the past thirty years, tuition fees for university undergraduates in Canada have doubled, even after accounting for inflation. Other compulsory fees have also increased. College students are seeing a similar rise in tuition and fees. We need urgent action to address the high costs of post-secondary education. Don't fall for these common excuses as to why the rising price tag of higher education doesn't matter.

**Myth: Total tuition doesn't matter; what matters is net tuition – the cost to students after financial aid is taken into account.**

Reality: Reducing the price tag of higher education through financial aid is usually a complicated, bureaucratic maze which can be difficult for students to navigate and which makes it easy to miss out on programs you actually qualify for. Estimates of "net tuition" also frequently include back-ended grants and tax credits, which don't help students obtain the cash they need upfront to pay their tuition bills. In addition, tax credits are a highly regressive, inefficient way of paying for education. Most of the value goes to higher income earners, and students can end up carrying the credits forward for years before they have enough income to get anything back from the credit.

**Myth: Continued growth in enrollment proves that the cost of post-secondary education doesn't matter; students are willing to pay it anyways.**

Reality: An estimated 70% of jobs today require post-secondary education of some type. People aren't enrolling in post-secondary institutions because they don't mind the price; they're enrolling because they can't afford to be without that necessary credential. Forcing people into a situation where they can't afford the cost but can't afford to miss out on higher education is driving Canadians further and further into debt.

**Myth: It's okay for students to accumulate debt because they're going to make more money after they graduate.**

Reality: It's true that the average income of a post-secondary graduate is higher than the average income of a high school graduate, but these are averages. Averages mask the fact that there are winners and losers. Some graduates do very well, and others see very little financial return for their diploma or degree. Unfortunately, the proportion of people who are seeing little financial return is growing as precarious, poorly paid work increases as a proportion of our economy. This makes paying for post-secondary education a bit like buying a lottery ticket, hoping you'll be one of the lucky ones to earn more. Instead, we should make post-secondary education free for everyone and require higher income graduates to pay for their education through their taxes.

**Myth: Student debt is a small proportion of overall consumer debt in Canada, so it's not something we should spend time worrying about.**

Reality: Canadians are struggling to deal with student debt. More than one in ten Canada Student Loan holders default on their loans every year. Approximately one-third of all loan holders were participating in the Repayment Assistance Plan in 2013-14 – and that was before the government increased the threshold for participation to \$25,000. Over the past five years, the federal government has spent more than a billion dollars writing off student debt that could not be collected. Student debt is preventing many young people from buying homes, starting families, opening small businesses, or saving for retirement. This in turn has an impact on well-being and economic growth.