



Financing a Doctorate in Physical Therapy

Some observations, tips, and advice.

Good information abounds on how traditional graduate students might best finance their education. But students who are pursuing a doctor of physical therapy degree (DPT)—and, in particular, those who are seeking a transitional DPT (t-DPT)—tend to be nontraditional students with special needs who would benefit from financing approaches that are different from those of conventional graduate students.

The “typical” graduate student is single, 23 to 25 years old, goes to school full-time, lives on or very near campus, and generally is able to finance his or her postgraduate studies primarily with student loans supplemented by scholarship monies, personal and family contributions, and income as a graduate assistant. Conversely, in our experience at EAS Group, LLC, the APTA-endorsed provider of student loan services for APTA members, a student pursuing a doctorate in physical therapy has a decidedly nontraditional profile. This student tends to have been out of college for 5 or more years; has existing education debt; has a significant other, and, often, dependents; is working full-time in the physical therapy profession; and is trying to attain his or her higher education goals by taking traditional classroom and/or Internet courses—on weekdays, in the evenings, and/or on weekends—that may entail hundreds of miles of commuting. Such characteristics make education financing for this group a complex proposal.

We know that higher education is an investment that pays off over the

course of a lifetime. The typical earner with a graduate degree earns more than twice as much as does a high school graduate. Over a lifetime, the gap in earnings between those with a high school diploma and those with a bachelor's degree is nearly \$1 million.¹ According to the US Census Bureau's *Current Population Survey 2002*, in 2001 the average mean earnings of workers 18 and older with a bachelor's degree was \$50,623, while the figure for those with a doctoral degree was \$85,675.²

The question for students interested in obtaining a doctorate in physical therapy is how to make the investment without impairing their financial health. With colleges and universities continuing to raise tuition, some level of debt may prove unavoidable for most students. The key to success is to take a financial planning and management approach to paying for the DPT or t-DPT degree.

Practical Advice

To implement the financial planning and management approach, one must understand the nature of the costs involved, minimize them if possible, and institute a plan that allows payment without compromising the individual's independence, security, and ability to meet other life goals. The following are some practical tips and advice along these lines.

Do your homework before you start school. The decision to return to graduate school after several years of working full-time entails an enormous maze of emotional, financial, personal, professional, and family considerations and

decisions. To best navigate it, do your homework before you enroll. In the financial realm, this homework includes:

- ❖ Contacting current students and graduates of each of the programs in which you are considering enrollment. This will give you a more complete picture of potential costs above and beyond tuition—eg, travel, copying, books, and so forth.
- ❖ Familiarizing yourself with the school's financial aid policies and procedures, and how they interplay with the application and admissions process.
- ❖ Learning tuition due dates and studying payment options.
- ❖ Determining need-based financial aid requirements for each program you are considering entering. This usually is based on a specific number of course hours.
- ❖ Investigating sources of aid that may offset your out-of-pocket costs. For example, are merit-based scholarships/grants or loan-forgiveness services available? Does your employer offer educational reimbursement or assistance? If not, might your employer be interested in doing so? (Perhaps all it would take would be a well-designed proposal from you.)
- ❖ Completing a Free Application for Federal Student Aid (FAFSA) form in the first part of the year—as soon after January 1 as possible. (If you apply prior to January 1, your application will be returned unprocessed.) Completing this form is the required first step of applying for many types of financial aid.

- ❖ Finding out the typical timeframe for completion of the degree you are seeking and how many students finish within your planned timeframe. You don't want to commit significant time and monetary resources to a degree that you may not complete.
- ❖ Considering whether you have set other goals for the period during which you plan to seek your educational goal—eg, marriage, starting a family, or paying for a child's education.
- ❖ Connecting with someone who is interested in your career and can tell you what to expect from your educational program with regard to financial obligations, academic workload, career opportunities, and other important aspects.

Take time to get your financial picture in focus. If you decide to pursue a DPT or t-DPT degree, make certain you have a clear picture of your financial situation. At minimum you should:

- ❖ Obtain copies of your credit report from each of the three major credit agencies—Equifax, Experian, and Trans Union—to ensure you will encounter no discrepancies or problems in your credit history should you need to apply for a loan or lines of credit. (The Public Interest Research Group recently reported that one in four credit reports has serious errors.³) Credit reports are available without charge in several states and will be provided free nationwide by late next year. Checking your own credit report for personal use will not lower your credit rating.
- ❖ Calculate and outline your income and expenses—how much money you have, where it comes from, and where it's going. You might use a software program such as Quicken or Microsoft Money, or simple accounting paper. Devise your own system.

Whatever works for you. Just know the facts about your money.

- ❖ Add up all debt for which you currently are responsible. Professional financial advisors suggest that loan payments, including automobile and credit cards, should total no more than 36% of your pretax income. *Money* magazine advises that spending more than 10% to 15% of income on unsecured debts, such as credit cards, can mean trouble.⁴ If you find that you are meeting or exceeding these thresholds, look long and hard at whether now is the right time to add to your debt load. You may be well advised to pay down your existing debt before you add on more.

Develop a household budget. It's best to implement a household budget and adhere to it at all times—before, during, and after graduate study. Here's why:

- ❖ Preparing a budget while investigating DPT or t-DPT programs places your anticipated costs within the context of your larger personal financial situation and gives you a clearer idea how paying for graduate school will affect your overall expenses. Developing a budget may challenge you to reduce living expenses to ensure sufficient savings. *Money* suggests that individuals limit spending to no more than 90% of take-home pay in order to leave 10% for "big-ticket items," such as graduate school, and to meet long-term goals.
- ❖ Maintaining a budget while in school can help prevent financial disaster (eg, over-borrowing), and ensure continuing allocations to savings. Those funds are then available should unanticipated expenses arise.

Budget "Do"s

A budget should be a living tool. Review it regularly—at least annual-

ly—and update it as your circumstances change. With every update, make sure it continues to reflect your priorities and keeps you on track to meet your long-term goals. Keep these "do"s in mind:

- ❖ Be realistic when budgeting, and be sure to include everyone who will be involved in earning and spending the money being budgeted. That way, you'll have the buy-in of everyone who will be affected by your plan.
- ❖ Try to devise a budget that you, and all who will feel its impact, can stick to without feeling deprived.
- ❖ Switch over to your in-school budget as soon as possible—ideally 6 months to a year before you begin your DPT or t-DPT program. This should give you sufficient time to make the attitudinal and behavioral adjustments that will be critical once graduate study begins.
- ❖ Leave "wiggle room" within your budget to absorb potential increases in various line items (such as utility or food costs) and unanticipated costs (such as repairs to a car or major appliance).
- ❖ Continue to make full contributions to your retirement savings. Remember: While excellent loans with low rates are available to help you pay for your education, no such aids are available to assist you in retirement.
- ❖ Include line items for sufficient disability insurance, and, if you have dependents, life insurance.
- ❖ Consider consolidating any existing student loans you may hold. Such consolidation allows borrowers to combine various student loans into a single loan with a new, more manageable repayment schedule. Student loan rates currently are at an all-time low, which means that you may be able to reduce your monthly payments on

Five Steps to Funding Your DPT or t-DPT

The EAS Five-Step Approach is designed to help students and their families create a personalized plan for paying higher education-related costs that ensures full exhaustion of the least expensive funding sources first (those with the fewest strings attached to them), and taking on the lowest amount of debt possible.

Step one: Identify or create reserves of savings, investments, and available cash that can be specifically targeted for education expenses. The savings and investments in this step are funds you have placed, or are going to place, aside in a systematic way—in interest-bearing accounts, stocks and bonds, investments, and cash—to pay for education. “Available cash” refers to what you can afford to sock away out-of-pocket from your income now and after you begin your education program.

How much you’ll be able to pay out-of-pocket will depend on two factors—your household income and your household expenses. The more wisely you manage your expenses now and while you are in school, the more cash you will have available to meet your educational expenses when it comes time to pay the bill. Five percent of your household’s take-home income is a conservative estimate of what you might try to save or pay out of pocket; 10% to 15% is even better.

Step two: Prepare and file a FAFSA. While you should try to take on as low an amount of debt as possible, it is prudent to find out how much need-based financial aid you can qualify for should you require it. You can find this information out by preparing and filing a Free Application for Federal Student Aid, or FAFSA. (Go to www.fafsa.ed.gov). The FAFSA should be completed and submitted on January 1 of the year you plan to enroll, or as soon as possible after that date.

Need-based financial aid is distributed to students who are determined to be in financial need based on a standardized analysis of their income and assets, their families’ income and assets, and other factors as reported on their FAFSA. For federal student assistance programs, the need-analysis system is defined by law and results in a number known as the Expected Family Contribution (EFC).

The EFC is what a student and his or her family will be expected to reasonably contribute to the cost of the education. You become eligible for need-based financial aid when your ability to pay is less than the costs of the school you plan to attend. Your financial need is determined by subtracting your EFC from the cost of attendance. Graduate students generally are considered to be independent, so parental contributions would not be considered as part of the EFC amount. If a graduate student is married, however, his or her spouse’s income can be included.

Online calculators are available to help students estimate their EFC. (One such calculator is available at www.finaid.com; click on “Calculators” and follow the links). You also can work with a school financial aid administrator.

Step three: Investigate scholarships, grants, work/work-study opportunities, and graduate assistantships. These all are types of financial aid that needn’t be paid back. These funds come from various sources, including the government (federal, state, and local), universities and colleges, and private organizations. You can use income from scholarships, work/work-study programs, and graduate assistantships to augment or reduce the amount of money you draw from Step One sources. A good start in the process of locating scholarships, grants, work/work study oppor-

tunities, and graduate assistantships is to check with the financial aid office of the school you wish to attend. As a general rule, you should never pay to search for these opportunities, because there are many free tools available on the Internet available to assist you with this process.

Step four: Consider other investment assets. Other investment assets are monies that you have accumulated through the purchase of such financial and material resources as CDs, stocks, bonds, real estate, and art. These are assets you have not developed specifically for the purpose of paying for education, but which could be used for this purpose. In order to tap these assets, you must convert them. Methods of converting investment assets can include selling real estate, other real property, or stocks or bonds; making a withdrawal from a 401(k) or Individual Retirement Account; and making a withdrawal of cash value from a life insurance policy. Tapping into other investment assets generally should be done only at the point when you need the money. For example, if you need funds to help pay for the second year of your t-DPT program, you might sell stocks or withdraw funds from a life insurance policy 2 or 3 months prior to the payment due date.

It is important to note, however, that, depending on individual and/or family circumstances, it may be wiser in the long term not to convert investment assets at all and skip to Step Five sources of funding, or to tap Step Five resources before you draw on other investment assets. Whatever you choose to do, it is important that you consult with professional financial and tax advisors before making any financial decision regarding sale or purchase of any investment assets.

Step five: Research other nongovernmental loan options, such as:

- ❖ **Alternative/private education loans.** Even if you are not eligible for federal or state government education loans, you may be eligible for credit-based alternative/private education loans. Some private/alternative loans require that you meet need-based criteria, while others are strictly credit-based and require only that you certify enrollment. As with any loan, it is important to pay close attention to interest rates and repayment terms to ensure that you can bear the costs and meet repayment expectations.
- ❖ **Leveraged loans.** Leveraged loans entail borrowing against assets you own. They often offer favorable interest rates and repayment terms. In a leveraged loan situation, you are actually borrowing money from yourself. Examples of leveraged loans include home equity loans, lines of credit, second mortgages, and margin loans on your equity accounts (stocks and bonds). In some cases, interest on these loans may be tax deductible, which can add to their attractiveness. To fully explore the pros and cons of tapping this funding source, consult with a professional financial or tax advisor.
- ❖ **Personal unsecured loans.** The most common personal unsecured loans are obtained through use of credit cards. Because they are so easy to use, they are a very tempting form of payment. It is best, however, to use a credit card for education debt only as a very last resort. Education financing professionals are firmly against using credit cards and personal unsecured loans or unsecured lines of credit to pay for college or graduate school because of all the attendant “catches” and risks—including high interest rates, significant penalties for late or missed payments, and great potential for adverse impact on one’s credit rating.

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this line item in your budget by 50% or more. Consolidation allows in-school deferment, meaning you can suspend payment of your consolidation loans (but maintain your fixed interest rate) while in graduate school. (Interest will accrue.)

❖ If possible, avoid incurring any new debt—and, to the extent that you can, pay off minor debts. This will improve your debt-to-income ratio should you need to apply for credit-based private or alternative loans. For example, for some private loans, a borrower with superior or good credit need pay no origination fee. It's helpful, too, to whittle away at the number of regular bills you must pay while in school.

❖ Begin working toward saving at least 5% of your take-home pay to use for your graduate education. Even if that means starting with just \$25 per month, it establishes a savings habit and begins to build a pool of education funds that you will not have to borrow.

Going back to school is exciting and enriching. You always should select a DPT or t-DPT program based on its ability to meet your educational goals and learning preferences; cost should be a secondary consideration. By taking a financial management approach to financing your doctoral degree, you can put your money where your heart is: in attending the graduate program that's best for you and your professional aspirations. **PT**

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