

THE ECONOMICS OF DELAYED CAREER LAUNCH FOR COLLEGE GRADUATES

Introduction

Who hasn't experienced mild nausea when confronted with hard data during a periodic review of debit and credit card statements? "We spent how much eating out at restaurants last month?!" At least awareness of how we are spending our cash is half the battle, right? With that in mind, let's take a brief look at the cost to parents of a delayed career launch for a recently graduated son or daughter:

SCENARIO ONE – Job seeking, recently-graduated son living at home:

Mark recently graduated from a good school with solid grades and a liberal arts degree. He isn't yet sure of his specific career goals, but is using the internet to research and post for positions that he thinks might be appropriate. He is getting discouraged by the deafening silence in response to his applications. In the meantime, his parents are helping him financially in the following ways:

HARD COSTS:

Expense	Monthly Cost	Annual Cost
Cell phone	\$100	\$1200
Health Insurance	\$150 (extra payroll deduction for family versus single or single plus spouse)	\$1800
Non-covered health expenses (co-pay, deductibles)	\$40	\$480
Gas	\$220 (one tank per week)	\$2640
Groceries	\$100 (\$25 extra per week)	\$1200
Car Insurance	\$200	\$2400
Miscellaneous (clothes, concerts, eating out, internet purchases, trips)	\$100	\$1,200

> think first

Total of hard costs	\$910 per month	\$10,920 per year
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OPPORTUNITY COST:

Expense	Monthly Cost	Annual Cost
Lost income from attainable, entry level position requiring a college degree	\$2750	\$33,000*
Total of lost income:	\$2,750 per month	\$33,000 per year
TOTAL OF EXPENSES AND LOST INCOME:	\$3,660 per month	\$43,920 per year

*Average salary for history majors (National Association of Colleges and Employers, Winter 2011 Salary Survey)

SCENARIO TWO - Job seeking, recently-graduated daughter, living on her own and working retail:

Jennifer graduated eighteen months ago with a business degree and a concentration in marketing. She searched for a marketing position in the northeast for six months, and found that she didn't have enough work experience to break into the field. Nine months ago she moved in with a roommate, increased her hours at Ann Taylor from part-time to full-time, and got a raise from minimum wage to her current rate of \$10.50 per hour. Her annual salary, assuming a 40 hour work week and two weeks of unpaid vacation is \$21,000. She is trying to make it on her own, but still needs help from her parents in the following ways to make ends meet:

HARD COSTS:

Expense	Monthly Cost	Annual Cost
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> think first

Health Insurance	\$150 (extra payroll deduction for family versus single or single plus spouse)	\$1800
Non-covered health expenses (co-pay, deductibles)	\$40	\$480
Car Insurance	\$200	\$2400
Miscellaneous (clothes, concerts, eating out, internet purchases, trips)	\$100	\$1,200
Total of hard costs	\$490 per month	\$5,880 per year

OPPORTUNITY COST:

Expense	Monthly Cost	Annual Cost
Lost differential in income between current retail salary and the professional salary for the entry level marketing position she should have, given her degree (\$40,000* minus her \$21,000 retail salary).	\$1583.33	\$19000
Total of lost income:	\$1,583.33 per month	\$19,000 per year
TOTAL OF EXPENSES AND LOST INCOME:	\$2,073.33 per month	\$24,880 per year

*Median salary for business majors with a marketing concentration (National Association of Colleges and Employers, Winter 2011 salary survey)

Conclusion:

A delayed career launch costs real money. The “ego” cost of disillusionment for unemployed or underemployed recent graduates is immeasurable. At a conservative monthly cash flow burn rate of \$500 to \$900 per month, plus

another \$1,500 to \$3,000 per month in lost income opportunity, “hoping for the best” is a cost-prohibitive life management strategy.

Getting Started

Call Patty Phillips at (585) 472-5057 or email her at patty@clarityracm.com to discuss how she can help your graduate launch his/her career.