The Value of Education

Higher and higher

USA Report
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FOREWORD

By Charlie Nunn, Group Head of Wealth Management, HSBC.

With the rise of the information economy and a challenging job market for young people, education has never been more important than it is today. Parents know this and they are willing to go to great lengths to secure the right educational opportunities for their children.

Our latest report in The Value of Education series, *Higher and higher*, looks at parents’ ambitions for their children, their views on the costs and benefits of education, and the sacrifices they are prepared to make to ensure their children can fulfill their potential. It also explores parents’ perceptions of digital learning and the importance of international studies in our globalized world.

At HSBC, we recognize that education is key to human development and prosperity. Every year, we help parents and students around the world to make their education plans a reality, and we support access to education for disadvantaged young people through the HSBC Education Program.

I hope the insights in this report will help parents appreciate the long-term costs of education and put practical measures in place to ensure their children have the best start in life.
SECTION 1 - KEY FINDINGS

84% of parents are confident their child will have a bright future.

87% of parents are ready to make personal sacrifices for their child to succeed.

USD58,464 is the average amount parents say they spend on their child’s primary, secondary and tertiary education.

94% of parents would consider a postgraduate education for their child.

60% of parents are funding their child’s education from day-to-day income.

36% of parents would consider university abroad for their child, yet 36% of them do not know how much it would cost.

UK is the most likely destination for parents considering a university abroad for their child.

67% of parents would consider a university degree that is either completely or partly online.
SECTION 2 - GOING THE EXTRA MILE

Expert view from Professor Colin B. Grant, BA, PhD, FHEA, FRSA. Vice President (International), University of Southampton.

Member of Universities UK International Strategic Advisory Board. Member of the British Council Education Advisory Group. Chair, Russell Group International Forum.

“Parents are aware of the need to enhance their children’s life chances through higher education, and the trend towards market-relevant STEM and business/finance subjects across different regions, especially in Asia, is clear.”
SECTION 2 - GOING THE EXTRA MILE

Parents are optimistic about their child’s future.

Parents in the USA are optimistic their children will reach their full potential and be successful in the future.

84% of parents are confident their child will have a bright future, while 66% are confident their child will get top grades in their exams and 76% are confident they will get a great job.

Millennial parents are more likely to be optimistic about their child’s future. 84% are confident their child will get a great job compared to 73% of Baby Boomer and 68% of Generation X parents.
SECTION 2 - GOING THE EXTRA MILE

Parents are going the extra mile to ensure their children have a good start in life.

70% have started making plans for their child’s education, and 60% started making funding decisions, before their child had begun primary education.

Half (50%) are putting a child through state funded education, and 46% are paying for private tuition or have done so in the past.

72% of Millennial parents are more likely to have paid for private tuition, or be currently paying for it, than both Generation X and Baby Boomer parents (34% and 26% respectively).

The same holds true for those parents considering an education abroad for their child. 74% currently pay for private tuition, or have done so in the past, compared to 30% who would not consider a university education abroad for their child.
SECTION 2 - GOING THE EXTRA MILE

Personal sacrifices parents are making to support their child’s education.

Apart from financial commitments, most (87%) of parents are ready to make personal sacrifices for their child to succeed.

To support their child’s education, 24% of parents have forfeited “me time” and/or given up hobbies, 18% changed their working style, 15% developed different social circles, and 17% have either drastically reduced or completely stopped leisure activities and holidays.

34% of parents with a child who hasn’t started primary education yet are more likely to have forfeited “me-time” and/or given up hobbies than parents with a child in secondary (20%) or primary education (22%).

Despite making these sacrifices, parents are still not sure they are doing enough. 47% worry that they are not doing the best for their children.
SECTION 2 - GOING THE EXTRA MILE

Spending on education.

Parents see their children’s education as an essential investment in their future but it can be costly. From buying school uniforms to paying university fees, parents fund many expenses for their children’s education.

On average, parents say they spend **USD $58,464** (USD $74,112 if paid-for, USD $39,544 if state-funded) on their child’s primary, secondary and tertiary education up to undergraduate level. (Source: Methodology in The Research, Definitions.) Parents planning for their child to complete a postgraduate degree or attend a university abroad can expect significant additional costs.

For primary school, the average spend is USD $24,168. For secondary school, the average spend is USD $12,284. For university/college (undergraduate), the average spend is USD $22,012.
SECTION 2 - GOING THE EXTRA MILE

Education as an important gateway to employment.

Nearly all (96%) parents would consider a university education for their child, with 94% considering postgraduate studies.

77% of parents see completing a postgraduate degree as an important gateway for their child to get into full-time employment in their chosen occupation.

For 14% of parents, engineering is the most preferred university course for their child to study, with medicine (11%), business, management and finance (9%), computer and information sciences (8%), and education (5%) making up the top five most favored courses.
SECTION 2 - GOING THE EXTRA MILE

Most parents are helping to fund their child’s current stage of education.

73% of parents with a child in college or university education are contributing to their funding, and of parents considering postgraduate education for their child, 64% expect to contribute towards funding that too.

In hindsight, 40% of parents wish they had started saving earlier, while 35% wish they had put more money aside for their child’s education, and 15% wish they had taken professional financial advice.

42% of parents whose child is currently in tertiary education wish they had put more money aside for their child’s education.
SECTION 2 - GOING THE EXTRA MILE

How parents fund their child’s education.

60% of parents are funding their child’s education from day-to-day income, while 34% are using general savings, investments or insurance.

Fewer parents (24%) are funding their child’s education through a specific education savings or investment plan. 16% are funding their child’s education through general borrowing with 7% using an inheritance or other lump sum. Millennial parents (42%) are more likely than parents from earlier generations (29%) to be funding their child’s education using general savings, investments or insurance.

Parents are making or have made a range of financial sacrifices to help fund their child’s education. 30% have reduced their expenditure on leisure activities, 20% have worked extra hours in their existing job, 18% have contributed less towards their own retirement savings, and 18% have contributed less towards their own long-term savings or investments.
SECTION 3 - INTERNATIONAL HORIZONS

Expert View by Rajika Bhandari, Head of Research, Policy and Practice, Institute of International Education, Inc.

“More than four million students around the world enroll in higher education outside of their home countries, seeking to gain international skills that will prepare them to work in the global economy.

An increasing number of students are choosing education abroad as an investment in their future, as employers are increasingly looking for workers who have international experience, cross-cultural competence and language skills.”
SECTION 3 - INTERNATIONAL HORIZONS

Some parents consider a university education abroad an essential experience.

Studying at a university abroad challenges students at a personal level, but can also have a positive impact on their academic and employment career. In today’s globalized world, a university education in a different country is a real option.

36% of parents would consider a university education abroad for their child, and they are more likely to consider a postgraduate education (31%) than an undergraduate education abroad (25%).

Millennial parents are more likely to consider a university education abroad, with 57% considering this option for their child, compared to 14% of Baby Boomer parents and 26% of Generation X parents.
SECTION 3 - INTERNATIONAL HORIZONS

The top 10 destinations for a university abroad.

Of parents in the USA who would consider university education abroad for their child, many have a preferred country in mind where they would like their child to study.

The UK is their most popular choice: 37% would consider sending their child to university there. France (36%), Canada (36%), and Germany (34%) are the second most popular choices. 18% of parents would consider Australia, 15% Italy, 11% Spain, 14% Japan, 8% United Arab Emirates, 6% Switzerland and 6% New Zealand.

44% of Millennial parents are more likely to consider France as a destination than parents from earlier generations (22%).
SECTION 3 - INTERNATIONAL HORIZONS

The main reasons why parents have specific universities in mind.

40% of parents considering a university education abroad for their child have specific universities in mind.

The quality of teaching on offer (40%), the courses the university offers (40%) and if it is nearby/convenient to travel to (39%) are the top three criteria when considering particular universities abroad. 34% would select a university that is ranked highly overall in university league table, 32% would select a university where the tuition fees are more affordable.

48% of Millennial parents are more likely to place importance on the quality of the teaching on offer and the prestige associated with the university (39%) as reasons for considering a specific university abroad than parents from earlier generations (31% and 17% respectively). Yet more than a third (36%) of parents do not know how much it would cost for their child to study abroad.
SECTION 3 - INTERNATIONAL HORIZONS

The main benefits of a university education abroad.

From developing soft skills to widening core abilities, parents see a range of benefits to completing a university education in a different country. According to parents considering a university abroad for their child, exposure to new experiences, ideas and cultures (40%), international work experience (36%), gaining independence (33%), increasing confidence (33%) and social networking (32%) are the main benefits.

Parents educated to undergraduate level are more likely to see exposure to new experiences, ideas and culture (55%) as a bigger benefit of a university education abroad, compared to those educated to postgraduate level (33%).
SECTION 3 - INTERNATIONAL HORIZONS

The main barriers to a university education abroad.

While there are many benefits to studying abroad, children being away from home can be a big challenge for all the family.

Of parents considering university abroad for their child, 32% said the higher cost to their child would be a barrier. A similar amount thought not being able to speak the language (32%) and the long distance traveling for their child (31%) are a potential barrier. 30% cited higher costs while 30% see political instability as a drawback.

Parents also see emotional factors as barriers, with 28% being concerned that their child will get homesick and 23% worrying about missing their child.

Parents from earlier generations were more likely (45%) to see their child’s inability to speak the language as a potential barrier than Millennial parents (25%).
SECTION 3 - INTERNATIONAL HORIZONS

Experiences parents would consider for their child abroad.

University education abroad is not the only international experience that parents value for their child: over a third (36%) would consider a study abroad program, and more than a quarter (26%) work placement in another country. 25% would value a summer education program at a university for children in secondary education, while some would value living in another country with a host (21%) or with close friends (20%).

32% of Millennial parents are more likely to consider work placements in another country and summer programs at a university for children in secondary education (38%), than parents from earlier generations (22% and 16% respectively).

33% of parents educated to postgraduate level are more likely to consider work placements in another country than those educated up to secondary level (13%).
SECTION 4 - DIGITAL CAMPUS

Expert view by Professor Timothy Quine, Deputy Vice-Chancellor (Education), University of Exeter.

“"The digital campus offers online education that is flexible and catered to fit around differing work and life demands, enabling students to work, earn and learn in some of the world’s best institutions without having to move home, leave their job or sacrifice their career."
A majority of parents would consider a university degree that is completely or partly online.

68% of parents agree that new technology means everyone has more access to good education.

87% of parents in the USA are aware of these online degrees and 67% would consider a university degree for their child that is either completely online or incorporates some online courses/modules, with 33% saying they would consider a degree that is completely online.

In contrast, 73% of parents surveyed worldwide are aware of online degrees, and 60% would consider a degree that is completely or partly online.

71% of parents with a child in paid-for education are the more likely to consider a degree that is either completely online or incorporates some online courses/modules than those with children in state education (62%).
SECTION 4 - DIGITAL CAMPUS

Benefits and drawbacks of online degrees.

Many parents appreciate the financial advantages of online degrees compared to traditional campus-based degrees. A reduction in tuition fees (51%) and a reduction in travel/living costs (50%) are seen as the main benefits.

Parents also recognize lifestyle advantages, with 47% citing a more comfortable/flexible learning environment while 32% see increased ease of gaining work experience while studying as major benefits.

However, parents also see drawbacks with online degrees, such as fewer opportunities to interact with peers (44%), a less close relationship with lecturers and tutors (37%) and that they are not suitable for all subjects (35%). 32% of parents see not having enough interaction during the course as a drawback and 32% believe the quality of the teaching on the online course is not the same.
SECTION 4 - DIGITAL CAMPUS

The influence of cost in considering an online degree.

67\% of parents would consider an online degree for their child if it was cheaper than the cost of a traditional campus-based degree.

33\% of parents say an online degree would need to be 50\% cheaper for them to consider, while for 16\% it would need to be 75\% cheaper. 18\% say it would need to be 25\% cheaper, and 4\% say it would need to be the same cost as a traditional degree. 5\% would consider an online degree only if it’s free; 6\% would not consider an online degree even if it was free, with Baby Boomer parents (12\%) more likely than Millennial parents (4\%) to say this.

The overall cost of an online degree can be 25\% to 50\% cheaper than a traditional degree, as a result of reduced accommodation expenses, study materials and tuition fees.
SECTION 5 - PRACTICAL STEPS

Important insights and practical actions drawn from the research findings to consider when planning for a child’s education.

Start planning early.
40% of parents wish they had started saving earlier, and 35% wish they had put more money aside for their child’s education.

Early planning and saving for education can help your children fulfill their potential and limit the strain on family finances. Seeking professional advice can help you plan and make better informed choices.

Be realistic about the costs.
USD $58,464 is the average amount parents say they spend on their child’s primary, secondary and tertiary education.

The costs of educating your children from school to university can be very expensive. Be sure to allocate enough money to support their development and attainment through all stages of their education.
SECTION 5 - PRACTICAL STEPS

Consider a university abroad.
36% of parents would consider a university abroad for their child, yet 36% of them do not know how much it would cost.
A university education abroad can help your children to be independent and enhance their job prospects. Make sure to plan for all the implications including higher tuition fees, international travel and exchange rates.

Prepare for the long term.
73% of parents are currently contributing to funding their child’s university or college education; 94% would consider a postgraduate education for their child.
Parents can still be paying for their children’s education well into their twenties. Understand the extra costs of them studying for longer and consider putting plans in place to fund these should the unexpected happen.
SECTION 6 - THE RESEARCH

The Value of Education is an independent consumer research study into global education trends, commissioned by HSBC. It provides authoritative insights into parents’ attitudes and behavior towards their children’s education around the world.

This report, entitled *Higher and higher*, is the fourth in the series and represents the views of 8,481 parents in 15 countries and territories.

Since The Value of Education program began in 2014, more than 24,000 parents have been surveyed.
SECTION 6 - THE RESEARCH

The survey.

The findings are based on a sample of parents with at least one child aged 23 or younger currently (or soon to be) in education, drawn from nationally representative online panels in each country or territory.

Over 500 parents (including at least 150 with a child at university or college) were surveyed in all countries.

Figures have been rounded to the nearest whole number.

The research was conducted online by Ipsos MORI in February 2017, with interviews in Egypt conducted face-to-face.

The 15 countries and territories are:

- Australia
- Canada
- China
- Egypt
- France
- Hong Kong
- India
- Indonesia
- Malaysia
- Mexico
- Singapore
- Taiwan
- United Arab Emirates
- United Kingdom
- United States

This country report represents the views of 501 parents in the USA.
SECTION 6 - THE RESEARCH

Definitions.
Primary education: Also known as primary or elementary school.
Secondary education: Also known as secondary or high school.
College: Also known as trade, technical, career or vocational college.
University: Also known as further education, higher education or college.
Baby Boomer parents: Born between 1945 and 1965.

Spending on education (methodology).
To calculate spending on education, parents who are currently contributing to funding any aspects (e.g. school/university tuition fees, educational books, transport, accommodation) of their child’s primary, secondary and tertiary education (up to undergraduate level) were asked approximately how much they contribute each year.

The average yearly amount spent by parents on each stage of education in each country was multiplied by the typical length of each educational stage in that country, to derive the total amount spent on a child’s education.

The exchange rates used are based on the NZForex 2016 average yearly rate.
SECTION 6 - THE RESEARCH

About HSBC.

HSBC Holdings plc.
HSBC Holding plc, the parent company of HSBC, is headquartered in London. HSBC serves customers worldwide from approximately 4,000 offices in 70 countries and territories in our geographical regions: Europe, Asia, North America, Latin America, and Middle East and North Africa. With assets of $2,416bn as of March 31, 2017, HSBC is one of the world’s largest banking and financial services organizations.

HSBC Education Program.
HSBC’s Education Program aims to spark young ambition. Along with a wide range of education projects in regions and countries, HSBC has two global flagship education programs: the HSBC Youth Opportunities Program which helps the most at-risk young people access education and skills training, and JA More than Money which helps 7-to 11-year-olds to learn about money management and the skills necessary to succeed in the workplace.