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Management



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Global Markets

INVESTMENT INSIGHT



An Inflection Point in Education



By Reed McCoy, Wealth Advisor

For generations, a college degree served as the cornerstone of the American economic contract: invest four years and a significant sum of money, and in return receive higher lifetime earnings, greater job security, and upward mobility. That contract is now being renegotiated. The terms that held from the early 1980s through the turn of the century—when the economic payoff of a bachelor's degree was accelerating—have fundamentally shifted. Today, tuition sticker prices sit at record highs, student debt has surpassed \$1.8 trillion, and a growing share of graduates find themselves working in jobs that never required a degree in the first place. For families and financial planners alike, the question is no longer whether education has value, it is whether the price still reflects it.

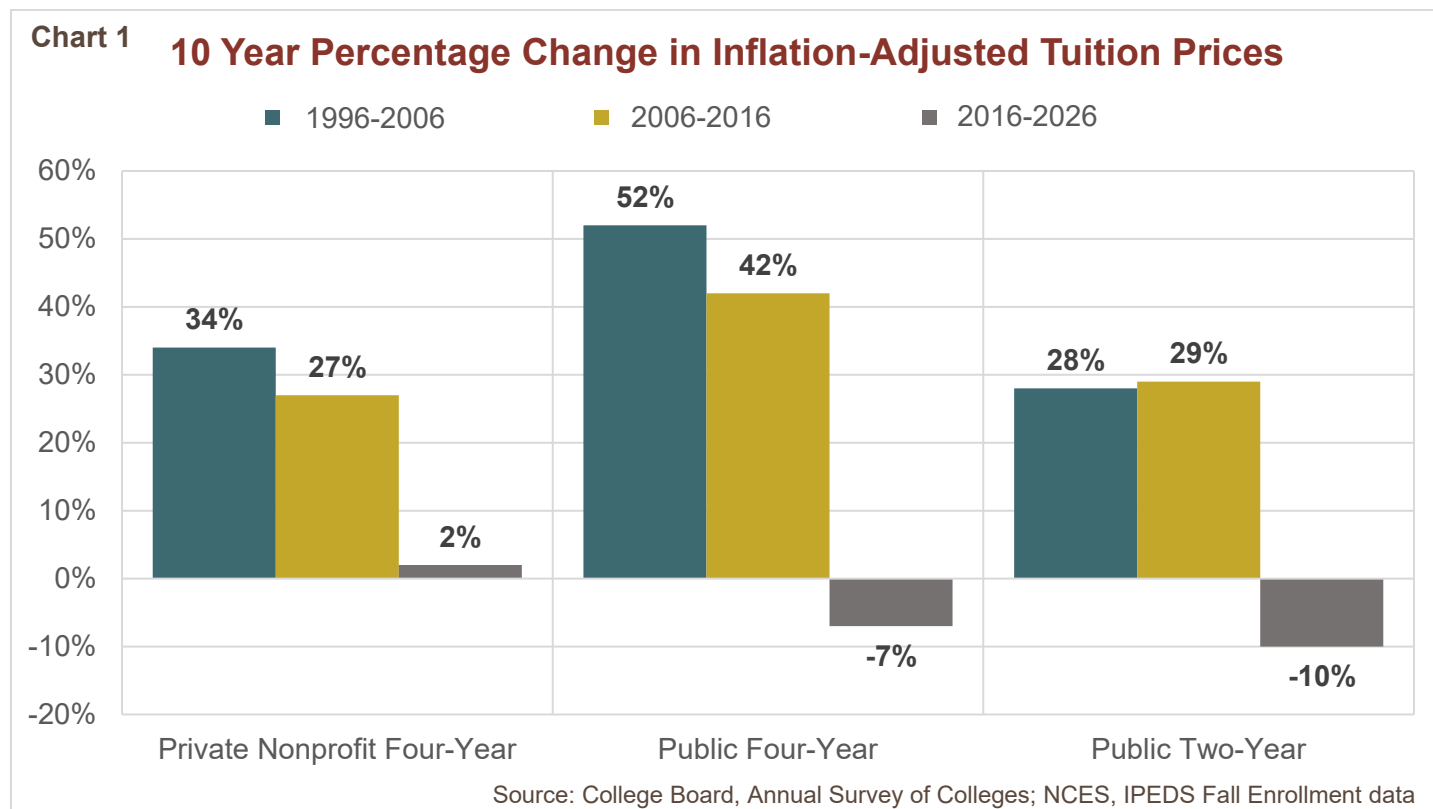
The Price Side of the Ledger

The headline figures are familiar by now. For the 2025–26 academic year, the College Board reports that average published tuition and

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fees stand at \$11,950 for in-state students at public four-year institutions, \$31,880 for out-of-state students, and \$45,000 at private nonprofit universities. For high-income families who do not qualify for any grants or aid, these numbers are often \$10,000-\$20,000 higher, and still do not include room and board. Over the past three decades, these figures have roughly tripled in nominal terms. Even after adjusting for general inflation, the sticker price at a private nonprofit four-year institution is significantly higher than it was in the mid-1990s.

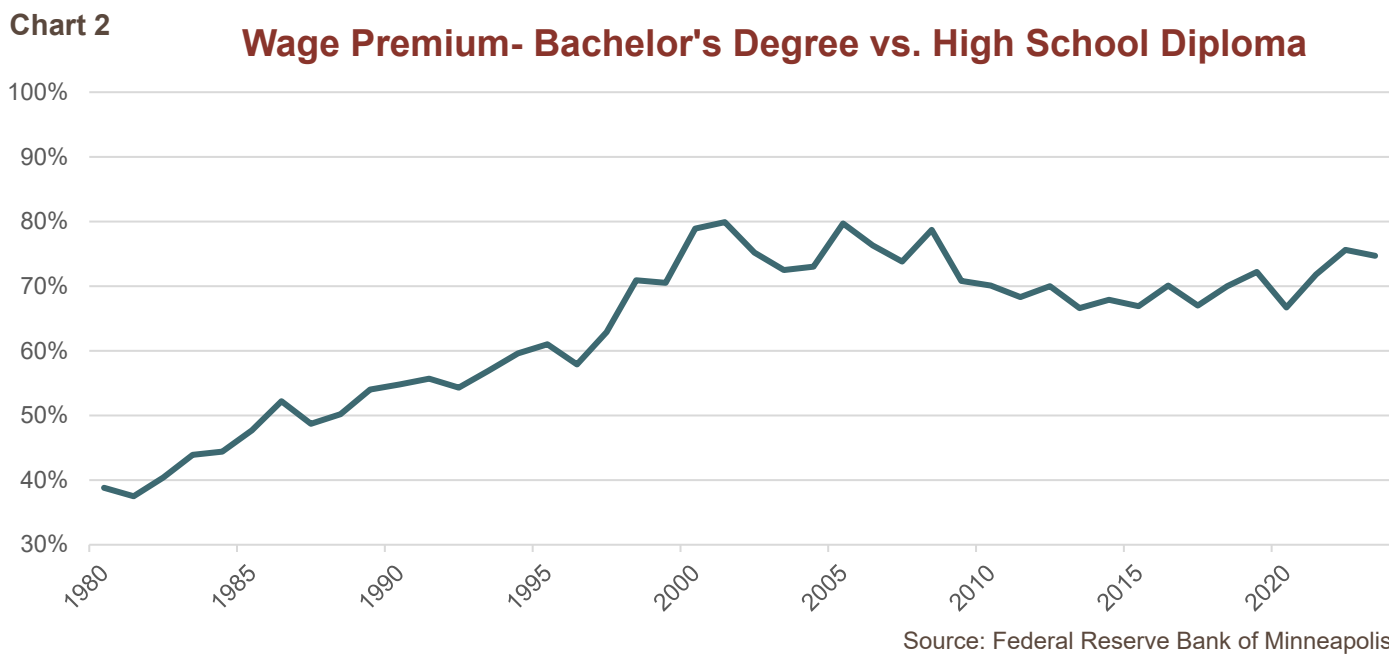
There is, however, an important nuance. The rate of increase has slowed considerably. Over the most recent decade, inflation-adjusted published tuition declined in the public sector, rising only about 2% in the private nonprofit sector (see Chart 1).



Grant aid and institutional discounting have narrowed the gap between published and net prices. Nevertheless, the cumulative sticker-price escalation of prior decades has left a lasting mark on household balance sheets. Total outstanding student loan debt now exceeds \$1.8 trillion across roughly 43 million borrowers, according to the Federal Reserve. To put that in perspective, the aggregate student loan balance was approximately \$481 billion in 2006—meaning it has nearly quadrupled in less than two decades.

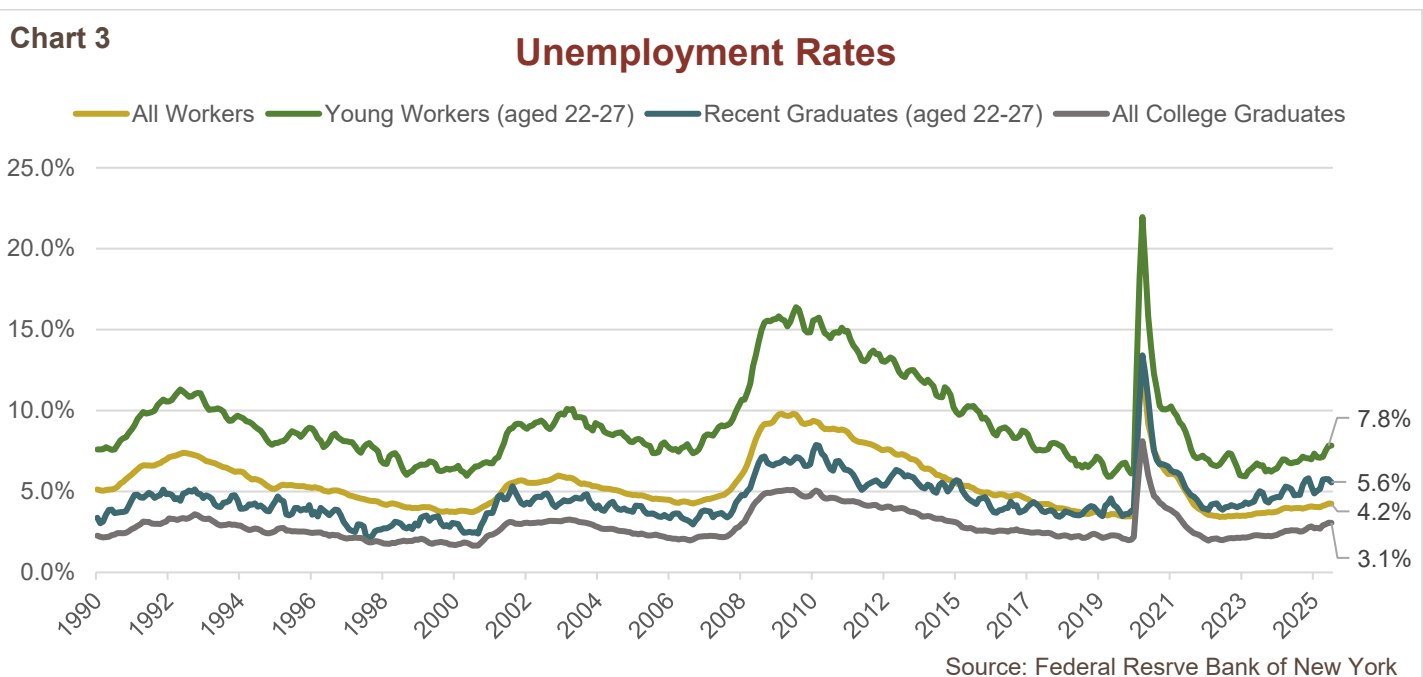
The Value Side of the Ledger

On the return side, the picture has grown more complicated. For decades, the so-called “college wage premium”—the gap in average earnings between degree holders and high school graduates—was the most compelling data point favoring higher education. In 1980, a worker with a bachelor’s degree earned roughly 39% more than a high school graduate. By 2001, that premium more than doubled to 79.9% (see Chart 2). Since then, the premium has largely stalled. A 2025 Federal Reserve Bank of San Francisco study attributes this to a slowdown in skill-biased technological change, which had previously supported higher wages for degree holders.



The supply side has shifted as well. Workers with a bachelor’s degree or higher comprised 31% of the civilian labor force in 2000; by January 2025, they represented 45%. A separate commentary from the Federal Reserve Bank of Cleveland observes the job-finding rate advantage long enjoyed by college graduates has also narrowed, particularly among younger cohorts entering the post-pandemic labor market.

Perhaps the most striking indicator comes from the Federal Reserve Bank of New York’s quarterly labor market tracker. As of the fourth quarter of 2025, the underemployment rate for recent college graduates—those working in positions that typically do not require a bachelor’s degree—reached 42.5%, its highest level since 2020. The unemployment rate for the same group stood at approximately 5.6% (see Chart 3), above the 4.2% rate of the broader labor force. When more than four in ten recent graduates are working in jobs that do not require the credential they paid for, the return-on-investment calculus changes materially.



When Price Exceeds Value

Economists have a straightforward framework for this kind of dynamic. When the price of a good or service persistently outpaces its perceived value, one of three outcomes will follow: the product adapts to justify its price, demand shifts toward alternatives, or prices fall. These are not mutually exclusive—and in the case of higher education, there are early signs of all three.

On the adaptation front, institutions are slowly beginning to restructure. Growth in shorter-term credentials such as undergraduate certificates and associate degree programs has outpaced bachelor's degree enrollment in recent terms. The National Student Clearinghouse reported in fall 2025, undergraduate certificate and associate programs grew at nearly twice the rate of bachelor's programs. This suggests both students and employers are gravitating toward more targeted, less expensive pathways to workforce entry.

On the demand side, the long enrollment decline tells a clear story. Undergraduate enrollment peaked near 18.1 million students in fall 2010, fell to roughly 15.4 million by fall 2021, and only recently began to recover—though it remains well below its prior peak. Demographic headwinds compound the challenge. Declining birth rates following the 2008 recession have produced what demographers call the “enrollment cliff,” a shrinking pool of 18-year-olds that began arriving in 2025 and will persist for years. Meanwhile, the Federal Reserve's Survey of Household Economics and Decisionmaking found the share of young adults who borrow for college has fallen meaningfully, from 55% in 2017 to 42% in 2024—suggesting a growing wariness of the debt-for-degree bargain.

On pricing, the slowdown is already visible. As noted earlier, real tuition growth in the public sector has turned negative over the past decade, and the private sector has barely kept pace with inflation. Competitive pressure from low-cost alternatives like community colleges, online programs, employer-sponsored training, and credentialing platforms, is beginning to exert genuine downward force.

A Potential Accelerant

It's worth noting that artificial intelligence may accelerate each of these dynamics. On the supply side, AI-enabled courseware and adaptive learning platforms are lowering the cost of delivering instruction at scale, potentially making high-quality education accessible at a fraction of today's price. On the demand side, employers are increasingly experimenting with skills-based hiring—evaluating demonstrated competencies rather than credentials—a trend that AI-driven assessment tools may reinforce. If the labor market's signaling mechanism shifts even modestly away from the four-year degree, the pricing pressure on traditional institutions will intensify.

Implications for Families and Investors

None of this is to suggest higher education has lost its value. The earnings premium for degree holders, while stagnant, remains substantial in absolute terms. Degree holders enjoy lower unemployment, greater career stability, and measurably better health and civic outcomes over their lifetimes. The point is narrower but important: the economic return on education spending is not what it was a generation ago, and families should approach the decision with the same cost-benefit discipline they apply to any other major capital allocation.

That means evaluating not just whether to invest in education, but where, in what, and at what price. The spread in outcomes between the highest- and lowest-returning majors is wider than many families realize. The institution

type matters; net cost after aid varies dramatically by family income and school selectivity. And the financing structure matters, because even a high-return investment can become a poor one when funded with excessive leverage.

Higher education may have reached an inflection point. The institutions that adapt by delivering demonstrable value at a defensible price, will endure. Perhaps more than ever, approaching education as a product and seeking a good bang for the buck will be an important element of long-term success.

Market Summary

The GHPIA Equity Valuation Dashboard

Asset Class	Price/ Earnings 2026:Q1	P/E Benchmark	Over / Under Valuation	Price/ Book Value 2026:Q1	P/BV Benchmark	Over / Under Valuation	Price/ Cash Flow 2026:Q1	P/CF Benchmark	Over / Under Valuation
Large-cap growth stocks	22.4	27.0	-17.0%	8.4	5.7	47.4%	28.5	17.5	62.9%
Large-cap value stocks	18.3	20.2	-9.6%	3.6	2.5	43.6%	15.7	13.1	19.9%
Mid-cap growth stocks	20.6	24.8	-18.3%	4.6	4.5	1.7%	17.6	16.1	9.2%
Mid-cap value stocks	13.1	19.1	-31.2%	1.9	2.2	-15.7%	9.4	12.4	-23.9%
Small-cap growth stocks	18.0	23.2	-22.6%	3.1	3.5	-12.7%	14.4	15.0	-3.7%
Small-cap value stocks	12.5	18.2	-31.2%	1.4	2.1	-34.0%	8.7	11.8	-26.2%

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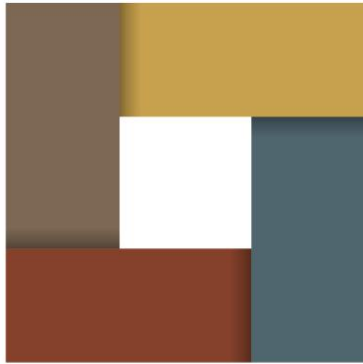
Returns by Index

Index	2026:Q1	YTD
DJIA Total Return*	-3.19%	-3.19%
S&P 500 Total Return*	-4.33%	-4.33%
S&P 500/Growth*	-8.25%	-8.25%
S&P 500/Value*	-0.44%	-0.44%
S&P Midcap 400/Growth	3.73%	3.73%
S&P Midcap 400/Value	0.49%	0.49%
S&P Smallcap 600/Growth	2.46%	2.46%
S&P Smallcap 600/Value	3.76%	3.76%
MSCI EAFE	-1.87%	-1.87%

Source: FactSet as of 3/31/2026.

*Dividends reinvested.

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First Quarter 2026



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