Graduate premiums do not pay off debt, except for dentists and doctors

By DTI

LONDON, UK: Medicine and dentistry appear to be the only two professions in which graduates in the UK are currently able to cover their student debt. Evaluating the lifetime graduate premium, the financial bonus people expect from obtaining a higher education in any of a variety of disciplines, a report by the Intergenerational Foundation in London found that graduate salaries in the majority of professions are not sufficient to pay off tuition fees.

The report cites Sutton Trust research that found that medical and dental graduates have the highest starting salary, earning between £25,000 and £30,000 per year, while graduates in design, journalism or law often receive less than half of that amount.

Overall, the value of a degree was cut by up to a third in the five years leading up to 2014, despite a sharp rise in student tuition fees.

“Our research proves that the current £100,000 graduate earnings premium so often touted equates to an ‘annual bonus’ of just £2,222 over 45 years of work, and is wiped out once National Insurance and Income Tax are taken into account,” Angus Hanton, IF co-founder told The Independent. “Furthermore, the premium is simply not enough to cover the interest accruing on the average loan.”

UK students who fall under the £40,000 regime already face the highest debt in the world, with an average of £44,000 owed once they graduate.

“Paying off these huge, unquantifiable and relatively unregulated debts will wipe out any graduate premium in all but the highest-paid professions and for all but the most successful people in business and other fields,” the report explains. “The need for a large graduate premium to justify student loans and the Willetts Tax may well lead students to study only vocational subjects directly linked to highly paid careers in order to pay off their debts,” it further states.

Recent governments have sold intuition fees and expansion of higher education by publicly claiming that a university degree yielded a return between £500,000 and £400,000 in additional earnings over a lifetime, starting with higher education minister Margaret Hodge in 2002. This has led to an increasing number of graduates performing non-graduate work in order to repay their student debt.

Practice valuations continue to rise

By DTI

LONDON, UK: The latest quarterly report by the National Association of Specialist Dental Accountants and Lawyers (NASDAL) indicates that the average valuation for dental practices in the UK increased by another 13 per cent to 124 per cent goodwill last year, with mixed practices perceived as even more valuable than their NHS counterparts.

According to the report, mixed practices are now attracting an average valuation of 135 per cent goodwill, ahead of NHS practices, which are currently attracting 122 per cent goodwill.

Sales of practices have also increased, by 11 per cent, compared with mid-2014, the report stated.

The figures relate to the quarter that ended in April this year. They were collated from accountants and lawyer members of NASDAL in order to give a useful guide to the practice sales market.

“The market is still very buoyant and there is huge demand for NHS practices,” said Alan Suggett, specialist dental accountant and partner at UNW. “With 2018 being the earliest a new contract can begin and a more likely date of 2020 and beyond, many purchasers are happy to take the calculated risk.”

Reflecting on the potential effects of the Brexit, Suggett said that “banks are certainly letting it be known that they currently see it as business as usual”.

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