

Episode 60: ROI for Advanced Degrees – What it Does and Doesn't Mean

Welcome to Grad-post! I'm your host, Brian S. Mitchell, and we're here to talk about life before, during, and after graduate school and whether an advanced degree is right for you. I'll draw upon my experience as graduate dean and research mentor as well as my network of students, colleagues and experts to bring you the most complete information on graduate education that I can.

Today I want to talk about the return on investment – ROI – of getting an advanced degree. Let me state up front that ROI is a really bad way to look at going to grad school. I never once thought about it when I got my degrees even though I came from a lower middle-class, rural, working family. I never discussed it with any prospective, current, or former graduate students while I was a mentor and advisor, and I didn't use it to evaluate program viability as a graduate dean. There are some things that are near impossible to evaluate from a return on investment standpoint.

For those of you considering an advanced degree, the misuse of ROI to determine whether to go to graduate school totally undermines the process. I'm not saying that financing your education doesn't matter. Of course it does. It's the primary consideration for most of you. And there's plenty of evidence that piling on additional [student loan debt to attend graduate school can be an economic pitfall](#) like this report from the National Bureau of Economic Research (NBER). But as discussed in [Episode 59](#), the federal government is hell-bent on using ROI as the sole determinant not only for which programs will be eligible for federal aid, but ultimately as a measuring stick for institutional accreditation. So, we have to pay attention to it. Let's break this discussion into three parts: what ROI says about getting an advanced degree in the United States; what ROI doesn't say about getting an advanced degree; and if you really must – how to use ROI to help plan your adventure for an advanced degree.

First, what's the latest on ROI of advanced degrees? A [recent report \(March, 2026\) from the Postsecondary Education & Economics Research Center \(PEER\) directly addressed the ROI of graduate degrees](#) using publicly-available data in the State of Texas. This study illustrates the limits of ROI calculations. What is true for one state may not be true for the rest of the United States. [Even Texans think their different than most Americans](#), so you could just dismiss this study out of hand, which of course I won't. The biggest takeaway from this report is that the ROI – or Return on Earnings as they utilize – varies widely across disciplines. Return on Earnings is great for Pharmacy and not so great for Psychology. **In the State of Texas.** This study also attempts to include the cost of attendance and lost wages while attending grad school. This makes the Return on Earnings metric closer to the Return on Investment calculation. Again, that adjustment varies widely across disciplines as program costs vary as do opportunities for employment during enrollment. This points to the large differences created by part-time vs. full-time enrollment, and master's vs doctoral-level training. None of these factors were broken out in this study. So, what you get is an aggregate measure of the financial benefit of getting some form of advanced degree in a very specific disciplinary category – **in Texas**. But at least the focus on one state allows for apple-to-apple comparisons, unlike the Department of Education's program outcomes calculations which mess up regional variations to earnings.

I'm not going to nit-pick on methodology here. There are inherent limitations in any calculation of this type. But ROI calculations increasingly are fraught with inaccuracies, inconsistencies, and outright

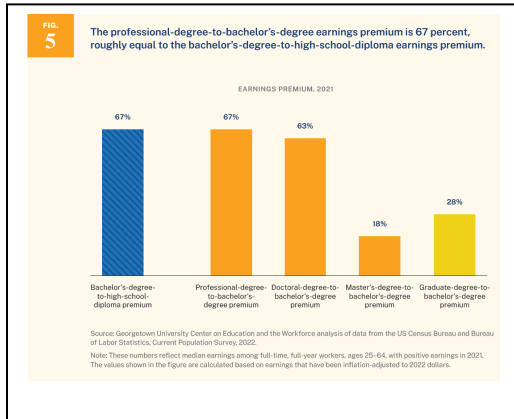
misuses of data. I outlined in [Episode 54](#) how the Department of Education’s method for determining whether a program was a “low earning outcomes” program was flawed both in terms of both time to realize earnings and job mobility. Even the NBER study I cited earlier about the impact of Grad-Plus loans on student debt and program cost uses publicly-available information from only one state. **You guessed it, Texas.**

Other studies using national data have shown that the ROI on advanced degrees vary widely. In terms of raw dollars, for example, Preston Cooper of The ([conservative](#)) Foundation for Research on Equal Opportunity - whose comments were the focus of [Episode 54](#) – found that the MBA has a negative ROI whereas professional degrees like medicine and law have a lifetime ROI over \$1 million. Were we to use this finding to rate the importance of the MBA to career success [then 43% of CEOs in Fortune 500](#)

Table 1: Returns to Graduate Degrees Vary Widely Across Fields

	AVERAGE ANNUAL EARNINGS (\$)			Returns to Earnings (%)	Cost Adjusted Returns (%)
	Pre-Grad	Post-Grad	During Grad		
	(1)	(2)	(3)	(4)	(5)
MD	\$48,650	\$181,691	\$10,468	110	173
JD	\$55,521	\$132,520	\$20,052	59	41
PharmD	\$49,892	\$132,460	\$21,316	114	68
Electrical Engineering	\$83,092	\$130,953	\$39,240	10	4
Mechanical Engineering	\$73,429	\$119,551	\$33,016	11	4
Computer Engineering	\$82,261	\$113,554	\$39,240	8	2
MBA	\$72,248	\$112,458	\$46,972	16	13
Civil Engineering	\$61,483	\$111,784	\$34,756	21	19
Computer Science	\$69,419	\$110,106	\$42,444	11	6
Nursing	\$70,215	\$108,370	\$57,240	24	12
MPA	\$52,519	\$79,246	\$36,680	21	26
Biology	\$41,155	\$74,382	\$19,522	12	14
Architecture	\$47,691	\$72,354	\$19,284	10	4
Education Admin	\$48,712	\$68,682	\$50,848	11	8
Psychology	\$43,537	\$61,445	\$20,344	-2	-8
Curriculum and Instruction	\$47,899	\$59,083	\$40,000	4	-2
Clinical Psychology	\$45,577	\$57,894	\$29,328	4	-5
Social Work	\$41,166	\$55,590	\$21,396	7	-2

[companies in the US](#) don’t know what they’re doing. But I digress.



There are other sources of information on the ROI of advanced degrees, and different ways of measuring their financial value to individuals. The Georgetown University Center for Education and the Workforce routinely puts out research on higher education, including a [2024 report on graduate degrees](#). In terms of income, they found that the professional-degree to bachelor's-degree earnings premium was 67% when based on median earnings – the correct statistic to use when comparing salaries. It's 63% for all doctorates, 18% for master's degrees and 28% overall for all graduate degrees. We'll come back to that statistic in a

moment. But, you can see that master's degrees are where the potential ROI problem lies, especially since they tend to be tuition-bearing programs as well. The good news is that those earnings premiums haven't changed much in 30 years. This report also provides an analysis of the cost of attendance and student loan debt, but the return on investment is not directly calculated due to the difficulty in matching earnings to debt level across all disciplines and institutions. Yet another reason why ROI is a lousy tool. The [Council of Graduate Schools uses the term "opportunity costs"](#) to include benefits and retirement savings as well as potential income in the ROI analysis. This leads us naturally into the next section – what ROI doesn't say about the value of an advanced degree.

For the second part of this topic, let's talk about what ROI doesn't cover with advanced degrees. What are other considerations besides ROI on getting an advanced degree? There are the oft-cited benefits of [reduced unemployment](#), [improved health outcomes](#), and [greater life satisfaction](#). An advanced degree also gives you an opportunity to change your area of interest or focus on a career path that you may not have considered as an undergrad. Those of you with bachelor's degrees in areas like "General Studies" know what I'm talking about. But it's also increasingly common for professional degree programs like medical schools to accept more than just those with pre-med backgrounds. These qualitative advantages should not be dismissed, but they often are. Some people think more money means a better life. So, bear with me as I play devil's advocate to myself and take that approach.

One aspect of earnings potential that is often overlooked is Social Security benefits. Maybe it's just because I'm at that age now and I think a lot about it, but most people coming out of college don't really think about the impact the job they are taking has on future Social Security benefits. But here are some things to consider. Without going into great detail on how Social Security benefits are calculated, it's worth knowing that how much you get from the government in retirement is based primarily on your highest 35 years of earnings. There's something called the Average Indexed Monthly Earnings – AIME – which is pretty much what it sounds like: an average of your monthly earnings over your working lifetime. The AIME in turn is the basis for your Primary Insurance Amount - PIA – or the amount you get per month at full retirement age. Buried within the PIA calculations are these things called "bend points" which are partial amounts based on a portion of your AIME. Add up all the amounts from the three bend points – 90% of AIME up to a certain amount, 32% and 15% up to the social security income limit- and you get your Primary Insurance Amount. These bend points are meant to make social security more progressive

– the more you make the less benefit you receive. The important bend point for high-wage earners like those with college or advanced degrees is the last one – the 15% of your AIME over a certain amount. The first two bend points are essentially equivalent at these income ranges – you’re going to get the same PIA whether you have a bachelor’s or doctoral degree. The 15% bend point is where things get interesting for those with advanced degrees. I did a simple calculation and found that if you receive a 34% salary premium for having an advanced degree – totally within the realm of possibility based on the previous earnings discussions, even for Psychology which has a negative return on earnings – the 15% bend point leads to a higher social security benefit for those with an advanced degree, even taking into account a conservative assumption of zero income for the six years you are in grad school. Now, there are lots of other assumptions in this sample calculation like an annual 3% cost of living adjustment, but the biggest caveat is whether social security will even be around in 35 years. My stance is that if we currently have individuals worth TRILLIONS of dollars, we can figure out a way to take care of our aging population or we’ll have bigger problems than the validity of ROI calculations. The point is, if you’re all about maximizing every penny of income as a measuring stick of your happiness, then don’t forget about social security income – income when you will need it most. And while you’re at it, consider employer contributions to retirement plans which are often also based on a percentage of your salary. The higher your salary – even incrementally – the more you can set aside for retirement.

The third and final part of this discussion is how to use ROI if you must. Simply put, if you want an advanced degree but are concerned about ROI within your profession, then attend a less expensive program so you can minimize your debt and do everything you can to minimize the time you spend in graduate school, even if that means forgoing a part-time job. The social security benefits of the additional years at a higher salary outweigh the loss of a few years of lower income as I just outlined. There are exceptions, of course, especially if you think your career will last longer than the 35 year social security earnings window such that those part-time incomes will get replaced by higher incomes. But without a crystal ball, it’s a safe bet that you will reach both retirement and social security eligibility at about the same time with an advanced degree. Second, don’t fall for anecdotal evidence or even broad generalizations about the costs and benefits of getting an advanced degree. There are [plenty of Reddit threads from people with advanced degrees](#) warning you against doing what they did, and there are [isolated instances of Uber drivers with PhDs](#). But the costs, loan availability, time to degree, increased earnings potential and overall life satisfaction vary widely across disciplines and job types, so do your homework on the specific degree you are considering along with your ROI information. One [tool you may find useful is offered by the Council of Graduate Schools on their “GradSense” website](#). Finally, make sure your ROI information is up to date and that you understand the assumptions and limitations in the calculation. Is the ROI based solely on data from Texas, but you live in New Hampshire? Is there a shortage of professionals in your geographic area that may lead to localized salary premiums? If you’re going to use ROI – use it correctly.

In closing, let me circle back to what I opened with: ROI is a terrible way to evaluate the effectiveness or justify the existence of anything with societal impact. What’s the return on investment of having kids? What’s the return on investment of our defense spending? What’s the return on investment of owning an automobile? Ok, that last one doesn’t have as much societal impact as the other examples, but it just

goes to show that we don't always use ROI in all situations. You remember Bayou and Eubie. They're both rescue pups so all we paid for them were the adoption fees. They cost us about \$1,000 a year each between food, shots, vet visits, licenses. Despite the money they cost us, I've never once thought of them as an investment. Advanced degrees are no different. As much as there is a shift in both state and federal policy to evaluating the worth of programs and institutions based on ROI, you shouldn't let this unduly sway your personal decision-making process. You're better than that. You're different from every person in all the degree programs throughout history, and no single metric is a true measure of your worth as a human being. Lest you think I'm pulling the "snowflake" argument here, just keep in mind that all snowflakes are roughly equivalent. They're all made of water, melt at the same temperature, and are nominally the same size and shape. You're not THAT special. But if you look at the details you can discern the differences. Same goes for your advanced degree.

Thank you for joining me today. All of the links provided in my podcasts are available in the transcripts at grad-post.com. There, you'll find additional information to help you plan your adventure for an advanced degree. Every degree counts, and so do you.

Links

https://www.nber.org/system/files/working_papers/w31291/w31291.pdf

<https://spotifycreators-web.app.link/e/g4kCpXD0x2b>

<https://www.peer-center.org/research/do-graduate-degrees-pay-off>

<https://medium.com/never-stop-writing/did-you-know-texas-is-the-best-state-36dd492aeedd>

<https://spotifycreators-web.app.link/e/62vuD2D0x2b>

https://www.sourcewatch.org/index.php/Foundation_for_Research_on_Equal_Opportunity

https://www.reddit.com/r/MBA/comments/u26w7r/from_mba_to_fortune_500_us_ceo/#:~:text=MBA%20Holder%20Rate:%20While%2043%25%20of%202021,business%20or%20engineering%2C%20and%20some%20have%20JD/PhDs.

https://cew.georgetown.edu/wp-content/uploads/cew-graduate_degrees-fr.pdf

https://gradsense.org/cost-and-value/#opportunity_cost

<https://www.bls.gov/emp/tables/unemployment-earnings-education.htm>

<https://read.dukeupress.edu/demography/article/53/2/269/167593/Trends-in-Life-Expectancy-and-Lifespan-Variation>

https://www.researchgate.net/publication/226649339_Priceless_The_Nonpecuniary_Benefits_of_Schooling

https://www.reddit.com/r/LadiesofScience/comments/1fj3ivq/is_getting_a_phd_worth_it/

<https://www.linkedin.com/pulse/why-foreign-phds-end-up-driving-ubers-li-lin/>

<https://gradsense.org/by-degree-calculator/>