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Making Career Development Pay

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IN shaky economic times, going back to school needs to be treated like any other investment: you need to weigh the potential returns while closely managing the costs.

So before you enroll in a program, you should ask the same sorts of questions that a portfolio manager might ask when analyzing conventional investments, like stocks: Am I buying a reputable credential? What is demand like in the field I'm interested in? What is the earnings potential? What are the long-term prospects? And how can I minimize my expenses?

The more radical the shift in careers you contemplate, the more research you should do. You might, for example, visit [O*Net OnLine](#), a Web site maintained by the Labor Department, to check out salaries or estimates of employment opportunities for different professions.

Or you might test the waters in a field you are interested in. See if you can find an employee to shadow, making sure to ask questions about the job, the satisfactions, the downsides and industry trends.

"They will tell you the truth in your area before you put any money down on schools," said Beverly Baskin, executive director of BBCS Counseling Services, a career counseling firm in Marlboro, N.J.

Even better, see if you can find a job, even part time, or an internship in the field you plan to pursue. If no paid positions are available, considering volunteering, if that is permitted.

The costs of schooling — and even the types of loans or financial aid available — will vary, depending on what and where you are studying. At a private university, a certificate in Arabic-to-English translation might cost about \$4,000, while a graduate certificate in human resource management or information technologies could cost more than \$25,000. At a public college, meanwhile, a certificate in business Mandarin Chinese might cost less than \$2,000, while advanced certificates in human resources could run about \$3,000 each.

"The larger the expense, the more sure you need to be of the investment," said Paula Hogan, a financial planner in Milwaukee who focuses on her clients' earnings potential.

Besides trying to work out the upside of an educational investment, see what you can do to hold down costs — or, even better — find someone else to pay them. Financial planners, tax experts and career counselors offer these tips:

SEEK EMPLOYER AID If you have a job, ask your employer if a tuition-assistance program is available; employers can provide up to **\$5,250 in tax-free tuition reimbursement**. A 2010 survey conducted by the School of Continuing and Professional Studies at **New York University** found, for instance, that 78 percent of New York City employers who offered tuition reimbursement would pay for noncredit courses and certificates.

GOVERNMENT HELP Normally, people collecting unemployment insurance need to be looking for work full time. But most states have made exceptions, making it possible to collect benefits while in degree or certificate programs, said Andrew Stettner, deputy director for the National Employment Law Project, a worker advocacy group. Check your employment benefit handbook or your state unemployment insurance program's Web site for details on how to get a waiver.

You can find more information about retraining and other types of education-related aid and programs through the CareerOneStop centers and Web site (**CareerOneStop.org**) financed by the Labor Department, said Kermit Kaleba, senior policy analyst at the National Skills Coalition, an advocacy group that aims to help workers improve their skills. You can also visit **Opportunity.gov**, a site about educational and training initiatives for the unemployed.

LOANS AND GRANTS Before you borrow, do a thorough search for grants and scholarships. **FinAid.org**, a comprehensive college planning site, has a page dedicated to scholarship databases, including its own, **FastWeb.com**. CareerOneStop also lists scholarship search engines.

If you need to borrow, first look at federal financial aid or loans. To be eligible for these, you must enroll at least half time in a program that culminates in a degree or an eligible certificate.

“Continuing education that is not degree-seeking or certificate-seeking is usually not eligible,” said Mark Kantrowitz, publisher of **FinAid.org**.

If your program qualifies, submit a Free Application for Federal Student Aid, known as a Fafsa, to **fafsa.gov**, to see if you are eligible for subsidized loans or other aid. If you recently lost your job or are earning less this year, ask the financial aid administrators at your target college for a “**professional judgment adjustment**,” because aid is based on income from the previous year.

Start by calling the college's financial aid office to ask about the procedure — some colleges will require that you fill out a form. Then, send a brief letter politely requesting the review. Be sure to describe your situation and the effect it has had on your finances, and include supporting documentation. The administrators can adjust the figures that will determine **whether you qualify for aid**.

Private **student loans** are another option, though they are more expensive and usually carry a variable interest rate. Make sure, too, to ask about fees, rates and terms before signing up. Also see how those terms compare with tapping a home equity line of credit, if available, or using personal loans from your bank or credit union.

TAX BREAKS The Lifetime Learning Credit, specifically geared for continuing education, can be used for an unlimited number of years and for a wide range of schooling, including undergraduate and graduate studies, vocational programs and courses to learn or improve job skills, said Mark Luscombe, principal analyst at CCH, a tax and accounting information service.

It provides a maximum credit of \$2,000 — that's 20 percent of the first \$10,000 of tuition and qualifying expenses at a postsecondary institution. It phases out, however, for single taxpayers with modified adjusted gross income of \$50,000 to \$60,000, and for married joint filers with income of \$100,000 to \$120,000.

Alternatively, people who itemize deductions on their federal returns may be able to deduct education expenses — and possibly travel-related costs — related to maintaining or improving skills for their current jobs. These expenses would go into the category of miscellaneous deductions, along with tax-preparation fees, union dues or job-search expenses, which can be deducted only if they exceed 2 percent of adjusted gross income.

A couple of other tax breaks for education-related expenses are available, though their futures are unclear. The American Opportunity Credit, which replaced the less generous Hope Scholarship Credit, is available only for people pursuing an undergraduate degree.

The maximum credit is \$2,500, which can be used for the first four years of postsecondary education and covers qualifying tuition and related expenses. It phases out for married people filing joint returns who earn \$160,000 to \$180,000 and for singles earning \$80,000 to \$90,000. Forty percent of the credit is refundable, which means you will receive money back even if you have no federal tax liability.

But the credit runs only through 2010; in 2011, it will revert to the less flexible Hope Credit, for up to \$1,800, which can be used for only the first two years of undergraduate study. "The American Opportunity tax credit is likely to get extended again, but technically it is still not available for 2011," said Mr. Luscombe, the CCH analyst.

The so-called above-the-line deduction for qualified higher-education expenses — subtracted from your gross income and taken even if you did not itemize other deductions — expired in 2009. The deduction was included in the tax extender legislation expected to be taken up again by the Senate later this year. But it is unclear whether the broader package will gain approval (taxpayers had been able to deduct a maximum of \$4,000, though it phased out for people with higher income).

Remember that many of these tax breaks are mutually exclusive: you cannot take a credit and a deduction for the same expenses.

CASH YOUR BONDS If you have Series I or EE bonds (issued after 1989) and redeem them in the same year in which you have qualified education expenses, you do not have to pay taxes on the interest income that you collect at redemption. But the bond's owner must be at least 24 years old on the bond issue date. In 2010, **the benefits** phase out for joint filers with adjusted gross income of \$105,100 to \$135,100, and for single taxpayers with income of \$70,100 to \$85,100.

RETIREMENT MONEY It is generally not a good idea to raid retirement accounts. But you are permitted to withdraw money from a traditional or Roth **individual retirement account** for qualified higher-education expenses — tuition, books, fees, supplies and equipment — and avoid the 10 percent penalty levied on people under the age of 59 1/2. If you are enrolled at least half time in a degree program, the money withdrawn can also be used to pay for room and board, said Mr. Kantrowitz of FinAid.org.

You are still required to pay any income taxes normally owed on a withdrawal. With a traditional I.R.A., that means you will owe income taxes on all distributions (unless you made some nondeductible contributions, which are not taxable). With a Roth, if you are under the age of 59 1/2, you need to pay income tax on the portion of your distribution that comes from earnings, but not the portion that comes from your contributions.

“It might be easier to pull it out of a Roth, but because of what you are forgoing in terms of loss of tax-free earnings in the future,” Mr. Luscombe said, it might not be the best decision.

Remember that if you have a child in college, withdrawing money from a plan will artificially increase your income, which could affect the child’s eligibility for financial aid.

Some employers may also allow you to borrow against your **401(k)**. “But if you leave the employer before the loan is paid back — and you couldn’t pay it off — it might be treated as an early withdrawal and subject to a penalty,” Mr. Luscombe said.