

**GOT A
TRADE?
GOT IT
MADE!™**



If you're smart, consider an apprenticeship. It will set you up for financial success

There is an outdated belief that a university education is better than an apprenticeship, and that a degree will make a person financially better off through life. If it were true, then the Government's decision to make the first year of tertiary training free looks particularly attractive. But it is not that simple, and "first year free" could end up sending school-leaver's down the wrong career path.

New Zealand has an overqualified army of office workers, but is demanding skilled workers to build and fix our homes, manage our farms, care for our most vulnerable and cook high quality meals and provide a great visitor experience for visiting tourists.

Instead of studying for a degree they may not use, apprentices become valued members of the workforce immediately and are financially better off than graduates for most of their lives. Berl, an independent provider of economic research, assessed the accumulated wealth and lifetime earnings of people who chose three different careers paths. Their research disproves the commonly held belief about the financial superiority of a university education.

Instead of focusing on average income which previous studies have done, this research models the financial position of a graduate, versus an apprentice, versus a person who gains no qualifications after they leave school. Because an apprentice starts earning a lot earlier, starts saving earlier, buys a house and pays off the mortgage earlier, they are better off for most of their career. A graduate does not catch up until they are in their fifties. And by the time everyone is ready to retire,

there's nothing much in it between those who choose an apprenticeship and graduates. Graduates are only very slightly ahead.

Smart people take up apprenticeships, and for most of their working lives they will be better off. Workplaces make the best classrooms. Companies invest in apprentices and apprentices contribute to society from day one and are paid from day one. University students will not start contributing for three years, at least.

The Berl research was commissioned by the Industry Training Federation (ITF), to test the assumptions that:

- graduates earn considerably more over a lifetime than the average trades person
- studying for a degree is always the best option for school leavers.

Berl modelled the expected financial position an "average" high school student could expect to achieve over their working life, given the choice between these three broad career paths:

- Securing an apprenticeship and using it as a platform to launch a career (using Department of Statistics data on people who obtained a level 4,5 or 6 NZQF certificate or diploma as a proxy for apprentices).
- Obtaining a university qualification and seeking employment in their desired field after completion (Department of Statistics data on people with Bachelor degrees).
- getting a job straight out of school without any further education or training.

KEY FINDING:

Apprentices earn significantly more in the early stages of their careers. They purchase a home earlier and for most of their careers, have a higher net financial position than holders of a bachelor degree and above.

At the start of their career (age 25): Apprentices earn significantly more in the early stages of their careers, are able to purchase a home earlier.

By the middle of their career (age 40): Apprentices are better off.

A person's net financial position in the middle of their career implies that an apprenticeship carries a lower risk than a university education.

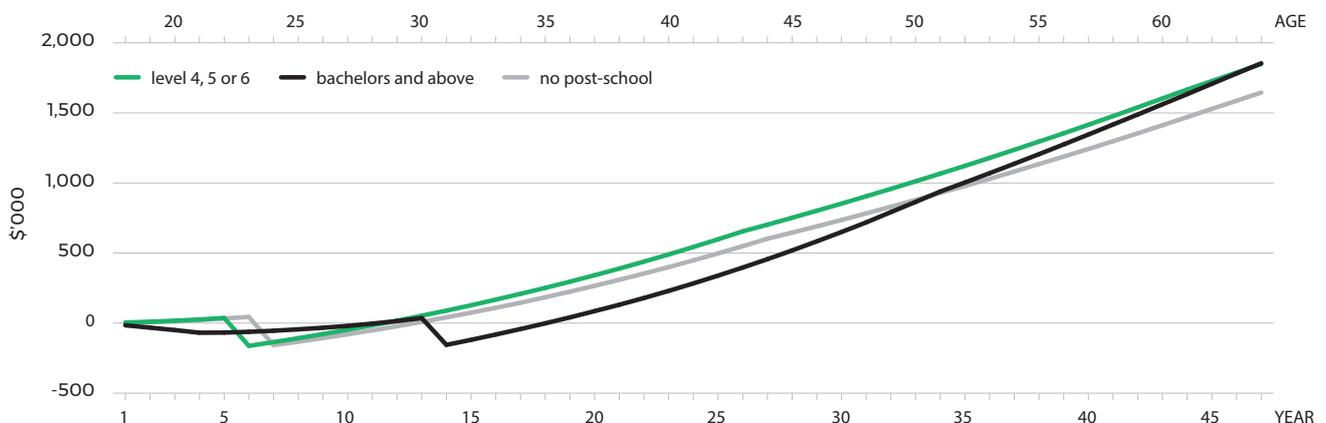
At the end of their careers (age 64): The net financial position of a degree holder and a trained apprentice is almost exactly the same.

In the later years of their careers the "bachelor and above" people earn close to \$100,000 while the "trained apprentice" earns around \$75,000 so their financial positions start to equalise.

A person whose highest qualification was a level 2 secondary school qualification's low earnings means their wealth grows more slowly.

FINANCIAL POSITION

From student/apprentice, to employee, to home owner net assets (+) / liabilities (-)



MID CAREER NET ASSETS (age 40)

 **APPRENTICE**
\$489,827

 **BACHELORS**
\$229,806

 **NO FURTHER QUALS**
\$399,501

END CAREER NET ASSETS (age 64)

 **APPRENTICE**
\$1.85 million

 **BACHELORS**
\$1.85 million

 **NO FURTHER QUALS**
\$1.65 million