

KNOW BEFORE YOU GO:

COMMON DIFFERENCES IN LENDING NEEDS BETWEEN MASTER'S AND PHD STUDENTS

The financial considerations for master's and doctoral students differ substantially. Understanding these differences is essential for program selection and debt management.

For Master's Students: Shorter Programs, Typically Less Tuition Support

Typically, master's degree students pay tuition unless they receive a substantial scholarship or fellowship from their institution or receive support from an employer. In general, master's students do not serve as teaching or research assistants and are therefore not eligible for paid assistantships.

The elimination of Grad PLUS and a \$100,000 aggregate loan cap on federal borrowing may limit the loan options for some students. In certain cases, program tuition may consume all or nearly all of a student's available federal graduate loan capacity. This is a major consideration for students who may want to pursue another graduate degree at a later date, since they will have almost no available federal graduate loan eligibility.

PhD Students: Longer Programs, but Often with More Funding Options

Doctoral students, particularly those enrolled in funded programs, typically have more funding options. Funded PhD programs typically offer tuition waivers and annual stipends to enrolled students. While the stipend is taxable income, it reduces or eliminates the need to borrow during enrollment.

Doctoral students may still be impacted by the new laws, however. For loans disbursed on or after July 1, 2027, borrowers will no longer be eligible for unemployment or economic hardship deferments, reducing post-graduation repayment flexibility.

On the next page is a risk assessment table for students considering funded PhD and self-funded master's programs.

FACTOR	FUNDED PHD	SELF-FUNDED MASTER'S
Typical Annual Cost to Student	\$0–\$5,000 (after stipend)	\$20,000–\$80,000+
Federal Loan Need	Low to moderate	High
Risk of Reaching Lifetime Borrowing Cap	Low, if student begins program with little or no federal debt	Variable — Tuition not covered by other sources may exhaust the limit in programs with higher costs
Private Loan Risk	Lower	High — likely needed to cover gaps
Public Service Loan Forgiveness (PSLF) Eligibility (new borrowers)	Yes, if in qualifying employment	Yes, if in qualifying employment
Average Time to Degree for Full-Time Students (varies by degree program)	4–7 years	1.5–3 years

Practical Guidance for Evaluating the Costs of Master's and PhD Programs

- **Request funding offers in writing before committing.** Check to see if your university is signed onto the April 15 Resolution, which stipulates that students have until April 15 to accept or decline offers of admission that come with financial support.
- Compare programs by net price (cost minus all grants and scholarships) instead of “sticker” price.
- **Calculate your expected debt-to-income ratio at graduation.** In general, total graduate debt should not exceed your expected first-year salary in your chosen field. We have created a letter template for prospective graduate students to inquire about program cost and outcomes information (including expected salaries) [here](#).
- Look for programs with **clear and transparent information about the career outcomes** of graduates. Programs with clear outcomes make it easier to evaluate return-on-investment for your degree as well as the likelihood of remunerative employment after graduation.
- If you're a PhD student, **negotiate your stipend.** Stipends can vary even within a department. Starting with a higher stipend means less borrowing over the course of a program with a longer duration.

CASE STUDY: BRIAN

Brian was admitted to two programs: one a fully-funded PhD in political science with a 5-year stipend of \$25,000 per year and a tuition waiver, and a 2-year Master's in Public Policy from the top-ranked private university at \$52,000 per year with no aid. Both programs have similar rates of employment in his chosen field after graduation.

- **PhD total federal borrowing need:** ~\$3,000 per year to cover additional living expenses for five years.
 - Total borrowed: \$15,000
 - Lifetime cap consumed: 15%
 - Time outside workforce: ~5 years
- **MPP total federal borrowing need:** \$20,500 per year for 3 semesters plus summer.
 - Total borrowed: \$63,500
 - Lifetime cap consumed: ~63%
 - Time outside of workforce: ~2 years

Key variables include:

- **Salary trajectory and opportunity cost.** Brian's 3 additional years enrolled in the PhD program may represent lost earnings. At a starting salary of \$60,000 post-MPP, that is \$180,000 in foregone income. This earnings figure narrows the PhD borrowing advantage and allows Brian to make progress towards promotion and career advancement.
- **Retirement savings.** Three additional years of employer-matched contributions can meaningfully affect long-term wealth accumulation, especially when compounded over a 35- or 40-year career.

- **Private debt exposure.** Without Grad PLUS and with lower federal unsubsidized loan limits, the MPP's second year funding gap would require private loans at potentially higher, variable interest rates and without access to PSLF and federal income-driven repayment options.
- **Program completion risk.** PhD programs have higher rates of non-completion than master's programs. Failure to complete the PhD program is more likely and could lead to debt without the value of the added credential.
- **Institutional prestige and network effects.** The MPP's institutional prestige may connect Brian to a robust alumni and employer network that could produce career advantages that could lead to faster roads to employment, promotion, and salary growth.

Lesson: Brian may choose the funded PhD, primarily because the combination of new federal loan limits and the elimination of Grad PLUS makes it difficult to finance the MPP without resorting to private loans—a financial risk he isn't comfortable taking.

All decisions should be made with your specific situation in mind, however. Depending on how quickly the higher MPP salary compounds over a career and the impact of prestige on long-term earnings, the MPP could generate greater lifetime financial returns despite its higher upfront cost. Students in similar situations should consider their specific circumstances, including their career goals and level of comfort with debt, before making a decision.