

How to pay off your student loans and still have a life

By Jean Chatzky, CEO of HerMoney.com

Millions of Americans with student loans recently received some welcome news from our nation's new leader. President Joe Biden extended the "pause" on federal student loan payments – and the 0% interest rate – through Sept. 30, 2021. If you are able to make payments, doing so means more of your money will flow to principal (i.e. you'll make greater headway) so you should probably do it.

While the average student loan borrower in the U.S. has about \$38,800 to pay back – dentists have nearly 10 times that. According to the ADA, the average dental school grad emerges with almost \$300,000 in debt, up from \$55,000 in 1990. While any amount of school debt can make a monthly budget tough, this amount can wreak havoc. Here are some factors to consider and strategies to use for knocking down what you owe while still enjoying your adult life.

Look into federal repayment programs

Federal loans come with a variety of repayment options that private loans do not. Among them are an array of income-based repayment (IBR) programs. These typically limit monthly payments to 15% of your income with the remaining balance forgivable after 25 years. PLUS loans are only eligible for one type of income-based repayment plan. Private loans, or federal loans that you have refinanced with a private lender are not. For this reason, you want to be really careful about refinancing in the private market – despite low interest rates. Don't do it unless you are certain you won't need the flexibility that IBR provides. Note: Because you have to recertify your income each year on IBR if you have experienced a drop in income or loss of income during COVID, your payments can be modified to reflect that. Public Service Loan Forgiveness, which wipes away debt after 10 years of on-time loan repayment on an IBR program may also be an option if you work for a not-for-profit hospital, other not-for-profit organization or the government. And there are state and national programs for partial loan forgiveness and repayment if you work in an underserved area as well. The ADA has a list of programs at ADA.org.

Ask your employer for help

The most recent stimulus package allows employers to make tax-free contributions of up to \$5,250 a year to their employees' education debt. If your employer isn't doing this,

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it can't hurt to ask someone in human resources about this possibility. That way, the HR rep can ask management on your behalf. Remember, the answer is always no if you don't ask the question.

Consider refinancing private loans

Depending on the kind of loan you have, it's wise to see if you can refinance to a lower interest rate. Rates for loans are at record lows right now, says Taylor Venanzi, owner and financial planner with Activate Wealth. If, for example, you have a loan with an interest rate of 6 or 7 percent, and you can refinance at 3 or 4, "the lower monthly payment will definitely allow you to take a breath." Venanzi says he suggests clients choose fixed-rate loans over those with variable interest rates. Fixed rate loans are safer and stay the same over time, unlike variable rate loans, which, as their name suggests, have payments that can rise.

Build or sustain an emergency fund

Before tackling more than the minimum payment on your student debt, make sure you have three to six months worth of living expenses tucked away in a savings account so you have a buffer if something unexpected happens. Before you ask if that's REALLY necessary, consider this: We are all living through a global health pandemic so we know bad things happen and we have to be prepared.

Someone who is single with no children or other dependents can probably get away with saving a little less (on the three to four months side) compared to someone supporting a family of four who needs to make sure they have a full six months in their emergency stash. Once you have saved enough to create a cushion, Venanzi says, you can start prioritizing paying off high interest debt.

Make plans for the rest of your life

Once you've got your emergency fund, it's time to focus on your other #adultgoals. Retirement should be one of the first. To play the long game, you want to get to the point where you are saving 15% of what you make for your retirement. If you work for a practice that offers a retirement plan and matches contributions, job number one is to grab every one of those matching dollars – that's free money. If you run your own practice or work for one that doesn't have a retirement plan, aim to make a full contribution to an IRA or Roth IRA (that's \$6,000 this year.) If you can do more, open a

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SEP-IRA. It will allow you to put away up to 25% of your self-employment income with a cap of \$58,000.

When it comes to those other goals, here's a [budget breakdown](#) I created to help people pay off debt while still keeping the heat on. Your best bet is to figure out what you're aiming for, then automatically transfer whatever you can afford into an account specifically designated for that purpose. You'll have fun watching the money add up.

With reporting by Casandra Andrews.

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