




## Guide: How to Tackle Your Student Loans – Before, During, and After College





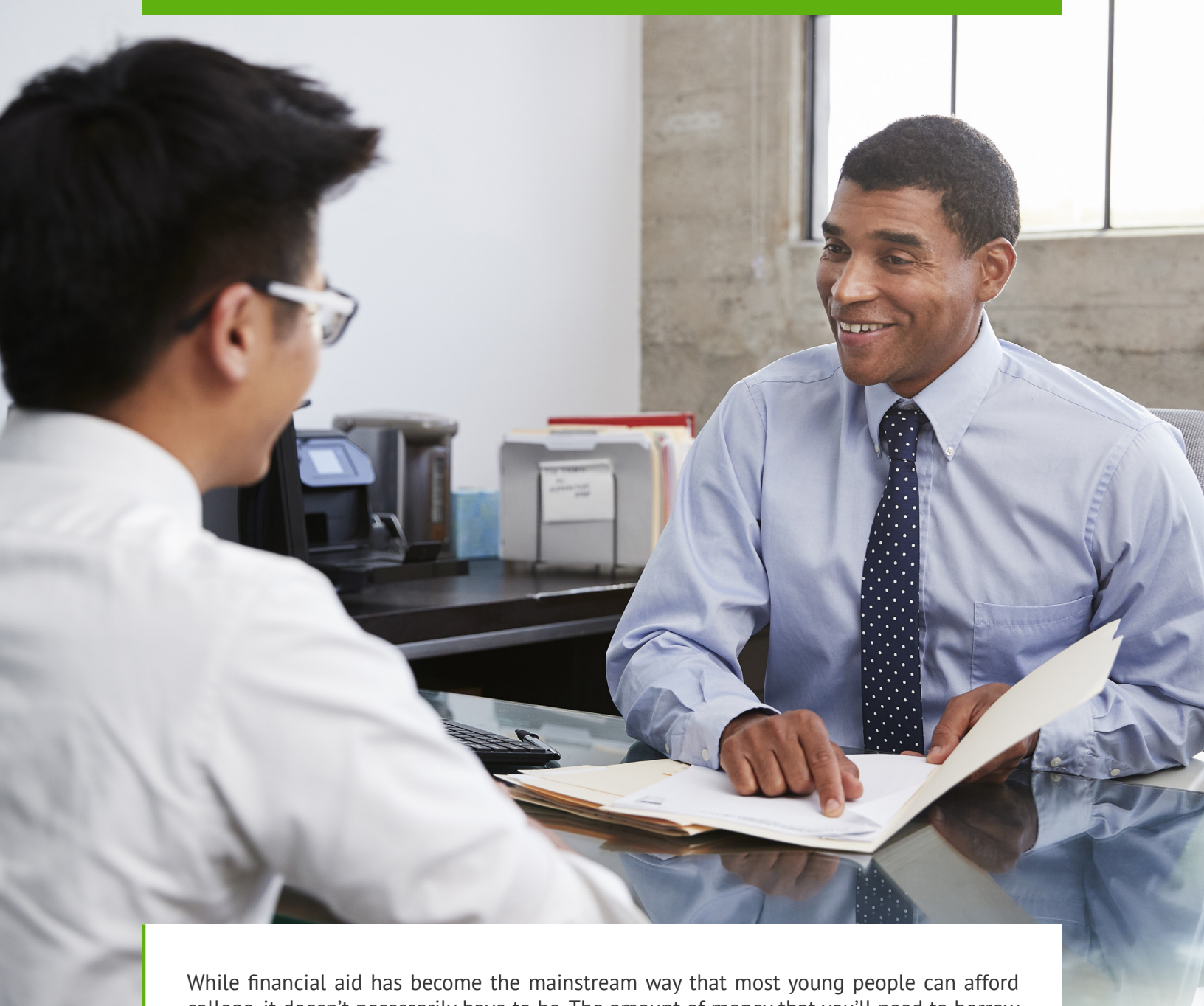


Student loan debt has become a financial plague for many young people. After graduation, the average student [owes approximately \\$30,000](#), and it's taking them [almost 20 years to pay off](#).

This issue is having serious implications for their financial futures and well-being. Because of the obligation to start paying back these student loans shortly after graduation, many people are:

- Feeling forced to take a job that is not in their chosen field.
- Feeling pressured to hold a job with unfavorable working conditions.
- Unable to afford other major purchases, such as a vehicle or home.
- Putting off major life events, such as getting married or having children.
- Forgoing other long-term financial goals, such as saving for retirement or starting a business.





While financial aid has become the mainstream way that most young people can afford college, it doesn't necessarily have to be. The amount of money that you'll need to borrow depends on more than just the cost of tuition. By focusing on the complete picture of what your expenses will be, you can begin taking steps to minimize them and decrease your exposure to debt.

Believe it or not, you don't always have to turn to financial aid to attend the university of your choice. There are several actions you could be taking at every level of your education that will have a profound impact on how much money you'll ultimately need to borrow.

In this guide, we'll go through several helpful tips that you can start implementing before college, during college, and post-graduation. In the end, you'll see that there are many practical ways to reduce your costs and keep your student loans to a minimum.

Ready to get started? Let's begin!



## Pre-college

Interestingly enough, much of your future dependency on student loans can be determined long before you ever even send in an application or set foot on campus. Through strategic planning and careful preparation, you may even be able to avoid debt altogether.

Here are some steps to help get you started:

### ***Why Are You Going to College in the First Place?***

Ask yourself: What's the real reason you'd like to go to college in the first place?

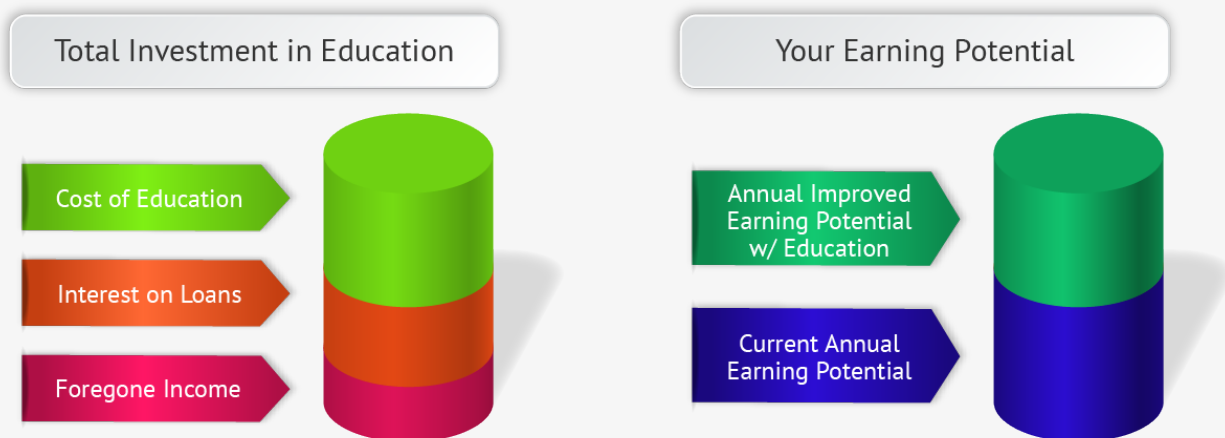
Maybe it's simply because you'd like to make a good living or not be financially limited later on in life due to your educational background. For others, it might mean the opportunity to pursue a long-held interest, learn new skills, help others, or do something they truly enjoy.

Regardless of your personal goals, consider whether a four-year degree will bring you closer to accomplishing them. Be open to the fact that you might be able to find success through other means, such as going into a skilled trade or becoming an entrepreneur.

**Pro tip:** Remember that you don't have to make these kinds of decisions on your own. Many adults in your life have wrestled with similar questions. Ask parents, relatives, teachers, or mentors what they think about the career path you're considering and hear them out.

If you really want to know if you're making the right decision, look for ways to sign up as an intern or co-op. It's better to find out now if the job you're considering will be one you'll truly love, or if there's a different path you should be taking.





### *Determine Your ROI*

Before deciding on a college, you may find it helpful to calculate the ROI (return on investment) of the educational path you choose. Just like business professionals use this metric to quantify and evaluate potential opportunities, you can use this calculation to

Before you get started, you'll need:

- The difference between how much money you could potentially earn over your lifetime with a college degree versus without a college degree.
- The total cost of obtaining your degree (4 years of tuition, fees, books, foregone income due to attending class, etc.)

Using these two values, you can calculate the ROI as follows:

$$\text{ROI} = \text{Difference in Income} / \text{Total Cost of Education}$$

Example:

- If you believe your lifetime earning potential with a degree is \$2.25 million and it would be \$1.25 million without a degree, then the difference is \$1 million (\$1M)
- You do some research and find that the total cost of getting your degree will be \$80,000 (\$80K)
- $\text{ROI} = \$1\text{M} / \$80\text{K} = 12.5$  or 1250%

The higher the number, the better the ROI.

Perform this calculation for several scenarios (different degrees, colleges, etc.) and then compare them to see how they stack up against one another. For instance, if you're trying to decide between becoming a doctor or an engineer, then crunching the ROI may help shed some light on which one will be more financially lucrative.



## *Perform a Break-even Analysis*

Similar to calculating the ROI, a break-even analysis will also help you to quantify various potential career paths.

A break-even analysis will reveal how many years you'd have to work to pay off your education. You can calculate break-even as follows:

**Break-even Point (Years) = Total Cost of Education / Difference in Income per Year**

For instance, using the same numbers as the ROI example:

- If you believe the difference between what you could earn with and without a degree is roughly \$33,333 per year,
- And you again assume the total cost of your education will be \$80,000,
- Then your break-even point would occur in  $\$80,000 / \$33,333 = 2.4$  years.

This metric sometimes helps you see opportunities from a more immediate perspective. In contrast, the ROI calculation is used to take a more comprehensive look at how your decision may be gauged across your lifetime.

Again, use this metric to evaluate various fields and career paths that seem interesting to you. Determine which ones will be worth the effort and which options you may want to pass up.

## *Earn Credits Early*

To help you get a head start, many high schools have a variety of ways for students to earn college credits. These opportunities may include:

- Taking advanced placement (AP) courses
- Enrolling in dual credit courses
- Passing college-level examination program (CLEP) tests
- Submitting prior life experience essays

A good way to start would be to check with your guidance counselor's office to see what opportunities they can offer.

## *Apply for Scholarships*

As cliché as it may sound, you'll definitely want to apply for scholarships and grants before you start attending college. Every dollar you're awarded will be one less dollar that you'll have to pay out of pocket or borrow in financial aid.

The first step is to fill out the [FAFSA \(Free Application for Federal Student Aid\)](#). The FAFSA is a form that you submit to the federal government that helps determine your eligibility for financial aid.

There is no cost or obligation to fill out the FAFSA. Plus, it's often used for some merit-based scholarships that base their awards on attributes like talent, academics, hobbies, ethnicity, etc.

Again, be sure to check with your school's guidance counselor's office to see if they have any recommendations for scholarships. You can also check with local organizations or groups on the Internet to see what they have to offer.





## During college

There's a common misconception that once you're in college, you'll be too busy to work or do anything about the bills you'll suddenly face. But that's not true.

Even though your studies are the primary focus, there are plenty of things you can do to keep your overhead low and your need for financial assistance to a minimum. Here's what I would recommend:

### *Start Planning a Budget*

For many young adults, going away to college will be their first time living on their own and managing their finances. Learning how to budget your money will be a very important skill to master, since it will be something you'll have to do throughout your life.

The easiest way to start out will be to prepare two budgets: one for your initial expenses and another for your in-school expenses. Doing this will help show you the reality of how much college costs, how much money you'll have for your living expenses each month, and what you can do to make an impact upon those expenses.

Here are the items you'll want to consider for your initial expenses:

- Test prep courses (for entrance exams)
- Testing and test report fees (for entrance exams)
- Application fees
- Transcript fees
- Essay editing services
- Traveling to campuses to view campus culture or for entrance interviews
- Attending orientations or open houses
- On-campus housing deposits
- Admissions counseling
- Moving costs
- Purchasing school supplies and/or equipment





Once you're attending classes, here are the expenses you'll want to include in your in-school budget.

- Tuition and fees
- Housing (whether on campus or independent). Don't forget that if you get an apartment, you'll also likely have to start paying for monthly utilities (electricity, gas), Internet, trash, etc.
- Meals
- Books
- Parking
- Entertainment

As you're thinking about each of these expenses, give some thought to how you will be able to afford them. Are you planning to work part-time or use some of your built-up savings to pay for these costs? If not, could you identify certain expenses that could be reduced or even eliminated?

**Pro tip:** An easy way to make a budget is to go to your favorite spreadsheet program (Microsoft Excel, Google Sheets) and download a free budget template. There are also plenty of handy apps such as Mint or YNAB where you can create and track your budget right from your smartphone.

### **Get a Side Hustle**

Nothing helps balance your budget like a little extra money in your pocket. And thanks to technology, there are plenty of ways to take on side work above and beyond having a part-time job.

To start making some money on the side, you could:

- Become a freelance writer or editor
- Design logos or cover art
- Tutor other students virtually
- Perform data entry
- Sell items over Etsy, Amazon, or eBay
- Serve as a virtual assistant
- And many others ...

The great thing about all these gigs is that they can be done over the Internet, from home and on your own schedule. Plus, in most situations, you can set your own wage rates.

### ***Keep on Applying for Scholarships***

Applying for scholarships and grants isn't something you only do one time before college. In reality, you should be repeating this process every year you attend, to continue reducing your tuition expenses.

Check with your local student resources department to see which ones are available. Again, you can also go online and see if there are any local groups or affiliations where you may be eligible.

### ***Accelerate toward Graduation***

The typical college student takes 12-15 credits per semester twice per year. However, when you do the math, that means it will take roughly 4-5 years to earn your degree.

Think back to your in-school budget. What does another year or so of college mean for your finances?

Now consider what would happen if you took 3 extra credits per semester or enrolled in the summer semester. Even though that would require a lot of additional effort, it may speed up your graduation timeline by as much as a year, which would help you save a boatload of money on expenses.







## *Minimize Your Living Expenses*

To keep your spending to an absolute minimum, you'll always want to be on the lookout for ways to curb your expenses. There are lots of things college students can do to keep their expenditures as low as possible:

- **Consider living at home.** Yes, I know – the fun part of going to college was the fact that you'd finally get to be on your own. But think about how much money you'd save on housing.
- If you absolutely do want to move out, **consider getting a roommate to split the cost of rent.** This step would also give you someone with whom to share your living expenses, such as utilities and food.
- **Compare all housing options carefully.** From time to time, off-campus housing may be less expensive than dorms or on-campus apartments, so be sure to check.
- **Tap into free money sources and discounts.** For instance, if you've got a parent who's an alumnus or a sibling attending the same school, some colleges may offer a reduction in tuition. Find out whether these types of discounts exist for you to tap into.
- **Buy used or rent textbooks.** If you and a roommate go to the same class, you may even want to share a textbook.
- **If you need furniture, borrow it or ask for hand-me-downs.** Second-hand stores are also a great place to find deep discounts.
- **Compare the cost of cooking for yourself against on-campus meal programs.** Cooking on your own is generally much cheaper and also lets you practice a skill that will be very valuable later on in life.
- **Consider alternative forms of transportation like buses, riding a bike, or even carpooling.** Not only will this reduce the cost of gas and wear and tear on your car, but it will also help you avoid the often expensive cost of paying for parking.

Again, every dollar you save now will be one less dollar that you'll be indebted to pay later on. So really try to look for opportunities to practice frugality.



## Post-college

So now you've earned your degree. You may even have just started an entry-level job in your field. Congratulations!

As you move into this next phase of adulthood, it will be time to start paying back your student loans. To start the payoff process as efficiently as possible without compromising your future financial goals, be sure to do the following:

### ***Plan Your New Budget***

Just like budgeting while you were in college was important, the same is true post-graduation. Your living expenses and earning potential have changed, so it will be beneficial that you start out on the right foot.

Again, go through the same exercise as before. List out all your anticipated living expenses and compare them to your income. Expenses might be things like:

- Rent for an apartment
- Car payment
- Food
- Utilities
- Insurance
- Work-related expenses
- Miscellaneous

From there, determine how much money you can reasonably afford to pay toward your student loan debt every month. Be sure that you'll be paying least the minimum payment for each loan. When possible, allocate as many additional funds as you can toward paying down the principal.





## ***Pay Off the Loan with the Highest Interest Rate First***

Looking for a helpful way to pay off your debts as quickly as possible? Try using a technique known as the debt avalanche strategy.

With the debt avalanche strategy, your goal is to pay off the loans with the highest interest rate first. Why? Because eliminating this debt will have the greatest impact on how much interest you'll be charged over your lifetime.

Here's how to use the avalanche technique:

- Make a list of all your loans and order them by interest rate from highest to lowest.
- Start paying off the one with the highest interest rate first. We'll call this Loan #1. Make the minimum payments on all your other loans, while you allocate as much as possible toward Loan #1.
- Once Loan #1 is paid off, change your focus to paying off the loan with the second-highest interest rate (Loan #2). In addition to paying off Loan #2, use the money you were using to pay off Loan #1 and reapply it to Loan #2.
- Once Loan #2 is paid off, keep on moving down the line and reallocating your payments.

As this process continues, the amount of money that you'll be applying toward each subsequent loan will compound, growing bigger and bigger. This technique will systematically accelerate your payment timeline and compress your payback schedule.

## ***Refinance Your Loan***

If your student loan is the first major credit you've ever applied for, then I have a secret to share: you can break up with it any time you want, as long as you can find a better one to take its place.

In financial terms, this is called "refinancing." Refinancing is when you take out a new loan to pay off your old loan. The advantage is that the new loan should be under better terms, such as:

- Lower interest rate
- Lower monthly payment
- More flexible terms

For example, if you have \$60,000 of debt that you have to pay back over 10 years at 9% interest, then you'll owe \$31,000 in interest. But if you can refinance your loan to one with a 6% rate, then the interest will drop to \$20,000. That's a savings of \$11,000 over the life of the loan!

There are literally hundreds of lenders who want to help you refinance your student loans. Check out such popular and reputable companies as SoFi and Earnest.



### ***Consolidate Your Loans into One***

If you have multiple student loans under various terms, then another option might be to simply merge them all into one. This process is known as “consolidation.”

Similar to a refinance, the goal of a consolidation loan would be to agree to terms that are cheaper than the average of all your other current loans, thereby saving you a ton of money in the long run. But another good reason to consolidate is that it will be much easier to manage one loan than to try to keep track of several loans from different places.

Again, it’s worth mentioning that you should do your homework and compare lenders before applying for a consolidation loan. Be sure you know who they are so you know you’re working with someone reputable.

### ***Reach Out for Help***

Debt can be a struggle for many people. And if you’re starting to have issues with trying to pay back your student loans, then absolutely do not hesitate to reach out for help.

Student loan resources are available for those who need it. Together, you and a professional can work together to do such things as:

- Change your payment due dates
- Adjust your payment plan
- Consolidate your loans under more favorable terms
- Organize a deferment or forbearance

Remember: even if you declare bankruptcy, you will not be released from your student loan obligations. The best thing you can do is to work with whatever resources are available to help you find a payment amount and schedule that is both reasonable and practical.





## Final Thoughts – The Key is to Plan Ahead

As the old saying goes: those who fail to plan will plan to fail.

Student loans are there to provide the financial aid that many students need in order to go to college. While that aid may be helpful in the moment, you must be careful or you could become indebted to these loans for years or even decades.

It's within your power to find alternative ways to pay for your education. The best way you can do so is to start planning financially prior to every stage of your education. The more you do now, the more you'll be able to pay for college on your own.

So don't wait. Start doing everything you can to reduce your dependency on student loans and take control of your financial future.

