

Plan For The Payoff When You Plan Your Student Loans

Planning ahead for college is not just a matter of getting good grades and accumulating a list of extracurricular activities and awards. It's also a process of understanding how to pay for tuition and living expenses during the college years, which often extends beyond the typical four-year period and sometimes also includes graduate school.

Parents tend to focus on a college degree as the payoff for all the time, effort, money and love they have invested in educating their child. So they invest significant time, money and effort in helping them get accepted by good schools and get situated comfortably when college begins.

But completing high school and entering college marks the beginning of the rest of your child's life, which generally involves repaying student loans. The payoff for anyone with student loan debt is budgeting successfully for monthly payments, and having the income to make them on time each month.

You may have the means to keep your student loan borrowing to a minimum, which is ideal. But many parents are looking for every financial advantage available in scholarships and loans. Working together with your child, begin early by considering all the options for minimizing total student loan debt and the forthcoming monthly payments. Do the math together, calculating future monthly loan payments using a student loan calculator. When your student understands the long-term consequences of accumulating student loan debt, with monthly payments larger than her apartment rent or car payments, she's likely to become more serious about reducing her student loan debt ahead of time.

Here are some ideas for starting your family conversation about planning for the payoff:

- Begin your journey by creating an account for both parent and student borrower at [StudentLoans.gov](https://studentloans.gov), which provides information on federal student loans, the ones with lower interest rates and more flexible repayment options.
- Inform your search for student loans at [ConsumerFinance.gov](https://consumerfinance.gov), which provides information on private (non-federal) student loans, which have higher interest rates and less flexible repayment options.
- Consider studying for a career in public service, which offers student loan forgiveness under the Public Service Loan Forgiveness Program. An initial career in government organizations at any level (federal, state, local or tribal) or not-for-profit organizations that are tax-exempt under Section 501(c)(3) of the Internal Revenue Code can lead to many other opportunities in the future.
- Explore the possibility of serving in the military prior to entering college. Active service members and veterans of all branches, including the National Guard and Reserves, have several student loan programs available to them under the GI Bill. A calculator to compare the various program benefits is available at [Vets.gov](https://vets.gov).
- Utilize a tax deduction of up to \$5,250 on tuition paid by or reimbursed by an employer. It's possible to get a job and get a college education at the same time, so giving consideration to getting a job first may be surprisingly smart. Both McDonald's and Starbucks offer employer-paid tuition assistance in certain states.

Many parents and students forget to focus on the reality of a higher-than-average income from technical training, often requiring only two years or less of school. Information technology might be the first type of tech training that comes to mind, but it's important to remember that plumbers and electricians are often billing more per hour than many attorneys.



Think about it: People will always need to live in structures requiring some form of plumbing. It's not a profession that can be outsourced overseas and it already pays more than an average wage.

A recent New York Times article reports, "Plumbers and the related trades of pipe fitters and steamfitters, who often work in commercial and industrial settings, earned median pay of about \$49,000 a year nationally, well above the \$35,000 average for all occupations, according to 2012 data from the Bureau of Labor Statistics. The top 10% earn more than \$84,000 a year. The average in big markets like Chicago and New York is about \$70,000."

Planning for college should start with reality, yet it often starts with some form of fantasy instead. If you ask a typical class of middle schoolers what they'd like for a career, you are likely to hear, "to be a YouTube star," or "to invent new computer games."

Middle school is not too early to begin talking about a real career, and how to prepare for it, plan for it and pay for it. By high school it's a necessity. Help your child see and understand the reality of student loans, and the big payoff they'll achieve by keeping them in line.