



Memorandum

Date: August 17th, 2023

To: Joseph Rinaldi

From: Michael Huber & Arjun Setty

Re: Navigating Student Loan Repayment

Step 1: Review Your Financial Picture

- Assess additional debts alongside student loans: Many added credit card, auto, and mortgage debt during the pandemic.
- Create a comprehensive list of income, expenses, and new student loan payments.
- Establish a new spending plan by accounting for minimum monthly loan payment.
- Prioritize making timely student loan payments to build credit history.
- If discretionary income remains, consider contributions to retirement funds, paying high-interest debt, and building an emergency fund.
- Explore income-driven repayment plans if you struggle to cover expenses.
- Evaluate loan forgiveness options by researching potential loan forgiveness programs or repayment options tailored to your profession.
- Consider consolidating federal loans to simplify repayment and potentially qualify for income-driven repayment plans or Public Service Loan Forgiveness (PSLF).

Step 2: Identify Areas to Cut Back

- Analyze your budget and address deficits caused by new student loan payments.
- Review spending habits and trim non-essential expenses like subscriptions, dining out, etc.
- Regularly track expenses to prevent overspending and adhere to your budget.
- Check eligibility for income-driven repayment plans to adjust payment terms.
- During the "on ramp" phase, missed student loan payments won't impact credit scores.
- Negotiate bills or monthly expenses, such as utility bills, insurance premiums, or subscription services.
- Use unexpected windfalls, such as tax refunds or bonuses, to make extra student loan payments and expedite the repayment process.

Step 3: Balance Debt Repayment and Retirement Saving

- Consider simultaneously repaying student loans and contributing to retirement.
- Prioritize 401(k) contributions to take advantage of employer matches.
- Early retirement savings can capitalize on compounding interest over time.
- Even small contributions now can significantly impact financial security later.
- Research if your employer offers any student loan repayment assistance programs.

Step 4: Paying Extra on Student Loans - How to Decide

- Fulfill important financial goals first: pay off high-interest credit card debt, create an emergency fund, and contribute to employer retirement accounts.
- Decide which student loans to pay extra on: prioritize private loans over federal due to greater protections.
- Focus on higher interest, variable rate loans before fixed, lower interest ones.
- Consider consolidation for lower fixed-interest rates, noting possible fees.
- Use the debt avalanche or snowball method to accelerate repayment.
- Choose the method that suits your preferences and situation.
- Make bi-weekly payments instead of monthly payments so your payments are less, but also more consistent.
- Explore federal loan forgiveness options, such as PSLF.

Step 5: Stay Focused on the Big Picture

- Embrace the return of student loan payments as a journey toward financial freedom.
- Take small steps to reduce the loan burden and focus on the long-term goal.
- Persistence is key to witnessing gradual loan reduction.
- Set your sights on financial milestones like homeownership and education savings.
- Use financial management tools and apps that can help track your progress, set goals, and provide insights into your debt repayment journey.
- Seek guidance from a financial advisor or counselor who specializes in student loan repayment strategies.
- Periodically review and adjust your financial plan as circumstances change, ensuring that you stay on track towards your broader financial goals.

By following these steps, you can navigate the challenges of student loan repayment, manage your finances effectively, and work towards achieving your broader financial goals.