

THREE TIPS

FOR PAYING BACK STUDENT LOANS

For thousands of grads, the six-month student loan grace period ends too soon. Grace periods are granted to give new grads time to find new jobs armed with their new degrees. Here are three tips for repaying student loans before that monthly due date becomes a reality.

1. Pretend you're already paying and start your emergency fund.

Log in to your accounts now and find out what your payment will be. Next, create a budget where you start setting that much aside each month in a separate savings account. Not only will this help make the payments less stressful when they're due, but it will also help you establish the start of your emergency fund, one of the pillars of financial security. Experts advise building three to nine months' worth of living expenses, but it will depend upon your situation. However, any emergency fund is better than no emergency fund, so don't let the higher amount scare you into not saving at all.

2. Choose your repayment plan wisely.

Federal student loans have a variety of repayment plans available. Before opting for the lowest payment, pay attention to the amount of interest you'll pay over the life of the loan. The standard repayment plan of 10 years of level payments may be the highest amount per month, but it's also the lowest amount of interest (meaning less money overall out of your pocket). Try for that option if you can. If you simply can't afford that monthly payment, it's ok to choose an income-based or graduated plan. Remember, you can always pay more than your monthly payment if you find extra money in your budget.

3. Try not to stress about your loans.

Depending on the total amount of loans you have outstanding, your balance or payments could feel overwhelming, especially when you think about what else that dollar amount could buy. Try not to focus on that and instead remember what it did buy: your education and ability to earn a higher income throughout your life. While it may seem to limit your financial goals, especially early in your career, student loan debt is an investment—much like a mortgage is an investment in a home. It will pay off for the rest of your life, so next time you find yourself stressing about those big numbers, remember what you'll be able to accomplish because of your education.