Money Secret: How to Use Debt Wisely

Good vs. Bad Debt

**Good** = Investment debt that creates value
- Mortgage
- Student loans
- Real estate or business loan

**Bad** = Credit cards
If you don’t pay the balance in full and waste money on interest
OR Borrowing money for items that go down in value fast, such as new cars and clothes

How Debt Affects Your Financial Future

The less you borrow in college, the more you’ll have to spend on things you want when you graduate, and the more you’ll have to invest for retirement, meaning you could retire early.

Student #1
- Borrowed $10,000 in student loans
- Total Interest Paid: $3,810
- Result: Was able to save for a down payment on her dream house in 2 years

Student #2
- Borrowed $20,000 in student loans
- Total Interest Paid: $7,619
- Result: Had to forgo vacations for 2 years to afford payments

Student #3
- Borrowed $30,000 in student loans
- Total Interest Paid: $11,492
- Result: Had to live with a roommate for 2 years to afford payments

Student #4
- Borrowed $40,000 in student loans
- Total Interest Paid: $15,239
- Result: Had to work an extra job for 2 years to afford payments

Tips for Shopping for Loans

Before you go, create a budget and know how much you can afford

Before you go, check your credit report for mistakes that could pull down your credit score & increase your interest rate (annualcreditreport.com)

Know you can “shop” for the best interest rates within 30 days and not affect your credit score

Remember, the longer you take to repay a loan, the more interest you’ll pay

For student loans, generally stick with federal loans - Private loans from banks and credit unions usually have higher interest rates

Student Loan Borrowing Guidelines

Using Your Monthly Gross Salary When You Graduate
We Recommend - Debt Payments = 10%

<table>
<thead>
<tr>
<th>Major</th>
<th>Average Salary</th>
<th>Maximum Amount to Borrow</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting</td>
<td>$39,064</td>
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<td>Political Science</td>
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Tips for Reducing Student Loan Debt

- Complete the FAFSA each year to qualify for grants and always apply for your department’s scholarships
- Take out Perkins Loans & Subsidized Stafford Loans first = You are not charged interest while in school
- Unsubsidized Stafford Loans = You are charged interest while in school
- Pay interest on unsubsidized loans while you’re in school
- Get a part-time job to reduce expenses and avoid taking on other debt when you’re in school
- Once you graduate, look into loan forgiveness programs for public service workers (government, non-profit) and teachers