

Successful Start and the Office of Student Services Present:

5 WEEKS, 5 MONTHS, 5 YEARS: A GUIDE TO YOUR NEXT STEPS

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WHY THIS SESSION?

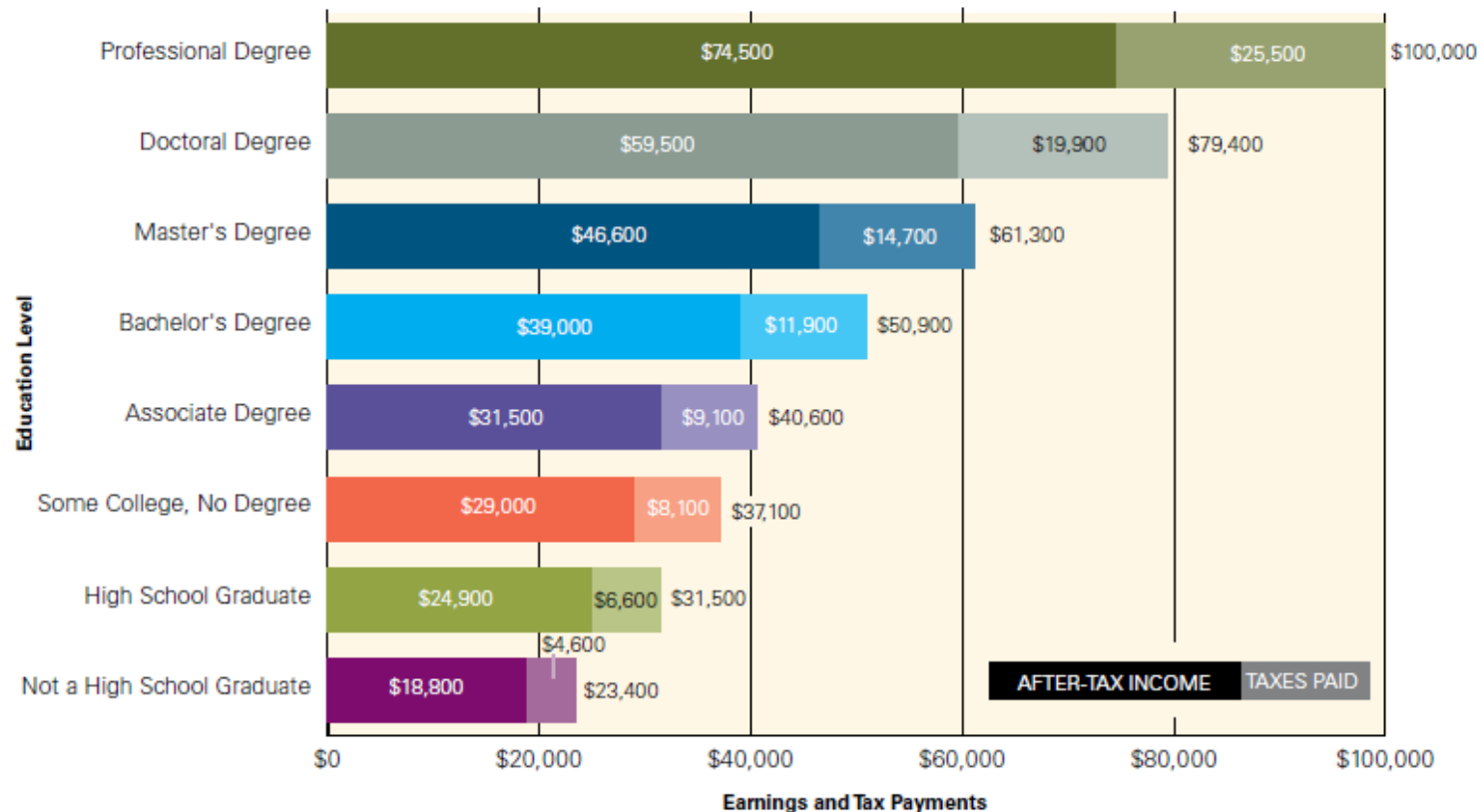
- ✖ Less than 25% of graduates take advantage of money saving offers due to a lack of understanding of the basic requirements needed to get the savings.
- ✖ Depending on your situation, these savings along with other money saving tips could total tens of thousands of dollars in your pocket over the next 10-30 years.
- ✖ In this economy, planning and budgeting are more relevant – and important – than ever.

SESSION OBJECTIVES

- ✖ Discover how you can take advantage of these savings.
- ✖ Ease your worries about the debt burden you have assumed while in school with money saving tips.
- ✖ Learn how to achieve financial wellness by taking action within the next 5 weeks, 5 months and 5 years!

EDUCATION PAYS

Figure 1.1: Median Earnings and Tax Payments of Full-Time Year-Round Workers Ages 25 and Older, by Education Level, 2005



Note: Taxes paid include federal income, Social Security, and Medicare taxes, and state and local income, sales, and property taxes.

Sources: U.S. Census Bureau, 2006, PINC-03; Internal Revenue Service, 2006; McIntyre et al., 2003; calculations by the authors.

The bars in this graph show median earnings at each education level. The lighter segments represent the average federal, state, and local taxes paid at these income levels. The darker segments show after-tax income.

Source: The College Board

5 WEEKS

QUICK POLL

- ✖ Who believes budgeting is important?
- ✖ Who is currently using a budget?
- ✖ Who always budgets?
- ✖ Who is actively saving?
- ✖ Who is planning to set saving as a priority?

BUDGETING

- ✖ How to Budget in 3 Easy Steps:
 - + Identify how dollars are spent today.
 - + Identify all sources of income and amounts.
 - + Set goals that reflect your true financial picture.

✖ Ex.

MONTHLY COSTS	AMOUNTS
Rent	\$750.00
Utilities (Cable, internet, electricity, gas)	\$70.00
Insurance (Renters/Drivers)	\$100.00
Phone	\$85.00
Car Payment	\$225.00
Gas	\$100.00
Food	\$250.00
Savings	\$300.00
Loan Payments	\$150.00
ESTIMATED SALARY:	\$2,500.00
TOTAL COSTS:	\$2,030.00
ESTIMATED PROFIT:	\$470.00

BUDGETING RESOURCES

✕ Mint – www.mint.com

- ✕ Register your accounts, track your assets, create budgets, help map your goals.



✕ Yodlee - www.yodlee.com

✕ Buxfer - www.buxfer.com

✕ Budget Tracker - www.budgettracker.com

✕ **OR:** an Excel spreadsheet

MONEY LEAKS & FINANCIAL DISCIPLINE

- ✖ Dinner out every Saturday night:
 - + \$25/week over 52 weeks = \$1,300 per year
- ✖ One tall Starbucks coffee per weekday:
 - + \$2/day over 260 week days = \$520 per year
- ✖ New iTunes album a week:
 - + \$9.99/week over 52 weeks = \$519.48 per year
- ✖ Total of monthly “leaks” = ~\$200
- ✖ Total for all three “leaks” = over \$2,330!

WHAT IF WE WERE SAVING THAT?

- ✖ Assuming that interest is compounded quarterly:



Saved a month	Int Rate - BoA Savings	Bal after year 1	Year 5	Year 10	Year 20	Year 30
\$100.00	0.05%	\$1,200.60	\$6,007.63	\$12,030.30	\$24,120.90	\$36,272.09
\$200.00	0.05%	\$2,401.20	\$12,015.26	\$24,060.60	\$48,241.79	\$72,544.19
\$300.00	0.05%	\$3,601.80	\$18,022.89	\$36,090.90	\$72,362.69	\$108,816.28
\$400.00	0.05%	\$4,802.40	\$24,030.52	\$48,121.20	\$96,483.58	\$145,088.37
\$500.00	0.05%	\$6,003.00	\$30,038.15	\$60,151.49	\$120,604.48	\$181,360.47



Saved a month	Int Rate - ING Savings	Bal after year 1	Year 5	Year 10	Year 20	Year 30
\$100.00	0.80%	\$1,209.60	\$6,123.53	\$12,496.72	\$26,033.17	\$40,695.86
\$200.00	0.80%	\$2,419.20	\$12,247.07	\$24,993.44	\$52,066.34	\$81,391.73
\$300.00	0.80%	\$3,628.80	\$18,370.60	\$37,490.16	\$78,099.51	\$122,087.59
\$400.00	0.80%	\$4,838.40	\$24,494.13	\$49,986.87	\$104,132.68	\$162,783.45
\$500.00	0.80%	\$6,048.00	\$30,617.67	\$61,248.59	\$130,165.85	\$203,479.31

SAVING TIPS

- ✖ Set specific, attainable goals
- ✖ Write them down
- ✖ Be willing to change your thinking and habits
 - + *Remember this when you get a raise!*
- ✖ Don't delay—a 1 year delay could cost you thousands in return
- ✖ Saving is the best way to achieve financial goals

HOW TO OBTAIN A CREDIT REPORT

✖ Credit Agencies

- + Equifax www.equifax.com
- + Experian www.experian.com
- + Trans Union www.transunion.com

✖ One free report from each agency every 12 months:

- + www.annualcreditreport.com

CREDIT SCORE FACTORS

- ✖ 35% Payment History
- ✖ 30% Amount Owed vs. Available Credit
- ✖ 15% Length of History
- ✖ 10% Amount of New Credit
- ✖ 10% Types of Credit
- ✖ 0% Number of Inquiries

5 MONTHS

KNOW WHAT YOU OWE

- ✖ Federal Stafford Subsidized Loan
- ✖ Federal Stafford Unsubsidized Loan
- ✖ Federal Perkins Loan
- ✖ Federal Grad PLUS Loan
- ✖ The MEFA Loan
- ✖ The Law Access Loan
- ✖ Credit Card Balances

- ✖ WWW.NSLDS.ED.GOV

STRATEGIC REPAYMENT

- ✖ Have a plan
- ✖ If you can pay, PAY
- ✖ Pay ahead whenever possible
- ✖ Focus on high interest debt first
- ✖ Understand the different repayment plans
- ✖ Use deferments and forbearances as tools
- ✖ Always pay interest (capitalization)
 - + Financial Literacy page @ BC:
www.bc.edu/content/bc/offices/stserv/financial/finaid/loanrepayment.html

DEFERMENTS AND FORBEARANCES

- ✖ Tools to allow you to temporarily suspend payments on federal loans
- ✖ Deferments require that you meet certain conditions such as being enrolled in school at least part-time
- ✖ Forbearances are at the lender's discretion

DEFERMENTS

- ✖ Payments may be suspended for a period of time
- ✖ Must apply for a deferment with servicer
- ✖ Must meet eligibility criteria—servicer will determine if you qualify
- ✖ Common reasons for deferment:
 - + At least half-time at eligible school
 - + Graduate fellowship program
 - + Rehabilitation training program
 - + Unable to find full-time employment
 - + Economic hardship
 - + Military

FORBEARANCES

- ✖ Temporary delay or adjustment to monthly payments (6-12 months in length)
- ✖ Must apply for forbearance with servicer
- ✖ Does not adversely affect credit
- ✖ Accrued interest will be capitalized at end of forbearance
- ✖ Common reasons:
 - + Financial hardship
 - + Illness
 - + Internships
 - + Disasters

REPAYMENT OPTIONS

- ✖ Standard Repayment
- ✖ Extended Repayment
- ✖ Graduated Repayment
- ✖ Income-Contingent Repayment (DL only)
- ✖ Income-Sensitive Repayment (FFELP only)
- ✖ Income-Based Repayment (since July 1, 2009)

TAKE ADVANTAGE OF TAX BREAKS NOW

- ✖ You can deduct up to \$2,500.00 per year in interest paid on educational loans
- ✖ Deduction is phased out as annual income moves over \$60,000.00 (\$120,000.00 for married taxpayers filing jointly)
- ✖ The deduction is completely eliminated when you earn more than \$75,000.00 annually (\$150,000.00 for married taxpayers filing jointly)

PUBLIC SERVICE LOAN FORGIVENESS

- ✗ Applies to Federal Direct Loans only
- ✗ Borrowers repaying federal Direct Loans who work in public service professions for 10 years can cancel any federal student loan balance that remains after that period
- ✗ FFELP borrowers can consolidate into DL even if they have already consolidated (started July, 2008)

PUBLIC SERVICE LOAN FORGIVENESS

- ✖ Eligible repayment plans:
 - + Income-Contingent Repayment
 - + Income-Based Repayment
 - + Standard Repayment

- ✖ Repayment plans NOT eligible:
 - + Extended
 - + Graduated

PUBLIC SERVICE LOAN FORGIVENESS

✕ Eligible Loans

- + Stafford Subsidized
- + Stafford Unsubsidized
- + Grad Plus
- + Consolidation
 - ✕ Perkins (if consolidated into a Direct Loan)

QUALIFYING JOBS

- ✘ H.R. 2669 defined a “public service job” as “a full-time job in **emergency management, government, military service, public safety, law enforcement, public health, public education** (including early childhood education), **social work in a public child or family service agency, public interest law services** (including prosecution or public defense or legal advocacy in low-income communities at a nonprofit organization), **public child care, public service for individuals with disabilities, public service for the elderly, public library services, school-based library sciences** and other school-based services, or at an organization that is described in section 501 (c)(3) of the International Revenue Code of 1986 and exempt from taxation under section 501 (a) of such Code; or (ii) teaching as a full-time faculty member at a Tribal College or University as defined in section 316(b) [of the Higher Education Act] and other faculty teaching in high-needs areas, as determined by the Secretary [of Education].”

UPCOMING SUCCESSFUL START EVENT

- ✕ *Student Loan Repayment*

- ✕ Monday, April 23rd

 - + 2:30 - 3:30pm

- ✕ Fulton Hall 145

 - + Learn about different options for paying back your student loans.

*Presented by **Kathy Rosa**, Associate Director, Student Account Receivables, Office of Student Services*

PUBLIC SERVICE LOAN FORGIVENESS AND IBR: MORE INFORMATION

✖ Overview

- + Links found on:
- + studentaid.ed.gov

✖ Fact Sheet

- + studentaid.ed.gov/students/attachments/siteresources/factsheet_PSLF.pdf

✖ IBR FAQ's

- + studentaid.ed.gov/students/attachments/siteresources/IBR_QA_FINAL_20111207.pdf
- + www.ibrinfo.org/faq.vp.html

5 YEARS

LOAN EXAMPLE

- ✖ Loan Balance: \$80,000.00
- ✖ Loan Interest Rate: 6.80%
- ✖ Loan Term: 30 years
- ✖ Monthly Loan Payment: \$521.54
- ✖ Number of Payments: 360
- ✖ Cumulative Payments: \$187,754.58

- ✖ Total Interest Paid: \$107,754.58

LOAN EXAMPLE—EARLY REPAYMENT

- ✖ Loan Balance: \$80,000.00
- ✖ Loan Interest Rate: 6.80%
- ✖ Loan Term: 15 years
- ✖ Monthly Loan Payment: \$710.15
- ✖ Number of Payments: 180
- ✖ Cumulative Payments: \$127,826.11
- ✖ Total Interest Paid: \$47,826.11
- ✖ You will save nearly **\$59,979.00** in interest charges. This savings translates into a guaranteed, tax-free, average annual return of 11%.

EXAMPLES OF 5 YEAR GOALS (OR SOONER...)

- ✖ Saved, liquid funds for 'rainy day'
 - + At least 6 month's living expenses
- ✖ Retirement funds
 - + 401(k), Roth, IRA, 403(b), etc.
- ✖ Savings for new car
- ✖ Savings for engagement or marriage costs
- ✖ Savings for real estate purchase/mortgage

WHO WANTS TO BE A MILLIONAIRE?

Age	Amount Saved Per Year	Years to Save	Amount at Age 65
25	\$2,259	40	\$1,000,000
35	\$6,079	30	\$1,000,000
45	\$17,459	20	\$1,000,000
55	\$62,745	10	\$1,000,000

***Assumed rate of return is compounded at 8%

LINKS & RESOURCES

- ✖ www.studentaid.ed.gov
- ✖ www.studentloans.gov
- ✖ \$ALT:
 - + www.bc.edu/salt
 - + www.saltmoney.org
- ✖ Financial Security Project @ BC:
 - + fsp.bc.edu
- ✖ Squared Away Blog:
 - + fsp.bc.edu/squared-away-blog
- ✖ www.finaid.org
- ✖ www.mint.com

QUESTIONS?

- ✕ www.bc.edu/successfulstart
- ✕ Email: successfulstart@bc.edu
- ✕ twitter.com/#!/SuccessfulStart