**Graduate Student Debts: Making the Right Decisions**

**PACES Program**

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**Finance Department**

July 1, 2012: Subsidized loans to grad students end. Adds hundreds to perhaps thousands dollars to grad students’ debts loads. Supported by both Republicans and Democrats.

Savings to government -- $21.6 B over ten years -- mostly goes to Pell Grants for poor UG students.

Maximum a grad student can borrow from federal gov’t. per year is $20,500 in Stafford Loans ($138,500 total over several years).

2004: Grad student debt $28K for master’s degrees

$45K for PhDs

Repayment: 10 years max with monthly payments, fixed or graduated

If principal is $30k or more, 25-year max. maturity. May be income based if income is low and/or family size is large.

Often pays to consolidate loans, reducing payment sizes

**Stafford Loan Interest Rates**

**Note:** Graduate Stafford Loans (both subsidized and unsubsidized) have a fixed interest rate of 6.8% through 2013.

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| **Academic Year** | **Subsidized Rates** | **Unsubsidized/Graduate Rates** |
|  |  |  |
| **2011-12** | **3.40%** | **6.80%** |
| 2012-13 | 6.80% | 6.80% |
| Current Stafford Loan interest rates in effect from 07/01/2011 to 06/30/2012 | | |

General Rule: Amount of student loans shouldn’t exceed starting annual salary.

Consider: Law School Debts – Can be $100,000

Medical School – Can be $200k - $300k

**Controlling Expenses**

Distinguish between needs and wants

Do you need coffee from Starbucks, aka, Fourbucks

Leasing a car doesn’t make much sense in the long run. Fleeces

Meals, new clothing, cell phones and plans, etc.

Make a budget – Do you know how?

Nothing good usually happens without a plan

Animal spirits: It’s easy to spend, difficult to not spend. A constant battle.

Some people find the envelop plan works

Live on an allowance

Live within your means

If you cannot do so, reduce your spending. It’s a matter of discipline.

No new clothes

No vacations

No trips back home

No restaurants

No alcohol

Seek medical care from GVSU’s Family Health Center

Ride bus – Rapid is free to any GVSU student showing ID

If have a mortgage, 30-year makes more sense than 15-year for someone with 30 years to work. Don’t payoff early. Investigate refinancing if rate is 5% or more.