Let's Talk Finances

How to Make Student Loans Work for You

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About 64,000 Wisconsin students graduated from high school this year, and about 60% of the class of 2019 have begun their first semester of college this fall, many of them taking on student loan debt in order to do so. Currently, roughly 900,000 Wisconsinites hold a total $24 billion in student loan debt, and the estimated time it takes to pay back those loans is 20 years. Those numbers may leave recent enrollees asking, “Is it worth it?”

Taking on student loans in order to obtain a college degree is still widely considered a smart financial investment by experts. According to the U.S. Bureau of Labor Statistics, median weekly earnings for a high school graduate is $718 (or around $37,000 per year), compared to the median weekly earnings for college graduates: $1,189 ($62,000 per year). That difference in earning potential shows that a college degree is still incredibly valuable, if you’re smart about debt. Here are some key strategies to make your student loans work for you.

Finish your degree. It may seem obvious, but completing all requirements and obtaining the degree you’re paying for by taking out loans is absolutely critical to success. Otherwise, it’s like buying a car but never driving it! Of course, sometimes students need to take a break from school due to other life circumstances. In that case, be sure to speak with your school’s enrollment staff so you understand how long you can be gone before you lose student aid or need to re-take certain credits. Knowing your options is key.

Do a cost/benefit analysis. While you don’t necessarily need to know exactly what you want to “be when you grow up” upon entering college, a critical step in making your student loans work for you is to compare the cost of your education (including room and board, books, and other non-tuition expenses) with your estimated income after graduation. Before taking on loans, every student should know the average starting salary of jobs within the field they want to enter. That will tell you how much of your anticipated income will need to go towards your student loans each month.

Get organized. The first thing to do is to organize all of the information you have for all of your student loans. Make a list or spreadsheet that organizes important information such as the name of the loan, the lender, interest rate, total principal (amount due), monthly payment, and when repayment is scheduled to begin. Different loans may have different grace periods (the amount of time after graduation you can wait before making your first payment), so the first payment may be due at different times for different loans.

Consider consolidating after graduation. A consolidation loan combines multiple loans into one for a single monthly payment and one fixed interest rate. There are several pros and cons to consider, however. Consolidating often extends the repayment period, meaning while you will have a lower monthly payment, it will take you longer to completely pay off the loan. However, it can also provide an interest rate break (especially if you have any variable rate loans) and the single payment is more convenient and simpler to budget for. Seek expert advice if you're considering consolidation as a strategy.