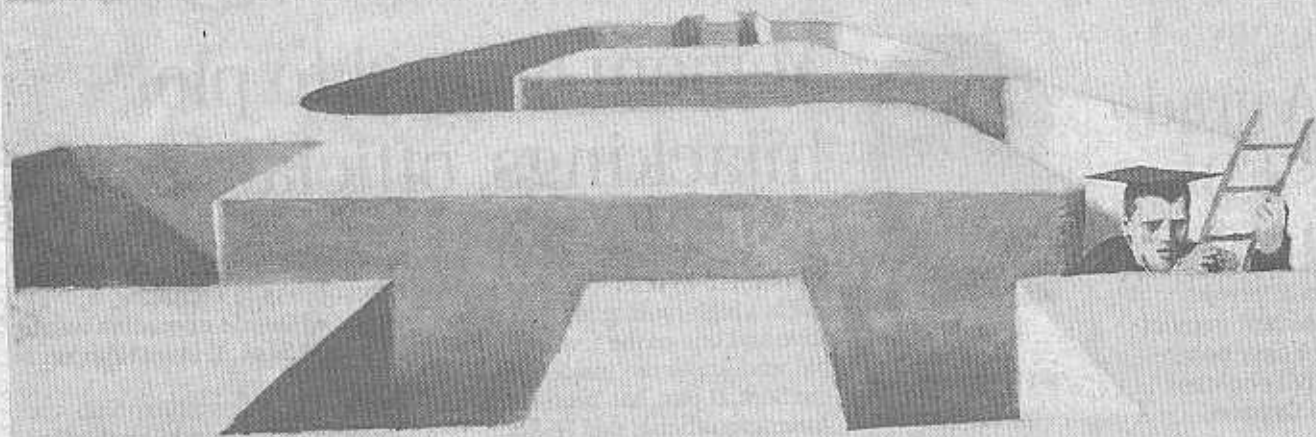


# Debt of gratitude

A college degree means higher earnings but not until that student loan is paid off



ORANGE COUNTY REGISTER/CRAIG PURSLEY

Everyone knows a college education is one of the best investments money can buy. A college grad can earn 80 percent more during a lifetime than a high school graduate, according to the College Board.

But with a tight job market and an average of \$17,000 to pay in student loans, recent graduates are probably wondering how long it will take to pay back their loans.

The Education Department says that 39 percent of student borrowers graduate with unmanageable levels of debt, meaning that their monthly payments absorb more than 8 percent of their take-home pay.

The good news is strategies are available for lowering your bill. And with any luck, you might even be able to pay off your loan ahead of schedule, freeing up cash for other long-term goals.

#### Paying down loans:

■ With interest rates so low, anyone looking to eradicate stu-

dent debt should first consider loan consolidation. That allows you to roll your existing federal loans into a single low-interest loan, which can lower your monthly payment by \$100 or more. You can apply the savings toward the principal on your loan, paying it off faster.

■ It's hard to do, but begin your long-term savings plan. For example, although contributions to a Roth IRA are not deductible compared to a traditional IRA, earnings in your account grow tax-free. And the plan allows investors to withdraw their principal (the portion they contributed) penalty-free after five years for student loan expenses. That means starting a nest egg and reducing debt.

■ Take advantage of every tax deduction available. Students are now able to write off a portion of the interest they pay on their loans. Currently, \$2,500 is the most you can write off against your taxable income, which translates to a tax savings of

about \$500 per year. But you must earn less than \$50,000 (or have a household income of less than \$130,000 if you're married.)

■ Be frugal, even after you land that first job. Live simply and keep your expenses to a minimum, if only for a few more years, so you can apply extra savings toward your loan. You could save a bundle and put a serious dent in that debt at the same time.

■ Make your debt payments on time. Some lenders offer special discounts for a consistent record of on-time payment or for allowing them to automatically debit your bank account for the payments. Under the Stafford student loan program, for example, if you make your first 24 scheduled monthly payments on time and you have borrowed more than \$8,334, you may earn a credit equivalent to the 3 percent origination fee you paid to secure the loan.

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